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Dirk Kempthorne, Governor, State of Idaho

RETIREMENT BOARD

Standing: Dennis L. Johnson, term expires July 1, 2005; J. Kirk Sullivan, term expires July 1, 2006
Sitting: Susan K. Simmons, term expires July 1, 2004; Jody B. Olson, Chairman, term expires July 1, 2007; Pamela I. Ahrens, term expires July 1, 2008

PERSI EXECUTIVE STAFF

Alan H. Winkle, Executive Director
Robert M. Maynard, Chief Investment Officer
John R. Doner, Deputy Director
James E. Monroe, Financial Officer
Judy Aitken, Member Services Manager
Susan Shaw, Benefits Manager
Becky Reeb, Communications Manager
Carol Boylan, Information Technology Manager
Gay Lynn Bath, Defined Contribution Manager
Brad Goodsell, Deputy Attorney General

PROFESSIONAL CONSULTANTS

Actuary:	Milliman USA, Inc., Seattle, WA
Auditor:	Deloitte & Touche LLP, Boise, ID
Investment:	Chadwick, Saylor & Co., Inc., Atlanta, GA GMAC Institutional Advisors, San Francisco, CA Hamilton Lane Advisors, Philadelphia, PA R.V. Kuhns & Associates, Portland, OR
Medical:	VPA, Inc., Calabasas, CA
Legal:	Calhoun Law Group, Washington, DC Foster, Pepper & Shefelman PLLC, Seattle, WA
Other:	William M. Mercer, Inc., Baltimore, MD
Investment Custodians:	Mellon HR Solutions, Uniondale, NY Mellon Trust, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID
Investment Managers:	Apollo Management, LP, Purchase, NY Baring Asset Management Co., Inc., Boston, MA Brandes Investment Partners, LP, San Diego, CA Capital Guardian Trust Company, Brea, CA Chisholm Partners, Providence, RI Clearwater Advisors, LLC, Boise, ID Columbus Circle Investors, Inc., Stamford, CT D.B. Fitzpatrick & Co., Boise, ID Deutsche Bank, Newark, NJ Furman Selz Investments, New York, NY Galen Partners III Limited, New York, NY Genesis Asset Managers, Ltd., London Goense Bounds & Partners, Lake Forest, IL Harvest Partners, Inc., New York, NY Highway 12 Ventures, Inc., Boise, ID Ida-West, Boise, ID Lend Lease Rosen, Berkeley, CA Littlejohn Fund, Greenwich, CT McCown DeLeeuw & Co., Menlo Park, CA Mellon Capital Management, San Francisco, CA MFS Institutional Advisors, Inc., Boston, MA Mountain Pacific Investment Advisors, Inc., Boise, ID Navis Partners, LP, Providence, RI Oaktree Capital Management, Los Angeles, CA Pareto Partners, London Providence Equity Partners, Inc., Providence, RI Prudential Investments, Newark, NJ Rowe Price International, London Saugatuck Capital Company, Stamford, CT Schroder Capital Management International, London State Street Global Advisors, Boston, MA T3 Partners II, LP, Fort Worth, TX TCW London International, Ltd., London Thomas H. Lee Equity Fund, Boston, MA Tukman Capital Management, Inc., Larkspur, CA Zesiger Capital Group, New York, NY

More information on the above investment professionals can be found on pages 46 through 48 in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employee Retirement System of Idaho

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PPCC

Public Pension Coordinating Council

Public Pension Standards

2003 AWARD

Presented to

Public Employee Retirement System
Of Idaho

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

ORGANIZATIONAL CHART

Retirement Board

Alan H. Winkle
Executive Director

John R. Doner
Deputy Director

Brad Goodsell
Deputy Attorney General

Joanne Ax
Management Assistant

Robert M. Maynard
Chief Investment Officer

- Richelle Sugiyama, Investment Officer
- Rose Marie Sawicki, Administrative Assistant 1
- Investment Managers
  See Investment Section for a list of managers – page 46

James E. Monroe
Financial Officer

- Cecile McMonigle, Senior Accountant
- Rhonda Yadon, Senior Accountant
- Tess Myers, Administrative Assistant 1
- JoAnne Dieffenbach, Financial Technician
- Sharon Simon, Financial Support Technician
- Alice Brown, Office Specialist 1
- Debbie Buck, Financial Unit Supervisor
- Jaimie Hiskey, Financial Technician
- Suzanne Jewell, Financial Technician
- Alan Roberts, Financial Technician
- Pam Whittekiend, Financial Technician
- Barbara Weirick, Financial Technician
- Ken Sholty, Financial Technician

Carol Boylan
Information Technology Manager

- Kris Colt, IT Information System Tech Sr.
- Nancy Fauver, IT Database Analyst
- Joy Fereday, IT Programmer Analyst Sr.
- Stacy Jones, IT Program System Specialist
- Ryan Evey, IT Programmer Analyst Sr.
- Stacy Parr, Web Developer
- Tim Thuis, IT Production Specialist

Judy Aitken
Member Services Manager

- Roger Bartlett, Member Services Rep
- Kari Caven, Member Services Rep
- Lynn Duncan, Member Services Rep
- Lisa Mabe, Member Services Rep
- Judith Porges, Member Services Rep
- Susan Strouth, Member Services Rep
- Catherine Atchison, Office Specialist 2
- Heidi Andrade, Office Specialist 2
- Jan Murphy, Administrative Assistant 1
- Judy Shock, Administrative Assistant 1
- Lynne Yowell, Administrative Assistant 1
- Mary Christensen, Audit Team
- Anna Garlock, Audit Team

Susan Shaw
Benefits Manager

- Lisa Coburn, Technical Records Specialist 2
- Melody Hodges, Technical Records Specialist 2
- Penny Walls, Technical Records Specialist 2
- Margi Bloom, Office Specialist 2
- Carrie Mason, Office Specialist 2
- Karen Miller, Office Specialist 2
- Lenna Strohmeyer, Office Specialist 2
- Cathy Andrews, Technical Records Specialist 1
- Kay Prince, Technical Records Specialist 1
- Gerry Sjol, Technical Records Specialist 1
- Marian Van Gerpen, Technical Records Specialist 1
- Shasta Luper, Office Specialist 1
- Julisa Adams, Customer Service 1

Becky Reeb
Communications Manager

- Bill Duncan, Training Specialist
- Maxine Thomas, Training Specialist

Gay Lynn Bath
Defined Contribution Specialist

- Betsy Griffith, Administrative Assistant 1
- Janelle Caitlin, Customer Service Rep 2

THE SYSTEM

The Public Employee Retirement System of Idaho (the System) is the administrator of three pension funds including two defined benefit retirement plans, the Public Employee Retirement “Base Plan” Fund (PERSI) and the Firemen’s Retirement Fund (FRF); one defined contribution plan, the PERSI “Choice Plan.” In addition, the System administers one agency fund, the Sick Leave/Insurance Reserve Fund.

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

Administrative expenditures consisting of the personnel costs, operating expenditures, and capital outlay necessary to operate the System are limited to those approved and appropriated by the Legislature for that purpose. In fiscal year 2003 (FY 2003), these costs totaled $6,614,117 for the defined benefit retirement plans, including $152,762 in depreciation and $1,266,272 in amortization expense, which are not cash expenditures and, therefore, not appropriated. The defined contribution retirement plan investment expenses are not included because they are paid by the plan members.

A total of 62 positions comprise the System staff operating from the home office at 607 North 8th Street, Boise, Idaho, and from two member service offices. The Coeur d' Alene office has two staff employees. The Pocatello office has three employees. The Executive Director and investment personnel are exempt positions and are appointed by the Retirement Board to serve at its pleasure. The Deputy Director is in an exempt position serving under the Executive Director. All other staff members serve under statutes and personnel rules governing classified state service.

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

SUMMARY OF PLAN PROVISIONS

DEFINED BENEFIT “BASE PLAN” PROVISIONS

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

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate and as of June 30, 2003, was 5.86% (7.21%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 9.77% (10.01%) as of June 30, 2002.

SERVICE RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

For each year of credited service, the monthly service retirement allowance as of June 30, 2003, was 2% (2.3%) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2003: for each year of service, the monthly benefit allowance was $19.62 ($23.54) to a maximum of the member's accrued benefit. Effective March 1, 2003: the monthly benefit allowance was $20.25 ($24.30).

NORMAL FORM

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

OPTIONAL FORMS

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

EARLY RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

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

FORMS

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

DISABILITY RETIREMENT

ELIGIBILITY

Active members must have five years of service and must be disabled from any employment. They are eligible from first day on the job if the disability is due to occupational causes.

AMOUNT OF ALLOWANCE

Projected service retirement allowance based on the highest 42 consecutive month average salary at the time of disability. The benefit is calculated using the accrued service at the time of disability plus the service which would have accrued through service retirement age had the disability not occurred. If a member has less than 360 months of service as of the date he is eligible for disability retirement, he will be given credit for the months of service he would have earned from the date the date of disability to the date he would have reached Service Retirement Age (65 for general members/60 for police and firefighters) had he not become disabled (360 months of credited service maximum). In other words, PERSI will give members up to 30 years of credit or to Service Retirement Age, whichever comes first. Monthly allowance is payable after all temporary compensation ceases and is offset by the amount payable as income benefit under worker's compensation law, except when offset by Social Security.

NORMAL FORM

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

DEATH BENEFITS

AFTER RETIREMENT

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

BEFORE RETIREMENT

1 Non-vested Members: Beneficiary receives a lump sum payment of the member's accumulated contributions plus interest.

2 Vested Members:
   - a Beneficiary receives a lump sum payment of two times the member's accumulated contributions plus interest.
   - b If the member is married, and the spouse is the sole beneficiary, the spouse may select a lump sum payment or a lifetime monthly benefit.
   - c If the member is married, but the spouse is not the sole beneficiary, the beneficiary may waive the lump sum, in which case, a lifetime monthly benefit is available to the surviving spouse.

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

SEPARATION BENEFIT

Accumulated member contributions with regular interest is payable upon becoming an inactive member separated from eligible employment. The Regular Interest Rate in effect for FY03 was 4.82% per year compounded monthly from July 1, 2002 through December 31, 2002, and 1.9% from January 1, 2003 through June 30, 2003.

POSTRETIREMENT ADJUSTMENTS

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

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

The COLA authorized and implemented March 1, 2003, was 1.0 %. Because of general economic conditions and an amortization period greater than 25 years for the Unfunded Actuarial Accrued Liability, a discretionary COLA amount of .8% was not awarded.

PERSI
Public Employee Retirement System of Idaho

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

Office Address
607 North 8th Street
Boise, ID 83702-5518

208-334-3365
1-800-451-8228
FAX 208-334-3805

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

Office Address
850 East Center, Ste. "D"
Pocatello, ID 83201

208-236-6225
1-800-762-8228
FAX 208-236-6159

COEUR D' ALENE
Mailing & Office Address
2005 Ironwood Pkwy.
Coeur d' Alene, ID 83814

208-769-1474

November 30, 2003

Dear Governor Dirk Kempthorne, Legislators and Members of the Retirement System:

We are pleased to present to you the Public Employee Retirement System of Idaho (the System) comprehensive annual financial report, for the fiscal year ended June 30, 2003 (FY 2003). This financial report is a historical perspective of benefits, services, and fiscal activities of the System. Included is a summary of our actuarial valuations, an independent auditor's report, an investment summary, and a statistical section.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERSI for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the 12th consecutive year that PERSI has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

REPORT STRUCTURE

This FY 2003 comprehensive annual financial report has five sections: the Introductory Section contains this letter of transmittal plus an overview of the fund; the Financial Section contains the independent auditor's report, management's discussion and analysis, the financial statements, and supplementary data; the Investment Section contains the fund's investment performance, strategy, and guidelines; the Actuarial Section contains the consulting actuary's certification letter and a summary of the results of the actuarial valuations and related data; and the Statistical Section contains tables of significant data.

This Letter of Transmittal is intended to serve as an overview of the System and to "transmit" information on the topics below

PLAN HISTORY

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

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

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

Legislation in 1979 mandated that the Firefighter's Retirement Fund be merged with PERSI effective October 1, 1980. Paid firefighters who were members of the original system, retain their original benefit entitlement, while paid firefighters hired after October 1, 1980, are entitled to PERSI benefits. An actuarial valuation of the firefighter member benefit entitlement is conducted every year, separate from the annual PERSI valuation.

In January 2001, PERSI implemented a “Gain Sharing” program as a way to distribute $155 million in excess investment earnings back to our active members, retirees and employer members. Retirees received their gain sharing as a “13th Check.” Employers received their share as a contribution “holiday.” Some 53,000 eligible active members received their portion as deposits into newly created defined contribution (DC) accounts. This new plan, which is in addition to PERSI’s traditional Defined Benefit (DB) “Base” Plan, is called the PERSI “Choice” Plan. It allows employees to actively participate in saving for their retirement.

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

SERVICES PROVIDED

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

In its 38th year of operation, the System continued a wide range of services to the employee and employer members. Members may visit our website, call, e-mail, or stop by one of the three offices for personal information and assistance regarding credited service, account balances, eligibility, benefit options and amounts, and other retirement matters.

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

System retirees are provided notices each time their net benefit amount changes. This notice gives the retiree a list of their itemized deductions from their gross benefit.

Separation and death benefits are paid in an orderly manner and as rapidly as possible. In some instances payments are expedited to avoid financial hardship on a member.

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

The staff of employer units responsible for reporting and handling retirement transactions and activities is provided training and assistance through monthly bulletins and personal contact by field service personnel on a regular basis and as needed. Employer records and reporting procedures are reviewed each year for accuracy and compliance with statutory provisions.

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

Pre-Retirement and Financial Planning Workshops are offered around the State covering financial planning, budgeting, investment basics, as well as Social Security and System benefits.

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2003, the number of active PERSI members increased from 62,376 to 62,385. The number of retired members or annuitants receiving monthly allowances increased from 24,018 to 24,991. The number of inactive members who have not been paid a separation benefit increased from 18,267 to 18,599. Of these inactives, 7,897 have achieved vested eligibility. Total membership in PERSI increased from 104,661 to 105,975 during the fiscal year. There are currently 668 public employers in Idaho who are PERSI members. Participating employers are listed in the Statistical Section of this report.

FINANCIAL MANAGEMENT

The financial statements and supplemental schedules included in this report are the responsibility of System management and have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board.

INDEPENDENT AUDIT

The System is audited annually, and for the fiscal year ended June 30, 2003, the audit was conducted by Deloitte & Touche LLP, an independent firm of Certified Public Accountants. Refer to the Independent Auditors' Report for the opinion.

INTERNAL ACCOUNTING CONTROL

As an agency of the State of Idaho, the System's administrative expenses are subject to the State's budget controls. Management is responsible for maintaining a system of internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization and are recorded as needed to maintain accountability for assets to permit preparation of financial statements. An internal control procedure has been established, and a budget report is prepared for the Board. We believe the internal controls in effect during FY 2003 adequately safeguard the assets and provide reasonable assurance regarding the proper recording of financial transactions.

FINANCIAL HIGHLIGHTS

Collection of employer and employee contributions, as well as income and gains from investments, provides the reserves necessary to finance retirement benefits. These income sources totaled $577,341,362 for all pension funds during the fiscal year ended June 30, 2003.

ADDITIONS:	
Contributions	$ 365,021,203
INVESTMENT INCOME:	
Net Appreciation (Depreciation) in Fair Value of Investments	40,395,034
Interest, Dividends and Other Investment Income	197,053,439
Less: Investment Expenses	(25,261,281)
Net Investment Income (Loss)	212,187,192
OTHER INCOME	132,967
Total Additions	$ 577,341,362

The payment of benefits is the primary expense of a retirement system. The payments, together with the expenses to administer the Plan, constitute the total expenses of the System. Expenses for FY 2003 are as follows:

DEDUCTIONS:

Benefits and Refunds	$ 316,047,470
Administrative Expenses	6,614,117
Transfers Out	1,555,049
Total Deductions	$ 324,216,636

Contributions and expenses continue to increase at a predictable rate. Investment income (loss) reflects changes in asset allocation, as well as overall market conditions.

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

The actuarial present value was calculated as part of an actuarial valuation at July 1, 2003. Significant actuarial assumptions used include: a rate of return on the investment of present and future assets of 8.0% compounded annually, (7.5% plus 0.5% for expenses); projected salary increase of 4.75% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 7.0% per year, depending on service and employee classification, and; 1.0% per year attributable to postretirement benefit increases.

At June 30, 2003, the unfunded actuarial liability on a current contribution basis was as follows:

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

	Valuation Date: Benefit Date:	July 1, 2003 July 1, 2003
A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors		$ 10,454.1
B. Actuarial Present Value of Total Future Normal Costs for Present Members		2,875.3
C. Actuarial Liability [A - B]		7,578.8
D. ORP Contributions		66.4
E. Actuarial Liability Funded by PERSI Contributions [C-D]		7,512.4
F. Actuarial Value of Assets Available for Benefits		6,297.8*
G. Unfunded Actuarial Liability (funding excess) [E-F]		$ 1,214.6
H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date		19.4 Years
I. Funded Ratio [F/E]		83.8%**

* The total available assets are $6,498.7 million, but are reduced by $200.9 million for assets used in plan operations and funds earmarked to provide excess benefits to former members of the Firefighter's Retirement Fund and the Idaho Falls Police Retirement Fund.

** The Funded Ratio includes the effects of the 1% mandatory COLA but not the additional discretionary COLA calculated at 1.2%.

ECONOMIC CONSIDERATIONS

The System operates within a dynamic economic environment, as do all investment funds. The objective of the Retirement Board is to minimize the effect of these external influences, where possible, by diversifying among a broad range of asset classes and investment management styles, both domestically and internationally. Such diversification, combined with prudent management by experienced investment professionals, increases the probability that the earnings objective will be achieved. The return for fiscal year 2003 was 3.22% net of expenses.

The Public Employee Retirement System of Idaho is funded on a sound actuarial basis, which protects future benefits for participants. Over the long-term, the Plan's assets should achieve their expected returns. However, short-term shortfalls in earnings targets could occur in unfavorable economic environments and/or unfavorable actuarial experience. As of June 30, 2003 the fund had an amortization period of 19.4 years.

INVESTMENT STRATEGY AND POLICIES

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

FUNDING STATUS

The funding objective of PERSI is to accumulate sufficient assets to ensure that funds will be available to meet current and future benefit obligations to participants on a timely basis. If the level of funding is high, the ratio of assets to the actuarial accrued liability is also greater, which means better investment income potential. Each year, an independent actuary engaged by PERSI calculates the amount of the annual contribution that the plans must make in order to fully meet their obligations to retired employees. As of June 30, 2003, the PERSI Base Plan has succeeded in funding 83.5% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 20.1 years as part of the annual required contribution calculated by the actuary. The closed Firemen's Retirement Fund remains an actuarially-funded plan. The Notes to Required Supplemental Schedules on page 36 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for both plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. For a more in-depth discussion of PERSI's funding, see Management's Discussion and Analysis and the Actuarial Section of this report.

MAJOR INITIATIVES

For FY 2003, the System received The Public Pension Coordinating Council (PPCC), Public Pension Standards Award. This award is In recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The PPCC is a confederation of the National Association of State Retirement Administrators (NASRA), National Conference on Public Employee Retirement Systems (NCPERS) and National Council on Teacher Retirement (NCTR).

For the past two years, PERSI has participated in a program by Cost Effectiveness Measurement Inc., that compares productivity and costs among 35 larger US public pension systems. Its April 2003 survey shows PERSI's total costs per member were $72 compared to the median cost of our peer group of $60 per member. The increased costs are driven by:

- A higher level of service than our peer systems (score of 75 out of 100)
- Being a smaller system we do not have the economies of scale
- Our relative workload is greater than the peer average system

- Greater effort in member communications and education.

Some examples of these workloads:

- Estimates: PERSI did 7,985 retirement estimates for members last year.
- Phone calls: PERSI handled some 125,694 incoming phone calls last year.
- Communications: During the year, PERSI gave 236 presentations to members.
- Refunds: PERSI paid 8,431 refunds last year.

In fiscal year 2003, PERSI began a new on-going survey program to determine how our members and employers perceive our service levels. From their opinions, we will establish goals and strategies for improving services. There are several different surveys for both employers and members. Some will be conducted every few years, while others will be on-going. Overall we wish to determine our customers' knowledge of PERSI benefits and services, experience with services, methods preferred for receiving information, and satisfaction with PERSI services. Some surveys will revolve around employer or member transactions with PERSI, such as a retirement application, separation benefit, disability determination, 401(k) rollover or 401(k) loan to determine:

- How was the process?
- Did the transaction take one or multiple contacts?
- How long did it take for questions/issues to be answered/resolved?
- How easy was it to complete the paperwork? What could make it better?
- How accurate were we?

