Idaho's Path to a Secure Retirement

PERSI

Public Employee Retirement System of Idaho

A Component Unit of the State of Idaho

2014 Comprehensive Annual Financial Report

As of and for Fiscal Year Ended June 30, 2014

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A Component Unit of the State of Idaho

PERSI
Public Employee Retirement System of Idaho

Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2014

This 2014 Comprehensive Annual Financial Report was prepared by:

Financial:	James E. Monroe, CPA, Financial Officer
	Debbie Buck, CGFM, Financial Operations Manager
	Brenda Cronin, CPA, Senior Accountant
	Cecile McMonigle, Portfolio Accountant
	Mike Young, Portfolio Accountant
Investments:	Robert M. Maynard, Chief Investment Officer
	Richelle Sugiyama, Investment Officer
Administration:	Kelly Cross, Public Information Officer

Thanks and appreciation to those who provided accurate, timely information for this report, and to the Idaho Division of Tourism Development for graciously allowing the use of the Idaho images contained in this report.

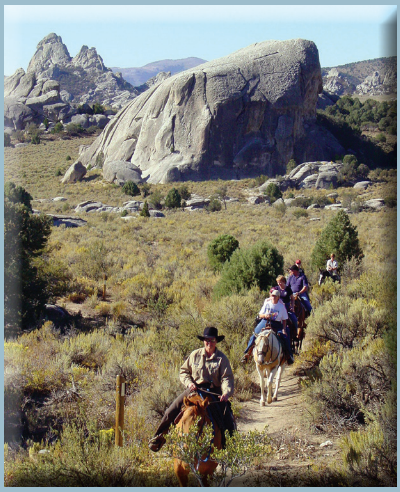
CELEBRATING IDAHO'S OUTDOOR TREASURES

Since its inception in 1965, the Public Employee Retirement System of Idaho has been dedicated to providing a solid, easily understood, easily navigated path to a secure retirement for Idaho's public workforce. This report is dedicated to Idaho's scenic, historic, and iconic pathways and places.

PERSI
Public Employee Retirement System of Idaho

The most heavily traveled, and perhaps most recognizable pathway in Idaho, the Boise Greenbelt is managed by the City of Boise, Parks and Recreation. The tree-lined pathway follows the Boise River through the heart of the city and provides scenic views, wildlife habitat and pedestrian access to many popular riverside parks, restaurants, and other attractions. The Greenbelt also serves as an alternative transportation route for commuters.

Located less than one hour south of Burley, City of Rocks National Reserve is one of Southern Idaho's best backcountry adventures. During the mid to late 1800s, emigrants of the California Trail described the rocks here in vivid detail as "a city of tall spires," "steeple rocks," and "the silent city." Today, the City of Rocks byway offers all kinds of adventurers, for rock climbers, campers, hikers, even hunters.



South-central Idaho is home to the Sun Valley Resort and also includes large portions of the Sawtooth National Forest and the Sawtooth National Recreation Area. The term "Sun Valley" is used more generally to speak of the region surrounding the city, including neighboring cities, Ketchum, Hailey, and Bellevue. The region has been a seasonal home to many celebrities since first being brought to public attention by Ernest Hemingway in the late 1930s. The area offers handy access to more than 30 miles of paved walking/bicycling paths, as well as hundreds of miles of mountain bike trails.

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Trail of the Coeur d'Alenes

The Trail of the Coeur d' Alenes is a 72-mile paved trail spanning the Idaho panhandle between Mullan and Plummer. It was created through a unique partnership between the Coeur d'Alene Tribe, Union Pacific Railroad, the U. S. Government, and the State of Idaho. The trail begins in the historic Silver Valley, and continues along the Coeur d'Alene River past scenic Lake Coeur d'Alene and through rolling farmlands to Plummer. Twenty developed trailheads provide entry points, and there are seventeen scenic waysides along the route.

Helping Idaho public employees build a secure retirement.

