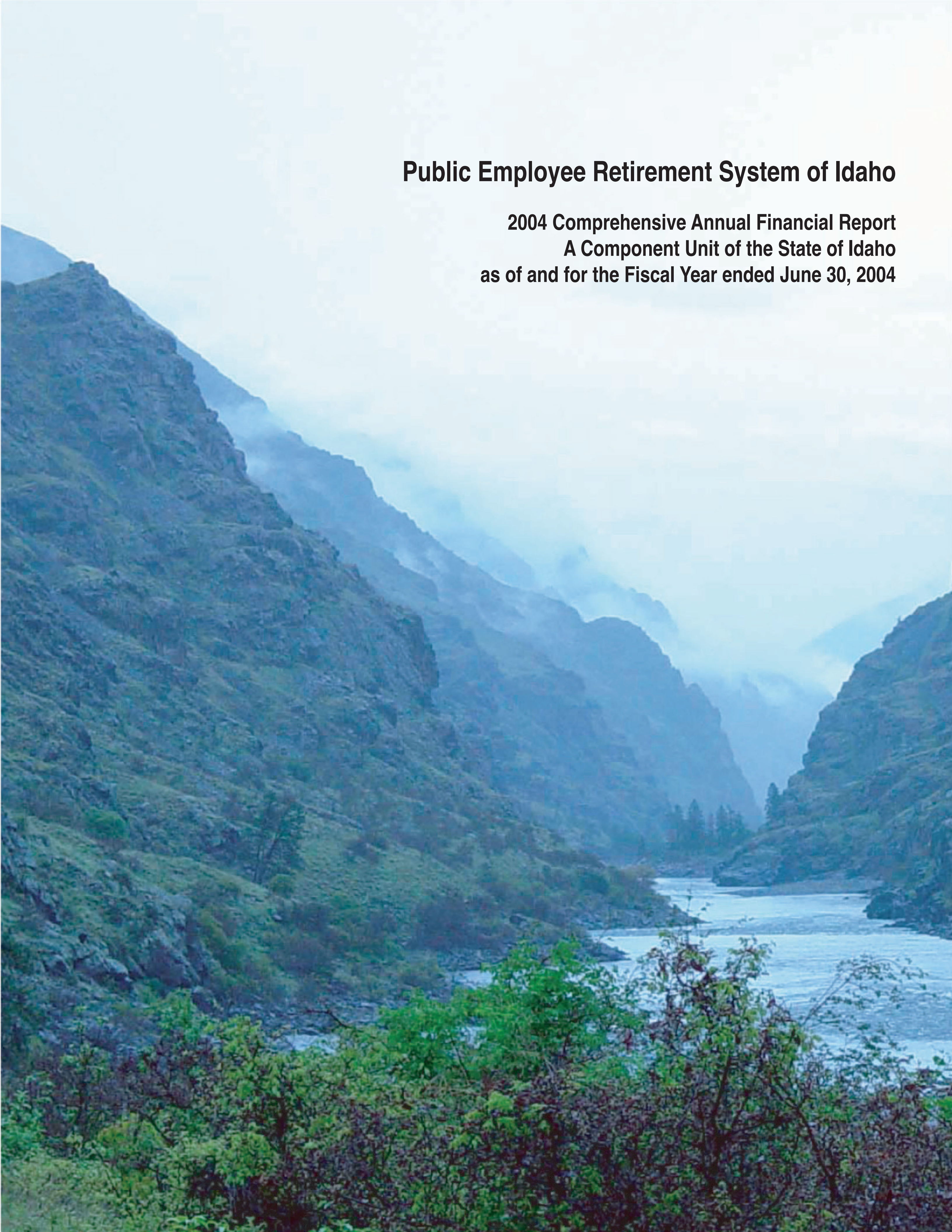
Public Employee Retirement System of Idaho

2004 Comprehensive Annual Financial Report
A Component Unit of the State of Idaho
as of and for the Fiscal Year ended June 30, 2004



Public Employee Retirement System of Idaho

A Component Unit of the State of Idaho

As of and for the Fiscal Year Ended June 30, 2004

PERSI

This 2004 Comprehensive Annual Financial Report was prepared by:

Financial:	James E. Monroe, CPA	Financial Officer
	Rhonda J. Yadon	Senior Accountant
	Cecile McMonigle	Senior Accountant
Investment:	Robert M. Maynard	Chief Investment Officer
Administration:	Becky Reeb	Communications Manager

Cover Photo: Ryan Evey

Thanks and appreciation to all those who's efforts to contribute accurate, timely information made this report possible.

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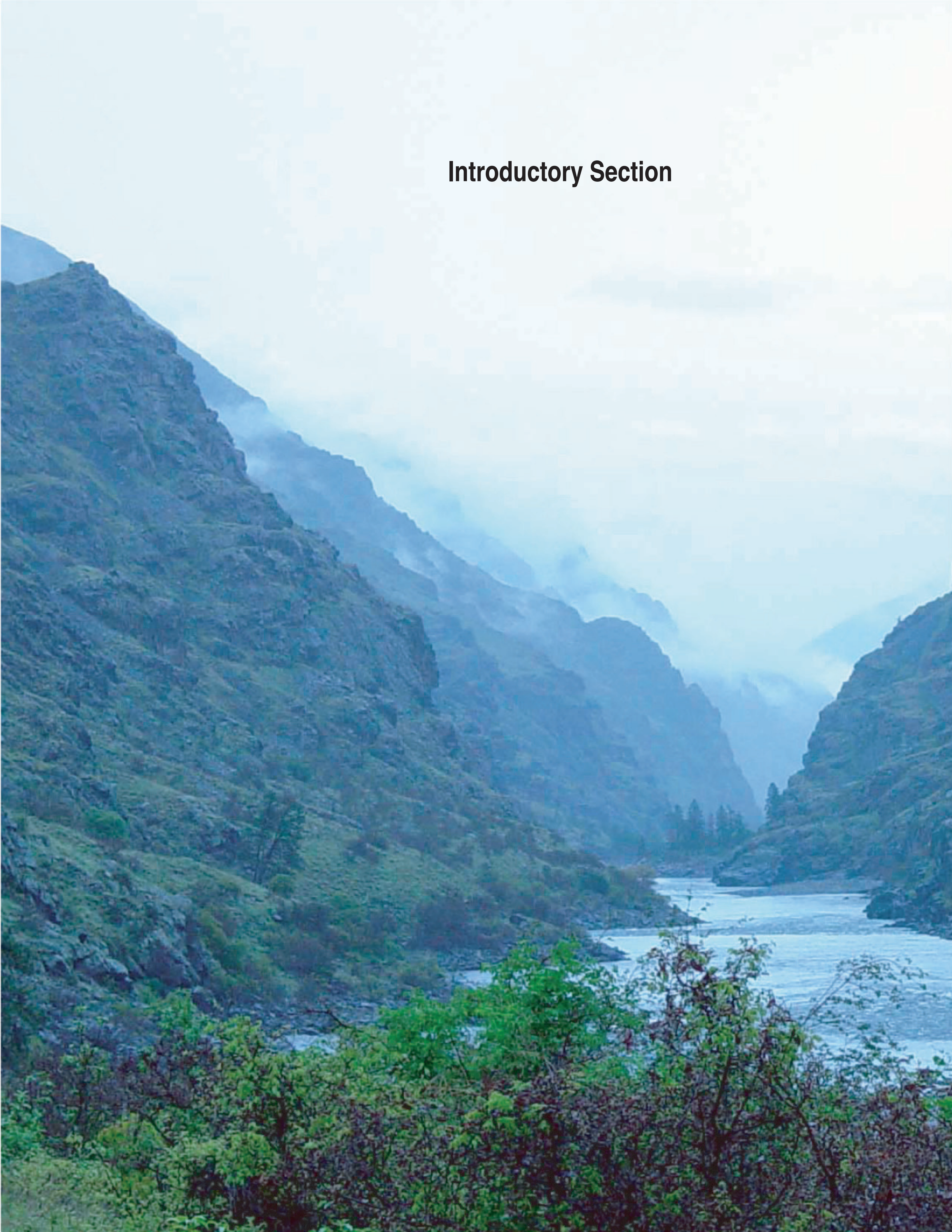
Introductory Section



Dirk Kempthorne, Governor, State of Idaho

RETIREMENT BOARD

Jody B. Olson Chairman, term expires July 1, 2007

Dennis L. Johnson
term expires July 1, 2005

J. Kirk Sullivan
term expires July 1, 2006

Clifford T. Hayes
term expires July 1, 2009

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
Diane Berg, Defined Contribution Manager
Brad Goodsell, Deputy Attorney General

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Seattle, WA
Auditor:	Deloitte & Touche LLP, Boise, ID
Medical:	VPA, Inc., Calabasas, CA
Investment:	Callan Associates, Inc., San Francisco, CA CS Capital Management, Inc., Atlanta, GA GMAC Institutional Advisors, San Francisco, CA Hamilton Lane Advisors LLC, Philadelphia, PA R.V. Kuhns & Associates, Portland, OR
Legal:	Calhoun Law Group, Washington, DC Foster, Pepper & Shefelman PLLC, Seattle, WA
Other:	William M. Mercer, Inc., Baltimore, MD Mellon Human Resources & Investor Solutions, Pittsburgh, PA Mellon Transition Management Services, San Francisco, CA
Investment Custodians:	Mellon Global Security Services, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Apollo Investment Fund, LP, Purchase, NY
Baring America Asset Management Co., Inc., Boston, MA
Brandes Investment Partners, LP, San Diego, CA
Capital Guardian Trust Company, Brea, CA
Chisholm Partners, LP, Providence, RI
Clearwater Advisors LLC, Boise, ID
D.B. Fitzpatrick & Co., Inc., Boise, ID
Delaware International Advisors, Ltd., London
Deutsche Bank, Newark, NJ
Donald Smith & Co., Inc., New York, NY
Frazier Technology Ventures, LP, Seattle, WA
Furman Selz Investors, LP, New York, NY
Galen Partners, LP, New York, NY
Genesis Asset Managers, Ltd., London
Goense Bounds & Partners A, LP, Lake Forest, IL
Gores Capital Partners, LP, Los Angeles, CA
Green Equity Investors, LP, Los Angeles, CA
Harvest Partners, LP, New York, NY
Highway 12 Venture Fund, LP, Boise, ID
Ida-West Energy Fund LLC, Boise, ID
Koll Partners, Newport Beach, CA
Lend Lease Rosen Real Estate Securities LLC, Berkeley, CA
Littlejohn Fund, LP, Greenwich, CT
McCown DeLeeuw & Co., LP, Menlo Park, CA
Mellon Capital Management, San Francisco, CA
MFS Asset Management, Inc., Boston, MA
Mountain Pacific Investment Advisers, Boise, ID
Nautic Partners, LP, Providence, RI
OCM/GFI Power Opportunities Fund, LP, Los Angeles, CA
Pareto Partners, London
Providence Equity Partners, LP, Providence, RI
Prudential Investments, Newark, NJ
Rowe Price International, Inc., London
Sanford C. Bernstein & Co. LLC, New York, NY
Schroder Capital Management International, Ltd., London
Societe Generale Asset Management Intl, Ltd., London
State Street Global Advisors, Boston, MA
T3 Partners, LP, Fort Worth, TX
TCW Asset Management Co., Los Angeles, CA
TCW London International, Ltd., London
Thomas H. Lee Equity Fund, LP, Boston, MA
TPG Partners, LP, Fort Worth, TX
Tukman Capital Management, Inc., Larkspur, CA
W. Capital Partners, LP, New York, NY
Zesiger Capital Group LLC, New York, NY

More specific information on the above-mentioned investment professionals can be found on pages 50 through 52 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, 2003

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

Public Pension Coordinating Council

Public Pension Standards

2004 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 51	
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 **Vacant** IT Programmer Analyst Sr.
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	**Melody Hodges** Member Services Rep **Susan Strouth** Member Services Rep **Lisa Conn** Member Services Rep	**Kathi Kaufman** Administrative Assistant 1 **Judy Shock** Administrative Assistant 1 **Lynne Yowell** Administrative Assistant 1 **Heidi Andrade** Office Specialist 2	**Vacant** Office Specialist 2 **Vacant** Tech Rec Specialist 2
Susan Shaw Benefits Manager	**Catherine Atchison** Technical Records Specialist 2 **Julisa Adams** Technical Records Specialist 2 **Penny Walls** Technical Records Specialist 2	**Margi Bloom** Office Specialist 2 **Denise Desilet** 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** Customer Service 1 **Vacant** Office Specialist 1
Becky Reeb Communications Manager	**Bill Duncan** Training Specialist	**Maxine Thomas** Training Specialist		
Diane Berg 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 five pension funds including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); and three defined contribution plans, the Public Employee Retirement Fund Choice Plan 401(k) and 414(k) (PERSI Choice Plans) and 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 2004 (FY 2004), these costs totaled $6,991,503 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 63 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 PERSI police officer members for retirement purposes.

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate and as of June 30, 2004, 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, 2004.

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, 2004, was 2% (2.3%) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2004: for each year of service, the monthly minimum benefit allowance was $20.25 ($24.30) to a maximum of the member's accrued benefit. Effective March 1, 2004: the monthly minimum benefit allowance was $20.96 ($25.15).

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 FY04 was 1.9% per year compounded monthly from July 1, 2003 through December 31, 2003, and 3.22% from January 1, 2004 through June 30, 2004.

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, 2004, was 2.2 %.

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, 2004

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, 2004 (FY 2004). 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, 2003. This was the 13th 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 2004 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 Firefighters' Retirement Fund be administered by 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 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 39th 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 has 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 62,385 to 63,385. The number of retired members or annuitants receiving monthly allowances increased from 24,991 to 26,043. The number of inactive members who have not been paid a separation benefit increased from 18,599 to 18,837. Of these inactives, 8,118 have achieved vested eligibility. Total membership in PERSI increased from 105,975 to 108,265 during the fiscal year. There are currently 675 public employers in Idaho who are PERSI members. Participating employers are listed in the Statistical Section of this report.

MANAGEMENT RESPONSIBILITY

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

INDEPENDENT AUDIT

The System is audited annually, and for the fiscal year ended June 30, 2004, 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 2004 adequately safeguard the assets and provide reasonable assurance regarding the proper recording of financial transactions.

FINANCIAL HIGHLIGHTS

Collection of employer and employee contributions, as well as income and gains from investments, provides the reserves necessary to finance retirement benefits. These income sources totaled $1,574,442,377 for all pension funds during the fiscal year ended June 30, 2004.