Also during FY 2003 PERSI continued development of a new web-based knowledge management system for staff. The program, called the Online Guideline, is on our intranet and allows instant access to vast array of information. With the Online Guideline, staff can quickly research everything from statutes and rules to administrative procedures, past memos, historical figures, calculations and more. The Guideline has also been extremely useful in capturing what we call "tribal knowledge," or the information that previously only existed in people's heads. With a significant proportion of staff retiring within the next few years, it will be invaluable to have this information available to the next generation of PERSI staff members. Other benefits of the Guideline include having one consistent source of information so that no matter who is answering a question, the answer will be the same and will not need a call to a specific person to find an answer.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Jody B. Olson, Chairman   Alan H. Winkle, Executive Director   James E. Monroe, Financial Officer

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

To the Retirement Board of the Public Employee Retirement System of Idaho:

We have audited the accompanying basic financial statements of the Public Employee Retirement System of Idaho ("the System"), a component unit of the State of Idaho, as of June 30, 2003, and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such basic financial statements present fairly, in all material respects, the financial status of the pension funds and the financial position of the agency fund of the System as of June 30, 2003 and the changes in net assets of the pension funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the System taken as a whole. The required supplemental schedules on pages 34 through 36 and the additional supplemental schedules on pages 37 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The required supplemental schedules and the additional supplemental schedules are also the responsibility of the System's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The Investment Section, Actuarial Section and Statistical Section listed in the Table of Contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2003 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

November 10, 2003
Boise, Idaho

Management's Discussion and Analysis

Management is pleased to provide this Management's Discussion and Analysis (MD&A) of the financial activities of the Public Employee Retirement System of Idaho (PERSI) for the year ended June 30, 2003. This overview and analysis is designed to focus on current known facts and activities and resulting changes. We encourage readers to consider the information presented here in conjunction with information furnished in the Letter of Transmittal, beginning on page 11 of this report.

PERSI administers three fiduciary funds. These consist of two defined benefit pension trust funds, the PERSI Base Plan and the Firemen's Retirement Fund (FRF), and one defined contribution pension trust fund, the PERSI Choice Plan. PERSI also administers one agency fund, the Sick Leave/Insurance Reserve Fund. During fiscal year (FY) 2002, PERSI also administered another defined contribution plan, the Idaho Super Saver, State of Idaho 401(k) Plan, which was subsequently merged into the PERSI Choice 401(k) Plan in September of 2001.

Financial Highlights

Plan net assets for all pension funds administered by PERSI increased $253.1 million during the fiscal year 2003. The increase in the defined benefit plans was primarily due to the upward turn of the stock market. The increase in the Choice Plan was primarily due to new contributions. Each fund experienced an increase in net assets.

PERSI Base Plan	$234,644,584
Firemen's Retirement Fund	1,186,522
PERSI Choice Plan	17,293,620
Total Increase in Plan Net Assets	$253,124,726

Investments for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled. For the fiscal year ended June 30, 2003, the net rate of return on the pooled investment assets was 3.2 percent compared with a negative 7.1 percent for the prior year. Adverse market conditions were the primary cause of the 2002 decline, however in 2003, we experienced gains from the market's modest recovery. The net investment gain for all of the funds administered by PERSI for the fiscal year ended June 30, 2003, was $212.2 million.

Net Investment Gain	
PERSI Base Plan	$202,462,412
Firemen's Retirement Fund	5,856,406
PERSI Choice Plan	3,868,374
Total Net Investment Gain	$212,187,192

As of June 30, 2003, and 2002, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period for the unfunded actuarial liability for each of the defined benefit plans was:

	2003 Ratio	Amortization Period	2002 Ratio	Amortization Period
PERSI Base Plan	83.8%	19.4 years	84.9%	23.5 years
Firemen's Retirement Fund	58.8%	16.3 years	60.4%	16.0 years

In 2003, contributions and other income of $348.2 million and investment gains of $208.3 million exceeded deductions to net assets of $320.7 million by $235.8 million. This net increase brought the Plan's net asset base to $6.6 billion. For actuarial calculations, PERSI's actuary uses market value to determine the actuarial value of assets. For the July 1, 2003 valuation, the actuarial value of assets for the Base Plan was $6.3 billion. The aggregate actuarial liability for all PERSI Base Plan employers was $7.6 billion. On an actuarial basis, the assets held currently fund 83.8 percent of this liability.

PERSI's funding objective is to meet long-term benefit obligations through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. The funding ratio for FY 2000, prior to the market decline, was 116.5 percent. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 34 of this report. The actuarial funding ratio for the two defined benefit plans declined because of investment performance below the actuarial expected rate. However, the PERSI Board has initiated a systematic increase in the employee and employer contribution rates to provide a stable funding base and to bring the amortization period below the statutorily required 25-year period for the Base Plan. Because of these contribution rate increases, the amortization period of the unfunded liability has decreased and should continue to do so in the future based on current assumptions.

Using the Annual Report

This discussion and analysis is intended to serve as an introduction to PERSI's financial statements. The financial section is comprised of four components: (1) fund financial statements, (2) notes to the financial statements, (3) required supplementary information, and (4) other supplementary schedules.

Fund Financial Statements—There are two financial statements presented for the fiduciary funds. The Statement of Plan Net Assets as of June 30, 2003, indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Plan Net Assets for the year ended June 30, 2003, provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net asset value on the Statement of Net Assets. All pension fund statements are presented on a full accrual basis and reflect all trust activities as incurred.

Notes to Financial Statements—The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 12—19 of this report.

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

Other Supplemental Schedules—The additional schedules (Schedule of Administrative Expenses, Schedule of Investment Expenses, and Combining Statement of Changes in Assets and Liabilities—Agency Fund) are presented for additional analysis.

Comparative Financial Statements

Defined Benefit Pension Trust Funds

The PERSI Base Plan and the Firemen's Retirement Fund are qualified plans under Internal Revenue Code and provide retirement and disability benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments.

Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2003	As of June 30, 2002	$ Change	Percent Change
Assets				
Cash	$ 4,601,647	$ 2,661,834	$ 1,939,813	72.9%
Investments Sold Receivable	423,823,952	926,386,992	(502,563,040)	54.2
Other Receivables	34,399,504	42,514,918	(8,115,414)	19.1
Investments, at Fair Value	6,541,160,698	6,256,290,871	284,869,827	4.6
Prepaid Retiree Payroll	23,368,629	21,538,485	1,830,144	8.5
Capital Assets, Net of Accumulated Depreciation	5,969,402	7,388,436	(1,419,034)	19.2
Total assets	7,033,323,832	7,256,781,536	(223,457,704)	3.1
Liabilities				
Investments Purchased Payable	528,243,843	987,595,173	(459,351,330)	46.5
Benefits and Refunds Payable	272,338	328,778	(56,440)	17.2
Other Liabilities	6,122,413	6,072,695	49,718	0.8
Total Liabilities	534,638,594	993,996,646	(459,358,052)	46.2
Net Assets Available for Benefits	$6,498,685,238	$6,262,784,890	$ 235,900,348	3.8

The fiscal year ended June 30, 2003, was most notably marked by an overall upturn in the investment markets. Other Receivables is lower at the end of FY 2003 because of improvements in the timeliness of contribution collections.

The percent change in Investments Sold Receivable and Investments Purchased Payable fluctuates as the volume of securities bought and sold by PERSI's professional investment managers' changes. The cash balance fluctuates due to operating cash requirements and the timing of transfers to investment managers. These fluctuations are normal.

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2003	Year Ended June 30, 2002	Dollar Change	Percent Change
Additions				
Employee Contributions	$ 131,280,812	$ 124,367,172	$ 6,913,640	5.6%
Employer Contributions	216,809,495	215,108,401	1,701,094	0.8
Investment Income (Loss)	208,318,818	(495,093,448)	703,412,266	142.1
Other Additions	132,967	142,940	(9,973)	7.0
Total Additions	556,542,092	(155,474,935)	712,017,027	458.0
Deductions				
Benefits and Refunds Paid	314,095,652	290,066,704	24,028,948	8.3
Administrative Expenses	6,614,117	6,945,939	(331,822)	4.8
Other Deductions	1,217	19,962	(18,745)	93.9
Total Deductions	320,710,986	297,032,605	23,678,381	8.0
Changes in Net Assets Available for Benefits	$ 235,831,106	$(452,507,540)	$ 688,338,646	152.1

Investment Income and Changes in Net Assets Available for Benefits increased from FY 2002 to FY 2003 because of an upward swing in the investment market.

Defined Contribution Pension Trust Fund

During FY 2003, PERSI administered one defined contribution plan. The PERSI Choice Plan, which consists of a 401(k) and a 414(k) component and is a qualified plan under Internal Revenue Code, provides retirement benefits to members of the Defined Benefit Pension Trust Funds. The Choice Plan was created during FY 2001. The 401(k) component consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k) component represents the Gain Sharing allocation made to eligible PERSI members during FY 2001. During the first quarter of FY 2002, PERSI also administered the Idaho Super Saver 401(k) Plan, a qualified 401(k) defined contribution pension plan, open only to the employees of the State of Idaho. Employees were allowed to make tax-deferred contributions through September 2001, when the Plan was merged into the PERSI Choice Plan.

PERSI Choice Plan Net Assets

	As of June 30, 2003	As of June 30, 2002	Dollar Change	Percent Change
Assets				
Cash	$ 195,899	$ 69,242	$ 126,657	182.9%
Investments, at Fair Value	103,477,653	86,624,027	16,853,626	19.5
Other Receivables	250,823		250,823	100.0
Total Assets	103,924,375	86,693,269	17,231,106	19.9
Liabilities				
Other Liabilities	6,728	-	6,728	100.0
Net Assets Available for Benefits	$ 103,917,647	$ 86,693,269	$17,224,378	19.9

Investments increased from FY 2002 to FY 2003 because of employee contributions of $13.2 million and the upward swing in the investment market of $3.9 million. Other Receivables are primarily contributions that are not yet recorded by the recordkeeper at year end. Liabilities were recorded because of June 2003 management fees that weren't charged to the Plan accounts until July 2003.

PERSI Choice Plan Changes in Net Assets

	Year Ended June 30, 2003	Year Ended June 30, 2002	Dollar Change	Percent Change
Additions				
Employee Contributions	$ 14,582,027	$ 9,608,354	$ 4,973,673	51.8%
Employer Contributions	286,535	5,290,488	(5,003,953)	94.6
Investment Income (Loss)	3,868,374	(3,765,041)	7,633,415	202.7
Transfers In	2,062,334	35,004,407	(32,942,073)	94.1
Total Additions	20,799,270	46,138,208	(25,338,938)	54.9
Deductions				
Benefits and Refunds Paid	1,951,818	1,891,235	60,583	3.2
Administrative Expenses		67,719	(67,719)	100.0
Transfers Out	1,553,832	13,001,528	(11,447,696)	88.0
Total Deductions	3,505,650	14,960,482	(11,454,832)	76.6
Changes in Net Assets Available for Benefits	$ 17,293,620	$ 31,177,726	$ (13,884,106)	44.5

Investment Income increased from FY 2002 to FY 2003 because of an upward swing in the investment market.

Transfers In and Out normally only include rollovers from/to other plans. For FY 2002, the elevated balance in Transfers In included a large, infrequent event. As of September 30, 2001, a $22.0 million transfer of the balance of the Idaho Super Saver 401(k) Plan net assets went into the PERSI Choice Plan, at which point the Super Saver Plan was closed. Additionally, between FY 2002 and FY 2003, a minor change in reporting occurred where member-initiated transfers between investment options within the Plan were no longer reported as Transfers since money wasn't coming in or leaving the overall Plan. The decrease in Administrative Expenses from FY 2002 to FY 2003 is due to a classification error in FY 2002 of investment management fees that are more correctly charged against Investment Income in FY 2003. Employee Contributions grew due to an increase in the number of employees and salary deferrals. Changes in Employer Contributions vary up or down according to individual employers' desire to match employee contributions.

Agency Fund

The Sick Leave/Insurance Reserve Fund provides payment of retiree health insurance premiums on behalf of their former employers, based on accumulated unused sick leave at the time of retirement. PERSI administers these funds.

Agency Fund Balance Sheet

	As of June 30, 2003	As of June 30, 2002	Dollar Change	Percent Change
Assets				
Cash and Short-term Investments	$ 81,049	$ 30,844	$ 50,205	162.8%
Receivables	1,256,772	779,826	476,946	61.2
Investments, at Fair Value	139,002,638	123,299,472	15,703,166	12.7
Total Assets	$140,340,459	$ 124,110,142	$16,230,317	13.1
Liabilities				
Due to State Agencies and School Districts	$140,322,323	$124,095,270	16,227,053	13.1
Other Liabilities	18,136	14,872	3,264	21.9
Total Liabilities	$140,340,459	$124,110,142	$16,230,317	13.1

The increase in Cash and Short-term Investments is due to a higher cash balance held at the State Treasurer's Office because of actual expenditures being less than expected for June 2003. One-time adjustments resulted in the lower receivable balance in June 2002.

Plan Membership

This table reflects PERSI Base Plan and Choice Plan membership at the beginning and end of the fiscal year.

Changes in Plan Membership

	Base Plan			Choice Plan		
	2003	2002	Change	2003	2002	Change
Active Participants	62,385	62,376	0.0 %	43,141	45,881	(6.0) %
Actively Contributing				5,414	4,919	10.1
Vested	38,947	38,139	2.1			
Non-Vested	23,438	24,237	(3.3)			
Retirees & Beneficiaries	24,991	24,018	4.1	1,685	1,000	68.5

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

Changes in Retirees & Beneficiaries (Base Plan)

Beginning (7/1/02)	24,018
Retirements	1,769
Death of Retiree/Beneficiary	(796)
Ending (6/30/03)	24,991

Investment Activities

Long-term asset growth is vital to the Defined Benefit Plan's 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, collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international global equities, domestic and international global fixed income, and real estate.

Economic Factors

PERSI, like any pension fund, has a broad range of opportunities for investment in the open market, as well as many choices for asset allocation and investment managers. For purposes of comparison, the table of Investment Results on pages 47 and 48 in the Investment Section of this report indicates various index returns, which are reflective of the market environment available.

As a result of the FY 2002 amortization period calculation being 39.3 years, the Board increased contribution rates 1 percent per year for three years beginning July 2004. The maximum amortization period allowed by state law for the Base Plan is 25 years. With the consideration of this increase, our amortization period before any cost of living adjustment (COLA) as of July 1, 2003 is 19.4 years.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF PLAN NET ASSETS—PENSION FUNDS AND BALANCE SHEET—AGENCY FUND
JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR JUNE 30, 2002

	Pension Funds				Agency Fund	Totals	
			PERSI Choice Plan		Sick Leave/ Insurance Reserve Fund		
ASSETS	PERSI Base Plan	Firemen's Retirement Fund	414(k)	401(k)		2003	2002
CASH AND CASH EQUIVALENTS	$ 4,472,010	$ 129,637	$ -	$ 195,899	$ 81,049	$ 4,878,595	$ 2,761,920
INVESTMENTS, AT FAIR VALUE:							
Fixed income investments:							
Domestic	1,425,271,588	41,316,430			52,561,298	1,519,149,316	1,640,621,331
International	73,388,230	2,127,412				75,515,642	15,995,371
Idaho commercial mortgages	290,141,541	8,410,757				298,552,298	306,568,058
Short-term investments	215,988,908	6,261,186				222,250,094	179,667,406
Real estate	32,579,102	944,418				33,523,520	33,450,352
Equity Securities:							
Domestic	2,759,964,709	80,007,130			86,441,340	2,926,413,179	2,442,496,115
International	1,426,380,021	41,348,562				1,467,728,583	1,624,809,820
Private equity	133,170,302	3,860,402				137,030,704	135,981,890
Mutual funds			47,708,314	55,769,339		103,477,653	86,624,027
Total investments	6,356,884,401	184,276,297	47,708,314	55,769,339	139,002,638	6,783,640,989	6,466,214,370
RECEIVABLES:							
Investments sold	411,909,114	11,914,838				423,823,952	926,386,992
Contributions	5,544,047	556,378		197,724		6,298,149	10,378,685
Interest and dividends	27,503,515	795,564		53,099		28,352,178	32,136,233
Total receivables	444,956,676	13,266,780	-	250,823	-	458,474,279	968,901,910
ASSETS USED IN PLAN OPERATIONS, NET (Note 5)	5,969,402					5,969,402	7,388,436
DUE FROM OTHER FUNDS					1,256,772	1,256,772	779,826
RETIREE PAYROLL IN PROCESS	23,368,629					23,368,629	21,538,485
Total Assets	$ 6,835,651,118	$ 197,672,714	$ 47,708,314	$ 56,216,061	$ 140,340,459	$ 7,277,588,666	$ 7,467,584,947

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF PLAN NET ASSETS—PENSION FUNDS AND BALANCE SHEET—AGENCY FUND
JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR JUNE 30, 2002

	Pension Funds				Agency Fund	Totals	
		Firemen's	PERSI Choice Plan		Sick Leave/ Insurance		
LIABILITIES AND FUND BALANCE	PERSI Base Plan	Retirement Fund	414(k)	401(k)	Reserve Fund	2003	2002
LIABILITIES:							
Due to state agencies and school districts	$ -	$ -	$ -	$ -	$ 140,322,323	$ 140,322,323	$ 124,095,270
Accrued liabilities	4,735,177	130,464	6,728		18,136	4,890,505	5,307,741
Benefits and refunds payable	272,338					272,338	328,778
Due to other funds	1,256,772					1,256,772	779,826
Investments purchased	513,393,479	14,850,364				528,243,843	987,595,173
Total liabilities	519,657,766	14,980,828	6,728	-	140,340,459	674,985,781	1,118,106,788
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see supplemental schedules of funding progress)	$ 6,315,993,352	$ 182,691,886	$ 47,701,586	$ 56,216,061	$ -	$ 6,602,602,885	$ 6,349,478,159

See notes to financial statements.

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS—PENSION FUNDS
YEAR ENDED JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2002

	Pension Funds				Totals	
	PERSI Base Plan	Firemen's Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)	2003	2002
ADDITIONS:						
Contributions:						
Members	$ 131,108,100	$ 172,712	$ -	$ 14,582,027	$ 145,862,839	$ 135,637,682
Employers	206,694,047	10,115,448		286,535	217,096,030	220,398,889
Transfers in			1,217	2,061,117	2,062,334	36,812,117
Total contributions	337,802,147	10,288,160	1,217	16,929,679	365,021,203	392,848,688
Investment income (loss):						
Net appreciation (depreciation) in fair value of investments	38,096,299	1,101,970	1,530,613	(333,848)	40,395,034	(663,804,822)
Interest, dividends and other investment income	188,829,076	5,462,049	34,520	2,727,794	197,053,439	188,602,599
Less: investment expenses	(24,462,963)	(707,613)	(76,832)	(13,873)	(25,261,281)	(26,453,431)
Net investment income (loss)	202,462,412	5,856,406	1,488,301	2,380,073	212,187,192	(501,655,654)
Other, net	132,967				132,967	137,215
Total additions	540,397,526	16,144,566	1,489,518	19,309,752	577,341,362	(108,669,751)
DEDUCTIONS:						
Benefits and refunds paid to plan members and beneficiaries	299,137,607	14,958,045	1,921,688	30,130	316,047,470	292,533,284
Administrative expenses	6,614,117				6,614,117	7,034,588
Transfers out	1,217			1,553,832	1,555,049	36,812,117
Total deductions	305,752,941	14,958,045	1,921,688	1,583,962	324,216,636	336,379,989
INCREASE (DECREASE) IN NET ASSETS	234,644,585	1,186,521	(432,170)	17,725,790	253,124,726	(445,049,740)
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	6,081,348,767	181,505,365	48,133,756	38,490,271	6,349,478,159	6,794,527,899
NET ASSETS HELD IN TRUST, END OF YEAR	$ 6,315,993,352	$ 182,691,886	$ 47,701,586	$ 56,216,061	$ 6,602,602,885	$ 6,349,478,159

See notes to financial statements.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002

1. GENERAL DESCRIPTION OF THE FUNDS

General—The Public Employee Retirement System of Idaho (the System) is the administrator of three pension plans including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI) and the Firemen's Retirement Fund (FRF); and one defined contribution plan, the Public Employee Retirement Fund Choice Plan. In addition, the System administers one agency fund, the Sick Leave/Insurance Reserve Fund.

