PERSI

Public Employee Retirement System of Idaho
A Component Unit of the State of Idaho

2011 Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2011

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This 2011 Comprehensive Annual Financial Report was prepared by:

Financial:	James E. Monroe, CPA, Financial Officer
	Debbie Buck, CGFM, Senior Accountant
	Cecile McMonigle, Portfolio Accountant
Investments:	Robert M. Maynard, Chief Investment Officer
	Richelle Sugiyama, Investment Officer
Administration:	Patrice A. Perow, Public Information Officer

Thanks and appreciation to those who provided accurate, timely information for this report.
Cover photo courtesy of PERSI trainer Mike Mitchell.

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Introductory Section

Helping Idaho public employees
build a secure retirement.

PERSI MISSION STATEMENT

To provide a sound retirement system and high quality service and education to help Idaho public employees build a secure retirement.

CORE VALUES

VISION

To be the premier public retirement system, respected by customers, peers, and the community, and known for professional service, technological advancement, and fund stability.

FIDUCIARY DUTY OF LOYALTY

The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an "eye single" to the interests of the beneficiaries. PERSI is required by law to make all its decisions solely in the interest of the beneficiaries and to avoid, at all costs, serving the interests of any other party not a beneficiary of the system.

C.L. “Butch” Otter, Governor, State of Idaho

RETIREMENT BOARD

Jody B. Olson, Chairman
Term expires July 1, 2012

Jeff Cilek
Term expires July 1, 2015

William “Bill” Deal
Term expires July 1, 2013

Joy Fisher
Term expires July 1, 2014

J. Kirk Sullivan
Term expires July 1, 2016

PERSI ADMINISTRATIVE STAFF

Donald D. Drum, Executive Director
Ray Polzin, Deputy Director
Robert M. Maynard, Chief Investment Officer
Joanna Guilfoy, Deputy Attorney General
Patrice A. Perow, Public Information Officer
James E. Monroe, Chief Financial Officer
Larry Sweat, Information Technology Manager
Diane Kaiser, Defined Contribution Manager
Shawnda Kasma, Retirement Center Manager
Debbie Buck, Employer Service Center Manager
Kimberlee Hall, Answer Center Supervisor
Lisa Conn, Processing Center Supervisor

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Boise, ID
Auditor:	Eide Bailly LLP, Boise, ID
Medical:	Sedgwick CMS, Memphis, TN United Review Services, Inc., Piscataway, NJ
Investment:	Callan Associates, Inc., San Francisco, CA CS Capital Management, Inc., Atlanta, GA Berkadia Commercial Mortgage, LLC Horsham, PA Hamilton Lane Advisors, LLC, Philadelphia, PA Alban Row, LLC, Mt. Pleasant, SC Robert Storer, Juneau, AK Chartwell Consulting, LLC, Bedford, NH
Legal:	Foster Pepper, PLLC, Seattle, WA Whiteford, Taylor & Preston, LLP, Baltimore, MD
Other:	ACS HR Solutions, LLC, Woburn MA Mellon Transition Management Services, San Francisco, CA
Investment Custodians:	Bank of New York Mellon Asset Servicing, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Advent International Corp., Boston, MA
Adelante Capital Management LLC, Berkeley, CA
American Securities Opportunities Associates, LLC, New York, NY
Apollo Management, LP, Purchase, NY
Bank of New York Mellon, San Francisco, CA
Baring America Asset Management, Inc., Boston, MA
Blackstone Group, LP, New York, NY
Brandes Investment Partners, LP, San Diego, CA
Bridgepoint Capital LTD, London
Capital Guardian Trust Company, Brea, CA
Cascade Affordable Housing, LLC Seattle, WA
Cerberus Capital Management, L.P., New York, NY
Clearwater Advisors LLC, Boise, ID
CVC Capital Partners Advisory Co. LTD, London
D.B. Fitzpatrick & Co., Inc., Boise, ID
Donald Smith & Co., Inc., New York, NY
EPIC Ventures, LLC, Salt Lake City, UT
Enhanced Equity Partners, LLC, New York, NY
First Reserve Corporation, Greenwich, CT
Frazier Technology Ventures Management, LP, Seattle, WA
FS Private Investments, LLC, New York, NY
Galen Management, LLC, Stamford, CT
Genesis Asset Managers, LTD, London
Goense Bounds Management, LP, Chicago, IL
Hamilton Lane Advisors, LLC, Baja Cynwyd, PA
Harvest Associates III, LLC, New York, NY
Highway 12 Capital Partners, LLC, Boise, ID
Ida-West Operating Services, Inc., Boise, ID
JH Whitney Equity Partners VI, LLC, New Canaan, CT
Kohlberg Kravis Roberts & Co., LP, New York, NY
Kohlberg Management, LLC, Mt Kisko NY
Leonard Green & Partners, LP, Los Angeles, CA
Lindsay Goldberg & Bessemer, LLC, New York, NY
Littlejohn Associates, LLC, Greenwich, CT
Longview Partners, LP, London
McCown De Leeuw & Co. IV, LLC, Menlo Park, CA
Mondrian Investment Partners, LTD., London
Mountain Pacific Investment Advisers, Inc., Boise, ID
Nautic Partners, LLC, Providence, RI
Oaktree Capital Management, LLC, Los Angeles, CA
Olympic Investors, LLC, Seattle, WA
Pareto Partners, LLC, London
Peregrine Capital Management, Inc., Minneapolis, MN
Providence Equity Partners, LLC, Providence, RI
Prudential Investment Management LLC, Newark, NJ
Sanford C. Bernstein & Co. LLC, New York, NY
State Street Global Advisors, Boston, MA
TPG Capital, LP, Fort Worth, TX
The Gores Group, LLC, Los Angeles, CA
The Koll Company, LLC, Newport Beach CA
Tukman Grossman Capital Management, Inc., Larkspur, CA
Veritas Capital, LP New York, NY
W. Capital Partners, LLC, New York, NY
Western Asset Management Co., Pasadena, CA
Zesiger Capital Group, LLC, New York, NY

Additional information on the above-mentioned investment professionals can be found on pages 68-69 in the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employee Retirement System of Idaho

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

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.

Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration

2011

Presented to

Public Employee Retirement System of Idaho

In recognition of meeting professional standards for
plan funding 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

Donald D. Drum Executive Director	**Joanne Guilfoy** Deputy Attorney General	**Patrice A. Perow** Public Information Officer	**Cheri Campbell** Management Assistant	**Open** Administrative Assistant 1
Ray Polzin Deputy Director	**Mike Mitchell** Trainer	**Melody Hodges** Trainer	**Julisa Adams** Q/A – Q/C	
Wayne Ellis Project Manager	**Open** Project Coordinator	**Steve Jones** Technical Writer		
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 - pp 68-69	
James E. Monroe Chief Financial Officer	**Cecile McMonigle** Portfolio Accountant	**Mike Young** Portfolio Accountant	**Tess Myers** Administrative Assistant 1	
	JoAnne Dieffenbach Financial Technician	**Sharon Simon** Financial Support Technician		
Debbie Buck Sr. Accountant / ESC Manager	**Alice Brown** Financial Technician	**Pam Fowers** Financial Technician	**Barbara Weirick** Financial Technician	
	Brenda Cronin Financial Technician	**Bev Ross** Financial Technician	**Linda Whitney** Financial Technician	
Larry Sweat Information Technology Manager	**Nancy Fauver** IT Database Analyst	**Joy Fereday** IT Programmer Analyst Sr.	**Ryan Evey** IT Programmer Analyst Sr.	**Kris Colt** IT Production Specialist
		Branden Kennah IT Information Sys Tech Sr.	**Stacy Parr** Web Developer	**Randy Graybeal** IT Network Analyst
Kimberlee Hall Answer Center Supervisor	**Dotty Cluck** Customer Service Rep. 1	**Brett Harper** Customer Service Rep. 2	**Gerry Sjol** Customer Service Rep. 2	
	Andrea Colglazier Customer Service Rep. 2	**Katherine Pearce** Customer Service Rep. 2	**Open** Customer Service Rep.	
Shawnda M. Kasma Retirement Center Manager	**Catherine Atchison** Retirement Specialist	**Susan Strouth** Retirement Specialist	**Lisa Mabe** Retirement Specialist	**Sherry Slocum** Administrative Assistant 1
	Lynn Duncan Retirement Specialist	**Jennifer** Whitley Retirement Specialist	**Kari Caven** Retirement Specialist	**Kathi Kaufman** Customer Service Rep. 2
	Cindy Eastman Retirement Specialist	**Shasta Luper** Retirement Specialist	**Open** Retirement Specialist	**Linda Parker** Customer Service Rep. 2
Lisa Conn Processing Center Supervisor	**Cathy Andrews** Imaging Specialist	**Kay Prince** Technical Records Specialist 1	**JD Stewart** Technical Records Specialist 1	
	Denice McGee Technical Records Specialist 1	**Lenna Strohmeyer** Technical Records Specialist 1		
Diane Kaiser DC Plan 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 headquarters office in downtown 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 2011 (FY11), these costs totaled $6,077,880, including $211,600 in depreciation, which is not a cash expenditure and, therefore, not appropriated.

The majority of the System's 63 staff works in the headquarters office located 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. The Deputy Attorney General is assigned to PERSI by the Office of the Attorney General. 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, 2011, it was 6.23% (7.69%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 10.39% (10.73%) as of June 30, 2011.

SERVICE RETIREMENT

ELIGIBILITY

Five years of service and age 65 (age 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, 2011, was 2% (2.3% for police/firefighters) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2011: for each year of service, the monthly minimum benefit allowance was \$23.44 (\$28.13) to a maximum of the member's accrued benefit. Effective March 1, 2011, the monthly minimum benefit allowance was \$23.68 (\$28.41).

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 (age 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. Effective July 1, 2009, public safety officers who are injured in the line of duty and determined to be permanently disabled under Idaho Code 59-1302(12), may be eligible to receive a one-time, lump-sum payment of $100,000.

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:

 a 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 FY11 was 10.74% from January 1 through June 30, 2011 (1% from July 1 through December 31, 2010) compounded monthly per annum.

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). When discretionary COLA adjustments in excess of the 1% are authorized by the Board, they are reported to the Legislature. If the Legislature has not acted on the Board adjustment by the 45th day of the legislative session, the discretionary COLA, if any, becomes effective on March 1 of that 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 net COLA authorized and implemented March 1, 2011 was 1%.

PERSI
Public Employee Retirement System of Idaho

PHONES
Answer Center 208-334-3365
Fax 208-334-3805
Toll-free:1-800-451-8228

Employer Service Center
1-866-887-9525

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

BOISE
607 North 8th Street
Boise, ID 83702-5518

POCATELLO
850 East Center, Ste. "D"
Pocatello, ID 83201

COEUR D' ALENE
2005 Ironwood Pkwy.
Coeur d' Alene, ID 83814

Choice Plan Record Keeper
1-866-437-3774

November 17, 2011

Dear Governor Otter, 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, 2011 (FY11). 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, 2010. This was the 20th 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 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.

For the 9th consecutive year, PERSI has been awarded the *Public Pension Coordinating Council Standards Award*. This award signifies that PERSI complies with the standard benchmarks for public defined benefit systems in the United States. The standards require a high level for the following: comprehensive benefit program, funding adequacy, accepted actuarial and audit practices, investment policy and evaluation, and member communications. This award is given to 50 to 60 public retirement systems each year.

This Letter of Transmittal is intended to serve as an overview of the System and to convey 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 at least every other 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 401 (k) 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.

At the time of inception, the Choice Plan was 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 46th year of operation, the System continued a wide range of services to both employee and employer members. Members may visit the PERSI Web site, call, email, 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. 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.

PERSI's employer units are responsible for reporting and handling retirement transactions and activities. They are provided regular training and assistance through monthly newsletters, employer training sessions throughout the State, and personal contacts with PERSI staff, 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, and Social Security, Medicare, and System benefits.

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2011, the number of active PERSI members decreased from 67,020 to 65,798. The number of retired members or annuitants receiving monthly allowances increased from 33,625 to 35,334. The number of inactive members who have not been paid a separation benefit increased from 24,119 to 25,489. Of these inactive members, 10,468 have achieved vested eligibility. Total membership in PERSI increased from 124,764 to 126,621 during the fiscal year. There are currently 737 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, 2011, the audit was conducted by Eide Bailly, LLP, an independent firm of Certified Public Accountants. Refer to the Independent Auditors' Report for their audit 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. Internal controls have inherent limitations and their costs should not outweigh their benefits. Internal control procedures have been established, and a budget report is prepared for the Board. We believe the internal controls in effect during FY 2011 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 $2,628,746,729 for all pension funds during the fiscal year ended June 30, 2011.

ADDITIONS:	
Contributions	$ 530,620,136
INVESTMENT INCOME:	
Net Appreciation in Fair Value of Investments	1,851,863,723
Interest, Dividends and Other Investment Income	288,071,349
Less: Investment Expenses	(41,850,915)
Net Investment Income	2,098,084,157
OTHER INCOME	42,436
Total Additions	$2,628,746,729

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 2011 are as follows:

DEDUCTIONS:	
Benefits and Refunds	$ 641,990,281
Administrative Expenses	6,077,880
Transfers/Rollovers Out	13,660,821
Total Deductions	$ 661,728,982

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, 2011. 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 4.0% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.0% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2011, 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, 2011 Benefit Date: July 1, 2011
A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors	$ 15,965.2
B. Actuarial Present Value of Total Future Normal Costs for Present Members	$ 3,324.0
C. Actuarial Liability [A - B]	$ 12,641.2
D. ORP Contributions	$ 48.5
E. Actuarial Liability Funded by PERSI Contributions [C-D]	$ 12,592.7
F. Actuarial Value of Assets Available for Benefits	$ 11,360.1*
G. Unfunded Actuarial Liability (funding excess) [E-F]	$ 1,232.6
H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date	8.2 years
I. Funded Ratio [F/E]	90.2%**

* The total available assets are $11,673.4 million, but are reduced by $313.3 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.

** Recognizes the impact of the March 1, 2011 COLA and the scheduled contribution rate increases adopted during the 2010-2011 year.

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 investment return for Fiscal Year 2011 was 20.3% net of investment expenses.

Defined benefit pension systems plan for and make decisions based on the long term (20 to 25 year) nature of pension funding and benefits. PERSI is funded on a sound actuarial basis, which protects future benefits for participants. Over the long-term, the Plan's investment assets have exceeded their expected returns. Short-term fluctuations in investment performance make good headline news, but are much less important when viewed in the long range context of pension plans. Sound investment strategies that are, in the words of CIO Bob Maynard, "Simple, Transparent, and Focused" along with reasonable actuarial assumptions are the key ingredients to a successful, well funded pension plan.

INVESTMENT STRATEGY AND POLICIES

The Retirement Board utilizes and directs 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 investment guidelines and 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.

PERSI's total fund return was 20.18% net of all expenses for Fiscal Year 2011 due to an improvement in the investment market. The policy benchmark return is 7.25%, net of all expenses. PERSI continues to rank in the top quartile when compared to our peer universe of other state-wide public pension funds across the country.

The investment mix at fair value as of the end of Fiscal Year 2011 was 58% domestic equity and global equity, 16% international equity, 26% percent fixed income. The System's investment outlook is long term, allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The portfolio is broadly diversified with additional diversification achieved through domestic and international investing. See the Management's Discussion and Analysis and Investment Section of this report for more detailed analysis and information.

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, 2011, the PERSI Base Plan had an amortization period of 8.2 years and a funding ratio of 90.2% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund remains had an amortization period of 1.6 years. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 51 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for both plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. For a more in-depth discussion of PERSI's funding, see Management's Discussion and Analysis and the Actuarial Section of this report.

MAJOR INITIATIVES

During FY11, PERSI completed a data cleansing project. This effort was undertaken in advance of a technology upgrade to a new line of business software system. Replacing the current system, which is in the final phase of its System Development Life Cycle, and completing the data cleansing will ensure PERSI operates with clean data when the new system is fully operational. The new system, called IRIS (Idaho Retirement Information System), will help streamline business processes, increase and improve customer service, reduce redundancies within the organization, and improve online functionality.

PERSI also initiated an employer education program in FY11. PERSI staff began visiting employers throughout the state to ensure they understand the differences between the Base and the Choice 401(k) plans, to demonstrate the many online tools available on the PERSI website, and to answer transmittal questions. These visits are the first step in preparing employers for the reporting changes that will come when IRIS is fully implemented. PERSI has been able to build a rapport with both new and long-time payroll and human resources personnel with this program.

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	Donald D. Drum, Executive Director	James E. Monroe, Financial Officer

Financial Section

Helping Idaho public employees
build a secure retirement.

EideBailly
CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the pension and other trust funds 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 13, 2010, we expressed an unqualified opinion on the respective financial statements of the pensions and other trust funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the financial statements referred to above present fairly, in all material respects, the plan net assets of the pension and other trusts as of June 30, 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, 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 controls 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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 20 through 27 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying financial information listed as supplemental schedules in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

October 12, 2011
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011 (UNAUDITED)

Management is pleased to provide Management's Discussion and Analysis ("MD&A") of the financial activities of the Public Employee Retirement System of Idaho (the "System" or "PERSI") as of and for the year ended June 30, 2011. The June 30, 2010 amounts are combined and are provided for comparative purposes. This overview and analysis is designed to focus on current known facts and activities and resulting changes.

The System administers six fiduciary funds. These consist of two defined benefit pension trust funds – the PERSI Base Plan and the Firefighters' Retirement Fund (FRF), two defined contribution pension trust funds – the PERSI Choice Plan 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 over $1.9 billion during fiscal year 2011 and $1.0 billion during the fiscal year 2010. The increase in the defined benefit plans was primarily due to an upturn in the investment market. The increases in the Choice Plan 401(k) and Sick Leave Fund were due to contributions exceeding benefits and expenses in addition to market gains. Each fund experienced an increase in net assets. Changes in net assets for the years ended June 30, 2011 and 2010 were as follows:

	2011	2010
PERSI Base Plan	$1,783,121,915	$936,879,889
Firefighters' Retirement Fund	43,299,306	21,774,958
PERSI Choice Plan 414(k)	6,599,836	3,146,864
PERSI Choice Plan 401(k)	79,435,878	51,721,784
Sick Leave Insurance Reserve Fund - State	20,988,099	11,911,232
Sick Leave Insurance Reserve Fund - Schools	33,572,713	19,521,811
Total increase in plan net assets	$1,967,017,747	$1,044,956,538

- 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, 2011 and 2010, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 414(k) and 401(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under investments/Choice Plan.

	2011	2010
PERSI Defined Benefit Plans	20.3%	12.0 %
Sick Leave Insurance Reserve Fund	23.0%	13.4 %

- All of the plans experienced gains in fiscal year 2011 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, 2011 and 2010, was $2.0 billion and $1.1 billion, respectively.

	2011	2010
Net investment income:		
PERSI Base Plan	$1,928,840,263	$1,034,076,759
Firefighters' Retirement Fund	49,210,516	26,588,754
PERSI Choice Plan 414(k)	10,566,899	6,045,241
PERSI Choice Plan 401(k)	58,521,506	27,002,886
Sick Leave Insurance Reserve Fund - State	19,114,477	9,814,139
Sick Leave Insurance Reserve Fund - Schools	31,830,496	16,376,593
Total net investment income	$2,098,084,157	$1,119,904,372

- As of June 30, 2011 and 2010, 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 accrued liability for the Base Plan and FRF are as follows.

	2011 Funding Ratio	Amortization Period	2010 Funding Ratio	Amortization Period
PERSI Base Plan	90.2	8.2	78.9	17.5
Firefighters' Retirement Fund	93.2	1.6	N/A	N/A

For the PERSI defined benefit plans, deductions for benefits and administrative expenses exceeded contributions and other income by $151.6 million and $102 million for Fiscal Years 2011 and 2010, respectively. This increase in negative net cash flow is normal for a mature plan and has been included in our long-range actuarial planning. Investment income over a long time horizon fills in the gap. These changes, combined with investment gains of $2.0 billion in 2011 resulted in assets of the defined benefit plans increasing to $11.7 billion. In 2010 an investment gain of $1.06 billion resulted in net assets for the defined benefit plans increasing to $9.9 billion. The System's actuary uses market value to determine the actuarial value of assets. For the July 1, 2011 and 2010 valuations, the actuarial value of assets for the PERSI Base Plan was $11.4 billion and $9.5 billion, respectively. The aggregate actuarial liability for all PERSI Base Plan employers was $12.6 billion on July 1, 2011. On an actuarial basis, the assets held as of July 1, 2011, fund 90.2% 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 51 of this report. The actuarial funding ratio for the two defined benefit plans and the amortization period improved primarily in 2011 because investment performance was above the actuarial expected rate.

Using the Annual Financial Report

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

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statement of plan net assets as of June 30, 2011 and 2010 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, 2011 and 2010 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 33-48 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.

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

Comparative Financial Statements

Defined Benefit Pension Trust Funds — The PERSI Base Plan and the Firefighters' Retirement Fund are qualified plans under Internal Revenue Code and provide retirement, disability and death benefits to the employees of affiliated employers. Benefits are funded by member and employer contributions and by earnings on investments. Assets for these plans are pooled only for investment purposes.

Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2011	As of June 30, 2010	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 2,444,733	$ 2,384,279	$ 60,454	2.5 %
Investments sold receivable	827,108,863	1,154,073,891	(326,965,028)	(28.3)%
Other receivables	43,864,545	44,779,601	(915,056)	(2.0)%
Investments — at fair value	11,754,330,934	9,969,096,519	1,785,234,415	17.9 %
Prepaid retiree benefits	45,959,398	42,838,074	3,121,324	7.3 %
Capital assets — net of accumulative depreciation	2,211,905	2,286,830	(74,925)	(3.3)%
Total assets	12,675,920,378	11,215,459,194	1,460,461,184	13.0 %
Liabilities:				
Investments purchased payable	990,103,226	1,356,947,498	(366,844,272)	(27.0)%
Benefits and refunds payable	547,344	974,654	(427,310)	(43.8)%
Other liabilities	11,841,693	10,530,148	1,311,545	12.5 %
Total liabilities	1,002,492,263	1,368,452,300	(365,960,037)	(26.7)%
Net assets available for benefits	$ 11,673,428,115	$ 9,847,006,894	$ 1,826,421,221	18.5 %

The fiscal year ended June 30, 2011, was most notably marked by improvement in the investment markets. Liabilities for benefits and refunds payable vary at fiscal year end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the 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, 2011	Year Ended June 30, 2010	$ Change	% Change
Additions:				
Member contributions	$ 178,429,591	$ 178,140,566	$ 289,025	0.2%
Employer contributions	292,488,559	298,474,749	(5,986,190)	(2.0)%
Investment income	1,978,050,779	1,060,665,513	917,385,266	86.5%
Other additions	37,716	12,261	25,455	207.6%
Total additions	2,449,006,645	1,537,293,089	911,713,556	59.3%
Deductions:				
Benefits and refunds paid	616,611,884	572,166,883	44,445,001	7.8%
Administrative expenses	5,973,540	6,471,359	(497,819)	(7.7)%
Total deductions	622,585,424	578,638,242	43,947,182	7.6%
Changes in net assets available for benefits	$ 1,826,421,221	$ 958,654,847	$ 867,766,374	90.5%

The annual amount of investment income and Changes in Net Assets Available for Benefits increased from Fiscal Year 2010 to Fiscal Year 2011 due to continued positive investment markets. The increase in benefits and refunds paid was a result of increased number of retirees, increased separation benefits, and the annual 1% Cost of Living Adjustment (COLA) increase for benefits paid to retirees.

Defined Contribution Pension Trust Funds

During Fiscal Year 2011, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provide another retirement benefit option to members of the Defined Benefit Pension Plans.

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

Defined Contribution Pension Trust Funds Net Assets

	As of June 30, 2011	As of June 30, 2010	$ Change	% Change
Assets:				
Cash	$ 9,687	$ 55,006	$ (45,319)	(82.4)%
Short-term investments	670,767	685,679	(14,912)	(2.2)%
Investments — at fair value	426,909,547	340,811,469	86,098,078	25.3 %
Receivables	1,406,305	1,408,438	(2,133)	(0.2)%
Total assets	428,996,306	342,960,592	86,035,714	25.1 %
Net assets available for benefits	$ 428,996,306	$ 342,960,592	$86,035,714	25.1 %

Investments increased from Fiscal Year 2010 to Fiscal Year 2011. The change reflects the continued positive return in the investment market. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	$ Change	% Change
Additions:				
Member contributions	$ 33,068,567	$ 33,413,555	$ (344,988)	(1.0)%
Employer contributions	180,556	127,154	53,402	42.0 %
Investment income	69,088,405	33,048,127	36,040,278	109.1 %
Transfers and rollovers in	7,469,551	4,867,768	2,601,783	53.4 %
Total additions	109,807,079	71,456,604	38,350,475	53.7 %
Deductions:				
Benefits and refunds paid	10,110,544	7,703,591	2,406,953	31.2 %
Transfers and rollovers out	13,660,821	8,884,365	4,776,456	53.8 %
Total deductions	23,771,365	16,587,956	7,183,409	43.3 %
Changes in net assets available for benefits	$ 86,035,714	$ 54,868,648	$31,167,066	56.8 %

Investment income and changes in net assets available for benefits increased from Fiscal Year 2010 to Fiscal Year 2011 because of continued positive returns in the investment market. Transfers in and transfers out represent rollovers from/to other plans. Member contributions declined due to a decrease 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. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2011, 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.

Sick Leave Insurance Reserve Funds Net Assets

	As of June 30, 2011	As of June 30, 2010	$ Change	% Change
Assets:				
Cash	$ 74,925	$ 119,011	$ (44,086)	(37.0)%
Investments — at fair value	272,288,926	217,800,200	54,488,726	25.0 %
Prepaid insurance premiums	1,257,700	1,081,096	176,604	16.3 %
Due from other funds	1,580,554	1,638,427	(57,873)	(3.5)%
Total assets	275,202,105	220,638,734	54,563,371	24.7 %
Liabilities — other liabilities	29,180	26,621	2,559	9.6 %
Net assets available for benefits	$ 275,172,925	$ 220,612,113	$ 54,560,812	24.7 %

Investments increased in Fiscal Year 2011 from Fiscal Year 2010 because of the improvement in investment returns.

Sick Leave Insurance Reserve Funds Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	$ Change	% Change
Additions:				
Employer contributions	$ 18,983,312	$ 19,645,993	$ (662,681)	(3.4)%
Investment income	50,944,973	26,190,732	24,754,241	94.5 %
Other additions	4,720	4,919	(199)	(4.0)%
Total additions	69,933,005	45,841,644	24,091,361	52.6 %
Deductions:				
Benefits and refunds paid	15,267,853	14,304,262	963,591	6.7 %
Administrative expenses	104,340	104,339	1	0.0 %
Total deductions	15,372,193	14,408,601	963,592	6.7 %
Changes in net assets available for benefits	$ 54,560,812	$ 31,433,043	$ 23,127,769	73.6 %

Investment income increased in Fiscal Year 2011 from Fiscal Year 2010 because of favorable investment markets. The decrease in other additions was due to a decrease in 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		
	2011	2010	Change	2011	2010	Change
Active participants	65,798	67,020	(1.8)%	43,391	44,467	(2.4)%
Vested - Base Plan	43,545	42,950	1.4%			
Non-vested - Base Plan	22,253	24,070	(7.5)%			
Actively contributing - Choice Plan				10,523	10,381	1.4%
Retirees and beneficiaries	35,334	33,625	5.1%	117	108	8.3%
Terminated vested	10,468	10,187	2.7%	11,561	11,116	4.0%

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

Changes in Retirees and Beneficiaries (Base Plan)

	2011	2010
Beginning — July 1	33,625	32,197
New Retirements	2,629	2,322
Death of retiree/beneficiary	(920)	(894)
Ending — June 30	35,334	33,625

Investment Activities

Long-term (20-25 year) asset growth is vital to the Defined Benefit Plans' current and continued financial stability. Therefore, trustees have a fiduciary responsibility to act with prudence and discretion when making plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers are added, specific detailed investment guidelines are developed, adopted, and become part of that manager's agreement.

Portfolio performance is reviewed monthly by the Board and its consultants. Performance is evaluated individually, by money manager style, and collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities, domestic and international fixed income, private equity and real estate.

Economic Factors

Fiscal Year 2011 was a very positive year for PERSI. At July 1, 2011, PERSI's Base Plan had a funded ratio of 90.2% and an amortization period on the unfunded actuarial liability of 8.2 years. Net investment return for 2011 was 20.18% compared to the assumed return of 7.25%. There were additional actuarial gains resulting from actual salaries being lower than actuarial assumptions. The total actuarial experience gain (change in unfunded actuarial accrued liability) for Fiscal Year 2011 was approximately $1.33 billion reducing the Unfunded Actuarial Accrued Liability from $2.56 to $1.23 billion. In addition decisions by the PERSI board to adjust contribution rates over a 3 year period and minor assumption changes resulting from the periodic experience study further enable PERSI to meet the mandate set by the legislature when it created PERSI to "Provide a secure retirement for public employees in Idaho".

Historically including the investment losses of recent years, the cumulative funding of the plan is 57% investment income, 27% employer contributions and 16% member contributions. Prior to the recession of 2008/2009, the funding ratios were 60% investment income, 25% employer and 15% member contributions. PERSI is viewed as a well-run and conservatively managed pension plan compared to plans nationally. This reputation stems from sound decisions made by the legislature and the PERSI Board of Trustees.

The PERSI Board of Trustees has and will continue to make appropriate choices regarding investments, contributions, and actuarial assumptions with the goal of maintaining the long term sustainability of the plan.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET ASSETS – PENSION TRUST FUNDS AND OTHER TRUST FUNDS JUNE 30, 2011 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2010

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ASSETS				
Cash and cash equivalents	$ 2,383,669	$ 61,064	$ -	$ 9,687
Investments—at fair value				
Fixed income investments				
Domestic	2,406,343,648	61,644,922	-	-
International	62,051,152	1,589,606	-	-
Idaho commercial mortgages	482,995,433	12,373,218	-	-
Short-term investments	362,545,469	9,287,571	-	670,767
Real estate equities	442,884,716	11,345,675	-	-
Equity Securities				
Domestic	4,229,190,416	108,342,012	-	-
International	2,592,356,073	66,410,127	-	-
Private equity	882,366,715	22,604,181	-	-
Mutual, collective, unitized funds	-	-	60,194,439	366,715,108
Total investments	11,460,733,622	293,597,312	60,194,439	367,385,875
Receivables				
Investments sold	806,531,811	20,577,052	-	-
Contributions	2,849,402	40,679	-	193,427
Interest and dividends	39,955,089	1,019,375	204,035	1,008,843
Total receivables	849,336,302	21,637,106	204,035	1,202,270
Assets used in plan operations - net	2,211,905	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	45,959,398	-	-	-
Total assets	12,360,624,896	315,295,482	60,398,474	368,597,832
LIABILITIES				
Accrued liabilities	10,011,694	249,444	-	-
Benefits and refunds payable	547,344	-	-	-
Due to other plans	1,580,555	-	-	-
Investments purchased	965,471,153	24,632,073	-	-
Total liabilities	977,610,746	24,881,517	-	-
NET ASSETS HELD IN TRUST	$ 11,383,014,150	$ 290,413,965	$ 60,398,474	$ 368,597,832

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2011	2010
$ 37,280	$ 37,645	$ 2,529,345	$ 2,558,296
27,544,426	43,577,648	2,539,110,644	2,468,220,719
-	-	63,640,758	48,755,220
-	-	495,368,651	493,885,456
-	-	372,503,807	366,741,663
-	-	454,230,391	304,814,272
59,066,457	98,662,064	4,495,260,949	3,570,272,691
16,362,447	27,075,884	2,702,204,531	2,171,251,918
-	-	904,970,896	763,640,459
-	-	426,909,547	340,811,469
102,973,330	169,315,596	12,454,200,174	10,528,393,867
-	-	827,108,863	1,154,073,891
-	-	3,083,508	4,316,117
-	-	42,187,342	41,871,922
-	-	872,379,713	1,200,261,930
-	-	2,211,905	2,286,830
454,112	1,126,442	1,580,554	1,638,427
307,373	950,327	47,217,098	43,919,170
103,772,095	171,430,010	13,380,118,789	11,779,058,520
10,948	18,232	10,290,318	8,918,342
-	-	547,344	974,654
-	-	1,580,555	1,638,427
-	-	990,103,226	1,356,947,498
10,948	18,232	1,002,521,443	1,368,478,921
$ 103,761,147	$ 171,411,778	$ 12,377,597,346	$ 10,410,579,599

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET ASSETS - PENSION TRUST AND OTHER TRUST FUNDS YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2010

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ADDITIONS				
Contributions				
Members	$ 178,415,845	$ 13,746	$ -	$ 33,068,567
Employers	279,174,844	13,313,715	-	180,556
Transfers and rollovers in	-	-	-	7,469,551
Total contributions	457,590,689	13,327,461	-	40,718,674
Investment income				
Net appreciation in fair value of investments	1,697,095,152	43,298,001	9,321,922	51,079,923
Interest, dividends and other investment income	272,130,596	6,942,870	1,444,208	7,553,675
Less investment expenses	(40,385,485)	(1,030,355)	(199,231)	(112,092)
Total investment income - net	1,928,840,263	49,210,516	10,566,899	58,521,506
Other- net	37,716	-	-	-
Total additions	2,386,468,668	62,537,977	10,566,899	99,240,180
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	597,373,213	19,238,671	2,339,079	7,771,465
Administrative expenses	5,973,540	-	-	-
Transfers and rollovers out	-	-	1,627,984	12,032,837
Total deductions	603,346,753	19,238,671	3,967,063	19,804,302
INCREASE IN NET ASSETS	1,783,121,915	43,299,306	6,599,836	79,435,878
NET ASSETS HELD IN TRUST				
Beginning of year	9,599,892,235	247,114,659	53,798,638	289,161,954
End of year	$11,383,014,150	$ 290,413,965	$ 60,398,474	$ 368,597,832

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2011	2010
$ -	$ -	$ 211,498,158	$ 211,554,121
5,675,940	13,307,372	311,652,427	318,247,896
-	-	7,469,551	4,867,768
5,675,940	13,307,372	530,620,136	534,669,785
19,160,925	31,907,800	1,851,863,723	905,638,046
-	-	288,071,349	258,154,698
(46,448)	(77,304)	(41,850,915)	(43,888,372)
19,114,477	31,830,496	2,098,084,157	1,119,904,372
2,656	2,064	42,436	17,180
24,793,073	45,139,932	2,628,746,729	1,654,591,337
3,765,826	11,502,027	641,990,281	594,174,736
39,148	65,192	6,077,880	6,575,698
-	-	13,660,821	8,884,365
3,804,974	11,567,219	661,728,982	609,634,799
20,988,099	33,572,713	1,967,017,747	1,044,956,538
82,773,048	137,839,065	10,410,579,599	9,365,623,061
$ 103,761,147	$ 171,411,778	$ 12,377,597,346	$ 10,410,579,599

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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, establishing funding policy, and setting contribution rates.

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, 2011 and 2010, the number of participating employer units in the PERSI Base Plan was:

	2011	2010
Cities	148	147
School districts	154	153
Highway and water districts	126	125
State subdivisions	96	97
Counties	41	41
Other	172	167
	737	730

As of June 30, 2011 and 2010, the number of benefit recipients and members in the System consisted of the following:

	2011	2010
Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:		
Members:		
Active	65,798	67,020
Terminated and vested	10,468	10,187
Retirees and beneficiaries	35,334	33,625

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2011, there were 4 active members and 567 retired members or beneficiaries, collecting benefits from FRF. The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the Base Plan. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

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

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

Upon termination of employment, accumulated member contributions plus interest, accrued at 10.74% from January 1, 2011 through June 30, 2011 (1.0% from July 1, 2010 through December 31, 2010) 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 with the some trading frequency restrictions. Participants have 12 investment options; two balance funds, seven equity funds and three fixed income. The PERSI Short-Term Portfolio (a fixed income fund seeking to provide returns consistent with short–term US interest rates) was added effective October 30, 2010. The SEI Stable Asset Fund ceased being an option June 21, 2011.

The 401(k) portion of the PERSI Choice Plans 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 July 1, 2001 the plan became open to all active PERSI members. 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 and is subject to Board approval. Eligibility for Gain Sharing requires twelve months of active PERSI Base Plan membership as defined in Idaho statutes and PERSI rules. 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 contracts with ACS HR Solutions, LLC (ACS) for plan recordkeeping services. Participants may allocate their assets in 1% increments among the twelve investment options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made. The PERSI Total Return Fund is a unitized fund comprised of investment accounts of the PERSI Base Plan.

All 737 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2011, there were 43,391 participants, 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, 2011, the Choice Plan 414(k) had 33,109 participants, and the Choice Plan 401(k) had 23,758. The administrative expenses of the PERSI Choice Plans are paid to ACS and funded by the PERSI Base Plan. Investment management expenses are paid by participants.

Other Trust Funds —The Sick Leave Insurance Reserve Fund (SLIRF) is classified as a trust fund. For state and school employers, unused sick leave benefits are subject to the guidance of Governmental Accounting Standard Board (GASB) Statement 16, *Accounting for Compensated Absences* prior to the time of retirement.

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

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

The 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, 2011. In April 2006, Rule 552 section 2, addressing contribution rates for school districts, was amended which included a phased rate increase implemented over three years. Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. January 25, 2011 the PERSI Board voted to rescind the additional scheduled rate changes. The sick leave contribution rates are as follows:

Days Earned	Beginning - June 30, 2006
9–10 days	1.16 %
11–14 days	1.26
More than 14 days	Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed biennially.

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 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 contract with the Board. The Board monitors overall investment performance and periodically evaluates the performance of each fund manager. The Board in its administration of the System and management of the investment program is guided by the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514 of the Idaho Code and of fiduciary responsibilities in the Idaho Code, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments. The Board has adopted an investment policy including policy related to deposit and investment risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 8.1% of total investments. PERSI's real estate and commercial mortgage investments are 4.8% and 4.3% respectively 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 may incur minor recording costs for forward contracts until the settlement date. Potential future obligations for the forward contracts are not recognized until the contract expiration date.

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 calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30-50 years. The estimated useful life of computer software development costs is 5 years. Computer and technology equipment has a 3-5 year useful life.

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2010, from which the summarized information was derived.

New Accounting Standards – One GASB Standards were implemented during fiscal year ending June 30, 2011: GASB 54 – Fund Balance Reporting and Governmental Type Definitions. This implementation had no significant impact on our statements in the current year.

3. DEPOSITS AND INVESTMENTS

A. Deposits

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

Cash and cash equivalents:	
Held by the State Treasurer	$ 2,207,234
FDIC insured/collateralized	317,270
Uninsured and uncollateralized	4,841
Total	$ 2,529,345

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. 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, 2011, BNY Mellon Asset Servicing is the global custodian for the majority of the investments of the PERSI Base Plan, FRF, and PERSI Choice Plans.

Investments at fair value as of June 30, 2011 are as follows:

Investment Table

Domestic fixed income	$ 2,467,994,689
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	71,122,075
International Fixed Income	63,634,639
Idaho commercial mortgages	495,368,651
Short-term investments	372,503,807
Real Estate	454,230,391
Domestic equities	4,337,046,810
Domestic equities-Convertibles	485,618
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	157,728,520
International equities	2,658,766,200
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	43,438,331
Private Equity	904,970,896
Mutual Funds, collective unitized funds	426,909,547
Total Investments	$ 12,454,200,174

Derivatives **—** Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Any derivative instruments held by PERSI are for investment purposes only and all information is disclosed within the GASB 40 footnotes. The derivatives held by PERSI are reported in the US dollar denomination. They are designed, among other things, to help investors protect themselves against the risk of price changes. In accordance with its investment policy, the System, through its external investment managers, holds investments in futures, options, and forward foreign currency contracts. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis.

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2011, the System had futures contracts with a fair value of $59,000 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, 2011, the System had the following net futures contracts exposure:

	Exposure covered by contract
Cash and cash equivalents — Eurodollar	$ 25,050
Cash and cash equivalents — Euribor (Euro Interbank Offered Rate)	11,393,791
U.S. Treasury bond futures	615,156
U.S. Treasury note futures	(26,290,500)
US Ultra (Long Term Treasury) bond future	1,136,250

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, 2011, the System had option contracts payable with a fair value of $47,827, which is included in liabilities for Investments Purchased and $21,772, which is included in Domestic Fixed Income. At June 30, 2011, the System had the following options contracts exposure:

	Exposure covered by contract
Cash and cash equivalents written call options	$ 22,994
Cash and cash equivalents written put options	13,333
Cash and cash equivalents purchased put options	4,350
Fixed income written call options	3,000
Fixed income written put options	8,500
Fixed income purchased call options	17,422

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, 2011, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $789,689,545 and had entered into forward currency contracts to buy foreign currencies with a fair value of $793,788,362. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized losses of $4,098,817 at June 30, 2011 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts at June 30, 2011.

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

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2011, the System had invested in TIPS with a fair value of $1,220,508,892.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policies requires each portfolio manager to maintain a reasonable credit risk level relative to its benchmark and provided expected credit risk exposures in their portfolio guidelines. If the actual credit risk exposure falls outside of these expectations, managers will be required to report these occurrences to Staff and these disclosures are to be made available to the Board.