ADDITIONS:	
Contributions	$ 393,108,117
INVESTMENT INCOME:	
Net Appreciation in Fair Value of Investments	1,001,322,358
Interest, Dividends and Other Investment Income	208,641,123
Less: Investment Expenses	(28,706,915)
Net Investment Income	1,181,256,566
OTHER INCOME	77,694
Total Additions	$ 1,574,442,377

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 2004 are as follows:

DEDUCTIONS:

Benefits and Refunds	$ 355,325,180
Administrative Expenses	6,991,503
Transfers Out	1,976,643
Total Deductions	$ 364,293,326

Contributions and expenses continue to increase at a predictable rate.

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, 2004. Significant actuarial assumptions used include: an investment return rate of present and future assets of 7.75% compounded annually, (7.25% plus 0.50% for expenses); projected salary increase of 4.50% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 7.00% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2004, the unfunded actuarial liability on a current contribution basis was as follows:

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

	Valuation Date:	July 1, 2004
	Benefit Date:	July 1, 2004
A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors		$ 11,044.2
B. Actuarial Present Value of Total Future Normal Costs for Present Members		2,889.4
C. Actuarial Liability [A - B]		8,154.8
D. ORP Contributions		63.5
E. Actuarial Liability Funded by PERSI Contributions [C-D]		8,091.3
F. Actuarial Value of Assets Available for Benefits		7,420.2*
G. Unfunded Actuarial Liability (funding excess) [E-F]		$ 671.1
H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date		7.8 Years
I. Funded Ratio [F/E]		91.7%**

* The total available assets are $7,648.5 million, but are reduced by $228.3 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 of 91.7% includes the effects of the 1% mandatory COLA but not the additional discretionary COLA and the retro COLA calculated at 1.7% and .8%, respectively. The discretionary COLA decreases the ratio to 91.1%.

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 2004 was 17.51% 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, 2004 the fund had an amortization period of 7.8 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, 2004, the PERSI Base Plan has succeeded in funding 91.7% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 7.8 years as part of the annual required contribution calculated by the actuary. The closed Firemen's Retirement Fund remains an actuarially-funded plan. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 38 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

This year, PERSI initiated a major, multi-year Business Process Reengineering (BPR) project that may revolutionize PERSI's customer service delivery. In the first stage of the process PERSI contracted with MAXIMUS, Inc. to document the current state of affairs at PERSI (As Is) with detailed business process maps for each of PERSI's main service and business processes as they exist today. The As Is report, identified inputs, outputs, resources and performance measures for each process. The As Is report served as a baseline for what PERSI strives "To Be" in the future.

In the To Be phase of the project, PERSI and MAXIMUS, Inc. focused on the operational changes that could be implemented to improve overall service delivery to PERSI members and employers in a "blue sky" environment. That is, if all limitations were removed, how would PERSI staff design the organization to give the best service possible to members and employers.

"Building PERSI Right – A Business Process Reengineering Plan for the Future" is the final product in the planning phase of BPR project. This phase, which was approved by the Retirement Board, focuses on the concepts that were developed during staff strategy sessions, analyzes the difference between what "is" and what "is desired," analyzes the costs and benefits of the desired characteristics, and begins planning for the implementation of those characteristics that make good business and/or service delivery sense. It includes a Gap Analysis and presents a road map for making the To Be model a reality through delivery of the Final Recommendations and Implementation Plans.

As a direct result of the phases above, a new customer service model called "PERSIcare" has been developed that includes:

- "One Stop" or "Holistic" approach to Customer Service: One of the comments heard repeatedly in the staff sessions was the need for PERSI to speak with one voice and that each member of PERSI staff should be able to provide members and employers with "consistent answers to standard questions." Currently PERSI members may be required to speak to two, three or more staff members to get all their questions and/or requests answered. This is frustrating to the member and staff as well as cumbersome to PERSI operations. By taking a "holistic approach" to customer service, PERSI staff will be able to provide the customer with the majority of answers or services requested at one time regardless of the subject and serve members more effectively and evenly without losing the PERSI "personal touch."
- Cross-functional organizational environment: During To Be sessions, many PERSI staff members spoke of offering "cross training" to all PERSI employees to facilitate their ability to achieve the new customer service delivery goals. At this time, some staff members voiced concern that they did not necessarily know enough about other staff members' job responsibilities and duties; while others stated that in some cases if one staff member is not in the office on a particular day, there are no other PERSI employees who are available to perform his or her duties. Still others voiced the need for cross-training across the organization so that all PERSI staff know how to answer questions and perform processes for members and employers.
- Customer self-service tools available to all: Customer self service generally refers to providing methods for customers to use themselves to gather information on or submit requests to an organization without assistance from the organization's staff. Online banking, ordering of goods or services via the Internet or automated telephone services, the use of kiosks, and related services are all examples of common customer self service methods currently available. At PERSI, staff recommended providing similar services to those members who choose to access such services.

Each of these concepts contribute to building PERSIcare, a new customer service model that fulfills the PERSI mission and continues to promote the PERSI drive to offer exceptional service to members and employers. To move to this customer service model for the future, PERSI will be required to make significant changes to its business processes currently in place for delivering service, organizational structure, training plans, and technology resources. Dramatically improved customer service and the ability to meet the growing needs of the membership will be the result. Improved services will address areas where PERSI lags its peers and increases in productivity will help to address the growing workload triggered by the pending retirement of the baby boomer generation.

ACKNOWLEDGMENTS

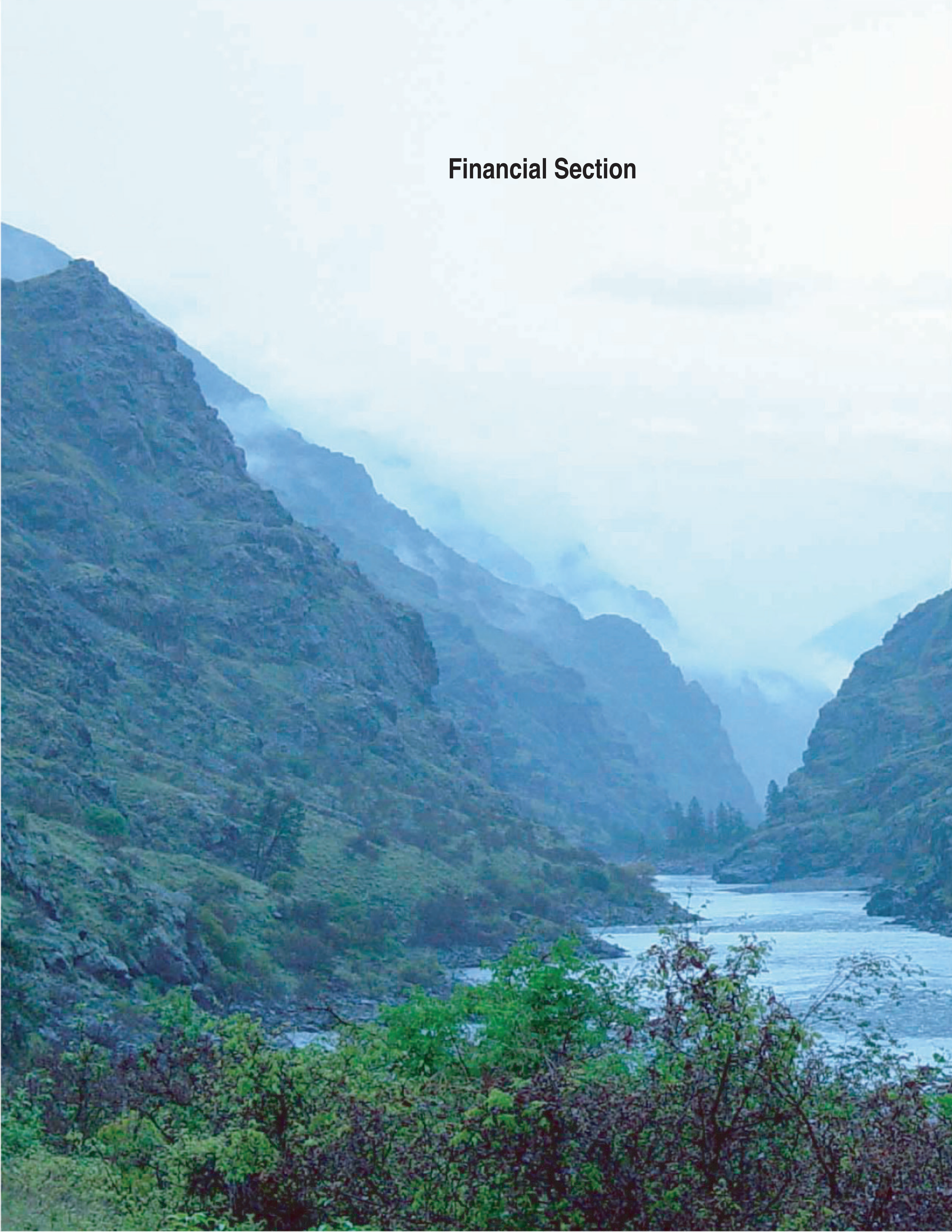
This financial report of the Public Employee Retirement System of Idaho was prepared by staff under the leadership of the Retirement Board. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions,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

Financial Section



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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, 2004, 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 of the System as of June 30, 2004 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.

As discussed in Note 8, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

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 36 through 38 and the additional supplemental schedules on pages 39 through 40 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 2, 2004 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

November 2, 2004

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) as of and for the year ended June 30, 2004. 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 five fiduciary funds. These consist of two defined benefit pension trust funds, the PERSI Base Plan and the Firefighters' Retirement Fund (FRF), and three defined contribution pension trust funds, the PERSI Choice Plan 401(k) and 414(k) and the Sick Leave Insurance Reserve Fund.

Financial Highlights

- Plan net assets for all pension funds administered by PERSI increased $1.21 billion during the fiscal year 2004. The increase in the defined benefit plans was primarily due to the upward turn of the stock market. The increase in the Choice Plan 401(k) was due to new contributions in addition to market gains. Each fund experienced an increase in net assets.

Firefighters' Retirement Fund	27,716,547
PERSI Choice Plan 414(k)	6,458,845
PERSI Choice Plan 401(k)	29,269,415
Sick Leave Insurance Reserve Fund	24,615,936
Total increase in plan net assets	**$ 1,210,149,051**

- Investments for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled. For the fiscal year ended June 30, 2004, the rate of return net of investment expenses on the pooled investment assets was 17.6% compared with 3.3% for the prior year. All of the plans experienced gains from the market's modest recovery. Net investment income for all of the funds administered by PERSI for the fiscal year ended June 30, 2004, was $1.18 billion.

Net investment income:	
PERSI Base Plan	$ 1,113,594,067
Firefighters' Retirement Fund	31,501,635
PERSI Choice Plan 414(k)	8,319,478
PERSI Choice Plan 401(k)	10,561,147
Sick Leave Insurance Reserve Fund	17,280,239
Total net investment income	**$ 1,181,256,566**

- As of June 30, 2004, and 2003, 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:

	2004 Ratio	Amortization Period	2003 Ratio	Amortization Period
PERSI Base Plan	91.7%	7.8 years	83.8%	19.4 years
Firefighters' Retirement Fund	69.5%	10.9 years	58.8%	16.3 years

In 2004, contributions and other income of $355.6 million exceeded deductions to net assets of $350.9 million by $4.7 million. This increase in income and investment gains of $1.15 brought the Plan's net asset base to $7.6 billion. For actuarial calculations, PERSI's actuary uses market value to determine the actuarial value of assets. For the July 1, 2004 valuation, the actuarial value of assets for the Base Plan was $7.4 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. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 25 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 Financial 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, 2004 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, 2004 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 14–23 of this report.

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

Comparative Financial Statements

<u>Defined Benefit Pension Trust Funds</u>

The PERSI Base Plan and the Firefighters' 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. Assets for these plans are pooled for investment purposes.

Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2004	As of June 30, 2003	$ Change	% Change
Assets				
Cash	$ 3,319,118	$ 4,601,647	$ (1,282,529)	(27.9)%
Investments sold receivable	712,838,249	423,823,952	289,014,297	68.2 %
Other receivables	37,985,473	34,399,504	3,585,969	10.4 %
Investments, at fair value	7,702,033,786	6,541,160,698	1,160,873,088	17.7 %
Prepaid retiree payroll	24,930,718	23,368,629	1,562,089	6.7 %
Capital assets, net of accumulative depreciation	4,550,368	5,969,402	(1,419,034)	(23.8)%
Total assets	8,485,657,712	7,033,323,832	1,452,333,880	20.6 %
Liabilities				
Investments purchased payable	829,687,740	528,243,843	301,443,897	57.1 %
Benefits and refunds payable	492,672	272,338	220,334	80.9 %
Other liabilities	6,987,207	6,122,413	864,794	14.1 %
Total liabilities	837,167,619	534,638,594	302,529,025	56.6 %
Net assets available for benefits	$ 7,648,490,093	$ 6,498,685,238	$ 1,149,804,855	17.7 %

The fiscal year ended June 30, 2004 was most notably marked by an overall upturn in the investment markets. Other Receivables is higher at the end of FY 2004 because of an increase in interest and dividends receivable.

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, 2004	Year Ended June 30, 2003	$ Change	% Change
Additions				
Employee contributions	$ 131,237,106	$ 131,280,812	$ (43,706)	(0.0)%
Employer contributions	224,336,265	216,809,495	7,526,770	3.5 %
Investment income	1,145,095,702	208,318,818	936,776,884	449.7 %
Other additions	68,284	132,967	(64,683)	(48.6)%
Total additions	1,500,737,357	556,542,092	944,195,265	169.7 %
Deductions				
Benefits and refunds paid	343,940,999	314,095,652	29,845,347	9.5 %
Administrative expenses	6,991,503	6,614,117	377,386	5.7 %
Other deductions		1,217	(1,217)	(100.0)%
Total deductions	350,932,502	320,710,986	30,221,516	9.4 %
Changes in net assets available for benefits	$ 1,149,804,855	$ 235,831,106	$ 913,973,749	387.6 %

Investment Income and Changes in Net Assets Available for Benefits increased from FY 2003 to FY 2004 because of an upward swing in the investment market. Other Deductions decreased because there were no transfers out of the Plan for Gain Sharing distributions.

Defined Contribution Pension Trust Funds

During FY 2004, PERSI administered three defined contribution plans. The PERSI Choice Plan, a qualified plan under Internal Revenue Code, consists of a 401(k) plan and a 414(k) plan and provides retirement benefits to members of the Defined Benefit Pension Trust Funds. The Sick Leave Insurance Reserve Fund (the Fund) provides payment of retiree health insurance premiums on behalf of retired state and school employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System.

The Choice Plan was created during FY 2001. The 401(k) Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k) Plan represents the Gain Sharing allocation made to eligible PERSI members during FY 2001. The assets of this Plan cannot be used to pay the benefits of the 401k Plan and vice versa. Prior to and 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 401(k).

