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PERSI

Public Employee Retirement System of Idaho

A Component Unit of the State of Idaho

2006 Comprehensive Annual Financial Report

As of and for Fiscal Year Ended June 30, 2006

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A Component Unit of the State of Idaho

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Comprehensive Annual Financial Report
As of and for the Fiscal Year Ended June 30, 2006

This 2006 Comprehensive Annual Financial Report was prepared by:

Financial:	James E. Monroe, CPA, Financial Officer Rhonda J. Yadon, Senior Accountant Cecile McMonigle, Portfolio Accountant
Investments:	Robert M. Maynard, Chief Investment Officer
Administration:	Patrice A. Perow, Public Information Officer

Thanks and appreciation to everyone who provided accurate, timely information for this report.
Cover photos courtesy of Heidi Andrade

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INTRODUCTORY SECTION




Helping public employees build a secure retirement.

PERSI MISSION STATEMENT

To provide members and their beneficiaries with reliable, secure, long-term retirement, survivor and disability benefits as specified by law.

To assist our members in planning a secure retirement by providing high quality, friendly service, and retirement education and information.

Jim Risch, Governor, State of Idaho

RETIREMENT BOARD

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

Pamela I. Ahrens
Term expires July 1, 2008

Jeff Cilek
Term expires July 1, 2010

Clifford T. Hayes
Term expires July 1, 2009

J. Kirk Sullivan
Term expires July 1, 2011

PERSI EXECUTIVE STAFF

Alan H. Winkle, Executive Director
Robert M. Maynard, Chief Investment Officer
Donald Drum, Deputy Director
James E. Monroe, Financial Officer
Judy Aitken, Answer Center Manager
Susan Shaw, Processing Center Manager
Patrice Perow, Public Information Officer
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 Capmark Finance, Inc., San Francisco, CA Hamilton Lane Advisors, LLC, Philadelphia, PA
Legal:	Foster, Pepper & Shefelman PLLC, Seattle, WA Whiteford, Taylor & Presto, LLP, Baltimore, MD
Other:	ACS HR Solutions, LLC, Woburn MA Mellon Transition Management Services, San Francisco, CA
Investment Custodians:	Mellon Global Security Services, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Adelante Capital Management LLC, Berkeley, CA
Apollo Management, LP, Purchase, NY
Baring America Asset Management, Inc., Boston, MA
Blackstone Capital Partners, LP, New York, NY
Brandes Investment Partners, LP, San Diego, CA
Bridgepoint Capital LTD, London
Bridgewater Associates, Inc., Westport, CT
Capital Guardian Trust Company, Brea, CA
Chisholm Partners, LP, Providence, RI
Clearwater Advisors LLC, Boise, ID
CVC European Equity Partners, LP, London
D.B. Fitzpatrick & Co., Inc., Boise, ID
Donald Smith & Co., Inc., New York, NY
Enhanced Equity, LP, New York, NY
Fidelity Management Trust Company, Boston, MA
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, LP, Lake Forest, IL
Gores Capital Partners, LP, Los Angeles, CA
Green Equity Investors, LP, Los Angeles, CA
Hamilton Lane Co-Investment Fund, LP, Baja Cynwyd, PA
Hamilton Lane Secondary Fund, LLC, Baja Cynwyd, PA
Harvest Partners, Inc., LP, New York, NY
Highway 12 Venture Fund, LP, Boise, ID
Ida-West Energy Fund LLC, Boise, ID
JH Whitney & Co., LLC, New Canaan, CT
Kohlberg & Co., LLC, Mt. Kisko, NY
Koll Company, LLC, Newport Beach, CA
Littlejohn Fund, LP, Greenwich, CT
McCown DeLeeuw & Co., LP, Menlo Park, CA
Mellon Capital Management, San Francisco, CA
Mondrian Investment Partners, Ltd., London
Mountain Pacific Investment Advisers, Inc., Boise, ID
Nautic Partners, LLC, Providence, RI
Newbridge Asia, LP, Ft. Worth, TX
Oaktree Capital Management, LLC, Los Angeles, CA
Olympic Idaho Sponsor, LLC, Los Angeles, CA
Pareto Partners, LLC, London
Peregrine Capital Management, Inc., Minneapolis, MN
Providence Equity Partners, LP, Providence, RI
Prudential Investment Management LLC, Newark, NJ
Sanford C. Bernstein & Co. LLC, New York, NY
Saugatuck Capital Company, LP, Stamford, CT
State Street Global Advisors, Boston, MA
T. Rowe Price International, Inc., London
T3 Partners, LP, Fort Worth, TX
TCW Asset Management Co., Los Angeles, CA
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
Western Asset Management Co., Pasadena, CA
Zesiger Capital Group LLC, New York, NY

More specific information on the above-mentioned investment professionals can be found on pages 51 through 52 in the Financial 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, 2005

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.

President

Executive Director

PPCC

Public Pension Coordinating Council

Public Pension Standards

2006 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

Alan H. Winkle
Program Administrator

Organizational Chart

Retirement Board

Alan H. Winkle Executive Director	**Don Drum** Deputy Director **Mike Mitchell** Training Specialist **Graydon Wood** Training Specialist **Larry Sweat** Technical Writer	**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 63	
James E. Monroe Financial Officer	**Rhonda Yadon** Senior Accountant **Cecile McMonigle** Portfolio Accountant **Tess Myers** Administrative Assistant 1	**JoAnne Dieffenbach** Financial Technician **Sharon Simon** Financial Support Technician	**Debbie Buck** Employer Services Manager **Jaimie Hiskey** Financial Technician **Suzanne Jewell** Financial Technician	**Alan Roberts** Financial Technician **Pam Fowers** Financial Technician **Barbara Weirick** Financial Technician **Alice Brown** Financial Technician
Carol Boylan Information Technology Manager	**Kris Colt** IT Information System Tech Sr. **Nancy Fauver** IT Database Analyst **Dotty Cluck** Customer Service Rep.	**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 **Randy Graybeal** IT Network Analyst
Judy Aitken Answer Center Manager	**Kimberlee Hall** PAC Supervisor **Kari Caven** Retirement Specialist **Catherine Atchison** Retirement Specialist **Roger Bartlett** Retirement Specialist	**Shasta Luper** Retirement Specialist **Lisa Conn** Retirement Specialist **Lisa Mabe** Retirement Specialist **Jami Davis** Administrative Assistant 1	**Kathi Kaufman** Customer Service Rep. 2 **Alicia Harper** Customer Service Rep. 2 **Lynne Yowell** Customer Service Rep. 2 **Cheryl Inga** Customer Service Rep.2	**Denice Desilet** Customer Service Rep. 2 **Gerry Sjol** Customer Service Rep. 2 **Kattianna Rouse** Customer Service Rep. 2
Susan Shaw Processing Center Manager	**Penny Walls** Retirement Specialist **Julisa Adams** Retirement Spec.ialist **Susan Strouth** Retirement Specialist **Lynn Duncan** Retirement Specialist	**Melody Hodges** Retirement Specialist **Kay Prince** Technical Records Specialist 1 **Marian Van Gerpen** Technical Records Specialist 1 **Lenna Strohmeyer** Technical Records Specialist 1	**Heidi Andrade** Technical Records Specialist 1 **Karen Miller** Technical Records Specialist 1 **Cathy Andrews** Imaging Specialist	
Patrice Perow Public Information Officer				
Diane Berg Defined Contribution Manager	**Betsy Griffith** Administrative Assistant 1			

THE SYSTEM

The Public Employee Retirement System of Idaho (the System) is the administrator of six fiduciary funds including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans, the Public Employee Retirement Fund Choice Plan 401(k) and 414(k) (PERSI Choice Plans); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers.

The Retirement Board consists of five members, each appointed by the Governor to fulfill a 5-year term. The Board meets monthly to conduct System business, usually on the fourth Tuesday of each month at 8:30 a.m. at PERSI's office in Boise.

Administrative expenditures consisting of the personnel costs, operating expenditures, and capital outlay necessary to operate the System are limited to those approved and appropriated by the Legislature for that purpose. In fiscal year 2006 (FY06), these costs totaled $7,361,536, including $172,508 in depreciation and $587,595 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.

The majority of the System's 64 staff works in the headquarters office at 607 North 8th Street, Boise, Idaho. There are two staff members in the Coeur d' Alene office, and three in the Pocatello office. The Executive Director and investment personnel are exempt positions appointed by the Retirement Board to serve at its pleasure. The Deputy Director and Public Information Officer are exempt positions serving under the Executive Director. All other staff members serve under statutes and personnel rules governing classified state service.

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

SUMMARY OF PLAN PROVISIONS

DEFINED BENEFIT "BASE PLAN" PROVISIONS

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

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate. As of June 30, 2006, it was 6.23% (7.65%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 10.39% (10.73%) as of June 30, 2006.

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, 2006, was 2% (2.3%) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2006: for each year of service, the monthly minimum benefit allowance was $20.96 ($25.15) to a maximum of the member's accrued benefit. Effective March 1, 2006: the monthly minimum benefit allowance was $21.71 ($26.06).

NORMAL FORM

Regular retirement allowance for retiree's life only, plus a lump sum death benefit if the 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 Retirement Board. The allowance is payable for the life of the retiree and designated contingent annuitant.

EARLY RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

Unreduced accrued service retirement allowance if age plus service, upon separation from employment, total 90 (80, or between 80 and 90, depending on the ratio of police officer/firefighter service to total credited service); otherwise, the accrued service retirement allowance is reduced 3% for each of the first 5 years by which the early retirement date precedes the date the member would be eligible to receive the unreduced benefit, and by 5.75% for each additional year to a maximum of a second 5 years. The unreduced benefit entitlement may be either at the service retirement eligibility date or the date eligible for the rule of 90(80).

FORMS

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

DISABILITY RETIREMENT

ELIGIBILITY

Active members must have 5 years of service, be unable to perform work of *any* kind, and be expected to remain disabled for life. They are eligible from first day on the job if the disability is due to occupational causes.

AMOUNT OF ALLOWANCE

Projected service retirement allowance based on the highest 42 consecutive month average salary at the time of disability. The benefit is calculated using the accrued service at the time of disability plus the service which would have accrued through service retirement age had the disability not occurred. If a member has less than 360 months of service as of the date he is eligible for disability retirement, he will be given credit for the months of service he would have earned from the date of disability to the date he would have reached Service Retirement Age (65 for general members/62 for police and firefighters) had he not become disabled (360 months of credited service maximum). In other words, PERSI will give members up to 30 years of credit or to Service Retirement Age, whichever comes first. Monthly allowance is payable after all temporary compensation ceases and is offset by the amount payable as income benefit under worker's compensation law, except when offset by Social Security.

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 FY06 was 17.51% per year compounded monthly from July 1, 2005 through December 31, 2005, and 10.24% from January 1, 2006 through June 30, 2006.

POSTRETIREMENT ADJUSTMENTS

An annual postretirement adjustment based on and limited by a cost-of-living factor reflecting the changes in the Consumer Price Index (CPI) is effective in March each year. If the CPI change from August of the previous year to August of the second previous year is 1% or more, a 1% mandatory adjustment is made. The Board may authorize additional discretionary adjustments based on the CPI increase (up to a total maximum annual COLA of 6% or the CPI rate, whichever is lower) if it determines that the System can do so and still maintain an appropriately funded position as required by Idaho Code Section 59-1355(1). 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, 2006, was 3.6%

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, 2006

Dear Governor Jim Risch, 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, 2006 (FY 2006). This financial report is a historical perspective of benefits, services, and fiscal activities of the System. Included is a summary of our actuarial valuations, an independent auditors' report, an investment summary, and a statistical section.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PERSI for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the 15th consecutive year PERSI has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 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 2006 comprehensive annual financial report has five sections:
Introductory Section contains this letter of transmittal plus an overview of the fund.
Financial Section contains the independent auditors' report, management's discussion and analysis, the financial statements, and supplementary data.
Investment Section contains the funds' investment performance, strategy, and guidelines.
Actuarial Section contains the consulting actuary's certification letter and a summary of the results of the actuarial valuations and related data.
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 that follow.

PLAN HISTORY

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

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

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

Legislation in 1979 mandated the Firefighters' Retirement Fund be administered by PERSI effective October 1, 1980. Paid firefighters who were members of the original system retained their original benefit entitlement, while paid firefighters hired after October 1, 1980, were entitled to PERSI benefits. An actuarial valuation of the firefighter member benefit entitlement is conducted 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, called the PERSI "Choice" Plan, supplemented PERSI's traditional Defined Benefit (DB) "Base" Plan. It allowed employees for the first time to actively participate in saving for their retirement.

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

SERVICES PROVIDED

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

In its 41st year of operation, the System continued a wide range of services to both employee and employer members. Members may visit the PERSI website, call, e-mail, or visit one of the three offices for personal information and assistance regarding credited service, account balances, eligibility, benefit options and amounts, and other retirement matters.

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

System retirees are provided notices whenever their net benefit amount changes. This notice gives retirees a list of their itemized deductions from their gross benefit. Retirees may also access the past 24 monthly notices on the PERSI secure web site, as well as past 1099 tax statements.

Separation and death benefits are paid in an orderly manner and as rapidly as possible. In some instances payments are expedited to avoid placing a financial hardship on a member. Employee contributions and earned interest are posted to individual member accounts each month, and an annual statement is provided to each member confirming their average monthly salary, credited service, contributions, and earned interest. In addition, a report of benefits accrued to date is provided along with an estimate of benefits projected ahead to various retirement ages.

The staff of employer units responsible for reporting and handling retirement transactions and activities is provided regular training and assistance through monthly newsletters, annual employer training sessions throughout the State, and personal contacts by field service personnel, as needed. Employer records and reporting procedures are reviewed each year for accuracy and compliance with statutory provisions.

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

Pre-retirement and financial planning workshops, offered on a regular basis throughout the State, cover financial planning, budgeting, investment basics, Social Security, and System benefits.

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2006, the number of active PERSI members increased from 64,391 to 64,762. The number of retired members or annuitants receiving monthly allowances increased from 27,246 to 28,438. The number of inactive members who have not been paid a separation benefit increased from 20,028 to 21,848. Of these inactive members, 9,069 have achieved vested eligibility. Total membership in PERSI increased from 111,665 to 115,048 during the fiscal year. There are currently nearly 700 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, 2006, 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 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 2006 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 $1,494,108,201 for all pension funds during the fiscal year ended June 30, 2006.

ADDITIONS:	
Contributions	$ 466,573,693
INVESTMENT INCOME:	
Net Appreciation in Fair Value of Investments	799,752,931
Interest, Dividends and Other Investment Income	268,767,560
Less: Investment Expenses	(41,129,149)
Net Investment Income	1,027,391,342
OTHER INCOME	143,166
Total Additions	$ 1,494,108,201

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 2006 are as follows:

DEDUCTIONS:	
Benefits and Refunds	$ 429,703,247
Administrative Expenses	7,361,536
Transfers/Rollovers Out	4,040,722
Total Deductions	$ 441,105,505

Contributions and expenses continue to increase at a predictable rate.

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

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

The actuarial present value was calculated as part of an actuarial valuation at July 1, 2006. 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 increases of 4.50% per year

compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.70% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2006, 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, 2006
	Benefit Date:	July 1, 2006
A.	Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors	$ 12,911.4
B.	Actuarial Present Value of Total Future Normal Costs for Present Members	$ 3,212.4
C.	Actuarial Liability [A - B]	$ 9,699.0
D.	ORP Contributions	$ 60.2
E.	Actuarial Liability Funded by PERSI Contributions [C-D]	$ 9,638.8
F.	Actuarial Value of Assets Available for Benefits	$ 9,177.1*
G.	Unfunded Actuarial Liability (funding excess) [E-F]	$ 461.7
H.	Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date	9.8 Years
I.	Funded Ratio [F/E]	95.2%**

- The total available assets are $9,444.2 million, but are reduced by $267.1 million for assets used in plan operations and funds earmarked to provide excess benefits to former members of the Firefighters' Retirement Fund and the Idaho Falls Police Retirement Fund.

** The Funded Ratio of 95.2% does not include the 2007 COLA calculated at 3.8%. The COLA decreases the ratio to 94.1%.

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 the earnings objective will be achieved. The return for fiscal year 2006 was 11.69% net of expenses.

PERSI 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, 2006 the fund had an amortization period of 9.8 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 funds will be available to meet current and future benefit obligations to participants on a timely basis. If the level of funding is high, the ratio of assets to the actuarial accrued liability is also greater, which means better investment income potential. Each year an independent actuary engaged by PERSI calculates the amount of the annual contribution the plans must make to fully meet their obligations to retired employees. As of June 30, 2006, the PERSI Base Plan has succeeded in funding 95.2% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 9.8 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 47 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 INITIATIVE

In 2003, PERSI initiated a major multi-year Business Process Reengineering project to improve and enhance its customer service delivery system to meet the growing demands for services from an aging membership. This reengineering project is nearing completion, with the following phases completed:

- A series of strategic planning sessions by the executive staff, and a business operations assessment to identify and recommend service and operational improvements.
- Conversion and indexing of nearly 1.8 million images from microfilm to digital format.
- Reorganization of the majority of the staff into three operating units: PERSI Answer Center (PAC), PERSI Processing Center (PPC), and the Employer Service Center (ESC).
- Development of process and training modules for each of the new operating units.
- Migrated to the .gov domain as mandated by the State of Idaho.

Future changes include an updated phone system with Voice Over IP, the addition of a phone call monitoring system, and implementation of an automated workflow system. In addition, the educational program was evaluated, and new modules and formats designed. A roll out will begin in January '07. By changing the way it conducts business. PERSI expects to not only increase productivity, but also be in a position to better measure our work efforts.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Jody B. Olson, Chairman

Alan H. Winkle, Executive Director

James E. Monroe, Financial Officer

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Retirement Board
Public Employee Retirement System of Idaho
Boise, 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, 2006, 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. The prior year summarized comparative information has been derived from the System's 2005 financial statements and, in our report dated October 19, 2005, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Systems' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, 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 plan net assets of the pension and other fund types of the System as of June 30, 2006, and the changes in plan net assets of the pension and other fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information listed in the Table of Contents are not a required part of the basic financial statements but are 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 we do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the System taken as a whole. The additional supplementary schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The additional supplementary 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 Introductory Section, Investment Section, Actuarial Section, and Statistical Section listed in the Table of Contents are also presented for the purpose 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 our audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit

October 20, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

Management is pleased to provide Management's Discussion and Analysis ("MD&A") of the financial activities of the Public Employee Retirement System of Idaho (the "System" or "PERSI") as of and for the years ended June 30, 2006. 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 18 of this report.