PERSI
Public Employee Retirement System of Idaho

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, 2017

Jeff Cilek
Term expires July 1, 2015

William “Bill” Deal
Term expires July 1, 2018

Joy Fisher
Term expires July 1, 2019

J. Kirk Sullivan
Term expires July 1, 2016

PERSI ADMINISTRATIVE STAFF

Donald D. Drum, Executive Director
Lisa Steele, Deputy Director
Joanna Guilfoy, Deputy Attorney General
Robert M. Maynard, Chief Investment Officer
James E. Monroe, Chief Financial Officer
Kelly Cross, Public Information Officer
Jess Simonds, Human Resources Manager
Debbie Buck, Financial Operations Manager
Diane Kaiser, Defined Contribution Manager
Larry Sweat, Information Technology Manager
Kimberlee Hall Member Services Manager
Lisa Conn, Retirement Services Supervisor
Melody Hodges, Answer Center and Processing Center Supervisor

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Boise, ID Gabriel, Roeder, Smith & Co, Detroit, MI
Auditor:	Eide Bailly, LLP, Boise, ID
Medical:	United Review Services, Inc., Piscataway, NJ
Investment:	AEW Capital Management, L.P. Boston, MA Alban Row, LLC, Mt. Pleasant, SC, Berkadia Commercial Mortgage LLC, Horsham, PA Callan Associates, Inc., San Francisco, CA Chartwell Consulting, LLC, Bedford, NH Hamilton Lane Advisors, LLC, Philadelphia, PA Robert Storer, Juneau, AK
Legal:	Foster Pepper, PLLC, Seattle, WA Ice Miller, LLP, Columbus, OH Whiteford, Taylor & Preston, LLP, Baltimore, MD
Other:	Mellon Transition Management Services, San Francisco, CA Xerox HR Solutions, LLC, Woburn MA
Investment Custodians:	Bank of New York Mellon Asset Servicing, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Adelante Capital Management LLC, Berkeley, CA
Advent International Corp., Boston, MA
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
Endeavour Capital Partners, L.P., Portland, OR
Enhanced Equity Partners, LLC, New York, NY
Epic Ventures, LLC, Salt Lake City, UT
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
Hamilton Lane, G.P., Baja Cynwyd, PA
Highway 12 Capital Partners, LLC, Boise, ID
Ida-West Operating Services, Inc., Boise, ID
JH Whitney Capital Partners, 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, 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
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 73-74 in the Investment Section of this report.

Government Finance Officers Association

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, 2013

Executive Director/CEO

PPC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

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 (As of June 30, 2014)

Retirement Board

Donald D. Drum Executive Director	Kelly Cross Public Information Officer	Jess Simonds Management Assistant and Human Resources	Joanne Guilfoy Deputy Attorney General	
Lisa Steele Deputy Director	Vacant Project Manager	Cheri Campbell Quality Assurance		
Robert M. Maynard Chief Investment Officer	Richelle Sugiyama Investment Officer	Rose Marie Sawicki Administrative Assistant 1	Investment Managers See Investment Section for a managers' list pp 73-74	
Vacant Training and Development Manager	Mike Mitchell Training Specialist	Carmen Brooks Training Specialist		
James E. Monroe Chief Financial Officer	Cecile McMonigle Portfolio Accountant	Mike Young Portfolio Accountant	Tess Myers Admin. Assist. 1	
	JoAnne Dieffenbach Financial Technician	Sharon Simon Financial Support Technician		
Debbie Buck Financial Operations Manager	Brenda Cronin Financial Specialist Sr.	Barbara Weirick Financial Technician	Ellise Fowler Financial Technician	Vacant Financial Technician
	Bev Ross Financial Technician.	Debera Anderson Financial Technician	Vacant Financial Technician	
Diane Kaiser DC Plan Manager	Dusty Schild Admin. Assist. 1			
Larry Sweat Information Technology Manager	Nancy Fauver IT Database Analyst Sr.	Joy Fereday IT Programmer Analyst Sr.	Ryan Evey IT Programmer Analyst Sr.	Kris Colt IT Info. System Tech..
	Branden Kennah IT Info. Sys Tech Sr.	Stacy Parr Web Master	Randy Graybeal IT Network Analyst	Timothy Wolfrum Technical Writer
Kimberlee Hall Member Services Manager	Erin Duran Admin. Asst.	Sherry Slocum Disability Specialist		
Lisa Conn, Supervisor Member Services Retirement Center	Catherine Atchison Retirement Specialist	Susan Strouth Retirement Specialist	Kathi Kaufman Retirement Specialist	Vacant Customer Service. 2
	Jennifer Whitley Retirement Specialist	Lisa Mabe Retirement Specialist	Lynette Hancock Retirement Specialist	Vacant Retirement Specialist
	Shasta Luper Retirement Specialist	Cindy Eastman Retirement Specialist		Linda Parker Customer Service. 2
Melody Hodges, Supervisor Member Services Answer & Processing Center	Andrea Colglazier Customer Service 2	Katherine Pearce Customer Service 2	Vacant Customer Service. 2	Vacant Customer Service 2
	Carl Parmer Customer Service 1	Brett Harper Technical Records Specialist 1	JD Stewart Technical Records Specialist 1	
	Cathy Andrews Imaging Specialist	Kay Prince Technical Records Specialist 1	Stephen Mytrysak Technical Records Specialist 1	