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

Defined Benefit Retirement Plans—PERSI 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 PERSI are Title 59, Chapter 13 and Title 50, Chapter 15 of Idaho Code. Statutes governing FRF are Title 72, Chapter 14 of 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% police/firefighters) of the average monthly salary for the highest consecutive 42 months.

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2003, the number of participating employer units in PERSI was:

Cities	142
School districts	131
Highway and water districts	119
State subdivisions	99
Counties	39
Other	138
	668

As of June 30, 2003, the number of benefit recipients and members in the System consisted of the following:

Members:	
Active	62,385
Terminated and vested	7,897
Retirees and beneficiaries	24,991

FRF has 22 participating employer units all consisting of fire departments participating in PERSI. As of June 30, 2003, there were 57 active members and 576 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 PERSI. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

The benefit payments for PERSI and FRF are calculated using a benefit formula adopted by the Idaho Legislature. PERSI 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 cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature. The cost of living increase for the FRF is based on the increase in the statewide average firefighter's wage.

PERSI and FRF benefits are funded by contributions from members and employers and earnings from investments. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. Member and employer contributions are paid as a percentage of applicable member compensation. PERSI member contribution rates are defined, by state law, as a percentage of the employer contribution rate. FRF member contribution rates are fixed by state law. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the System.

Costs of administering the fund are financed through the contributions and investment earnings of the System.

Upon termination of employment, accumulated member contributions plus interest, accrued at 1.90% January 1, 2003 through June 30, 2003 (4.82% July 1, 2002 to December 31, 2002) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Defined Contribution Retirement Plan—The PERSI Choice Plan (the Plan) is a defined contribution retirement plan. The statute governing this plan is Idaho Code Title 59, Chapter 13. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

The PERSI Choice Plan is a defined contribution pension plan made up of a qualified 401(k) component and a 414(k) component. The assets of the components of this Plan are commingled. The 401(k) portion of the Plan is open to all active PERSI Base Plan members and was established February 1, 2001. On May 1, 2001, this Plan became open to voluntary employer matching contributions at rates determined by the employers. Beginning in January 2002, employees could make tax-deferred contributions at 1-100% of their gross salary less deductions and subject to the IRS annual contribution limit. The 414(k) portion of the Plan was established for Gain Sharing allocations from PERSI. The Gain Sharing amount (if any) is based on funding levels in the PERSI Base Plan. Eligibility for Gain Sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive Gain Sharing contributions, received an allocation.

The System entered into a contract with Mellon HR Solutions, the plan recordkeeper, for services relating to eleven investment options, which are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1% increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made.

The PERSI Choice Plan has 668 employer units eligible to have participating employees. As of June 30, 2003, there were 48,814 participants in the PERSI Choice Plan. The administrative expenses of the Plan, most of which are paid to Mellon HR Solutions, are funded by PERSI.

Sick Leave/Insurance Reserve Fund—Statutes governing these programs are Idaho Code, Sections 67-5339, 33-1216, 59-1365, and 33-1228.

School districts, state agencies, and participating employers in Idaho provide payment of postretirement health insurance premiums on behalf of former employees based on unused accumulated sick leave at their retirement date. The System acts as an agent for these funds on behalf of the employers, who fund the program by remitting a percentage of payroll to the System to cover future insurance premiums. Employers are responsible for any unfunded benefit obligations.

School District Employees—For school district employees, the unused sick leave amount available for benefit is based on one-half of their 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 and school district contributions was .65% and 1.15% of covered salary at June 30, 2003, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The System's basic financial statements are prepared utilizing the accrual basis of accounting for the pension funds and the agency fund. For the financial statements of the pension funds, employee and employer contributions are recognized as additions to net assets when earned, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The System adheres to Statement No. 25 of the Governmental Accounting Standards Board (GASB No. 25), Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

Investments—The System's investments are presented at fair value. Purchases and sales are recorded at the trade date. Investments held by PERSI and FRF are commingled.

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 policy, and other special restrictions set by 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 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. The fair value of real estate investments has been estimated based on independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value.

The System purchases forward 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 does not incur any costs for forward contracts until the settlement date. Future potential obligations for the forward contracts are not recognized until the contract expiration date.

Assets used in Plan Operations—These assets represent buildings and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30 years. The estimated useful life of the computer software development costs is five years.

"Totals"—The information as of and for the year ended June 30, 2002, presented in the "Totals" column on the accompanying combining basic financial statements, does not present consolidated financial information and is not necessary for a fair presentation of the basic financial statements but is presented only to facilitate financial analysis and for comparison purposes.

New Accounting Standards—In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures. Statement No. 40 amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The objective of this Statement is to update the custodial credit risk disclosure requirements of GASB Statement No. 3 and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. The System has not completed the process of evaluating the impact that will result from adopting this statement. The requirements of this statement are effective for the System's fiscal year ending June 30, 2005.

3. CASH AND CASH EQUIVALENTS

The System's cash and cash equivalents are deposits at financial institutions. Such deposits for the year ended June 30, 2003 are categorized below to give an indication of the level of collateral risk assumed by the System at year end. Category 1 includes deposits that are insured or collateralized with securities held by the System or its agent in the System's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent in the System's name. Category 3 includes uninsured deposits that are uncollateralized. The carrying amount of deposits, which approximates the bank balances, by such categories at June 30, 2003, consisted of the following:

Category 1	$	100,000
Category 2		-
Category 3		2,683,801
Total	$	2,783,801

The following is a reconciliation of the amounts recorded as deposits on the combining statement of plan net assets and the amounts categorized above as deposits:

Deposits reported on combining statement of plan net assets	$	4,878,595
Less: deposits held by the State Treasurer not categorized		2,094,794
Total deposits categorized	$	2,783,801

4. INVESTMENTS

The System's investments are categorized below to give an indication of the level of risk assumed by the System at June 30, 2003. Category 1 includes investments that are insured or registered, or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty whether or not in the System's name; or by the counterparty's trust department or agent but not in the System's name.

	Investment Risk Category			
	1	2	3	Total
Domestic fixed income	$ 1,466,588,018	None	None	$ 1,466,588,018
International fixed income	75,515,642	None	None	75,515,642
Domestic equities	2,839,971,839	None	None	2,839,971,839
International equities	1,467,728,583	None	None	1,467,728,583
	$ 5,849,804,082			5,849,804,082
Investments not subject to categorization due to their nature:				
Pooled short-term investment funds				222,250,094
Idaho commercial mortgages				298,552,298
Real estate				33,523,520
Private equity				137,030,704
Mutual fund holdings in 401(k) plan				103,477,653
Index fund and fixed income fund holdings in Agency Fund				139,002,638
				933,836,907
Total investments				$ 6,783,640,989

For the year ended June 30, 2003, Mellon Trust was the global custodian for the majority of the investments of the combined PERSI, FRF, and PERSI Choice Plan. The pooled short-term investment funds are bank-maintained collective investment funds established under Massachusetts law pursuant to a Declaration of Trust dated February 27, 1967, as amended. They maintain their tax exempt status under Revenue Ruling 81-100 and are exempt from registration as mutual funds under Section 3(c)(11) of the Investment Company Act of 1940. Participation is limited to qualified employee benefit plans and government plans for which Boston Safe Deposit Trust Company, or its bank affiliates, maintain a trust, agency or custody relationship. The fair value of the position in the external investment pool for non-SEC registered investments is the same as the value of the pool shares.

Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses on investments during the year. The calculation of net realized gain (loss) on sale of investments is independent of the calculation of net appreciation in fair value of investments. Net unrealized gain (loss) in fair value of investments sold in the current year, which had been held for more than one year, are included in net appreciation in fair value of investments as reported in prior years and the current year. Components of net appreciation in the fair value of investments are as follows:

	PERSI Base Plan	FRF	PERSI Choice Plan
Net realized gain (loss) on sale of investments	$ (193,155,920)	$ (5,587,206)	$ (2,776,059)
Net unrealized gain (loss) in fair value of investments	231,252,219	6,689,176	3,972,824
Net appreciation (depreciation) in fair value of investments	$ 38,096,299	$ 1,101,970	$ 1,196,765

The System has entered into forward foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. The value of foreign currency to be purchased or sold fluctuates continuously. As such, it is possible that the foreign currency market price at the specified time to purchase or sell may be lower than the price at which the System is committed to buy or sell. 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 is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the System have to purchase currency on the open market. Unrealized losses of $3,305,590 at June 30, 2003 were recognized, which represents the loss which would occur from executing forward foreign exchange contracts at June 30, 2003.

5. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2003 consist of the following:

Buildings and improvements	$ 5,428,864
Less: accumulated depreciation	(2,221,708)
	3,207,156
Computer software development costs	6,331,360
Less: accumulated amortization	(3,569,114)
	2,762,246
	$ 5,969,402

Depreciation expense on the buildings and improvements for the year ended June 30, 2003 is $152,762.

Amortization expense included in administrative expenses for the year ended June 30, 2003 is $1,266,272.

6. CONTRIBUTIONS

The System's funding policy for PERSI and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for PERSI and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by PERSI and the FRF assets over the earnings of all firemen. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for PERSI permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by PERSI and FRF was approximately $2,057,000,000 and $37,000,000, respectively.

Actuarial valuations of PERSI and FRF are performed annually. The last valuations were performed as of July 1, 2003.

Normal cost is 13.78% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.04% of covered payroll for PERSI. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability. Police and Fire employers' contribution rates will increase 1/10% effective July 1, 2003, as a result of the new death benefit. The PERSI Board also approved a contribution rate increase of 1% per year for 3 years beginning July 1, 2004, for a total of 3% split between employers and employees. The contribution rates for the year ended June 30, 2003 and subsequent years through June 30, 2007, are as follows.

Optional Retirement Plan employees of higher education:

Colleges and universities	3.03 %
Junior colleges	3.83 %

	Active Members		**Employers**	
	General/ Teacher	**Fire/ Police**	**General/ Teacher**	**Fire/ Police**
Current Contribution Rate	5.86 %	7.21 %	9.77 %	10.01 %
Rate Effective July 1, 2003	NC	NC	NC	10.11 %
Increase Effective July 1, 2004	0.37 %	0.44 %	0.62 %	0.62 %
Rate July 1, 2004	6.23 %	7.65 %	10.39 %	10.73 %
Increase Effective July 1, 2005	0.37 %	0.44 %	0.61 %	0.61 %
Rate July 1, 2005	6.60 %	8.09 %	11.00 %	11.34 %
Increase Effective July 1, 2006	0.37 %	0.44 %	0.61 %	0.61 %
Rate July 1, 2006	6.97 %	8.53 %	11.61 %	11.95 %

FRF employer and employee contribution rates for firemen hired before October 1, 1980 are 25.89% and 4.24%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firemen hired after October 1, 1980 is 17.24%, in addition to the PERSI Police and Fire rate shown above. FRF employer rates will increase along with the PERSI rates in FY 2005, 2006, and 2007.

7. COMMITMENTS

The accrual basis of accounting provides that expenditures include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenditures. Accordingly, approximately $729,000 of outstanding purchase orders and purchase commitments are encumbered by the System but not reported in the basic financial statements at June 30, 2003.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SUPPLEMENTAL SCHEDULES OF FUNDING PROGRESS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREMEN'S RETIREMENT FUND
FOR FISCAL YEARS 1998 - 2003 (Dollars in millions)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2) - (1) - (3) (b.)	(5) Funded Ratios (1) : [(2) - (3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
PERSI							
July 1, 1998	$ 5,488.2	$ 5,060.0	$ 65.7	$ (493.9)	109.9 %	$ 1,627.7	(30.3)%
July 1, 1999	6,171.9	5,536.8	68.9	(704.0)	112.9	1,733.5	(40.6)
July 1, 2000	7,032.9	6,105.1	70.5	(998.3)	116.5	1,827.2	(54.6)
July 1, 2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4
July 1, 2002	6,062.1	7,209.5	71.7	1,075.7	84.9	2,047.1	52.5
July 1, 2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0

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

Actuarial Valuation Date (a.)	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (b.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
FRF						
July 1, 1998	$ 179.0	$ 284.0	$ 105.0	63.0 %	$ 28.0	375.0 %
July 1, 1999	179.0	284.0	105.0	63.0	28.0	375.0
July 1, 2000	217.8	293.4	75.6	74.2	30.8	245.5
July 1, 2001	200.4	316.2	115.8	63.4	32.9	352.0
July 1, 2002	181.5	300.3	118.8	60.4	34.4	345.3
July 1, 2003	182.7	310.7	128.0	58.8	37.0	345.9

(a.) FRF actual valuations were performed biennially through July 1, 1999, and annually thereafter.
(b.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SUPPLEMENTAL SCHEDULES OF EMPLOYER CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREMEN'S RETIREMENT FUND
FOR FISCAL YEARS 1998 - 2003 (Dollars in millions)

	PERSI Employer Contributions			FRF Employer Contributions (c.)		
Year Ended June 30	Total Employer Contributions (Statutory) (a.)	Annual Required Contribution (ARC) (b.)	Percentage Contributions	Total Employer Contributions	Annual Required Contribution	Percentage Contributions
1998	$ 172.3	$ 172.3	100.0 %	$ 8.0	$ 9.5	84.7 %
1999	173.1	173.1	100.0	8.6	8.6	99.1
2000	182.9	155.7	117.5	8.7	8.6	100.4
2001	197.9	152.2	130.0	9.2	6.3	147.3
2002	205.5	155.1	132.5	9.6	9.3	102.2
2003	206.7	188.3	110.0	10.1	9.5	107.1

(a.) For 2001, this includes $77,690,500 of gain sharing credits. Actual cash contributions were $120,220,992.

(b.) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employers' fiscal years commencing October 1, of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 3.03% of salaries of university members in the ORP until 2015 and 3.83% of salaries of junior college members in the ORP until 2011.

(c.) FRF actuarial valuations were performed biennially through July 1, 1999, and annually thereafter.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES
YEAR ENDED JUNE 30, 2003

ACTUARIAL INFORMATION

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

	PERSI	**FRF**
Valuation date	July 1, 2003	July 1, 2003
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll	Level dollar amount
Remaining amortization period	25 years - Open	33 years - Closed
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	8.00 %	8.00 %
Projected salary increases—	5.5 % - 11.8 %	4.75 %
Includes salary inflation	4.75 %	4.75 %
Postretirement benefit increase	1.00 %	4.75 %
Implied price inflation rate	4.00 %	4.00 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2003

ASSETS	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
CASH	$ 30,844	$ 14,543,686	$ 14,493,481	$ 81,049
INVESTMENTS, AT FAIR VALUE	123,299,472	15,703,166		139,002,638
DUE FROM OTHER FUNDS	779,826	15,001,769	14,524,823	1,256,772
Total assets	$ 124,110,142	$ 45,248,621	$ 29,018,304	$ 140,340,459
LIABILITIES				
DUE TO STATE AGENCIES AND SCHOOL DISTRICTS	$ 124,095,270	$ 24,145,798	$ 7,918,745	$ 140,322,323
PAYABLES AND ACCRUED LIABILITIES	14,872	66,716	63,452	18,136
Total liabilities	$ 124,110,142	$ 24,212,514	$ 7,982,197	$ 140,340,459

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2003

INVESTMENT AND RELATED SERVICES:	
Apollo Management	$ 285,120
Baring Asset Management, Inc.	1,148,529
Bloomberg, LP	46,658
Brandes Investment Partners, LP	1,146,825
Capital Guardian Trust Company	843,747
Chadwick, Saylor & Co., Inc.	101,701
Chisholm Partners, LP	475,732
Clearwater Advisors, LLC	221,137
Columbus Circle Investors, Inc.	(97,812)
CT Corporation	233
D.B. Fitzpatrick & Co., Inc.	1,538,471
Deutsche Bank	813,093
Furman Selz Investments	154,022
Gabriel, Roeder	60,000
GMAC	15,335
Galen Associates	331,940
Genesis Asset Managers, Ltd.	835,975
Goense Bounds & Partners, LP	257,677
Hamilton Lane Advisors, Inc.	172,966
Harvest Partners III, LP	96,196
Highway 12	257,200
Lend Lease Rosen	1,444,979
Littlejohn & Company	400,000
McCown DeLeeuw & Company	(72,407)
Mellon Capital Management	589,579
Mellon Trust	2,322,439
MFS Institutional Advisors, Inc.	594,862
Mountain Pacific Investment Advisors, Inc.	770,799
Navis Partners, LP	282,794
Pareto Partners	669,996
Providence Investments	948,549
Prudential Investments	329,632
R.V. Kuhns & Associates	50,000
Rowe Price International, Inc.	887,354
Saugatuck Capital Company	206,044
Schroder Capital Management International, Inc.	1,184,543
State Street Global Advisors	242,272
T3 Partners II, LP	299,777
TCW London International, Ltd.	798,280
Thomas H. Lee	56,891
Tukman Capital Management, Inc.	1,274,056
Wells Fargo Bank	66,285
Zesiger Capital Group	1,214,278
Mellon HR Solutions (Choice Plan)	90,705
	23,356,452

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2003

CONSULTING SERVICES:	
Calhoun Law Group	$ 3,775
Deloitte & Touche LLP	54,983
Mellon HR Solutions	1,344,096
Foster, Pepper, Shefelman PLLC	154,694
Milliman USA, Inc.	308,402
William M. Mercer, Inc.	38,879
	1,904,829
	$ 25,261,281

(Concluded)

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2003

	PERSI Base Plan
PORTFOLIO RELATED EXPENSES:	
Personnel expenses	$ 327,590
Operating expenses	119,273
Capital outlay	12,882
	459,745
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	2,587,628
Operating expenses	2,019,725
Capital outlay	127,985
Building depreciation expense	152,762
Software amortization expense	1,266,272
	6,154,372
	$ 6,614,117

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Retirement Board of the Public Employee Retirement System of Idaho:

We have audited the financial statements of the Public Employee Retirement System of Idaho (the System) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 10, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

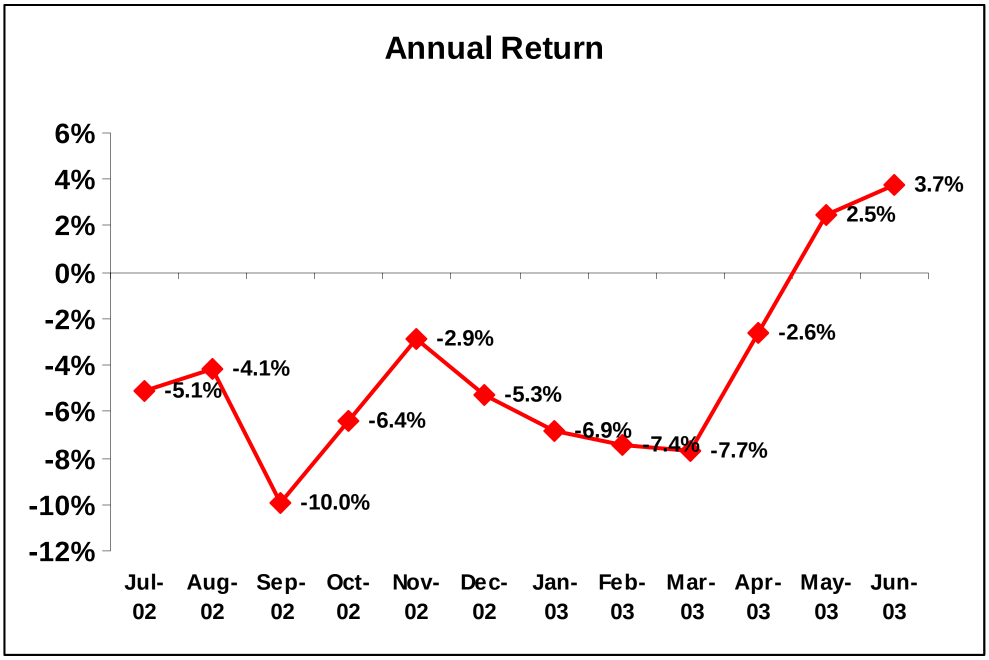
This report is intended solely for the information and use of the Retirement Board and management and is not intended to be and should not be used by anyone other than these specified parties.

November 10, 2003

REPORT ON INVESTMENT ACTIVITY
Prepared by Robert M. Maynard, Chief Investment Officer

After an exciting year, and with a closing rush, PERSI ended the year up slightly at 3.7%, and $6.545 billion. A slightly boring result which, after the pain of the worst stock market in over three generations, feels much better than it normally would.