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

Financial Highlights

- Plan net assets for all pension and other funds administered by the System increased $1 billion and $862 million during the fiscal years 2006 and 2005, respectively. The increase in the defined benefit plans was primarily due to the continuation of favorable investment markets. 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.

	2006	2005
PERSI Base Plan	$ 968,875,308	$ 788,494,640
Firefighters' Retirement Fund	21,543,068	16,814,037
PERSI Choice Plan 414(k)	4,230,900	3,055,242
PERSI Choice Plan 401(k)	42,642,552	35,176,225
Sick Leave Insurance Reserve Fund - State	6,096,669	7,058,583
Sick Leave Insurance Reserve Fund - Schools	9,614,199	11,455,707
Total increase in plan net assets	$ 1,053,002,696	$ 862,054,434

- Assets for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled for investment purposes. For the fiscal years ended June 30, 2006 and 2005, the rate of return net of investment expenses on the pooled investment assets was as follows (these are plan-level returns). For the defined contribution plans, PERSI Choice Plan 414(k) and 401(k), individual participant returns may vary depending on the investment choices.

	2006	2005
PERSI Defined Benefit Plans	11.8%	10.3%
PERSI Defined Contribution Plans	11.1%	9.3%
Sick Leave Insurance Reserve Fund	4.9%	7.1%

- All of the plans experienced gains as a result of positive market performance. Net investment income for all of the funds administered by the System for the fiscal years ended June 30, 2006 and 2005, was $1 billion and $819 million, respectively.

	2006	2005
Net investment income:		
PERSI Base Plan	$ 969,385,175	$ 769,968,881
Firefighters' Retirement Fund	26,225,243	21,267,341
PERSI Choice Plan 414(k)	6,715,343	5,519,836
PERSI Choice Plan 401(k)	15,760,870	9,629,286
Sick Leave Insurance Reserve Fund - State	3,512,674	4,930,676
Sick Leave Insurance Reserve Fund - Schools	5,792,037	8,159,124
Total net investment income	$ 1,027,391,342	$ 819,475,144

- As of June 30, 2006 and 2005, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for each of the defined benefit plans were:

	2006 Funding Ratio	Amortization Period	2005 Funding Ratio	Amortization Period
PERSI Base Plan	95.2%	9.8 years	94.2%	6.2 years
Firefighters' Retirement Fund	79.7%	6.5 years	73.5%	9.0 years

For the PERSI Base Plan and the FRF in 2005, contributions and other income of $393.7 million exceeded deductions to net assets of $379.6 million by $14.1 million. However, in 2006, contributions and other income of $417.4 million were exceeded by deductions to net assets of $422.6 by $5.2 million. These changes, combined with investment gains of $995.6 million in 2006 and $791.2 million in 2005, resulted in net assets of the defined benefit plans increasing to $9.4 and $8.5 billion in 2006 and 2005, respectively. For actuarial calculations, the System's actuary uses market value to determine the actuarial value of assets. For the July 1, 2006 and 2005 valuations, the actuarial value of assets for the PERSI Base Plan was $9.2 billion and $8.2 billion, respectively. The aggregate actuarial liability for all PERSI Base Plan employers was $9.6 billion on July 1, 2006. On an actuarial basis, the assets held as of July 1, 2006, fund 95.2% of this liability.

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 47 of this report. The actuarial funding ratio for the two defined benefit plans improved primarily because investment performance was above the actuarial expected rate. However, the amortization period for the PERSI Base Plan also increased due to the removal of the future contribution rate increases from the actuarial calculations. The PERSI Board initiated a systematic increase in the employee and employer contribution rates beginning July 1, 2004, 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 improving investment markets, the amortization period of the unfunded liability has increased which allowed the PERSI Board to postpone, for a second year, the second of three scheduled rate increases.

Using the Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The financial section is comprised of four components: (1) fund financial statements, (2) notes to 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, 2006 and 2005, 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 years ended June 30, 2006 and 2005, 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 31-45 of this report.

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

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

Comparative Financial Statements

Defined Benefit Pension Trust Funds

The PERSI Base Plan and the Firefighters' Retirement Fund are qualified plans under Internal Revenue Code and provide retirement 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 only for investment purposes.

Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2006	As of June 30, 2005	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 2,251,632	$ 3,631,830	$ (1,380,198)	(38.0)%
Investments sold receivable	923,679,953	819,110,168	104,569,785	12.8 %
Other receivables	48,630,720	40,848,719	7,782,001	19.1 %
Investments—at fair value	9,800,222,961	8,707,502,568	1,092,720,393	12.5 %
Prepaid retiree payroll	30,772,971	27,754,259	3,018,712	10.9 %
Capital assets—net of accumulative depreciation	2,850,523	3,516,630	(666,107)	(18.9)%
Total assets	10,808,408,760	9,602,364,174	1,206,044,586	12.6 %
Liabilities:				
Investments purchased payable	1,354,245,770	1,139,739,452	214,506,318	18.8 %
Benefits and refunds payable	248,275	63,069	185,206	293.7 %
Other liabilities	9,697,569	8,762,883	934,686	10.7 %
Total liabilities	1,364,191,614	1,148,565,404	215,626,210	18.8 %
Net assets available for benefits	$9,444,217,146	$ 8,453,798,770	$ 990,418,376	11.7 %

The fiscal year ended June 30, 2006, was most notably marked by a continuation in favorable investment markets. Other Liabilities were higher at the end of Fiscal Year 2006 because of an increase in the amounts owed for investment management services. Growth in asset values and timing of payments can affect the balance of liabilities at the balance sheet date.

The percent change in Investments Sold Receivable and Investments Purchased Payable fluctuates as the volume of trading activity by the System's professional investment managers' changes. The cash balance change was due to normal fluctuations in operating cash requirements and the timing of transfers to investment managers. Benefits and Refunds Payable fluctuate based on the demand for and timing of contribution refund payments.

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2006	Year Ended June 30, 2005	$ Change	% Change
Additions:				
Employee contributions	$ 154,352,078	$ 145,727,272	$ 8,624,806	5.9 %
Employer contributions	262,922,576	247,842,553	15,080,023	6.1 %
Investment income	995,610,418	791,236,222	204,374,196	25.8 %
Other additions	127,213	149,317	(22,104)	(14.8)%
Total additions	1,413,012,285	1,184,955,364	228,056,921	19.2 %
Deductions:				
Benefits and refunds paid	415,286,033	372,531,093	42,754,940	11.5 %
Administrative expenses	7,307,876	7,115,594	192,282	2.7 %
Total deductions	422,593,909	379,646,687	42,947,222	11.3 %
Changes in net assets available for benefits	$ 990,418,376	$ 805,308,677	$ 185,109,699	23.0 %

The annual amount of Investment Income and Changes in Net Assets Available for Benefits increased from Fiscal Year 2005 to Fiscal Year 2006 because of an upward swing in the investment market. The increase in Benefits and Refunds Paid was a result of increased number of retirees and COLA increase to benefits paid.

Defined Contribution Pension Trust Funds

During Fiscal Year 2006, the System administered two defined contribution plans. The PERSI Choice Plans, 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 PERSI Choice Plans was created during Fiscal Year 2001. The 401(k) Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k) Plan represents the gain sharing allocation made to eligible PERSI members during Fiscal Year 2001. The assets of these plans are pooled for investment purposes but the 414(k) Plan cannot be used to pay the benefits of the 401k Plan and vice versa.

Defined Contribution Pension Trust Funds Net Assets

	As of June 30, 2006	As of June 30, 2005	$ Change	% Change
Assets:				
Cash	$ 19,790	$ 37,622	$ (17,832)	(47.4)%
Short-term investments	989,123	105,315	883,808	839.2 %
Investments—at fair value	222,627,280	176,852,349	45,774,931	25.9 %
Receivables	1,114,633	882,088	232,545	26.4 %
Total assets	224,750,826	177,877,374	46,873,452	26.4 %
Net assets available for benefits	$ 224,750,826	$ 177,877,374	$ 46,873,452	26.4 %

Investments increased from Fiscal Year 2005 to Fiscal Year 2006 because of the increase in employee contributions and the continued favorable investment market. Receivables include contributions that are not yet recorded by the recordkeeper at year end and accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2006	Year Ended June 30, 2005	$ Change	% Change
Additions:				
Employee contributions	$ 25,873,335	$ 21,464,820	$ 4,408,515	20.5 %
Employer contributions	282,128	203,026	79,102	39.0 %
Investment income	22,476,213	15,149,122	7,327,091	48.4 %
Transfers in	6,246,072	8,275,628	(2,029,556)	(24.5)%
Total additions	54,877,748	45,092,596	9,785,152	21.7 %
Deductions:				
Benefits and refunds paid	3,963,574	3,403,187	560,387	16.5 %
Transfers out	4,040,722	3,457,942	582,780	16.9 %
Total deductions	8,004,296	6,861,129	1,143,167	16.7 %
Changes in net assets available for benefits	$ 46,873,452	$ 38,231,467	$ 8,641,985	22.6 %

Investment Income increased from Fiscal Year 2005 to Fiscal Year 2006 because of an upward swing in the investment market. Transfers In and Out only include rollovers from/to other plans. In Fiscal Year 2005, a large portion of the Transfers In was the result of a defined contribution plan transfer into the PERSI Choice Plans for Bonner County. 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.

Other Trust Funds

During Fiscal Year 2006, the System administered two Sick Leave Insurance Reserve Fund ("SLIRF") trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts within the Fund.

Beginning with the year ending June 30, 2006, the Sick Leave Insurance Reserve Fund was reclassified from a defined contribution pension plan to a trust fund. This reclassification required a change in labeling, not a change in accounting principles. With the implementation of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the SLIRF is not classified as an Other Postemployment Benefit ("OPEB") but as a termination payment at the time of retirement.

Sick Leave Insurance Reserve Funds Net Assets

	As of June 30, 2006	As of June 30, 2005	$ Change	% Change
Assets:				
Cash	$ 47,474	$ 75,077	$ (27,603)	(36.8)%
Investments—at fair value	196,689,774	182,102,887	14,586,887	8.0 %
Prepaid retiree payroll	876,663		876,663	100.0 %
Due from other funds	1,571,594	1,293,652	277,942	21.5 %
Total assets	199,185,505	183,471,616	15,713,889	8.6 %
Liabilities:				
Other liabilities	22,088	19,067	3,021	15.8 %
Net assets available for benefits	$ 199,163,417	$ 183,452,549	$ 15,710,868	8.6 %

The decrease in Cash was due to a higher cash balance held at the State Treasurer's Office in Fiscal Year 2005 because of normal fluctuations in cash inflows and level of expenses. The increase in Prepaid Retiree Payroll was due to July 2006 retiree insurance premiums being paid in June 2006. The increase in Due From Other Funds was due to a general increase in compensation rates and timing moves.

Sick Leave Insurance Reserve Funds Changes in Net Assets

	Year Ended June 30, 2006	Year Ended June 30, 2005	$ Change	% Change
Additions:				
Employer contributions	$ 16,897,504	$ 16,067,807	$ 829,697	5.2 %
Investment income	9,304,711	13,089,800	(3,785,089)	(28.9)%
Other additions	15,953	10,595	5,358	50.6 %
Total additions	26,218,168	29,168,202	(2,950,034)	(10.1)%
Deductions:				
Benefits and refunds paid	10,453,640	10,600,252	(146,612)	(1.4)%
Administrative expenses	53,660	53,660		.0 %
Total deductions	10,507,300	10,653,912	(146,612)	(1.4)%
Changes in net assets available for benefits	$ 15,710,868	$ 18,514,290	$ (2,803,422)	(15.1)%

Investment Income decreased from Fiscal Year 2005 to Fiscal Year 2006 because of more moderate market growth than the prior year. A large portion of the holdings for this fund are in bonds, which did not experience the higher rate of gains. The increase in Other Additions was due to interest earnings on the cash balance held at the State Treasurer's Office.

Plan Membership

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

Changes in Plan Membership

	Base Plan			Choice Plan		
	2006	2005	Change	2006	2005	Change
Active participants:	64,762	64,391	0.6%	38,946	40,761	-4.5%
Actively contributing				9,202	8,218	12.0%
Vested	41,215	40,796	1.0%			
Non-vested	23,547	23,595	-0.2%			
Retirees and beneficiaries	28,438	27,246	4.4%	119	88	35.2%
Terminated vested	8,948	8,460	5.8%	7,988	6,766	18.1%

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 and Beneficiaries (Base Plan)

Beginning—June 30, 2005	27,246
Retirements	2,047
Death of retiree/beneficiary	(855)
Ending—July 1, 2006	28,438

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 this report indicates various index returns, which are reflective of the market environment available.

As a result of the Fiscal Year 2002 amortization period calculation being 39.3 years, the Board increased contribution rates 1% per year for three years beginning July 2004. The PERSI Board has twice postponed the second year rate increase due to a significant increase in funded status. The remaining two increases are now scheduled for July 1, 2007 and 2008. The maximum amortization period allowed by state law for the Base Plan is 25 years. PERSI's Base Plan amortization period before any cost of living adjustment ("COLA") as of July 1, 2006, is 9.8 years.

During Fiscal Year 2006, an actuarial study of PERSI experience was done. An experience study is an analysis of economic assumptions and active member demographics. This study resulted in some changes to the volatility assumptions. 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 change in the July 1, 2006 experience study was the change in methodology for mortality assumptions. Under the previous static mortality assumptions, it was difficult to accurately predict the growth in longevity over future generations (the 20-year-old of tomorrow will live longer than the 20-year-old of today). By using a "generational mortality" approach, the actuary is able to more accurately predict the growth in longevity by assigning different mortality expectations by year of birth. Currently, the costs to the System caused by growth in longevity were absorbed by the unfunded liability. By moving these costs "inside" the Plan through the generational mortality assumptions, the costs are recognized up front by a charge of approximately $231 million to the unfunded liability and an increase in the normal cost rate of .63% of pay.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET ASSETS—PENSION TRUST FUNDS AND OTHER TRUST FUNDS
JUNE 30, 2006 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2005

	Pension Trust Funds				Other Trust Funds			
		Firefighters'			Sick Leave Insurance			
	PERSI	Retirement	PERSI Choice Plan		Reserve Fund		Totals	
	Base Plan	Fund	414(k)	401(k)	State	Schools	2006	2005
ASSETS:								
Cash and cash equivalents	$ 2,192,132	$ 59,500	$	$ 19,790	$ 17,939	$ 29,535	$ 2,318,896	$ 3,744,529
Investments—at fair value:								
Fixed income investments:								
Domestic	2,269,878,108	61,610,376			28,949,625	47,664,935	2,408,103,044	2,182,037,220
International	50,677,156	1,375,509					52,052,665	56,983,051
Idaho commercial mortgages	269,451,988	7,313,625					276,765,613	259,948,499
Short-term investments	536,621,057	14,565,287		989,123			552,175,467	512,185,332
Real estate equities	173,528,005	4,710,000					178,238,005	79,337,278
Equity Securities:								
Domestic	3,814,012,245	103,522,179			45,371,694	74,703,520	4,037,609,638	3,752,876,548
International	2,133,426,468	57,906,725					2,191,333,193	1,834,994,073
Private equity	293,653,710	7,970,523					301,624,233	211,348,769
Mutual, collective, unitized funds			61,159,220	161,468,060			222,627,280	176,852,349
Total investments	9,541,248,737	258,974,224	61,159,220	162,457,183	74,321,319	122,368,455	10,220,529,138	9,066,563,119
Receivables:								
Investments sold	899,349,420	24,330,533					923,679,953	819,110,168
Contributions	4,198,091	114,602		253,921			4,566,614	5,282,191
Interest and dividends	43,150,652	1,167,375	287,353	573,359			45,178,739	36,448,616
Total receivables	946,698,163	25,612,510	287,353	827,280			973,425,306	860,840,975
Assets used in plan operations—net	2,850,523						2,850,523	3,516,630
Due from other funds					616,105	955,489	1,571,594	1,293,652
Retiree payroll in process	30,772,971				240,297	636,366	31,649,634	27,754,259
Total assets	10,523,762,526	284,646,234	61,446,573	163,304,253	75,195,660	123,989,845	11,232,345,091	9,963,713,164

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET ASSETS—PENSION TRUST FUNDS AND OTHER TRUST FUNDS
JUNE 30, 2006 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2005

	Pension Trust Funds				Other Trust Funds			
					Sick Leave Insurance Reserve Fund			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)	State	Schools	Totals 2006	Totals 2005
LIABILITIES:								
Accrued liabilities	$ 7,917,290	$ 208,685	$	$	$ 8,346	$ 13,742	$ 8,148,063	$ 7,488,298
Benefits and refunds payable	248,275						248,275	63,069
Due to other funds	1,571,594						1,571,594	1,293,652
Investments purchased	1,318,573,759	35,672,011					1,354,245,770	1,139,739,452
Total liabilities	1,328,310,918	35,880,696			8,346	13,742	1,364,213,702	1,148,584,471
NET ASSETS HELD IN TRUST (see unaudited supplementary schedules of funding progress)	$ 9,195,451,608	$ 248,765,538	$ 61,446,573	$ 163,304,253	$ 75,187,314	$ 123,976,103	$ 9,868,131,389	$ 8,815,128,693

See notes to financial statements.