THE SYSTEM

The Public Employee Retirement System of Idaho (the System) is the administrator of six fiduciary funds. This includes 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 third 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 2014 (FY14), these costs totaled $6,892,151 including $425,604 in depreciation and amortization, which are not cash expenditures 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 Officers 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, 2014, it was 6.79% (8.36%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 11.32% (11.66%) as of June 30, 2014

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, 2014, 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, 2014: for each year of service, the monthly minimum benefit allowance was $24.15 ($28.98) to a maximum of the member's accrued benefit. Effective March 1, 2014 the monthly minimum benefit allowance was $24.39 ($29.27).

DISABILITY TO SERVICE RETIREMENT

The regular retirement allowance for disability changes to service retirement allowance when the member reaches service retirement age. The disabled member completes the normal retirement application, offering the ability to select other retirement options.

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.

DISABILITY TO SERVICE RETIREMENT

The regular retirement allowance for disability changes to service retirement allowance when the member reaches service retirement age. The disabled member completes the normal retirement application offering them the ability to select other retirement options.

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 FY14 was 7.77% from January 1 through June 30, 2014 (1.04% from July 1 through December 31, 2013) 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, 2014 was 1%.

PERSI
Public Employee Retirement System of Idaho

Governor C.L. "Butch" Otter

Retirement Board
Jody B. Olson, Chairman
Jeff Cilek
William W. Deal
Joy Fisher
J. Kirk Sullivan

Executive Director
Donald D. Drum

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
1246 Yellowstone Avenue
Suite "A5"
Pocatello, ID 83201

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

Choice Plan Record Keeper
1-866-437-3774

November 7, 2014

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, 2014 (FY14). 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, 2013. This was the 23rd 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 12th 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, named 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 49th 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 2014, the number of active PERSI members increased from 65,535 to 66,223. The number of retired members or annuitants receiving monthly allowances increased from 38,947 to 40,776. The number of inactive members who have not been paid a separation benefit increased from 27,110 to 28,273. Of these inactive members, 11,504 have achieved vested eligibility. Total membership in PERSI increased from 131,592 to 135,272 during the fiscal year. There are currently 763 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, 2014, 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 2014 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 $2,147,982,041 for all pension funds during the fiscal year ended June 30, 2014.

ADDITIONS:	
Contributions	$ 593,085,699
Transfers/Rollovers In	10,706,301
INVESTMENT INCOME:	
Net Appreciation (Depreciation) in Fair Value of Investments	1,847,259,437
Interest, Dividends and Other Investment Income	349,151,184
Less: Investment Expenses	(48,441,270)
Net Investment Income	2,147,969,351
OTHER INCOME	12,690
Total Additions	$ 2,147,982,041

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 2014 are as follows:

DEDUCTIONS:	
Benefits and Refunds	$ 760,700,144
Administrative Expenses	6,787,811
Transfers/Rollovers Out	20,563,166
Total Deductions	$ 788,051,121

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, 2014. Significant actuarial assumptions used include: a gross investment return rate of present and future assets of 7.5% compounded annually, (7.0% plus 0.50% for expenses); projected salary increases of 3.75% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.5% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

At June 30, 2014, 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, 2014
	Benefit Date:	July 1, 2014
A.	Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors	$ 18,271.9
B.	Actuarial Present Value of Total Future Normal Costs for Present Members	$ 3,492.7
C.	Actuarial Liability [A - B]	$ 14,779.2
D.	ORP Contributions	$ 42.7
E.	Actuarial Liability Funded by PERSI Contributions [C-D]	$ 14,736.5
F.	Actuarial Value of Assets Available for Benefits	$ 13,833.1*
G.	Unfunded Actuarial Liability (funding excess) [E-F]	$ 903.4
H.	Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date	5.5 years
I.	Funded Ratio [F/E]	93.9%**