As of June 30, 2011, the System's fixed income assets that are not government guaranteed represented 53% 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
Agencies			
*FFCB	$ 1,163,334	$ -	$ 1,163,334
*FHLB	16,172,631	-	16,172,631
*FHLMC	68,686,184	-	68,686,184
*FNMA	85,009,375	-	85,009,375
**GNMA	18,382,421	-	18,382,421
FICO	898,047	-	898,047
TVA	1,969,555	-	1,969,555
Other	1,158,343	-	1,158,343
Short Term			
A-1+	176,133,423	-	176,133,423
A-1	13,588,479	-	13,588,479
A-2	22,327,279	-	22,327,279
Long Term			
AAA	76,424,217	23,854,998	100,279,215
AA	62,775,761	-	62,775,761
A	184,341,101	18,573,003	202,914,104
BBB	133,363,723	1,978,808	135,342,531
BB	7,331,963	-	7,331,963
B	5,813,357	-	5,813,357
CCC	4,027,151	-	4,027,151
CC	859,030	-	859,030
C	75,514	-	75,514
D	833,325	-	833,325
Not rated	321,860,235	19,227,830	341,088,065
Total Credit Risk fixed income securities	1,203,194,448	63,634,639	1,266,829,087
U.S. Government	1,604,540,039	-	1,604,540,039
Pooled Investments	84,110,923	-	84,110,923
Idaho Mortgages	495,368,652	-	495,368,652
Total	$ 3,387,214,062	$ 63,634,639	$ 3,450,848,701

*US Government Agencies implicitly guaranteed by US Government
**US Government Agencies explicitly guaranteed by US Government

Each portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the System's investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.

D. Custodial Credit Risk

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

The System's cash and deposits are swept daily by the System's custodian and cash manager into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash, approximately 88.8%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2011, approximately 7.5% or, $27,585,206, was held by various counterparties not in the System's name. The remainder, approximately 3.7%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

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

In line with policy, the System holds no investments from a single issuer 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 investment policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the tables that follow quantifies the interest rate risk of the System's fixed income assets. Some of the large durations are due to the use of options and forward foreign currency contracts. For line items on the following page reported as "N/A," the duration calculation is not available.

Effective duration of domestic fixed income assets by security type:

Investment	Fair Value	Duration in Years
Asset-backed Securities	$ 7,408,236	1.73
Asset-backed Securities	262,698	N/A
Mortgages	11,534,891	1.35
Commercial Paper	212,049,181	0.18
Corporate Bonds	449,627,835	6.13
Corporate Bonds	3,875,980	N/A
Fixed Income Derivatives	122,861	3.07
Fixed Income Derivatives	33,695	N/A
Government Agencies	108,547,483	5.51
Government Agencies	309,036	N/A
Government Bonds	417,061,249	5.51
Government Mortgage-backed Securities	252,906,722	1.38
Government Mortgage-backed Securities	116,260	N/A
Pooled Investments	12,988,848	0.08
Pooled Investments	71,122,075	N/A
Private Placements	31,373,290	2.93
Private Placements	127,101,777	N/A
TIPS	1,185,403,292	7.95
Idaho Mortgages	495,368,652	N/A
Total	$ 3,387,214,061	

Effective duration of international fixed income assets by security type:

Investment	Fair Value	Effective Duration in Years
Asset Backed Securities	$ 64,113	1.92
Asset Backed Securities	102,085	N/A
Corporate Bonds	2,903,042	4.91
Government Agencies	2,613,775	1.89
Government Bonds	57,951,624	4.86
Total	$ 63,634,639	

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in currency exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System's investment policy, individual manager contracts outline at a minimum, ranges of currency exposure which are monitored within each portfolio. Managers are required to report anticipated variances to the System for appropriate action. Currency gains and losses will result from exchange rate fluctuations. The System's exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2011, is highlighted in the table that follows.

Currency exposures:

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (28,358,398)	$ 77,881,682	$ 14,677,779	$ 64,201,063
BRAZIL REAL	1,684,276	105,447,084	1,361,924	108,493,284
BRITISH POUND STERLING	(10,722,316)	367,454,223	2,980,599	359,712,506
CANADIAN DOLLAR	(15,694,980)	48,342,249	19,272,588	51,919,857
CHILEAN PESO	-	1,582,488	-	1,582,488
CHINESE YUAN RENMINBI	-	123,147	-	123,147
CZECH KORUNA	48,481	4,015,733	-	4,064,214
DANISH KRONE	229,781	10,982,642	-	11,212,423
EGYPTIAN POUND	474,859	11,422,707	-	11,897,566
EURO CURRENCY UNIT	(25,309,589)	656,854,369	7,069,671	638,614,451
HONG KONG DOLLAR	2,410,118	255,912,616	-	258,322,734
HUNGARIAN FORINT	(216,194)	9,567,996	-	9,351,802
INDONESIAN RUPIAN	365,537	108,524,105	-	108,889,642
ISRAELI SHEKEL	139,197	8,684,114	-	8,823,311
JAPANESE YEN	1,265,525	369,874,524	-	371,140,049
KENYAN SHILLING	-	288,810	-	288,810
MALAYSIAN RINGGIT	7,956	20,567,391	532,043	21,107,390
MEXICAN NEW PESO	(5,151,726)	20,469,513	8,851,368	24,169,155
NEW TAIWAN DOLLAR	1,010,572	82,398,586	-	83,409,158
NEW TURKISH LIRA	37,194	79,788,453	-	79,825,647
NEW ZEALAND DOLLAR	7,078	1,518,659	-	1,525,737
NORWEGIAN KRONE	63,823	5,117,877	-	5,181,700
PHILIPPINES PESO	101,647	3,303,293	-	3,404,940
POLISH ZLOTY	(3,797,091)	19,091,851	4,415,488	19,710,248
RUSSIAN RUBEL (NEW)	-	4,660,478	-	4,660,478
S AFRICAN COMM RAND	(4,847,128)	89,595,223	4,930,214	89,678,309
SINGAPORE DOLLAR	1,012	32,034,644	-	32,035,656
SOUTH KOREAN WON	449,339	187,597,905	-	188,047,244
SRI LANKA RUPEE	-	689,300	-	689,300
SWEDISH KRONA	761,637	28,989,790	-	29,751,427
SWISS FRANC	(2,692,165)	94,982,425	-	92,290,260
THAILAND BAHT	248,247	32,391,283	-	32,639,530
ZIMBABWE DOLLAR	-	681,077	-	681,077
Total value of investments to foreign currency risk	$ (87,483,308)	$ 2,740,836,237	$ 64,091,674	$ 2,717,444,603

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2011, consist of the following:

	2011
Buildings and improvements	$ 5,515,888
Less accumulated depreciation	(3,481,496)
Total buildings and improvements	2,034,392
Computer software development	6,331,360
Less accumulated amortization	(6,331,360)
Total computer software development	-
Equipment	398,990
Less accumulated depreciation	(221,477)
Total equipment	177,513
Total assets used in plan operations	$ 2,211,905

For the year ended June 30, 2011, depreciation expense on the buildings and improvements was $160,695. The computer software development costs were fully amortized as of June 30, 2006. Additions to equipment for fiscal year 2011 totaled $136,675. The equipment had a total depreciation expense of $50,905 for 2011.

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 $2,628,000,000 and $397,228, respectively for the year ended June 30, 2011.

Normal cost is 13.93% of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.96% 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.

Effective June 30, 2011; contributions ended for the optional retirement plan for Junior Colleges per Idaho Code 33-107B (4)(a)(ii). In December 2010 the PERSI Board voted to delay for one year the planned Base Plan contribution rate increases scheduled to begin July 1, 2011.

The contribution rates for the year ended June 30, 2011 are:

Optional retirement plan employees of higher education:

Colleges and universities	1.49 %
Junior colleges	3.83%

Base Plan:

	Active Members		Employers	
	General/ Teacher	Fire/ Police	General/ Teacher	Fire/ Police
Contribution rate	6.23%	7.69%	10.39%	10.73%
Planned contribution rates:				
Effective July 1, 2012	6.79%	8.36%	11.32%	11.66%
Effective July 1, 2013	7.34%	9.03%	12.24%	12.58%
Effective July 1, 2014	8.19%	10.04%	13.65%	13.99%

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%.

ACTUARIAL INFORMATION

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

	PERSI	FRF
Valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.25 %	7.75 %
Projected salary increases	4.5 % - 10.25 %	4.00%
Includes salary inflation	4.00%	4.00%
Postretirement benefit increase	1.00 %	4.00%
Implied price inflation rate	3.50%	3.50%

SCHEDULES OF FUNDING PROGRESS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
FISCAL YEAR 2011
(Dollars in millions) (UNAUDITED)

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, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9

(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 any 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, 2011	290.4	311.5	21.1	93.2	59.3	35.6

(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.

Actuary value of plan assets progressively increased in 2006 and 2007. There was a decline in 2008 and 2009, and then an increase in 2010 and 2011.

A multi year presentation of funding progress for the Fiscal Years 2006 – 2011 can be found immediately following the notes to the Financial Statements in the Required Supplementary Information Section on pages 51-53.

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, 2011 the required contribution rates were 6.23% for general members 7.69% for police/fire fighter. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fire fighter. PERSI general member contributions required and paid were $278,921, $287,266, and $285,350, for the three years ended June 30, 2011, 2010, and 2009, respectively.

7. OTHER POST EMPLOYMENT BENEFITS

The State funds, or partially funds, postemployment benefits relating to health, disability, and life insurance. PERSI participates in the State of Idaho's postemployment benefit programs. The State administers the retiree healthcare plan which allows eligible retirees to purchase healthcare insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage. Benefits costs are paid by PERSI through a rate charged by the State. The primary government (State of Idaho) is reporting the liability for the retiree healthcare and long term disability benefits. Specific details of these other postemployment benefits are available in the Comprehensive Annual Financial Report of the State of Idaho which may be accessed at www.sco.idaho.gov.

8. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2011 of $528,565,254.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF FUNDING PROGRESS
FISCAL YEARS 2006 - 2011
(Dollars in millions) (UNAUDITED)

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, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	749.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8
July 1, 2010	9,579.8	12,187.9	52.3	2,556.8	78.9	2,684.4	95.2
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9

(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 any 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, 2006	248.8	312.3	63.5	79.7	45.0	141.1
July 1, 2007	291.5	314.8	23.3	92.6	47.6	48.9
July 1, 2008		No Valuation				
July 1, 2009	225.3	325.3	100.0	69.3	55.7	179.5
July 1, 2010		No Valuation				
July 1, 2011	290.4	311.5	21.1	93.2	59.3	35.6

(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 FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF EMPLOYER CONTRIBUTIONS
FISCAL YEARS 2006 - 2011
(Dollars in millions)

	PERSI Employer Contributions			FRF Employer Contributions (c.)		
Year Ended June 30	Total Employer Contributions (Statutory)	Annual Required Contribution (ARC) (a.)	Percentage Contributions	Total Employer Contributions	Annual Required Contribution	Percentage Contributions
2006	250.8	238.1	105.0	12.0	6.5	186.2
2007	259.5	235.4	110.0	12.1	5.0	240.8
2008	273.3	251.4	109.0		No Valuation	
2009	284.6	232.0	123.0	13.2	1.8	723.6
2010	284.9	260.3	109.0		No Valuation	
2011	279.1	326.5	85.0	13.3	7.9	167.3

(a.) 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 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

ACTUARIAL INFORMATION

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

	PERSI	FRF
Valuation date	July 1, 2011	July 1, 2011
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — open
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.25 %	7.75 %
Projected salary increases —	4.5 % - 10.25 %	4.00%
Includes salary inflation	4.00 %	4.00 %
Postretirement benefit increase	1.00 %	4.00 %
Implied price inflation rate	3.50 %	3.50 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2011

INVESTMENT AND RELATED SERVICES:	
Adelante Capital	$ 2,779,319
Advent International	409,418
American Securities Opportunities	270,480
Apollo Management	224,519
Baring Asset Management, Inc.	1,668,789
BCA Publication, Inc.	6,500
Bernstein, Sanford C.	5,386,097
Blackstone	503,684
Bloomberg, LP	57,116
Brandes Investment Partners, LP	1,933,280
Bridgepoint Cap LTD	165,019
Callan Associates	269,291
Capital Guardian Trust Company	1,579,867
Cerberus Institutional Partners	516,500
Chadwick, Saylor & Co., Inc.	3,386,207
Chisholm Partners, LP	(3,315,455)
Choice Plan Managers	311,323
Clearwater Advisors, LLC	669,972
CVC European Equity	(81,838)
D.B. Fitzpatrick & Co., Inc.	2,001,281
Donald Smith & Company	2,039,114
Enhanced Equity	836,130
Epic Venture	200,000
First Reserve	(464,964)
Frazier Technology Ventures	194,400
Furman Selz	(10,890)
Gabriel, Roeder, Smith & Co.	65,000
Galen Partners, LP	2,933
Genesis Asset Managers, Ltd.	3,173,421
Gores Capital Partners, LLP	(247,226)
Green Equity Investors IV, LP	(199,164)
Hamilton Lane Advisors, Inc.	200,000
Hamilton Lane Co-Investment Fund	(668,188)
Hamilton Lane Secondary Fund	200,000
Highway 12	894,855
J.H. Whitney & Co., LLC	(77,936)
KKR 2006 Fund	695,722
Kohlberg & Co.	(115,459)
Lindsay Goldberg & Bessemer	571,580
Littlejohn & Company	(8,335)
Longview Partners	74,714
Mellon Capital Management	728,484
Mellon Trust	2,994,031
Mondrian Investment Partners	1,012,222
Mountain Pacific Investment Advisors, Inc.	1,030,363
Navis Partners, LP	(190,129)
Newbridge Asia	63,233

(Continued)

INVESTMENT AND RELATED SERVICES (CONTINUED):	
Pareto Partners	828,237
Peregrine Capital Management	948,777
Providence Investments	(577,109)
Prudential Investments	343,236
State Street Global Advisors	461,632
TPG Partners, LP	485,815
Tukman Grossman Capital Management, Inc.	1,768,288
Veritas Capital	96,096
W Capital	142,802
Wells Fargo Bank	72,625
Western Asset	915,483
Zesiger Capital Group	2,603,507
	39,824,669
CONSULTING AND OTHER SERVICES:	
ACS HR Solutions, LLC	1,134,907
Alban Row, LLC	88,648
Berkadia Commercial Mortgage (formally Capmark)	19,157
Chartwell Consulting, LLC	85,081
Eide Bailly, LLP	82,600
Foster, Pepper, Shefelman PLLC	136,207
Milliman, Inc.	373,139
Robert Storer	86,867
Whiteford, Taylor & Preston	19,640
	2,026,246
TOTAL	$ 41,850,915

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2011

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 570,089
Operating expenses	176,257
Capital outlay	2,589
Equipment depreciation expense	2,985
	751,920
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,105,012
Operating expenses	1,890,246
Capital outlay	17,747
Building depreciation expense	160,695
Equipment depreciation expense	47,920
	5,221,620
SICK LEAVE FUND EXPENSES — Administrative personnel expenses	104,340
	$ 6,077,880

EideBailly
CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the pension and other trust funds 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, 2011, and have issued our report thereon dated October 12, 2011. 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 System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the System's board, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
October 12, 2011

Investment Section

Helping Idaho public employees
build a secure retirement.

REPORT ON INVESTMENT ACTIVITY
OVERVIEW OF FISCAL YEAR 2011

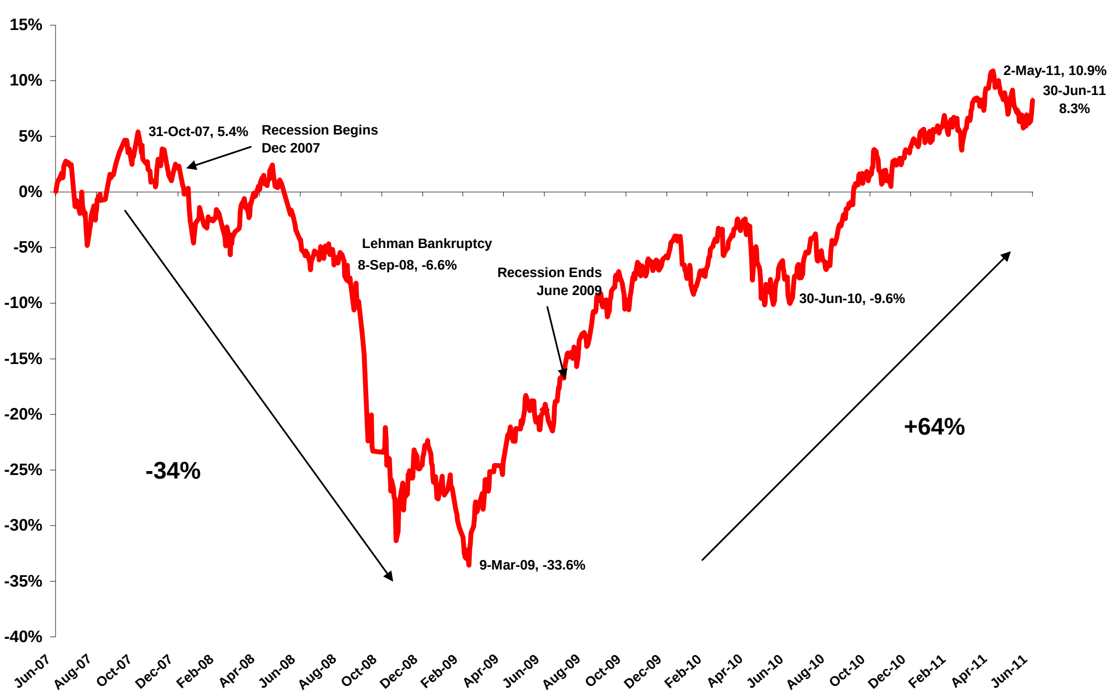
Prepared by Robert M. Maynard, Chief Investment Officer

THE ROAD BACK

With a 20.7% return, PERSI enjoyed its best fiscal year in 25 years. It was a spectacular year, allowing the fund to recover all losses suffered during the Great Recession, and, during the year, reach all time highs in both returns and assets under management. PERSI ended the year with over $12.25 billion under management ($11.976 billion in the Defined Benefit/Total Return fund, $270 million in the sick leave fund, and $82 million in other DC plan funds with outside managers) and with investment gains of over $2 billion for the year. The market value funded level from fiscal year returns and other actuarial gains rose to 90.2%.

The return of 64% and the around $4.5 billion gained since early March, 2009 is the best sustained return over a two to three year period in PERSI's history. PERSI reached new all time market return and asset level records on May 2, 2011 before retreating slightly in the last couple of months due to European turmoil. Of course, this recovery follows the worst market environment in recent memory – the Great Collapse of 2008-2009, when PERSI lost 34% in a year and a half. The past four years have been remarkable, making the "Tech Wreck" of the early 2000s seem mild in comparison:

PERSI TOTAL FUND RETURNS STARTING FY 2008
June 30, 2007 to June 30, 2011

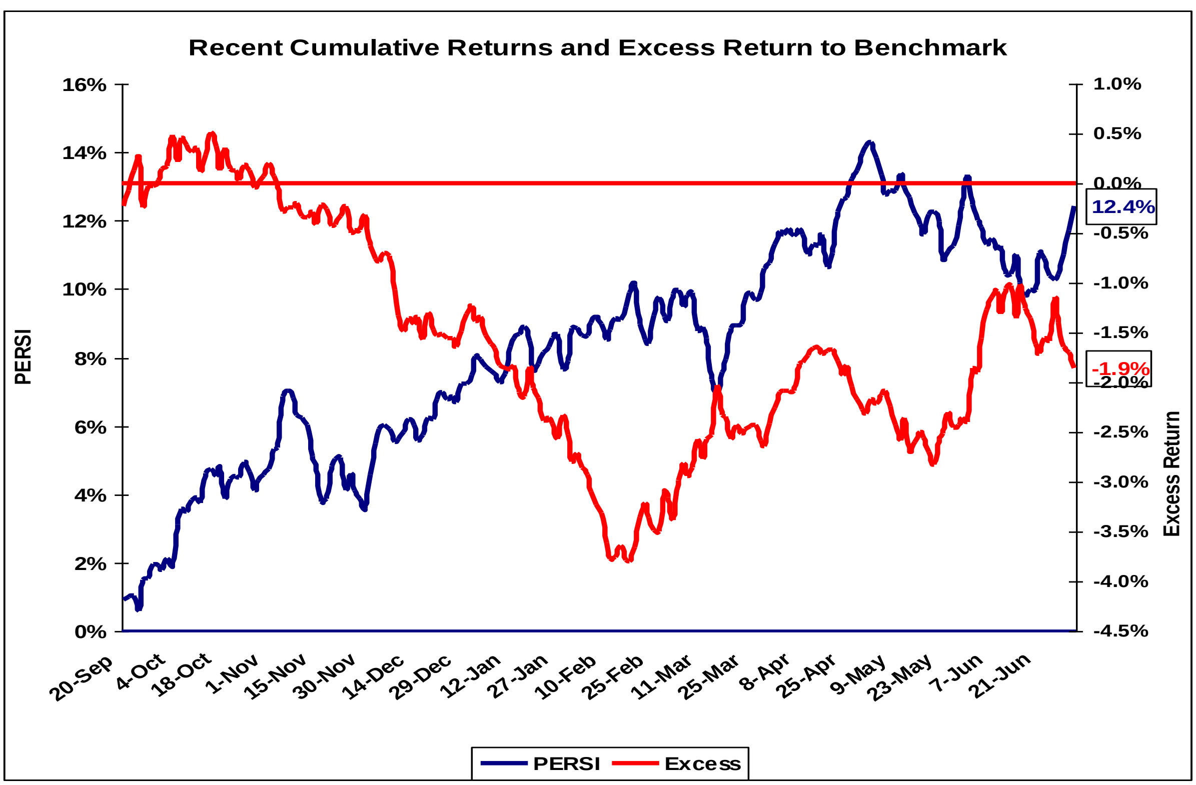


PERSI's returns for the fiscal year should be around the middle of the pack for institutional funds for the year. As is normal for our portfolio in rapidly rising markets, PERSI lagged its strategic benchmark (55% Russell 3000, 15% EAFE, and 30% Barclays Aggregate) by 2.6%. Most of this relative gap was due to the lagged valuations from PERSI's private assets (private equity and real estate), which accounted for around 2.1% of that difference. PERSI's active managers also had a difficult year compared to the benchmarks, and contributed 1.1% of that relative underperformance. PERSI's emerging market bias, which over the decade has produced stunning outperformance, paused in its recent advance and was also a minor drag on our performance against benchmark (subtracting -0.2%). On the other hand, PERSI's rebalancing practices added 0.4% to relative returns, and TIPS had an extremely good year as well, adding 0.5% to returns against benchmark. REITS and the Idaho Mortgage program contributed marginally to relative returns, and currency movements slightly detracted.