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET ASSETS—PENSION TRUST FUNDS AND OTHER TRUST FUNDS
YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2005

	Pension Trust Funds				Other Trust Funds		Totals	
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)	Sick Leave Insurance Reserve Fund State	Sick Leave Insurance Reserve Fund Schools	2006	2005
ADDITIONS:								
Contributions:								
Members	$ 154,313,873	$ 38,205	$	$ 25,873,335	$	$	$ 180,225,413	$ 167,192,092
Employers	250,816,313	12,106,263		282,128	5,322,463	11,575,041	280,102,208	264,113,386
Transfers and rollovers in				6,246,072			6,246,072	8,275,628
Total contributions	405,130,186	12,144,468		32,401,535	5,322,463	11,575,041	466,573,693	439,581,106
Investment income:								
Net appreciation in fair value of investments	753,557,611	20,386,356	6,197,819	10,216,259	3,546,716	5,848,170	799,752,931	619,037,925
Interest, dividends and other investment income	255,593,304	6,914,689	647,745	5,611,822			268,767,560	234,130,100
Less investment expenses	(39,765,740)	(1,075,802)	(130,221)	(67,211)	(34,042)	(56,133)	(41,129,149)	(33,692,881)
Total investment income	969,385,175	26,225,243	6,715,343	15,760,870	3,512,674	5,792,037	1,027,391,342	819,475,144
Other—net	127,213				6,023	9,930	143,166	159,912
Total additions	1,374,642,574	38,369,711	6,715,343	48,162,405	8,841,160	17,377,008	1,494,108,201	1,259,216,162
DEDUCTIONS:								
Benefits and refunds paid to members and beneficiaries	398,459,390	16,826,643	484,674	3,478,900	2,724,234	7,729,406	429,703,247	386,534,532
Administrative expenses	7,307,876				20,257	33,403	7,361,536	7,169,254
Transfers and rollovers out			1,999,769	2,040,953			4,040,722	3,457,942
Total deductions	405,767,266	16,826,643	2,484,443	5,519,853	2,744,491	7,762,809	441,105,505	397,161,728
INCREASE IN NET ASSETS	968,875,308	21,543,068	4,230,900	42,642,552	6,096,669	9,614,199	1,053,002,696	862,054,434
NET ASSETS HELD IN TRUST:								
Beginning of year	8,226,576,300	227,222,470	57,215,673	120,661,701	69,090,645	114,361,904	8,815,128,693	7,953,074,259
End of year	$ 9,195,451,608	$ 248,765,538	$ 61,446,573	$ 163,304,253	$ 75,187,314	$ 123,976,103	$ 9,868,131,389	$ 8,815,128,693

See notes to financial statements.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

1. GENERAL DESCRIPTION OF THE FUNDS

General—The Public Employee Retirement System of Idaho (the "System" or "PERSI") is the administrator of four pension plans including two defined benefit retirement plans, the Public Employee Retirement Fund Base Plan ("PERSI Base Plan") and the Firefighters' Retirement Fund ("FRF"); and two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) ("PERSI Choice Plan"). PERSI also administers two Sick Leave Insurance Reserve Trust Funds, one for state employers and one for school district employers.

Reporting Entity—The System is a discretely presented 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 of the Idaho Code. Statutes governing FRF are Title 72, Chapter 14 of the Idaho Code.

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

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2006 and 2005, the number of participating employer units in the PERSI Base Plan was:

	2006	2005
Cities	144	143
School districts	140	135
Highway and water districts	123	121
State subdivisions	97	98
Counties	40	40
Other	148	147
	692	684

As of June 30, 2006 and 2005, the number of benefit recipients and members in the System consisted of the following:

	2006	2005
Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:		
Members:		
Active	64,762	64,391
Terminated and vested	8,948	8,460
Retirees and beneficiaries	28,438	27,246

FRF has 22 participating employer units all consisting of fire departments participating in the PERSI Base Plan. As of June 30, 2006 and 2005, there were 11 and 20 active members and 611 and 599 retired members or beneficiaries, respectively, 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 10.24% from January 1, 2006 through June 30, 2006 (17.51% from July 1, 2005 to December 31, 2005) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

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

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment and recordkeeping purposes. Participants direct their investment mix without restriction except that within the Choice Plan's two international fund options, a participant may only make up to two transfers involving one or both of those funds within a rolling 90-calendar-day period.

Participants may also elect to change their salary deferral every pay period. The 401(k) portion of the PERSI Choice Plans 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 up to 100% of their gross salary less deductions and subject to the Internal Revenue Service ("IRS") annual contribution limit. The 414(k) portion of the PERSI Choice Plans was established for gain sharing allocations from the PERSI Base Plan. The gain sharing amount (if any) is based on funding levels in the Base Plan. 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 ACS HR Solutions, LLC ("ACS") for plan recordkeeping services. The plan offers eleven investment options, which are mutual or collective funds. The plans 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 all 692 employer units eligible to have participating employees. As of June 30, 2006 and 2005, there were 47,053 and 47,615 participants, respectively, with balances in the PERSI Choice Plans. Some of these participants are in both the 414(k) Plan and the 401(k) Plan. As of June 30, 2006 and 2005, the Choice Plan 414(k) had 40,907 and 42,578 participants, respectively and the Choice Plan 401(k) had 19,624 and 10,707, respectively. The administrative expenses of the PERSI Choice Plans are paid to ACS and funded by the PERSI Base Plan.

Other Trust Funds—In FY 2006, the Sick Leave Insurance Reserve Fund ("SLIRF") was reclassified from a defined contribution pension plan (subject to Governmental Accounting Standards Board ("GASB") Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) to a trust fund. This reclassification resulted only in a change in labeling, not a change in accounting principles. For state and school employers, unused sick leave benefits are subject to the guidance of GASB Statement 16, *Accounting for Compensated Absences* prior to the time of retirement.

The SLIRF is made up of two trust funds administered by PERSI - a trust for payment of school district employee benefits and a trust for payment of state employee benefits. The statutes governing the SLIRF are Idaho Code, Sections 67-5339, 33-1216, 59-1365, and 33-1228.

The SLIRF is a fund that exists for the payment of unused sick leave benefits that accrue under state law for state employees and school district employees who separate from service by reason of retirement. The assets of the two trusts are commingled for investment purposes. The System administers these trusts on behalf of the participating employers. Employers' contributions are a percentage of payroll collected each pay cycle and are held in trust for future benefits.

The SLIRF is used to pay eligible postretirement insurance premiums on behalf of former employees based on unused accumulated sick leave at their retirement date. The school districts and the State are responsible for any unfunded benefit obligations, respectively, through contribution rate adjustments.

School District Employees—For school district employees, the unused sick leave amount available for benefit is limited to one-half of their eligible sick leave balance and rate of compensation at retirement.

State Employees—State employees are limited to the number of allowable hours of sick leave they may use as part of the unused sick leave program as follows:

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2006 and June 30, 2005. The rate for school district contributions was 1.15% of covered salary at June 30, 2005. In April 2006, Rule 552, section 2 — contribution rates for school districts —- was amended. Contribution percentages for fiscal years 2006, 2007, and 2008 are based on the number of days of paid sick leave permitted during the contract year for certified teachers and are as follows:

Beginning	July 1, 2006	July 1, 2007	July 1, 2008
9-10 days	1.16%	1.18%	1.21%
11-14 days	1.26%	1.35%	1.44%
More than 14 days	Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed annually.		

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 GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

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

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

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents less than 3.1% of total investments.

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

Use of Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net 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, equipment, 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. Computer and technology equipment has a three-year useful life.

Totals—The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2005, from which the summarized information was derived.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost plus accrued interest. Cash balances represent operating cash accounts held by various banks and on deposit with the State Treasurer. Cash held by the State Treasurer is held in the System's name and is fully insured or collateralized with securities held by the State Treasurer or by its agent in the State Treasurer's name. Cash deposits in bank accounts for operations are covered by federal depository insurance up to $100,000. The System does not have a policy for custodial credit risk related to operating cash on deposit at local financial institutions.

Cash and Cash Equivalents:	
Held by the State Treasurer	$ 1,876,663
FDIC insured/collateralized	119,790
Uninsured and uncollateralized	322,443
Total	$ 2,318,896

B. Investments

Investments of the pension trust funds are reported at fair market value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management. For the year ended June 30, 2006, Mellon Global Securities Services was the global custodian for the majority of the investments of the combined PERSI Base Plan, FRF, and PERSI Choice Plans.

Investments at fair value as of June 30, 2006:

Domestic fixed income	$	2,194,522,019
Commingled domestic fixed income (SLIRF)		76,614,560
Short-term investments-domestic		421,807,227
Idaho commercial mortgages		276,765,613
Total domestic fixed income (less payables)		2,969,709,419 *
Domestic fixed income-USD denominated international securities		136,966,465
Short-term investments-international		129,465,638
International fixed income		52,052,665
Total international fixed income (less payables)		318,484,768 **
Short-term investments		902,602
Domestic equities		3,915,957,982
Domestic equities-preferred stock		1,576,442
International equities		2,191,333,193
Real estate		178,238,005
Private equity-domestic		289,655,104
Private equity-international		11,969,129
Mutual funds (PERSI Choice Plan)		222,627,280
Commingled equity fund (SLIRF)		120,075,214
Total investments		**$ 10,220,529,138**
Receivables and payables:		
investments sold		
International equities with foreign currency exposure		7,412,640
International fixed income with foreign currency exposure		256,821
Foreign exchange contracts receivable		406,055,578
Receivables not included in risk analysis		509,954,914
Investments Purchased		
International equities with foreign currency exposure		(17,648,235)
International fixed income with foreign currency exposure		(465,915)
Foreign exchange contracts payable		(513,745,694)
Short sales-international		(134,401,387) **
Short sales-domestic		(4,213,617) *
Written options-domestic		(78,150) *
Payables not included in risk analysis		(683,692,772)
Total investments including receivables and payables		**$ 9,789,963,321**
* Total domestic fixed income	$	2,965,417,652
** Total international fixed income	$	184,083,381

Derivatives—Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. They are designed, among other things, to help investors protect themselves against the risk of price changes. In accordance with its investment policy, the System, through its external investment managers, holds investments in futures, options, swaps, repurchase agreements, and forward foreign currency contracts. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis.

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2006 and 2005, the System had futures contracts with a fair value of $19,345 and $100,264, respectively, which is included in Fixed Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the System's Statement of Investment Policy. At June 30, 2006, the System had the following futures contracts exposure (negative values represent short future positions):

	Exposure covered by contract
Cash and cash equivalents-eurodollar	$ 22,955,286
U.S. Treasury bond futures	(4,219,634)
U.S. Treasury note futures	(17,486,109)

Option contracts are contractual agreements giving the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. The option's price is usually a small percentage of the underlying asset's value. Options strategies used by the System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2006 and 2005, the System had option contracts payable with a fair value of $59,953 and $535,744, respectively that is included in liabilities reported as Investments Purchased. At June 30, 2006, the System had the following options contracts exposure:

	Exposure covered by contract
Cash and cash equivalents purchased call options	$ 136,013
Cash and cash equivalents written call options	787
Cash and cash equivalents written put options	180
Fixed income purchased call options	3,563
Fixed income written call options	27,906
Fixed income written put options	50,750

Swap agreements are derivative transactions whereby two parties agree to "swap" cash flows over a period of time. Each cash flow can be derived from any market index defined in the swap agreement that is based on a notional value which never actually changes hands. The indexes that determine the amount of cash exchanged can be as simple as a fixed or variable interest rate (like the current prime rate), or as complex as algebraic formulas that combine, enhance, or diminish any number of other market indexes. The System does not anticipate additional significant market risk from swap arrangements. At June 30, 2006 and 2005, the System had swap agreements with a fair value of $105,228 and $90,941, respectively that are included in International Fixed Income Investments.

Repurchase agreements are short-term securities used to finance trading. A broker/dealer who offers a repurchase agreement borrows money by selling securities and simultaneously agreeing to buy them back at a higher price at a later time. The dealer invests the money paid for the securities, hoping to get a higher return than he owes on his obligation to repurchase the securities. Repurchase agreements are commonly called "repos," and they function in a way similar to a secured loan with the securities serving as collateral. All sales of investments under repurchase agreements are for fixed terms. As of June 30, 2006 and 2005, the credit exposure under repurchase agreements that are included in Short-term Investments was $127,895,269 and $62,108,362, respectively.

Forward Foreign Currency Exchange Contracts are carried at fair value by the System. The System has entered into foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the System's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. Forward foreign exchange contracts are negotiated between two counterparties. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System could also incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Controls are established by the System and the investment managers to monitor the creditworthiness of the counterparties. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. As of June 30, 2006 and 2005, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $910,893,722 and $809,001,906 and had entered into forward currency contracts to buy foreign currencies with a fair value of $910,070,922 and $809,107,799, respectively. Forward currency contracts are receivables or liabilities reported as investments sold or investments purchased. Unrealized gains of $822,800 and unrealized losses of $105,892 at June 30, 2006 and 2005, respectively, were recorded, which represent the gain or loss which would occur from executing these forward foreign currency contracts at June 30, 2006 and 2005, respectively.

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

TIPS—Treasury Inflation Protected Securities ("TIPS") are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2006 and 2005, the System had invested in TIPS with a fair value of $815,334,404 and $701,714,595, respectively.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policies require each portfolio to maintain a reasonable risk level relative to its benchmark. As of June 30, 2006, the System's fixed income assets that are not government guaranteed represented 62% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the following page.

Credit quality of fixed income securities at fair value:

Credit Quality S&P Rating Level	Domestic	International	Total
Agency(A-1+)	$ 1,907,354	$ -	$ 1,907,354
AAA	637,416,120	36,436,266	673,852,386
AA	103,335,963	5,519,302	108,855,265
A	203,509,156	12,551,417	216,060,573
BBB	108,487,067	4,809,449	113,296,516
BB	16,206,496		16,206,496
B	32,297,096	88,210	32,385,306
CCC	6,195,394		6,195,394
Not rated	253,827,848	124,678,737	378,506,585
Total credit risk fixed income securities	**1,363,182,494**	**184,083,381**	**1,547,265,875**
U.S. government	1,216,914,064		1,216,914,064
Pooled investments	108,555,481		108,555,481
Idaho mortgages	276,765,613		276,765,613
Total	**$ 2,965,417,652**	**$ 184,083,381**	**$ 3,149,501,033**

As a matter of practice, there are no strict limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the System's policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.

D. Custodial Credit Risk

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

The System's short-term investments are created through daily sweeps of excess cash by the System's custodian, cash manager, and a few selected investment managers into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash in short-term instruments. Clearwater Advisors manages approximately 65% of the System's short-term investments. Of the short-term investments at June 30, 2006 and 2005, $1,918,764 and $14,004,992, respectively, were held by various counterparties not in the System's name. The remainder of the pooled short-term investment funds is invested in bank-maintained collective investment funds except collective vehicles held and managed by individual investment managers.

E. Concentration of Credit Risk

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

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

F. Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with operational guidelines which include an expected range of interest rate risk in the portfolio. Per the System's policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the tables below quantifies the interest rate risk of the System's fixed income assets. For line items below reported as "N/A," the duration calculation is not available.

Effective duration of domestic fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset-backed securities	$	21,990,558	0.59
Asset-backed securities		326,341	N/A
Mortgages		44,028,859	0.88
Commercial paper		48,848,673	0.05
Commercial paper		174,225,351	N/A
Corporate bonds		459,011,788	3.81
Corporate bonds		583,105	N/A
Fixed income derivatives		54,541	N/A
Government agencies		136,546,457	3.48
Government bonds		381,285,791	5.82
Government mortgage-backed securities		410,235,236	3.73
Government mortgage-backed securities		53,417,333	N/A
Pooled investments		33,357,307	0.08
Pooled investments		75,198,174	N/A
Preferred stock		1,496,120	3.14
Preferred stock		80,322	N/A
Private placements		47,908,177	2.42
Private placements		4,010,345	N/A
Repurchase agreements		(4,213,618)	N/A
TIPS		800,261,179	7.03
Idaho mortgages		276,765,613	N/A
Total	**$**	**2,965,417,652**	

Effective duration of international fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Commercial Paper	$	8,478,570	0.21
Commercial Paper		39,642,836	N/A
Corporate Bonds		61,107,727	2.18
Corporate Bonds		3,717,806	N/A
Government Bonds		5,966,471	25.28
Repurchase Agreements		65,169,971	0
Total	**$**	**184,083,381**	

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System's policy, individual manager guidelines outline at a minimum, ranges of currency exposure which are monitored within each portfolio. Managers are required to report variances to the System. Currency gains and losses will result from these fluctuations. The System's exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2006, is highlighted in the following table:

Currency exposures:

Currency	Short-term Investment	Equities	Fixed Income	Total USD Equivalent Fair Value
Australian Dollar	$ 293,731	$ 62,223,487	$ 2,447,649	$ 64,964,867
Botswana Pula		1,476,645		1,476,645
Brazil Real	(3,040,342)	45,688,108		42,647,766
British Pound Sterling	106,256,498	296,716,056	(106,603,880)	296,368,674
Canadian Dollar	18,942,683	25,377,423	(13,440,279)	30,879,827
Chilean Peso	316,239	4,949,262		5,265,501
Czech Koruna	8,653			8,653
Danish Krone	13,486	5,509,530		5,523,016
Egyptian Pound	38	8,467,048		8,467,086
Euro	(80,307)	601,800,770	339,410	602,059,873
Hong Kong Dollar	(1,073,911)	102,989,230		101,915,319
Hungarian Forint	(352,289)	11,944,762	142,774	11,735,247
Indonesian Rupian		39,494,118		39,494,118
Israeli Shekel	435,714	14,239,852		14,675,566
Japanese Yen	3,504,337	355,152,497	2,297,552	360,954,386
Malaysian Ringgit	(388,956)	9,641,910		9,252,954
Mexican New Peso	118,906	23,788,728	6,493,479	30,401,113
New Taiwan Dollar	25,266	73,232,690		73,257,956
New Turkish Lira	(143,551)	21,781,547		21,637,996
New Zealand Dollar	18,278	3,091,314		3,109,592
Norwegian Krone	2,840	11,014,080		11,016,920
Philippines Peso	(218,146)	7,575,972		7,357,826
Polish Zloty			3,192,045	3,192,045
S African Comm Rand	(3,601,744)	77,108,378		73,506,634
Singapore Dollar	81,779	17,263,671	5,879,095	23,224,545
South Korean Won	(3,250,256)	146,668,589		143,418,333
Sri Lanka Rupee		118,138		118,138
Swedish Krona	81,740	23,659,818		23,741,558
Swiss Franc	498,190	87,677,054		88,175,244
Thailand Baht	(139,070)	33,640,660		33,501,590
Zimbabwe Dollar	1,955	676,669		678,624
Total value of investments subject to foreign currency risk	**$ 118,311,761**	**$ 2,112,968,006**	**$ (99,252,155)**	**$ 2,132,027,612**

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2006 and 2005, consist of the following:

	2006	2005
Buildings and improvements	$ 5,470,045	$ 5,449,460
Less accumulated depreciation	(2,682,162)	(2,527,232)
Total buildings and improvements	2,787,883	2,922,228
Computer software development	6,331,360	6,331,360
Less accumulated amortization	(6,331,360)	(5,743,765)
Total computer software development	-	587,595
Equipment	80,218	6,807
Less accumulated depreciation	(17,578)	
Total equipment	62,640	6,807
Total assets used in plan operations	**$ 2,850,523**	**$ 3,516,630**

For the year ended June 30, 2006, depreciation expense on the buildings and improvements was $154,929, and amortization expense on the computer software development costs was $587,595. The equipment had a total depreciation expense of $17,578. The depreciation and amortization costs are included in administrative expenses.

5. CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll), that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, 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 $2,343,000,000 and $1,400,000, respectively.