* The total available assets are $14,217.1 million, but are reduced by $384.0 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, 2014 COLA and the scheduled contribution rate increases adopted during the 2012-2013 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 2014 was 17.2% gross, 16.8% net of investment expenses, and 16.7% net of all 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 16.7% net of all expenses for Fiscal Year 2014 due to a strong investment market. The policy benchmark return is 7.0%, net of all expenses. PERSI continues to rank in the top quartile over the long term 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 2014 was 62% domestic and global equity, 15% international equity, and 23% 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 July 1, 2014, the PERSI Base Plan had an amortization period of 5.5 years and a funding ratio of 93.9% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund is fully funded as of the July 1, 2014 valuation. 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

PERSI's top priority is "Personalized Customer Service". In 2014, an independent research firm (CEM) rated PERSI's business practices against 11 similar public retirement systems. The results helped staff to improve service levels, set goals and manage costs. PERSI's service score has consistently increased over the last four years. Only two peer systems outscored PERSI for service, and by a very small margin. Our total service score was 83 out of a possible 100, exceeding the peer median of 77. Higher service scores generally means faster turnaround times, more availability, more choice and higher quality. Key areas that affect our service score include paying benefits on time, processing new retirees, secure website capability, and prompt call center service. Administrative cost per member was $51, which is $72 less than the peer average of $123 per member. Our cost per member has actually decreased slightly since 2010 due to a decrease in the cost of support services and an increase in membership, coupled with higher productivity per full time employee. This data reflects PERSI's commitment to providing excellent customer service while controlling costs. Our attention to customer service has always set us apart from our peers and PERSI leadership continues to believe personalized customer service is essential to all generations of members.

PERSI's Executive Director traveled to all corners of our state, meeting with legislators, employers, members, retirees, and constituency groups – discussing issues important to PERSI and its stakeholders. PERSI is committed to ensuring that employers and their governing bodies are prepared and equipped to implement new Governmental Accounting Standards Board (GASB) transparency in pension reporting standards. As effects of the new GASB rules begin to unfold, entities interested in changing public pension systems may set their sights on PERSI. PERSI will continue to educate lawmakers and employers, and be a trusted resource as the changes begin to take effect in 2015.

Communication between PERSI and its employers has never been more important, amid the Idaho Retirement Information System (IRIS) conversion. We continue to make progress implementing this new $13 million pension administration system which may be the largest project ever undertaken by PERSI. With the staggering volume of member data coming into PERSI, IRIS will greatly reduce inconsistencies in payroll reporting and improve the quality of the data used by PERSI. A majority of employers are already using the new system to report payroll information to PERSI. Our Employer Service Center, as well as our Education and Communication Training Unit, continues to work closely with employers, to assist in a smooth transition to the new system. The project is on schedule for full implementation in June 2016.

Educational outreach efforts continue to focus on making sure members, employers and lawmakers understand and appreciate the value of the PERSI benefit. During Fiscal Year 2015, we will add a Training and Development Manager position to the staff, continue to expand workshop offerings explaining the value of the PERSI benefit in planning for retirement, and expand our series of educational videos designed to engage and inform younger and newer members. Technology has a place in the process, so long as it is used to enhance but never replace in-person efforts. We will continue to evaluate but only utilize automation if we believe it provides enhanced value.

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

Craters of the Moon National Monument

Craters of the Moon National Monument and Preserve is a U.S. National Monument and National Preserve in the Snake River Plain in central Idaho, situated between the small Idaho towns of Arco and Carey. The protected area's features are volcanic and represent one of the best-preserved flood basalt areas in the continental United States.

Craters of the Moon Campground has 51 sites – none of which can be reserved in advance. Camping facilities are basic but do include water, restrooms, charcoal grills, and trash containers. National Park Service rangers present evening programs at the campground amphitheater in the summer. Camping enables visitors to enjoy the park during the evening and morning, when the heat, glare and wind are far less.

Helping Idaho public employees build a secure retirement.

FINANCIAL SECTION

PERSI
Public Employee Retirement System of Idaho

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), which comprise the statement of plan net position as of June 30, 2014, and the related statement of changes in plan fiduciary net position, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Public Employee Retirement System of Idaho, as of June 30, 2014, and the respective changes in plan fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Public Employee Retirement System of Idaho's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 21-28 and 53-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements as a whole. The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements

The additional supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying financial information listed as supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

December 15, 2014
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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, 2014. The June 30, 2013 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 401(k) and 414(k), and two Sick Leave Insurance Reserve trust funds – State and Schools.