There were no surprises for the year given the market environment. Much of the market explosion over the year was driven by continued stimulus efforts from fiscal and, particularly, monetary sources – led by the Federal Reserves initiative through "QE2" (Quantitative Easing 2 – a program whereby the Fed purchased hundreds of billions of government bonds and thereby injected a large amount of cash into the banking system). Along with extremely low short term interest rates, these policies provided a huge liquidity boost to US and world capital markets. Consequently, PERSI's active managers, who tend to favor companies that produce tangible earnings or assets and rely less on capital market liquidity, generally underperformed market benchmarks (although producing hefty absolute returns). Similarly, the other major relative underperformer – private assets, both equity and real estate – while producing overall positive returns (+7.7% for real estate and + 19.0% for private equity) could not keep up with the public capital market advances.

Further, both of these areas did their work when PERSI really needed them – during the market collapse of 2008-2009. As noted at the time, it is when markets suffer declines that PERSI usually "makes its money" – by losing less than the market – and holding on when markets rally. This pattern has, once again, reasserted itself.

This pattern also asserted itself during the fiscal year as well. During the year there were a number of sustained market drops – due variously to European peripheral country sovereign debt concerns (led by Greece, Portugal, and Ireland) as well as periodic fears of pauses in China's growth as the government there combated an increasingly serious inflation problem. During these market drops, both the private assets and the active manager performance moderated those falls, and PERSI showed relative outperformance during those brief periods.



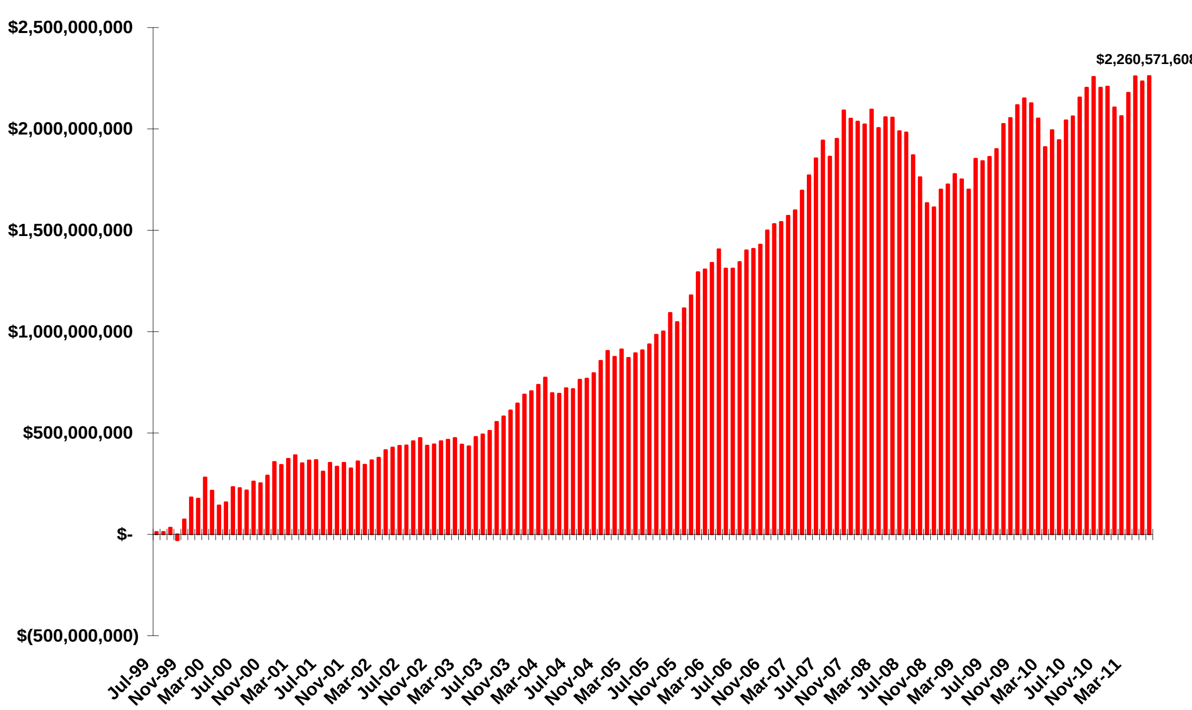
PERSI's longer term (5 year and longer) relative performance to both benchmarks and peers remains strong, with benchmark outperformance running 1% to 1.5% annually, and peer rankings in or near top quartile. PERSI was roughly in the middle of the institutional pack for last fiscal year, but well above median and generally well into the top quartile when compared over longer term time horizons against all public funds as well as against all institutional funds (public, corporate, endowment, and foundation). Over the past market cycle (the bull market of the mid 2000s and the crash and recovery of the past five years) and over all time periods since the early 1990s, PERSI ranks in or near the top quartile of all public and other institutional funds:

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
AND MELLON MASTER TRUST UNIVERSE
June 30, 2011
Percentile Rankings over Period
(1 is highest, 100 is lowest)

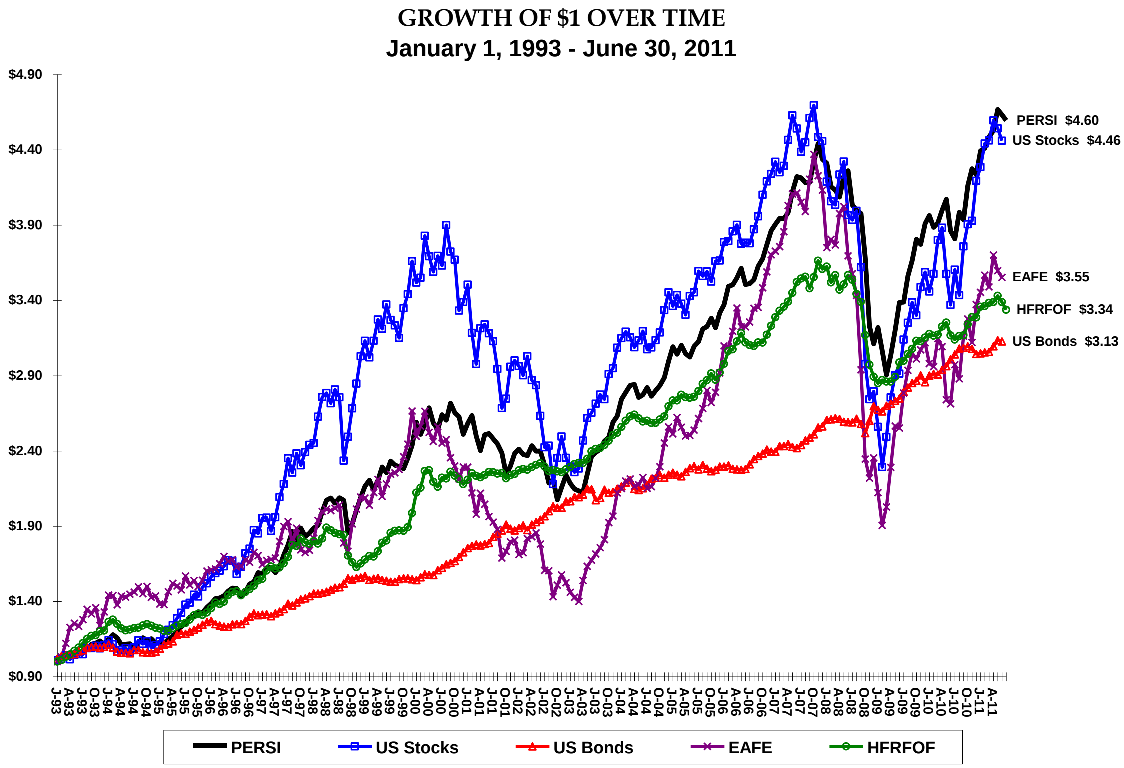
	1Yr	*3Yrs*	*5Yrs*	*7Yrs*	*10Yrs*	*Inception (9/92)*
Return (%)	**20.7**	**4.4**	**5.5**	**7.2**	**6.4**	**8.7**
Policy Return	23.2	4.7	4.6	5.7	5.0	8.1
Callan Median Fund	21.6	4.3	4.7	6.3	5.7	8.3
Mellon Master Trust	20.2	4.0	4.8	6.2	5.6	
PERSI Rank (Percentile)						
Callan Public Funds	**64**	**43**	**23**	**13**	**24**	**24**
Mellon Master Trusts	**44**	**42**	**29**	**21**	**28**	

Over the longer term, PERSI's actions have added over $2.26 billion to general market returns (as represented by the strategic benchmark) through its additional activities in emerging markets, private assets, active management, and similar programs, as follows.

Dollar Impact of Cumulative Excess Return to Benchmark
FY 2000-FY2011



Since 1993, every dollar invested in PERSI has turned into $4.60, exceeding the returns of US equities ($4.46), and significantly outperforming US Bonds ($3.13), International Equities ($3.55), and the hedge fund industry generally (as represented by the HFRI hedge fund of funds index) ($3.34).



The year was dominated by US public equity markets with 32.4% returns (Russell 3000), with mid and small capitalization US equities again leading the way with returns of 39.3% (R2500) and large cap stocks returning 30.7% (S&P 500). PERSI's US equity component lagged significantly, returning "only" 25.6%. The public equity component returned 29.7%, with the relative underperformance of private real estate (7.7%) and private equity (19.0%) dominating the area. The private equity returns were mostly due to lagged valuations, while real estate as an industry still suffered the effects of the recent downturn (although REITs had a very good year with 37.5% returns).

PERSI's active public equity managers had a tough year. Adelante, our public real estate managers (REITs) was the exception, with a return of 37.5% for the year, beating the general REIT market by 2.9%) and turning in the best overall performance of the year. All other US active managers underperformed their benchmarks, with Peregrine returning 29.1% (-5.6% to benchmark), Tukman at 22.1% (-8.6%), Mountain Pacific at 33.2% (-6.1%), and Donald Smith at 21.5% (-15.9%) (becoming the worst relative performer in the portfolio, after a couple of years as one of the best).

Global Equity also had a great absolute but tough relative performance year, with returns of 27.0%. This was both below the MSCI World index (at 31.2%) and below US equity general returns. Barings, with returns of 31.2% was the only global equity manager to keep up with World Index. Brandes turned in returns of 27.8% (-3.4% to benchmark), Bernstein returned 27.7% (-3.5%), Cap Guardian weighed in with 28.2% (-3.0%), and Zesiger trailed at 21.7% (-9.5%).

Developed market international equity (MSCI EAFE) returned 30.9% for the year, outperforming emerging market equity (MSCI Emerging Markets at 28.2%) for the first time in a number of years. Mondrian, our developed markets manager, underperformed the EAFE index with a 30.0% return, while Genesis outperformed the emerging markets index with 29.9% returns, and Bernstein underperformed at 27.6%.

PERSI fixed income was the only segment to outperform benchmarks, with a return for the year of 6.2% compared to the returns of investment grade bonds as represented by the Barclay's Aggregate index at 3.9%. This outperformance was due in large part to PERSI's weighting towards TIPS, which had a great relative and absolute (for bonds) year at 7.9%. Both of PERSI's active bond managers had good years, with Western returning 9.6% for the year, and Barings at 5.1%. Idaho Mortgages added 5.5% for the year, while the mortgage backed securities managers largely tracked the general mortgage market with returns of 3.9% for Clearwater and 3.5% for DBF.

All in all a record year for PERSI, and one that substantially aided in the recovery from the devastation suffered a couple of years ago. And, a year that fit in well with PERSI's general approach of losing less in down markets and generally keeping up with advancing markets.

ROBERT M. MAYNARD
Chief Investment Officer

For the numbers presented, the source of the above-disclosed data is the Mellon Analytic Solutions Reporting System.

INVESTMENT SUMMARY FOR THE YEAR ENDED June 30, 2011

Types of Investment	Market Value		Percent of Total Market Value	
Short-term Investments		$ 372,503,807		3.2%
Fixed Income				
Domestic	$2,467,988,570		21.0%	
International	63,640,758		0.5%	
Commercial Mortgages	495,368,651		4.2%	
Total Fixed Income		3,026,997,979		25.8%
Equity				
Domestic Equity	4,337,532,428		36.8%	
International Equity	2,658,766,200		22.6%	
Total Equity		6,996,298,628		59.5%
Private Equity		904,970,896		7.7%
Real Estate		454,230,391		3.9%
Total Base Plan Investments		$11,755,001,701		100.0%
Other Funds:				
Sick Leave Insurance Reserve Fund		272,288,926		
Choice Plan 414(k)		60,194,439		
Choice Plan 401(k)		366,715,108		
Total Investments in All Funds		$12,454,200,174		

Schedule of Investments by Account (including interest and dividends receivable) as of June 30, 2011

Base Plan and Firefighters' Retirement Fund

Adelante Capital Management	$ 349,481,420
Advent International, LP	16,534,417
Apollo Management, LP	74,201,699
American Securities Opportunities Associates II, LLC	3,986,980
Baring Asset Management-Global Equity	388,535,743
Baring Asset Management-Global Fixed Income	162,237,153
Bernstein-Emerging Markets	479,718,026
Bernstein-Global Equity	311,100,045
Blackstone Capital Partners, LP	32,056,759
BNY Mellon Capital Management-International Stock Index	519,189,177
BNY Mellon Capital Management-Mid Cap Completion	184,102,151
BNY Mellon Capital Management-R2000 Small Cap	124,456,044
BNY Mellon Capital Management-S&P 500 Large Cap	1,188,851,070
Brandes Investment Partners	481,844,905
Bridgepoint Cap LTD	28,690,166
Capital Guardian	393,050,034
Cascade	109,270,492
Cerberus Investment Partners	42,293,095
Chisholm Management, LP	8,243,651
Clearwater Advisors, LLC-TBAs	126,696,971
CVC European Equity	51,343,829
D.B. Fitzpatrick & Co.-Fixed Income	80,525,030
D.B. Fitzpatrick & Co.-Idaho Mortgages	497,715,433
Donald Smith & Co.	263,796,977
Enhanced Equity, LP	48,592,017
Epic Venture Fund	3,758,825
First Reserve Fund XI	43,877,606
Frazier Technology Ventures II, LP	10,649,518
Galen Associates, LP	34,747,812
Genesis Asset Managers	586,507,421
Goense Bounds & Partners, LP	1,671,343
Gores Capital Partners, LLP	28,372,269
Green Equity Investors IV, LP	50,283,002
Hamilton Lane Co - Investment Fund, LP	44,868,627
Hamilton Lane Secondary Fund, LP	20,587,988
Harvest Partners III, LP	529,670
Highway 12 Ventures, LP	41,242,637
Ida-West	3,180,801
JH Whitney & Co, LLC	27,182,063
KKR 2006 Fund, LP	31,462,918
Kohlberg & Co.	38,785,122
Koll Partners, LLP	300,339,370
Lindsay Goldberg & Bessemer	36,783,347
Littlejohn, LP	1,329,603
Longview Partners	243,183,223
McCown DeLeeuw & Co. IV, LP	85,656
Mellon Transition Management Services	2,168,195
Mondrian Investment Partners	307,680,114
Mountain Pacific Investment Advisors	351,989,007
Newbridge Asia, LP	29,874,669
Olympic IDA Fund II, LLC	115,844,661
Pareto Partners	(3,363,417)
Peregrine Capital Management	191,761,806

(Continued)

PERSI Cash in Short-Term Investment Pool	9,258,362	
Private Debt	22,217,044	
Providence Equity Partners, LLP	70,916,610	
Prudential Investments	32,775,759	
State Street Global Advisors-Fixed Income	698,970,966	
State Street Global Advisors-TIPS	863,264,984	
T3 Partners, LP	73,927,653	
Tukman Grossman Capital Management	339,664,841	
Veritas Capital Partners, LP	5,963,590	
W. Capital Partners, LP	4,522,833	
Western Asset Management	154,785,307	
Western Asset-TIPS	358,176,981	
Zesiger Capital Group	459,363,939	
Zesiger Capital Group-Private Equity	26,585,562	
Total Base Plan and Firefighters' Retirement Fund		11,632,291,571
Choice Plan		
BNY Mellon Aggregate Bond Index	12,233,084	
BNY Mellon Dow Jones U.S. Completion Total Stock Market Index	5,809,742	
BNY Mellon Dow Jones U.S. Total Stock Market Index	2,512,911	
BNY Mellon International EAFE Fund	3,814,068	
BNY Mellon S&P 500	7,770,587	
Brandes International Equity Fund	7,026,412	
Calvert SI Balance Fund	581,660	
Dodge and Cox Income Fund	9,344,193	
PERSI Choice Plan Contribution Account	670,767	
PERSI Choice Plan Loans	5,268,370	
Rowe Price Small Cap Fund	12,286,143	
Total Return Fund	344,489,159	
Vanguard Growth & Income Fund	8,598,114	
PERSI Short Term Investment Portfolio	8,387,967	
Total Choice Plan		428,793,177
Sick Leave Insurance Reserve Fund		
State Street Global Advisors-Domestic Equity	157,728,520	
State Street Global Advisors-International Equity	43,438,331	
State Street Global Advisors-Fixed Income	71,122,075	
Total Sick Leave Insurance Reserve Fund		272,288,926
Total Market Value, Including Investment Receivables and Payables		12,333,373,674
Add: Investments Purchased Payable		990,103,226
Less: Investments Sold Receivable		(827,108,863)
Less: Interest and Dividends Receivable		(42,167,863)
Total Market Value, Net of Investment Receivables and Payables		$ 12,454,200,174

(Concluded)