Actuarial valuations of the PERSI Base Plan and FRF are performed annually. The last valuations were performed as of July 1, 2006.

Normal cost is 14.56% 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 rate increases scheduled to begin July 1, 2005 and July 1, 2006, were postponed for two years.

The contribution rates for the year ended June 30, 2006, and subsequent years through June 30, 2008, 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
Contribution rate effective July 1, 2004	6.23 %	7.65 %	10.39 %	10.73 %
Increase effective July 1, 2005	Postponed in 2005 and again in 2006			
Next planned rate increases:				
Increase effective July 1, 2007	0.37 %	0.44 %	0.61 %	0.61 %
Rate July 1, 2007	6.60 %	8.09 %	11.00 %	11.34 %
Increase effective July 1, 2008	0.37 %	0.44 %	0.61 %	0.61 %
Rate July 1, 2008	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 3.80%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firefighters hired after October 1, 1980, is 17.24%, in addition to the PERSI Police and Fire rate shown above. FRF employer rates increased along with the PERSI Base Plan rates in Fiscal Year 2005, and are scheduled to increase in 2007 and 2008.

6. PENSION PLAN PARTICIPATION

The System participates as an employer in the PERSI Base Plan, a cost sharing multiple-employer public retirement system, which was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provides for other political subdivisions to participate by contractual agreement with the System. Financial reports for the Plan are available from the System upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the System and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2006, the required contribution rate was 6.23% for general members and 7.65% for police/fighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fighter members. PERSI contributions required and paid were $403,583, $392,003, and $361,053 for the three years ended June 30, 2006, 2005, and 2004, respectively.

7. COMMITMENTS

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, the System had committed approximately $1,193,794 in outstanding purchase orders and purchase commitments to fund ongoing administrative projects for the System. These amounts are not reported in the basic financial statements at June 30, 2006.

The System had private equity commitments as of June 30, 2006, of $813,394,732, of which $422,775,756 of funding had been provided, leaving an unfunded commitment of $390,618,976 at fiscal year end. The System also had a private real estate commitment as of June 30, 2006 for an amount of $218,000,000. Funding of $128,304,944 had been provided by the end of FY 2006, leaving an unfunded commitment of $89,695,056.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULES OF FUNDING PROGRESS—PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND FISCAL YEARS 2001–2006 (Dollars in millions)

PERSI

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)
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
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,638.8	60.2	461.7	95.2	2,343.5	19.7

(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 Optional Retirement Plan (ORP) Contributions. Amounts reported in this table do not include the value of the discretionary COLA or Gain Gain Sharing allocations granted after the valuation date. If negative, amount is referred to as a funding reserve.

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

(d.) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 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
July 1, 2005	227.2	309.1	81.9	73.5	42.2	194.1
July 1, 2006	248.8	312.3	63.5	79.7	45.0	141.1

(e.) Annual covered payroll includes compensation paid to all active firefighters hired prior to October 1, 1980. Annual Covered Payroll differs from Active Member Valuation Payroll, which is an annualized compensation of only those members who were active on the actuarial valuation date.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULES OF EMPLOYER CONTRIBUTIONS—PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND FISCAL YEARS 2001—2006 (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
2001	$ 197.9	$ 152.2	130.0 %	$ 9.2	$ 6.3	147.3 %
2002	205.5	155.1	132.0	9.6	9.3	102.2
2003	206.7	188.3	110.0	10.1	9.5	107.1
2004	212.6	218.8	97.0	11.7	10.2	114.9
2005	236.2	236.7	100.0	11.7	7.2	162.3
2006	250.8	238.1	105.0	12.0	6.5	186.2

(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 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.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

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:

Valuation date	July 1, 2006	July 1, 2006
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	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75 %	7.75 %
Projected salary increases—	5.0 % - 11.5 %	4.50 %
Includes salary inflation	4.50 %	4.50 %
Postretirement benefit increase	1.00 %	4.50 %
Implied price inflation rate	3.75 %	3.75 %

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2006

INVESTMENT AND RELATED SERVICES:	
Adelante Capital (formerly Lend Lease Rosen)	$ 2,908,929
Apollo Management	189,847
Baring Asset Management, Inc.	1,461,343
Sanford C. Bernstein	3,518,730
Blackstone Capital Partners	255,064
Bloomberg, LP	55,853
Brandes Investment Partners, LP	1,999,304
Bridgepoint Cap LTD	126,242
Bridgewater Associates	788,963
Callan Associates	245,681
Capital Guardian Trust Company	1,441,816
Chadwick, Saylor & Co., Inc.	403,828
Chisholm Partners, LP	372,728
Choice Plan Managers	197,433
Clearwater Advisors, LLC	572,678
CVC European Equity	307,030
D.B. Fitzpatrick & Co., Inc.	1,501,254
Donald Smith & Company	1,516,075
Enhanced Equity	466,667
Fidelity Management Trust Company	546,833
Frazier Technology Ventures	431,284
Furman Selz Investments	48,550
Galen Associates	812,996
Genesis Asset Managers, Ltd.	2,116,227
Goense Bounds & Partners, LP	35,040
Green Equity Investors	91,349
Hamilton Lane Advisors, Inc.	195,000
Hamilton Lane Co-Investment Fund	278,904
Harvest Partners	83,815
Highway 12	273,842
JH Whitney & Co., LLC	251,892
Kohlberg & Co., LLC	328,915
Littlejohn & Company	51,031
McCown De Leeuw	107,720
Mellon Capital Management	632,457
Mellon Trust	2,796,873
Mondrian Investment Partners	926,147
Mountain Pacific Investment Advisors, Inc.	969,640
Navis Partners, LP	213,041
Newbridge Asia IV, L.P.	350,766
Pareto Partners	793,820
Peregrine Capital	943,206
Providence Investments	193,549
Prudential Investments	411,305
Rowe Price International, Inc.	1,179,488
Societe Generale	55,142
State Street Global Advisors	310,625
T3 Partners II, LP	87,368
TCW Asset Management	1,110,273
Thomas H. Lee	36,703
Tukman Capital Management, Inc.	1,350,845

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2006

INVESTMENT AND RELATED SERVICES (Continued):	
W. Capital Partners	400,000
Wells Fargo Bank	66,072
Western Asset Management	455,990
Zesiger Capital Group	1,736,788
	34,267,663
CONSULTING/OTHER SERVICES:	
ACS HR Solutions, LLC	1,076,073
Deloitte & Touche LLP	64,300
Foster, Pepper, Shefelman PLLC	733,422
GMAC	22,937
Milliman, Inc.	225,947
Whiteford,Taylor, & Presto	3,535
	2,126,214
	$ 36,393,877

(Concluded)

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2006

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 409,652
Operating expenses	155,186
Capital outlay	3,074
	567,912
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	2,950,424
Operating expenses	2,946,044
Capital outlay	83,394
Building depreciation expense	154,929
Equipment depreciation expense	17,578
Software amortization expense	587,595
	6,739,964
SICK LEAVE FUND EXPENSES—Administrative personnel expenses	53,660
	$ 7,361,536

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*

Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited the financial statements of the Public Employee Retirement System of Idaho (the "System"), a component unit of the State of Idaho, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. 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 an opinion 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 reportable 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 and Other Matters

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, regulations and contracts, 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, management, and applicable state officials and is not intended to be and should not be used by anyone other than these specified parties.

October 20, 2006

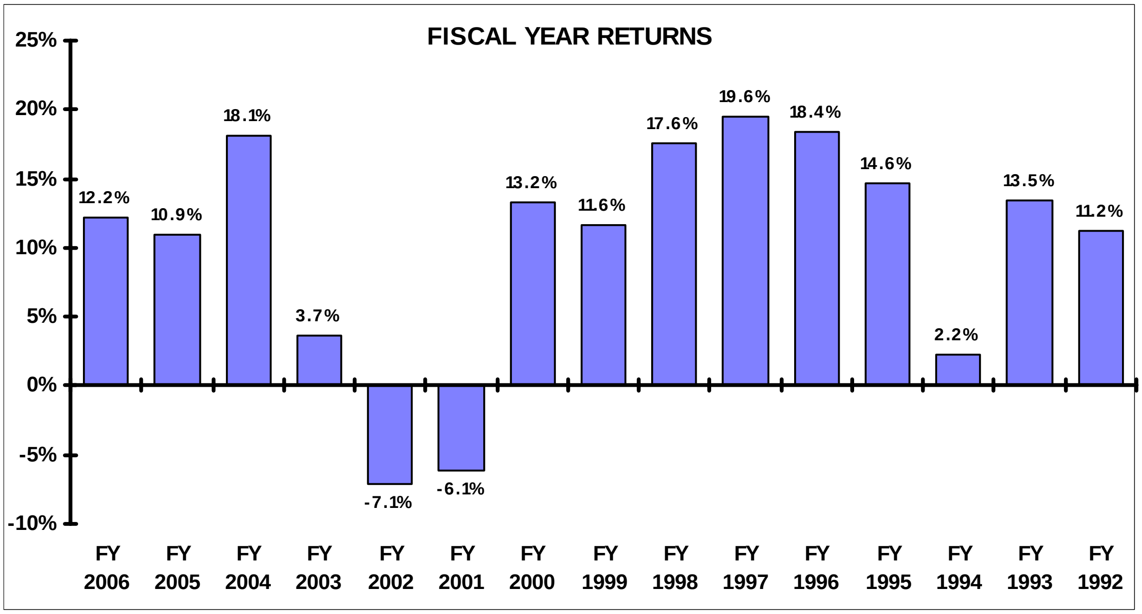
INVESTMENT SECTION

Helping public employees build a secure retirement.

REPORT ON INVESTMENT ACTIVITY

Prepared by Robert M. Maynard, Chief Investment Officer

In the space of five weeks, a spectacular year turned into an average year, and in two more weeks that average year ended up to be a very good year, with a noticeable bounce in the final two days. The Fund ended the fiscal year up 12.2% and at $9,591,291,008. The Fund increased in value by $1.03 billion over the year, with $1.05 billion in investment gains, and $20 million of net payments.



If the path to our ending point had been gradual and smooth over the year, we would be feeling very good about the Fund's posture and performance. The Fund beat its gross hurdle rate, 7.75%, by 4.5% (our net needed return is 7.25%). Not only that, but much of the extra return came from additional fund efforts, which added 3.7%. If the Fund had simply met the strategic benchmark (55% Russell 3000, 15% EAFE, and 30% Lehman Aggregate) and had rebalanced every month, we would have been up 8.5% -- only slightly above our hurdle rate (with no rebalancing, we would have made 9.0%). But, with our emphasis on global equities, REITs, and emerging markets, among other things, we added almost all of the extra return.

The fiscal year was an average year for US equities (The Russell 3000 was up 9.6%), a great year for international equities (MSCI EAFE up 27.1%) and emerging markets (MSCI Emerging Markets up 35.9%), and a bad year for investment grade fixed income (Lehman Aggregate down 0.8%) due to the steadily increasing interest rates led by the Federal Reserve's tightening campaign. US equities were paced by small and mid-cap equities, with the small cap portion up 13.3% for the year, and the large cap (S&P 500) up 8.8%. US large cap growth again was the worst performing segment of the world equity markets, with returns of only 5.1% for the fiscal year. Global equities markets (both US and international) were up 17.5% (MSCI World Index) for the fiscal year – a very good year generally.

PERSI's US only equity returned 12.4%, handily outperforming the general US market by 2.8%. PERSI's outperformance was helped by private equity, REITs, a general small cap equity bias, and Donald Smith. The Adelente REIT portfolio returned 26.4% for the fiscal year (our private real estate was up 10%), and private equity was up 21.6% (time-weighted). Managers that beat the general US equity market returns were led by a tremendous year for Donald Smith, at 24.8%, and by TCW (12.5%) and Mountain Pacific (12.0%). Both Mountain Pacific and TCW slightly underperformed their small and mid cap benchmarks for the year. Our US large cap managers, Tukman (4.4%) and Peregrine (3.4%), with their large cap, quality, and growth or growth at a reasonable price portfolios, had poor absolute and relative to benchmark returns, as both their sector and style orientations continued to be out of favor.

All of our international equity managers, both developed and emerging markets, underperformed their benchmarks for the year. PERSI's international only portfolio returned 26.7% compared to the index return of 27.1%. Thus, PERSI was helped tremendously by our relative overweight to international equity and emerging markets, both through the dedicated international managers and by the international portions of the global portfolio, but were hurt by the underperformance (relative to benchmark) of the international equity managers. Bernstein Emerging Markets (33.7%) and Genesis (32.4%) had the best absolute performances in the total fund, but underperformed their emerging market benchmark for the year (which was up 35.9%). Rowe Price (23.8%) and Mondrian (21.9%) had good absolute years but were behind the EAFE Index Fund run by Mellon Capital (26.3%).

Our global managers, once again, had very good absolute years (some spectacular) and ended up the year being, by far, the greatest contributors to our outperformance of the strategic benchmarks. Zesiger Capital had the third best individual absolute and best relative performance of any portfolio in the PERSI Fund, with a return of 31.9% for the fiscal year, far outperforming the World Index return of 17.5%. Next in line was Bernstein Global, with a return of 25.9%. Capital Guardian (18.7%), Brandes (18.4%), and Barings (16.9%) had good absolute returns roughly in line with the World Equity benchmark (17.5%), and significantly outperformed the general US equity market.

Fixed income did not have a good year, losing around 1.1% – 30 basis points behind the Lehman Aggregate loss of 0.8%. This underperformance was attributable to PERSI's real return portfolio. The TIPS portfolio, which had for many years been a major outperformer, turned into a drag on performance, losing 3.2% for the year as real yields rose in conjunction with the Fed tightening. The movement of around one-third of this money to the Bridgewater real return account helped the Fund in this area, as the Bridgewater account basically broke even (-0.1%) for the fiscal year. The DBF MBS and Clearwater accounts, with 0.6% and 0.4%, led the bond accounts in absolute returns, and Fidelity led the bond accounts in relative returns by returning 0.3%. Western (-0.1%) outperformed the Index for the year, and Barings Fixed (-1.1%) slightly underperformed.

All in all, though, it was a very good year and, considering our outperformance of our strategic benchmark, possibly a great year. But it sure didn't feel that way as the fiscal year wound to its close.

The reason was that, until early May, PERSI was having a spectacular year. Everything was working in our favor. Emerging markets were on a roll, up over 50%, while international equity generally was up over 30%. Small cap US stocks were up over 20%, and, with few exceptions, PERSI managers were ahead of benchmarks. PERSI was beating its strategic benchmark by 3.8%, an almost unheard of advantage, and our peer rankings were at all time highs. The March 31 Callan rankings, for example, had us as follows (1 is highest, 100 is lowest).

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
March 31, 2006
Percentile Rankings over Period
(1 is highest, 100 is lowest)

	QTR	1Yr	2Yrs	3Yrs	4Yrs	5Yrs	7Yrs	10Yrs
Return (%)	**5.3**	**16.5**	**11.8**	**18.6**	**9.9**	**8.1**	**7.0**	**9.5**
Policy Return (%)	4.1	12.1	9.3	15.9	7.6	6.4	4.7	8.4
Median Fund (%)	4.3	13.4	10.2	15.6	8.6	7.3	6.3	8.8
PERSI Rank	**4**	**3**	**11**	**8**	**13**	**27**	**23**	**15**
Policy Rtn Rank	**61**	**72**	**67**	**43**	**76**	**82**	**96**	**63**

Of particular note is that these high rankings were not due to our basic market posture – if we had simply met benchmarks, we would have been a consistently below median or bottom quartile performer, rather than consistently in or near the top quartile or top decile for all time periods. Given our relatively simple approach and desire to be generally a market follower rather than taking many individual active bets, these relative rankings represented an exception to what we could expect over time.

The Fund peaked on May 9th, with 17.44% returns for the fiscal year to date, breaking through the $10 billion level to $10,046,336,627. It was then a wrong-way rollercoaster over the next month, until on June 13th even making our hurdle rate of 7.75% was in jeopardy. By June 13th, in barely over a month, the total fund had dropped 9.4% to 7.9% fiscal year to date returns and had lost over $750 million to $9.236 billion. The drop has been "led" by emerging markets (-35%), EAFE and Small Cap US stocks (-14%), Midcap US stocks (-10%), Large Cap US stocks (-7%), and REITs (-2%), with bonds either flat (TIPS) or up slightly (+0.7%). Our private equity had dropped by about 4%, and our private real estate had not changed in value (with no major cash flows, and no changes in valuations are made during a quarter).

The unusual part of this market drop was that it was primarily driven by an increase in uncertainty – global growth was still robust, corporate profits and balance sheets remained strong, earnings expectations were still reasonable, and global equity valuations (with the possible exception of US small cap stocks) appeared supportable (and for the S&P 500, even attractive). What changed was uncertainty about the longer term path of inflation, central bank monetary policy, and growth. The fear was that growth would stall, and the central banks would tighten too much, with new people (Bernanke in particular) at the helm and untested. A prime indicator of this increase in uncertainty was the Volatility (VIX) Index, which priced current expectations about stock market volatility - in a little less than a month the annual risk (standard deviation) of the S&P 500 priced by the futures market nearly doubled, from 11% (near historic lows) to over 21% (higher than long-term averages – which are about 19%). With increases in uncertainty came decreases in existing asset prices. Particularly hard hit were the emerging markets and small cap stocks. Our international and emerging markets exposures, which were particularly vulnerable over this period, proved to be the greatest short-term detriment to both our absolute and our peer returns. That drop, in miniature, showed what could happen when everything in the PERSI portfolio went wrong, rather than uniformly right as the experience had been for some time.

A few points, in particular, stood out. First, emerging markets had almost entirely reversed its outperformance for the fiscal year at that point, dropping almost 35% since the end of April. It was then only slightly outperforming the developed markets for the fiscal year to date, and, thus as a strategic and active bet, had gone from being a major driver of our outperformance of benchmarks, to neutral.

Second, as is usually the case, Mountain Pacific and some other underperformers for the last few years held up relatively well compared to benchmarks when the other bets in our portfolio didn't do well. This is one of the reasons they are in our portfolio – unfortunately, their joy is usually our sorrow, and their pain is usually our gain. In fact, our US only portfolio, which has been an underperformer against benchmark for some time, was now substantially outperforming the R3000 --- due to the value/quality bias and the REIT and private equity bets. Tukman was another manager who also held up relatively well during this period. REITs held their own and private equity and private real estate, because of the valuation conventions, did relatively well.