It certainly was not, however, an easy year. In fact, it was a roller coaster:



Still, from a low of -10% at the end of last September (actually, in mid-October PERSI hit a low of -13%), there has been a couple of significant recoveries, one ending in December, and the final post-war rally of this spring and early summer.

The joy of the recent market rise is both muted and relative. Even after the continued rise through the end of October, 2003, we are only about even with our highs of the bull market. Nonetheless, the recent rise has given some relief. And, over the past year, there have been some significant pockets of excellent performance, both relatively and absolutely.

We had good absolute and relative performance in fixed income, global equities, real estate, and emerging markets. We had poor absolute but good relative returns for international equities, and poor absolute and relative performance in US equities.

The fixed income performance, in particular, was spectacular. Overall, PERSI fixed income was up 13.0% for the fiscal year, beating the general bond market (the Lehman Aggregate) return of 10.5%. Here the driving force was the TIPS portfolio with 16.9% returns, the Gov/Corp Index portfolio with 13.2% returns (in line with its benchmark), and the Idaho Mortgage Program with 13.1% returns. The Mortgage portion of the fixed income market generally underperformed the broader market, with 6.1% returns for the index, with Clearwater matching the index for its period of funding, and with DBF outpacing the index by 1% with 7.2% returns. Barings fixed income, with 10.5% returns, was in line with the general index returns.

PERSI's global equity also had a good year, with overall returns of 3.3% outpacing the world index return of -1.9%. Zesiger's public portfolio had a truly spectacular period, with returns of 24.3% -- private equity losses during the year pulled the returns down to a merely stunning 14.8%, still making the account the best performing PERSI account for the year. Cap Guardian and Brandes also had positive years with returns of 2.2% and 1.1% respectively. Barings' return of -1.0% beat the world index, while Deutsche Bank (Scudder) trailed with returns of -6.5%.

International equity returns were about what were to be expected given the markets. Overall, PERSI international equities lost 5.1% vs MSCI EAFE's loss of -6.3%. Emerging markets equity generally was up 6.5%, and Genesis outpaced the indices with returns of 11.7%, while Schroders Emerging Markets underperformed at 4.6%. PERSI's international index fund lost 5.8%, TCW was down 5.9%, and both Rowe Price and Schroders lagged with -6.8% and -10.3%, respectively.

All US non-index accounts underperformed with the exception of real estate. The Russell 3000 was up 0.9% for the fiscal year – however, PERSI's US equity component lost -0.5%. All of the active managers underperformed, with Tukman losing 2.3%, MFS losing 0.9%, and Mountain Pacific losing 5.4%. Private equity, on a time-weighted basis, lost 12.8%. Real estate was the sole bright spot, with the Lend Lease REIT account gaining 6.4% and the Prudential account gaining 10%.

All in all, however, PERSI had a good relative year, outperforming its benchmark by 1.0% cumulatively. After lagging peers during the downturn, the last quarter should pull PERSI back to around a median relative return for the short and long term when compared with other public funds, generally.

The past years have been driven by PERSI's basic investment structure. To briefly review that structure: PERSI's basic commitment is to 70% equities and 30% fixed income. Within equities, around 50% is in US equities and 20% is in international equities, with the exact amounts depending upon the actions of PERSI's global managers.

Our basic approach is to primarily index the core assets in the large efficient markets, and then "play hard around the edges," with clear, transparent active manager strategies or clear portfolio strategies that could significantly improve PERSI's portfolio characteristics, asset/liability matching, add to return, or advance other (such as local) interests.

The core indexing approach is achieved through the Mellon Capital Management (MCM) Russell 3000 and EAFE index funds, the State Street Global Advisors (SSGA) Gov/Corp fund, and the DBF Mortgage Backed Securities (MBS) portfolios. About 35% of PERSI's total assets are index-type strategies.

A little over half of PERSI assets are in transparent active manager or strategic approaches: namely,

- Concentrated (15-50 stock) portfolios by Tukman, Mountain Pacific, TCW, and the REIT portfolio by Lend Lease (14% of PERSI assets)
- The TIPS bond portfolio (improve portfolio characteristics)
  (11% of PERSI assets)
- Global managers (addresses the time horizon problem in asset/liability matching)
  (19% of PERSI assets)
- Emerging markets (improve diversification and add to long-term return)
  (3% of PERSI assets)
- Idaho Mortgages (advance local interests and add to return)
  (6% of PERSI assets)

Around this basic approach, PERSI then has added some supplementary strategies which, if successful, can be expanded. For example, a number of years ago the global equity strategy was a peripheral strategy which has been expanded as the success of the approach has been proven. Current "early stage" strategies are private equity and private real estate, and a cash enhancement strategy by Clearwater for PERSI's residual cash and a small MBS portfolio (rolling TBA's). As "early stage" approaches would indicate, only about 5% of PERSI assets are in these areas.

The remaining 7% of PERSI assets are with more traditional equity managers, two developed market international managers (Rowe Price and Schroders), and an all cap US equity manager (MFS). In addition, one formerly supplemental strategy, currency hedging through Pareto Partners, has added to return. Collectively, all of these strategies have produced an overall posture compared to the markets that does not have any structural bias toward capitalization or styles (growth or value). The characteristics of the US and international equity holdings, overall, closely match the characteristics of the general markets – as do the overall bond holdings, once the TIPS and Idaho Mortgage portfolios are removed.

The past three years have been a very good "stress test" for the PERSI portfolio. The current environment, and the recent three years, probably represents the worst market environment for the underlying PERSI structure – particularly compared to PERSI peers. PERSI has relatively more equity, more indexing, and more international exposure than most funds. Given the huge differential between bond and stock returns over the past three years (stocks losing 40%, bonds gaining 35%), the underperformance of international equities over the past 5-10 years (10% difference over the past 5 years), and, as expected, the underperformance of index funds to active managers in a down market (the Russell 3000 is a 70th percentile manager over the past three to five years), it would normally be expected that PERSI would be near the bottom of peer universes. And, in fact, if PERSI had generated market returns for its segments over the past three to five years, it would have ranked in the bottom 5% of its peers or in a universe of balanced funds.

Instead, we were median to third quartile performer – slightly below the middle of the pack. And, the market rise continuing through September 30, 2003 has brought PERSI back well into median or better performance. For the period ending September 30, 2003, we rank as follows in the Russell/Mellon Public Fund Universe and the Callan Public Fund Universe (1 highest, 100 lowest, 31 to 46 funds in data base depending on period):

	QTR	1 YR	2 YR	3 YR	5YR	7YR	10YR
Russell/Mellon	21	30	43	63	41	42	49
Callan	5	13	34	77	35	32	36

Over this period, PERSI has significantly outperformed "the market," adding over 15% (about a billion dollars) to PERSI returns in just 4 years. This is actually quite good relative performance and bodes well for the future. It is likely that over the next five years, equity markets will rebound, bond markets may see at least a partial collapse, and international equity will stabilize and perhaps outperform US equities. If so, then the strong headwinds that we have faced will likely propel us back to the "head of the pack" in terms of peer comparisons, and "normal" returns (mid to high single digit) overall (not necessarily in the next year, but over the upcoming five).

In reviewing the past year and longer, there have been some clear successes: TIPS, global equities, Idaho Mortgages, and REITS have been consistent return enhancers and, more recently, emerging markets have begun showing the outperformance expected over the long term for this area. The returns in these areas have been strong, consistent, and have driven PERSI's overall outperformance.

The TIPS program, in particular, has been a return "home-run," adding almost 1% to total fund returns over the past 4 years. It was not meant to be one, and its continued use is solely for purposes of diversification benefits. It is the one asset that will surely rise if unexpected inflation takes off, and it allows a greater equity exposure in the portfolio with lower amounts of risk. In fact, we should expect the TIPS portion of the bond portfolio to underperform – we are giving up around a 25 basis point inflation premium in addition to the corporate yield spread which, over time, should lead to underperformance. The benefits to the overall portfolio (diversification and allowing higher equity exposures to make up the return loss with lower risk) still outweigh this expected underperformance.

Global management has proved to be a success, even in the face of generally terrible international markets. Our global managers collectively rank in the top quartile of the global manager universe, they fit well together, and they have produced returns substantially in excess of both US and international market returns.

Similarly, the Idaho Mortgage program has also added to return, although its continued outperformance is more problematic (due to a deteriorating Idaho economy and the pricing being linked directly to US Treasuries). Nonetheless, it does add to returns available from traditional MBS portfolios (we do get a private holding bonus), it is well-structured, and provides an important local component to our program.

Outside of the global equity managers and real estate, active management did not have a good year for PERSI – a disappointing result given the hope that active management should outperform when markets are flat to declining. Over the longer term, again outside of global equity managers, the results are also collectively uninspiring – after fees the collective returns against indices are about a "wash." With global equity and real estate, however, overall active management has added about 3.4% cumulatively before fees over the past 5 years. After fees the return enhancement has been around 2%, cumulatively.

Currency hedging has added around 50 basis points of extra return to the total fund over the past five years, but more recently has begun losing money as dollar weakness has become the trend. The experimental Cash Enhancement strategy, through the Clearwater TBA and cash portfolios, have also added to our returns, although the program is still in its very early stages.

Private Equity has not yet given the returns expected from this asset type. While for many time periods it has beaten its alternative – small cap US equities -- that has been due to the vagaries of performance measurement of illiquid securities rather than superior investment opportunities. Nonetheless – the infrastructure is in place, it is an asset type that requires a long-term commitment, and our program is still in the "J" curve phase – where losers become apparent early and winners take longer to develop, not to mention our exposure to the 1999 and 2000 "vintage years," which have been terrible years for private equity.

Overall, though, the past ten years have shown that the basic PERSI structure and investment approach works. It does form the basis for general conclusions about our investment and funding structure and its appropriateness for the longer term.

As the saying goes, "you can drown in a river that is, on average, one foot deep." The past ten years have seen "average" markets, with US equity returns in the 9.5% - 10% range (geometric), bond returns of 7% - 7.5%, and with overall fund returns of 8.3% before fees, and 8% after fees.

The annual markets, however, have been like annual weather – always individually unusual. The path to those average returns has been volatile – tepid returns in the early 90's, spectacular returns in the late 90's, followed by an equally spectacular equity collapse over the past three years, and a stunning bond market advance. International equities have had sup-par performance over the past ten years.

And, as always, the prospects for the markets are uncertain. While the next ten years are also likely to be "average", the path may be like the past decade – anything but smooth or consistent. The bond market appears overvalued, and the equity market appears adequately valued, at least in the US economic prospects, particularly in Europe, appear constrained.

Thus, the question for the next ten years, as it turned out for the last ten, is whether the PERSI structure can handle the volatility – can it absorb extreme bad times as well as good? Many systems have shown that they cannot – and are beginning to crack under the stress of over-generous benefit enhancements or unsustainable contribution holidays granted when times were overly good, or investment programs that produced volatile and excessive losses when markets reversed.

PERSI, however, has shown very little, if any, strain. The constituency, including not only the retirees and active members, but also the Legislature and public, has handled moderate investment losses with equanimity – showing an investment sophistication and understanding that apparently is unusual when compared with the rest of the nation. The benefit enhancements granted in the good years were moderate, and the provision for a substantial investment reserve allowed PERSI to handle the downturn with only minor changes to the contribution system (simply taking back, over a graduated period, the reductions granted only a few years before). The investment program itself, after showing in the good years that it could keep up with hot markets, moderated the losses by outperforming in each of the asset classes and types over the three-year downturn.

Thus, in a period when all around investment programs and public pension systems are garnering headlines with problems and cries for change, what is extremely encouraging about PERSI is the lack of any problems or outcries – what is significant, as Sherlock Holmes said, is the "dog that didn't bark."

For the numbers presented, the source of the above-disclosed data is the Mellon Trust Services Reporting System, which follows AIMR's Performance Presentation Standards.

Investment Summary for the Year Ended June 30, 2003

Types of Investment		Market Value		Percent of Total Market Value
Short-term Investments		$ 222,250,094		3.4%
Fixed Income				
Domestic Bonds	1,466,588,018		22.4%	
International Bonds	75,515,642		1.2%	
Mortgages	298,552,298		4.6%	
Total Fixed Income		1,840,655,958		28.2%
Common Stock				
Domestic Equity	2,839,971,839		43.4%	
International Equity	1,467,728,583		22.4%	
Total Common Stock		4,307,700,422		65.8%
Private Equity		137,030,704		2.1%
Real Estate		33,523,520		0.5%
Total Base Plan Investments		$ 6,541,160,698		100.0%
Other Funds:				
Sick Leave Insurance Reserve		139,002,638		
Mutual Fund Holdings in Choice Plan		103,477,653		
Total Investments in All Funds		$ 6,783,640,989		

Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2003

Apollo Management, LP	$4,906,247
Baring Asset Management, Inc.(Equity)	185,520,954
Baring Asset Management, Inc.(Fixed Income)	241,148,084
Brandes Investment Partners, LP	295,840,890
Capital Guardian	190,092,728
Cash in Short-Term Investment Pool	6,228,640
Chisholm Management IV, LP	17,332,816
Clearwater Advisors, LLC	67,172,291
D.B. Fitzpatrick & Co., Inc. - Idaho Mortgages	303,723,358
D.B. Fitzpatrick & Co., Inc. (Fixed Income)	173,953,758
Deutsche Bank	188,306,729
Furman Selz Investments	11,334,696
Galen Associates	24,238,903
Genesis Asset Managers, Ltd.	102,325,437
Goense Bounds & Partners, LP	3,768,410
Harvest Partners, Inc.	16,982,313
Highway 12 FD Venture, LP	2,106,665
Ida-West	3,174,998
Lend Lease Rosen	188,752,398
Littlejohn, LP	4,765,759
McCown DeLeeuw & Co.	8,803,599
Mellon Capital Management, R2000 Small Cap	103,471,780
Mellon Capital Management, S&P 500 Large Cap	1,234,008,449
Mellon Capital Management, Mid Cap Completion	150,233,129
Mellon Capital Management, International Stock Index	304,713,950
Mellon HR Solutions (Choice Plan Mutual Fund Holdings-Alternative Funds)	23,693,433
MFS Institutional Advisors, Inc.	172,296,136
Mountain Pacific Investment Advisors, Inc.	257,381,772
Oaktree Capital Management	6,501,625
Pareto Partners	(1,552,386)
Providence Equity Partners, LLP	18,189,350
Prudential Investments	33,937,229
Rowe Price International, Inc.	179,981,295
Saugatuck Capital Company	937,595
Schroder Capital Management International, Inc. (EAFE)	164,898,507
Schroder Capital Management International, Inc. (Emerging Markets)	84,948,393
State Street Global Advisors	455,384,561
State Street Global Advisors (TIPS)	651,342,283
State Street Global Advisors (Sick Leave Insurance Reserve)	139,002,638
T3 Partners, LP	10,872,587
TCW London International, Ltd.	179,889,031
Thomas Lee, LP	11,742,806
Tukman Capital Management, Inc.	245,736,069
Zesiger Capital Group	218,385,794
Zesiger Capital Group (Private Equity)	21,044,478
Total Market Value, Including Investment Receivables and Payables	$6,707,520,177
Add: Investments Purchased	528,243,843
Less: Investments Sold	(423,823,952)
Less: Interest and Dividends Receivable	(28,299,079)
Total Market Value, Net of Investment Receivables and Payables	$6,783,640,989

Investment Results (Base Plan Only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR	3 YRS *	5 YRS *
U.S. EQUITY						
MCM MID CAP	150.2	2.3%	5.2	5.2	(14.4)	(2.0)
MCM S&P 500 LC	1,234.0	18.9%	0.2	0.2	(11.1)	(1.5)
MCM R2000 SM CAP	103.5	1.6%	(1.7)	(1.7)	(2.1)	
MFS ASSET MGMT	172.3	2.6%	(0.9)	(0.9)	(14.3)	(2.5)
MOUNTAIN PACIFIC	257.4	3.9%	(5.4)	(5.4)	7.0	3.4
TUKMAN CAPITAL MGMT	245.7	3.8%	(2.3)	(2.3)	1.3	3.8
TOTAL U.S. PUBLICLY TRADED EQUITY	2,163.1	33.1%	(0.6)	(0.6)	(10.1)	(1.1)
BENCHMARK – Wilshire 5000			1.3	1.3	(10.6)	(1.3)
PRIVATE EQUITY						
SAUGATUCK	0.9	0.0%	(17.4)	(17.4)	(12.0)	(13.0)
IDA-WEST	3.2	0.0%	38.2	38.2	29.2	17.6
GALEN III	24.2	0.4%	(11.8)	(11.8)	(14.8)	(0.0)
HARVEST PARTNERS	17.0	0.2%	(22.5)	(22.5)	3.8	0.4
FURMAN SELZ	11.4	0.2%	(13.7)	(13.7)	(8.7)	(1.7)
MCCOWN DE LEEUW	8.8	0.1%	(5.8)	(5.8)	(21.2)	(13.1)
PROVIDENCE EQ PARTNERS	18.2	0.3%	(2.6)	(2.6)	(23.0)	
CHISOLM PARTNERS	17.3	0.2%	(10.7)	(10.7)	(16.6)	
LITTLEJOHN II L.P.	4.8	0.1%	(35.4)	(35.4)	(10.8)	
PERSI-OAKTREE CAP	6.5	0.1%	(1.5)	(1.5)	(10.1)	
PERSI-GOENSE BOUNDS	3.8	0.1%	(17.3)	(17.3)	(10.5)	
HWY 12 FD VENTURE LP	2.1	0.0%	(30.2)	(30.2)		
T3 PARTNERS II L.P.	10.9	0.2%	65,120.2	65,120.2		
THOMAS LEE L.P.	11.7	0.2%	(36.0)	(36.0)		
PERSI APOLLO MGMT LP	4.9	0.1%	(2.0)	(2.0)		
ZESIGER CAPITAL GROUP	21.0	0.3%	(32.7)	(32.7)		
TOTAL PRIVATE EQUITY	166.7	2.5%	(12.3)	(12.3)	(12.8)	(6.9)
REAL ESTATE						
LEND LEASE - PUBLIC R/E	188.8	2.9%	6.4	6.4	15.0	13.9
PRUDENTIAL	33.9	0.5%	10.0	10.0	8.4	9.9
TOTAL R/E MANAGERS	222.7	3.4%	7.0	7.0	13.9	13.7
BENCHMARK - NCREIF			7.6	7.6	8.2	9.8
TOTAL U.S. EQUITY	2,552.5	39.0%	(0.8)	(0.8)	(9.0)	(0.4)
BENCHMARK – Wilshire 5000			1.3	1.3	(10.6)	(1.3)
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	185.5	2.8%	(1.0)	(1.0)	(19.2)	(5.4)
BRANDES INVST PARTNERS	295.8	4.5%	1.1	1.1	4.7	8.0
CAPITAL GUARDIAN[1]	190.1	2.9%	2.1	2.1		
DEUTSCHE ASSET MGMT[2]	188.3	2.9%	(6.5)	(6.5)	(9.2)	(1.6)
ZESIGER CAPITAL GROUP	218.4	3.4%	23.9	23.9	(4.2)	11.3
TOTAL GLOBAL EQUITY	1,078.1	16.5%	3.3	3.3	(6.6)	3.3
TOTAL U.S./GLOBAL EQUITY	3,630.7	55.5%	0.4	0.4	(8.4)	0.4
BENCHMARK – Wilshire 5000			1.3	1.3	(10.6)	(1.3)

Investment Results (Base Plan only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR	3 YRS *	5 YRS *
INTERNATIONAL EQUITY						
GENESIS INVESTMENTS	102.3	1.6%	11.9	11.9	1.2	4.8
SCHRODER EMG	84.9	1.3%	.2	2.2	(10.5)	(0.2)
MCM INTERNATIONAL	304.7	4.7%	(5.8)	(5.8)	(13.1)	(4.0)
ROWE PRICE-FLEMING	180.0	2.7%	(6.8)	(6.8)	(13.9)	(3.2)
SCHRODER CAPITAL	164.9	2.5%	(10.3)	(10.3)	(14.2)	(3.6)
TCW LONDON-INTL EQ	180.0	2.7%	(5.9)	(5.9)	(17.9)	(3.0)
TOTAL INTERNATIONAL EQUITY	1,016.8	15.5%	(4.7)	(4.7)	(13.1)	(2.4)
TOTAL INT'L EQUITY (HEDGED)[3]	1,015.2	15.5%	(5.3)	(5.3)	(13.1)	(2.1)
BENCHMARK – EAFE Index Net			(6.5)	(6.5)	(13.5)	(4.0)
TOTAL EQUITY	4,645.9	71.0%	(0.9)	(0.9)	(9.3)	(0.1)
BENCHMARK – Wilshire 5000			1.3	1.3	(10.6)	(1.3)
U.S. FIXED INCOME						
DBF & CO FIXED	174.0	2.7%	7.3	7.3	9.3	7.2
DBF & CO-IDAHO MTGS	303.7	4.6%	13.1	13.1	12.3	9.3
STATE ST ADV-FX	455.4	6.9%	13.1	13.1	10.8	7.7
SSGA-TIPS	651.3	10.0%	16.9	16.9	13.1	
CLEARWATER-TBA[4]	67.2	1.0%	5.0	5.0		
TOTAL U.S. FIXED INCOME	1,651.6	25.2%	14.0	14.0	11.9	8.7
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	241.1	3.7%	10.5	10.5	9.7	7.0
TOTAL GLOBAL FIXED INCOME	241.1	3.7%	7.6	7.6	7.8	6.1
TOTAL FIXED INCOME	1,892.7	28.9%	13.0	13.0	11.1	8.2
BENCHMARK – LB Aggregate			10.4	0.3	10.1	7.6
OTHER						
UNALLOCATED CASH	6.2	0.1%	8.3	8.3	7.1	6.7
COMBINED TOTAL	6,544.8	100.0%	3.7	3.7	(3.3)	2.7
BENCHMARK - Wilshire 5000			1.3	1.3	(10.6)	(1.3)
Add: Mutual Fund Holdings in 401(K) Plan						
Sick Leave Fixed Income Investments	52.6					
Sick Leave Equity Securities	86.4					
Investments Purchased	528.2					
Less: Interest and Dividends Receivable	(28.3)					
Investments Sold	(423.8)					
Total Pension Fund Investments Net of Receivables	$ 6,783.6					

*Rates of Return are annualized

[1] Captial Guardian hired 5/02

[2] Formerly Scudder Stevens

[3] Includes Pareto Partners currency overlay account

[4] Clearwater hired 7/02

Prepared using a time-weighted rate of return in accordance with AIMR's Performance Presentation Standards.