Investment Results

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	189.6	1.6%	40.5	40.5	6.9	6.4
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	128.1	1.1%	37.6	37.6	7.6	4.0
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,224.1	10.2%	30.7	30.7	3.1	3.0
MOUNTAIN PACIFIC	362.4	3.0%	33.2	33.2	9.2	6.9
TUKMAN GROSSMAN CAPITAL MGMT	349.7	2.9%	22.1	22.1	5.4	4.3
DONALD SMITH & CO.	271.6	2.3%	21.5	21.5	12.5	5.3
PEREGRINE	197.4	1.6%	29.1	29.1	5.8	3.9
TOTAL U.S. PUBLICLY TRADED EQUITY	2,722.9	22.7%	29.7	29.7	6.4	4.5
BENCHMARK - Russell 3000			32.4	32.4	4.0	3.4
PRIVATE EQUITY						
IDA-WEST	3.3	0.0%	23.4	23.4	19.5	19.2
GALEN III	35.8	0.3%	(5.5)	(5.5)	(4.4)	6.9
HARVEST PARTNERS	0.5	0.0%	54.9	54.9	39.5	(21.2)
FURMAN SELZ	-	0.0%	(53.2)	(53.2)	(51.9)	(24.1)
MCCOWN DE LEEUW	0.1	0.0%	1.9	1.9	9.5	6.4
PROVIDENCE EQ PARTNERS	73.0	0.6%	28.3	28.3	3.6	10.8
CHISOLM PARTNERS	8.5	0.1%	77.5	77.5	24.4	20.9
LITTLEJOHN II L.P.	1.4	0.0%	(13.5)	(13.5)	30.8	29.0
OAKTREE CAP[1]	-	0.0%	17.9	17.9	(29.5)	5.0
GOENSE BOUNDS	1.7	0.0%	(39.8)	(39.8)	(25.6)	(13.3)
HWY 12 FD VENTURE LP	42.5	0.4%	24.6	24.6	(1.0)	(5.4)
T3 PARTNERS II L.P.	76.1	0.6%	20.8	20.8	(2.4)	6.3
APOLLO MGMT LP	76.4	0.6%	24.4	24.4	7.9	23.2
GREEN EQUITY IV L.P.	51.9	0.4%	38.2	38.2	16.1	11.8
GORES CAPITAL AD LLC	29.2	0.2%	15.9	15.9	18.1	20.8
W CAPITAL PARTNERS	4.7	0.0%	0.8	0.8	(6.5)	(4.3)
FRAZIER TECH VENTURES II	11.0	0.1%	4.9	4.9	(7.3)	0.4
KOHLBERG & CO.	39.9	0.3%	20.7	20.7	5.7	9.2
HAMILTON SECONDARY	21.2	0.2%	15.4	15.4	4.0	8.3
CVC EUROPEAN EQUITY	52.9	0.4%	41.4	41.4	(2.5)	16.7
HAMILTON LANE CO-INVESTMENT FUND	46.2	0.4%	7.8	7.8	(6.3)	(1.1)
BRIDGEPOINT EUROPE III	29.5	0.2%	43.9	43.9	(3.5)	2.3
NEWBRIDGE ASIA LP	30.8	0.3%	60.0	60.0	37.6	29.8
JH WHITNEY EQUITY PARTNERS IV	28.0	0.2%	7.3	7.3	2.0	6.1
BLACKSTONE CAPITAL PARTNERS	33.0	0.3%	8.1	8.1	(3.7)	(1.5)
ENHANCED EQUITY FUND LP	50.0	0.4%	21.4	21.4	7.5	3.1
LINDSEY, GOLDBERG, BESSEMER	37.9	0.3%	4.1	4.1	0.6	
KKR 2006 FUND	32.4	0.3%	20.2	20.2	5.9	
FIRST RESERVE FUND XI	45.2	0.4%	5.6	5.6	(1.1)	
CERBERUS INST PARTNERS	43.5	0.4%	21.4	21.4	7.9	
EPIC VENTURE FUND	3.9	0.0%	(10.9)	(10.9)	(9.4)	
ADVENT INTERNATIONAL	17.0	0.1%	3.7	3.7	(2.6)	
AMERICAN SECURITIES OPPORTUNITIES FUND II	4.1	0.0%	17.9	17.9		
VERITAS CAPITAL PARTNERS**	6.1	0.1%	0.0	0.0		
ZESIGER CAPITAL GROUP	27.4	0.2%	13.1	13.1	0.3	0.9
TOTAL PRIVATE EQUITY	965.0	8.1%	19.6	19.6	3.0	8.2
REAL ESTATE						
KOLL PARTNERS	309.2	2.6%	0.6	0.6	(16.0)	(5.4)
OLYMPIC IDA FUND II	119.3	1.0%	34.0	34.0	(17.5)	(5.8)
CASCADE	112.5	0.9%	(4.2)	(4.2)	(5.9)	
ADELANTE - PUBLIC R/E	359.7	3.0%	37.5	37.5	3.2	(0.2)
PRUDENTIAL	33.7	0.3%	25.1	25.1	(10.9)	(1.3)
TOTAL R/E MANAGERS	934.5	7.8%	18.5	18.5	(6.0)	(0.5)
BENCHMARK - NCREIF			16.0	16.0	(3.6)	3.5
TOTAL U.S. EQUITY	**4,622.4**	**38.5%**	25.6	25.6	3.3	4.0
BENCHMARK - Russell 3000			32.4	32.4	4.0	3.4
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	400.0	3.3%	31.2	31.2	3.1	6.9
BRANDES INVST PARTNERS	496.1	4.1%	27.8	27.8	(0.8)	(0.5)
CAPITAL GUARDIAN	404.7	3.4%	28.2	28.2	0.2	2.2
ZESIGER CAPITAL GROUP	473.0	3.9%	21.7	21.7	4.0	6.1
BERNSTEIN GLOBAL	320.3	2.7%	27.7	27.7	(5.7)	(2.5)
LONGVIEW PARTNERS**	250.4	2.1%	0.0	0.0	0.0	0.0
TOTAL GLOBAL EQUITY	**2,344.5**	**19.6%**	27.0	27.0	0.2	2.5
TOTAL U.S./GLOBAL EQUITY	**6,966.9**	**58.1%**	26.0	26.0	1.9	3.3
BENCHMARK - Russell 3000			32.4	32.4	4.0	3.4

Investment Results

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending FISCAL	1 YR.	3 YRS. *	5 YRS. *
INTERNATIONAL EQUITY						
GENESIS INVESTMENTS	603.9	5.0%	29.9	29.9	9.9	14.2
MELLON CAPITAL MANAGEMENT INTL STK INDX	534.6	4.5%	30.8	30.8	(1.4)	1.7
MONDRIAN	316.8	2.6%	30.0	30.0	(0.1)	2.9
BERNSTEIN EMERGING	493.9	4.1%	27.6	27.6	1.8	9.4
TOTAL INTERNATIONAL EQUITY	**1,949.2**	**16.3%**	29.5	29.5	3.4	7.2
TOTAL INT'L EQUITY (HEDGED)[2]	**1,945.7**	**16.2%**	28.9	28.9	3.5	7.2
EAFE INDEX NET			30.9	30.9	(1.3)	2.0
TOTAL EQUITY	**8,912.6**	**74.3%**	26.7	26.7	2.6	4.3
BENCHMARK - Russell 3000			32.4	32.4	4.0	3.4
U.S. FIXED INCOME						
DBF & CO FIXED	82.9	0.7%	3.4	3.4	6.2	6.5
DBF & CO-IDAHO MTGS	512.5	4.3%	5.5	5.5	8.9	9.7
STATE ST ADV-FX	719.7	6.0%	3.8	3.8	6.6	6.7
SSGA-TIPS	888.8	7.4%	8.5	8.5	6.5	7.4
CLEARWATER-TBA	130.4	1.1%	3.9	3.9	6.6	6.7
REAL ESTATE PVT DEBT	22.9	0.2%	6.9	6.9	8.2	
TOTAL U.S. FIXED INCOME	**2,357.2**	**19.7%**	5.9	5.9	7.1	7.5
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	167.0	1.4%	5.1	5.1	6.0	6.8
WESTERN ASSET	159.4	1.3%	9.6	9.6	10.4	7.9
WESTERN TIPS	368.8	3.1%	7.1	7.1	5.5	
TOTAL GLOBAL FIXED INCOME	**695.2**	**5.8%**	7.3	7.3	7.7	6.7
TOTAL FIXED INCOME	**3,052.4**	**25.5%**	6.2	6.2	6.9	7.2
BENCHMARK - BC Aggregate Bonds			3.9	3.9	6.5	6.5
OTHER						
UNALLOCATED CASH	9.5	0.1%	2.9	2.9	4.8	7.8
MELLON TRANSITION MANAGEMENT SERVICES	2.2	0.0%	25.7	25.7	451.8	279.2
TOTAL OTHER	**11.8**					
COMBINED TOTAL	**11,976.8**	**100.0%**	20.7	20.7	4.4	5.5
BENCHMARK - 55% Russell 3000 30% BC Aggregate Bonds 15% MSCI EAFE Index			23.2	23.2	4.4	4.4
Add: Other PERSI DC Choice Plan Investments[3]	84.3					
Sick Leave Fixed Income Investments	71.1					
Sick Leave Equity Securities	201.2					
Investments Purchased	990.1					
Less:Interest and Dividends Receivable	(42.2)					
Investments Sold	(827.1)					
Total Pension Fund Investments Net of Receivables	12,454.2					

*Rates of Return are annualized
[1]Account Liquidated 12/31/10
[2]Includes Pareto Partners currency overlay account
[3]Total Return Fund included in investment results
**accounts opened less than one year
Performance is gross of fees

Prepared using a time weighted rate of return per
Mellon Analytic Solutions, a division of BNY Mellon Asset Servicing

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
2006	128,071,925	135,998,068	804,450,498	1,068,520,491
2007	152,332,222	150,190,103	1,660,923,284	1,963,445,609
2008	156,095,102	171,450,414	(840,652,088)	(513,106,573)
2009	130,825,841	135,561,686	(2,044,562,509)	(1,778,174,982)
2010	108,025,496	140,722,177	915,045,071	1,163,792,744
2011	116,133,693	161,647,820	1,862,195,995	2,139,977,508

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

Largest Stock Holdings (by Market Value) June 30, 2011

	Shares	Stock	Market Value
1	383,834	INTERNATIONAL BUSINESS MACHINE	$65,846,723
2	2,247,331	MICROSOFT CORP	58,430,606
3	167,889	APPLE INC	56,355,301
4	2,557,229	PFIZER INC	52,678,917
5	1,747,180	WELLS FARGO & CO	49,025,871
6	592,085	EXXON MOBIL CORP	48,183,877
7	708,709	JOHNSON & JOHNSON	47,143,323
8	520,764	SCHLUMBERGER LTD	44,994,010
9	704,003	THE PROCTER & GAMBLE CO	44,753,471
10	57,522	SAMSUNG ELECTRONICS CO LTD	44,502,595

A complete list of portfolio holdings is available upon request.

Largest Bond Holdings (by Market Value) June 30, 2011

	Par	Bonds	Description	Market Value
1	210,683,774	US TREASURY INFLATION INDEX SECURITY	3.875% 04/15/2029 DD 04/15/99	$288,686,071
2	221,132,703	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2026 DD 01/15/06	241,621,975
3	137,291,868	US TREASURY INFLATION INDEX SECURITY	2.500% 01/15/2029 DD 01/15/09	159,451,599
4	119,812,264	US TREASURY INFLATION INDEX SECURITY	2.125% 01/15/2019 DD 01/15/09	136,136,685
5	48,556,995	US TREASURY INFLATION INDEX SECURITY	2.375% 01/15/2025 DD 07/15/04	55,810,196
6	33,728,816	US TREASURY INFLATION INDEX SECURITY	3.375% 04/15/2032 DD 10/15/01	44,619,547
7	33,270,073	US TREASURY INFLATION INDEX SECURITY	2.125% 02/15/2040 DD 02/15/10	36,204,593
8	32,044,201	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2014 DD 01/15/04	34,522,627
9	24,635,601	US TREASURY INFLATION INDEX SECURITY	1.625% 01/15/2015 DD 01/15/05	26,721,941
10	23,899,971	US TREASURY INFLATION INDEX SECURITY	1.250% 07/15/2020 DD 07/15/10	25,281,676

A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions for the Year Ended June 30, 2011

Broker Name	Base Commission	Total Shares	Commission per Share
MORGAN STANLEY & CO INC, NY	$ 155,174	23,768,146	0.00653
UBS EQUITIES, LONDON	139,386	50,643,312	0.00275
CITATION GROUP/BCC CLRG, NEW YORK	136,833	4,658,997	0.02937
GOLDMAN SACHS INTL, LONDON (GSILGB2X)	128,364	12,218,917	0.01051
GOLDMAN SACHS & CO, NY	126,991	8,742,845	0.01453
CREDIT SUISSE (EUROPE), LONDON	123,783	21,648,953	0.00572
DEUTSCHE BK SECS INC, NY (NWSCUS33)	107,990	10,330,225	0.01045
BERNSTEIN SANFORD C & CO, NEW YORK	104,161	3,176,715	0.03279
MERRILL LYNCH PIERCE FENNER, WILMINGTON	101,437	23,991,145	0.00423
MORGAN STANLEY & CO, LONDON (MSLNGB2X)	99,686	16,337,802	0.00610
UBS SECURITIES LLC, STAMFORD	96,209	4,833,430	0.01990
J P MORGAN SECURITIES INC, BROOKLYN	95,240	3,209,586	0.02967
MERRILL LYNCH INTL LONDON EQUITIES	94,327	9,832,549	0.00959
PERSHING LLC, JERSEY CITY	92,616	13,873,747	0.00668
CITIGROUP GBL MKTS INC, NEW YORK	89,656	3,593,796	0.02495
CREDIT SUISSE, NEW YORK (CSFBUS33XXX)	86,295	4,159,416	0.02075
JPMORGAN SECURITIES INC, NEW YORK	84,419	3,000,007	0.02814
CITIGROUP GBL MKTS/SALOMON, NEW YORK	73,440	17,991,483	0.00408
MERRILL LYNCH PIERCE FENNER SMITH INC NY	71,268	3,719,831	0.01916
JEFFERIES & CO INC, NEW YORK	69,561	1,986,334	0.03502
CITIGROUP GLOBAL MARKETS LTD, LONDON	67,860	13,025,635	0.00521
CALYON SECURITIES, NEW YORK	58,783	22,127,894	0.00266
MACQUARIE SECURITIES LIMITED, HONG KONG	57,828	30,042,902	0.00192
DEUTSCHE BK INTL EQ, LONDN (DEUTGB22EEQ)	57,198	5,706,483	0.01002
CREDIT LYONNAIS SECS (ASIA), HONG KONG	53,486	69,070,066	0.00077
IVY SECURITIES INC, GREAT NECK	52,928	1,323,200	0.04000
INSTINET CORP, NEW YORK	52,748	1,771,966	0.02977
LIQUIDNET INC, BROOKLYN	52,260	4,754,657	0.01099
MERRILL LYNCH GILTS LTD, LONDON	51,866	2,863,306	0.01811
JP MORGAN SECS ASIA PACIFIC, HONG KONG	47,550	29,518,594	0.00161
WATERMILL INSTITUTIONAL TRD, JERSEY CITY	47,444	1,186,100	0.04000
DAIWA SECS AMER INC, NEW YORK	47,121	24,676,700	0.00191
CANTOR FITZGERALD & CO INC, NEW YORK	46,159	1,731,230	0.02666
WEEDEN & CO, NEW YORK	45,411	1,196,138	0.03796
BARCLAYS CAPITAL LE, JERSEY CITY	45,091	1,440,869	0.03129
INSTINET CORP, NY	40,158	1,131,543	0.03549
NOMURA SECS INTL INC, NEW YORK	39,819	1,687,169	0.02360
BNY CONVERGEX, NEW YORK	37,594	1,760,457	0.02135
ISI GROUP INC, NY	37,241	873,297	0.04264
SIDOTI & CO LLC, NEW YORK	36,605	919,290	0.03982
Other Brokers Under $35,000	1,652,821	178,815,499	0.00924
TOTAL BROKER COMMISSIONS	**$4,704,807**	**637,340,231**	0.00738

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

Schedule of Fees and Commissions for the Year Ended June 30, 2011

Investment Fees	Average Assets Under Management	Fees	Basis Points
Investment Manager Fees			
Equity Managers	$ 7,157,626,736	$26,934,558	38
Fixed Income Managers	2,980,523,768	4,250,867	14
Private Equity Managers	909,338,606	810,164	9
Real Estate Managers	536,300,526	3,691,943	69
Total Average Assets	$11,583,789,636		
Total Investment Manager Fees		35,687,532	31
Other Investment Service Fees			
Custodian/Record Keeping Fees		4,201,563	
Investment Consultant Fees		915,159	
Legal Fees		155,847	
Actuary/Audit Service Fees		455,739	
Total Investment Service Fees		5,728,308	5
Total Defined Benefit Plans Fees		41,415,840	36
Total Defined Contribution Plans' Fees		311,323	
Total Other Trust Funds' Fees		123,751	
Total Fees		**$41,850,914**	

Note: Broker Fees are Included on a Separate Schedule

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

I. Introduction

The Retirement Board ("Board") of the Public Employee Retirement System of Idaho ("System") hereby establishes its Statement of Investment Policy for the investment of the trust funds ("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 7.75% before fees and expenses in balancing projected obligations, projected contributions, and projected returns on assets. [The return assumption after fees of administering the system and its investments is 7.25%]. Assuming all of the actuarial assumptions are accurate, this 7.75% 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 7.75% 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 7.75% rate before fees and 7.25% rate net of fees assumes an inflation rate of 3.75% and an annual general state salary growth of 4.50%. 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 7.75% [7.25% net], 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 7.75% gross 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, salary, and other actuarial assumptions as set out in the annual actuarial study reviewed annually by the Board.

(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.

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:

* making 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 determined 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, or business administration 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 account of the Trust.

(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 forward PERSI's Proxy Voting Policy to investment managers; however the investment managers have discretion to vote proxies according to their respective proxy voting policies, provided they vote those proxies in the best interest of our Fund.

(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. Assets under the management of global equity managers will be considered US equity assets for purposes of asset allocation.

(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. For assets under the management of global equity managers, the objective for near-term periods (approximately 5 years or sooner) will be to achieve a return after fees that equals or exceeds the returns of the MSCI World 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, and global equity managers may invest in equity securities outside of the MSCI World 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. For near term periods (approximately 5 years or less), the MSCI World index be the benchmark for global equity managers. Other style or capitalization indices maintained by a qualified organization may be used as the benchmark for style managers. Active U.S. and global equity managers are expected to exceed, over rolling 3-5 year intervals, the applicable benchmark by 75 basis points annually after fees, and to rank in the top 50th percentile of active managers with similar mandates.

B. International Equities

1. Objective

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

2. Allowable Investments

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

3. Manager Styles

Managers for this asset class may include index funds, general international managers, and regional or specialized managers (such as emerging markets). 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), the MSCI ACW ex US, or the MSCI ACWI ex US index (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 other than real return portfolios 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. The overall objective of the real return fixed income is to obtain, over time, a return after fees that equals or exceeds the returns of the Lehman Brothers TIPS 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 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. 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 Lehman Government/Corporate Index or Lehman Aggregate Index will be the benchmark for all non-mortgage fixed income managers. The Lehman Mortgage Index will be the benchmark for all mortgage managers. The Lehman 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 include open-end and closed-end commingled real estate funds, direct real estate investments, publicly traded real estate investment trusts and other public real estate companies, private real estate companies and real estate operating venture entities. Allowable investments must be originated and managed by real estate advisors with substantial experience originating and managing similar investments with other institutional investors. The real estate asset sector is not intended to include solely debt investments; in particular, straight mortgage interests are considered part of the fixed income asset class. The real estate asset sector may include equity-oriented debt investments, including mezzanine loans, that conform with the return targets of the sector.

3. Need for Income Component of Return

Upon closing, each real estate investment must have as a goal the expectation of an annual income return and overall holding period return measured primarily by realized return rather than expected capital appreciation. Thus, a significant portion of real estate investments made should be in existing income producing properties with measurable return expectations rather than purely development properties. However, existing properties with potential for physical enhancement, including development or redevelopment, are acceptable investments.

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 specific property, and the provision of insurance coverage to protect against environmental and natural hazards.

5. Reporting

A comprehensive reporting system for individual investments, entities and funds will be maintained so that primary operational and economic characteristics are continually defined, and underperforming investments can be identified and remediated. Active asset and portfolio management is required for the management of all non publicly traded real estate investments. Investment managers shall be required to present periodic operational reports within approved formats, including statements of fair market value, audited financial statements and annual business plans.

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 appointed by the Board of each investment vehicle or investment manager. Subsequent investments with a previously approved alternative investment manager do not require additional specific approvals by the Board or subcommittee.

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 likely experience greater volatility than the comparable publicly traded securities and indices.

VI. 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**
Equities				
U.S./Global Equity	9.65%	17%	55%	**50% - 65%**
International	9.65%	19%	15%	**10% - 20%**
Total Equities			70%	**66% - 77%**
Fixed Income	5.8%	5%	30%	**23% - 33%**
Cash	**4.0%**	**1%**	**0%**	**0% - 5%**

Total Fund	Expected Return	Expected Inflation	Expected Real Return	**Expected Risk**
Actuary	7.75%	3.50%	4.25%	**n/a**
Portfolio	**8.50%**	**3.50%**	**5.00%**	**11.7%**

(Expected Returns are before fees and expenses)

VII. GASB 40 Reporting (Section VII 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.

Actuarial Section

Helping Idaho public employees
build a secure retirement.

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October 31, 2011

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

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, 2012. 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 1993 to 2011, the total contribution rate has been between 15.82% and 18.75%; year by year detail including employer and member rates is shown in the table on the following page.

At July 1, 2002, the combined overall contribution rate was 15.78%. 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. Due to investment gains, the other two increases were deferred and ultimately in October 2007 the Board cancelled the scheduled contribution rate increases.

The July 1, 2009 valuation found that the contribution rates were insufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date. Therefore, in December 2009, the Board approved three contribution rate increases to take effect: 1.5% on July 1, 2011, 1.5% on July 1, 2012, and 2.28% on July 1, 2013. In December 2010, these scheduled rate increases were each delayed one year.

The historical changes in contribution rates since 1993 are shown in the table below. Note that weighted total values may change even if rates by group do not change.

		Weighted Total		Fire & Police		General/Teachers	
Year of Change	Total Rate	Member Rate	Employer Rate	Member Rate	Employer Rate	Member Rate	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
2008	16.88	6.44	10.44	7.65	10.73	6.23	10.39
2009	16.89	6.45	10.44	7.69	10.73	6.23	10.39
2011	16.89	6.45	10.44	7.69	10.73	6.23	10.39

Contribution rates increases are scheduled for July 1, 2012 (increase in the total rate of 1.5%), July 1, 2013 (1.5%), and July 1, 2014 (2.28%).

Our July 1, 2011, actuarial valuation found that the System's rates are sufficient to pay the System's normal cost rate of 13.93% if the future scheduled contribution rate increases are reflected. As of July 1, 2011, there is an unfunded actuarial liability of $1,232.6 million. The current rates are sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 8.2 years.