We lost ground against our general benchmark – about 60 basis points over that month. About 50 basis points of the 60 basis points underperformance was due to the emerging markets drop – we had lived by the sword, and, for that period, appeared to die by it. This was the pain of being a "long-term investor" – the short-term bumps in the road. On the other hand, REITs, private equity, and real estate (due to the method of valuation), TIPS, and our US only equity all softened what could have been a worse blow over this period.

The managers hired by Callan over the past year and a half held up quite well relative to benchmarks in this decline. Overall, they added about 45 basis points of value (after fees) against benchmarks for the fiscal year to date, led by Donald Smith (which maintained that advantage as the fiscal year closed). The new bond managers also held up well, although the overall portfolio contribution (as is typical for bonds over any short period of time) was small.

The large cap quality growth comeback appeared to be stalled, as shown by the reversal of the previous comeback by Rowe Price and Barings Global Equity, and the slide in the Peregrine and TCW portfolios. Tukman, however, as mentioned previously, held up a bit better than most.

The final three weeks of the fiscal year since June 13th showed a very gradual improvement, until a significant bounce was added in the final two days as the Federal Reserve took its last action of the fiscal year. The Fed came out with a quarter point hike (as expected) with language that was a bit "softer" than expected -- one that people interpreted as raising the possibility of a pause (by dropping a line from a previous statement that indicated a continuing rate hike bias, among other things). In the final two days, the Fund gained 2.6%, as global equity markets rallied on relief that the Fed had not taken or indicated more draconian actions. And, over that last three weeks, the Fund recovered almost all of its relative outperformance of its strategic benchmarks for the year.

This fiscal year has capped a seven to ten year run that has been extraordinary – a run that is not likely to be repeated. Over the past 10 years, PERSI has returned 9.0% per year, well in excess of the 7.6% annual return (without rebalancing) that PERSI would have received if it had been simply indexed to its strategic benchmark of 55% US equities (Russell 3000), 15% international equities (MSCI EAFE), and 30% investment grade fixed income (Lehman Aggregate). In fact, PERSI beat each and every one of those general asset types, outperforming not only the US equity market (8.5%), but also the general international equity markets (6.8%) and the investment grade fixed income market (6.2%). There was even greater outperformance over the last 7-year period.

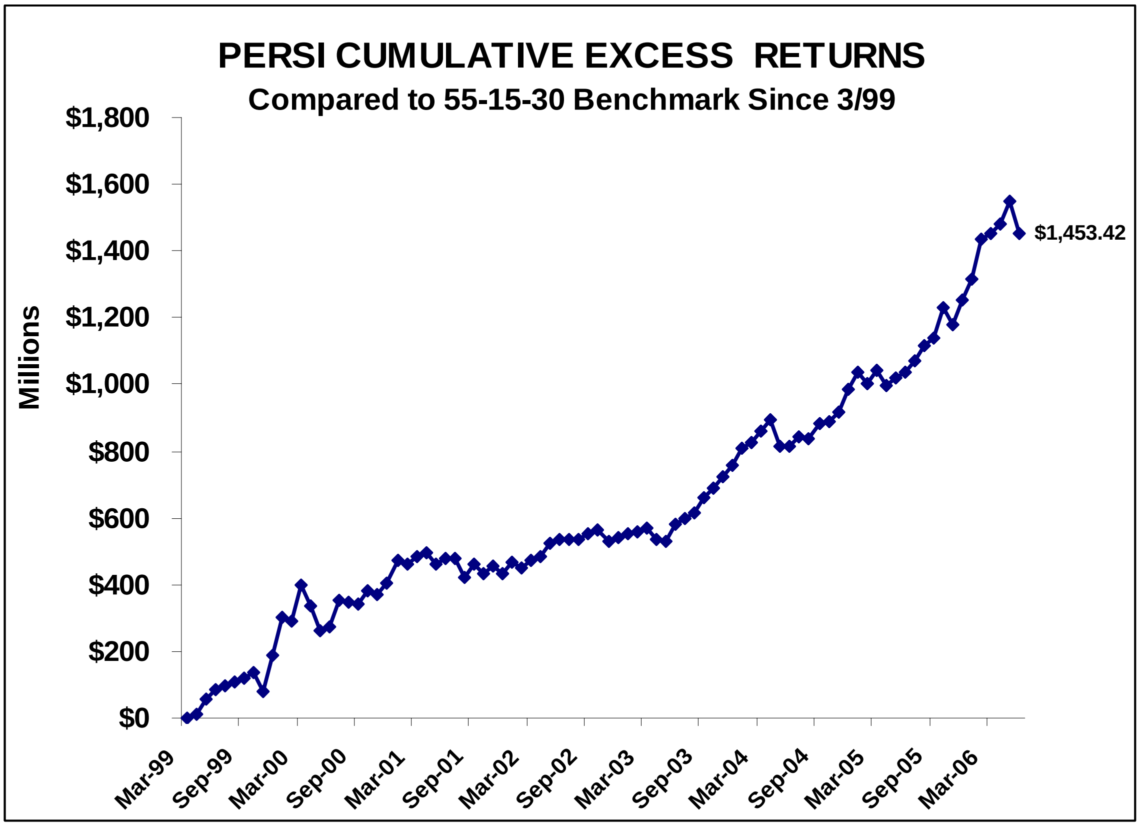
This is a spectacular result – one that would have been unimaginable at the start of this period. Prior to mid 1996, the general large cap indices had been very difficult to beat, and the S&P 500, in particular, was one of the best performing markets in the world (actually, this continued to be the case until early 1999). Active management had been generally lackluster, and to beat any large cap index, much less all of them, with a diversified portfolio, would have been seen as a pipe dream. Further, in late 1996, Alan Greenspan came out with his "irrational exuberance" remarks, casting a pall on any enthusiasm for equities in general, much less the prospects for diversified portfolios to meet long-term hurdle rates of around 8% over the long haul.

The pessimists could not have been more wrong. Despite a period of the worst equity bear market since the great depression (2000-2003), the overall 10 years have been quite good, and excellent for PERSI. The market return over the ten years for the strategic benchmark of 7.6% would have been only slightly under PERSI's hurdle rate – our actual return of 9.0% handily exceeded it.

And, this outperformance was not isolated to one asset type for PERSI – each and every asset type outperformed its strategic asset benchmark: PERSI's US equity beat the Russell 3000 over the past 10 years by 8.9% to 8.5%, PERSI'S global equity beat the MSCI World Index by 11.5% to 7.4%, PERSI'S international equity beat the MSCI EAFE by 7.9% to 6.8%, and PERSI's fixed income beat the Lehman Aggregate by 7.0% to 6.2% (all returns annualized).

While there were a number of reasons for this long-term outperformance, a few stand out. The US equity outperformance was primarily driven by two factors: a commitment to REITs and an overweight to small cap stocks. Global equity managers simply outperformed their benchmarks, some due to style (e.g. Brandes), others due to strategic overweights (Zesiger). The international equity outperformance was solely due to the strategic dedication to emerging markets and the outperformance of PERSI's emerging market managers (particularly Genesis) – PERSI's developed market international equity managers actually underperformed over that longer period. And, the fixed income outperformance was driven by the real return (TIPS) and mortgage allocations.

This outperformance really began in March of 1999, and over the past seven years, has meant huge monetary gains for PERSI – almost $1.5 billion dollars of excess returns ($1.453 billion, to be exact) over what would have been received if PERSI had simply been passively indexed. Starting at a level of $5.8 billion in March of 1999, and with net contributions of only $11 million since that point, the PERSI Fund has grown to $9.6 billion, when simply getting market returns would have grown PERSI to only $8.1 billion. The pattern of cumulative excess dollar returns over the months since March of 1999 has been as follows:



($415 million of this excess return was generated in the past fiscal year. The excess return since July of 1994, when this data was first tracked, has been $1.056 billion; this lower number reflects the outperformance of the large cap indices in the mid 1990s. As a matter of interest, in July of 1994, the Fund was at $2.75 billion, net contributions since that date have totaled $372 million – the remaining $6.45 billion to make up the current $9.57 billion have come from investment returns).

All in all, quite a year, with a bit more excitement than one likes for an investment portfolio. As a final note, PERSI's peer rankings at fiscal year ranking held up better than expected – PERSI continued to rank in the top quartile or top decile of public funds for most time periods as shown in the table on the following page:

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
June 30, 2006
Percentile Rankings over Period
(1 is highest, 100 is lowest)

	1Yr	2Yrs	3Yrs	4Yrs	5Yrs	7Yrs	10Yrs
Return (%)	**12.2**	**11.5**	**13.7**	**11.1**	**7.2**	**6.0**	**9.0**
Policy Return (%)	8.8	8.7	11.1	9.1	5.4	3.9	8.0
Median Fund (%)	10.5	10.0	11.8	9.7	6.5	5.6	8.5
PERSI Rank	**8**	**10**	**9**	**13**	**29**	**31**	**24**
Policy Rtn Rank	**71**	**74**	**60**	**68**	**83**	**100**	**64**

Two clear trends over the next 3-5 years will be (1) the secular end of the “tailwind” of steadily declining interest rates and the resulting expansion of price earnings ratios (which has been discussed at length in meetings and previous reports); and (2) the ending of the severe underperformance of the large cap equity indices, and particularly the underperformance of the typical high earnings quality large cap equity. In fact, at some point over the next year or two we are likely to see a return to the mid 1990s, when large cap indices were very tough benchmarks to beat. Over the past seven years, any active management activity away from indexing has yielded very nice extra returns – emerging markets, REITs, small cap equities, and the like have been only the tip of the iceberg in terms of the advantages of active investment. PERSI’s outperformance of its strategic benchmarks by a wide margin over the past seven to ten years is not an exception to the general trends. But, before that outperformance, there were a number of years where PERSI had very good absolute returns, but poor returns compared to its strategic benchmarks because of the excellent performance of the capitalization weighted indices. We could very likely enter one of those prolonged periods again.

But this past fiscal year has seen the continuation of a long period of very good absolute and relative performance by the PERSI portfolio. We do not depend on this type of outperformance for the health of the PERSI system: nonetheless, it is very enjoyable when it happens.

Investment Summary as of the Year Ended June 30, 2006

Types of Investment		Market Value		Percent of Total Market Value
Short-term investments		$551,186,344		5.6%
Fixed income				
Domestic	2,331,488,484		23.8%	
International	52,052,665		0.5%	
Commercial mortgages	276,765,613		2.8%	
Total fixed income		2,660,306,762		27.1%
Common stock				
Domestic equity	3,917,534,424		39.9%	
International equity	2,191,333,193		22.4%	
Total common stock		6,108,867,617		62.3%
Private equity		301,624,233		3.1%
Real estate		178,238,005		1.8%
Total Base Plan investments		$9,800,222,961		100.0%
Other funds:				
Sick Leave Insurance Reserve Fund		196,689,774		
Choice Plan 414(k)		162,457,183		
Choice Plan 401(k)		61,159,220		
Total investments in all funds		$10,220,529,138		

Schedule of Investments by Account as of June 30, 2006
(including interest and dividends receivable)

Adelante Capital Management	$323,714,629
Apollo Management, LP	14,518,738
Baring Asset Management-Global Equity	285,901,667
Baring Asset Management-Global Fixed Income	212,462,763
Bernstein-Emerging Markets	285,727,621
Bernstein-Global Equity	286,718,190
Blackstone Capital Partners, LP	4,344,920
Brandes Investment Partners	529,847,011
Brandes International Equity Fund - Choice Plan	6,836,663
Bridgepoint Capital, LTD	1,601,289
Bridgewater Associates	257,608,340
Capital Guardian	363,682,375
Chisholm Management, LP	22,543,838
Clearwater Advisors, LLC	153,211,626
CVC European Equity	10,593,283
D.B. Fitzpatrick & Co.-Fixed Income	142,913,169
D.B. Fitzpatrick & Co.-Idaho Mortgages	283,331,656
Dodge and Cox Income Fund - Choice Plan	3,254,247
Donald Smith & Co.	209,841,805
Dreyfus Prem Midcap Stock Fund - Choice Plan	3,580,340
Enhanced Equity, LP	2,465,427
Fidelity Management Trust Company	203,936,616
Frazier Technology Ventures II, LP	6,407,781
Furman Selz Investments, LP	8,140,970
Galen Associates, LP	37,000,642
Genesis Asset Managers	291,409,637
Goense Bounds & Partners, LP	4,848,274
Gores Capital Partners, LLP	13,406,286
Green Equity Investors IV, LP	9,716,985
Hamilton Lane Co-Investment Fund, LP	6,492,705
Hamilton Lane Secondary Fund, LP	4,806,045
Harvest Partners III, LP	6,763,888
Highway 12 Ventures, LP	4,918,245
Ida-West	3,275,000
JH Whitney & Co., LLC	6,304,866
Kohlberg & Co.	6,543,727
Koll Partners, LLP	98,204,387
Littlejohn, LP	13,318,434
McCown DeLeeuw & Co. IV, LP	2,670,145
Mellon Aggregate Bond Index - Choice Plan	1,108,572
Mellon Capital Management-R2000 Small Cap	146,325,501
Mellon Capital Management-S&P 500 Large Cap	1,265,960,157

(Continued)

Mellon Capital Management-Mid Cap Completion	176,133,066
Mellon Capital Management-International Stock Index	370,532,686
Mellon International EAFE Fund - Choice Plan	1,489,042
Mellon S&P 500 - Choice Plan	5,988,752
Mellon Transition Management Services	287,858
Mellon Wilshire 5000 - Choice Plan	1,257,364
Mondrian Investment Partners	290,958,751
Mountain Pacific Investment Advisors	302,263,916
Newbridge Asia, LP	9,576,122
Oaktree Capital Management, LLC	6,914,653
Olympic IDA Fund II, LLC	39,000,788
Pareto Partners	(3,611,958)
Peregrine Capital Management	163,183,847
PERSI Cash in Short-Term Investment Pool	25,401,779
PERSI Choice Plan Contribution Holding Account	989,123
PERSI Choice Plan Loan Fund	1,918,367
Providence Equity Partners, LLP	44,378,816
Prudential Investments	44,390,010
Rowe Price International	274,823,229
Rowe Price Small Cap Fund - Choice Plan	5,878,635
SEI Stable Asset Fund - Choice Plan	7,721,107
State Street Global Advisors-Fixed Income	622,846,894
State Street Global Advisors-TIPS	583,135,717
State Street Global Advisors-Sick Leave Insurance Reserve	196,689,774
T3 Partners, LP	45,925,079
TCW Domestic	179,012,066
Thomas H. Lee, LP	4,250,883
Tukman Capital Management	252,418,035
Vanguard Growth & Income Fund - Choice Plan	7,139,066
W. Capital Partners, LP	5,545,843
Western Asset Management	203,963,803
Zesiger Capital Group	404,077,804
Zesiger Capital Group-Private Equity	14,402,684
Total market value, including investment receivables and payables	$9,835,142,060
Add: Investments purchased payable	1,354,245,770
Less: Investments sold receivable	(923,679,953)
Less: Interest and dividends receivable	(45,178,739)
Total market value, net of investment receivables and payables	$10,220,529,138

(Concluded)

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	$176.1	1.8%	12.6%	12.6%	18.4%	7.1%
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	146.3	1.5%	13.9	13.9	18.2	8.5
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,266.0	13.2%	8.2	8.2	11.1	2.4
MOUNTAIN PACIFIC	302.3	3.2%	12.0	12.0	15.2	8.4
TUKMAN CAPITAL MGMT	252.4	2.6%	4.4	4.4	4.5	1.3
TCW	179.0	1.9%	12.5	12.5		
DONALD SMITH & CO.	209.8	2.2%	24.8	24.8		
PEREGRINE	163.2	1.7%	3.4	3.4		
TOTAL U.S. PUBLICLY TRADED EQUITY	$2,695.1	28.1%	10.0%	10.0%	12.0%	3.2%
BENCHMARK - Russell 3000			9.6%	9.6%	12.6%	3.5%
PRIVATE EQUITY						
IDA-WEST	$3.3	0.0%	44.3%	44.3%	41.0%	31.1%
GALEN III	37.0	0.4%	(8.2)	(8.2)	2.4	1.6
HARVEST PARTNERS	6.8	0.1%	(35.4)	(35.4)	(11.6)	(7.8)
FURMAN SELZ	8.1	0.1%	45.5	45.5	63.0	29.9
MCCOWN DE LEEUW	2.7	0.0%	(98.6)	(98.6)	(75.2)	(58.3)
PROVIDENCE EQ PARTNERS	44.4	0.5%	33.6	33.6	74.2	22.2
CHISOLM PARTNERS	22.5	0.2%	37.4	37.4	11.3	(8.8)
LITTLEJOHN II L.P.	13.3	0.1%	0.6	0.6	36.2	9.8
OAKTREE CAP	6.9	0.1%	(1.0)	(1.0)	19.1	8.6
GOENSE BOUNDS	4.8	0.1%	16.8	16.8	92.1	44.4
HWY 12 FD VENTURE LP	4.9	0.1%	14.7	14.7	1.1	
T3 PARTNERS II L.P.	45.9	0.5%	70.4	70.4	25.7	
THOMAS LEE L.P.	4.3	0.0%	(0.7)	(0.7)	12.3	
APOLLO MGMT LP	14.5	0.2%	56.3	56.3	59.4	
GREEN EQUITY IV L.P.	9.7	0.1%	(8.8)	(8.8)		
GORES CAPITAL AD LLC	13.4	0.1%	23.8	23.8		
W CAPITAL PARTNERS	5.5	0.1%	11.8	11.8		
FRAZIER TECH VENTURES II	6.4	0.1%	1.5	1.5		
KOHLBERG & CO.	6.5	0.1%	(21.3)	(21.3)		
HAMILTON SECONDARY	4.8	0.1%	36.3	36.3		
CVC EUROPEAN EQUITY**	10.6	0.1%				
HAMILTON LANE CO-INVESTMENT FUND**	6.5	0.1%				
BRIDGEPOINT EUROPE III**	1.6	0.0%				
NEWBRIDGE ASIA LP**	9.6	0.1%				
JH WHITNEY EQUITY PARTNERS IV**	6.3	0.1%				
BLACKSTONE CAPITAL PARTNERS**	4.3	0.0%				
ENHANCED EQUITY FUND LP**	2.5	0.0%				
ZESIGER CAPITAL GROUP	14.4	0.2%	27.3	27.3	8.1	(8.9)
TOTAL PRIVATE EQUITY	$321.7	3.4%	21.4%	21.4%	22.2%	7.1%
REAL ESTATE						
KOLL PARTNERS	$98.2	1.0%	1.5%	1.5%		
OLYMPIC IDA FUND II**	39.0	0.4%				
ADELANTE - PUBLIC R/E	323.7	3.4%	26.4	26.4	31.0%	23.4%
PRUDENTIAL	44.4	0.5%	24.1	24.1	16.7	14.7
TOTAL R/E MANAGERS	$505.3	5.3%	21.8%	21.8%	26.8%	20.9%
BENCHMARK - NCREIF			18.7%	18.7%	15.8%	12.0%
TOTAL U.S. EQUITY	$3,522.1	36.6%	12.4%	12.4%	14.3%	5.0%
BENCHMARK - Russell 3000			9.6%	9.6%	12.6%	3.5%
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	$285.9	3.0%	16.9%	16.9%	15.5%	4.9%
BRANDES INVST PARTNERS	529.8	5.5%	18.4	18.4	21.4	10.5
CAPITAL GUARDIAN	363.7	3.8%	18.7	18.7	17.2	
ZESIGER CAPITAL GROUP	404.1	4.2%	31.9	31.9	21.3	12.3
BERNSTEIN GLOBAL	286.7	3.0%	25.9	25.9		
TOTAL GLOBAL EQUITY	$1,870.2	19.5%	22.0%	22.0%	19.7%	8.8%
TOTAL U.S./GLOBAL EQUITY	$5,392.4	56.1%	15.4%	15.4%	16.0%	6.2%
BENCHMARK - Russell 3000			9.6%	9.6%	12.6%	3.5%