Financial Highlights

- The net position for all pension and other funds administered by the System increased over $2 billion during Fiscal Year 2014 and increased over $884 million during the Fiscal Year 2013. The increase in the defined benefit plans reflects the total of contributions received and an investment return exceeding benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
PERSI Base Plan	$1,785,048,627	$750,236,109
Firefighters' Retirement Fund	45,217,480	19,197,679
PERSI Choice Plan 414(k)	5,597,974	1,079,136
PERSI Choice Plan 401(k)	117,152,538	71,917,493
Sick Leave Insurance Reserve Fund - State	24,779,936	17,103,901
Sick Leave Insurance Reserve Fund - Schools	37,074,618	25,158,546
Total increase in plan net position	$2,014,871,173	$884,692,864

- 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, 2014 and 2013, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, The PERSI Choice Plan 401(k) and 414(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under investments/Choice Plan.

	2014	2013
PERSI Defined Benefit Plans	16.8%	8.7%
Sick Leave Insurance Reserve Fund	18.5%	14.1%

- All of the plans experienced investment gains in Fiscal Year 2014 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, 2014 and 2013, was $2.2 billion and $1.1 billion, respectively.

	2014	2013
Net investment income:		
PERSI Base Plan	$2,006,540,166	$974,422,300
Firefighters' Retirement Fund	50,966,862	24,760,648
PERSI Choice Plan 414(k)	9,470,647	4,924,714
PERSI Choice Plan 401(k)	80,991,676	40,724,178
Sick Leave Insurance Reserve Fund - State	23,097,449	15,142,268
Sick Leave Insurance Reserve Fund - Schools	36,880,546	24,479,545
Total net investment income	$2,207,947,346	$1,084,453,653

- As of June 30, 2014 and 2013, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for the defined benefit plan is as shown below. The amortization period for the Firefighters' Retirement Fund is N/A as the fund is fully funded.

	2014 Funding Ratio	Amortization Period	2013 Funding Ratio	Amortization Period
PERSI Base Plan	93.9%	5.5	85.3%	13.1
Firefighters' Retirement Fund	110.9%	N/A	95.5%	1.0

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. In 2014 the actuarial funding ratio for the two defined benefit plans increased from 2013 primarily because investment performance was above the actuarial expected rate. The amortization period decreased for the same reason.

Using the Annual Financial Report

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

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statements of plan net position as of June 30, 2014 and 2013 indicates the net position available to pay future payments and gives a snapshot at a particular point in time. The statements of changes in plan net position for the years ended June 30, 2014 and 2013 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statement of fiduciary net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-51 of this report.

Required Supplementary Information — The required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liabilities, Schedule of Contributions, Schedule of Investment Returns and related notes concerning the methods and assumptions used in calculations of actuarially determined contributions.

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

Comparative Financial Statements

Defined Benefit Pension Trust Funds — The PERSI Base Plan 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 Position

	As of June 30, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 3,398,903	$ 3,007,655	$ 391,248	13.0 %
Investments sold receivable	138,022,415	182,452,753	(44,430,338)	(24.4)%
Other receivables	41,408,722	40,766,559	642,163	1.6 %
Investments — at fair value	14,230,441,280	12,496,233,505	1,734,207,775	13.9 %
Prepaid retiree benefits	56,581,990	53,029,172	3,552,818	6.7 %
Capital assets — net of accumulative depreciation	7,107,840	4,748,082	2,359,758	49.7 %
Total assets	14,476,961,150	12,780,237,726	1,696,723,424	13.3 %
Liabilities:				
Investments purchased payable	245,991,213	380,949,971	(134,958,758)	(35.4)%
Benefits and refunds payable	403,145	662,770	(259,625)	(39.2)%
Other liabilities	13,450,996	11,775,296	1,675,700	14.2 %
Total liabilities	259,845,354	393,388,037	(133,542,683)	(33.9)%
Net position:				
Net investment in capital assets	7,107,840	4,748,082	2,359,758	49.7 %
Unrestricted amounts	14,210,007,956	12,382,101,607	1,827,906,349	14.8 %
Net position	$ 14,217,115,796	$ 12,386,849,689	$ 1,830,266,107	14.8 %

The fair market value of investments increased due to the combination of contributions received and an investment return of 16.8% (net of investment expenses) exceeding benefits and administrative expenses. Liabilities for benefits and refunds payable vary at Fiscal Year-end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the statement of fiduciary net position date.