Funding Status

Based on the July 1, 2011 actuarial valuation, the unfunded actuarial accrued liability was decreased by $1,212.2 million due to a large asset gain recognized as of July 1, 2011. Specifically, the System's assets earned a gross return before expenses of 20.72%, which is 12.97% above the actuarial assumption of 7.75%. All other actuarial experience gains and losses decreased the actuarial accrued liability by $214.6 million. Thus, the total experience gain for the year was $1,426.8 million.

Also, the actuarial accrued liability was increased by $92.8 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. Delaying the three contribution rate increases mentioned above increased the actuarial accrued liability by $6.1 million. The new Contingent Annuitant actuarial equivalence factors adopted for members retiring on or after July 1, 2011 increased the actuarial accrued liability by an additional $4.7 million.

All of these items then resulted in a total actuarial gain of $1,323.2 million and a change in funding status from a 78.9% funding ratio on July 1, 2010 to 90.2% on June 30, 2011. 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, 2011 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The last major experience study, completed in July 2010, covered the period July 1, 2005 through June 30, 2009. The next major experience study, to be completed in 2012, will cover the period July 1, 2007 through June 30, 2011.

Certification Statement

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by PERSI's staff. This information includes, but is not limited to, benefit descriptions, employee data, and financial information. In our examination of such data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing or if our assumptions regarding incomplete data are incorrect. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities rates of interest, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which in combination, offer our best estimate of anticipated experience affecting the System. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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 Plans and Note Disclosures for Defined Contribution Plans. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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.

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

Respectfully submitted

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Public Employee Retirement System of Idaho

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2011

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, 2010)

Contributing Members, Service Retirement Members, and Beneficiaries

- **Teachers**

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

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

- **Fire & Police**

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

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

  10% of Fire and Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2008.

- **General Employees and All Beneficiaries**

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

  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, 2011 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 one-year setback for males and a two-year set forward for females.

All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2011 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

5. Service Retirement (Adopted July 1, 2008)

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	24%	20%	25%	10%	30%	20%
60	24	25	30	18	30	20
65	50	45	65	75	60	65
70	*	*	25	25	25	20

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	21%	5%	10%	10%
60	21	20	30	20
65	50	65	65	65
70	*	*	*	*

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

6. Early Retirement (Adopted July 1, 2008)

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%	4%	10%	6%
60		8	8	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, 2008)

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

Years of Service	Fire and Police	General Employees		Teachers	
		Male	Female	Male	Female
5	8.0%	11.5%	12.5%	6.5%	7.0%
10	5.2	6.3	7.4	3.4	3.6
15	3.2	3.9	4.4	2.1	2.0
20	1.8	2.6	3.1	1.4	1.4
25	1.5	1.8	2.5	1.2	1.2
30	1.5	1.5	2.5	1.2	1.2

8. Disability Retirement (Adopted July 1, 2008)

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

Age	Fire & Police	General Employees		Teachers	
		Male	Female	Male	Female
25	.01%	.01%	.01%	.02%	.05%
35	.03	.06	.04	.02	.04
45	.13	.12	.11	.07	.07
55	.37	.47	.29	.32	.27

25% of Fire and Police active member disabilities are assumed to be duty related. This assumption was adopted July 1, 2009.

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

9. Future Salaries (Adopted July 1, 2010)

In general, the total annual rates at which salaries are assumed to increase include 4.00% 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		Teachers	
		Male	Female	Male	Female
5	7.95%	6.50%	7.00%	7.38%	8.11%
10	6.29	5.56	5.92	6.29	6.50
15	5.51	4.94	5.02	5.25	4.94
20	5.04	4.68	4.68	4.52	4.52

10. Vesting (Adopted July 1, 2008)

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

	Fire and	General Employees		Teachers	
Age	Police	Male	Female	Male	Female
25	48%	56%	60%	75%	73%
35	53	65	70	75	81
45	70	68	73	75	84
55	--	--	--	--	--

11. Growth in Membership (Adopted July 1, 2010)

In general, the combined effects of stable active membership and salary levels are assumed to produce a 4.00% 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, 2011.

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, 2007, 1.49% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2025. 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 completed in 2010 for the period July 1, 2005 through June 30, 2009 and reviewed mortality and all economic assumptions. All economic & demographic assumptions other than mortality will be studied in 2012 for the period from July 1, 2007 through June 30, 2011. Assumptions were adopted as noted.

16. Recent Changes

Since the July 1, 2010 valuation, new Contingent Annuitant (CA) actuarial equivalence factors were adopted for members retiring on or after July 1, 2011. At the December 2010 Board meeting, the scheduled contribution rate increases on July 1, 2011, July 1 2012, and July 1 2013, were each delayed one year.

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
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
2007	65,800	2,397,470,000	36,436	2.8
2008	66,765	2,540,568,000	38,052	4.4
2009	67,813	2,644,665,000	38,999	2.5
2010	67,020	2,622,461,000	39,130	0.3
2011	65,798	2,572,044,000	39,090	-0.1

* *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 [1]

Valuation Date July 1	Number			COLA Percentage Increases Granted Previous March 1
	Total	Added	Removed	
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
2007	29,619	2,101	920	3.8
2008	30,912	2,160	867	2.0
2009	32,197	2,235	950	1.0
2010	33,625	2,335	907	-1.48% +2.48% Partial Restoration
2011	35,334	2,652	943	1.0

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls [2]	Removed from Rolls	Average	% Increase in Average
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
2007	422,196,000	49,182,000	8,663,000	14,254	6.2
2008	459,077,000	45,072,000	8,191,000	14,851	4.2
2009	491,946,000	42,698,000	9,829,000	15,279	2.9
2010	526,020,000	43,382,000	9,308,000	15,644	2.4
2011	567,933,000	51,647,000	9,734,000	16,073	2.7

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

(2) Includes postretirement increases.

Public Employee Retirement System of Idaho

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, 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	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	748.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8
July 1, 2010	9,579.8	12,187.9	52.3	2,555.8	78.9	2,684.4	95.2
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9

(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 allocations 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.

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, 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
July 1, 2007	10,945.8	2,335.6	4,582.9	3,513.4	100.0	100.0	100.0
July 1, 2008	10,402.0	2,642.0	5,022.9	3,546.9	100.0	100.0	77.2
July 1, 2009	8,646.0	2,867.7	5,396.2	3,468.3	100.0	100.0	11.0
July 1, 2010	9,579.8	2,813.7	5,820.0	3,554.2	100.0	100.0	26.6
July 1, 2011	11,360.1	2,838.9	6,284.8	3,517.5	100.0	100.0	63.6

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

	Gain(Loss) for Period		
	2008-2009	**2009-2010**	**2010-2011**
Investment Income Investment income was greater (less) than expected.	$ (2,442.9)	$ 392.9	$ 1,212.2
Pay Increases Pay increases were less (greater) than expected.	102.4	260.3	281.9
Membership Growth (Additional) liability for new members.	(21.4)	(11.8)	(13.0)
Return to Employment Less (more) reserves were required for terminated members returning to work.	(17.0)	(9.5)	(10.7)
Death After Retirement Retirees died younger (lived longer) than expected.	0.3	0.7	(5.8)
Cost of Living Adjustment (COLA) Different Automatic COLA than expected	124.3	NA	NA
Other Miscellaneous gains (and losses) resulting from other causes. [1]	(32.3)	(28.6)	(37.8)
Total Gain (Loss) During the Period From Actuarial Experience	$ (2,286.6)	$ 604.0	$ 1,426.8
Contribution Income Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	9.6	(130.5)	(92.8)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss) [2]	(1.3)	82.7	None
Changes in actuarial methods caused a gain (loss)	None	None	None
Changes in plan provisions caused a gain (loss) [3]	(2.0)	38.9	(4.7)
Delay of future contribution rate increases	None	None	(6.1)
Composite Gain (Loss) During the Period	$ (2,280.3)	$ 595.1	$ 1,323.2

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

(1) *Reflects losses on active and inactive member experience.*

(2) *For 2008-2009, this reflects changes to value zero salary vested employees using current vested member PVB/EECI ratio. For 2009-2010, this reflects changes made to the mortality and economic assumptions as described in the July 27, 2010, Board meeting materials.*

(3) *For 2008-2009, this reflects the addition of a lump sum disability benefit for safety members. For 2009-2010, this reflects scheduled rate increases. For 2010-2011, this reflects updates to the CA factors.*

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
6/30/06	$2,343.5	$244.4	$6.4	$250.8	$238.1	105%
6/30/07	2,421.0	252.8	6.7	259.5	235.4	110
6/30/08	2,578.9	269.2	4.1	273.3	251.4	109
6/30/09	2,683.5	280.2	4.4	284.6	232.0	123
6/30/10	2,684.4	280.2	4.7	284.9	260.3	109
6/30/11	2,627.9	274.3	4.8	279.1	326.5 (4)	85

(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 applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

(4) See Table C-5 of the valuation for further disclosures. The ARC of 12.243% for the PERSI fiscal year ending June 30, 2011 is based on three months at 10.00% as computed in the 2008 valuation and nine months at 12.99% as computed in the 2009 valuation.

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
6/30/06	10.43%	9.885%	105%
6/30/07	10.44	9.448	110
6/30/08	10.44	9.588	109
6/30/09	10.44	8.483	123
6/30/10	10.44	9.523	109
6/30/11	10.44	12.243 (3)	85

(1) 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.

(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 1.49% of salaries of university members in the ORP until 2025 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 12.243% for the PERSI fiscal year ending June 30, 2011 is based on three months at 10.00% as computed in the 2008 valuation and nine months at 12.99% as computed in the 2009 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, 2011. 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, 2011 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, 2011 is 6.23% (7.69%) of salary. Increases in the contribution rates are scheduled for July 1, 2012, July 1, 2013, and July 1, 2014, as described in Section 5 of the July 1, 2011 Actuarial Valuation report.

When the scheduled rate increases take effect, 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% for the 2003 addition of a $100,000 death benefit for fire and police members who die in the line of duty. After the 72% is applied, the resulting rate is increased by 0.04% for the lump sum duty disability benefit. 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). Future scheduled rate increases at July 1, 2012, July 1, 2013, and July 1, 2014, are reflected in this valuation as described in Section 5 of the July 1, 2011 Actuarial Valuation report.

Service Retirement Allowance

Eligibility
Age 65 (60) with five years of service including six months of membership service (Section 59-1341).

Service Retirement Allowance (continued)

Amount of Allowance
For each year of credited service, the annual service retirement allowance is 2.0% (2.3%) of the highest 42-month average salary (Section 59-1342).

Minimum Benefit
$60 ($72) annual allowance for each year of service. The dollar amounts increase after 1974 according to the rate of cost of living increases in retirement allowances (Section 59-1342).

Maximum Benefit
In no case may a member's regular retirement benefit exceed the highest three-year average salary of the member (Section 59-1342).

Normal Form
Straight life retirement allowance plus any death benefit (Section 59-1351).

Optional Form
Actuarial equivalent of the normal form under the options available, according to the mortality and interest basis adopted by the Board (Section 59-1351).

Early Retirement Allowance

Eligibility
Age 55 (50) with five years of service, including six months of membership service (contributing members only) (Section 59-1345).

Amount of Allowance
Full accrued service retirement allowance if age plus service equals 90 (80); otherwise, the accrued service retirement allowance, reduced by 3% for each of the first five years by which the early retirement date precedes the date the member would be eligible to receive the full accrued benefit, and by 5.75% for each additional year (Section 59-1346).

Vested Retirement Allowance

Eligibility
Former contributing members with five years of membership service are entitled to receive benefits after attaining age 55 (50) (Section 59-1345).

Amount of Allowance
Same as early retirement allowance (Section 59-1345).

Disability Retirement Allowance

Eligibility
Five years of membership service. For a police officer or a firefighter hired after July 1, 1993, who is disabled from an occupational cause, there is no service requirement (Section 59-1352).

Disability Retirement Allowance (continued)

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).

Safety Member Lump Sum Duty Disability Benefit
Fire and Police members who are disabled in the line of duty are eligible for a $100,000 lump sum benefit, in addition to the annuity benefits discussed above (Section 59-1352A).

Death Benefits

After Retirement
Under the normal form of the retirement allowance, the excess, if any, of the member's accumulated contributions with interest at retirement over all payments received. Otherwise, payable according to the option elected (Section 59-1361).

Before Retirement

A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while:

   i. contributing;
   ii. not contributing, but eligible for benefits; or
   iii. retired for disability,

or

B. If a member with at least five years of service has no spouse, a lump sum payment is made equal to twice the accumulated contributions with interest (Section 59-1361).

or

C. If a member 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).

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

Postretirement benefit increases are based on changes in the Consumer Price Index. The measurement period for changes in the CPI-U is August to August. The COLA changes are implemented effective on the March 1 following the measurement period.

If the CPI-U increases by at least 1%, the COLA is at least 1%. If the CPI-U increases by more than 1%, an additional postretirement increase of up to 5% each year (but not more than the increase in the CPI-U) 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.

If the CPI-U increases by less than 1% or decreases, the COLA is automatic, based on the change in the CPI. If a negative COLA is applicable, the negative COLA cannot decrease benefits by more than 6%. Additionally, a negative COLA cannot decrease a member’s benefit below the amount of the benefit at the initial benefit date.

If a COLA is implemented that is less than the increase in the CPI-U, members’ benefits will not retain their full inflation adjusted purchasing power. In such cases, the Board may implement a Restoration of Purchasing Power (ROPP) COLA at a later date to bring those members closer to 100% of inflation adjusted purchasing power. As with a discretionary COLA, a ROPP is subject to approval of the Legislature and requires that the System’s assets are no less in value than its actuarial liabilities, including those created by the additional increase. (Section 59-1355).

Gain Sharing

Beginning in 2000, under Section 59-1309, Idaho Code, the Board may allocate all or a portion of “extraordinary gains” to active and retired members and employers as Gain Sharing.

Extraordinary gains are defined as the excess, if any, at the close of the fiscal year of the Assets over Actuarial Accrued Liabilities plus an amount necessary to absorb a one standard deviation market event without increasing contribution rates, as determined by the Board. Under the Board’s current investment policy, assets in excess of a 113% funded ratio are considered extraordinary gains. The Board has the authority to rescind the Gain Sharing up to the date of distribution.

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November 1, 2011

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

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 occurred annually through the July 1, 2007 valuation. Beginning July 1, 2007, the valuations are biennial again. The next actuarial valuation is scheduled for July 1, 2013.

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 to July 1, 2008 and July 1, 2009. In October 2007, the Board cancelled the remaining scheduled contribution rate increases.

Funding Status

Based on the July 1, 2011 actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by January 31, 2013 or 1.6 years from the valuation date. This is shorter than the expected amortization period as of July 1, 2011 of 4.8 years based on the July 1, 2009 valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over 7 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 $42.7 million due to an asset gain recognized as of July 1, 2011. Specifically, the Fund's assets earned a gross return before expenses of 20.62% for the 2011 plan year which was more than the actuarial assumption of 7.75%. All experience gains and losses (including the asset gain) over the year resulted in the UAAL being reduced by $40.5 million. Also, the actuarial accrued liability was decreased by $17.1 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. In addition to the above changes, the UAAL was reduced by an additional $21.3 million due to the assumption changes from the 2010 Experience Study, implemented on July 1, 2010. The funding status increased from a 69.3% funding ratio on July 1, 2009, to 93.2% on June 30, 2011. 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, 2011 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 wage growth and inflation assumption were again changed on July 1, 2010. The mortality assumptions for the plan were changed on July 1, 2010, in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2011 valuation.

The next major PERSI experience study, to be completed in 2012, will cover the period July 1, 2007 through June 30, 2011.

Certification Statement

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the PERSI staff. This information includes, but is not limited to, benefit descriptions, employee data, and financial information. In our examination of such data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing or if our assumptions regarding incomplete data are incorrect. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities rates of interest, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Fund and reasonable expectations) and which in combination, offer our best estimate of anticipated experience affecting the Fund. The Retirement Board has the final decision regarding the appropriateness of the assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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 Plans and Note Disclosures for Defined Contribution Plans. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman’s work is prepared solely for the internal business use of the Fund. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman’s work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman’s consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The Fund may provide a copy of Milliman’s work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman’s work for any purpose other than to benefit the System.

(b) The Fund may provide a copy of Milliman’s work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. 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.

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

Respectfully submitted,

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Idaho Firefighters' Retirement Fund

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2011

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, 2010)

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 one year. These tables are illustrated in Table A-4A of the July 1, 2011 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, 2011 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, 2010)

In general, the total annual rates at which salaries are assumed to increase include 4.00% 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, 2010)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 4.00% 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 3.50% 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, 2011 amounted to $3,052,326 or approximately 5.14% of all firefighters' covered compensation during the same period. Future fire insurance premiums are expected to provide contributions as a decreasing percentage of compensation, due to the assumption that the firefighters' covered compensation (including Class D members) will increase at the rate of 4.00% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.50% per year. The rate for the increase for covered compensation was adopted July 1, 2010. The rate for the increase of fire insurance premiums was adopted July 1, 2010.

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.

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 an open 30-year period from July 1, 2009. The ARC is then the total of the normal cost allocated to the current plan year plus the amortization payment on the UAAL. Prior to July 1, 2006, the UAAL was amortized over a closed 40-year period from July 1, 1996. 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, 2005 through June 30, 2009 and reviewed mortality and all economic assumptions. All economic and demographic assumptions other than mortality will be studied in 2012 for the period from July 1, 2007 through June 30, 2011. Mortality as well as some economic assumptions were updated July 1, 2010 to reflect the findings in the most recent experience study. 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, 2010 in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2011 valuation report. The wage growth assumption and the inflation assumption were modified effective July 1, 2010.

Idaho Firefighters' Retirement Fund

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries Total [(1)]	Average	Annual Increase in Average
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
2007	10	791,125	79,113	(0.6)
2009	5	437,818	87,564	5.2
2011	4	368,842	92,211	2.6

(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			COLA Increases Granted Previous January 1
	Total	Added	Removed	
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
2007	590	5	12	2.42
2009	573	6	23	5.10
2011	566	14	21	3.30

Valuation Date July 1	Annual Benefits				
	Total [2]	Added [3]	Removed	Average	Annual Increases in Average
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
2007	22,992,269	754,703	399,364	38,970	2.8
2009	24,598,935	2,442,928	836,262	42,930	5.0
2011	25,998,263	2,147,165	747,837	45,933	3.4

(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 $19,479,344 of the 2011 total.

(3) Includes postretirement increases.

Idaho Firefighters' Retirement Fund

EXHIBIT 4: SCHEDULE OF FUNDING PROGRESS (All Dollar Amounts in Millions)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) (1)	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
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
2007	291.5	314.8	23.3	92.6	47.6	48.9
2009	225.3	325.3	100.0	69.3	55.7	179.5
2011	290.4	311.5	21.1	93.2	59.3	35.6

(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 Exhibit 2, 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 Liabilities (1) for			Portion of Actuarial Liabilities Covered by Assets		
Actuarial Valuation Date	Actuarial Value of Assets	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	(A)	(B)	(C)
July 1, 2000	$217.8	$0.9	$239.9	$55.0	100.0%	90.4%	0.0%
July 1, 2001	200.4	0.3	274.5	43.0	100.0	72.9	0.0
July 1, 2002	181.5	0.2	270.5	30.4	100.0	67.0	0.0
July 1, 2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0
July 1, 2004	210.4	0.1	287.7	15.2	100.0	73.1	0.0
July 1, 2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
July 1, 2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0
July 1, 2007	291.5	0.0	312.0	2.8	100.0	93.4	0.0
July 1, 2009	225.3	0.0	324.0	1.3	100.0	69.5	0.0
July 1, 2011	290.4	0.0	310.7	0.8	100.0	93.5	0.0

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

EXHIBIT 6: ANALYSIS OF ACTUARIAL GAINS OR LOSSES
(All Dollar Amounts in Millions)

	Gain (Loss) for Period		
	2006-2007	**2007-2009**	**2009-2011**
Investment Income Investment income was greater (less) than expected.	$ 29.7	$(100.7)	$ 42.7
Pay Increases Pay increases and COLAs were less (greater) than expected.	8.1	5.9	(0.3)
Death After Retirement Retirees died younger (lived longer) than expected.	(2.7)	–	–
Other Miscellaneous gains (and losses) resulting from other causes.	3.3	(5.0)	(1.9)
Total Gain (Loss) During the Period From Actuarial Experience	$ 38.4	$(101.6)	$ 40.5
Contribution Income Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	8.1	24.9	17.1
Non-Recurring Items Changes in actuarial assumptions and benefits caused a gain (loss).	(6.3)	–	21.3
Composite Gain (Loss) During the Period	$ 40.2	$ (76.7)	$ 78.9

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
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
2007	47,638,976	78,450	8,212,960	3,827,763	12,119,173	5,033,291	240.8
2008	52,097,173	54,297	8,981,553	3,834,553	12,870,403	1,826,307	704.7
2009	55,747,655	41,362	9,610,896	3,563,731	13,215,989	1,826,307	723.6
2010	58,146,207	36,937	10,024,405	3,480,989	13,542,331	7,959,238	170.1
2011	59,337,447	31,616	10,229,773	3,052,326	13,313,715	7,959,238	167.3

(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) are 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 the actuarial valuation 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
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
2007	6.90	10.73	8.65	17.24	7.65	36.62	35.62
2009	5.20	10.73	8.65	17.24	7.65	36.62	35.62
2011	5.10	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, 2011. 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, 2011

	Public Employee Retirement System	Firefighters' Retirement Fund
Member Contribution Rate	7.69% of salary.	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 after 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.