(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 INVESTMENTS	$291.4	3.0%	32.4%	32.4%	37.5%	25.2%
MELLON CAPITAL MANAGEMENT INTL STK INDX	370.5	3.9	26.3	26.3	23.5	10.0
T.ROWE PRICE	274.8	2.9	23.8	23.8	19.9	8.1
MONDRIAN	291.0	3.0	21.9	21.9		
BERNSTEIN EMERGING	285.7	3.0	33.7	33.7		
TOTAL INTERNATIONAL EQUITY	$1,513.5	15.8%	27.1%	27.1%	25.9%	11.6%
TOTAL INT'L EQUITY (HEDGED)[1]	$1,509.8	15.7%	26.7%	26.7%	25.5%	11.0%
EAFE INDEX NET			26.6%	26.6%	23.9%	10.0%
TOTAL EQUITY	$6,902.2	71.9%	17.7%	17.7%	18.0%	7.2%
BENCHMARK - Russell 3000			9.6%	9.6%	12.6%	3.5%
U.S. FIXED INCOME						
DBF & CO FIXED	$142.9	1.5%	0.6%	0.6%	2.3%	4.7%
DBF & CO-IDAHO MTGS	283.3	3.0	(1.2)	(1.2)	1.4	5.4
STATE ST ADV-FX	622.8	6.5	(1.5)	(1.5)	1.6	5.1
SSGA-TIPS	583.1	6.1	(3.2)	(3.2)	4.0	7.6
CLEARWATER-TBA	153.2	1.6	0.4	0.4	3.1	
TOTAL U.S. FIXED INCOME	$1,785.4	18.6%	(1.6)%	(1.6)%	2.7%	6.1%
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	$212.5	2.2%	(1.1)%	(1.1)%	3.0%	5.3%
FIDELITY	203.9	2.1	0.3	0.3		
BRIDGEWATER	257.6	2.7	(0.1)	(0.1)		
WESTERN ASSET	204.0	2.1	(0.1)	(0.1)		
TOTAL GLOBAL FIXED INCOME	$878.0	9.2%	(0.3)%	(0.3)%	3.3%	4.4%
TOTAL FIXED INCOME	$2,663.4	29.5%	(1.1)%	(1.1)%	2.8%	5.8%
BENCHMARK - LB Aggregate			(0.8)%	(0.8)%	2.1%	5.0%
OTHER						
UNALLOCATED CASH	$25.4	0.3%	9.4%	9.4%	5.7%	5.8%
MELLON TRANSITION MANAGEMENT SERVICES	0.3	0.0	838.7	838.7		
TOTAL OTHER	$25.7					
COMBINED TOTAL	$9,591.3	100.0%	12.2%	12.2%	13.6%	7.2%
BENCHMARK - 55% Russell 3000 30% Lehman Aggregate 15% MSCI EAFE Index			8.8%	8.8%	11.1%	5.4%

Add: Mutual Fund Holdings in 401(K) Plan	$47.1
Sick Leave Fixed Income Investments	76.6
Sick Leave Equity Securities	120.1
Investments Purchased	1,354.2
Less: Interest and Dividends Receivable	(45.2)
Investments Sold	(923.7)
Total Pension Fund Investments Net of Receivables	$10,220.5

*Rates of Return are annualized
[1]Includes Pareto Partners currency overlay account
**Accounts opened 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 per Mellon Analytical Solutions-a division of Mellon Global Security Services.

(Concluded)

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
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
2005	108,964,781	121,363,908	622,839,336	853,168,025
2006	128,071,925	135,998,068	804,450,498	1,068,520,491

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

List of Largest Assets Held

Largest Bond Holdings (by Market Value) June 30, 2006

	Par	Bonds	Description	Market Value
1	$221,516,262	US TREASURY INFLATION INDEX BD	3.875% 04/15/2029 DD 04/15/99	$274,091,817
2	242,948,201	US TREASURY INFLATION INDEX NT	4.250% 01/15/2010 DD 01/15/00	258,094,564
3	108,953,809	US TREASURY INFLATION INDEX BD	2.000% 01/15/2026 DD 01/15/06	99,752,333
4	45,330,000	COMMIT TO PUR FNMA SF MTG	5.000% 07/01/2036 DD 07/01/06	42,369,407
5	44,500,000	COMMIT TO PUR FHLMC GOLD SFM	5.000% 08/01/2035 DD 08/01/05	41,537,991
6	39,000,000	COMMIT TO PUR FNMA SF MTG	5.500% 08/01/2036 DD 08/01/06	37,427,832
7	36,110,697	US TREASURY INFLATION INDEX BD	2.375% 01/15/2025 DD 07/15/04	35,145,855
8	33,960,000	U S TREASURY BONDS	5.375% 02/15/2031 DD 02/15/01	34,546,353
9	32,090,000	COMMIT TO PUR FNMA SF MTG	5.500% 07/01/2035 DD 07/01/05	30,816,412
10	25,449,908	US TREASURY INFLATION INDEX BD	3.375% 04/15/2032 DD 10/15/01	30,042,828

Largest Stock Holdings (by Market Value) June 30, 2006

	Shares	Stock	Market Value
1	2,245,594	GENERAL ELECTRIC CO.	$ 74,014,778
2	2,453,823	MICROSOFT CORP.	57,174,076
3	801,145	EXXON MOBIL CORP.	49,150,246
4	298,104	GOLDMAN SACHS GROUP, INC.	44,843,785
5	755,041	AMERICAN INTERNATIONAL GROUP, INC.	44,585,171
6	456,320	VORNADO REALTY TRUST	44,514,016
7	825,054	CITIGROUP, INC.	39,800,605
8	1,640,786	PFIZER, INC.	38,509,247
9	797,960	WAL MART STORES, INC.	38,437,733
10	565,987	WELLS FARGO & CO.	37,966,408

A complete list of portfolio holdings is available upon request.

Schedules of Fees and Commissions for the Year Ended June 30, 2006

Investment fees by type	Average assets under management	Fees	Basis points
Investment manager fees			
Equity managers	$6,724,617,111	$22,892,960	34
Fixed income managers	1,843,049,104	1,617,852	9
Private equity managers	333,302,940	6,043,002	181
Real estate managers	516,764,261	4,408,208	85
Total investment manager fees	$9,417,733,417	34,962,022	37
Other investment service fees			
Custodian/recordkeeping fees		3,939,018	
Investment consultant fees		923,298	
Legal fees		736,957	
Actuary/audit service fees		280,247	
Total investment service fees		5,879,519	6
Total defined benefit plans' fees		$40,841,542	43
Total defined contribution plans' fees		197,432	
Total other trust funds' fees		90,175	
Total investment fees		**$41,129,149**	

(Continued)

Schedules of Fees and Commissions for the Year Ended June 30, 2006

Broker Commissions	Base Commission	Total Shares	Commission per Share
DEUTSCHE BK SECS INC, NY	$ 243,367	20,014,988	0.0122
CREDIT SUISSE, NEW YORK	185,150	25,188,040	0.0074
SALOMON BROS INTL LTD, LONDON	182,720	19,525,650	0.0094
MERRILL LYNCH PIERCE FENNER, WILMINGTON	156,913	25,682,952	0.0061
MORGAN STANLEY & CO INC, NEW YORK	152,554	20,008,815	0.0076
GOLDMAN SACHS & CO, NEW YORK	146,799	9,698,397	0.0151
DEUTSCHE BK INTL EQ, LONDON	134,262	12,362,487	0.0109
UBS WARBURG ASIA LTD, HONG KONG	130,634	21,125,537	0.0062
LEHMAN BROS INC, NEW YORK	129,807	5,076,357	0.0256
LEHMAN BROS INTL, LONDON	116,790	6,061,550	0.0193
BANC OF AMERICA SECS LLC, CHARLOTTE	114,299	3,607,210	0.0317
BEAR STEARNS & CO INC, NEW YORK	111,907	10,275,685	0.0109
MERRILL LYNCH PIERCE FENNER SMITH INC, NEW YORK	109,700	3,342,245	0.0328
JEFFERIES & CO INC, NEW YORK	109,356	2,496,641	0.0438
UBS SECURITIES LLC, STAMFORD	106,289	4,173,051	0.0255
BERNSTEIN SANFORD C & CO, NEW YORK	101,228	2,452,707	0.0413
MERRILL LYNCH INTL LONDON EQUITIES	96,963	5,002,285	0.0194
CITIGROUP GBL MKTS INC, NEW YORK	89,087	20,167,483	0.0044
J P MORGAN SECS LTD, LONDON	83,538	5,880,508	0.0142
JP MORGAN SECS ASIA PACIFIC, HONG KONG	79,925	33,304,376	0.0024
CREDIT SUISSE (EUROPE), LONDON	73,599	14,522,603	0.0051
INVESTMENT TECHNOLOGY GROUPS, NEW YORK	71,838	6,072,713	0.0118
GOLDMAN SACHS INTL, NEW YORK	69,474	1,389,470	0.0500
MORGAN STANLEY & CO, LONDON	66,851	4,755,561	0.0141
MACQUARIE SECS (SINGAPORE), SINGAPORE	66,647	15,593,620	0.0043
B TRADE SVCS LLC, NEW YORK	64,255	1,083,300	0.0593
GOLDMAN SACHS INTL, LONDON	60,703	3,700,038	0.0164
OTHER BROKERS UNDER $60,000	2,858,908	399,439,735	0.0072
TOTAL BROKER COMMISSIONS	$5,913,564	702,004,004	0.0084

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

(Concluded)

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

I. Introduction
The Retirement 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 50^{th} 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.

VI. GASB 40 Reporting (Section VI adopted May 26, 2005)

A. Purpose

The Governmental Accounting Standards Board has identified that state and local governments have deposits and investments which are exposed to risks that may result in losses. GASB Statement number 40 (GASB 40) is intended to inform users of the financial statements about the risks that could affect the ability of a government entity to meet its obligations. GASB 40 has identified general deposit and investment risks as credit risk, including concentration of credit risk and custodial credit risk, interest rate risk, and foreign currency risk and requires disclosures of these risks and of policies related to these risks. This portion of the Investment Policy addresses the monitoring and reporting of those risks.

In general, the risks identified in GASB 40, while present, are diminished when the entire portfolio is viewed as whole. For example, interest rate risk experienced by fixed income instruments often react in the exact opposite direction as that experienced by equities. Thus, interest rate exposure as set out in GASB 40 will not reflect the cross-influences of impacts across the broad range of investments that make up the PERSI portfolio. And, in fact, the general underlying measures used in GASB 40 across most of the risks identified (credit, concentration, and interest rate risk in particular) were tools that were developed primarily for portfolios dominated by fixed income investments, and are often only poorly transferred, if at all, to portfolios, like PERSI's, that are dominated by equity interests.

Consequently, it is the policy of PERSI that the risks addressed in GASB 40 are to be monitored and addressed primarily through the guidelines agreed to by those managers, and by regular disclosures in reports by managers of levels of risks that may exceed expected limits for those portfolios.

B. Specific Areas of Risk

1. Credit Risk

Summary: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to PERSI.

Policy: Managers will provide PERSI with expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

2. Custodial Credit Risk

Summary: Custodial credit risk is the risk that in the event of a financial institution or bank failure, the System would not be able to recover the value of their deposits and investments that are in the possession of an outside party.

Policy: PERSI minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to PERSI ownership and further to the extent possible, be held in the System's name.

3. Concentration of Credit Risk

Summary: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue.

Policy: Managers will provide PERSI with expected concentration of credit risk exposures in their portfolio guidelines. If the concentration of credit risk exceeds expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board. For the portfolio as a whole, staff will report to the Board at a regular Board meeting if the exposure to a non-US government guaranteed credit exceeds 5% of the total PERSI portfolio.

4. Interest Rate Risk

Summary: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk to PERSI's fixed income portfolio is monitored using the effective duration methodology. Effective duration measures the volatility of the price of a bond given a change in interest rates, taking into account the optionality on the underlying bond.

Policy: Managers will provide PERSI with the expected portfolio duration in their portfolio guidelines. If the duration of the portfolio differs from expectations, managers are to be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

5. Foreign Currency Risk

Summary: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. PERSI's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings.

Policy: The PERSI Board recognizes that international investments (equity or fixed income) will have a component of currency risk associated with it. Currency risk and hedging exposures are dependent on the underlying international exposure, which fluctuates over time. The individual manager guidelines will outline the expected currency exposures (either specifically or through ranges of security exposures to particular currency areas) of the underlying portfolio and if the actual currency exposure differs from the expected, managers are to be required to report these occurrences to staff and these disclosures are to be made available to the Board.

VII. 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, 2006
U.S. Equity	10.4%	19%	54%	44% - 57%	56.2%
International Equity	11.0%	22%	15%	12% - 25%	15.7%
Total Equities			69%	66% - 75%	71.9%
Fixed Income	6.6%	7%	30%	27% - 33%	27.8%
Cash	4.0%	1%	1%	0% - 5%	0.3%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.75%	3.75%	4.00%	n/a
Portfolio	8.50%	3.50%	5.00%	11.70%

ACTUARIAL SECTION

Helping public employees build a secure retirement.

A MILLIMAN GLOBAL FIRM
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December 18, 2006

Retirement Board
Public Employee Retirement System
State of Idaho
P.O. Box 83720
Boise, Idaho 83720-0078

Members of the Board:

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, 2007. 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 July 1, 2004 contribution rate increase took effect as scheduled, but the other two increases were delayed by the Board to July 1, 2007 and July 1, 2008. In October 2006, the Board delayed these increases to July 1, 2008 and July 1, 2009.

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

Year of Change	Total Rate*	Weighted Total * Member Rate	Weighted Total * Employer Rate	Fire & Police Member Rate	Fire & Police Employer Rate	General/Teachers Member Rate	General/Teachers Employer Rate
1993	17.16%	6.51%	10.65%	7.82%	10.87%	6.38%	10.63%
1994	18.75	7.12	11.63	8.53	11.85	6.97	11.61
1998	17.78	6.75	11.03	8.10	11.25	6.60	11.01
2000	15.78	5.98	9.80	7.21	10.01	5.86	9.77
2003	15.82	6.01	9.81	7.21	10.11	5.86	9.77
2004	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2005	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2006	16.85	6.42	10.43	7.65	10.73	6.23	10.39
2007	16.85	6.42	10.43	7.65	10.73	6.23	10.39
2008	17.84	6.80	11.04	8.09	11.34	6.60	11.00
2009	18.83	7.18	11.65	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, 2006 actuarial valuation did not include the scheduled July 1, 2008 and July 1, 2009 increases, and found that the System's rates are sufficient to pay the System's normal cost rate of 14.56%. As of July 1, 2006 there is an unfunded actuarial accrued liability of $461.7 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 9.8 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, 2006 actuarial valuation, the unfunded actuarial accrued liability was decreased by $378.9 million due to a large asset gain recognized as of July 1, 2006. Specifically, the System's assets earned a gross return before expenses of 12.30%, which is 4.55% over the actuarial assumption of 7.75%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $10.9 million. Thus, the total experience gain for the year was $389.8 million. Removing the scheduled contribution rate changes from the valuation increased the actuarial accrued liability by $13.9 million. The mortality assumption change to generational mortality increased the actuarial accrued liability by $231.0 million.

Also, the actuarial accrued liability was increased by $5.2 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. The March 1, 2006 COLA increased the actuarial accrued liability by $92.8 million. All of these items then resulted in a total actuarial gain of $46.9 million and a change in funding status from a 94.2% funding ratio on July 1, 2005 to 95.2% on June 30, 2006. 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, 2006 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The mortality assumptions were revised for the July 1, 2006 valuation as a result of an experience study covering the period July 1, 2001 through June 30, 2005. The next major experience study, to be completed in 2008, will cover the period July 1, 2003 through June 30, 2007.

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, 2006 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 9 provide further related information. Milliman is completely responsible for these exhibits. Specifically, they are:

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

We, 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

KIS/RLS/pap

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2006

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, 2006)

Contributing Members, Service Retirement Members, and Beneficiaries:

- **Teachers**

  Males RP-2000 Combined Table for Healthy Individuals for males, set back two years.

  Females RP-2000 Combined Table for Healthy Individuals for females, set back two years.

- **Fire & Police**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no setback.

  Females RP-2000 Combined Table for Healthy Individuals for females, with no setback.

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

- **General Employees and All Beneficiaries**

  Males RP-2000 Combined Table for Healthy Individuals for males, with no setback.

  Females RP-2000 Combined Table for Healthy Individuals for females,set back one year.

  All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2006 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

Disabled Members

For disabled members, the mortality rates used in the valuation are the rates from the RP-2000 table for disabled individuals for respective sexes, with a two year setback for males and a one year set forward for females.

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 stable active 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, 2006.

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, 2001 through June 30, 2005, and reviewed the mortality assumptions. All assumptions except mortality will be studied in 2008 for the period from July 1, 2003 through June 30, 2007. 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, 2009. The scheduled contribution rate increases are not included in the July 1, 2006 valuation results, except where noted. In those places where future contribution rate increases are reflected, the rate increases are assumed to take place at July 1, 2007 and July 1, 2008 since this was the schedule in effect on the valuation date. The Board delayed those scheduled increases to July 1, 2008 and July 1, 2009 at the November, 2006 Board meeting.