The percent change in investments sold receivable and investments purchased payable fluctuates as the volume of trading activity by the System's professional investment managers' changes. The cash balance change was due to normal fluctuations in operating cash requirements and the timing of transfers to investment managers.

Defined Benefit Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Member contributions	$ 203,900,049	$ 184,663,426	$ 19,236,623	10.4 %
Employer contributions	325,186,606	299,668,173	25,518,433	8.5 %
Investment income	2,057,507,028	999,182,948	1,058,324,080	105.9 %
Other additions	12,690	16,311	(3,621)	(22.2)%
Total additions	2,586,606,373	1,483,530,858	1,103,075,515	74.4 %
Deductions:				
Benefits and refunds paid	749,552,455	707,788,583	41,763,872	5.9 %
Administrative expenses	6,787,811	6,308,487	479,324	7.6 %
Total deductions	756,340,266	714,097,070	42,243,196	5.9 %
Changes in net position	$1,830,266,107	$ 769,433,788	$ 1,060,832,319	137.9 %

Investment income for the Fiscal Year 2014 was $2 billion as a result of the gross investment return of 17.2%. Contributions and other additions totaled $529.1 million, resulting in total additions of $2.6 billion exceeding benefits and administrative expenses paid of $756 million by $1.8 billion. For Fiscal Year 2013, the gross investment return was 9.1%. Contributions and other additions totaled $484.3 million resulting in total additions of $1.4 billion. The benefits and administrative expenses paid of $714 million were less than additions by $769.4 million for the year. 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 2014, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provide another retirement benefit option to members of the Defined Benefit Pension Plans.

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

Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash	$ 15,377	$ -	$ 15,377	100.0 %
Short-term investments	936,136	2,585,228	(1,649,092)	(63.8)%
Investments — at fair value	647,117,262	522,804,939	124,312,323	23.8 %
Receivables	1,676,095	1,604,191	71,904	4.5 %
Total assets	649,744,870	526,994,358	122,750,512	23.3 %
Net position	$ 649,744,870	$ 526,994,358	$ 122,750,512	23.3 %

Net position increased from Fiscal Year 2013 to Fiscal Year 2014. The change reflects a positive return in the investment market and an increase in employer contributions. The change in cash is due to the timing of a transfer of funds at the end of the month. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Member contributions	$ 39,062,685	$ 36,348,413	$ 2,714,272	7.5 %
Employer contributions	14,230,058	9,119,848	5,110,210	56.0 %
Investment income	90,462,323	45,648,892	44,813,431	98.2 %
Transfers and rollovers in	10,706,301	9,132,179	1,574,122	17.2 %
Total additions	154,461,367	100,249,332	54,212,035	54.1 %
Deductions:				
Benefits and refunds paid	11,147,689	10,251,319	896,370	8.7 %
Transfers and rollovers out	20,563,166	17,001,384	3,561,782	20.9 %
Total deductions	31,710,855	27,252,703	4,458,152	16.4 %
Change in net position	$ 122,750,512	$ 72,996,629	$ 49,753,883	68.2 %

The change in net position was impacted for the year by a positive investment return for the Fiscal Year. Member contributions increased due to an increase in salary deferrals. Transfers in and transfers out represent rollovers from/to other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. During the Fiscal Year 2013 the Firefighters Social Security Referendum was held. As a result some employers of firefighters have elected to contribute matching contributions to the Defined Contribution plan. This has resulted in a significant increase in employer 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 2014, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts which are comingled for investment purposes.

Sick Leave Insurance Reserve Funds Net Position

	As of June 30, 2014	As of June 30, 2013	$ Change	% Change
Assets:				
Cash	$ 74,515	$ 78,584	$ (4,069)	(5.2)%
Investments — at fair value	384,536,247	322,861,632	61,674,615	19.1 %
Prepaid insurance premium	1,345,152	1,197,547	147,605	12.3 %
Due from other funds	1,718,284	1,675,063	43,221	2.6 %
Total assets	387,674,198	325,812,826	61,861,372	19.0 %
Liabilities — other liabilities	39,526	32,708	6,818	20.8 %
Net position	$387,634,672	$325,780,118	$61,854,554	19.0 %