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

	Public Employee Retirement System	Firefighters' Retirement Fund
Post-Retirement Increases		
Amount of Adjustment	Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase or decrease of 6.00% in any year. If the Consumer Price Index increases by at least 1% from August to August, a 1.00% annual postretirement increase is effective the following March. 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. If the CPI-U increases by less than 1% or decreases, the COLA is automatically equal to the change in the CPI-U. A decrease can not be more than 6%. Member benefits cannot decrease below the amount at the initial benefit date.	Benefits increase or decrease by the same percentage by which the average paid firefighter's salary increases or decreases. The change for the year is effective each February.

Statistical Section

Helping Idaho public employees
build a secure retirement.

The objectives of the Statistical Section are to provide additional historical perspective, context, and relevant details to assist readers in using the information in the financial statements, notes to the financial statements, and the required supplementary information in order to understand and assess the System's economic condition. In support of these objectives, the System has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section.*

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.

During FY 2011, the number of active PERSI members decreased from 67,020 to 65,798. The number of retired members or annuitants receiving monthly allowances increased from 33,625 to 35,334. The number of inactive members who have not been paid a separation benefit increased from 24,119 to 25,489. Of these inactive members, 10,468 have achieved vested eligibility. Total membership in PERSI increased from 124,764 to 126,621 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, 2011, there were 737 public employers in Idaho who were PERSI members. Tables 8 and 9 of this section illustrate the diversity of our employer participation.

Table 1

Distribution of Membership by Group

	Active Members			Inactive Members			Retirees	
	Vested	Non-vested	Total	Vested	Non-vested	Total		Total
Cities	4,673	2,312	6,985	1,491	897	2,388	3,062	12,435
Female	1,398	748	2,146	492	361	853	1,081	4,080
Male	3,275	1,564	4,839	999	536	1,535	1,981	8,355
Counties	4.646	2,917	7,563	859	1,419	2,278	2,888	12,729
Female	2,283	1,450	3,733	476	802	1,278	1,513	6,524
Male	2,363	1,467	3,830	383	617	1,000	1,375	6,205
Schools	19,901	9,534	29,435	3,717	7,073	10,790	15,158	55,383
Female	14,941	7,115	22,056	2,992	5,486	8,478	10,547	41,081
Male	4,960	2,419	7,379	725	1,587	2,312	4,611	14,302
State	11,137	5,681	16,818	3,360	4,619	7,979	11,031	35,828
Female	5,756	2,952	8,708	1,952	2,600	4,552	5,418	18,678
Male	5,381	2,729	8,110	1,408	2,019	3,427	5,613	17,150
All Others	3,188	1,809	4,997	1,041	1,013	2,054	3,195	10,246
Female	1,007	754	1,761	510	657	1,167	1,359	4,287
Male	2,181	1,055	3,236	531	356	887	1,836	5,959
Grand Total	43,545	22,253	65,798	10,468	15,021	25,489	35,334	126,621
Female	25,385	13,019	38,404	6,422	9,906	16,328	19,918	74,650
Male	18,160	9,234	27,394	4,046	5,115	9,161	15,416	51,971

Table 2

Changes in Membership

	Active Members			Retired Members		Inactive Members
Fiscal Year Ended	Number	Average Age	Average Years of Service	Number	Average Age	Number
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
2007	65,800	46.2	10.3	29,619	72.0	22,690
2008	66,765	46.2	10.3	30,912	71.9	23,712
2009	67,813	46.5	10.4	32,197	71.8	23,086
2010	67,020	46.7	10.6	33,625	71.3	24,119
2011	65,798	46.9	10.8	35,334	71.5	25,489

Table 3a

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	5,354	4,587	12	755	1,276	4,078
251 - 500	5,388	4,736	71	581	1,088	4,300
501 - 750	4,041	3,474	173	394	867	3,174
751 - 1,000	3,251	2,822	154	275	749	2,502
1,001 - 1,250	2,697	2,296	176	225	666	2,031
1,251 - 1,500	2,313	1,965	193	155	599	1,714
1,501 - 1,750	1,902	1,659	137	106	529	1,373
1,751 - 2,000	1,703	1,505	127	71	515	1,188
Over 2,000	8,685	8,150	344	191	2,910	5,775
Totals	35,334	31,194	1,387	2,753	9,199	26,135

Joint & Survivor (also known as Contingent Annuitant)

***** *Single Life Options include Straight Life, Cash Refund, Social Security and all other FOPs.*

Table 3b

Retired Members by Type of Benefit – Firefighters' Retirement Fund

Amount of Monthly Benefit	Total Number of Retirees	Type of Retirement: Normal	Type of Retirement: Disability	Type of Retirement: Beneficiary	Option Selected: Joint & Survivor	Option Selected: Straight Life*
$0 - 250	3	2		1	2	1
251 - 500	13	3		10	3	10
501 - 750	9	6	1	2	7	2
751 - 1,000	13	10		3	10	3
1,001 - 1,250	13	11	1	1	12	1
1,251 - 1,500	17	12	2	3	14	3
1,501 - 1,750	20	15	1	4	16	4
1,751 - 2,000	27	23	1	3	24	3
Over 2,000	451	326	28	97	354	97
Totals	566	408	34	124	442	124

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.

Table 3c

Retired Members by Type of Benefit – 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	29	23	4	2
251 - 500	38	30	3	5
501 - 750	23	21	1	1
751 - 1,000	14	11	1	2
1,001 - 1,250	6	5		1
1,251 - 1,500	1	1		
1,501 - 1,750	1	1		
1,751 - 2,000	1			1
Over 2,000	4	4		
Totals	117	96	9	12

Table 4a

Average Benefit Payments – PERSI Base Plan

Retirement Effective Dates	Years Credited Service						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/01 to 6/30/02							
Average monthly benefit	$704	$305	$578	$936	$1,392	$2,195	$3,139
Average final average salary	$1,649	$1,650	$2,204	$2,598	$2,921	$3,556	$4,061
Number of retired members	93	221	256	200	234	192	291
Period 7/1/02 to 6/30/03							
Average monthly benefit	$752	$331	$634	$988	$1,591	$2,268	$3,132
Average final average salary	$2,057	$2,080	$2,301	$2,649	$3,204	$3,691	$4,188
Number of retired members	86	253	240	248	238	255	405
Period 7/1/03 to 6/30/04							
Average monthly benefit	$533	$281	$598	$991	$1,565	$2,379	$3,333
Average final average salary	$1,754	$1,790	$2,328	$2,766	$3,199	$3,882	$4,402
Number of retired members	81	299	229	243	255	296	368
Period 7/1/04 to 6/30/05							
Average monthly benefit	$486	$336	$655	$1,019	$1,633	$2,281	$3,220
Average final average salary	$1,889	$2,066	$2,503	$2,935	$3,346	$3,823	$4,431
Number of retired members	72	292	287	271	264	283	405
Period 7/1/05 to 6/30/06							
Average monthly benefit	$456	$292	$634	$1,011	$1,449	$2,228	$3,167
Average final average salary	$1,382	$1,870	$2,448	$2,964	$3,308	$3,845	$4,459
Number of retired members	80	291	289	291	274	332	445
Period 7/1/06 to 6/30/07							
Average monthly benefit	$343	$328	$621	$964	$1,529	$2,242	$3,136
Average final average salary	$1,893	$2,270	$2,515	$2,963	$3,532	$4,019	$4,611
Number of retired members	58	329	303	307	282	318	460
Period 7/1/07 to 6/30/08							
Average monthly benefit	$432	$331	$619	$1,029	$1,555	$2,228	$3,029
Average final average salary	$1,665	$2,176	$2,672	$3,172	$3,673	$5,549	$4,570
Number of retired members	49	291	268	290	295	309	489
Period 7/1/08 to 6/30/09							
Average monthly benefit	$589	$339	$646	$1,079	$1,508	$2,281	$3,121
Average final average salary	$2,157	$2,339	$2,630	$3,319	$3,625	$4,174	$4,760
Number of retired members	67	319	274	318	290	345	482
Period 7/1/09 to 6/30/10							
Average monthly benefit	$388	$330	$648	$990	$1,481	$2,290	$3,197
Average final average salary	$1,475	$2,355	$2,743	$3,067	$3,628	$4,231	$4,809
Number of retired members	43	306	295	340	333	343	506
Period 7/1/10 to 6/30/11							
Average monthly benefit	$474	$366	$654	$1,044	$1,539	$2,358	$3,271
Average final average salary	$1,956	$2,552	$2,786	$3,239	$3,713	$4,385	$4,854
Number of retired members	53	403	329	365	356	382	581

Table 4b
Average Benefit Payments – Firefighters' Retirement Fund

Retirement Effective Dates	Years Credited Service						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/01 to 6/30/02							
Average monthly benefit				$2,976	$1,689		
Average Final Average Salary				*	$4,140		
Number of retired members				1	24		
Period 7/1/02 to 6/30/03							
Average monthly benefit					$1,498		
Average Final Average Salary					*		
Number of retired members					23		
Period 7/1/03 to 6/30/04							
Average monthly benefit					$1,294	$1,834	
Average Final Average Salary					4,449	*	
Number of retired members					14	2	
Period 7/1/04 to 6/30/05							
Average monthly benefit					$871		
Average Final Average Salary					4,642		
Number of retired members					25		
Period 7/1/05 to 6/30/06							
Average monthly benefit					$1,133	$830	
Average Final Average Salary					*	$4,639	
Number of retired members					2	7	
Period 7/1/06 to 6/30/07							
Average monthly benefit						$606	
Average Final Average Salary						*	
Number of retired members						3	
Period 7/1/07 to 6/30/08	No	Valuation	Completed				
Period 7/1/08 to 6/30/09							
Average monthly benefit						$315	
Average Final Average Salary						$5,440	
Number of retired members						2	
Period 7/1/09 to 6/30/10	No	Valuation	Completed				
Period 7/1/10 to 6/30/11	**	**	**	**	**	**	**
Average monthly benefit							
Average Final Average Salary							

*Average final average salary is not the basis for calculating benefits on the classes of firefighters in the group.
** No retirements for the fiscal year

Table 4c

Average Benefit Payments – PERSI Choice Plan

Retirement Effective Dates	**Years of Service**						
	0 - 4*	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
Period 7/1/02 to 6/30/03							
Average monthly benefit							$308
Number of retired members							3
Period 7/1/03 to 6/30/04							
Average monthly benefit		$1,000	$500	$400			
Number of retired members		1	1	2			
Period 7/1/04 to 6/30/05							
Average monthly benefit		$1,000	$275	$537	$585		$538
Number of retired members		1	2	3	2		6
Period 7/1/05 to 6/30/06							
Average monthly benefit		$139	$1,000	$1,000	$1,964	$750	$698
Number of retired members		1	1	1	4	2	6
Period 7/1/06 to 6/30/07							
Average monthly benefit			$150	$425	$409	$616	$648
Number of retired members			2	2	2	4	4
Period 7/1/07 to 6/30/08							
Average monthly benefit		$1,788	$278	$600	$675	$300	$756
Number of retired members		2	2	2	2	1	8
Period 7/1/08 to 6/30/09							
Average monthly benefit		$525		$452	$542	$817	$360
Number of retired members		3	0	8	7	3	10
Period 7/1/09 to 6/30/10							
Average monthly benefit	$445	$1,063	$285	$566	$729	$642	$529
Number of retired members	1	7	7	19	11	8	28
Period 7/1/10 to 6/30/11							
Average monthly benefit	$445	$913	$378	$511	$794	$621	$674
Number of retired members	1	11	11	25	17	14	38

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.

Table 5

Schedule of Benefit Expenses by Type

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors (2)	Disabilities Retirants (1): Pre-NRA	Disabilities Retirants (1): Post-NRA	Disabilities: Survivors	Refunds: Death	Refunds: Separation	Total
PERSI BASE PLAN and FRF								
2006	342,794,760	22,205,546	13,694,529	6,088,943	387,844	5,386,912	22,945,895	413,504,429
2007	380,879,849	22,579,175	15,672,020	6,377,501	267,684	4,821,583	22,152,431	452,750,243
2008	420,389,539	23,588,263	16,412,107	7,285,789	688,712	6,492,918	22,118,356	496,975,684
2009	450,932,717	24,816,026	17,121,066	7,398,421	805,793	6,402,026	28,443,650	535,919,699
2010	482,822,862	26,105,686	17,680,158	7,776,994	1,033,331	8,040,775	28,707,077	572,166,883
2011	522,613,510	27,267,164	18,053,494	8,716,510	1,207,594	8,554,827	30,198,785	616,611,884
PERSI CHOICE PLAN								
2006	3,963,574							
2007	5,263,987							
2008	5,631,977							
2009	6,766,643							
2010	7,703,591							
2011	10,110,544							
SICK LEAVE INSURANCE RESERVE TRUST FUND								
2006	10,453,640							
2007	11,647,417							
2008	12,867,321							
2009	14,339,783							
2010	14,304,262							
2011	15,267,853							

(1) The split between duty and non-duty disabilities is not available.

(2) Benefit amounts are not available. All survivors are included with the Age & Service Benefits survivors.

NRA = Normal Retirement Age. PERSI members with disability benefits convert to age & service retirants at NRA (60 for Fire & Police, 65 for other members).

Table 6

History of Cost-of-Living Adjustments

Year [1]	CPI Rate	PERSI COLA Rate	Maximum COLA	Difference	
1980	12.2	6.0	6.0	0.0	
1981	12.6	6.0	6.0	0.0	
1982	10.2	6.0	6.0	0.0	
1983	5.1	5.1	5.1	0.0	
1984	2.9	2.9	2.9	0.0	
1985	4.2	4.2	4.2	0.0	
1986	3.2	1.0	3.2	2.2	(2)
1987	1.5	1.5	1.5	0.0	
1988	4.5	1.0	4.5	3.5	(2)
1989	4.2	1.0	4.2	3.2	(2)
1990	4.7	4.7	4.7	0.0	
1991	5.6	5.6	5.6	0.0	
1992	3.8	3.8	3.8	0.0	
1993	3.1	3.1	3.1	0.0	
1994	2.8	2.8	2.8	0.0	
1995	2.9	2.9	2.9	0.0	
1996	2.6	2.6	2.6	0.0	
1997	2.9	2.9	2.9	0.0	
1998	2.2	2.2	2.2	0.0	
1999	1.6	1.6	1.6	0.0	(2)
2000	2.3	2.3	2.3	0.0	
2001	3.4	3.4	3.4	0.0	
2002	2.7	2.7	2.7	0.0	
2003	1.8	1.0	1.8	0.8	(3)
2004	2.2	2.2	2.2	0.0	
2005	2.7	2.7	2.7	0.0	(3)
2006	3.6	3.6	3.6	0.0	
2007	3.8	3.8	3.8	0.0	
2008	2.0	2.0	2.0	0.0	
2009	5.4	1.0	5.4	4.4	(4)
2010	-1.48	1.0	-1.48	0.0	(4)
2011	1.15	1.0	1.15	0.15	
2012	3.77	Not determined	at time of print		

1 For years 1980 through 1986,based on the prior year annual change in CPI-U, August to August, adjustments were effective January 1. Beginning in 1987, adjustments were effective March 1.

2 Retro-active COLAs were awarded effective March 1, 1999 to re-establish purchasing power for the years 1986, 1988, 1989

3 A retro-active COLA was awarded effective March 1, 2005 to re-establish purchasing power for 2003.

4 A retro-active COLA of 2.48% was awarded effective March 1, 2010 to re-store partial purchasing power for 2009 for a net COLA of 1%.

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Table 7
Changes in Net Assets
(Last 10 fiscal years)

	2002	2003	2004	2005
Additions:				
Employee contributions	$135,637,682	$145,862,839	$148,726,798	$167,192,092
Employer contributions	220,398,889	217,096,030	241,063,204	264,113,386
Investment income (1)	162,149,168	171,792,158	179,934,208	200,437,219
Gains and losses	(663,804,822)	40,395,034	1,001,322,358	619,037,925
Transfers/Rollovers In (2)	1,341,525	2,062,334	3,318,115	8,275,628
Other income	137,215	132,967	77,694	159,912
Total additions to plan net assets	($144,140,343)	$577,341,362	$1,574,442,377	$1,259,216,162
Deductions:				
Benefit payments	$266,887,469	$291,220,969	$328,787,900	$362,205,823
Refunds	25,645,815	24,826,501	26,537,280	24,328,709
Administrative Expenses	7,034,588	6,614,117	6,991,503	7,169,254
Transfers/Rollovers Out (2)	829,922	1,555,049	1,976,643	3,457,942
Total deductions to plan net assets	$300,397,794	$324,216,636	$364,293,326	$397,161,728
Change in net assets	($444,538,137)	$253,124,726	$1,210,149,051	$862,054,434

1 *Investment income is reported net of investment expense.*

2 *Transfers and rollovers began in 2001 with Gain Sharing distributions and the addition of the PERSI Choice Plan.*

2006	2007	2008	2009	2010	2011
$180,225,413	$189,304,102	$205,602,392	$215,761,970	$211,554,121	$211,498,158
280,102,208	289,658,998	305,327,281	317,754,767	318,247,896	311,652,427
227,638,411	263,822,475	291,288,566	243,690,856	214,266,326	246,220,434
799,752,931	1,650,865,737	(853,679,206)	(2,063,129,149)	905,638,046	1,851,863,723
6,246,072	8,512,489	8,946,219	6,057,764	4,867,768	7,469,551
143,166	261,192	243,162	92,876	17,180	42,436
$1,494,108,201	$2,402,424,993	$(42,271,586)	$(1,279,770,916)	$1,654,591,337	$2,628,746,729
$400,122,778	$442,090,781	$484,323,072	$522,180,449	$557,426,884	$603,236,670
29,580,469	27,570,866	31,151,910	34,845,676	36,747,852	38,753,611
7,361,536	6,759,609	5,984,570	6,326,878	6,575,698	6,077,880
4,040,722	6,257,877	7,273,051	8,126,080	8,884,365	13,660,821
$441,105,505	$482,679,133	$528,732,603	$571,479,083	$609,634,799	$661,728,982
$1,053,002,696	$1,919,745,860	$(571,104,189)	$(1,851,249,999)	$1,044,956,538	$1,967,017,747

Table 8

Principal Participating Employers

2011

Participating Employers	**Covered Employees**	**Rank**	**Percentage of Total System**
State of Idaho	16,907	1	26%
Meridian School District	3,279	2	5%
Boise Ind School District	2,903	3	4%
Ada County	1,507	4	2%
Nampa School District	1,425	5	2%
City of Boise	1,260	6	2%
Pocatello School District	1,183	7	2%
Coeur d`Alene School District	997	8	2%
Bonneville School District	992	9	2%
Idaho Falls School District	968	10	1%
All other	34,377		52%
Total (737 employers)	**65,798**		**100%**

2002

Participating Employers	**Covered Employees**	**Rank**	**Percentage of Total System**
State of Idaho	18,041	1	29%
Boise Ind. School District	3,155	2	5%
Meridian School District	2,601	3	4%
Ada County	1,201	4	2%
Idaho Falls School District	1,164	5	2%
Nampa School District	1,151	6	2%
City of Boise	1,144	7	2%
Pocatello School District	976	8	2%
Coeur d’Alene School District	935	9	1%
Bonneville School District	812	10	1%
All other	31,196		50%
Total (637 employers)	**62,376**		**100%**