Beginning with the year ending June 30, 2004, the Sick Leave Insurance Reserve Fund was reclassified from an agency fund to a defined contribution plan with the implementation of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. For clarity in this presentation, the Sick Leave Insurance Reserve Fund will be reported separately from the PERSI Choice Plan.

PERSI Choice Plan Net Assets

	As of June 30, 2004	As of June 30, 2003	$ Change	% Change
Assets				
Cash	$ 112,694	$ 195,899	$ (83,205)	(42.5)%
Investments, at fair value	138,709,542	103,477,653	35,231,889	34.0 %
Other receivables	823,671	250,823	572,848	228.4 %
Total assets	139,645,907	103,924,375	35,721,532	34.4 %
Liabilities				
Other liabilities		6,728	(6,728)	(100.0)%
Net assets available for benefits	$ 139,645,907	$ 103,917,647	$ 35,728,260	34.4 %

Investments increased from FY 2003 to FY 2004 because of the increase in employee contributions and the upward swing in the investment market. Other Receivables are primarily contributions that are not yet recorded by the recordkeeper at year end. Liabilities were recorded in FY 2003 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, 2004	Year Ended June 30, 2003	$ Change	% Change
Additions				
Employee contributions	$ 17,489,692	$ 14,582,027	$ 2,907,665	19.9 %
Employer contributions	236,121	286,535	(50,414)	(17.6)%
Investment income	18,880,625	3,868,374	15,012,251	388.1 %
Transfers in	3,318,115	2,062,334	1,255,781	60.9 %
Total additions	39,924,553	20,799,270	19,125,283	92.0 %
Deductions				
Benefits and refunds paid	2,219,650	1,951,818	267,832	13.7 %
Transfers out	1,976,643	1,553,832	422,811	27.2 %
Total deductions	4,196,293	3,505,650	690,643	19.7 %
Changes in net assets available for benefits	$ 35,728,260	$ 17,293,620	$ 18,434,640	106.6 %

Investment Income increased from FY 2003 to FY 2004 because of an upward swing in the investment market. Transfers In and Out only include rollovers from/to other plans. Employee Contributions grew due to an increase in the number of employees with salary deferrals. Changes in Employer Contributions vary up or down according to individual employers' desire to match employee contributions.

Sick Leave Insurance Reserve Fund Net Assets

	As of June 30, 2004	As of June 30, 2003	$ Change	% Change
Assets				
Cash and short-term investments	$ 3,092	$ 81,049	$ (77,957)	(96.2)%
Receivables	1,280,632	1,256,772	23,860	1.9 %
Investments, at fair value	163,689,994	139,002,638	24,687,356	17.8 %
Total assets	164,973,718	140,340,459	24,633,259	17.6 %
Liabilities				
Other liabilities	35,459	18,136	17,323	95.5 %
Net assets available for benefits	$ 164,938,259	$ 140,322,323	$ 24,615,936	17.5 %

The decrease in Cash and Short-term Investments is due to a higher cash balance held at the State Treasurer's Office in FY 2003 because of actual expenditures being less than expected for June 2003. The change in the payable Due to State Agencies and School Districts is due to the change in presentation of the Plan from an agency fund, which requires a balance sheet, to a defined contribution plan, which requires a net assets statement.

Sick Leave Insurance Reserve Fund Changes in Net Assets

	Year Ended June 30, 2004	Year Ended June 30, 2003	$ Change	% Change
Additions				
Employee contributions	$ 16,490,818	$ 15,001,769	$ 1,489,049	9.9 %
Investment income	17,280,239	9,058,450	8,221,789	90.8 %
Other additions	9,410	18,863	(9,453)	(50.1)%
Total additions	33,780,467	24,079,082	9,701,385	40.3 %
Deductions				
Benefits and refunds paid	9,164,531	7,852,029	1,312,502	16.7 %
Changes in net assets available for benefits	$ 24,615,936	$ 16,227,053	$ 8,388,883	51.7 %

For FY 2004, PERSI changed the presentation of the Sick Leave Insurance Reserve Fund from an agency fund to an Other Postemployment Benefit (OPEB) in accordance with a new accounting standard issued by the Governmental Accounting Standards Board in April 2004. In FY 2003, no statement of changes in net assets was presented since it was not required under the agency fund disclosure guidance. In order to present comparable totals for FY 2003, the balances have been restated as disclosed in the Notes to the Financial Statements Note 8.

Investment Income increased from FY 2003 to FY 2004 because of an upward swing in the investment market. Other Additions decreased because of the lower cash balance held at the State Treasurer's Office, which resulted in less interest earned.

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		
	2004	2003	Change	2004	2003	Change
Active participants	63,385	62,385	1.6 %	41,836	43,141	(3.0)%
Actively contributing				6,778	5,414	25.2 %
Vested	39,999	38,947	2.7 %			
Non-vested	23,386	23,438	(0.2)%			
Retirees & beneficiaries	26,043	24,991	4.2 %	420	1,685	(75.1)%
Terminated vested	8,118	7,897	2.8 %	6,388	3,988	60.2 %

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 July 1, 2003	24,991
Retirements	1,848
Death of retiree/beneficiary	(796)
Ending June 30, 2004	26,043

Investment Activities

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

Portfolio performance is reviewed monthly by the Board and its consultants. Performance is evaluated individually, by money manager style, and collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities, domestic and international fixed income, 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 in the Investment Section of our Comprehensive Annual Financial 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% 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, 2004 is 7.8 years.

During FY 2004, an actuarial study of PERSI experience from July 1, 1999 through June 30, 2003 was done. An experience study is an analysis of economic assumptions and active member demographics. This study resulted in some changes to the economic assumption and relatively minor changes to the demographic assumption. Actuarial assumptions are estimates as to the occurrence of future events affecting such things as changes in pension costs, compensation, and rates of investment earnings and are used to measure and budget future costs. The most significant changes in the economic assumption involve the recommended reduction of the inflation assumption from 4.00% to 3.75% and the general wage increase assumption from 4.75% to 4.50%. To maintain the 4.00% real investment return target derived from our asset allocation, the investment assumption would need to decrease from 8.00% to 7.75%. These changing assumptions will not change the actual cost of future benefits but will result in a slight decrease to the funding of the benefits. The effective date of these changes was June 30, 2004, and the changes are included in the actuarial valuation dated July 1, 2004.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF PLAN NET ASSETS—PENSION FUNDS
JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	Pension Funds						
	PERSI	Firefighters' Retirement	PERSI Choice Plan		Sick Leave Insurance Reserve	Totals	Totals
ASSETS	Base Plan	Fund	414(k)	401(k)	Fund	2004	2003
CASH AND CASH EQUIVALENTS	$ 3,227,431	$ 91,687	$ -	$ 112,694	$ 3,092	$ 3,434,904	$ 4,878,595
INVESTMENTS—At fair value:							
Fixed income investments:							
Domestic	1,789,951,916	50,850,025			64,618,651	1,905,420,592	1,519,149,316
International	58,235,485	1,654,388				59,889,873	75,515,642
Idaho commercial mortgages	252,587,571	7,175,659				259,763,230	298,552,298
Short-term investments	270,037,127	7,671,376				277,708,503	222,250,094
Real estate	58,038,809	1,648,801				59,687,610	33,523,520
Equity Securities:							
Domestic	3,289,954,424	93,462,993			99,071,343	3,482,488,760	2,926,413,179
International	1,611,899,566	45,791,807				1,657,691,373	1,467,728,583
Private equity	158,569,113	4,504,726				163,073,839	137,030,704
Mutual funds			53,977,831	84,731,711		138,709,542	103,477,653
Total investments	7,489,274,011	212,759,775	53,977,831	84,731,711	163,689,994	8,004,433,322	6,783,640,989
RECEIVABLES:							
Investments sold	693,228,036	19,610,213				712,838,249	423,823,952
Contributions	5,000,361	12,974		339,259		5,352,594	6,298,149
Interest and dividends	32,065,073	907,065	182,600	301,812		33,456,550	28,352,178
Total receivables	730,293,470	20,530,252	182,600	641,071		751,647,393	458,474,279
ASSETS USED IN PLAN OPERATIONS—Net	4,550,368					4,550,368	5,969,402
DUE FROM OTHER FUNDS					1,280,632	1,280,632	1,256,772
RETIREE PAYROLL IN PROCESS	24,930,718					24,930,718	23,368,629
TOTAL ASSETS	$ 8,252,275,998	$ 233,381,714	$ 54,160,431	$ 85,485,476	$ 164,973,718	$ 8,790,277,337	$ 7,277,588,666

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

COMBINING STATEMENT OF PLAN NET ASSETS—PENSION FUNDS
JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

	Pension Funds					Totals	
			PERSI Choice Plan				
LIABILITIES AND FUND BALANCE	PERSI Base Plan	Firefighters' Retirement Fund	414(k)	401(k)	Sick Leave Insurance Reserve Fund	2004	2003
LIABILITIES:							
Accrued liabilities	$ 5,558,042	$ 148,533	$ -	$ -	$ 35,459	$ 5,742,034	$ 4,890,505
Benefits and refunds payable	492,672					492,672	272,338
Due to other funds	1,280,632					1,280,632	1,256,772
Investments purchased	806,862,992	2,824,748				829,687,740	528,243,843
TOTAL LIABILITIES	814,194,338	2,973,281			35,459	837,203,078	534,663,458
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see supplementary schedules of funding progress)	$ 7,438,081,660	$ 210,408,433	$ 54,160,431	$ 85,485,476	$ 164,938,259	$ 7,953,074,259	$ 6,742,925,208

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, 2004 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2003

	Pension Funds					Totals	
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)	Sick Leave Insurance Reserve Fund	2004	2003
ADDITIONS:							
Contributions:							
Members	$ 131,089,520	$ 147,586	$ -	$ 17,489,692	$ -	$ 148,726,798	$ 145,862,839
Employers	212,612,908	11,723,357		236,121	16,490,818	241,063,204	232,097,799
Transfers in				3,318,115		3,318,115	2,062,334
Total contributions	343,702,428	11,870,943		21,043,928	16,490,818	393,108,117	380,022,972
Investment income:							
Net appreciation in fair value of investments	941,608,584	26,636,466	8,384,355	7,317,598	17,375,355	1,001,322,358	49,520,200
Interest, dividends and other investment income	199,704,643	5,649,296	35,598	3,251,586		208,641,123	197,053,439
Less: investment expenses	(27,719,160)	(784,127)	(100,475)	(8,037)	(95,116)	(28,706,915)	(25,327,997)
Net investment income	1,113,594,067	31,501,635	8,319,478	10,561,147	17,280,239	1,181,256,566	221,245,642
Other—net	68,284				9,410	77,694	151,830
Total additions	1,457,364,779	43,372,578	8,319,478	31,605,075	33,780,467	1,574,442,377	601,420,444
DEDUCTIONS:							
Benefits and refunds paid to members and beneficiaries	328,284,968	15,656,031	197,414	2,022,236	9,164,531	355,325,180	323,899,499
Administrative expenses	6,991,503					6,991,503	6,614,117
Transfers out			1,663,219	313,424		1,976,643	1,555,049
Total deductions	335,276,471	15,656,031	1,860,633	2,335,660	9,164,531	364,293,326	332,068,665
INCREASE IN NET ASSETS	1,122,088,308	27,716,547	6,458,845	29,269,415	24,615,936	1,210,149,051	269,351,779
NET ASSETS HELD IN TRUST—Beginning of year	6,315,993,352	182,691,886	47,701,586	56,216,061	140,322,323	6,742,925,208	6,473,573,429
NET ASSETS HELD IN TRUST—End of year	$ 7,438,081,660	$ 210,408,433	$ 54,160,431	$ 85,485,476	$ 164,938,259	$ 7,953,074,259	$ 6,742,925,208

See notes to financial statements.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

1. GENERAL DESCRIPTION OF THE FUNDS

General—The Public Employee Retirement System of Idaho (the System) is the administrator of five pension plans including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); and three defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (PERSI Choice Plan) and 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 Idaho Senate, manages the System, which includes selecting the funding agents and establishing funding policy.

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

Statutes governing the PERSI Base Plan are Title 59, Chapter 13 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, 2004, the number of participating employer units in the PERSI Base Plan was:

Cities	143
School districts	132
Highway and water districts	120
State subdivisions	99
Counties	40
Other	141
	675

As of June 30, 2004, the number of benefit recipients and members in the System consisted of the following:

Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:	
Members:	
Active	63,385
Terminated and vested	8,118
Retirees and beneficiaries	26,043

FRF has 22 participating employer units all consisting of fire departments participating in the PERSI Base Plan. As of June 30, 2004, there were 42 active members and 582 retired members or beneficiaries collecting benefits from FRF. The FRF covers a closed group of firefighters who were hired before October 1, 1980 and who receive benefits in addition to those provided under the Base Plan. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

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

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

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

Upon termination of employment, accumulated member contributions plus interest, accrued at 3.22% January 1, 2004 through June 30, 2004 (1.90% July 1, 2003 to December 31, 2003) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Defined Contribution Retirement Plans—The PERSI Choice Plans and the Sick Leave Insurance Reserve Fund are defined contribution retirement plans. The statute governing the Choice Plans is Idaho Code Title 59, Chapter 13. The statutes governing the Sick Leave Insurance Reserve Fund are Idaho Code, Sections 67-5339, 33-1216, 59-1365, and 33-1228.

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the Choice Plan are commingled for investment and recordkeeping purposes. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period. The 401(k) portion of the Choice 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 Choice Plan was established for Gain Sharing allocations from the PERSI Base Plan. The Gain Sharing amount (if any) is based on funding levels in the Base Plan. Eligibility for Gain Sharing requires twelve months of active PERSI Base Plan membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible Base Plan members who were active as of June 30, 2000, and eligible to receive Gain Sharing contributions, received an allocation.

The System has entered into a contract with Mellon Human Resources & Investor Solutions (MHR&IS) for plan recordkeeping services relating to the eleven investment options, which are mutual or collective funds. The funds include the PERSI Total Return Fund (PERSI TRF), 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 TRF is made. The PERSI TRF is a unitized fund comprised of investment accounts of the PERSI Base Plan.

The PERSI Choice Plan has 675 employer units eligible to have participating employees. As of June 30, 2004, there were 48,644 participants with balances in the Choice Plan. Some of these participants are in both the 414(k) Plan and the 401(k) Plan. As of June 30, 2004, the Choice Plan 414(k) had 44,297 participants, and the Choice Plan 401(k) had 16,659. The administrative expenses of the PERSI Choice Plan, most of which are paid to MHR&IS, are funded by the PERSI Base Plan.

For the Sick Leave Insurance Reserve Fund, 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. Employers are responsible for any unfunded benefit obligations. The System administers 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.

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, 2004, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The System's basic financial statements are prepared utilizing the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The System adheres to 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 the PERSI Base Plan, FRF, and the PERSI TRF (an option of the PERSI Choice Plan) 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.