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
1998	$106,511,929	$53,007,558	$ 687,506,474	$ 847,025,961
1999	123,117,458	60,284,061	477,757,618	661,159,137
2000	153,008,941	71,583,903	629,687,058	854,279,902
2001	165,528,342	63,318,176	(669,263,570)	(440,417,052)
2002	120,190,309	68,412,290	(663,804,822)	(475,202,223)
2003	107,626,722	82,726,663	47,095,088	237,448,473

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

List of Largest Assets Held

Largest Bond Holdings (by Market Value) June 30, 2003

	Par	Bonds		Market Value
1	$307,962,356	U.S. TREASURY INFLATION INDEX NT	4.250% 01/15/2010 DD 01/15/00	$362,433,198
2	235,562,038	U.S. TREASURY INFLATION INDEX BD	3.875% 04/15/2029 DD 04/15/98	300,525,572
3	25,490,000	GERMANY FEDERAL REPUBLIC BDS	6.000% 4-JAN-2007 FUR1000	32,549,843
4	19,200,000	GERMANY (FEDERAL REPUBLIC) BD	4.500% 18-AUG-2006	23,371,219
5	22,234,000	COMMIT TO PUR FNMA SF MTG	4.000% 06/01/2033 DD 06/01/03	22,959,075
6	19,000,000	COMMIT TO PUR GNMA SF MTG	7.000% 08/15/2033 DD 08/01/03	20,080,625
7	19,000,000	COMMIT TO PUR FNMA SF MTG	6.500% 08/01/2033 DD 08/01/03	19,798,594
8	17,400,000	COMMIT TO PUR FNMA SF MTG	5.500% 08/01/2018 DD 08/01/03	18,066,094
9	11,765,000	FEDERAL HOME LN MTG DEBS	7.000% 07/15/2005 DD 07/10/00	13,074,692
10	16,350,000	GOVERNMENT OF CANADA	5.500% 01-JUN-2009	12,991,469

Largest Stock Holdings (by Market Value) June 30, 2003

	Shares	Stock	Market Value
1	1,973,451	PFIZER, INC.	$ 67,393,352
2	1,115,100	WAL MART STORES, INC.	59,847,417
3	1,911,462	GENERAL ELEC CO.	54,820,730
4	1,993,600	MICROSOFT CORP.	51,056,096
5	1,034,408	CITIGROUP, INC.	44,272,662
6	1,139,442	EXXON MOBIL CORP.	40,917,362
7	710,288	AMERICAN INTL GROUP, INC.	39,193,692
8	539,500	FANNIE MAE	36,383,880
9	716,851	WELLS FARGO & CO.	36,129,290
10	426,800	IBM CORP.	35,211,000

A complete list of portfolio holdings is available upon request.

Schedules of Fees and Commissions for the Year Ended June 30, 2003

Investment Fees	Average Assets Under Management	Fees	Basis Points
Investment Manager Fees			
Equity Managers	$3,797,338,589	$11,952,896	31
Fixed Income Managers	1,834,524,183	1,252,572	7
Private Equity Managers	165,981,101	4,273,589	257
Real Estate Managers	206,903,016	2,951,074	143
Total Investment Manager Fees	$6,004,746,889	20,430,131	34
Other Investment Service Fees			
Custodian/Record Keeping Fees		3,732,820	
Investment Consultant Fees		425,539	
Legal Fees		158,702	
Actuary/Audit Service Fees		423,385	
Total Investment Service Fees		4,740,445	8
Total Defined Benefit Plan Fees		$25,170,576	42
Total Defined Contribution Plan Fees		90,705	
Total Fees		$25,261,281	

Broker Commissions	Base Commission	Total Shares	Commission per Share
Merrill Lynch Pierce Fenner Smith, Inc, New York	$252,987	7,330,779	0.03451
Goldman Sachs & Co, New York	234,600	17,689,879	0.01326
Citigroup Global Markets, Inc, New York	214,663	6,268,563	0.03424
Credit Suisse First Boston Corp, New York	172,208	4,709,921	0.03656
Morgan Stanley & Co, Inc, New York	152,122	9,127,204	0.01667
Lehman Bros, Inc, New York	139,090	3,645,963	0.03815
Deutsche Banc Alex Brown, Inc, New York	112,329	2,468,318	0.04551
Morgan J P Secs, Inc, New York	109,567	15,015,400	0.00730
Salomon Bros Intl Ltd, London	109,033	4,871,507	0.02238
Goldman Sachs Intl, London	108,346	71,597,195	0.00151
Bernstein Sanford C & Co, New York	104,375	2,797,811	0.03731
Citation Group, New York	94,278	2,049,634	0.04600
UBS Securities LLC, New York	93,313	108,741,787	0.00086
Merrill Lynch Intl (2L), London	86,962	8,475,813	0.01026
Jefferies & Co, Inc, New York	86,909	1,927,678	0.04508
Bear Stearns & Co, Inc, New York	85,704	1,098,405,249	0.00008
Wachovia Securities LLC, New York	83,878	2,492,164	0.03366
Morgan Stanley & Co Intl, London	77,405	3,488,692	0.02219
UBS Equities, London	64,097	2,123,021	0.03019
Unterberg Harris	61,407	2,873,100	0.02137
Merrill Lynch Intl London Equities	60,343	20,141,447	0.00300
Banc of America Secs LLC, Charlotte	57,961	1,203,600	0.04816
Bear Stearns Sec Corp, Brooklyn	57,783	1,930,088	0.02994
Citigroup Gbl Mkts/Salomon, New York	51,808	36,956,804	0.00140
Other Brokers Under $50,000	1,746,173	355,814,820	0.00491
Total Broker Commissions	$4,417,340	1,792,146,437	0.00246

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

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

I. Introduction

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

II. Statutory Requirements

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

A. Sole Interest of Beneficiaries

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

B. Prudent Investments

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

C. Fiduciary Duties

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

III. Investment Goals

A. General Objective

1. Purpose

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

2. Considerations

In determining the returns needed by the system, the acceptable risk levels, and the allowable investments, the Board will consider:

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

B. Specific PERSI return and risk objectives

1. Investment Returns

(a) Actuarial Assumptions

In projecting obligations and the returns needed to meet those obligations, the Board will consider studies performed by actuaries hired by the Board. The actuary uses an investment return assumption of 8% before fees and expenses in balancing projected obligations, projected contributions, and projected returns on assets. Assuming all of the actuarial assumptions are accurate, this 8% return will suffice to: (1) assure the payment of statutorily required benefits, which includes a 1% Cost of Living Adjustment (COLA); and (2) maintain the reduction of the level of the unfunded liability (if any) on the scheduled amortization (one year at a time). The assumed 8% return will not be sufficient to fund either discretionary COLAs (2-6%), retroactive COLAs, accelerate the amortization of the unfunded liability, build a stabilization reserve, or allow for gain-sharing distributions.

(b) Inflation and Salary Assumptions

This 8% rate assumes an inflation rate of 4.25% and an annual general state salary growth of 5.25%. To the extent that either inflation or salary growth are higher or lower than these rates, then the investment returns needed will also be higher or lower than the assumed 8%, although not on a 1:1 ratio. Consequently, the investment returns actually needed by the system do not have a nominal rate which can be determined with precision in advance -- the 8% rate currently used by the actuary is only a general midpoint accurate over long (15-20) year periods and is only as accurate as are the inflation and salary assumptions.

(c) Relation to Funding Policy

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

(d) Periodic Specific Return Goals

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

2. Investment Risk and Strategic Asset Allocations

(a) Diversification Among Asset Classes

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

(b) Review of Asset Classes and Asset Allocation

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

(c) Content of Strategic Asset Allocations

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

(d) Strategic Policies

In addition to asset allocation, the Board may from time to time adopt strategic policies. "Strategic policies" are actions by the Board to invest in asset types that have not been singled out as "asset classes" in the asset allocation process, to overweight particular sectors within an asset class, or to employ particular strategies in the investment of Trust assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Examples of types of strategic policies include: a tilt towards small capitalization stocks in U.S. equity allocations; a tilt toward mortgage exposures in fixed income; hedging international currency exposures through a currency overlay program, and adding international emerging markets exposure in international equities.

IV. Investment Structure

A. Overall Structure

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

1. Board Ultimately Responsible

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

2. General Roles and Responsibilities of Board and Agents

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

* strategic decisions, primarily concerning asset allocation and strategic policies;
* adjusting the mix between passive and active managers depending on, among other considerations, near-term concerns regarding the U.S. and other capital markets; and
* delegating and monitoring all other activities, including hiring and monitoring investment managers.

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

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

1. Specific Responsibilities

The Board will be directly responsible for

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

2. Delegation and Monitoring of Specific Investment Activities

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

C. Employees, Consultants, and Advisors to the Board

1. Investment Staff

(a) Duties of Chief Investment Officer and Other Staff

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

(b) Allocation of New Net Contributions

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

(c) Tactical Asset Allocation

With prior notice to the Board, the Chief Investment Officer may shift assets among managers (including between passive and active managers) as long as the asset allocation is maintained within the strategic ranges. If conditions do not permit giving prior Board notice, the Chief Investment Officer is authorized to move assets among investment managers within the strategic ranges established by the Board. If such action is taken, the Chief Investment Officer shall notify the Chairman of the Board as soon as is practical either that action is contemplated or has been taken, as circumstances warrant.

(d) Minimum Qualifications of Chief Investment Officer

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

2. Actuaries

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

3. Investment Consultants

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

D. Managers or Agents with Delegated Responsibilities

1. Custodian

(a) Responsibilities

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

(b) Authorization of Collective Investment Trusts

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

2. Investment Managers

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

(a) Minimum Qualifications

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

(b) Guidelines

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

(c) Responsibilities and Discretion

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

(d) Corporate Governance

The Board, unless otherwise stated, will delegate the voting of proxies to the investment manager or custodian. The Board will adopt and from time to time modify a proxy voting policy. The staff will review the investment manager's policies governing the voting of proxies to assure consistency both with the policy of the Board and, to the extent feasible, among the various investment managers.

(e) Transactions and Brokerage

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

3. Use of Passive and Active Managers

(a) Purpose and Use of Active Management

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

Contribution rates, COLAs, and the ability to provide for gain-sharing, however, are based on 1-5 year returns. The Board does have concern that over 1-5 year periods the ability consistently to fund COLAs and to keep contribution rates stable are in considerable jeopardy from two sources: (1) expected "normal" market fluctuations are such that annual returns will likely not meet hurdle rates approximately 40% of the time, with actual negative returns to be expected once every six years; and (2) that most of Trust assets under the strategic asset allocation will be invested in U.S. capital markets, and are thus vulnerable to poor U.S. returns.

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

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

(b) Structure

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

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

(c) Balance between Passive and Active Management

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

(d) Monitoring Standards

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

V. Asset Class Policies

A. U.S. Equities

1. Objective

The overall objective of the U.S. equity asset class is to obtain, over time, a return after fees that equals or exceeds the returns of the Russell 3000 Index, both absolutely and on a risk-adjusted basis.

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

B. International Equities

1. Objective

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

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

C. Fixed Income

1. Objectives

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

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

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

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

D. Real Estate

1. Objectives

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

2. Allowable Investments

Allowable private equity real estate investments will include open-end and closed-end commingled real estate funds, publicly traded real estate investment trusts, and direct real estate investments originated by selected real estate advisors who structure similar investments with other institutional investors. The real estate asset sector will not include solely debt obligations; in particular, straight mortgage interests will be considered part of the fixed income asset class.

3. Need for Income Component of Return

Upon acquisition, each real estate investment must have as a goal the expectation of production of annual income measured by realized return and not capital appreciation. Thus, a significant proportion of income producing properties and not purely development properties should be the objective of any commingled fund acquired.

4. Protection of the Trust

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

5. Reporting

A comprehensive reporting system for individual investments or funds will be maintained so that poorly performing investments and deficiencies in portfolio diversification can be identified and active portfolio management facilitated. Investment managers shall be required to present opinions of fair market value as part of quarterly and annual reporting requirements, and audited financial statements shall be required at least annually for each investment entity.

E. Alternative Investments

1. Definition and Board Approval

The Board may from time to time authorize the investment of Trust assets in entities or structures that do not fit the asset descriptions listed above. Examples of such investments are venture capital partnerships, private equity, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into with the specific approval by the Board or a subcommittee given specific delegation by the Board of each investment vehicle, or investment manager.

2. Objectives and Benchmarks

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

3. Asset Allocation

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

STRATEGIC ASSET ALLOCATION

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges	Allocation Year Ended June 30, 2003
U.S. Equity	10.4%	19%	54%	44% - 57%	45%
International Equity	11.0%	22%	15%	12% - 25%	23%
Total Equities			69%	66% - 75%	68%
Fixed Income	6.6%	7%	30%	27% - 33%	28%
Cash	4.0%	1%	1%	0% - 5%	4%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	8.00%	4.25%	3.75%	n/a
Portfolio	9.30%	3.75%	5.55%	13.50%

November 19, 2003

Retirement Board
Public Employee Retirement System

Milliman USA has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception. It is anticipated that future actuarial valuations will be performed every year with the next valuation to be as of July 1, 2004. Various benefit increases have occurred since the System was established in 1965. The most recent significant benefit changes were effective July 1, 2000.

Contribution Rates

The financing objective of the System is to establish contribution rates that will tend to remain level as percentages of payroll. From October 1, 1986 through September 30, 1992, the recommended total contribution rates had a weighted average of 14.31% of covered salaries: 8.89% of salary for the employers and 6.4% for Fire & Police members; 5.34% for General/Teachers members.

To cover the cost of the benefit improvements in October 1992, 1993 and 1994, the contribution rates were increased. The contribution rates were temporarily reduced between November 1997 and April 25, 2000 when the Board adopted as permanent the new lower rate of 15.78%, based on the funding status of the system. Our July 1, 2002 valuation found that the contribution rates were not sufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date, as required by Section 59-1322, Idaho Code. Therefore, in November 2002, the Board approved three 1% contribution rate increases to take effect on July 1, 2004, July 1, 2005 and July 1, 2006. Effective July 1, 2003, the contribution rate for Fire and Police employers was also increased by 0.1% to offset the cost of the $100,000 duty-related death benefit.

The historical and future changes are shown in the table below:

		Weighted Total *		Fire & Police		General/Teachers	
Year of Change	Total Rate*	Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	Employer Rate
1992	15.70%	5.95%	9.75%	7.02%	9.75%	5.84%	9.75%
1993	17.16	6.51	10.65	7.82	10.87	6.38	10.63
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.82	6.40	10.42	7.65	10.73	6.23	10.39
2005	17.82	6.79	11.03	8.09	11.34	6.60	11.00
2006	18.82	7.16	11.66	8.53	11.95	6.97	11.61

** Note that actual weighted average total rates may differ slightly from these amounts due to small shifts in the projected future salaries between Fire & Police and General / Teacher members.*

Our July 1, 2003 actuarial valuation included the July 1, 2004 and July 1, 2005 increases, and found that the System's rates are sufficient to pay the System's normal cost rate of 13.78%. As of July 1, 2003 there is an unfunded actuarial accrued liability of $1,214.6 million. The portion of the total Member and Employer rates of 17.82% that is not needed to pay the System's normal cost is 4.04%. This amount is sufficient to amortize the unfunded actuarial accrued liability over 19.4 years. Thus, the current contribution basis meets the requirements of Section 59-1322, Idaho Code, which requires the unfunded actuarial accrued liability to be amortized within 25 years of the valuation date.

Funding Status

Based on the July 1, 2003 actuarial valuation, the unfunded actuarial accrued liability was increased by $274.5 million due to a large asset loss recognized as of July 1, 2003. Specifically, the System's assets earned a gross return before expenses of 3.73%, which is 4.27% under the actuarial assumption of 8.00%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $94.8 million. Thus, the net experience loss for the year was $179.7 million. In addition to the actuarial experience losses, the actuarial accrued liability was also decreased by $27.3 million due to changes in actuarial methods and by $13.5 million due to changes in plan provisions. All of these items then resulted in a total actuarial loss of $138.9 million and a change in funding status from a 84.9% funding ratio on July 1, 2002 to 83.8% on June 30, 2003. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2003 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. Termination of employment rates and the general wage increase assumptions were revised for the July 1, 2002 valuation as a result of an experience study covering the period July 1, 1997 through June 30, 2001. The next major experience study, to be completed in 2004, will cover the period July 1, 1999 through June 30, 2003. No assumptions were changed between the July 1, 2002 and July 1, 2003 valuations.

Certification Statement

In preparing our actuarial valuation reports, we relied, without audit, upon the financial statements prepared by the staff of the System. We also relied upon the member and beneficiary data provided to us by the staff. We compared the data for the July 1, 2003 actuarial valuation with corresponding information from the prior valuation and tested for missing or incomplete items, such as birth dates and hire dates. Based on these tests, we believe the data to be sufficient and reliable for the purposes of our calculations.
It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The assumptions used in the actuarial valuations were recommended by us and approved by the Board. The Retirement Board has the final decision regarding the appropriateness of the assumptions. They represent our best estimate of future conditions affecting the System, and we believe they are reasonably related to the past experience of the System. Nevertheless, the emerging costs of the System will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

The enclosed Exhibits 1 through 8 provide further related information. Milliman USA is completely responsible for these exhibits. Specifically, they are:

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

We, Robert L. Schmidt and Karen I. Steffen, are Consulting Actuaries for Milliman USA. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Robert L. Schmidt, F.S.A., M.A.A.A.
Consulting Actuary

Karen I. Steffen, F.S.A., M.A.A.A.
Consulting Actuary

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2003

1. Investment Return (Adopted July 1, 1992)

The annual rate of investment return on the assets of the System is assumed to be 8.00% (including 0.50% for expenses), compounded annually.

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

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

3. Actuarial Assumptions

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

4. Mortality (Adopted July 1, 1998)

Contributing Members, Service Retirement Members, and Beneficiaries:

Teachers

Males	1994 Group Annuity Mortality Table for males, set back two years.
Females	1994 Group Annuity Mortality Table for females, set back one year.

Fire & Police

Males	1994 Group Annuity Mortality Table for males with no setback.
Females	1994 Group Annuity Mortality Table for females, set forward two years.

20% of Fire and Police active member deaths are assumed to be duty related.

General Employees and All Beneficiaries

Males	1994 Group Annuity Mortality Table for males with no setback.
Females	1994 Group Annuity Mortality Table for females, set back one year.

Disabled Members

The 1983 Railroad Retirement Board Totally Disabled Annuitants Mortality Table, with no age adjustment for men and set back ten years for women.