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

		Annual Salaries*		
Valuation Date July 1	Number	Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
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
2005	64,391	2,197,385,000	34,126	1.8
2006	64,762	2,294,317,000	35,427	3.8

* *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
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
2005	27,246	1,959	756	2.7 + 100% restoration
2006	28,438	2,073	881	3.6

Valuation Date July 1	Annual Benefits: Total Rolls End of Year	Added to Rolls*	Removed from Rolls	Average	% Increase in Average
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
2005	343,077,000	42,022,000	6,355,000	12,592	6.7
2006	381,677,000	46,085,000	7,485,000	13,421	6.6

* *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, 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
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,638.8	60.2	461.7	95.2	2,343.5	19.7

(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.*

Public Employee Retirement
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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, 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
July 1, 2005	8,208.8	1,875.1	3,606.7	3,296.9	100.0	100.0	82.7
July 1, 2006	9,177.1	2,142.5	4,088.9	3,467.6	100.0	100.0	84.9

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

	Gain(Loss) for Period		
	2003-2004	**2004-2005**	**2005-2006**
Investment Income			
Investment income was greater (less) than expected.	$ 650.8	$ 239.1	$ 378.9
Pay Increases			
Pay increases were less (greater) than expected.	133.9	88.5	75.9
Membership Growth			
(Additional) liability for new members.	(12.5)	(12.4)	(15.5)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(7.0)	(3.9)	(1.8)
Death After Retirement			
Retirees died younger (lived longer) than expected.	6.9	4.3	9.8
Other			
Miscellaneous gains (and losses) resulting from other causes. (1)	16.6	(88.4)	(53.8)
Total Gain (Loss) During the Period From Actuarial Experience	$ 788.7	$ 227.2	$ 393.5
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	(58.2)	13.2	(5.2)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	(165.3)	None	(231.0)
Changes in actuarial methods caused a gain (loss).	4.1	(0.7)	(3.7)
Changes in plan provisions caused a gain (loss). (2)	8.5	(2.0)	(13.9)
Composite Gain (Loss) During the Period	$ 577.8	$ 237.7	$ 139.7

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

(1) For 2005-2006, this includes a $2.6 million loss for reclassification of police members, and a $51.2 million loss for active and inactive member experience.
(2) For 2005-2006, this includes a $13.9 million loss due to the removal of the scheduled contribution rate increases from the funding assumptions.

EXHIBIT 7: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND ALL OTHER CONTRIBUTING ENTITIES (ALL DOLLAR AMOUNTS IN MILLIONS)

Fiscal Year Ending	Covered Employee Payroll(1)	Actual PERSI Employer Contributions Dollar Amount(2)	Actual ORP Contributions Dollar Amount	Total Actual Employer Contributions	Annual Required Contribution (ARC)(3)	Percentage of ARC Dollars Contributed
6/30/01	$ 1,975.3	$ 193.6	$ 4.3	$ 197.9(4)	$ 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	218.8	97
6/30/05	2,208.7	230.4	5.8	236.2	236.7	100
6/30/06	2,343.5	244.4	6.4	250.8	238.1	105

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

EXHIBIT 8: SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER EXPRESSED AS A PERCENTAGE OF PAYROLL

Fiscal Year Ending	Actual PERSI Employer Contribution %[1]	Annual Required Contribution (ARC) %[2]	Percentage of ARC Contributed
6/30/01	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	97
6/30/05	10.43	10.453	100
6/30/06	10.43	9.885[3]	105

(1) The actual PERSI employer contributions are expressed as a percentage of payroll. Employer contributions aremade as a percentage of actual payroll in accordance with statute and the Board's Funding Policy. Thus, employer contribution rate for GASB disclosure purposes. Dollar amounts shown exclude additional receipts due to merger of retirement systems.

(2) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers the ARC is equal to 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.

(3) See Table C-5 of the valuation for further disclosures. The ARC of 9.885% for the PERSI fiscal year ending June 30, 2006 is based on three months at 10.50% as computed in the 2003 valuation and 9 months at 9.68% as compute in the 2004 valuation.

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

All actuarial calculations are based on our understanding of the statutes governing the Public Employee Retirement System of Idaho, as contained in Sections 59-1301 through 59-1399, inclusive, of the Idaho Code, with amendments effective through July 1, 2006. 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, 2006 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, 2005 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, 2007. 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).

The current contribution rates are set by Board rule. Future scheduled rate increases are not reflected in the July 1, 2006 valuation except where noted.

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

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).

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).

Death Benefits

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

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).

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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December 18, 2006

Retirement Board
Public Employee Retirement System
State of Idaho
P.O. Box 83720
Boise, Idaho 83720-0078

Members of the Board:

Milliman has performed annual actuarial valuations of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990 to July 1, 2000. Since the July 1, 2001 valuation, actuarial valuations have occurred annually. The next actuarial valuation is scheduled for July 1, 2007.

Contribution Rates

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

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

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

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

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

After the July 1, 2006 PERSI and FRF valuation reports were completed, the PERSI Board delayed the effective date of the scheduled contribution rate increases. They are now scheduled to take effect on July 1, 2008 and July 1, 2009.

The total employer contributions for FRF members will also gradually increase to 37.84% / 29.19% by July 1, 2009 due to the increasing PERSI rates.

Funding Status

Based on the July 1, 2006 actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by December 31, 2012 or 6.5 years from the valuation date. This is shorter than the expected amortization period of 8.0 years based on the July 1, 2005 valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over 12 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 $10.0 million due to an asset gain recognized as of July 1, 2006. Specifically, the Fund's assets earned a gross return before expenses of 12.17% for the 2006 plan year, exceeding the actuarial assumption of 7.75%. The UAAL was decreased by $1.2 million due to the mortality assumption changes that were made in conjunction with changes to the mortality assumptions for the PERSI base plan. All experience gains and losses (including the asset gain) over the year resulted in the UAAL being decreased by $11.9 million. Also, the actuarial accrued liability was decreased by $6.5 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. The funding status increased from a 73.5% funding ratio on July 1, 2005 to 79.7% on June 30, 2006. 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, 2006 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 mortality assumptions for the plan were changed on July 1, 2006 in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006 valuation.

Aside from the mortality assumption, there were no changes in actuarial assumptions between the July 1, 2005 and July 1, 2006 valuations. The next major PERSI experience study, to be completed in 2008, will cover the period July 1, 2003 through June 30, 2007.

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, 2006 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

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Consulting Actuary

KIS/RLS/pap

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2006

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, 2006)

The mortality rates used for all members of the Fund, active and retired, are from the RP-2000 Combined Mortality Table for males with generational mortality adjustments, with ages unadjusted. The mortality rates assumed for spouses are from the RP-2000 Combined Mortality Table for females with generational mortality adjustments, with ages set back one year. For disabled members, the mortality rates used in the valuation are from the RP-2000 Mortality Table for disabled males with generational mortality adjustments, set back two years. These tables are illustrated in Table A-4A of the July 1, 2006 valuation report.

The Generational mortality adjustments provide a margin for future mortality improvements. The adjustments are applied from the base year of the tables (2000) to the year in which the mortality assumption is applied. The adjustments are done using the standard RP-2000 projection scale (Scale AA). These tables are illustrated in Tables A-4A and A-4B of the July 1, 2006 valuation report.

6. Disability Retirement (Adopted July 1, 1996)

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

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

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

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

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

8. Future Salaries (Adopted July 1, 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, 2006 amounted to \$4,155,314 or approximately 9.23% 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, 2001 through June 30, 2005, and reviewed the mortality assumptions. All assumptions except mortality will be studied in 2008 for the period July 1, 2003 to June 30, 2007. 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 mortality assumptions were modified as of July 1, 2006 in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006 valuation report. 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.

Idaho Firefighters' Retirement Fund

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

		Annual Salaries		
Valuation Date July 1	Number	Total(1)	Average	Annual Increase in Average
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
2005	20	1,526,466	76,323	12.8
2006	13	1,034,693	79,592	4.3

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

Idaho Firefighters' Retirement Fund

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

Valuation Date July 1	Number Total	Number Added	Number Removed	COLA Increases Granted Previous January 1
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
2005	599	25	8	4.33
2006	597	10	12	4.36

Valuation Date July 1	Annual Benefits Total[2]	Annual Benefits Added[3]	Annual Benefits Removed	Annual Benefits Average	Annual Benefits Increases in Average
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
2005	21,699,127	1,833,685	229,634	36,226	4.9
2006	22,636,930	1,320,848	383,045	37,918	4.7

(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 $16,777,330 of the 2006 total.

(3) Includes postretirement increases.

Idaho Firefighters' Retirement Fund

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS

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
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
2005	227.2	309.1	81.9	73.5	42.2	194.1
2006	248.8	312.3	63.5	79.7	45.0	141.1

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

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

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

Idaho Firefighters' Retirement Fund

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

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Liabilities[1] for (A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	Portion of Actuarial Liabilities Covered by Assets (A)	(B)	(C)
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
2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0

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

Idaho Firefighters' Retirement Fund

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

	Gain (Loss) for Period		
	2003-2004	**2004-2005**	**2005-2006**
Investment Income Investment income was greater (less) than expected.	$ 17.9	$ 6.2	$ 10.0
Pay Increases Pay increases and COLAs were less (greater) than expected.	6.3	1.1	0.4
Death After Retirement Retirees died younger (lived longer) than expected.	6.8	–	–
Other Miscellaneous gains (and losses) resulting from other causes.	1.9	(2.2)	0.3
Total Gain (Loss) During the Period From Actuarial Experience	$ 32.9	$ 5.1	$ 10.7
Contribution Income Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	3.0	5.2	6.5
Non-Recurring Items Changes in actuarial assumptions and benefits caused a gain (loss).	(0.1)	None	1.2
Composite Gain (Loss) During the Period	$ 35.8	$ 10.3	$ 18.4

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

Idaho Firefighters' Retirement Fund

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

Fiscal Year Ending	Covered Employee Payroll (1)	Statutory Employer Contributions (2)	Additional Employer Contributions (2)	Insurance Premium Payment from the State	Total Employer Contributions	Annual Required Contribution (ARC) (3)	Percentage of ARC Contributed
	Actual Dollar Amounts						
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
2005	42,198,856	181,916	7,275,080	4,268,619	11,725,615	7,225,585	162.3
2006	45,012,038	106,814	7,760,075	4,155,314	12,022,203	6,455,083	186.2

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

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

(3) *Starting July 1, 1996, the Annual Required Contributions (ARC) 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 Table D-2 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).*

Idaho Firefighters' Retirement Fund

EXHIBIT 8: CONTRIBUTION RATES AS A PERCENT OF PAY

	State Contributions	Employer Contributions				Total Employer Contributions For Members	
Year[1]	Fire Insurance Premium Tax[2]	PERSI Rate	Statutory FRF Rate	Additional Rate	Social Security	Hired Before 10/1/80[3]	Hired After 9/30/80[4]
Effective Date:	July 1	October 1	January 1	October 1	January 1	October 1	October 1
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
2005	6.70	10.73	8.65	17.24	7.65	36.62	35.62
2006	6.60	10.73	8.65	17.24	7.65	36.62	35.62

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

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

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

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

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

This exhibit outlines our understanding of the laws governing the Firefighters' Retirement Fund (FRF), compared with the provisions that apply to firefighters of the Public Employee Retirement System of Idaho (PERSI), as contained in Sections 59-1301 through 59-1399 for PERSI and Sections 72-1401 through 72-1472 for FRF, inclusive of the Idaho Code through July 1, 2005. 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, 2006

	Public Employee Retirement System	Firefighters' Retirement Fund
Member Contribution Rate	7.65% of salary, increasing to 8.53% by July 1, 2008.	11.45% of salary.[(1)]
Service Retirement Allowance		
Eligibility	Age 60 with five years of service, including six months of membership service.	20 years of service.[(2)]
Amount of Annual Allowance	2.30% of the highest 3.5-year average salary for each year of credited service.	40% of final five-year average salary [(1)] plus 5.00% of average salary for each year of service in excess of 20 years.
Maximum Benefit	100% highest three-year average salary.	65% of final five-year average salary. [(1)]
Minimum Benefit	For retirement during or prior to 1974, $72 annual allowance for each year of service, increasing in subsequent years at the rate of cost-of-living increases in retirement allowances.	None.

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

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

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

		Public Employee Retirement System	Firefighters' Retirement Fund
Non-Duty Disability Retirement Allowance			
	Eligibility	Five years of membership service.	Five years of service.[2]
	Amount of Annual Allowance	Projected service retirement allowance based on accrued service plus service projected to age 60 (projected service is limited to excess of 30 years over accrued service), less any amount payable under workers' compensation law.	2.00% of final five-year average salary[1] times years of service[2], or same as service retirement benefit if eligible.
	Normal Form	Temporary annuity to age 60 plus any death benefit.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.
Duty Disability Retirement Allowance			
	Eligibility	If hired after July 1, 1993, no service requirement, otherwise same as non-duty disability retirement.	No age or service requirements.
	Amount of Annual Allowance	Same as non-duty disability retirement.	65% of final five-year average salary.
	Normal Form	Same as non-duty disability retirement.	Same as non-duty disability retirement.
Special Disability Benefit			
	Eligibility	Firefighters hired October 1, 1980 and prior to July 1, 1993, with less than 10 years of service.	None.
	Benefit	Same as FRF disability benefit.	None.

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

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

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

	Public Employee Retirement System	Firefighters' Retirement Fund
Death Benefits Before Retirement		
Eligibility	Five years of service for surviving spouse's benefit.	Non-duty death: Five years of service.[2] Duty death: No service requirement. Benefits are payable to surviving spouse or, if no eligible surviving spouse, to unmarried children under 18.
Amount of Benefit	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.

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

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

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

October 20, 2006

Retirement Board
Public Employee Retirement System of Idaho
607 North 8th Street
Boise, Idaho 83702

Re: Actuarial Review

Dear Members of the Board:

At your request, we have performed a review of the 2004 and 2006 Investigations of Experience and the July 1, 2006 Annual Actuarial Valuation of the Public Employee Retirement System of Idaho (PERSI).

We find that the actuarial assumptions and methodologies appropriately develop actuarial values of the System. We have also replicated the results of the July 1, 2006 actuarial valuation, and there are no material differences in the valuation results.

Our specific findings are:

- The actuarial assumptions used in the valuations are reasonable and appropriate. We have identified a few areas where consideration of refinement may be warranted.
- The Entry Age Normal Funding Method is appropriate. Although the method as applied in the PERSI valuations utilizes the normal cost percentage somewhat differently than the usual application of the method, the modification does not materially impact the funding of the System.
- PERSI uses market value of assets in the actuarial valuation. This is a reasonable approach, but we have suggested that PERSI consider the pros and cons of using an asset valuation method that would smooth out short-term fluctuations in market value.
- Milliman is performing the actuarial function in a reasonable and acceptable manner.
- The valuations were prepared by fully qualified actuaries in accordance with applicable Actuarial Standards of Practice.
- The contribution rates recommended are reasonable and consistent with the funding objective of PERSI.
- Valuation results are reasonable and based on the appropriate benefits as described in the Idaho Statute.

We wish to thank Alan Winkle, PERSI staff, and Milliman, without whose willing cooperation this review could not have been completed.

Sincerely,

W. James Koss, ASA, EA, MAAA

Alan E. Sonnanstine, ASA, MAAA

WJK/AES:dm

STATISTICAL SECTION

Helping public employees build a secure retirement.

The System is the administrator of six fiduciary funds including two defined benefit retirement plans - the Public Employee Retirement Fund Base Plan (PERSI Base Plan) and the Firefighters' Retirement Fund (FRF); two defined contribution plans - the Public Employee Retirement Fund Choice Plans 401(k) and 414(k) (PERSI Choice Plan); and two Sick Leave Insurance Reserve Trust Funds – one for state employers and one for school district employers. The data in Tables 1 through 4 of this section was provided by the System's actuary, and the data in the remaining tables was provided by the System's own records. In May 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 44, *Economic Condition Reporting: The Statistical Section* that amended previous guidance on the preparation of this section. The new guidance improves the understandability and usefulness of the Statistical Section by addressing many comparability problems that have developed in practice with the new financial reporting model. PERSI implemented this statement for FY 2006.

During FY 2006, the number of active PERSI members increased from 64,391 to 64,762. The number of retired members or annuitants receiving monthly allowances increased from 27,246 to 28,438. The number of inactive members who have not been paid a separation benefit increased from 20,028 to 21,848. Of these inactive members, 9,069 have achieved vested eligibility. Total membership in PERSI increased from 111,665 to 115,048 during the fiscal year. Table 1 of this section illustrates the diversity of our employee membership, and Table 2 shows how the membership distribution of active, retired, and inactive members has changed over the years.

As of June 30, 2006, there were approximately 700 public employers in Idaho who were PERSI members. Tables 7 and 8 of this section illustrate the diversity of our employer participation.