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

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, 2003, 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.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement supersedes guidance included in GASB Statement 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans* and provides further details on distinguishing an Other Postemployment Benefit Plan (OPEB) from a pension plan and the different reporting requirements for each. The requirements of this statement are effective for the System's fiscal year ending June 30, 2006. The System has implemented this statement early for the year ended June 30, 2004. It reclassifies the Sick Leave Insurance Reserve Fund from an agency fund to a defined contribution plan (see Note 8).

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, 2004 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, 2004, consisted of the following:

Category 1	$ 100,000
Category 2	-
Category 3	1,188,604
Total	$ 1,288,604

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

Deposits reported on combining statement of plan net assets	$ 3,434,904
Less: deposits held by the State Treasurer not categorized	(2,146,300)
Total deposits categorized	$ 1,288,604

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, 2004. 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	$ 1,840,801,941	None	None	$ 1,840,801,941
International fixed income	59,889,873	None	None	59,889,873
Domestic equities	3,383,417,417	None	None	3,383,417,417
International equities	1,657,691,373	None	None	1,657,691,373
	$ 6,941,800,604			6,941,800,604
Investments not subject to categorization due to their nature:				
Pooled short-term investment funds				277,708,503
Idaho commercial mortgages				259,763,230
Real estate				59,687,610
Private equity				163,073,839
Mutual, commingled, and unitized funds (Choice Plan)				138,709,542
Index fund and fixed income fund (Sick Leave Insurance Reserve Fund)				163,689,994
				1,062,632,718
Total investments				$ 8,004,433,322

For the year ended June 30, 2004, Mellon Trust was the global custodian for the majority of the investments of the combined PERSI Base Plan, FRF, and PERSI Choice Plan. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash in short-term instruments. At June 30, 2004, Clearwater Advisors managed approximately 70% of the System's short-term investments. The remainder of the pooled short-term investment funds is invested in 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	Sick Leave Insurance Reserve Fund
Net realized gain on sale of investments	$ 357,354,546	$ 10,108,937	$ 6,062,031	$ 1,407,310
Net unrealized gain in fair value of investments	584,254,038	16,527,529	9,639,922	15,968,045
Net appreciation in fair value of investments	$ 941,608,584	$ 26,636,466	$ 15,701,953	$ 17,375,355

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 gains of $199,345 at June 30, 2004 were recognized, which represents the gain which would occur from executing forward foreign exchange contracts at June 30, 2004.

5. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2004 consist of the following:

Buildings and improvements	$ 5,428,864
Less: accumulated depreciation	(2,374,470)
	3,054,394
Computer software development costs	6,331,360
Less: accumulated amortization	(4,835,386)
	1,495,974
	$ 4,550,368

For the year ended June 30, 2004, depreciation expense on the buildings and improvements was $152,762, and amortization expense on the computer software development costs was $1,266,272. Both of these costs are included in administrative expenses.

6. CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately $2,087,000,000 and $40,000,000, respectively.

Actuarial valuations of the PERSI Base Plan and FRF are performed annually. The last valuations were performed as of July 1, 2004.

Normal cost is 14.03% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.79% of covered payroll for the PERSI Base Plan. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability. Police and Fire employers' contribution rates increased 1/10% effective July 1, 2003, as a result of a 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 increase of 3% split between employers and employees.

The contribution rates for the year ended June 30, 2004 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 %	10.11 %
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 firefighters 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 firefighters 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 Base Plan 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 $1,164,000 of outstanding purchase orders and purchase commitments are encumbered by the System but not reported in the basic financial statements at June 30, 2004.

8. IMPLEMENTATION OF NEW PRONOUNCEMENT

As discussed in Note 1, GASB issued Statement No. 43 in April 2004 which established criteria for identifying an Other Postemployment Benefit Plan (OPEB) and the reporting requirements for such plans. The System has determined that the Sick Leave Insurance Reserve Fund (the Fund) meets the definition of an OPEB and has elected to implement the statement early for the year ended June 30, 2004. Previous to the new guidance, the Fund was presented as an agency fund, which did not require a statement of changes in net assets. In order to present comparable totals for 2003, the following 2003 balances have been restated to reflect changes in net assets of the Fund:

	As Previously Presented	Changes	After Implementation
Contributions—employees	$ 217,096,030	$ 15,001,769	$ 232,097,799
Investment income:			
Net appreciation in fair value of assets	40,395,034	9,125,166	49,520,200
Investment expenses	(25,261,281)	(66,716)	(25,327,997)
Other—net	132,967	18,863	151,830
Deductions—benefits and refunds paid to members and beneficiaries	(316,047,470)	(7,852,029)	(323,899,499)
Increase in net assets	253,124,726	16,227,053	269,351,779
Net assets held in trust—beginning of year	6,349,478,159	124,095,270	6,473,573,429
Net assets held in trust—end of year	6,602,602,885	140,322,323	6,742,925,208

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULES OF FUNDING PROGRESS—PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND FISCAL YEARS 1999–2004 (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, 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
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7

(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, 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
July 1, 2004	210.4	302.6	92.2	69.5	39.8	231.7

(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

SCHEDULES OF EMPLOYER CONTRIBUTIONS—PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND FISCAL YEARS 1999—2004 (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
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
2004	212.6	213.5	97.0	11.7	10.2	114.9

(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 SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

1. ACTUARIAL INFORMATION

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

	PERSI	FRF
Valuation date	July 1, 2004	July 1, 2004
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll—open	Level dollar amount—closed
Remaining amortization period	25 years	32 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75 %	7.75 %
Projected salary increases—	5.00 % – 11.50 %	4.50 %
Includes salary inflation	4.50 %	4.50 %
Postretirement benefit increase	1.00 %	4.50 %
Implied price inflation rate	3.75 %	3.75 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2004

INVESTMENT AND RELATED SERVICES:	
Apollo Management	$ 285,120
Baring Asset Management, Inc.	1,311,898
Sanford C. Bernstein	101,755
Bloomberg, LP	55,782
Brandes Investment Partners, LP	1,534,877
Callan Associates	117,500
Capital Guardian Trust Company	1,061,873
Chadwick, Saylor & Co., Inc.	115,885
Chisholm Partners, LP	320,064
Choice Plan Managers	108,512
Clearwater Advisors, LLC	235,215
D.B. Fitzpatrick & Co., Inc.	1,575,740
Delaware International Advisors	43,542
Deutsche Bank	139,953
Donald Smith & Company	69,774
Frazier Technology Ventures	99,797
Furman Selz Investments	119,255
GMAC	18,502
Galen Associates	710,299
Genesis Asset Managers, Ltd.	1,236,025
Goense Bounds & Partners, LP	92,713
Gores Capital Partners	242,398
Green Equity Investors	118,570
Hamilton Lane Advisors, Inc.	205,037
Harvest Partners III, LP	289,255
Highway 12	131,518
Lend Lease Rosen	1,900,412
Littlejohn & Company	400,000
McCown DeLeeuw & Company	237,189
Mellon Capital Management	747,217
Mellon Trust	2,557,831
MFS Institutional Advisors, Inc.	98,770
Mountain Pacific Investment Advisors, Inc.	922,010
Nautic Partners, LP	184,529
Pareto Partners	882,803
Providence Investments	844,645
Prudential Investments	335,049
R.V. Kuhns & Associates	32,728
Rowe Price International, Inc.	957,114
Schroder Capital Management International, Inc.	1,215,363
Societe Generale	1,096,513
State Street Global Advisors	323,525
T3 Partners II, LP	487,856
TCW Asset Management	62,814
Thomas H. Lee	42,416

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2004

INVESTMENT AND RELATED SERVICES (Continued):	
Tukman Capital Management, Inc.	$ 1,429,293
W. Capital Partners	300,000
Wells Fargo Bank	65,930
Zesiger Capital Group	1,421,550
	26,886,416
CONSULTING SERVICES:	
Calhoun Law Group	600
Deloitte & Touche LLP	41,525
Mellon Human Resources & Investor Solutions	1,258,350
Foster, Pepper, Shefelman PLLC	254,212
Milliman, Inc.	245,812
William M. Mercer, Inc.	20,000
	1,820,499
	$ 28,706,915

(Concluded)

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2004

	PERSI Base Plan
PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 369,420
Operating expenses	135,727
Capital outlay	6,601
	511,748
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	2,765,822
Operating expenses	2,216,510
Capital outlay	78,389
Building depreciation expense	152,762
Software amortization expense	1,266,272
	6,479,755
	$ 6,991,503

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

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, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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 caused by error or fraud 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.

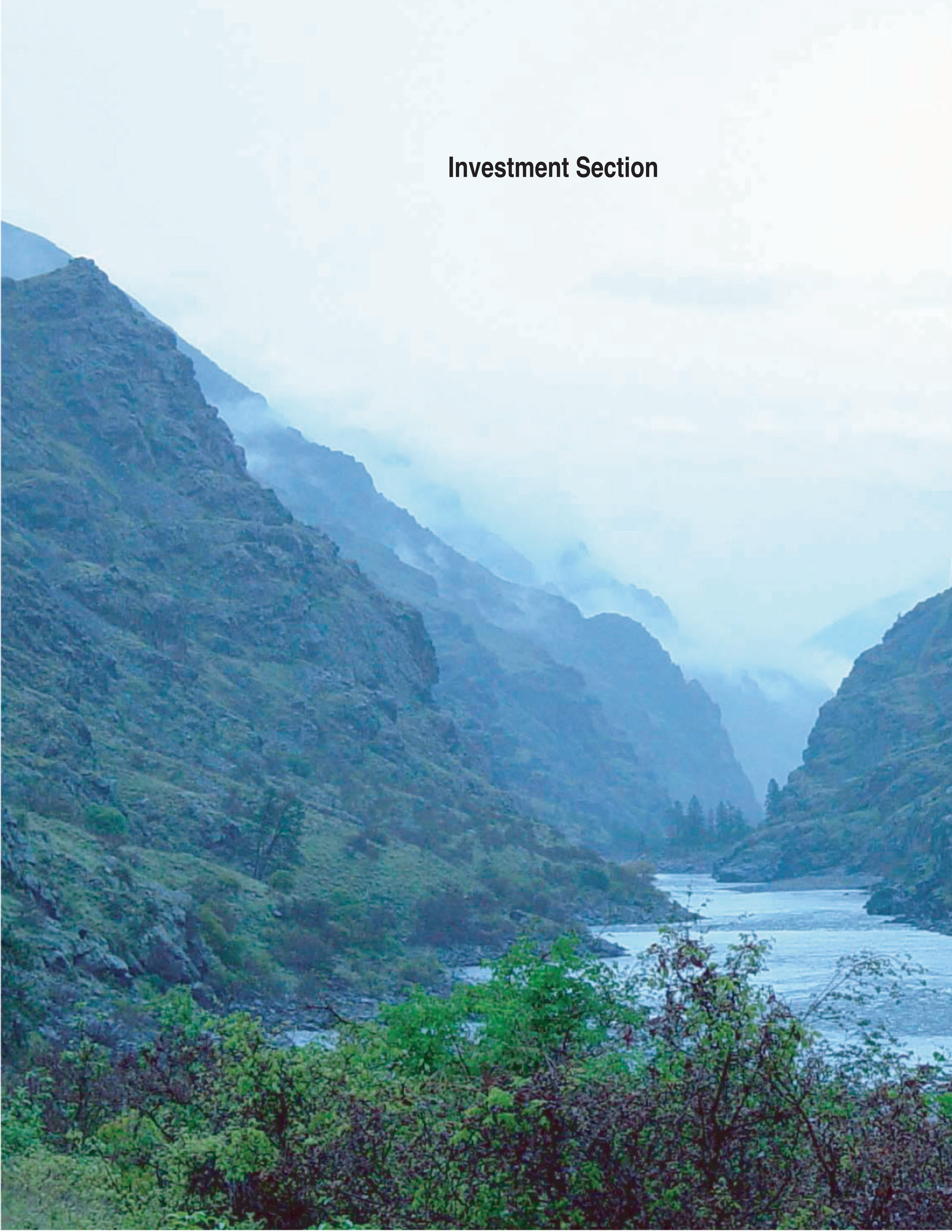
Compliance

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 or other matters that are required to be reported under *Government Auditing Standards*.