The net position increased in Fiscal Year 2014 from Fiscal Year 2013 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change	% Change
Additions:				
Employer contributions	$ 19,353,135	$ 19,430,658	$ (77,523)	(0.4)%
Investment income	59,977,995	39,621,813	20,356,182	51.4 %
Other additions	1,406	2,014	(608)	(30.2)%
Total additions	79,332,536	59,054,485	20,278,051	34.3 %
Deductions:				
Benefits and refunds paid	17,373,642	16,687,698	685,944	4.1 %
Administrative expenses	104,340	104,340	-	.0 %
Total deductions	17,477,982	16,792,038	685,944	4.1 %
Changes in net position	$ 61,854,554	$ 42,262,447	$ 19,592,107	46.4 %

The changes in net position reflect a net investment return of 18.5% resulting in $60 million in investment income, compared to $39.6 million for Fiscal Year 2013. The decrease in other additions was due to a decrease in interest earnings on the cash balance held at the Idaho State Treasurer's Office.

Plan Membership

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

Changes in Plan Membership

	Base Plan			Choice Plan		
	2014	2013	Change	2014	2013	Change
Active participants	66,223	65,535	1.0 %	42,021	42,196	(0.4)%
Vested - Base Plan	43,965	44,447	(1.1)%			
Non-vested - Base Plan	22,258	21,088	5.5 %			
Actively contributing - Choice Plan				13,850	13,254	4.5 %
Retirees and beneficiaries	40,776	38,947	4.7 %	120	140	(14.3)%
Terminated vested	11,504	11,084	3.8 %	13,453	12,724	5.7 %

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)

	2014	2013
Beginning — July 1	38,947	37,150
New retirements	2,852	2,815
Death of retiree/beneficiary	(1,023)	(1,018)
Ending — June 30	40,776	38,947

Investment Activities

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

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

Economic Factors

At July 1, 2014, PERSI's Base Plan had a funded ratio of 93.9% and an amortization period on the unfunded actuarial liability of 5.5 years. The investment return net of all expenses for 2014 was 16.7% compared to the assumed return of 7.0%. This positive movement is in large part to improvement in the investment market. These results and decisions enable PERSI to meet the mandate set by the legislature when it created PERSI to "Provide a secure retirement for public employees in Idaho".

Since inception, the cumulative funding of the plan is 59% investment income, 26% employer contributions 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.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2013

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ASSETS				
Cash and cash equivalents	$ 3,314,324	$ 84,579	$ -	$ 15,377
Investments—at fair value				
Fixed income investments				
Domestic	2,653,906,981	67,725,808	-	-
International	71,547,792	1,825,849	-	-
Idaho commercial mortgages	482,145,576	12,304,010	-	-
Short-term investments	396,399,931	10,115,843	-	936,136
Real estate equities	414,074,467	10,566,884	-	-
Equity securities				
Domestic	5,828,730,668	148,745,038	-	-
International	3,041,535,087	77,617,800	-	-
Private equity	987,986,829	25,212,717	-	-
Mutual, collective, unitized funds	-	-	63,580,829	583,536,433
Total investments	13,876,327,331	354,113,949	63,580,829	584,472,569
Receivables				
Investments sold	134,603,438	3,418,977	-	-
Contributions	4,424,139	20,671	-	299,952
Interest and dividends	36,048,273	915,639	159,373	1,216,770
Total receivables	175,075,850	4,355,287	159,373	1,516,722
Assets used in plan operations - net	7,107,840	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	56,581,990	-	-	-
Total assets	14,118,407,335	358,553,815	63,740,202	586,004,668
LIABILITIES				
Accrued liabilities	11,446,702	286,010	-	-
Benefits and refunds payable	403,145	-	-	-
Due to other plans	1,718,284	-	-	-
Investments purchased	239,897,722	6,093,491	-	-
Total liabilities	253,465,853	6,379,501	-	-
NET POSITION				
Net position restricted for pensions and amounts held in trust	$ 13,864,941,482	$ 352,174,314	$ 63,740,202	$ 586,004,668