5. Service Retirement (Adopted July 1, 2000)

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

	Fire & Police		General Employees			
			Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	30.0%	15.0%	20.0%	10.0%	20.0%	10.0%
60	30.0	25.0	25.0	15.0	25.0	15.0
65	50.0	40.0	85.0	80.0	60.0	55.0
70	*	*	40.0	30.0	40.0	30.0

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	20.0%	10.0%	20.0%	10.0%
60	20.0	15.0	30.0	10.0
65	70.0	65.0	75.0	70.0
70	*	*	*	*

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

6. Early Retirement (Adopted July 1, 2000)

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

		General Employees		Teachers	
Age	Fire & Police	Male	Female	Male	Female
50	5.0%	*	*	*	*
55	10.0	4.0%	3.5%	4.0%	3.5%
60		7.8	9.5	13.0	15.0

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

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

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

Years of	Fire and	General Employees		Teachers	
Service	Police	Male	Female	Male	Female
5	8.0%	10.0%	10.0%	6.0%	7.0%
10	4.0	5.5	5.6	3.0	3.0
15	2.5	3.0	4.4	1.7	1.7
20	2.0	2.5	3.5	1.6	1.6

8. Disability Retirement (Adopted July 1, 2000)

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

		General Employees		Teachers	
Age	Fire & Police	Male	Female	Male	Female
25	.01%	.05%	.01%	.01%	.02%
35	.01	.10	.01	.05	.02
45	.06	.10	.05	.05	.08
55	.24	.50	.20	.35	.20

9. Future Salaries (Adopted July 1, 2002)

In general, the total annual rates at which salaries are assumed to increase include 4.75% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of	Fire and	General Employees		Teachers	
Service	Police	Male	Female	Male	Female
5	8.0%	7.5%	8.0%	8.8%	9.3%
10	7.0	6.4	7.0	7.5	7.8
15	5.8	5.9	5.8	6.0	6.5
20	5.5	5.5	5.5	5.5	5.5

Note that rates shown in items 5-8 are central rates of decrement.

10. Vesting (Adopted July 1, 1996)

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

	Fire and	General Employees		Teachers	
Age	Police	Male	Female	Male	Female
25	23.0%	30.0%	36.0%	23.0%	59.0%
35	33.0	46.0	48.0	61.0	73.0
45	49.0	58.0	61.0	73.0	83.0
55	--	--	--	--	90.0

11. Growth in Membership (Adopted July 1, 2002)

In general, the combined effects of increasing membership and salary levels are assumed to produce a 4.75% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2000)

The credited interest rate on employee contributions is assumed to be 7.50%.

13. Postretirement Benefit Increases (Cost of Living Adjustments)

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

14. Actuarial Cost Method

The entry age actuarial cost method is used, as specified by Idaho law. The aggregate normal cost rate is based on separate rates developed for each valuation group. The normal cost rates used in this valuation were calculated based on all current active members, for each sex and type of employee in this valuation. The actuarial present values of projected benefits and of projected salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The aggregate rate remains unchanged between valuations, unless actuarial assumptions, benefits or contribution rates are changed. The current aggregate normal cost rate was adopted July 1, 2003.

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

Commencing July 1, 1990, 3.03% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2015. Commencing July 1, 1997, 3.83% of the payroll of community college and post-secondary vocational educational institutions covered by the ORP is payable to PERSI until July 1, 2011. The difference between the future ORP contributions and the actuarial accrued liability computed under the actuarial cost method is the portion of the actuarial accrued liability used to determine the UAAL, or funding reserve, for PERSI.

15. Experience Studies

The last experience study was for the period July 1, 1997 through June 30, 2001, and reviewed all assumptions except the retirement and disability assumptions, which were studied in 2000. Retirement and disability assumptions will be studied again in 2004 for the period July 1, 1999 through June 30, 2003. Assumptions were adopted and have remained in effect as noted.

16. Recent Changes

Contribution rates for employers and employees are scheduled to increase over the next few years, with the final increase coming on July 1, 2006. Effective July 1, 2003 the contribution rate for Fire and Police employers is increased by 0.1% to offset the cost of the $100,000 duty-related death benefit.

Effective July 1, 2003, a $100,000 benefit for duty-related deaths is provided for Police and Firefighter members.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries*		
		Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
1994	53,763	$1,253,848,000	$23,322	2.9%
1995	55,811	1,387,788,000	24,866	6.6
1996	56,802	1,451,730,000	25,558	2.8
1997	57,237	1,511,204,000	26,403	3.3
1998	57,528	1,562,205,000	27,156	2.9
1999	59,248	1,673,056,000	28,243	4.0
2000	60,388	1,798,222,000	29,778	5.4
2001	62,125	1,924,389,000	30,976	4.0
2002	62,376	2,036,004,000	32,641	5.4
2003	62,385	2,063,615,000	33,079	1.3

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

EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA**

Valuation Date July 1	Number			COLA Increases Granted Previous March 1
	Total	Added	Removed	
1994	18,683	1,131	731	2.8 + 90% restoration
1995	19,272	1,137	548	2.9
1996	19,903	1,329	698	2.6
1997	20,499	1,434	838	2.9
1998	21,134	1,416	781	2.2
1999	21,756	1,464	842	1.6 + 100% restoration
2000	22,456	1,597	897	2.3
2001	23,253	1,840	1,043	3.4
2002	24,018	1,612	847	2.7
2003	24,991	1,790	817	1.0

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls*	Removed from Rolls	Average	% Increase in Average
1994	$124,254,000	$17,736,000	$5,027,000	$6,651	9.0%
1995	136,328,000	15,519,000	3,445,000	7,074	6.4
1996	148,740,000	16,945,000	4,533,000	7,473	5.6
1997	160,908,000	17,418,000	5,250,000	7,850	5.0
1998	173,519,000	17,894,000	5,283,000	8,210	4.6
1999	193,441,000	25,956,000	6,034,000	8,891	8.3
2000	209,549,000	22,757,000	6,649,000	9,332	5.0
2001	235,269,000	33,251,000	7,531,000	10,118	8.4
2002	255,374,000	26,672,000	6,567,000	10,633	5.1
2003	279,219,000	30,190,000	6,345,000	11,173	5.1

* *Includes postretirement increases.*

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)(1)	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL)(2)	Funded Ratio(3)	Covered Payroll(4)	UAAL as a Percentage of Covered Payroll
July 1, 1994	$2,591.4	$3,666.1	$34.1	$1,040.6	71.3%	$1,402.0	74.2%
July 1, 1995	3,087.3	4,077.8	38.4	952.1	76.4	1,525.0	62.4
July 1, 1996	3,761.2	4,461.5	60.8	639.5	85.5	1,497.4	42.7
July 1, 1997	4,609.8	4,801.9	63.2	128.9	97.3	1,575.5	8.2
July 1, 1998	5,488.2	5,060.0	65.7	(493.9)	109.9	1,627.7	(30.3)
July 1, 1999	6,171.9	5,536.8	68.9	(704.0)	112.9	1,733.5	(40.6)
July 1, 2000	7,032.9	6,105.1	70.5	(998.3)	116.5	1,827.2	(54.6)
July 1, 2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4
July 1, 2002	6,062.1	7,209.5	71.7	1,075.7	84.9	2,047.1	52.5
July 1, 2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0

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

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

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

(4) *Covered Payroll includes compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7..*

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

		Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
Actuarial Valuation Date	Actuarial Value of Assets	Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
July 1, 1994	$2,591.4	$768.5	$1,227.2	$1,670.4	100.0%	100.0%	35.7%
July 1, 1995	3,087.3	850.0	1,341.3	1,886.5	100.0	100.0	47.5
July 1, 1996	3,761.2	941.2	1,471.7	2,048.6	100.0	100.0	65.8
July 1, 1997	4,609.8	1,019.5	1,617.0	2,165.4	100.0	100.0	91.1
July 1, 1998	5,488.2	1,089.7	1,766.1	2,204.2	100.0	100.0	100.0
July 1, 1999	6,171.9	1,158.1	1,978.1	2,400.6	100.0	100.0	100.0
July 1, 2000	7,032.9	1,329.7	2,173.8	2,601.6	100.0	100.0	100.0
July 1, 2001	6,492.8	1,502.0	2,487.6	2,761.7	100.0	100.0	90.6
July 1, 2002	6,062.1	1,622.4	2,665.3	2,921.8	100.0	100.0	60.7
July 1, 2003	6,297.8	1,677.8	2,882.9	3,018.1	100.0	100.0	57.6

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

	Gain(Loss) for Period		
	2000-2001	2001-2002	2002-2003
Investment Income			
Investment income was greater (less) than expected.	$ (966.9)	$ (977.9)	$ (274.5)
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	80.1	32.9	(32.5)
Pay Increases			
Pay increases were less (greater) than expected.	(8.3)	(3.8)	169.0
Membership Growth			
(Additional) liability for new members.	(15.7)	(14.4)	(10.1)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(1.7)	(1.6)	(5.3)
Death After Retirement			
Retirees died younger (lived longer) than expected.	(6.5)	31.9	11.4
Other			
Miscellaneous gains (and losses) resulting from other causes. (1)	(58.5)	(14.6)	(37.7)
Total Gain (Loss) During the Period From Actuarial Experience	$ (977.5)	$ (947.5)	$ (179.7)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	None	29.5	None
Changes in actuarial methods caused a gain (loss).	None	70.5	27.3
Changes in plan provisions caused a gain (loss). (2)	(207.1)	(41.9)	13.5
Composite Gain (Loss) During the Period	$ (1,184.6)	$ (889.4)	$ (138.9)

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

(1) For 2002-2003, this includes a $9.9 million loss for Shift in Average Entry Age and a $27.8 million loss on active and inactive member experience.

(2) For 2002-2003, this includes a $15.3 million gain due to the scheduled contribution rate increases on July 1 2004 and July 1, 2005. This gain is offset by a $1.8 million loss for the $100,000 Fire & Police duty death benefit.

EXHIBIT 7A: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES

(ALL DOLLAR AMOUNTS IN MILLIONS)

Fiscal Year Ending	Covered Employee Payroll (1)	Actual PERSI Employer Contributions Dollar Amount(2)	Actual ORP Contributions Dollar Amount	Total Actual Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Dollars Contributed
6/30/98	$1,627.7	$169.5	$2.8	$172.3	$172.3	100%
6/30/99	1,732.3	169.8	3.3	173.1	173.1	100
6/30/00	1,827.2	179.1	3.8	182.9	155.7	117
6/30/01	1,975.3	193.6	4.3	197.9(5)	152.2	130
6/30/02	2,047.1	200.6	4.9	205.5	155.1	132
6/30/03	2,057.7	201.7	5.0	206.7	188.3	110

Exhibit 7B: Schedule of Contributions from the Employer Expressed as a Percentage of Payroll

Fiscal Year Ending	Actual PERSI Employer Contribution % (2)	Annual Required Contribution (ARC) % (3)	Percentage of ARC Contributed
6/30/98	10.413%	10.413%	100%
6/30/99	9.80	9.80	100
6/30/00	9.80	8.315	117
6/30/01	9.80	7.490	130
6/30/02	9.80	7.335	132
6/30/03	9.80	8.91(4)	110

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

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

(3) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 3.03% of salaries of university members in the ORP until 2015 and 3.83% of salaries of junior college members in the ORP until 2011.

(4) See Table C-5 of the valuation for further disclosures. The ARC of 8.91% for the PERSI fiscal year ending June 30, 2003 is based on three months at 7.32% as computed in the 2000 valuation and 9 months at 9.44% as computed in the 2001 valuation.

(5) Includes $77,690,500 of gain sharing credits. Actual cash contributions were $120,220,992.

Public Employee Retirement System of Idaho

Exhibit 8: Provisions of Governing Law

	All actuarial calculations are based on our understanding of the statutes governing the Public Employee Retirement System of Idaho, as contained in Sections 59-1301 through 59-1399, inclusive, of the Idaho Code, with amendments effective through July 1, 2003. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Idaho Code. This summary does not attempt to cover all the detailed provisions of the law. Only those benefits in effect through July 1, 2003 are considered in this valuation. The items in parentheses are the provisions applicable to firefighters and police officers.
Effective Date	The effective date of the Retirement System was July 1, 1965.
Member Contribution Rate	The member contribution rate effective October 1, 2002 is 5.86% (7.21%) of salary. On November 26, 2002, the Board approved a gradual increase to the combined employer and employee contribution rate. This change will increase the member contribution rate to 6.97% (8.53%) by July 1, 2006. This rate will remain in effect then until the employer contribution rate is again changed, at which time the member contribution rate will be fixed at 60% (72%) of the employer contribution rate. For firefighters and police officers, the 72% adjustment is applied after reducing the employer rate by 0.10%, reflecting the 1993 changes in disability provisions for firefighters and police members and the 2003 addition of a $100,000 death benefit for fire and police members who die in the line of duty. Member contributions have been “picked up” on a pre-tax basis by the employer since June 30, 1983. (Sections 59-1331 and 59-1332).
Employer Contribution Rate	The employer contribution rate is set by the Retirement Board. (Section 59-1322).
Service Retirement Allowance	*Eligibility* Age 65 (60) with five years of service, including six months of membership service (Section 59-1341). *Amount of Allowance* For each year of credited service, the annual service retirement allowance is 2.0% (2.3%) of the highest 42-month average salary (Section 59-1342). *Minimum Benefit* $60 ($72) annual allowance for each year of service. The dollar amounts increase after 1974 according to the rate of cost of living increases in retirement allowances (Section 59-1342). *Maximum Benefit* In no case may a member's regular retirement benefit exceed the highest three-year average salary of the member (Section 59-1342). *Normal Form* Straight life retirement allowance plus any death benefit (Section 59-1351).

	Optional Form Actuarial equivalent of the normal form under the options available, according to the mortality and interest basis adopted by the Board (Section 59-1351).
Early Retirement Allowance	*Eligibility* Age 55 (50) with five years of service, including six months of membership service (contributing members only) (Section 59-1345). *Amount of Allowance* Full accrued service retirement allowance if age plus service equals 90 (80); otherwise, the accrued service retirement allowance, reduced by 3% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive the full accrued benefit, and by 5.75% for each additional year (Section 59-1346).
Vested Retirement Allowance	*Eligibility* Former contributing members with five years of membership service are entitled to receive benefits after attaining age 55 (50) (Section 59-1345). *Amount of Allowance* Same as early retirement allowance (Section 59-1345).
Disability Retirement Allowance	*Eligibility* Five years of membership service. For a police officer or a firefighter hired after July 1, 1993, who is disabled from an occupational cause, there is no service requirement (Section 59-1352). *Amount of Allowance* Projected service retirement allowance based on accrued service plus service projected to age 65 (60) (latter limited to excess of 30 years over accrued service) less any amount payable under workers' compensation law (Section 59-1353).
Death Benefits	*Normal Form* Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354). *After Retirement* Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361). *Before Retirement* A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while: i. contributing; ii. not contributing, but eligible for benefits; or iii. retired for disability or B. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

	or C. If a member has less than five years of service, a lump sum payment is made equal to the accumulated contributions with interest (Section 59-1361). Fire and police members are entitled to an additional $100,000 payment if death occurs in the line of duty (Section 59-1361 A).
Withdrawal Benefits	Accumulated contributions with interest (Section 59-1358). The interest rate is determined by the Board (Section 59-1301 (26)).
Postretirement Increases	A 1% annual postretirement increase is effective March of each year. An additional postretirement increase of up to 5% each year may be authorized by the Board, subject to the approval of the Legislature, if it finds that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase. Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase of 6% in any year (Section 59-1355).
Gain Sharing	Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of "extraordinary gains" to active and retired members and employers as Gain Sharing. Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Accrued Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board's current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution.

GABRIEL, ROEDER, SMITH & COMPANY
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April 11, 2003
Board of Trustees
Public Employee Retirement System of Idaho
607 North 8th Street
Boise, ID 83702

Subject: Actuarial Review

Dear Members of the Board:

At your request, we have performed a review of the 2000 and 2002 Investigations of Experience and the July 1, 2002 Annual Actuarial Valuation of the Public Employee Retirement System of Idaho ("PERSI").

We find that the actuarial assumptions and methodologies appropriately develop actuarial values of the System. We have also replicated the results of the July 1, 2002 actuarial valuation, and there are no material differences in the valuation results.

Our specific findings are:

- The actuarial assumptions used in the valuations are reasonable and appropriate. We have identified a few areas where consideration of refinement may be warranted.

- The Entry Age Normal Funding Method is appropriate. Although the method as applied in the PERSI valuations utilizes the normal cost percentage somewhat differently than the usual application of the method, the modification does not materially impact the funding of the System.

- PERSI uses market value of assets in the actuarial valuation. This is a reasonable approach, but we have suggested that PERSI consider the pros and cons of using an asset valuation method that would smooth out short-term fluctuations in market value.

- Milliman USA is performing the actuarial function in a reasonable and acceptable manner. We have suggested an adjustment in the treatment of valuation pay which would be appropriate. This adjustment would slightly reduce computed liabilities.

- The valuations were prepared by fully qualified actuaries in accordance with applicable Actuarial Standards of Practice.

- The contribution rates recommended are reasonable and consistent with the funding objective of PERSI.

- Valuation results are reasonable and based on the appropriate benefits as described in the Idaho Statute. We have identified an area where refineme nts may be warranted.

We wish to thank Alan Winkle and PERSI staff and Karen Steffen and Robert Schmidt of Milliman USA, without whose willing cooperation this review could not have been completed.

Sincerely,

Norman L, Jones, F.S.A.
President

Michael R. Kivi, F.S.A.
Senior Consultant

Kenneth Alberts
Consultant

November 19, 2003

Milliman USA

Retirement Board
Public Employee Retirement System

Milliman USA has performed annual actuarial valuations of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990 to July 1, 2000. Since the July 1, 2001 valuation, actuarial valuations have occured annually. The next actuarial valuation is scheduled for July 1, 2004.

Contribution Rates

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

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

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

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

The Retirement Board raised the PERSI contribution rates, with the first increase effective July 1, 2004 and additional increases effective July 1, 2005 and July 1, 2006; an additional 0.1% contribution was added to provide for a $100,000 death benefit for duty-related deaths. The FRF excess contribution rate was maintained at 17.24%. The total employer contributions for FRF members will also gradually increase to 37.84% / 29.19% by July 1, 2006 due to the increasing PERSI rates.

Funding Status

Based on the July 1, 2003 actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by October 31, 2019 or 16.3 years from the valuation date. This is greater than the expected amortization period of 15.0 years based on the July 1, 2002 valuation. It is longer than the Fund's original funding goal, which is to amortize the liabilities over 15 years or by June 30, 2018 (40 years from July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The amortization of the excess costs was increased by 1.1 years due to an asset loss recognized as of July 1, 2003. Specifically, the Fund's assets earned a gross return before expenses of 3.73% for the 2003 plan year, falling short of the actuarial assumption of 8.00%. All experience gains and losses (including the asset loss) over the year resulted in the amortization period being increased by 1.3 years.

Assumptions

Our July 1, 2003 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members. No assumptions were changed between July 1, 2002 and July 1, 2003. The next major PERSI experience study, to be completed in 2004, will cover the period July 1, 1999 through June 30, 2003.

Certification Statement

In preparing our actuarial valuation report, we relied, without audit, upon the financial statements prepared by the staff of the System. We also relied upon the member and beneficiary data provided us by the staff. We compared the data for the July 1, 2003 actuarial valuation with corresponding information from the prior valuation and tested for missing or incomplete items, such as birth dates and hire dates. Based on these tests, we believe the data to be sufficient and reliable for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The assumptions and methods used for funding purposes do not meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Thus, separate costs were developed and reported for GASB disclosure purposes. We believe the current funding policy is reasonable for a closed group and based on the FRF funding policy prior to 1980. However, it is expected that actual employer contributions will differ from the Annual Required Contribution (ARC) computed for GASB disclosure purposes.

The assumptions used in the actuarial valuations were recommended by us and approved by the Board. The Retirement Board has the final decision regarding the appropriateness of the assumptions. They represent our best estimate of future conditions affecting the Fund, and we believe they are reasonably related to the past experience of the Fund. Nevertheless, the emerging costs of the Fund will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

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

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

We, Robert L. Schmidt and Karen I. Steffen, are Consulting Actuaries for Milliman USA. We are members of the American Academy of Actuaries and Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Robert L. Schmidt, F.S.A., M.A.A.A., Consulting Actuary

Karen I. Steffen, F.S.A., M.A.A.A., Consulting Actuary

Idaho Firefighters' Retirement Fund

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
EFFECTIVE JULY 1, 2003

1. Investment Return (Adopted July 1, 1992)

   The annual rate of investment return on the assets of the Fund is assumed to be 8.00% (including 0.50% for expenses), compounded annually.