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 2, 2004

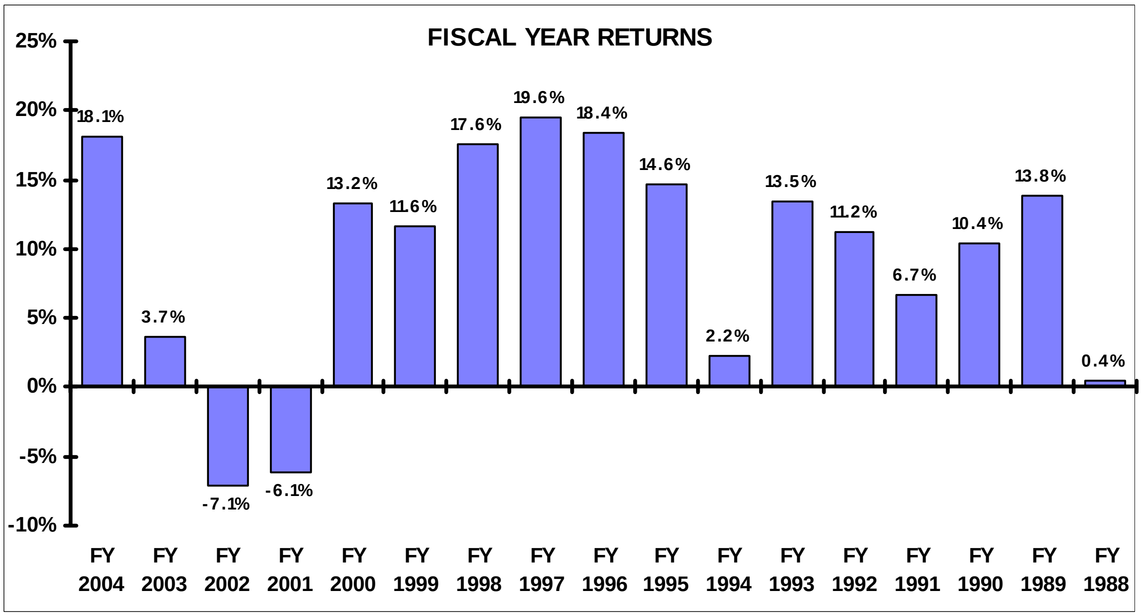
Investment Section

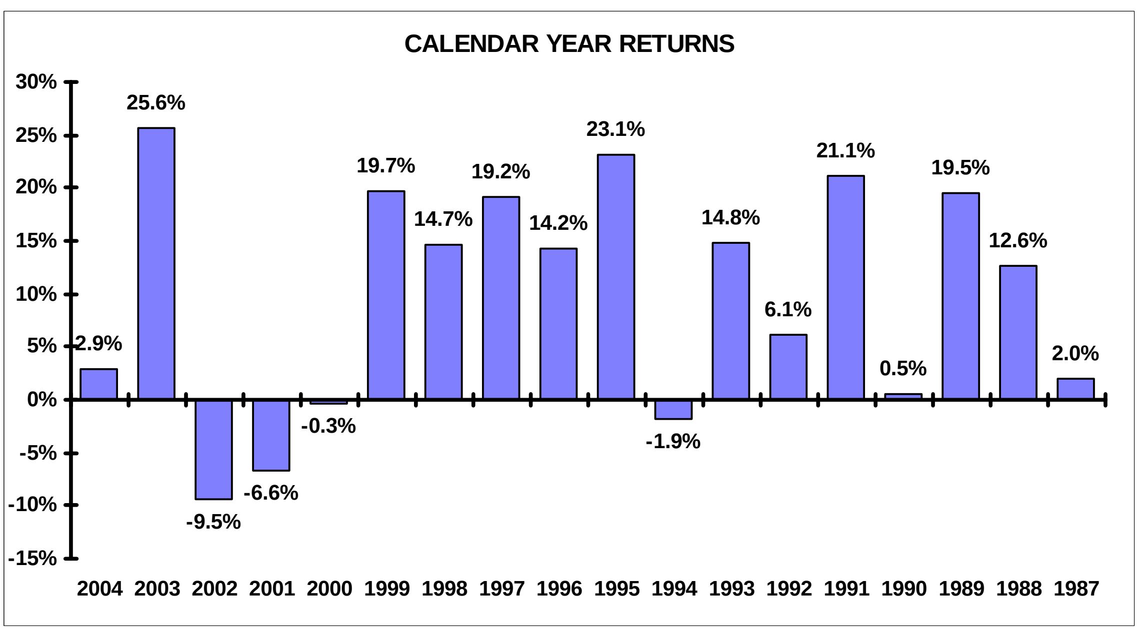


REPORT ON INVESTMENT ACTIVITY

Prepared by Robert M. Maynard, Chief Investment Officer

PERSI had a very good, and in many ways spectacular, fiscal and calendar year. The 2004 fiscal year return of 18.1% was on par with the boom year returns of 1995-2000. The 2003 calendar year return of 25.6% was the best calendar year return in PERSI's history (since 1966). PERSI's peer performance rankings rebounded strongly as well, ranking as high as in the top 5% of public funds in the nation for some periods and well above median for almost all time periods.





The return percentage for calendar year 2004 is for the period ending June 30, 2004.

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
March 31, 2004
Percentile Rankings over Period
(1 is highest, 100 is lowest)

	QTR	1Yr	2Yrs	3Yrs	4Yrs	5Yrs	7Yrs	10Yrs
Return (%)	3.6	33.6	8.0	5.6	1.4	5.2	8.6	9.8
Peer Rank	5	5	15	42	69	36	27	31
Median Return (%)	2.8	26.8	6.9	5.5	2.2	4.9	8.1	9.5

Perhaps even more impressively, PERSI outperformed the market by a wide margin for both the past year and the past five years, through the worst market environment for an equity oriented fund since the Great Depression. Over the past year, market returns would have given PERSI a 15.3% return, instead, PERSI garnered a return of 18.1%. Over the past five years, simply matching the market would have given PERSI an annualized return of 1.5%, instead PERSI over doubled that return to 3.9%. In dollars, PERSI should have expected to make around $420 million over the past five years, instead, PERSI added over $1.25 billion in returns – an outperformance of around $850 million. Simply, the reason was that over the past year, and also over the past five years, all of PERSI's major "bets" (global management, REITS – Real Estate Investment Trust Securities, emerging markets, TIPS – Treasury Inflation Protected Securities, etc.), have worked and, collectively, PERSI's active managers have beaten their benchmarks.

This added return drove PERSI's peer performance as well, raising PERSI from what would otherwise have been a generally below median fund to a top performing fund. For the period ending March 31st, for example, the results were as follows for cumulative time periods:

	QTR	1Yr	2Yrs	3Yrs	4Yrs	5Yrs	7Yrs	10Yrs
Actual Return (%)	3.6	33.6	8.0	5.6	1.4	5.2	8.6	9.8
Peer Rank	5	5	15	42	69	36	27	31
Policy Return (%)	2.9	31.0	6.3	5.0	-0.3	3.0	7.8	9.6
Policy Rank	27	16	66	64	95	96	61	40

Consequently, despite a strategic policy that would have meant poor performance for PERSI over 2 to 7 years, both absolutely and relatively (as would be expected given the horrible equity markets of 2000-2003), PERSI has come through what should have been very rough waters with remarkable serenity.

In fact, the concern at the moment is that the current stretch of performance may represent a peak, and could be a limit on how good PERSI can be. PERSI is not structured to be a consistent outstanding performer – instead, we are structured to be a median to slightly above median fund. We are set up to hit singles, not home runs. The exceptional stretch of absolute and relative performance may be due to a confluence of luck when most of our particular biases or special leanings all happened to perform well together. Most of those leanings are undertaken for diversification or other reasons (global equity, TIPS, Idaho Mortgages, REITS, etc.), not for "juicing up" our returns. We rely primarily on the markets, not special efforts, for our returns. The exceptional performance of those special efforts, almost all at the same time, is likely to be an occasion that will not be consistently repeated. The softening of performance in the fourth quarter of the fiscal year may represent a "return to normality." Nonetheless, it is nice to know that there can be some market circumstances, like the last year and collectively over the past five years, where all the stars can be lined up at once.

It was also a year of significant structural change for the first time in a number of years. After the retirement of its long-time general consultant, Doug Dorn, PERSI hired Michael O'Leary and Janet Becker-Wold of Callan Associates to serve in that role. And, after firing Schroders (both emerging markets and EAFE mandates), Deutsche Asset Management, and MFS, PERSI hired, at the end of the year, Donald Smith and TCW for domestic equity mandates, Delaware Asset Management for international equities, and Bernstein for both a global equity mandate and an international equity mandate.

Almost all parts of PERSI's investment program had stellar annual and longer-term performance, either absolutely, relative to the markets, or, mostly, both. The best performing parts of the PERSI portfolio were the emerging markets, international equities, and the global equity segments, with annual returns of 36.9% (led by Genesis with returns of 38.9%), 30.9% (led by the Mellon Index Fund, with returns of 31.5%), and 27.3% (led by Brandes, with returns of 38%). The worst PERSI return came from its "safest" investments – the investment grade government and corporate bond index fund, with a loss of -0.7%, and the Idaho Mortgage program, with a loss of -2.3% (the fixed income portfolio as a whole gained 1.4% paced, once again, by the TIPS portfolio with returns of 4.2%).

PERSI's US equity segment returned 21.8%, compared to the general US market return (the Russell 3000) of 19.6%. This was primarily due to the high returns of the REIT portfolio managed by Lend Lease, with returns of 33.6%, beating both the general equity market and the overall REIT market return of 27.7%. Tukman and Mountain Pacific both had good absolute returns of 14.6% and 27.3% respectively, although each lagged their respective benchmarks significantly. The Mountain Pacific return, while behind the small cap benchmark of 32.9%, beat the general overall equity market, thus actually helping PERSI's overall portfolio because of the relatively higher amount given to that manager. Private equity had its first positive return of around 20.8% (time weighted), and private equity real estate returned 7.8%, ahead of the general private real estate market, but behind the Russell 3000.

Global equity managers again had an excellent year, although softening a bit in the final quarter. Overall returns for the segment of 27.3% beat the world equity market returns of 23.6%. Brandes once again led the pack with returns of 38%, followed by Cap Guardian at 26.3%. Barings slightly lagged the index with a 23% return, while Zesiger had its first poor year with overall returns of 18%, due to a collapse in the fourth quarter from its emerging market exposure, and, over the entire fiscal year, from exposures to private equity.

The international equity segment benefited from the dedicated exposure to emerging markets. Overall, the total international equity segment underperformed EAFE, with returns of 30.9% compared to the index return of 31.6%. This would even have been worse without emerging markets, which returned 36.9% for the year, with Genesis (our remaining emerging markets manager from last year) returning 38.9%%. Our active managers all underperformed the EAFE index, with TCW International (SGAM) returning 30.9%, Rowe Price at 25.3%, and Schroders also lagging prior to their termination in April.

Fixed income had another excellent year in comparison with the general fixed income market, although the bond market as a whole had its worst year in quite a while. PERSI's fixed income total return of 1.4% handily beat (in fixed income terms) the general US investment grade market, which had one of its rare flat years with a return of 0.5%. Once again, PERSI's large commitment to TIPS drove this relative outperformance, with a return of 4.2%. Clearwater MBS had a good year, with returns of 3.4%, and Barings fixed income also significantly outperformed, with a return of 2.5%. DBF underperformed the mortgage index with returns of 1.1%, while Idaho Mortgages trailed the pack with one of its worst years ever with a return of -2.3%.

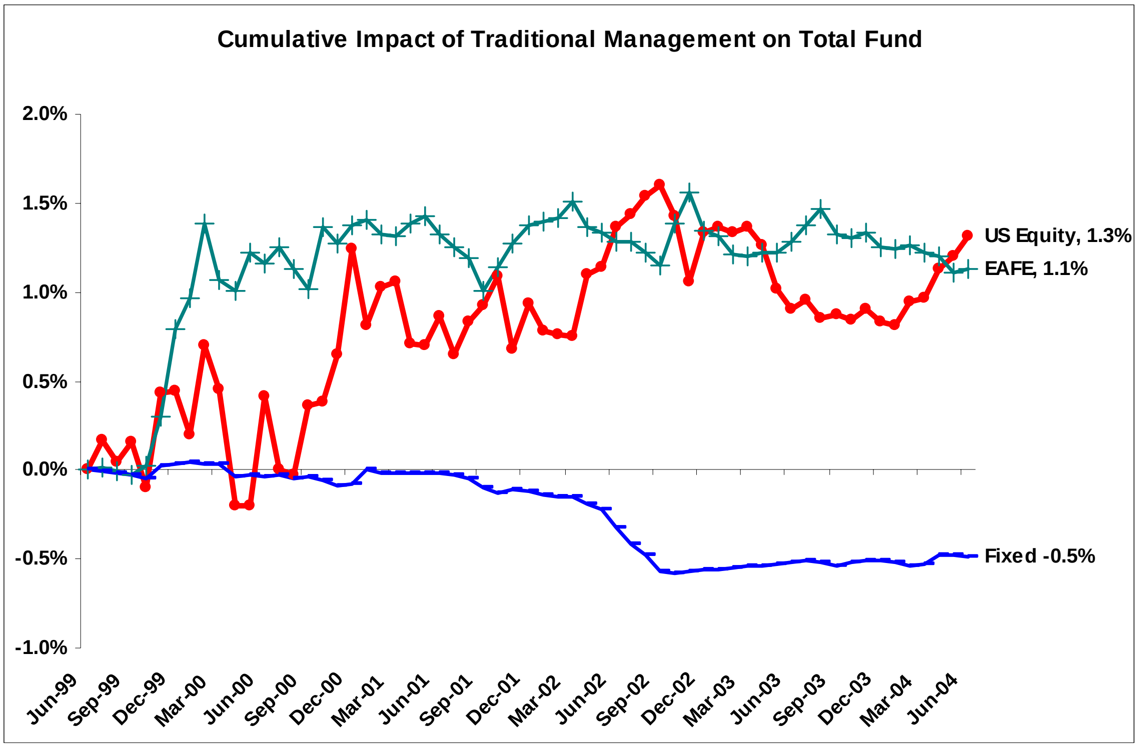
The consistent and significant outperformance of PERSI over the market over the last five years answered, in a positive manner, one of the major concerns in the past: as we commented in the 2001 annual report following the booming markets of the late 1990s,

The unanswered question was whether the higher-than-expected returns [that PERSI had enjoyed in the late 1990s] were being achieved because of incurring higher-than-expected-risk – that the price to be paid for such good performance was greater-than-market loss when times were bad.

What actually transpired is that, compared to the general market returns, and contrary to our fears, PERSI did even better in poor markets than it had when times were good. Over the past five years, PERSI has outperformed general market returns by around 13%, adding over $850 million over market returns. Since simple market returns (55% US equities, 15% international equities, and 30% US bonds) would only have given a 7.6% cumulative return, or around $420 million, PERSI effectively almost tripled its return by the decisions of the Board and active managers over the past five years.

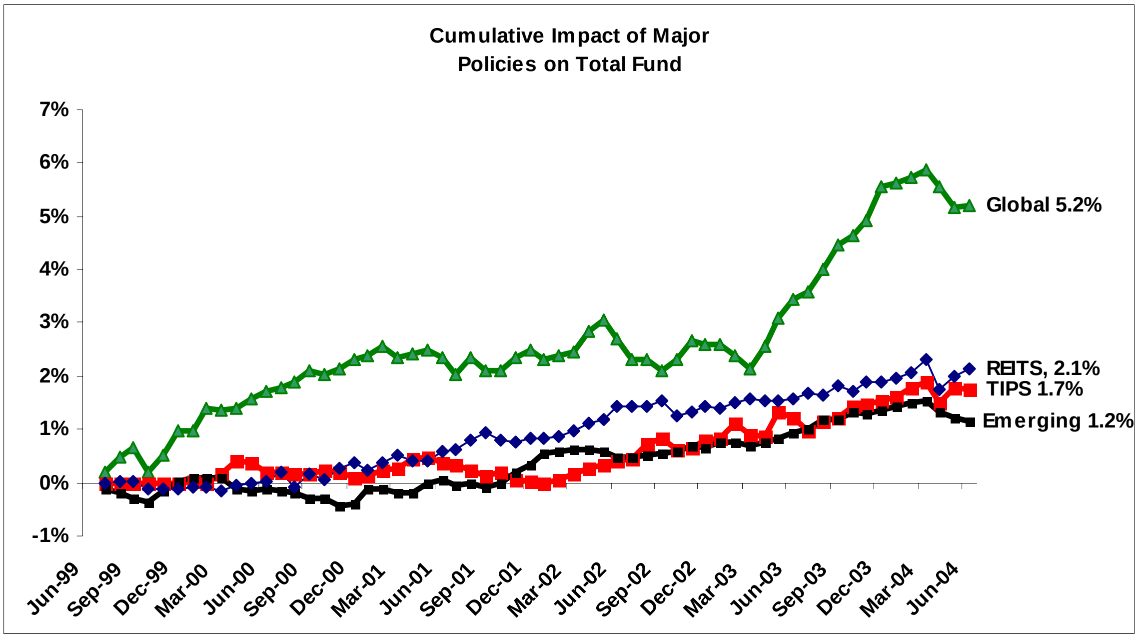
And, it was Board decisions that provided the bulk of the added return. One way of looking at PERSI actions is to begin with the strategic long-term allocation of 55% US equities, 15% international equities, and 30% fixed income. PERSI could simply index all of its assets by placing its money in three index funds (a Russell 3000 US equity index fund, an EAFE international index fund, and a Lehman Aggregate US bond fund), and "go home", simply rebalancing the funds to those allocations at the beginning of every month.