Table 1

Schedule of Membership Distribution by Group

	Active Members			Inactive Members			Retirees	
	Vested	Non-vested	Total	Vested	Non-vested	Total		Total
Cities	3,966	2,483	6,449	1,311	938	2,249	2,558	11,256
Female	1,138	846	1,984	392	327	719	904	3,607
Male	2,828	1,637	4,465	919	611	1,530	1,654	7,649
Counties	3,916	3,072	6,988	719	1,243	1,962	2,344	11,294
Female	1,921	1,524	3,445	408	646	1,054	1,207	5,706
Male	1,995	1,548	3,543	311	597	908	1,137	5,588
Schools	19,079	9,800	28,879	3,057	5,322	8,379	11,691	48,949
Female	14,180	7,402	21,582	2,411	4,109	6,520	8,051	36,153
Male	4,899	2,398	7,297	646	1,213	1,859	3,640	12,796
State	11,531	6,523	18,054	3,058	4,264	7,322	8,814	34,190
Female	5,890	3,614	9,504	1,731	2,409	4,140	4,192	17,836
Male	5,641	2,909	8,550	1,327	1,855	3,182	4,622	16,354
All others	2,723	1,669	4,392	924	1,012	1,936	3,031	9,359
Female	862	695	1,557	431	666	1,097	1,288	3,942
Male	1,861	974	2,835	493	346	839	1,743	5,417
Grand total	41,215	23,547	64,762	9,069	12,779	21,848	28,438	115,048
Female	23,991	14,081	38,072	5,373	8,157	13,530	15,642	67,244
Male	17,224	9,466	26,690	3,696	4,622	8,318	12,796	47,804

Table 2

Schedule of Changes in Membership

	Active Members			Retired Members		Inactive Members
Fiscal Year Ended	Number	Average Age	Average Years of Service	Number	Average Age	Number
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
2005	64,391	46.0	10.2	27,246	72.1	20,028
2006	64,762	46.2	10.4	28,438	72.0	21,848

Table 3

Schedules of Retired Members by Type of Benefit

PERSI BASE PLAN

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	5,532	4,691	19	822	1,273	4,259
251 - 500	4,789	4,123	74	592	896	3,893
501 - 750	3,551	3,012	151	388	687	2,864
751 - 1,000	2,779	2,351	161	267	553	2,226
1,001 - 1,250	2,223	1,858	178	187	469	1,754
1,251 - 1,500	1,835	1,550	160	125	428	1,407
1,501 - 1,750	1,466	1,295	113	58	389	1,077
1,751 - 2,000	1,125	988	94	43	313	812
Over 2,000	5,138	4,821	218	99	1,657	3,481
Totals	28,438	24,689	1,168	2,581	6,665	21,773

(Continued)

Schedules of Retired Members by Type of Benefit

FIREFIGHTERS' RETIREMENT FUND

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
$0 - 250	9	7	0	2	7	2
251 - 500	9	4	1	4	5	4
501 - 750	14	11	1	2	12	2
751 - 1,000	19	14	2	3	16	3
1,001 - 1,250	20	17	2	1	19	1
1,251 - 1,500	29	21	1	7	22	7
1,501 - 1,750	47	37	4	6	41	6
1,751 - 2,000	61	49	5	7	54	7
Over 2,000	389	275	28	86	303	86
Totals	597	435	44	118	479	118

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

Monthly benefit refers to the benefit payable by the FRF plan (total benefit less PERSI benefit).
All FRF retirees and disableds are valued with two benefits and two options.
1) The benefit payable by the FRF plan is valued using a Straight Life option.
2) The total benefit is valued using a Spouse Reversionary option (spouse benefit payable upon the death of the retiree or disabled).
All FRF beneficiaries are valued using a Straight Life option.

PERSI CHOICE PLAN

Amount of Monthly Benefit	Total Number of Retirees	Both 414(k) and 401(k)	414(k) Only	401(k) Only
$0 - 250	13	10	2	1
251 - 500	8	6	2	0
501 - 750	3	3	0	0
751 - 1,000	6	6	0	0
1,001 - 1,250	1	1	0	0
1,251 - 1,500	0	0	0	0
1,501 - 1,750	0	0	0	0
1,751 - 2,000	1	1	0	0
Over 2,000	0	0	0	0
Totals	32	27	4	1

(Concluded)

Table 4

Schedules of Average Benefit Payments

PERSI Base Plan

Retirement Effective Dates	Years Credited Service						
	< 5*	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Period 7/1/96 to 6/30/97							
Average monthly benefit	$740	$261	$512	$717	$1,110	$1,698	$2,364
Number of retired members	191	224	181	187	171	167	172
Period 7/1/97 to 6/30/98							
Average monthly benefit	$668	$283	$485	$732	$1,165	$1,783	$2,448
Number of retired members	94	220	185	179	163	175	187
Period 7/1/98 to 6/30/99							
Average monthly benefit	$715	$260	$543	$833	$1,131	$1,922	$2,702
Number of retired members	82	191	206	192	199	196	189
Period 7/1/99 to 6/30/00							
Average monthly benefit	$553	$277	$524	$825	$1,236	$1,901	$2,690
Number of retired members	79	216	187	180	195	219	232
Period 7/1/00 to 6/30/01							
Average monthly benefit	$699	$321	$531	$863	$1,353	$2,158	$2,923
Average final average salary	$716	$1,797	$2,022	$2,443	$2,892	$3,392	$3,862
Number of retired members	89	224	243	229	241	243	323
Period 7/1/01 to 6/30/02							
Average monthly benefit	$547	$282	$572	$928	$1,355	$2,168	$3,036
Average final average salary	$861	$1,647	$2,223	$2,611	$2,916	$3,583	$4,009
Number of retired members	79	224	262	203	235	198	292
Period 7/1/02 to 6/30/03							
Average monthly benefit	$619	$312	$595	$944	$1,553	$2,176	$3,031
Average final average salary	$1,394	$2,041	$2,278	$2,621	$3,184	$3,677	$4,171
Number of retired members	73	258	248	254	242	266	408
Period 7/1/03 to 6/30/04							
Average monthly benefit	$468	$261	$565	$942	$1,481	$2,275	$3,262
Average final average salary	$1,444	$1,768	$2,290	$2,752	$3,154	$3,874	$4,351
Number of retired members	71	303	230	247	257	298	368
Period 7/1/04 to 6/30/05							
Average monthly benefit	$342	$321	$619	$978	$1,512	$2,163	$3,045
Average final average salary	$1,645	$2,076	$2,515	$2,908	$3,334	$3,841	$4,428
Number of retired members	63	283	283	269	273	290	410
Period 7/1/05 to 6/30/06							
Average monthly benefit	$271	$278	$602	$962	$1,383	$2,120	$3,001
Average final average salary	$1,259	$1,874	$2,455	$2,982	$3,334	$3,867	$4,477
Number of retired members	56	275	280	287	266	328	447

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

Creditable data not available for average final average salary for years 1996 thru 2000.

(Continued)

Schedules of Average Benefit Payments

Firefighters' Retirement Fund

Retirement Effective Dates	**Years Credited Service**						
	< 5	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Period 7/1/01 to 6/30/02							
Average monthly benefit				$2,927	$1,672		
Average final average salary				*	$4,140		
Number of retired members				1	24		
Period 7/1/02 to 6/30/03							
Average monthly benefit					$1,544		
Average final average salary					*		
Number of retired members					22		
Period 7/1/03 to 6/30/04							
Average monthly benefit					$1,283	$1,829	
Average final average salary					$4,449	*	
Number of retired members					14	2	
Period 7/1/04 to 6/30/05							
Average monthly benefit					$865		
Average final average salary					$3,714		
Number of retired members					25		
Period 7/1/05 to 6/30/06							
Average monthly benefit					$1,152	$823	
Average final average salary					*	$4,639	
Number of retired members					2	7	

Benefits payable by the FRF Plan are net of PERSI benefits.

Creditable data not available for years 1996 thru 2001.

**Average final average salary is not the basis for calculating benefits on the classes of firefighters in this group.*

(Continued)

Schedules of Average Benefit Payments

PERSI Choice Plan

Retirement Effective Dates				**Years of Service**			
	< 5*	**5 - 10**	**10 - 15**	**15 - 20**	**20 - 25**	**25 - 30**	**30+**
Period 7/1/00 to 6/30/01							
Average monthly benefit			$150				
Number of retired members			1				
Period 7/1/01 to 6/30/02							
Average monthly benefit			$250	$250	400		
Number of retired members			1	1	1		
Period 7/1/02 to 6/30/03							
Average monthly benefit					$250		$225
Number of retired members					1		1
Period 7/1/03 to 6/30/04							
Average monthly benefit			$500	$400		$42	
Number of retired members			1	2		1	
Period 7/1/04 to 6/30/05							
Average monthly benefit		$1,000	$580	$300	$300	$300	$875
Number of retired members		1	2	3	2	1	1
Period 7/1/05 to 6/30/06							
Average monthly benefit		$1,386	$1,100	$200	$683	$594	
Number of retired members		3	2	1	3	3	

Plan inception was February 1, 2001

** - Average final average salary data not applicable for this defined contribution plan. The average monthly benefit is determined by the retiree and can vary significantly based on the number of months the retiree chooses to receive payments.*

(Concluded)

Table 5

Schedules of Benefit Expenses by Type (1)

Fiscal Year	Age & Service Benefits: Retirees	Age & Service Benefits: Survivors (3)	Disabilities: Retirees (2): Pre-NRA	Disabilities: Retirees (2): Post-NRA	Disabilities: Survivors	Refunds: Death	Refunds: Separation	Total
PERSI BASE PLAN and FRF								
2001	$227,350,223	$22,501,874	$6,682,375	$5,725,127	(3)	$4,570,629	$20,207,120	$287,037,348
2002	232,856,198	17,968,893	7,959,961	5,150,169	$21,516	4,310,763	21,799,204	290,066,704
2003	256,035,493	18,866,589	9,035,051	5,500,590	22,042	4,481,725	20,154,162	314,095,652
2004	280,763,933	19,735,004	11,273,747	5,675,595	22,619	6,277,761	20,192,340	343,940,999
2005	307,745,370	20,840,882	12,909,391	5,781,296	352,314	3,133,222	21,768,619	372,531,094
2006	342,794,760	22,205,546	13,694,529	6,088,943	387,844	5,386,912	22,945,895	413,504,429
PERSI CHOICE PLAN								
2001	$899,539							
2002	2,466,580							
2003	1,951,818							
2004	2,219,650							
2005	3,403,187							
2006	3,963,574							
SICK LEAVE INSURANCE RESERVE TRUST FUND								
2001	$5,825,545							
2002	6,656,435							
2003	7,852,029							
2004	9,164,531							
2005	10,600,252							
2006	10,453,640							

(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) Benefit amounts are not available. For 2001, the split of benefit amounts by survivor type was not available. All survivors are included with the Age & Service Benefits survivors.

(4) Prior to 2004, the Sick Leave Insurance Reserve Fund was classified as an agency fund and a Statement of Changes was not compiled.

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

Schedule of Historical Cost-of-Living Adjustments

Year	CPI Rate	PERSI COLA Rate (1)	Maximum COLA	Difference	
1979	8.90%	6.00%	6.00%	0.00%	
1980	12.2	6	6	0.00	
1981	12.6	6	6	0.00	
1982	10.2	6	6	0.00	
1983	5.1	5.1	5.1	0.00	
1984	2.9	2.9	2.9	0.00	
1985	4.2	4.2	4.2	0.00	
1986	3.2	1	3.2	2.20	(2)
1987	1.5	1.5	1.5	0.00	
1988	4.5	1	4.5	3.50	(2)
1989	4.2	1	4.2	3.20	(2)
1990	4.7	4.7	4.7	0.00	
1991	5.6	5.6	5.6	0.00	
1992	3.8	3.8	3.8	0.00	(3)
1993	3.1	3.1	3.1	0.00	(3)
1994	2.8	2.8	2.8	0.00	(3)
1995	2.9	2.9	2.9	0.00	
1996	2.6	2.6	2.6	0.00	
1997	2.9	2.9	2.9	0.00	
1998	2.2	2.2	2.2	0.00	
1999	1.6	1.6	1.6	0.00	(3)
2000	2.3	2.3	2.3	0.00	
2001	3.4	3.4	3.4	0.00	
2002	2.7	2.7	2.7	0.00	
2003	1.8	1	1.8	0.80	(2)
2004	2.2	2.2	2.2	0.00	
2005	2.7	2.7	2.7	0.00	(3)
2006	3.6	3.6	3.6	0.00	

1 For years 1979 through 1986, adjustments were effective January 1. Beginning in 1987, adjustments were were effective March 1.

2 The discretionary portion of the COLA was not approved.

3 Retro-active COLA was effective for the discretionary portion that was not approved in prior years.

Table 7

Schedule of Changes in Net Assets
(Last 10 fiscal years)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Additions:										
Employee contributions	$115,599,984	$109,305,482	$110,900,497	$118,270,877	$127,533,104	$135,637,682	$145,862,839	$148,726,798	$167,192,092	$180,225,413
Employer contributions (1)	193,604,102	180,322,741	181,659,638	191,534,944	131,997,290	220,398,889	217,096,030	241,063,204	264,113,386	280,102,208
Investment income (2)	129,568,877	144,779,498	165,730,848	201,552,566	203,096,882	162,149,168	171,792,158	179,934,208	200,437,219	227,638,411
Gains and losses	627,809,854	683,857,465	473,925,423	628,751,044	(669,224,044)	(663,804,822)	40,395,034	1,001,322,358	619,037,925	799,752,931
Transfers/Rollovers In (3)					56,560,935	1,341,525	2,062,334	3,318,115	8,275,628	6,246,072
Other income	407,761	385,412	411,586	301,280	386,742	137,215	132,967	77,694	159,912	143,166
Total additions to plan net assets	$1,066,990,578	$1,118,650,598	$932,627,992	$1,140,410,711	($149,649,091)	($144,140,343)	$577,341,362	$1,574,442,377	$1,259,216,162	$1,494,108,201
Deductions:										
Benefit payments	$168,717,822	$182,788,207	$200,025,199	$220,960,251	$263,159,138	$266,887,469	$291,220,969	$328,787,900	$362,205,823	$400,122,778
Refunds	18,966,734	23,019,945	19,938,836	24,560,909	24,777,749	25,645,815	24,826,501	26,537,280	24,328,709	29,580,469
Administrative Expenses	3,246,044	3,172,208	3,596,797	4,283,525	5,874,271	7,034,588	6,614,117	6,991,503	7,169,254	7,361,536
Transfers/Rollovers Out (3)					56,589,222	829,922	1,555,049	1,976,643	3,457,942	4,040,722
Total deductions to plan net assets	$190,930,600	$208,980,360	$223,560,832	$249,804,685	$350,400,380	$300,397,794	$324,216,636	$364,293,326	$397,161,728	$441,105,505
Change in net assets	$876,059,978	$909,670,238	$709,067,160	$890,606,026	($500,049,471)	($444,538,137)	$253,124,726	$1,210,149,051	$862,054,434	$1,053,002,696

1 *Employer contributions for 2001 did not include $77,690,500 of employer gain sharing credits.*
2 *Investment income is reported net of investment expense.*
3 *Transfers and rollovers began in 2001 with Gain Sharing distributions and the addition of the PERSI Choice Plan.*

Table 8

Schedule of Principal Participating Employers

2006

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	18,053	1	28%
Meridian School District	3,092	2	5%
Boise Ind School District	3,032	3	5%
Ada County	1,366	4	2%
Pocatello School District	1,332	5	2%
Nampa School District	1,312	6	2%
City of Boise	1,219	7	2%
Idaho Falls School District	1,039	8	2%
Coeur d`Alene School District	1,036	9	2%
Bonneville School District	805	10	1%
All other	32,476		50%
Total (692 employers)	**64,762**		**100%**

1997

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	17,496	1	29%
Boise Ind School District	2,777	2	5%
Meridian School District	1,908	3	3%
University of Idaho	1,711	4	3%
Pocatello School District	1,350	5	2%
Idaho Falls School District	1,132	6	2%
Boise State Univ	1,030	7	2%
Ada County	1,025	8	2%
City of Boise	941	9	2%
Nampa School District	891	10	1%
All other	29,668		50%
Total (617 employers)	**59,929**		**100%**

Table 9

Schedule of Public Entities Participating in PERSI

State Agencies

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

Counties

Ada County
Adams County
Bannock County
Bear Lake County
Benewah County
Bingham County
Blaine County
Boise County
Bonner County
Bonneville County
Boundary County
Butte County
Camas County
Canyon County
Caribou County
Cassia County
Clark County
Clearwater County
Custer County
Elmore County
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

Cities

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

City of Bovill
City of Buhl
City of Burley
City of Caldwell
City of 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 Newdale
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 MackayCity 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

Water and Sewer Districts

Ada County Drainage District #2
Aberdeen-Springfield Canal Co.
American Falls Reservoir District#1
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
Caldwell Irrigation Lateral District
Canyon Hill Irrigation District
Cataldo Water District
Central Orchards Sewer District
Central Shoshone County Water District
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 DistrictLake 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
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

South Fork Coeur d' Alene Sewer
Southside Water & Sewer District
Sun Valley Water & Sewer District
Twin Falls Canal Company
Valley Soil & Water Conservation
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

Highway Districts

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
Deer Creek 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
So. Latah County Hwy 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
White Bird Highway District
Winona Highway District
Worley Highway 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
Compass Public Charter School
Cottonwood School District
Council School District
Culdesac School District
Dietrich School District
Emmett School District
Falcon Ridge Charter School
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 Arts Charter School
Idaho Distance Education Academy
Idaho Falls School District
Idaho High School Activities Assoc.
Idaho Leadership Academy
Idaho Virtual Academy
Inspire Virtual Charter School
Jerome School District
Kamiah School District
Kellogg School District
Kendrick School District
Kimberly School District
Kootenai School District
Kuna School District
Lake Pend Oreille School District
Lakeland School District
Lapwai School District
Lewiston Independent School District
Liberty Charter School
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 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
Prairie School District
Preston School District
Richard McKenna Charter HS
Richfield School District
Rigby School District
Ririe School District
Rockland School District
Rolling Hills Charter School
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
Thomas Jefferson Charter School
Troy School District
Twin Falls School District
Upper Carmen Charter School
Valley School District
Vallivue School District
Victory Charter School
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

Other

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

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 Cty. Housing Auth.
Caldwell Housing Authority
Canyon County Org. on Aging
Capital City Development Corp.
Caribou Soil Conservation District
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 Co. Reciprocal Mgmt. Program
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
Marsing-Homedale Cemetery
Meridian Cemetery District
Moscow Cemetery District
Nampa Housing Authority
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

W. Bonner Cemetery Maintenance

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
Latah County Library
Madison County Library District
Meadows Valley Public Library District

Meridian Free 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

Stanley Community Library
Valley of Tetons District Library Board

West Bonner Library 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

Franklin County Fire District
Gem County Fire Protection District

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 County Emergency Medical

Kootenai County Rescue
Kuna Fire District

Lewiston Fire Department
McCall Rural Fire District
Mica Kidd Island Fire District
Moscow Fire Department
Nampa Fire Department
No. Ada CtyFire/Rescue District

No. Ada Cty Fire/Rescue Volunteers
Northern Lakes Fire Protection District

Northside Fire District
Payette Fire Department
Plummer-Gateway Fire Protect. Dist.

Pocatello Fire Department
Rexburg-Madison Fire Dept.
Sagle Fire District
Saint Maries Fire Protection District
Sandpoint Fire Department
Shoshone County Fire Dist. #1
Shoshone County Fire Dist. #2
Shoshone Co. Fire Protection Dist #2

South Central Region E911
So. Idaho Timber Protection Assoc.
Spirit Lake Fire Protection District
Star Joint Fire Protection District
Teton County Fire Protection District
Timberlake 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

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

- Comprehensive Annual Financial 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. Additional PERSI information can be found on PERSI's Web site at www.persi.idaho.gov.

PERSI Office Locations:

Boise

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

Coeur d'Alene

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

Pocatello

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

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PERSI
Public Employee Retirement System of Idaho

The costs associated with this publication are available from the Public Employee Retirement System of Idaho in accordance with Section 60-202, Idaho Code.