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

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

3. Actuarial Assumptions

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

4. Service Retirement (Adopted July 1, 1992)

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

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

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

5. Mortality (Adopted July 1, 1998)

   The mortality rates used for all members of the fund, active and retired, are from the 1994 Group Annuity Mortality Table for males with no setback. The mortality rates assumed for spouses are from the 1994 Group Annuity Mortality Table for females, set back one year. The mortality rates used for all disabled retired members is the 1983 Railroad Retirement Board Totally Disabled Annuitants Mortality Table with no age adjustment.

6. Disability Retirement (Adopted July 1, 1996)

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

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

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

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

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

8. Future Salaries (Adopted July 1, 2002)

In general, the total annual rates at which salaries are assumed to increase include 4.75% per year for increases in the general wage level of membership. The general wage level increases are due to inflation and increases in productivity. Due to the closed group and the aging of the membership, the general wage assumption is assumed to adequately cover any additional increases due to promotions and longevity.

9. Replacement of Terminated Members

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

10. Postretirement Benefit Increases (Cost of Living Adjustments) (Adopted July 1, 2002)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 4.75% per year. For members whose FRF benefits are offset by their PERSI benefits, the PERSI benefits are assumed to have post-retirement benefit increases of 4.00% per year. The assumptions regarding PERSI future post-retirement benefit increases is part of the funding policy for the FRF.

11. Probability of Marriage

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

12. Fire Insurance Premiums (Adopted July 1, 1998)

The fire insurance premiums received for the plan year ending June 30, 2003 amounted to $3,383,388 or approximately 9.14% of all firefighters' covered compensation during the same period. Future fire insurance premiums are expected to provide contributions as a decreasing percentage of compensation, due to the assumption that the firefighters’ covered compensation (including Class D members) will increase at the rate of 4.75% per year. This rate was adopted July 1,

2002. Future fire insurance premiums are assumed to increase at a rate of only 2.00% per year. This rate was adopted July 1, 1998.

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

The actuarial present value of future benefits not provided by PERSI, less the actuarial value of the assets and the present value of future statutory contributions for Class A & B members, is amortized as a level percentage of covered compensation, which includes the Class D firefighters. This can be considered a modified aggregate cost method. Contributions under this funding policy are reasonable for a closed group of members but are expected to be less than the GASB reported Annual Required Contribution (ARC).

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

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

15. Experience Studies

The last experience study was for the period July 1, 1997 through June 30, 2001, and reviewed all assumptions except the retirement and disability assumptions, which were studied in 2000. Retirement and disability assumptions will be studied again in 2004 for the period July 1, 1999 through June 30, 2003. Assumptions were adopted and have remained in effect as noted. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members.

16. Recent Changes

No assumptions were changed between the July 1, 2002 and July 1, 2003 valuations. Contribution rates will be increasing for PERSI, but since the excess contribution rate for firefighter employers will remain constant, this will not have a significant effect on the funding of the FRF plan.

Idaho Firefighters' Retirement Fund

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries Total(1)	Annual Salaries Average	Annual Salaries Annual Increase in Average
1988	384	$ 10,504,000	$ 27,354	4.6%
1990	343	10,465,000	30,510	5.6
1992	269	9,344,000	34,736	6.7
1994	222	8,702,000	39,198	6.2
1996	194	8,514,433	43,889	5.8
1998	163	7,954,048	48,798	5.4
2000	129	7,174,924	55,620	6.8
2001	103	5,771,086	56,030	0.7
2002	81	4,981,492	61,500	9.8
2003	57	3,750,432	65,797	7.0

(1) Annualized average salaries for covered members for the 12-month period commencing October 1 of the previous calendar year.

EXHIBIT 3: SCHEDULE OF RETIREE AND BENEFICIARY VALUATION DATA[1]

Valuation Date July 1	Number			COLA Increases Granted Previous January 1
	Total	Added	Removed	
1988	309	9	7	3.70%
1990	336	36	9	5.12
1992	367	50	19	4.52
1994	411	50	6	7.15
1996	431	34	14	3.54
1998	482	72	21	5.00
2000	508	43	17	3.33
2001	526	31	13	7.55
2002	558	41	9	1.51
2003	576	27	9	4.41

Valuation Date July 1	Annual Benefits				
	Total[2]	Added[3]	Removed	Average	Increases in Average
1988	$ 4,442,037	$ 178,555	$ 89,018	$ 14,376	5.1%
1990	5,576,328	846,681	205,982	16,596	7.4
1992	6,998,946	1,299,940	526,867	19,071	7.2
1994	8,975,984	2,131,836	154,795	21,839	7.0
1996	10,411,707	1,668,685	232,962	24,157	5.2
1998	12,950,197	2,942,954	404,464	26,868	5.5
2000	14,420,361	1,896,872	426,708	28,387	2.8
2001	16,607,752	2,529,792	342,401	31,574	11.2
2002	17,834,237	1,458,868	232,384	31,961	1.2
2003	19,329,902	1,725,487	229,822	33,559	5.0

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

(2) Combined annual benefits from FRF and PERSI. The FRF benefits comprised $15,250,923 of the 2003 total.

(3) Includes postretirement increases.

Idaho Firefighters' Retirement Fund

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS
(all dollar amounts in millions)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[(1)]	Unfunded Actuarial Accrued Liabilities (UAAL)[(2)]	Funded Ratio	Covered Payroll[(3)]	UAAL as a Percentage of Covered Payroll
1988	$ 50.8	$169.6	$118.8	30.0%	$14.8	802.7%
1990	71.8	198.6	126.8	36.2	17.0	745.9
1992	87.3	194.5	107.2	44.9	19.7	544.2
1994	100.6	240.4	139.8	41.8	22.6	618.6
1996	132.1	246.7	114.6	53.5	24.6	465.9
1998	179.0	284.0	105.0	63.0	28.0	375.0
2000	217.8	293.4	75.6	74.2	30.8	245.5
2001	200.4	316.2	115.8	63.4	32.9	352.0
2002	181.5	300.3	118.8	60.4	34.4	345.3
2003	182.7	310.7	128.0	58.8	37.0	345.9

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

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

(3) Covered Payroll includes compensation paid to all active firefighters on which excess benefit contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those Class A and Class B members who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7.

Idaho Firefighters' Retirement Fund

EXHIBIT 5: SOLVENCY TEST
(all dollar amounts in millions)

		Actuarial Liabilities[1] for			Portion of Actuarial Liabilities Covered by Assets		
Actuarial Valuation Date	Actuarial Value of Assets	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	(A)	(B)	(C)
1988	$ 50.8	$2.8	$ 89.5	$77.3	100.0%	53.6%	0.0%
1990	71.8	2.3	113.1	83.2	100.0	61.5	0.0
1992	87.3	1.8	119.0	86.2	100.0	71.8	0.0
1994	100.6	1.3	171.8	76.8	100.0	57.8	0.0
1996	132.1	1.1	182.5	67.3	100.0	71.8	0.0
1998	179.0	0.9	226.0	60.8	100.0	78.8	0.0
2000	217.8	0.9	239.9	55.0	100.0	90.4	0.0
2001	200.4	0.3	274.5	43.0	100.0	72.9	0.0
2002	181.5	0.2	270.5	30.4	100.0	67.0	0.0
2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0

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

Exhibit 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES*
(all dollar amounts in millions)

	(Gain) Loss for Period	
	2001-2002	2002-2003
Investment Income Investment income was (greater) smaller than expected.	4.6 years	1.1 years
Contribution Income Actual contributions were (greater) smaller than expected.	(0.4)	–
Pay Increases Pay increases and COLAs were (smaller) greater than expected.	(1.4)	0.1
Death After Retirement Retirees (died younger) lived longer than expected.	–	–
Other Miscellaneous (gains) and losses resulting from other causes.	1.2	0.1
Total (Gain) Loss During the Period From Actuarial Experience	4.0 years	1.3 years
Non-Recurring Items Changes in actuarial assumptions and benefits caused a (gain) loss.	(3.9)	
Composite (Gain) Loss During the Period	0.1 years	1.3 years

Note: Effects related to gains are shown in parentheses. Numerical results are expressed as an increase (decrease) in the amortization period of the unfunded present value of FRF excess benefits.

The experience between the 2001 and 2002 valuations was somewhat unusual in that there were 18 new retired members and one new active member added to the data. According to PERSI, these members were discovered in the recent data cleanup process. Ordinarily, we would not expect new members in a frozen plan such as the FRF plan. The addition of these members comprises most of the loss from other causes shown in the table above for the 2001-2002 period.

Idaho Firefighters' Retirement Fund

Exhibit 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (actual dollar amounts)

Fiscal Year Ending	Covered Employee Payroll (1)	Statutory Employer Contributions (2)	Additional Employer Contribution (2)	Insurance Premium Payment from the State	Total Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Contributed
1996	$24,569,440	$ 810,838	$ 3,783,694	$ 2,654,165	$ 7,248,697	$ 7,248,697[(4)]	100.0%
1997	26,671,313	799,570	4,107,381	2,575,053	7,482,004	9,447,790	79.2
1998	27,953,792	717,489	4,648,494	2,634,818	8,000,801	9,447,790	84.7
1999	30,091,784	673,975	5,187,823	2,706,956	8,568,754	8,643,708	99.1
2000	30,830,049	615,335	5,315,101	2,744,153	8,674,589	8,643,708	100.4
2001	32,938,022	583,440	5,678,515	2,964,981	9,226,936	6,265,400	147.3
2002	34,426,786	463,017	5,935,178	3,150,114	9,548,309	9,339,992	102.2
2003	37,005,298	352,350	6,379,713	3,383,388	10,115,451	9,447,664	107.1

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

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

(3) Starting July 1, 1996, the Annual Required Contributions (ARC) is computed as a dollar amount based on the entry age cost method and future payroll contributions from Class A & B members only. The ARC is computed for GASB reporting purposes only. The actual employer contributions as a percentage of payroll varied from those determined by the actuarial valuation based on the funding policy as shown in Exhibit 8 of this report. Thus, as long as the actual contributions are made as a percentage of payroll under the current funding policy methods and assumptions, as required by the most recent actuarial valuation, the actual dollar amount of the employer contributions will differ from the dollar amount of the Annual Required Contributions (ARC).

(4) Contributions were based on the July 1, 1994 actuarial valuation and the funding policy methods and assumptions. These do not meet the new GASB requirements. The basis for the ARC was changed July 1, 1996.

EXHIBIT 8: CONTRIBUTION RATES AS PERCENT OF PAY

	State Contributions	Employer Contributions				Total Employer Contributions For Members	
Year(1)	Fire Insurance Premium Tax(2)	PERSI Rate	Statutory FRF Rate	Additional Rate	Social Security	Hired Before 10/1/80(3)	Hired After 9/30/80(4)
Effective Date:	July 1	October 1	January 1	October 1	January 1	October 1	October 1
1988	13.45%	8.89%	8.51%	24.20%	7.51%	41.60%	40.60%
1990	13.00	8.89	8.65	24.20	7.65	41.74	40.74
1992	11.53	9.75	8.65	23.34	7.65	41.74	40.74
1994	11.80	11.85	8.65	15.40	7.65	35.90	34.90
1996	10.88	11.85	8.65	15.40	7.65	35.90	34.90
1998	7.30	10.01	8.65	17.24	7.65	35.90	34.90
2000	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2001	7.10	10.01	8.65	17.24	7.65	35.90	34.90
2002	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2003	7.60	10.11	8.65	17.24	7.65	36.00	35.00

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

(2) Rate based on previous 12 months of income from previous tax, expressed as a percentage of salaries on the valuation date for years prior to 1996. After 1996 expressed as a percentage of the value of future fire insurance premium taxes over the value of future covered compensation.

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

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

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

This exhibit outlines our understanding of the laws governing the Firefighters' Retirement Fund (FRF), compared with the provisions that apply to firefighters of the Public Employee Retirement System of Idaho (PERSI), as contained in Sections 59-1301 through 59-1399 for PERSI and Sections 72-1401 through 72-1472 for FRF, inclusive of the Idaho Code through July 1, 2002. Each currently active firefighter hired before October 1, 1980 is entitled to receive the larger of (a) a benefit based on the FRF provisions, considering all of his service as a firefighter, and (b) a PERSI benefit, based on membership service beginning October 1, 1980 plus prior service rendered before July 1, 1965. Firemen hired October 1, 1980 and later (Class D members) are not entitled to FRF benefits.

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

Retirement Provisions Affecting Firefighters in Idaho
July 1, 2003

	Public Employee Retirement System (Including July 1, 2000 Benefit Changes)	Firefighters' Retirement Fund
Member Contribution Rate	7.21% of salary increasing to 8.53% by July 1, 2006.	11.45% of salary. *
Service Retirement Allowance		
Eligibility	Age 60 with five years of service, including six months of membership service.	20 years of service. **
Amount of Annual Allowance	2.30% of the highest 3.5-year average salary for each year of credited service.	40% of final five-year average salary * plus 5.00% of average salary for each year of service in excess of 20 years.
Maximum Benefit	100% highest three-year average salary.	65% of final five-year average salary. *
Minimum Benefit	For retirement during or prior to 1974, $72 annual allowance for each year of service, increasing in subsequent years at the rate of cost-of-living increases in retirement allowances.	None.

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

For firefighters employed prior to July 1, 1976 who chose Option 2, contributions are calculated on the basis of the individual member's average salary, but benefits are based on actual pay.

** *Completed years of service. No partial years of service are recognized.*

	Public Employee Retirement System	Firefighters' Retirement Fund
Non-Duty Disability Retirement Allowance		
Eligibility	Five years of membership service.	Five years of service. **
Amount of Annual Allowance	Projected service retirement allowance based on accrued service plus service projected to age 60 (projected service is limited to excess of 30 years over accrued service), less any amount payable under workers' compensation law.	2.00% of final five-year average salary* times years of service**, or same as service retirement benefit if eligible.
Normal Form	Temporary annuity to age 60 plus any death benefit.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.
Duty Disability Retirement Allowance		
Eligibility	If hired after July 1, 1993, no service requirement, otherwise same as non-duty disability retirement.	No age or service requirements.
Amount of Annual Allowance	Same as non-duty disability retirement.	65% of final five-year average salary.
Normal Form	Same as non-duty disability retirement.	Same as non-duty disability retirement.
Special Disability Benefit		
Eligibility	Firefighters hired October 1, 1980 and prior to July 1, 1993, with less than 10 years of service.	None.
Benefit	Same as FRF disability benefit.	None.

*** Completed years of service. No partial years of service are recognized.*

	Public Employee Retirement System	Firefighters' Retirement Fund
Death Benefits Before Retirement		
Eligibility	Five years of service for surviving spouse's benefit.	Non-duty death: Five years of service.** Duty death: No service requirement. Benefits are payable to surviving spouse or, if no eligible surviving spouse, to unmarried children under 18.
Amount of Benefit	1. Accumulated contribution with interest, or 2. The surviving spouse of a member with five years of service who dies while: i. contributing; ii. noncontributing, but eligible for benefits; or iii. retired for disability receives an automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance.	100% of the benefit the firefighter would have received as a duty or non-duty disability allowance, depending on cause of his death.
Normal Form	Payable for member's lifetime, with death benefit determined by option selected at retirement.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.
Optional Form	Actuarial equivalent of the normal form under the options available according to the mortality and interest basis adopted by the Board.	None.
Death Benefits After Retirement		
Eligibility	Designated beneficiary or estate.	Surviving spouse or, if no eligible surviving spouse, unmarried children under 18.
Amount of Benefit	Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise payable according to the option elected.	100% of firefighter's retirement allowance.

*** Completed years of service. No partial years of service are recognized.*

	Public Employee Retirement System	Firefighters' Retirement Fund
Early Retirement Allowance		
Eligibility	Age 50 with five years of service including six months of membership service (contributing members only).	None.
Amount of Allowance	Full accrued service retirement allowance if age plus service equals 80; otherwise, the accrued service retirement allowance reduced by 3.00% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive his full accrued benefit, and by 5.75% for each additional year.	None.
Vested Retirement Allowance		
Eligibility	Former contribution members with five years of membership service are entitled to receive benefits after attaining age 50.	Firefighters who terminate after five years of service** are entitled to receive benefits beginning at age 60.
Amount of Allowance	Same as early retirement allowance.	2.00% of final five-year average salary times years of service. **
Withdrawal Benefit	Accumulated contributions with interest.	Accumulated contributions with interest.
Postretirement Increases		
Amount of Adjustment	A 1.00% annual postretirement increase is effective each January. An additional postretirement increase of up to 5.00% each year may be authorized by the Board if it finds that the value of the System's assets are no less than its actuarial liabilities, including those created by the additional increase. Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase of 6.00% in any year.	Benefits increase or decrease by the same percentage by which the average paid firefighter's salary increases or decreases.

*** Completed years of service. No partial years of service are recognized.*

The System is the administrator of three pension funds including two defined benefit retirement plans, the Public Employee Retirement Base Plan (PERSI) and the Firemen's Retirement Fund (FRF), and one defined contribution plan, the PERSI Choice Plan. In addition, the System administers one agency fund, the Sick Leave/Insurance Reserve Fund.

During FY 2003, the number of active PERSI members increased from 62,376 to 62,385. The number of retired members or annuitants receiving monthly allowances increased from 24,018 to 24,991. The number of inactive members who have not been paid a separation benefit increased from 18,267 to 18,599. Of these inactives, 7,897 have achieved vested eligibility. Total membership in PERSI increased from 104,661 to 105,975 during the fiscal year. As of June 30, 2003, there were 667 public employers in Idaho who were PERSI members. Table 1 illustrates how the distribution of active, retired, and inactive members has changed over the years.

The average age of active members and their average years of public employment continue their upward trend as shown in Table 1.

Table 1
Membership

	Active Members			Retired Members		Inactive Members
Fiscal Year Ended	Number	Average Age	Average Years of Service	Number	Average Age	Number
1994	53,763	43.9	9.0	18,683	73.4	6,936
1995	55,811	43.9	9.0	19,272	73.6	7,564
1996	56,802	44.1	9.2	19,903	73.5	8,479
1997	57,237	44.3	9.5	20,499	73.2	11,153
1998	57,528	44.6	9.7	21,134	73.2	12,945
1999	59,248	44.8	9.8	21,756	73.1	14,180
2000	60,388	45.0	9.8	22,456	73.1	18,497
2001	62,125	45.1	9.7	23,253	72.7	18,723
2002	62,376	45.4	10.0	24,018	72.7	18,267
2003	62,385	45.7	10.2	24,991	72.5	18,599

Table 2
Schedule of Retired Members by Type of Benefit

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Regular	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	5,804	4,945	22	837	1,319	4,485
251 - 500	4,636	3,930	85	621	820	3,816
501 - 750	3,363	2,885	139	339	660	2,703
751 - 1,000	2,471	2,075	149	247	473	1,998
1,001 - 1,250	2,003	1,662	170	171	428	1,575
1,251 - 1,500	1,541	1,348	106	87	381	1,160
1,501 - 1,750	1,194	1,050	92	52	289	905
1,751 - 2,000	895	796	62	37	243	652
Over 2,000	3,084	2,924	107	53	998	2,086
Totals	24,991	21,615	932	2,444	5,611	19,380

Joint & Survivor (also known as Contingent Annuitant)
* Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.

Table 3
Distribution of Active Members
62,385 Total

Cities	6,120	9.8%
Counties	6,346	10.2%
Schools	27,886	44.7%
State	17,733	28.4%
All others	4,300	6.9%
Total	62,385	100.0%

Table 4
Schedule of Average Benefit Payment Amount

Retirement Effective Dates	< 5*	5-10	10-15	15-20	20-25	25-30	30+
	Years Credited Service						
Period 7/1/97 to 6/30/98							
Average Monthly Benefit	$ 572.91	$ 251.52	$ 452.60	$ 678.34	$1,108.13	$1,717.88	$2,432.60
Number of Retirants	74	238	195	190	170	183	193
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ 582.71	$ 233.75	$ 526.33	$ 791.87	$1,122.65	$1,784.22	$2,614.96
Number of Retirants	63	200	216	198	203	205	201
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 376.08	$ 263.49	$ 499.69	$ 771.77	$1,198.14	$1,812.25	$2,551.37
Number of Retirants	64	224	194	191	196	220	241
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 699.51	$ 316.31	$ 494.00	$ 825.72	$1,240.47	$2,019.85	$2,712.20
Number of Retirants	71	225	249	234	243	253	328
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 399.61	$ 254.28	$ 545.98	$ 860.22	$1,231.89	$2,009.06	$2,804.79
Number of Retirants	62	218	259	210	238	197	298
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 583.54	$ 285.10	$ 544.77	$ 875.53	$1,430.68	$2,019.95	$2,808.27
Number of Retirants	46	232	239	245	230	259	400

* Elected and appointed officials are vested after five months of continuous service.