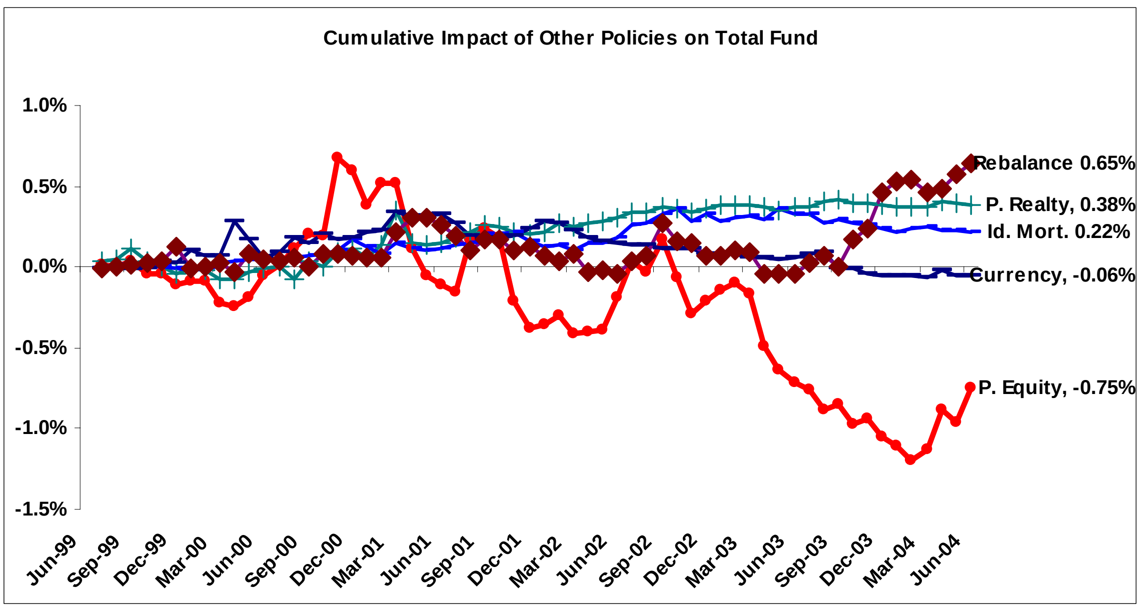
Instead, PERSI has taken a number of actions that make its actual returns different than simple market returns. One class of actions is by hiring active managers in the general US and international equity and US fixed income markets --- this is the "traditional" active manager activity. Over the past year this added only a very small amount to PERSI returns – around 0.1%, and over the past five years traditional active management has cumulatively done a bit better – adding around 0.3% per year or 2.3% cumulatively. US equity managers have added 1.3% cumulative to total fund returns over the past five years, international equity managers have added 1.1% over that time period, and fixed income activities outside of TIPS and Idaho Mortgages have lost 0.5% over that five year period.



But a much greater impact has come from actions at the Board level. These are actions that have diversified the portfolio out of the strict investments of assets in the usual manner within the general capital markets (US public equity, international developed market public equity, and US investment grade fixed income). Collectively, these actions have added 2.5% to PERSI returns over the past year, and 2% per year over the past 5 years, or 10.1% cumulatively. These actions are as follows (the numbers in parenthesis are the cumulative additional return to the total fund returns from these activities over the past five years):

1. Using global equity managers instead of US equity managers (5.2%);
2. Investing in US real estate assets, both public (2.1%) and private (0.4%);
3. Holding interests in private equity partnerships rather than US public equities (-0.75%);
4. Investing in emerging markets rather than simply developed international markets (1.2%);
5. Hedging a portion of the international equity currency exposure (-0.06%);
6. Investing in TIPS (Treasury Inflation Protected Securities) instead of the traditional US bond market (1.7%)
7. Holding direct private Idaho commercial mortgages instead of US bond assets (0.22%)
8. Rebalancing at intervals instead of strictly at the beginning of every month (0.65%).





Given the exceptional performance, and the likelihood that the circumstances driving that performance might not continue, a major question is whether PERSI should change course from its current path. This may particularly be the case since many believe that the next decade will be more problematic for markets. This is a view I share, but not to the degree of pessimism often heard. There has been a "tailwind" of a decades-long decline in interest rates that has now ended, and this decline in the past led to an extra support of the equity markets that is now over. While the next decade is likely to still be "normal" (meaning a real return on equities in the 6%-6.5% range, and a real return on bonds in the 2% - 2.5% range) , the absence of the extra support from declining interest rates means potentially more difficulty over the intermediate and longer term.

Nonetheless, the cushion that is available to the Board from the ability to not grant discretionary COLAs along with some flexibility in contribution rates allows PERSI adequate leeway to continue the basic investment policies currently followed.

These policies are:

1. That we will invest in an attempt to pay discretionary COLAs, while recognizing that this added benefit will be the first to go if difficult investment markets occur;
2. This investment policy means that we will maintain a general 70% equity, 30% fixed income stance – sufficient to generate around a 5%-5.4% “real” return and therefore give a reasonable chance of paying the discretionary COLA;
3. We will rely on general markets to provide the needed returns, and not count on above market returns through active management or other sources. While we will pursue active management and additional sources of return, these efforts will be weighed against the problems of additional complexity and headline risk, and are there to provide a cushion or “insurance”. We will not pursue an aggressive return model employed by many endowment funds or other similarly focused institutions;
4. If markets get difficult, we will rely first on our other alternatives (not pay the discretionary COLA, modify contribution rates, look at benefit packages, etc.), rather than pursue significantly more aggressive investment postures (materially more equity exposure, aggressive or complicated return strategies such as hedge funds or absolute return, or numerous small strategies, such as extensive cash enhancement, in-house active management, etc.).

All of our investment policies and structure follow logically and directly from these four points – mostly in a single step. These policies and structures have survived well all of the “stress tests” of the past ten years, and has, over the years, outperformed the market in both up and down cycles. The remaining type of market – the prolonged sideways market – still needs to be tested. That is the probable challenge of the upcoming years.

Thus, given the likely more problematic but generally “normal” nature of the markets over the next ten years, the general portfolio theme that PERSI will provisionally pursue over the next few years is that we will generally “stay the course” set over the past decade, but play a bit harder around the edges of the portfolio. Specifically, this means that PERSI will pursue a bit more active management both publicly and privately, maintain a slight tilt towards value and GARP strategies, and will continue to investigate potential new portfolio areas, like the past entries into global equity, TIPS, REITS, and emerging markets (although no new prospects are currently promising). These will be, however, leanings, and not radical new directions for the portfolio.

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 as of the Year Ended June 30, 2004

Types of Investment		Market Value		Percent of Total Market Value
Short-term Investments		$277,708,503		3.6%
Fixed Income				
Domestic	1,840,801,941		23.9%	
International	59,889,873		0.8%	
Commercial Mortgages	259,763,230		3.4%	
Total Fixed Income		2,160,455,044		28.1%
Common Stock				
Domestic Equity	3,383,417,417		43.8%	
International Equity	1,657,691,373		21.5%	
Total Common Stock		5,041,108,790		65.5%
Private Equity		163,073,839		2.1%
Real Estate		59,687,610		0.8%
Total Base Plan Investments		$7,702,033,786		100.0%
Other Funds:				
Sick Leave Insurance Reserve Fund		163,689,994		
Choice Plan 414(k)		53,977,831		
Choice Plan 401(k)		84,731,711		
Total Investments in All Funds		$8,004,433,322		

Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2004

Apollo Management, LP	$8,111,968
Baring Asset Management-Global Equity	228,233,310
Baring Asset Management-Global Fixed Income	247,061,632
Bernstein-Emerging Markets	112,327,916
Bernstein-Global Equity	153,322,841
Brandes Investment Partners	408,190,600
Capital Guardian	240,124,165
Chisholm Management, LP	17,080,932
Choice Plan Investment Options (excluding Total Return Fund)	31,070,900
Clearwater Advisors, LLC	69,462,110
D.B. Fitzpatrick & Co.-Idaho Mortgages	264,719,011
D.B. Fitzpatrick & Co.-Fixed Income	208,147,770
Delaware International Advisers	154,502,838
Donald Smith & Co.	157,664,935
Frazier Technology Ventures II, LP	2,107,500
Furman Selz Investments, LP	16,096,744
Galen Associates, LP	34,569,438
Genesis Asset Managers	141,302,196
Goense Bounds & Partners, LP	1,621,206
Gores Capital Partners, LLP	3,905,198
Green Equity Investors IV, LP	2,540,365
Harvest Partners III, LP	13,487,023
Highway 12 Ventures, LP	3,181,468
Ida-West	3,275,000
Koll Partners, LLP	15,762,370
Lend Lease Rosen	229,344,247
Littlejohn, LP	7,255,364
McCown DeLeeuw & Co. IV, LP	8,254,546
Mellon Capital Management-R2000 Small Cap	142,053,680
Mellon Capital Management-S&P 500 Large Cap	1,353,423,387
Mellon Capital Management-Mid Cap Completion	197,840,689
Mellon Capital Management-International Stock Index	359,885,114
Mellon Transition Management Services	624,243
Mountain Pacific Investment Advisors	266,643,279
Oaktree Capital Management, LLC	9,723,170
Pareto Partners	131,560
PERSI Cash in Short-Term Investment Pool	17,338,811
Providence Equity Partners, LLP	16,081,488
Prudential Investments	35,049,076
Rowe Price International	209,141,688
Saugatuck Capital Company	1,054,556
State Street Global Advisors-Fixed Income	760,715,492
State Street Global Advisors-TIPS	678,429,125
State Street Global Advisors-Sick Leave Insurance Reserve	163,689,994
T3 Partners, LP	15,764,139
TCW Domestic	153,458,508
TCW London International	210,103,309
Thomas Lee, LP	10,761,484
Tukman Capital Management	253,566,546
W. Capital Partners, LP	1,355,456
Zesiger Capital Group	262,403,175
Zesiger Capital Group-Private Equity	19,062,303
Total Market Value, Including Investment Receivables and Payables	$7,921,023,865
Add: Investments Purchased	829,687,740
Less: Investments Sold	(712,838,249)
Less: Interest and Dividends Receivable (Base Plan, FRF, and Total Return Fund)	(33,440,034)
Total Market Value, Net of Investment Receivables and Payables	$8,004,433,322

Investment Results (Defined Benefit Plans Only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR	3 YRS *	5 YRS *
U.S. EQUITY						
MELLON CAPITAL MANAGEMENT MID CAP	$197.8	2.6	25.9	25.9	2.3	0.4
MELLON CAPITAL MANAGEMENT R2000 SM CAP	142.1	1.8	32.4	32.4	6.4	
MELLON CAPTIAL MANAGEMENT S&P 500 LC	1,353.4	17.5	18.9	18.9	(0.7)	(2.1)
MOUNTAIN PACIFIC	266.6	3.5	27.1	27.1	7.6	7.7
TUKMAN CAPITAL MGMT	253.6	3.3	14.5	14.5	2.2	3.4
DONALD SMITH**	157.7	2.0				
TCW**	153.5	2.0				
TOTAL U.S. PUBLICLY TRADED EQUITY	$2,524.7	32.7	20.7	20.7	0.1	(0.4)
BENCHMARK – Russell 3000			20.5	20.5	0.2	(1.1)
PRIVATE EQUITY						
SAUGATUCK-VNTR CAP	$1.1	0.0	12.6	12.6	(3.1)	(8.0)
IDA-WEST	3.3	0.1	66.8	66.8	32.1	21.5
GALEN III	34.6	0.4	26.0	26.0	8.4	4.2
FURMAN SELZ	16.1	0.2	101.5	101.5	19.9	14.1
HARVEST PARTNERS	13.5	0.2	(15.5)	(15.5)	(6.7)	(3.8)
MCCOWN DE LEEUW	8.3	0.1	(3.6)	(3.6)	(7.5)	(15.0)
PROVIDENCE EQ PARTNERS	16.1	0.2	163.3	163.3	10.7	10.3
CHISOLM PARTNERS IV L.P.	17.1	0.2	(7.3)	(7.3)	(24.9)	(9.3)
LITTLEJOHN II L.P.	7.3	0.1	(6.0)	(6.0)	(16.0)	
OAKTREE CAP	9.7	0.1	43.2	43.2	8.6	
GOENSE BOUNDS	1.6	0.0	395.8	395.8	63.7	
ZESIGER	19.1	0.3	5.0	5.0	(19.4)	
HIGHWAY 12 FD VENTURE L.P.	3.2	0.1	(9.4)	(9.4)		
T3 PARTNERS II L.P.	15.8	0.2	(5.1)	(5.1)		
APOLLO MGMT L.P.	8.1	0.1	53.5	53.5		
THOMAS LEE L.P.	10.8	0.1	13.7	13.7		
GREEN EQUITY IV L.P. **	2.5	0.0				
GORES CAP AD LLC**	3.9	0.1				
W CAP PARTNERS**	1.4	0.0				
FRAZIER TECH VENTURES II**	2.1	0.0				
TOTAL PRIVATE EQUITY	$195.3	2.5	23.5	23.5	(1.7)	(2.9)
REAL ESTATE						
KOLL PARTNERS**	$15.8	0.2				
LEND LEASE - PUBLIC	229.3	3.0	32.9	32.9	19.1	17.7
PRUDENTIAL	35.0	0.4	10.8	10.8	11.5	9.8
TOTAL R/E MANAGERS	$280.2	3.6	29.2	29.2	17.9	16.6
BENCHMARK - NCREIF			10.8	10.8	8.0	9.4
TOTAL U.S. EQUITY	$3,000.1	38.8	21.7	21.7	1.2	0.5
BENCHMARK – Russell 3000			20.5	20.5	0.2	(1.1)
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	$228.2	2.9	23.0	23.0	0.5	(3.8)
BRANDES INVST PARTNERS	408.2	5.3	38.0	38.0	8.3	10.6
CAPITAL GUARDIAN	240.1	3.1	26.3	26.3		
ZESIGER CAPITAL GROUP	262.4	3.4	18.5	18.5	5.8	10.9
BERNSTEIN**	153.3	2.0				
TOTAL GLOBAL EQUITY	$1,292.3	16.7	27.0	27.0	4.2	5.2
TOTAL U.S./GLOBAL EQUITY	$4,292.4	55.5	23.5	23.5	2.1	1.6
BENCHMARK – Russell 3000			20.5	20.5	0.2	(1.1)