Table 9

Public Entities Participating in PERSI

State Agencies
Accountancy Board
Administration Dept.
Aging Commission
Agriculture Dept.
Arts Commission
Attorney General
Barley Commission
Bean Commission
Beef Council
Blind Commission
Boise State University
Brand Inspector
Building Safety Division
Commerce Dept.
Controller's Office
Corrections Dept.
Correctional Industries
Dairy Council
Dentistry Board
Eastern Idaho Technical College
Education Board
Endowment Fund Investment Board
Environmental Quality Dept.
Finance Dept.
Financial Management Division
Fish and Game Dept.
Forest Products Com.
Governor's Office
Health and Welfare Dept.
Health Dist.#1
Health Dist.#2
Health Dist.#3
Health Dist.#4
Health Dist.#5
Health Dist.#6
Health Dist.#7
Hispanic Affairs Commission
Historical Society
Human Resources Division
Idaho Div. Prof.-Tech. Education
Idaho Grape Growers and Wine Producers Commission
Idaho Oilseed Commission
Idaho Public Television
ID Rangeland Resources Com.
Idaho State Bar
Idaho State Police
Idaho State University
Independent Living Council
Industrial Commission
Insurance Dept.
Insurance Fund
Judicial Branch
Juvenile Corrections
Labor Dept.
Lands Dept.
Lava Hot Springs Foundation
Legislative Services
Legislature - House of Reps.
Legislature - Senate
Lewis-Clark State College
Library
Lieutenant Governor
Liquor Dispensary
Lottery
Medicine Board
Military Division
Nursing Board
Occupational Licenses Bureau
Office of Drug Policy
Office of Energy Resources
Outfitters and Guides
Parks & Recreation
Pardons and Paroles Com
Pharmacy Board
Potato Commission
Prof. Engineers & Land Surveyors
Public Employee Retire. Sys.
Public Utilities Commission
Racing Commission
Real Estate Commission
Secretary of State
Soil Conservation Commission
Species Conservation Office
State Appellate Public Defender
Superintendent of Public Instr.
Tax Appeals Board
Tax Commission
Transportation Dept.
Treasurer
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
Minidoka 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 Cambridge
City of Cascade
City of Castleford
City of Challis
City of Chubbuck
City of Clark Fork
City of Coeur d' Alene
City of Cottonwood
City of Council
City of Craigmont
City of Culdesac
City of Dalton Gardens
City of Deary
City of Declo
City of Donnelly
City of Dover
City of Downey
City of Driggs
City of Dubois
City of Eagle
City of Emmett
City of Fairfield
City of Filer
City of Firth
City of Franklin
City of Fruitland
City of Garden City
City of Genesee
City of Georgetown
City of Glenns Ferry
City of Gooding
City of Grace
City of Grangeville
City of Greenleaf
City of Hagerman
City of Hailey
City of Hayden
City of Hayden Lake
City of Heyburn
City of Homedale
City of Hope
City of Horseshoe Bend
City of Idaho Falls
City of Inkom
City of Iona
City of Island Park
City of Jerome
City of Juliaetta
City of Kamiah
City of Kellogg
City of Kendrick
City of Ketchum
City of Kimberly
City of Kooskia
City of Kootenai
City of Kuna
City of Lapwai
City of Lava Hot Springs
City of Lewiston
City of Mackay
City of Malad
City of Malta
City of Marsing
City of McCall
City of McCammon
City of Melba
City of Menan
City of Meridian
City of Middleton
City of Montpelier
City of Moscow
City of Mountain Home
City of Moyie Springs
City of Mullan
City of Nampa
City of New Meadows
City of New Plymouth
City of Newdale
City of Nezperce
City of Notus
City of Old Town
City of Orofino
City of Osburn
City of Paris
City of Parker
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 Riggins
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 Weston
City of Wilder
City of Winchester
City of Worley

Water and Sewer Districts

Ada County Drainage Dist.#2
Aberdeen-Springfield Canal Co.
American Falls Reservoir Dist.#1
American Falls Reservoir Dist.#2
Avondale Irrigation Dist.
Big Lost River Irrigation
Big Wood Canal Co.
Black Canyon Irrigation Dist.
Boise-Kuna Irrigation Dist.
Boise Project Board of Control
Burley Irrigation Dist.
Cabinet Mountain Water Dist.
Caldwell Irrigation Lateral Dist.
Canyon Hill Irrigation Dist.
Cataldo Water Dist.
Central Shoshone Cnty Water Dist.
Dalton Gardens Irrigation Dist.
East Green Acres Irrigation Dist.
E&W Cassia Soil & Water Cons. Dist.
East Shoshone County Water Dist.
Fish Haven Area Rec. Sewer Dist.
Fremont-Madison Irrigation Dist.

Grand View Mutual Canal Co.
Granite Reeder Water & Sewer
Hayden Lake Recreational Water & Sewer Dist.
Hayden Lake Irrigation Dist.
Idaho Irrigation Dist.
Kalispel Bay Water/Sewer Dist.
King Hill Irrigation Dist.
Kingston Water Dist.
Kootenai-Ponderay Sewer Dist.
Lake Irrigation Dist.
Lewiston Orchards Irrigation Dist.
Little Wood River Irrigation Dist.
Milner Low Lift Irrigation Dist.
Minidoka Irrigation Dist.
Mountain Home Irrigation Dist.
Nampa-Meridian Irrigation Dist.
New Sweden Irrigation Dist.
New York Irrigation Dist.
North Kootenai Water Dist.
Orofino Cr-Whiskey Cr Water/Sewer Dist.
Outlet Bay Water & Sewer Dist.
Owyhee Project Sewer Board
Payette Lakes Water/Sewer Dist.
People's Canal & Irrigation Co.
Pinehurst Water Dist.
Pioneer Irrigation Dist.
Progressive Irrigation Dist.
Riverside Independent Water/Sewer
Riverside Irrigation Dist.
Riverside Irrigation Dist. Ltd.
Roseberry Irrigation Dist.
Ross Point Water Dist.
Settlers Irrigation Dist.
Snake River Valley Irrigation Dist.
Southside Water & Sewer Dist.
Star Sewer & Water Dist.
Sun Valley Water & Sewer Dist.
Twin Falls Canal Co.
Water Dist.#1
Water Dist.#11
Water Dist.#31
Water Dist.#32C
Water Dist.#34
Water Dist.# 37 and #37M
Water Dist.#37N
Water Dist. #63
Weiser Irrigation Dist.
West Bonner Water & Sewer Dist.
Wilder Irrigation Dist.

Highway Districts

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

Junior Colleges and Public School Districts

North Idaho College
College of Southern Idaho
Aberdeen School Dist.
Academy at Roosevelt Center Charter School
American Falls School Dist.
Another Choice Virtual Charter School
ANSER of Idaho Inc.
Arbon School Dist.
Avery School Dist.
Basin School Dist.
Bear Lake School Dist.
Blackfoot Charter Com. Learning Ctr.
Blackfoot School Dist.
Blaine County School Dist.
Bliss School Dist.
Boise Independent School Dist.
Bonneville School Dist.
Boundary County School Dist.
Bruneau-Grandview School Dist.
Buhl School Dist.
Butte County School Dist.
Caldwell School Dist.
Camas County School Dist.
Cambridge School Dist.
Canyon-Owyhee School Dist.
Cascade School Dist.
Cassia County School Dist.
Castleford School Dist.
Challis Joint School Dist.
Clark County School Dist.
Clearwater-Orofino School Dist.
Coeur d' Alene Charter Academy
Coeur d' Alene School Dist.
College of Western Idaho
Compass Public Charter School
Cottonwood School Dist.
Council Valley School Dist.
Culdesac Joint School Dist.
Dietrich School Dist.
Emmett School Dist.
Falcon Ridge Charter School
Filer School Dist.
Firth School Dist.
Fruitland School Dist.
Garden City Community School
Garden Valley School Dist.

Genesee School Dist.
Glenns Ferry Joint School Dist.
Gooding Joint School Dist.
Grace School Dist.
Hagerman Joint School Dist.
Hansen School Dist.
Highland Joint School Dist.
Homedale School Dist.
Horseshoe Bend School Dist.
I Succeed Virtual Charter School
Idaho Arts Charter School
Idaho Distance Education Academy
Idaho Falls School Dist.
Idaho High School Activities Assn.
Idaho Science & Technology Charter School
Idaho Virtual Academy
Idaho Virtual Ed. Partners Inc.
Inspire Virtual Charter School
Jerome School Dist.
Kamiah Joint School Dist.
Kellogg School Dist.
Kendrick School Dist.
Kimberly School Dist.
Kootenai School Dist.
Kootenai Bridge Academy
Kuna Joint School Dist.
Lake Pend Oreille School Dist.
Lakeland School Dist.
Lapwai School Dist.
Lewiston Indept. School Dist.
Liberty Charter School Inc.
Mackay School Dist.
Madison School Dist.
Marsh Valley School Dist.
Marsing School Dist.
McCall Donnelly School Dist.
Meadows Valley School Dist.
Melba School Dist.
Meridian Charter HS Inc.
Meridian Medical Arts Charter School
Meridian School Dist.
Middleton School Dist.
Midvale School Dist.
Minidoka County School Dist.
Monticello Montessori Charter School
Moscow Charter School
Moscow School Dist.
Mountain Home School Dist.
Mountain View School Dist.
Mullan School Dist.
Murtaugh School Dist.
Nampa School Dist.
New Plymouth School Dist.
Nez Perce Joint School Dist.
North Gem School Dist.
North Star Charter School
North Valley Academy Charter School
Notus School Dist.
Oneida School Dist.
Owl Charter Academy
Palouse Prairie Educ. Org.
Parma School Dist.
Payette School Dist.
Pleasant Valley School Dist.
Plummer-Worley Jnt. School Dist.
Pocatello Community Charter School
Pocatello School Dist.
Post Falls School Dist.
Potlatch School Dist.
Prairie School Dist.
Preston School Dist.
Richard McKenna Charter HS
Richfield School Dist.
Rigby School Dist.
Ririe School Dist.
Rockland School Dist.
Rolling Hills Charter School
Sage International School of Boise
Salmon School Dist.
Salmon River Joint School Dist.
Sandpoint Charter School
Shelley Joint School Dist.
Shoshone School Dist.
Snake River School Dist.
Soda Springs School Dist.
South Lemhi School Dist.
St. Anthony School Dist.
St. Maries School Dist.
Sugar-Salem School Dist.
Swan Valley School Dist.
Taylor's Crossing Public Charter School
Teton School Dist.
Three Creek School Dist.
Thomas Jefferson Charter School
Troy School Dist.
Twin Falls School Dist.
Upper Carmen Charter School
Valley School Dist.
Vallivue School Dist.
Victory Charter School
Vision Charter School
Wallace School Dist.
Weiser School Dist.
Wendell School Dist.
West Bonner County School Dist.
West Jefferson School Dist.
West Side School Dist.
Whitepine Charter School
Whitepine Jnt. School Dist.
Wilder School Dist.
Wings Charter Middle School Inc.
Xavier Charter School

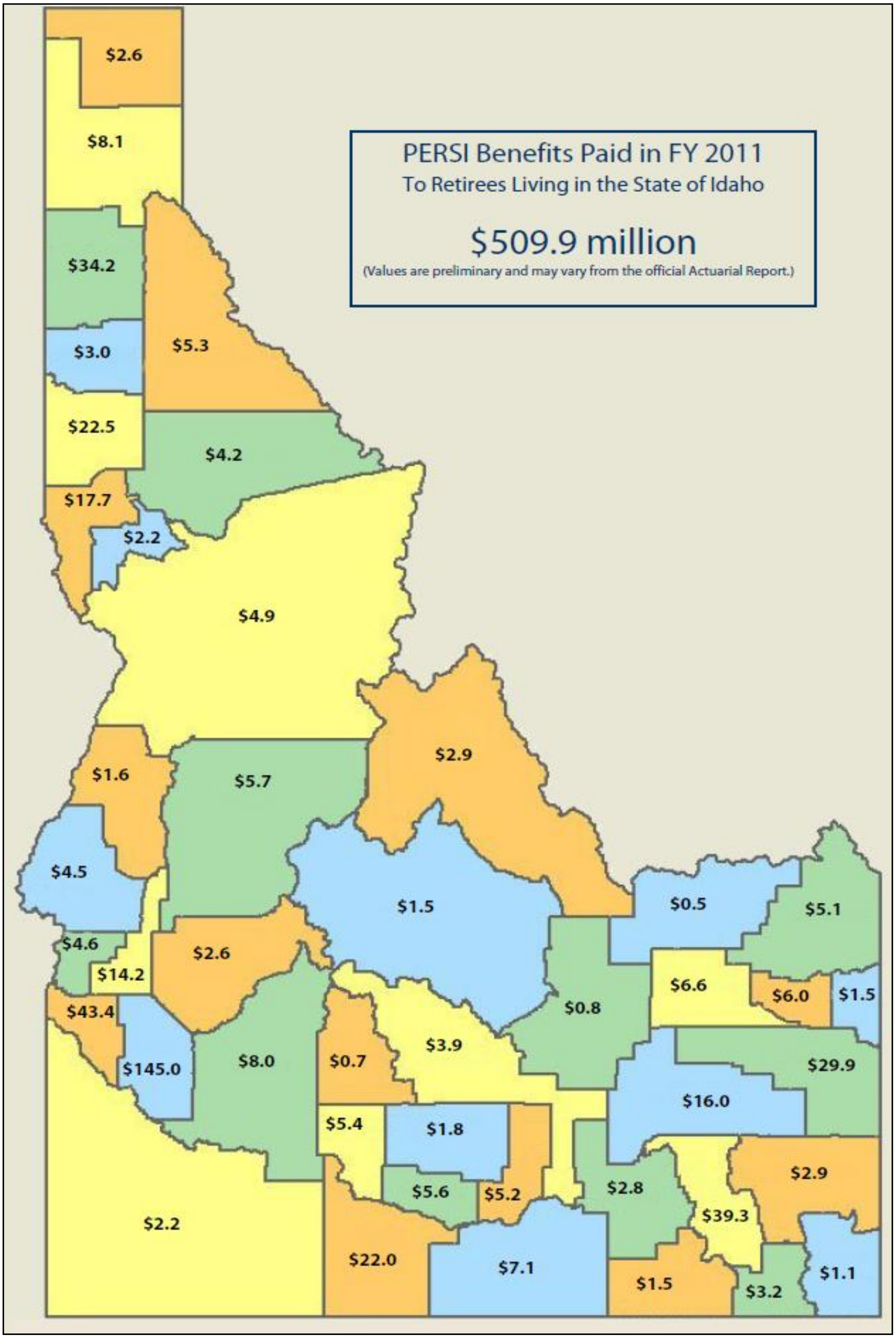
Other
Cascade Medical Center
Elmore Medical Center
Weiser Memorial Hospital
Community Planning Assn.of SW Idaho
American Falls Housing Auth.
Assn. of Idaho Cities
Bear Lake Regional Com.
Bench Sewer Dist.
Bingham County Sr. Citizens Ctr.
Blaine County Recreational Dist.
Boise City/Ada Cty. Housing Auth.
Caldwell Housing Auth.
CCOA Aging, Weatherization and Human Services
Canyon County Mosquito Abatement Dist.
Capital City Development Corp.
Caribou Soil Conservation Dist.
Central Orchards Sewer Dist.
Clearwater-Potlatch Timber Protection Assn.
Clearwater Soil & Water Cons. Dist.
Coolin Sewer Dist.
Dry Creek Cemetery Dist.
Eagle Sewer Dist.
Eastern Idaho Fair Board
Eastern Idaho Regional Waste Water Auth.
Foster Grandparents of SE ID
Gem County Mosquito Abatement Dist.
Gem County Recreation
Genesee Cemetery Dist.
Gooding Cemetery Maint. Dist.

Grangeville Cemetery Maint. Dist.
Greater Middleton Parks & Rec Dist.
Hagerman Cemetery Dist.
Hayden Area Reg. Sewer Bd.
Hillcrest Cemetery Maint. Dist.
Housing Authority of Pocatello
Idaho Bureau of Educational Services for the Deaf and Blind
Idaho School Board Assn.
Idaho School District Council
Idaho Crop Improvement Assn.
Idaho Digital Learning Academy
Idaho Public Employees Assn.
Idaho Assn. of Counties
Idaho Heritage Trust, Inc.
Idaho Education Assn.
Idaho Assn. of School Admin.
Idaho County Risk Mgmt. Program
Jerome Recreation Dist.
Kingston-Cataldo Sewer Dist.
Kuna Cemetary Maint. Dist.
Lewiston-Nez Perce County Airport Authority
Lincoln County Cemetery Dist.
Lincoln County Housing Auth.
Local Highway Technical Assistance Council
M-A-R Cemetery Dist.
Marsing-Homedale Cemetery Dist.
Meridian Cemetery Maint. Dist.
Moscow Cemetery Dist.
Nampa Housing Authority
Nez Perce County Fair Board
North Fremont Cemetery Dist.
North Idaho Fair
Orofino Cemetery Dist.
Payette Cnty. Recreation Dist.
Port of Lewiston
Rexburg Cemetery Dist.
Shelley Cemetery Dist.
Southern Idaho Solid Waste Dist.
South Fork Coeur d'Alene Sewer Dist.

Targhee Regional Public Transit Authority
Twin Falls Housing Auth.
Valley Recreation Dist. of Hazelton
Valley Regional Transit
Valley Soil and Water Conservation Dist.
West Boise Sewer Dist.
W. Bonner Cemetery Maintenance
West End Cemetery Dist.
Wilder Cemetery Dist.
Wilder Housing Auth.

Aberdeen Library Dist.
Ada County Free Library
American Falls Free Library
Bear Lake County Library
Boundary County Free Library
Burley Library
Consolidated Free Library Dist.
Council Valley Free Library Dist.
East Bonner County Library Dist.
Franklin County Library Dist.
Fremont County Dist. Library
Jefferson Free Library Dist.
Latah County Library Dist.
Madison County Library Dist.
Meadows Valley Public Library Dist.
Meridian Library Dist.
North Bingham Cnty.Library Dist.
Oneida County Library
Portneuf Library Dist.
Prairie-River Library Dist.
Priest Lake Public Library
Salmon Library Dist.
South Bannock Free Library Dist.
Stanley Community Library Dist.
Valley of Tetons Dist. Library Bd.
West Bonner Library Dist.

Bear Lake County Fire Dist.
Blackfoot Fire Dept.
Boise Fire Dept.
Buhl Fire Dept.
Burley Fire Dept.
Caldwell Fire Dept.
Canyon County Ambulance Dist.
Cascade Rural Fire & EMS
Central Fire Dist.
Coeur d' Alene Fire Dept.
Cottonwood Rural Fire Dist.
Donnelly Rural Fire Protection Dist.
Eagle Fire Protection Dist.
Franklin County Fire Dist.
Garden Valley Fire Protection Dist.
Gem Cnty. Fire Protection Dist.
Greater Swan Valley Fire Protection Dist.
Hagerman Fire Protection Dist.
Homedale Rural Fire Protection Dist.
Idaho Falls Fire Dept.
Jerome Fire Dept.
Ketchum Fire Dept.
Kootenai County Fire and Rescue
Kootenai County Emergency Medical Svc.
Kootenai County Rescue Protection
Kuna Fire Dist.
Lemhi Co. Fire Protection Dist.
Lewiston Fire Dept.
Lincoln County Emergency Svs.
McCall Fire Protection Dist.
Mica Kidd Island Fire Protect.Dist.
Moscow Fire Dept.
Nampa Fire Dept.
No. Ada Cnty. Fire/Rescue Vol.
No. Lakes Fire Protection Dist.
Northside Fire Dist.
Payette Fire Dept.
Plummer-Gateway Fire Protect.Dist.
Pocatello Fire Dept.
Rexburg-Madison Fire Dept.
Rock Creek Fire Protect. Dist.
Sagle Fire Dist.
Saint Maries Fire Protect. Dist.
Sandpoint Fire Dept.
Schweitzer Fire Dist.
Shoshone Cnty. Fire Dist. #1
Shoshone County Fire Dist.#2
Shoshone Co. Fire Protect. Dist. #2
South Central Region E911
South Fremont Fire Protect. Dist.
So. Idaho Timber Protection Assn.
Spirit Lake Fire Protect. Dist.
Star Joint Fire Protect. Dist.
Teton County Fire Protect. Dist.
Timberlake Fire Protect. Dist.
Twin Falls Fire Dept.
Weiser Ambulance Dist.
Weiser Area Rural Fire Dist.
Wendell Rural Fire Dist.
West End Fire Prot. Dist.
Westside Fire Dist.
Whitney Fire Protect. Dist.
Wood River Fire Protect. Dist.
Worley Ambulance Assn.
Worley Fire Protect. Dist


PERSI Benefits Paid in FY 2011
To Retirees Living in the State of Idaho
$509.9 million
(Values are preliminary and may vary from the official Actuarial Report.)
$2.6
$8.1
$34.2
$3.0
$5.3
$22.5
$4.2
$17.7
$2.2
$4.9
$2.9
$1.6
$5.7
$4.5
$1.5
$0.5
$5.1
$4.6
$2.6
$14.2
$6.6
$6.0
$1.5
$43.4
$0.8
$3.9
$145.0
$8.0
$0.7
$29.9
$16.0
$5.4
$1.8
$2.9
$5.6
$5.2
$2.8
$39.3
$2.2
$22.0
$7.1
$1.1
$1.5
$3.2

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

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

To receive any of these materials, contact PERSI (numbers below). Additional PERSI information can be found on PERSI's Web site at www.persi.idaho.gov.

PERSI Office Locations:

Boise

Office Location:	Mailing Address:
607 North 8th Street	P.O. Box 83720
Boise, ID	Boise, ID 83720-0078

Coeur d'Alene
Office Location & Mailing Address:
2005 Ironwood Parkway
Suite 226
Coeur d'Alene, ID 83814

Pocatello

Office Location:	Mailing Address:
850 East Center	P.O. Box 1058
Suite D	Pocatello, ID 83204
Pocatello, ID	

Telephone:

PERSI Answer Center (208) 334-3365 Toll-free 1-800-451-8228

Employer Service Center (208) 287-9525 Toll-free 1-866-887-9525

Choice Plan Toll-free 1-866-437-3774

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.