Table 5
Schedule of Benefit Expenses by Type (1)

	Age & Service Benefits			Disabilities			Refunds			
				Retirants (2)						
Fiscal Year	Retirants	Survivors (3)	Death in Service Benefits	Pre-NRA	Post-NRA	Survivors	Death	Separation	DC Benefits (4)	Total
2001	$227,350,223	$22,501,874	(3)	$6,682,375	$5,725,127	(3)	$4,570,629	$20,207,120	$ 899,539	$287,936,887
2002	232,856,198	17,968,893	(3)	7,959,961	5,150,169	$21,516	4,310,763	21,799,204	2,466,580	292,533,284
2003	256,035,493	18,866,589	(3)	9,035,051	5,500,590	22,042	4,481,725	20,154,162	1,951,818	316,047,470

(1) Amounts are approximate. Actual 2001 benefit expenses were allocated based on membership information at 7/1/2002.
(2) The split between duty and non-duty disabilities is not available.
(3) The split of benefit amounts by survivor type was not available. All survivors are included with the Age & Service Benefits survivors.
(4) Benefits paid from the defined contribution plans.
NRA = Normal Retirement Age. PERSI members with disability bene fits convert to age & service retirants at NRA (60 for Fire & Police, 65 for other members). Data prior to Fiscal Year 2001 is unavailable. For purposes of this table, data will be accumulated going forward.

Table 6
History of Cost-of-Living Adjustments

Year	CPI Rate	PERSI COLA Rate (1)	Maximum COLA	Difference
1979	8.90%	6.00%	6.00%	0.00%
1980	12.20	6.00	6.00	0.00
1981	12.60	6.00	6.00	0.00
1982	10.20	6.00	6.00	0.00
1983	5.10	5.10	5.10	0.00
1984	2.90	2.90	2.90	0.00
1985	4.20	4.20	4.20	0.00
1986	3.20	1.00	3.20	2.20 (2)
1987	1.50	1.50	1.50	0.00
1988	4.50	1.00	4.50	3.50 (2)
1989	4.20	1.00	4.20	3.20 (2)
1990	4.70	4.70	4.70	0.00
1991	5.60	5.60	5.60	0.00
1992	3.80	3.80	3.80	0.00
1993	3.10	3.10	3.10	0.00
1994	2.80	2.80	2.80	0.00
1995	2.90	2.90	2.90	0.00
1996	2.60	2.60	2.60	0.00
1997	2.90	2.90	2.90	0.00
1998	2.20	2.20	2.20	0.00
1999	1.60	1.60	1.60	0.00
2000	2.30	2.30	2.30	0.00
2001	3.40	3.40	3.40	0.00
2002	2.70	2.70	2.70	0.00
2003	1.80	1.00	1.80	0.80(3)

1 For years 1978 through 1986 the adjustment is effective January 1. Beginning in 1987, adjustments are effective March 1.
2 Retro-active COLAs were effective March 1, 1999, to re-establish purchasing power for these years.
3 The discretionary portion of the COLA in the amount of .80% was not approved.

Table 7
Schedule of Revenue by Source

Year	Employee Contributions	Employer Contributions(1)	Investment Income(2)	Gains & Losses(3)	Other Income	Total(4)
1994	84,680,811	146,159,926	59,182,411	244,645,167	61,607	534,729,922
1995	98,958,160	173,626,061	97,974,599	18,914,844	108,118	389,581,782
1996	111,275,022	183,978,827	121,513,338	460,864,748	152,853	877,784,788
1997	115,599,984	193,604,102	129,568,877	627,809,854	407,761	1,066,990,578
1998	109,305,482	180,322,741	144,779,498	683,857,465	385,412	1,118,650,598
1999	110,900,497	181,659,638	162,852,260	475,499,565	411,586	931,323,546
2000	118,270,877	191,534,944	201,552,566	628,751,044	301,280	1,140,410,711
2001	127,533,104	131,997,290	203,096,882	(669,224,044)	386,742	(206,210,026)
2002	135,637,682	220,398,889	162,149,168	(663,804,822)	137,215	(145,481,868)
2003	145,862,839	217,096,030	171,792,158	40,395,034	132,967	575,279,028

1 Employer contributions for 2001 do not include $77,690,500 of employer gain sharing credits.
2 Investment income is reported net of investment expense.
3 Years prior to 1996 were reported under NCGA Statement No. 1, so unrealized gains and losses for those years are not included. From 1996 forward, both unrealized and realized gains and losses are included.
4 Total does not include the transfer in activity related to the DC Choice Plan.

Table 8
Schedule of Expenses by Type

Year	Retirement Allowance	Refunds	Administrative Expense	Total (1)
1994	127,129,834	12,385,409	2,974,975	142,578,971
1995	142,117,947	14,786,915	3,246,044	159,969,064
1996	155,990,318	16,701,947	2,310,751	175,667,240
1997	168,717,822	18,966,734	2,435,051	190,930,600
1998	182,788,207	23,019,945	3,172,208	208,980,360
1999	200,025,199	19,938,836	3,596,797	223,560,832
2000	220,960,251	24,560,909	4,283,525	249,804,685
2001	263,159,138	24,777,749	5,874,271	293,811,158
2002	266,423,317	26,109,967	7,034,588	299,567,872
2003	291,220,969	24,826,501	6,614,117	322,661,587

1 Total does not include the transfer out activity related to the DC Choice Plan.

Firefighter's Retirement Fund Entitlements

Effective October 1, 1980, all contributing members of the Firefighter's Retirement Fund (FRF) became members of the Public Employee Retirement System of Idaho.

The merger legislation provides the rights and benefits of firefighters employed prior to October 1, 1980 shall not be less than those they would have received had the FRF system not been integrated with PERSI. Under this guarantee, the cost of benefits payable, which exceeds PERSI benefit accrual, is to be borne by additional contributions from the State (allocation of fire insurance premium tax revenues) and from the employer members of the former FRF system. Firefighters originally hired on or after October 1, 1980, are members of and entitled to benefits as provided by PERSI statutes.

While the invested assets of the FRF system were integrated into the PERSI retirement fund in 1980, they are accounted for on an appreciated value basis in the biennial actuarial valuation of that system. Also, a separate accounting of FRF employer and employee contributions is maintained and used in that valuation to insure the cost of continuing FRF benefit payments remains the responsibility of former FRF employers and is shared by the State.

The Retirement Board lowered the PERSI contribution rates starting October 31,1997. Initially, this reduction was to end on October 31, 2000. The Board has voted to continue this reduction as of April 25, 2000. The FRF excess contribution rate has correspondingly increased to 17.24% and the total employer contributions for FRF members remain fixed at the 35.90% / 27.25% rates.

Based on the July 1, 2003 actuarial valuation, the current schedule of excess contribution rates will amortize the FRF excess costs by October 31, 2019 or 16.3 years from the valuation date. This is greater than the expected 15.0-year period based on the 2002 actuarial valuation results. It is greater than the Fund’s original funding goal, which was to amortize the liabilities by June 30, 2018 (40 years form July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The amortization of the excess costs was increased by 1.1 years due to investment returns recognized as of July 1, 2003. Specifically, the fund’s assets earned a gross return before expenses of 3.73% for the 2003 plan year falling short of the actuarial assumption of 8.00%. All experience gains and losses over the year resulted in the amortization period being increased by 1.3 years.

As of June 30, 2003 there were 57 active members entitled to FRF benefits, a decrease from 81 at the end of FY 2002. Retired members and beneficiaries increased to 576 from 558. The number of active FRF members continues to decrease. In fact, the average expected years of service for the remaining 57 active FRF members is only 2.5 years as of July 1, 2003.

Table 9
FRF Employer Contribution Rates as of June 30, 2003

	Firefighters Hired Before 10/1/80	Firefighters Hired After 10/1/80
PERSI Rate	10.01%	10.01%
Social Security Equivalent	7.65	
72-1432 IC	1.00	
Excess Cost	17.24	17.24
Total Rate:	35.90	27.25

Schedule of Employers

State Agencies

Accountancy Board
Administration, Department of
Aging, Commission on
Agriculture, Department of
Arts, Commission on the
Athletic Commission
Attorney General
Barley Commission
Bean Commission
Beef Council, Idaho
Blind & Visually Impaired, Comm. for
Boise State University
Brand Inspector, State
Building Safety, Division of
Canola & Rapeseed Commission
Certified Shorthand Reporters
Code Commission, Idaho
Commerce, Department of
Controller's Office
Corrections, Department of
Correctional Industries
Dairy Council
Deaf and Blind, School for
Dentistry, Board of
Disability Determinations
Eastern Idaho Technical College
Education, Board of
Engineers & Land Surveyors, Prof.
Environmental Quality, Dept. of
Finance, Department of
Financial Management, Division of
Fish and Game, Department of
Forest Products Commission
Governor, Office of the
Health and Welfare, Department of
Health District #1
Health District #2
Health District #3
Health District #4
Health District #5
Health District #6
Health District #7
Hispanic Affairs, Commission on
Historical Society
Human Resources, Division of
Human Rights Commission
Idaho Public Television
Idaho State Bar
Idaho State University
Industrial Commission
Insurance, Department of
Insurance Fund, State
Investment Board
Judicial Branch
Juvenile Corrections, Department of
Labor, Department of
Lands, Department of
Lava Hot Springs Foundation
Law Enforcement, Department of
Legislative Services
Legislature - House of Representatives
Legislature - Senate
Lewis-Clark State College
Library, Idaho State
Lieutenant Governor
Liquor Dispensary
Lottery, Idaho State
Medicine, Board of
Military Division
Nursing, Board of
Occupational Licenses, Bureau of
Optometry, Board of
Outfitters and Guides, Board of
Parks & Recreation, Department of
Pea & Lentil Commission, Idaho
Pharmacy, Board of
Potato Commission, Idaho
Professional Geologists, Board of
Public Employee Retirement System
Public Utilities Commission
Public Works Contractors Licensing
Racing Commission
Real Estate Commission
Secretary of State
Species Conservation, Office of
State Appellate Public Defender
Superintendent of Public Instruction
Tax Appeals, Board of
Tax Commission
Transportation, Department of
Treasurer, State of Idaho
University of Idaho
Veterans Services, Division of
Veterinary Medicine Board
Vocational Education
Vocational Rehabilitation
Water Resources, Department of
Wheat Commission
Women's Commission

Political Subdivisions

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

City of Aberdeen
City of Albion
City of American Falls
City of Ammon
City of Arco
City of Ashton
City of Athol
City of Bancroft
City of Blackfoot
City of Bliss
City of Bloomington
City of Boise
City of Bonners Ferry
City of Bovill
City of Buhl
City of Burley

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

Cascade Hospital District
Council Community Hospital
Elmore Medical Center
McCall Memorial Hospital District
Salmon River Hospital District
Weiser Memorial Hospital

Ada County Drainage District #2
Aberdeen-Springfield Canal Co.
American Falls Reservoir District
American Falls Reservoir District #2
Avondale Irrigation District
Bench Sewer District
Big Lost River Irrigation
Big Wood Canal Company
Black Canyon Irrigation District
Boise-Kuna Irrigation District
Boise Project Board of Control
Burley Irrigation District
Canyon Hill Irrigation District
Cataldo Water District
Central Orchards Sewer District
Central Shoshone County Water Dist.
Clearwater Soil & Water Conservation
Coolin Sewer District
Dalton Gardens Irrigation District
Eagle Sewer District
East Green Acres Irrigation District
E&W Cassia Sewer & Water District
East Shoshone County Water District
Fremont-Madison Irrigation District
Grand View Mutual Canal Company
Hayden Area Regional Sewer Board
Hayden Lake Irrigation District
Idaho Irrigation District
Kalispel Bay Water/Sewer District
King Hill Irrigation District
Kingston-Cataldo Sewer District

Kingston Water District
Kootenai-Ponderay Sewer District
Lake Irrigation District
Lewiston Orchards Irrigation District
Little Wood River Irrigation District
Milner Low Lift Irrigation District
Minidoka Irrigation District
Mountain Home Irrigation District
Nampa-Meridian Irrigation District
New Sweden Irrigation District
New York Irrigation District
North Kootenai Water District
Orofino Cr-Whiskey Cr Water & Sewer
Owyhee Project Sewer Board
Owyhee Sewer District
Payette Lakes Water & Sewer District
People's Canal & Irrigation Company
Pinehurst Water District
Pioneer Irrigation District
Portneuf Soil & Water District
Progressive Irrigation District
Riverside Independent Water & Sewer
Riverside Irrigation District
Riverside Irrigation District Ltd.
Roseberry Irrigation District
Ross Point Water District
Settlers Irrigation District
Snake River Valley Irrigation District
Southside Water & Sewer District
Sun Valley Water & Sewer District
Twin Falls Canal Company
Water District #1
Water District #11
Water District #31
Water District #32C
Water District #34
Water District # 37 and #37M
Water District #37N
Water District #63
Weiser Irrigation District
West Boise Sewer District
West Bonner Water & Sewer District
Wilder Irrigation District

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

Ada Planning Association
American Falls Housing Authority
Association of Idaho Cities
Bear Lake Regional Commission
Bingham County Senior Citizens Ctr.
Blaine County Recreational District
Boise City/Ada County Housing Auth.
Caldwell Housing Authority
Canyon County Org. on Aging
Capital City Development Corp.
Clearwater-Potlatch Timber Protection
Dry Creek Cemetery District
Eastern Idaho Fair Board
Foster Grandparents of Southeast ID
Gem County Mosquito Abatement
Gem County Recreation District
Genesee Cemetery District
Gooding Cemetery District
Grangeville Cemetery District.
Hagerman Cemetery District
Hayden Area Recreational District
Housing Authority of Pocatello
Idaho School Board Association
Idaho Crop Improvement Association
Idaho Public Employees Association
Idaho Association of Counties
Idaho Heritage Trust, Inc.
Idaho Education Association
Idaho Assoc. of School Administrators
Idaho Risk Management Program
Lincoln County Cemetery District
Lincoln County Housing Authority
Local Highway Technical Assistance
M-A-R Cemetery District
Masring-Homedale Cemetery
Meridian Cemetery District
Moscow Cemetery District
Nampa Housing Authority
Nampa Urban Renewal
Nez Perce County Fair Board
North Fremont Cemetery District
North Idaho Fair
Orofino Cemetery District
Port of Lewiston
Rexburg Cemetery District
Shelley Cemetery District
Southern Idaho Solid Waste District
Twin Falls Housing Authority
Valley Recreation Dist. Of Hazelton
West End Cemetery District
Wilder Cemetery District
Wilder Housing Authority

Aberdeen Library District
Ada County Free Library District
American Falls Free Library
Bear Lake County Free Library
Boundary County Free Library
Burley Public Library
East Bonner County Library District
Franklin County Library District
Fremont County Library District
Jefferson Free Library District
Madison County Library District
Meadows Valley Public Library District
Meridian Free Library
Moscow-Latah County Library

North Bingham County Library District
Oneida County Library
Portneuf Library District
Prairie-River Library District
Priest Lake Public Library
Salmon Library Association
South Bannock Free Library District
Valley of Tetons District Library Board
West Bonner Library District

Athol Fire Protection District
Blackfoot Fire Department
Boise Fire Department
Buhl Fire Department
Burley Fire Department
Caldwell Fire Department
Central Fire District
Coeur d' Alene Fire Department
Cottonwood Rural Fire District
Donnelly Rural Fire Prot Assn
Idaho Falls Fire Department
Jerome Fire Department
Ketchum Fire Department
Kootenai County Fire and Rescue
Kootenai Co. Emergency Med. Svcs.
Kuna Fire District
Lewiston Fire Department
McCall Rural Fire District
Mica Kidd Island Fire District
Moscow Fire Department
Nampa Fire Department
North Ada County Fire/Rescue District
North Ada Co. Fire/Rescue Volunteers
Northern Lakes Fire Protection District
Northside Fire District
Payette Fire Department
Plummer-Gateway Fire Protection Dist
Pocatello Fire Department
Post Falls Fire Protection District
Rexburg-Madison Fire Department
Sagle Fire District
Sandpoint Fire Department
Shoshone County Fire District #1
Shoshone County Fire District #2
Shoshone Co. Fire Protection Dist #2
South Central Region E911
South Idaho Timber Protection Assoc.
Spirit Lake Fire Protection District
Star Joint Fire Protection District
Teton County Fire Protection District
Twin Falls Fire Department
Wendell Rural Fire District
Westside Fire District
Whitney Fire Protection District
Wood River Fire Protection District
Worley Ambulance Association
Worley Fire Protection District

Junior Colleges and
Public School Districts

North Idaho College
College of Southern Idaho
Aberdeen School District
American Falls School District
ANSER Charter School
Arbon School District
Avery School District
Basin School District
Bear Lake School District
Blackfoot Charter Comm. Learning Ctr.
Blackfoot School District
Blaine County School District
Bliss School District
Boise Independent School District
Bonneville School District
Boundary School District
Bruneau-Grandview School District
Buhl School District
Butte County School District
Caldwell School District
Camas County School District
Cambridge School District
Canyon-Owyhee School District
Cascade School District
Cassia County School District
Castleford School District
Challis School District
Clark County School District
Clearwater School District
Coeur d’ Alene Charter Academy
Coeur d’ Alene School District
Cottonwood School District
Council School District
Culdesac School District
Dietrich School District
Emmett School District
Filer School District
Firth School District
Fruitland School District
Garden Valley School District
Genesee School District
Glenns Ferry School District
Gooding School District
Grace School District
Grangeville School District
Hagerman School District
Hansen School District
Hidden Springs Charter School
Highland School District
Homedale School District
Horseshoe Bend School District
Idaho Falls School District
Idaho High School Activities Assoc.
Idaho Leadership Academy
Idaho Virtual Academy
Idaho Virtual High School
Jerome School District
Kamiah School District
Kellogg School District
Kendrick School District
Kimberly School District
Kootenai-Harrison School District
Kuna School District
Lake Pend Oreille School District
Lakeland School District
Lapwai School District
Lewiston Independent School District
Mackay School District
Madison School District
Marsh Valley School District
Marsing School District
McCall Donnelly School District
Meadows Valley School District
Melba School District
Meridian High School, Inc.
Meridian School District
Middleton School District
Midvale School District
Minidoka County School District
Moscow Charter School
Moscow School District
Mountain Home School District
Mullan School District
Murtaugh School District
Nampa Charter School, Inc.
Nampa School District
New Plymouth School District
Nez Perce School District
North Gem School District
North Star Charter School
Notus School District
Oneida School District
Parma School District
Payette School District
Pleasant Valley School District
Plummer-Worley School District
Pocatello Community Charter
Pocatello School District
Post Falls School District
Potlatch School District
Prarie School District
Preston School District
Renaissance Charter School
Richfield School District

Rigby School District
Ririe School District
Rockland School District
Salmon School District
Sandpoint Charter School
Shelley School District
Shoshone School District
Snake River School District
Soda Springs School District
South Lemhi School District
St. Anthony School District
St. Maries School District
Sugar-Salem School District
Swan Valley School District
Teton School District
Three Creek School District
Troy School District
Twin Falls School District
Valley School District
Vallivue School District
Wallace School District
Weiser School District
Wendell School District
West Bonner County School District
West Jefferson School District
West Side School District
Whitepine School District
Wilder School District

Several publications and reports are distributed to members and employers to keep them informed about the status of their membership accounts and PERSI. These include:

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

To receive any of these, contact PERSI at 208-334-3365.

In addition, PERSI information can be found on PERSI's web page at www.persi.state.id.us.

PERSI Office Locations:

Boise

Office Location:	Mailing Address:	Telephone:
607 North 8th Street	P.O. Box 83720	208-334-3365
	Boise, ID 83720-0078	1-800-451-8228

Coeur d' Alene

Office Location & Mailing Address:	Telephone:
2005 Ironwood Parkway	208-769-1474
Suite 226	1-800-962-8228
Coeur d' Alene, ID 83814	

Pocatello

Office Location:	Mailing Address:	Telephone:
850 East Center	P.O. Box 1058	208-236-6225
Suite "D"	Pocatello, ID 83204	1-800-762-8228

Cover Photo: Spokane River, Post Falls, Idaho, by Becky Reeb.