(Continued)

Investment Results (Defined Benefit Plans only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR	3 YRS *	5 YRS *
INTERNATIONAL EQUITY						
GENESIS EMERGING	$141.3	1.8	38.1	38.1	17.8	10.2
MELLON CAPITAL MGMT INTL STK INDX	359.9	4.7	31.5	31.5	4.0	0.2
T ROWE PRICE	209.1	2.7	25.3	25.3	2.5	0.1
SOCIETE GENERALE	210.1	2.7	31.5	31.5	0.7	0.8
BERNSTEIN EMG MKT**	112.3	1.5				
DELAWARE**	154.5	2.0				
TOTAL INTERNATIONAL EQUITY	$1,187.3	15.4	31.2	31.2	4.4	1.5
TOTAL INT'L EQUITY (HEDGED)[1]	$1,187.4	15.4	30.6	30.6	3.7	1.4
BENCHMARK – EAFE Index Net			32.4	32.4	3.9	0.1
TOTAL EQUITY	$5,479.8	70.9	25.0	25.0	2.5	1.7
BENCHMARK – Russell 3000			20.5	20.5	0.2	(1.1)
U.S. FIXED INCOME						
D.B. FITZPATRICK & CO	$208.1	2.7	1.1	1.1	5.9	6.8
D.B. FITZPATRICK & CO-IDAHO MTGS	264.7	3.4	(2.4)	(2.4)	6.9	7.9
STATE ST ADV	760.7	9.9	(0.7)	(0.7)	6.6	7.0
STATE ST-TIPS	678.4	8.8	4.2	4.2	10.0	
CLEARWATER-TBA	69.5	0.9	3.4	3.4		
TOTAL U.S. FIXED INCOME	$1,981.5	25.7	1.3	1.3	8.0	8.4
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	$247.1	3.2	2.5	2.5	6.7	7.1
TOTAL GLOBAL FIXED INCOME^	$247.1	3.2	2.5	2.5	4.8	6.0
TOTAL FIXED INCOME	$2,228.5	28.9	1.5	1.5	7.4	7.9
BENCHMARK – LB Aggregate			0.3	0.3	6.4	6.9
OTHER						
UNALLOCATED CASH	$17.3	0.2	2.9	2.9	4.9	6.2
MELLON TRANSITION MANAGEMENT SERVICES	0.6	0.0				
TOTAL OTHER	$17.9	0.2	2.9	2.9	4.9	6.2
COMBINED TOTAL	$7,726.2	100.0	18.1	18.1	4.4	3.9
BENCHMARK – 55% Russell 3000 30% Lehman Aggregate 15% MSCI EAFE Index			15.9	15.9	3.2	2.1
Add: Mutual Fund Holdings in 401(K) Plan	$31.1					
Sick Leave Fixed Income Investments	64.6					
Sick Leave Equity Securities	99.1					
Investments Purchased	829.7					
Less: Interest and Dividends Receivable	(33.5)					
Investments Sold	(712.8)					
Total Pension Fund Investments Net of Receivables	$ 8,004.4					

*Rates of Return are annualized
[1] Includes Pareto Partners currency overlay account
** Accounts open less than one year
^ Includes performance from closed accounts

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

(Concluded)

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
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
2004	105,106,092	99,565,950	1,005,291,439	1,209,963,481

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

List of Largest Assets Held

Largest Bond Holdings (by Market Value) June 30, 2004

	Par	Bonds		Market Value
1	$298,106,813	U.S. TREASURY INFLATION INDEX NT	4.250% 01/15/2010 DD 01/15/00	$341,192,489
2	240,902,649	U.S. TREASURY INFLATION INDEX BD	3.875% 04/15/2029 DD 04/15/98	307,188,458
3	17,685,968	U.S. TREASURY INFLATION INDEX BD	3.375% 04/15/2032 DD 10/15/01	21,522,992
4	19,920,000	DEUTSCHE AUSGLEICHBANK EMT NOTES	5.875% 05-FEB-2008 USD1000	21,224,760
5	18,700,000	COMMIT TO PUR FNMA SF MTG	5.500% 08/01/2034 DD 08/01/04	18,542,209
6	17,100,000	COMMIT TO PUR FHLMC GOLD SF MTG	5.000% 08/01/2034 DD 08/01/04	17,019,835
7	56,665,000	GOVERNMENT OF POLAND	5.750% BDS 24-JUN-08 PLN1000	14,417,994
8	13,650,000	U.S. TREASURY NOTES	4.750% 05/15/2014 DD 05/15/04	13,792,370
9	14,930,000	INTER-AMERICAN DEVELOPMENT BANK	3.500% 08-JUL-2013 USD1000	13,683,793
10	12,263,341	FHLMC POOL #C9-0767	6.000% 12/01/2023 DD 12/01/03	12,659,221

Largest Stock Holdings (by Market Value) June 30, 2004

	Shares	Stock	Market Value
1	2,022,262	GENERAL ELECTRIC CO.	$ 65,521,289
2	1,800,071	PFIZER, INC.	61,706,434
3	692,828	AMERICAN INTL GROUP, INC.	49,384,780
4	922,200	WALMART STORES, INC.	48,655,272
5	1,688,420	MICROSOFT CORP.	48,221,275
6	936,521	CITIGROUP, INC.	43,548,227
7	969,498	EXXON MOBIL CORP.	43,055,406
8	679,301	WELLS FARGO & CO.	38,876,396
9	578,500	CHELSEA PPTY GROUP, INC.	37,729,770
10	1,738,174	GLAXOSMITHKLINE ORD	35,178,313

A complete list of portfolio holdings is available upon request.

Schedules of Fees and Commissions for the Year Ended June 30, 2004

Investment Fees	Average Assets Under Management	Fees	Basis Points
Investment Manager Fees:			
Equity Managers	$5,055,543,848	$13,622,849	27
Fixed Income Managers	2,007,326,310	1,424,912	7
Private Equity Managers	183,353,743	5,168,590	282
Real Estate Managers	277,652,544	3,323,125	120
Total Investment Manager Fees	$7,523,876,445	23,539,477	31
Other Investment Service Fees:			
Custodian/Record Keeping Fees		3,882,111	
Investment Consultant Fees		565,435	
Legal Fees		254,812	
Actuary/Audit Service Fees		261,452	
Total Investment Service Fees		4,963,810	7
Total Defined Benefit Plans Fees		$28,503,287	38
Total Defined Contribution Plans Fees		203,628	
Total Fees		$28,706,915	

Broker Commissions	Base Commission	Total Shares	Commission per Share
Investment Technology Groups, New York	$ 832,631	41,763,346	0.01994
Deutsche Banc Alex Brown, Inc, New York	593,469	70,692,431	0.00840
Credit Lyonnais Securities Asia, Guernsey	247,712	38,892,399	0.00637
Lehman Bros Intl, London	237,112	8,865,898	0.02674
Morgan Stanley & Co Intl, London	187,486	9,585,799	0.01956
Morgan Stanley & Co, Inc, New York	184,604	98,003,650	0.00188
UBS Securities LLC, Stamford	147,770	5,534,931	0.02670
Lehman Bros, Inc, New York	145,894	5,803,600	0.02514
CSFB (Europe), London	145,748	20,968,552	0.00695
Goldman Sachs & Co, New York	144,290	71,978,976	0.01205
Merrill Lynch Pierce Fenner Smith, Inc, New York	132,862	4,729,407	0.02809
Merrill Lynch Intl, London	111,537	5,744,706	0.01942
Citation Group, New York	108,773	2,051,226	0.05303
Salomon Bros Intl Ltd, London	103,480	8,918,017	0.01160
Citigroup Gbl Mkts, Inc, New York	101,086	2,310,099	0.04376
Merrill Lynch Pierce Fenner, Wilmington	94,869	177,337,772	0.00053
Credit Suisse First Boston Corp, New York	90,097	5,358,236	0.01681
Morgan J P Secs Inc, New York	86,067	24,060,488	0.00358
CSFB (HK) Limited, Hong Kong	79,728	4,714,187	0.01691
Deutsche Bk Ag (Intl Equities), London	75,044	3,340,131	0.02247
UBS Warburg Asia Ltd, Hong Kong	72,997	16,121,395	0.00453
Citigroup Gbl Mkts/Salomon, New York	70,112	29,572,758	0.00237
Banc of America Secs LLC, Charlotte	65,063	1,597,860	0.04072
Jefferies & Co Inc, New York	53,825	1,150,000	0.04680
Other Brokers Under $50,000	1,686,139	858,708,715	0.00196
Total Broker Commissions	$5,798,396	1,457,804,579	0.00398

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	Actual Allocation Year Ended June 30, 2004
U.S. Equity	10.4%	19%	54%	44% - 57%	57%
International Equity	11.0%	22%	15%	12% - 25%	15%
Total Equities			69%	66% - 75%	72%
Fixed Income	6.6%	7%	30%	27% - 33%	28%
Cash	4.0%	1%	1%	0% - 5%	0%

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%

Actuarial Section

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November 30, 2004

Retirement Board
Public Employee Retirement System

Milliman has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception. It is anticipated that future actuarial valuations will be performed every year with the next valuation to be as of July 1, 2005. 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	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2005	17.83	6.79	11.04	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, 2004 actuarial valuation included the July 1, 2005 and July 1, 2006 increases, and found that the System's rates are sufficient to pay the System's normal cost rate of 14.03%. As of July 1, 2004 there is an unfunded actuarial accrued liability of $671.1 million. The portion of the total Member and Employer contribution rates shown above that is not needed to pay the System's normal cost is sufficient to amortize the unfunded actuarial accrued liability over 7.8 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, 2004 actuarial valuation, the unfunded actuarial accrued liability was decreased by $650.8 million due to a large asset gain recognized as of July 1, 2004. Specifically, the System's assets earned a gross return before expenses of 18.11%, which is 10.11% over the actuarial assumption of 8.00%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $137.9 million. Thus, the total experience gain for the year was $788.7 million. In addition to the actuarial experience gains, the actuarial accrued liability was also decreased by $4.1 million due to changes in actuarial methods and by $8.5 million due to recognition of the scheduled July 1, 2006 contribution rate increase. Also, the actuarial accrued liability was increased by $58.2 million because actual contributions were less than the normal cost and the interest on the unfunded actuarial accrued liability. The actuarial accrued liability decreased by $165.3 million due to a change in actuarial assumptions. The March 1, 2004 COLA increased the actuarial accrued liability by $34.3 million. All of these items then resulted in a total actuarial gain of $543.5 million and a change in funding status from a 83.8% funding ratio on July 1, 2003 to 91.7% on June 30, 2004. 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, 2004 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The assumptions for the investment return, inflation, general wage increases, merit wage increase rates, termination of employment rates, probability of vesting rates, retirement rates, and disablement rates were revised for the July 1, 2004 valuation as a result of an experience study covering the period July 1, 1999 through June 30, 2003. The next major experience study, to be completed in 2006, will cover the period July 1, 2001 through June 30, 2005.

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, 2004 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 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. 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, 2004

1. Investment Return (Adopted July 1, 2004)

   The annual rate of investment return on the assets of the System is assumed to be 7.75% (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, 2004)

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%	20%	30%	10%	30%	15%
60	30	25	30	15	30	20
65	50	45	80	75	65	65
70	*	*	30	30	30	25

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	23%	10%	22%	10%
60	23	15	40	20
65	76	65	75	70
70	*	*	*	*

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

6. Early Retirement (Adopted July 1, 2004)

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	6%	*	*	*	*
55	7	3%	3%	7%	6%
60		7	9	13	15

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

7. Other Terminations of Employment (Adopted July 1, 2004)

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%	11.0%	6.0%	7.0%
10	4.6	5.5	6.8	3.3	3.3
15	3.2	3.6	4.6	2.0	2.0
20	2.0	2.6	3.4	1.6	1.6
25	2.0	2.0	2.3	1.6	1.6
30	2.0	2.0	2.0	1.6	1.6

8. Disability Retirement (Adopted July 1, 2004)

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

Age	Fire & Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	.01%	.05%	.01%	.01%	.03%
35	.03	.10	.02	.05	.05
45	.18	.10	.07	.05	.08
55	.30	.50	.23	.35	.24

9. Future Salaries (Adopted July 1, 2004)

In general, the total annual rates at which salaries are assumed to increase include 4.50% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	7.8%	6.8%	7.5%	8.5%	9.0%
10	6.7	5.7	6.3	7.3	7.5
15	5.5	5.2	5.3	6.0	6.3
20	5.3	5.0	5.0	5.3	5.3

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

10. Vesting (Adopted July 1, 2004)

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

Age	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	29%	30%	42%	23%	59%
35	43	53	60	61	80
45	53	63	66	73	83
55	--	--	--	--	90

11. Growth in Membership (Adopted July 1, 2004)

In general, the combined effects of increasing membership and salary levels are assumed to produce a 4.50% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2004)

The credited interest rate on employee contributions is assumed to be 7.25%.

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, 2004.

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, 1999 through June 30, 2003, and reviewed all assumptions except mortality. Mortality will be studied in 2006 for the period from July 1, 2001 through June 30, 2005. 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.

Public Employee Retirement
System of Idaho

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries* Annual Valuation Payroll	Annual Salaries* Average Annual Pay	Annual Salaries* % Increase in Average Annual Pay
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
2004	63,385	2,124,040,000	33,510	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 Total	Number Added	Number Removed	COLA Increases Granted Previous March 1
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
2004	26,043	1,875	823	2.2

Valuation Date July 1	Annual Benefits Total Rolls End of Year	Added to Rolls*	Removed from Rolls	Average	% Increase in Average
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
2004	307,410,000	35,243,000	7,052,000	11,804	5.6

* *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, 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
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7

(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, 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
July 1, 2004	7,420.2	1,717.7	3,198.1	3,239.0	100.0	100.0	77.3

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

	Gain(Loss) for Period		
	2001-2002	2002-2003	2003-2004
Investment Income			
Investment income was greater (less) than expected.	$ (977.9)	$ (274.5)	$ 650.8
Pay Increases			
Pay increases were less (greater) than expected.	(3.8)	169.0	133.9
Membership Growth			
(Additional) liability for new members.	(14.4)	(10.1)	(12.5)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(1.6)	(5.3)	(7.0)
Death After Retirement			
Retirees died younger (lived longer) than expected.	31.9	11.4	6.9
Other			
Miscellaneous gains (and losses) resulting from other causes. [1]	(14.6)	(37.7)	16.6
Total Gain (Loss) During the Period From Actuarial Experience	$ (947.5)	$ (179.7)	$ 788.7
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	32.9	(32.5)	(58.2)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	29.5	None	(165.3)
Changes in actuarial methods caused a gain (loss).	70.5	27.3	4.1
Changes in plan provisions caused a gain (loss). [2]	(41.9)	13.5	8.5
Composite Gain (Loss) During the Period	$ (889.4)	$ (138.9)	$ 577.8

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

(1) For 2003-2004, this includes a $16.6 million gain on active and inactive member experience.
(2) For 2003-2004, this includes a $8.5 million gain due to recognition of the scheduled contribution rate increase on July 1, 2006.

EXHIBIT 7-A: 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
6/30/99	$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
6/30/04	2,115.4	207.3	5.3	212.6	213.5	97

Exhibit 7–B: 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
6/30/99	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	110
6/30/04	9.80	10.093 [(4)]	97

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

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

(3) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is 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 10.093% for the PERSI fiscal year ending June 30, 2004 is based on three months at 9.44% as computed in the 2001 valuation and 9 months at 10.31% as computed in the 2002 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 July 1, 2004 is 6.23% (7.65%) 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). *Normal Form* Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354).
Death Benefits	*After Retirement* Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361). *Before Retirement* A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while: i. contributing; ii. not contributing, but eligible for benefits; or iii. retired for disability or B. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

	or C. If a member 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.

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November 30, 2004

Retirement Board
Public Employee Retirement System

Milliman has performed annual actuarial valuations of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990 to July 1, 2000. Since the July 1, 2001 valuation, actuarial valuations have occurred annually. The next actuarial valuation is scheduled for July 1, 2005.

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, 2004 actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by May 31, 2015 or 10.9 years from the valuation date. This is shorter than the expected amortization period of 15.3 years based on the July 1, 2003 valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over 14 years or by June 30, 2018 (40 years from July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The unfunded actuarial accrued liability (UAAL) was decreased by $17.9 million due to an asset gain recognized as of July 1, 2004. Specifically, the Fund's assets earned a gross return before expenses of 17.90% for the 2004 plan year, exceeding the actuarial assumption of 8.00%. All experience gains and losses (including the asset gain) over the year resulted in the UAAL being decreased by $32.8 million. Also, the actuarial accrued liability was decreased by $3.0 million because actual contributions were more than the normal cost and the interest on the unfunded actuarial accrued liability. The funding status increased from a 58.8% funding ratio on July 1, 2003 to 69.5% on June 30, 2004. 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, 2004 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. Several assumptions were changed between July 1, 2003 and July 1, 2004 including the investment return, wage growth assumption, and the inflation assumption. The next major PERSI experience study, to be completed in 2006, will cover the period July 1, 2001 through June 30, 2005.

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, 2004 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 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. 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

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2004

1. Investment Return (Adopted July 1, 2004)

The annual rate of investment return on the assets of the Fund is assumed to be 7.75% (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, 2004)

In general, the total annual rates at which salaries are assumed to increase include 4.50% 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, 2004)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 4.50% 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 3.75% per year. The assumptions regarding PERSI future post-retirement benefit increases is part of the funding policy for the FRF.

11. Probability of Marriage

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

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

The fire insurance premiums received for the plan year ending June 30, 2004 amounted to $4,001,053 or approximately 10.06% 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 4.50% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.75% per year. In addition, scheduled decreases in the fire insurance premium tax rate will result in reduced funds being transferred to the FRF plan. The rate for the increase for covered compensation was adopted July 1, 2004. The rate for the increase of fire insurance premiums was adopted July 1, 2004.

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, 1999 through June 30, 2003, and reviewed all assumptions except mortality. Mortality will be studied in 2006 for the period July 1, 2001 to June 30, 2005. 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

The investment return assumption, wage growth assumption, and the inflation assumption were modified effective July 1, 2004. 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.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

		Annual Salaries		
Valuation Date July 1	Number	Total(1)	Average	Annual Increase in Average
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
2004	42	2,840,572	67,633	2.8

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

Idaho Firefighters' Retirement Fund

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

Valuation Date July 1	Number			COLA Increases Granted Previous January 1
	Total	Added	Removed	
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
2004	582	21	15	2.56

Valuation Date July 1	Annual Benefits				
	Total(2)	Added(3)	Removed	Average	Increases in Average
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
2004	20,095,076	1,148,461	383,287	34,528	2.9

(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 $15,529,825 of the 2004 total.

(3) Includes postretirement increases.

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

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[1]	Unfunded Actuarial Accrued Liabilities (UAAL)[2]	Funded Ratio	Covered Payroll[3]	UAAL as a Percentage of Covered Payroll
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
2004	210.4	302.6	92.2	69.5	39.8	231.7

(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)
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
2004	210.4	0.1	287.7	15.2	100.0	73.1	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	
	2002-2003	2003-2004
Investment Income		
Investment income was greater (less) than expected.	($7.5)	$17.9
Pay Increases		
Pay increases and COLAs were less (greater) than expected.	(0.7)	6.3
Death After Retirement		
Retirees died younger (lived longer) than expected.	–	6.8
Other		
Miscellaneous gains (and losses) resulting from other causes.	(0.7)	1.9
Total Gain (Loss) During the Period From Actuarial Experience	($8.9)	$32.9
Contribution Income		
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	(0.3)	3.0
Non-Recurring Items		
Changes in actuarial assumptions and benefits caused a gain (loss).	None	(0.1)
Composite Gain (Loss) During the Period	(9.2)	35.8

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

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

Fiscal Year Ending	Covered Employee Payroll (1)	Statutory Employer Contributions (2)	Additional Employer 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
2004	39,789,908	301,089	7,421,215	4,001,053	11,723,357	10,200,418	114.9

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

(2) Employer contributions are made as a percentage of actual payroll rather than as a dollar amount. The Statutory Employer FRF contributions in excess of PERSI required contributions are payable only on Class A 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
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
2004	6.60	10.73	8.65	17.24	7.65	36.62	35.62

(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.

Idaho Firefighters' Retirement Fund

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, 2004

	Public Employee Retirement System (Including July 1, 2000 Benefit Changes)	Firefighters' Retirement Fund
Member Contribution Rate	7.65% 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.*

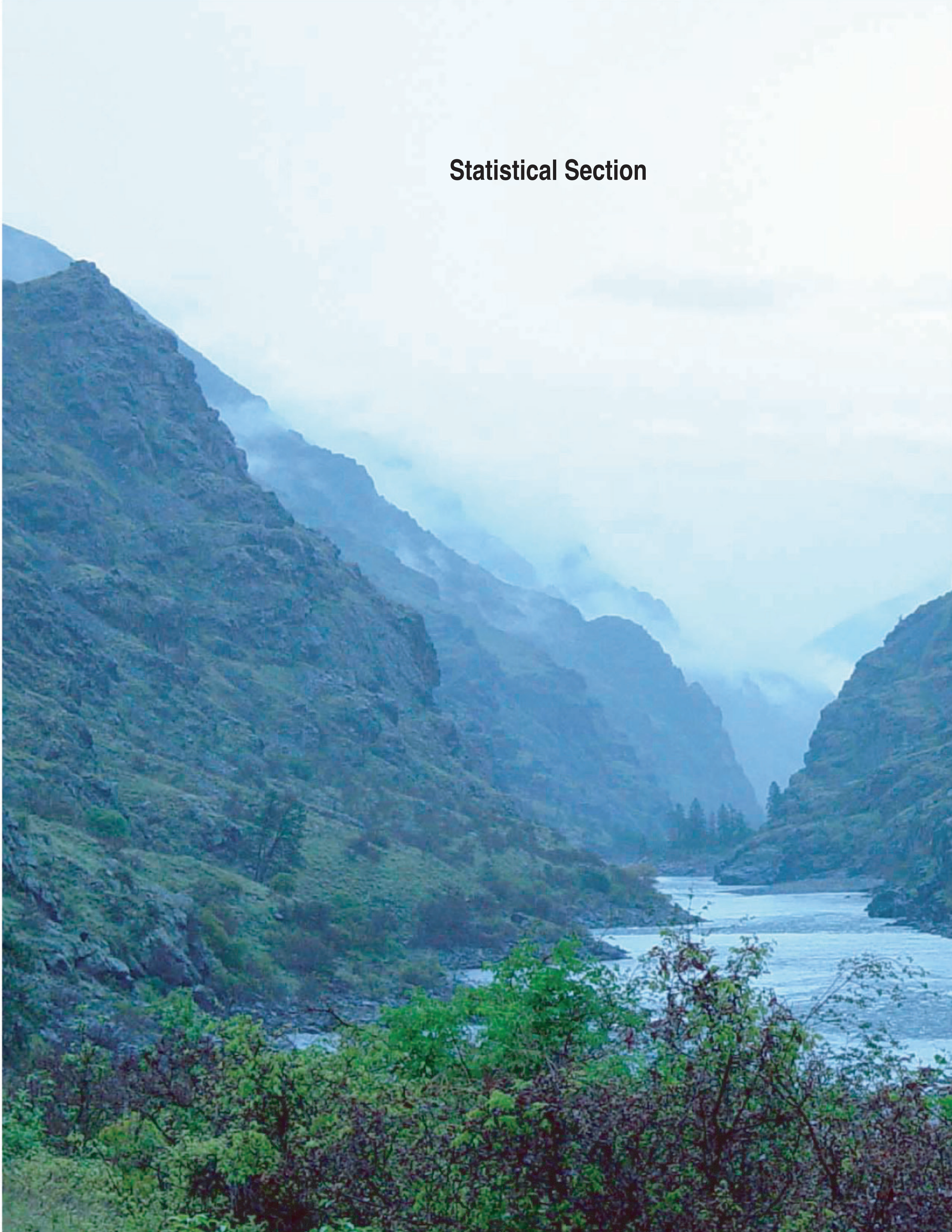
	Public Employee Retirement System	Firefighters' Retirement Fund
Death Benefits Before Retirement		
Eligibility	Five years of service for surviving spouse's benefit.	Non-duty death: Five years of service.** Duty death: No service requirement. Benefits are payable to surviving spouse or, if no eligible 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.*

Statistical Section



The System is the administrator of five pension funds including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF), and three defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (PERSI Choice Plan) and the Sick Leave Insurance Reserve Fund.

During FY 2004, the number of active PERSI members increased from 62,385 to 63,385. The number of retired members or annuitants receiving monthly allowances increased from 24,991to 26,043. The number of inactive members who have not been paid a separation benefit increased from 18,599 to 18,837. Of these inactives, 8,118 have achieved vested eligibility. Total membership in PERSI increased from 105,975 to 108,265 during the fiscal year. As of June 30, 2004, there were 675 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
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
2004	63,385	45.9	10.2	26,043	72.3	18,837

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	5,768	4,923	20	825	1,337	4,431
251 - 500	4,718	4,012	77	629	854	3,864
501 - 750	3,432	2,944	136	352	682	2,750
751 - 1,000	2,563	2,156	156	251	492	2,071
1,001 - 1,250	2,065	1,713	172	180	439	1,626
1,251 - 1,500	1,606	1,378	134	94	382	1,224
1,501 - 1,750	1,272	1,116	99	57	317	955
1,751 - 2,000	971	868	62	41	287	684
Over 2,000	3,648	3,439	142	67	1,177	2,471
Totals	26,043	22,549	998	2,496	5,967	20,076

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
63,385 Total

Cities	6,257	9.9%
Counties	6,767	10.7%
Schools	27,997	44.2%
State	18,026	28.4%
All others	4,338	6.8%
Total	63,385	100.0%

Table 4
Schedule of Average Benefit Payment Amount

Retirement Effective Dates	Years Credited Service						
	< 5*	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/98 to 6/30/99							
Average Monthly Benefit	$ 688	$ 242	$ 512	$ 804	$1,116	$1,818	$2,638
Number of Retirants	70	198	213	196	201	204	196
Period 7/1/99 to 6/30/00							
Average Monthly Benefit	$ 479	$ 270	$ 505	$ 771	$1,211	$1,824	$2,574
Number of Retirants	69	219	191	189	196	223	238
Period 7/1/00 to 6/30/01							
Average Monthly Benefit	$ 695	$ 312	$ 501	$ 840	$1,270	$2,060	$2,751
Number of Retirants	80	226	246	234	242	249	326
Period 7/1/01 to 6/30/02							
Average Monthly Benefit	$ 456	$ 266	$ 547	$ 872	$1,264	$2,061	$2,859
Number of Retirants	69	226	266	210	239	198	295
Period 7/1/02 to 6/30/03							
Average Monthly Benefit	$ 594	$ 290	$ 554	$ 884	$1,456	$2,051	$2,837
Number of Retirants	59	252	247	254	238	268	408
Period 7/1/03 to 6/30/04							
Average Monthly Benefit	$ 402	$ 246	$ 539	$ 904	$1,393	$2,152	$2,959
Number of Retirants	48	288	219	240	254	294	370

* 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
2004	280,763,933	19,735,004	(3)	11,273,747	5,675,595	22,619	6,277,761	20,192,340	11,384,181	355,325,180

(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. With the reclassification of the Sick Leave Insurance Reserve Fund in 2004, there is a substantial increase in DC Benefits Paid.

NRA = Normal Retirement Age. PERSI members with disability benefits 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)
2004	2.20	2.20	2.20	0.00

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)
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
2004	148,726,798	241,063,204	179,934,208	1,001,322,358	77,694	1,571,124,262

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)
1995	142,117,947	14,786,915	3,064,202	159,969,064
1996	155,990,318	16,701,947	2,974,975	175,667,240
1997	168,717,822	18,966,734	3,246,044	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	266,887,469	25,645,815	7,034,588	299,567,872
2003	291,220,969	24,826,501	6,614,117	322,661,587
2004	328,787,900	26,537,280	6,991,503	362,316,683

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

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 and Labor, Department of
Controller's Office
Corrections, Department of
Correctional Industries
Dairy Council
Deaf and Blind, School for
Dentistry, Board of
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
Independent Living Council
Industrial Commission
Insurance, Department of
Insurance Fund, State
Investment Board
Judicial Branch
Juvenile Corrections, Department of
Lands, Department of
Lava Hot Springs Foundation
Law Enforcement, Dept 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, Dept 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
Bonner 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 Tetonia
City of Troy
City of Twin Falls
City of Ucon
City of Victor
City of Wallace
City of Weippe
City of Weiser
City of Wendell
City of 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
Fish Haven Area Rec Sewer 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 Protection Assn
Greater Swan Valley Fire Protection
Hagerman Fire Protection District
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
Saint Maries Fire Protection District
Sandpoint Fire Department
Shoshone County Fire District #1
Shoshone County Fire District #2
Shoshone Co. Fire Protection Dist #2
South Fork Coeur d' Alene
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
Weiser Area Rural Fire District
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 Medical Arts Charter
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 Charter School
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:
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	Boise, ID 83720-0078	1-800-451-8228

Coeur d'Alene

Office Location & Mailing Address:		Telephone:
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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

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PERSI

Public Employee Retirement System of Idaho

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