See notes to Financial Statements

Other Trust Funds		Totals	
Sick Leave Insurance Reserve Fund			
State	Schools	2014	2013
$ 35,991	$ 38,524	$ 3,488,795	$ 3,086,239
44,235,765	62,021,568	2,827,890,122	2,664,555,461
-	-	73,373,641	75,117,428
-	-	494,449,586	470,363,405
-	-	407,451,910	423,931,155
-	-	424,641,351	477,503,930
82,866,669	137,022,455	6,197,364,830	5,077,163,550
22,247,738	36,142,052	3,177,542,677	2,645,027,022
-	-	1,013,199,546	988,018,414
-	-	647,117,262	522,804,939
149,350,172	235,186,075	15,263,030,925	13,344,485,304
-	-	138,022,415	182,452,753
-	-	4,744,762	5,041,113
-	-	38,340,055	37,329,637
-	-	181,107,232	224,823,503
-	-	7,107,840	4,748,082
500,507	1,217,777	1,718,284	1,675,063
365,517	979,635	57,927,142	54,226,719
150,252,187	237,422,011	15,514,380,218	13,633,044,910
15,222	24,304	11,772,238	10,132,941
-	-	403,145	662,770
-	-	1,718,284	1,675,063
-	-	245,991,213	380,949,971
15,222	24,304	259,884,880	393,420,745
$ 150,236,965	$ 237,397,707	$ 15,254,495,338	$ 13,239,624,165

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE FINANCIAL INFORMATION
FOR JUNE 30, 2013

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ADDITIONS				
Contributions				
Members	$ 203,890,954	$ 9,095	$ -	$ 39,062,685
Employers	310,986,283	14,200,323	-	14,230,058
Transfers and rollovers in	-	-	-	10,706,301
Total contributions	514,877,237	14,209,418	-	63,999,044
Investment income				
Net appreciation in fair value of investments	1,725,718,641	43,833,891	8,177,394	69,529,511
Interest, dividends and other investment income	327,702,592	8,323,767	1,496,183	11,628,642
Less investment expenses	(46,881,067)	(1,190,796)	(202,930)	(166,477)
Total investment income - net	2,006,540,166	50,966,862	9,470,647	80,991,676
Other- net	12,690	-	-	-
Total additions	2,521,430,093	65,176,280	9,470,647	144,990,720
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	729,593,655	19,958,800	2,210,950	8,936,739
Administrative expenses	6,787,811	-	-	-
Transfers and rollovers out	-	-	1,661,723	18,901,443
Total deductions	736,381,466	19,958,800	3,872,673	27,838,182
INCREASE IN NET POSITION	1,785,048,627	45,217,480	5,597,974	117,152,538
NET POSITION				
Beginning of year	12,079,892,855	306,956,834	58,142,228	468,852,130
End of year	$ 13,864,941,482	$ 352,174,314	$ 63,740,202	$ 586,004,668

See notes to Financial Statements

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2014	2013
$ -	$ -	$ 242,962,734	$ 221,011,839
6,088,489	13,264,646	358,769,799	328,218,679
-	-	10,706,301	9,132,179
6,088,489	13,264,646	612,438,834	558,362,697
23,157,455	36,976,160	1,907,393,052	820,186,858
-	-	349,151,184	307,897,315
(60,006)	(95,614)	(48,596,890)	(43,630,520)
23,097,449	36,880,546	2,207,947,346	1,084,453,653
1,079	327	14,096	18,325
29,187,017	50,145,519	2,820,400,276	1,642,834,675
4,366,900	13,006,742	778,073,786	734,727,600
40,181	64,159	6,892,151	6,412,827
-	-	20,563,166	17,001,384
4,407,081	13,070,901	805,529,103	758,141,811
24,779,936	37,074,618	2,014,871,173	884,692,864
125,457,029	200,323,089	13,239,624,165	12,354,931,301
$ 150,236,965	$ 237,397,707	$ 15,254,495,338	$ 13,239,624,165

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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 fiduciary fund of the State of Idaho (the "State") and is included in the State of Idaho Comprehensive Annual Financial Report. The basic financial statements of the System include the financial activities of all of the above funds. A five member retirement board (the "Board"), appointed by the Governor and confirmed by the Idaho Senate, manages the System. State law requires that two members of the Board be active PERSI members with at least ten years of service and three members who are Idaho citizens not members of the system except by reason of having served on the Board. Responsibilities of the Board include selecting the funding agents, establishing funding policy, and setting contribution rates.

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

Statutes governing the PERSI Base Plan are Title 59, Chapter 13 of the Idaho Code. Statutes governing FRF are Title 72, Chapter 14 of the Idaho Code.

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2014, it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) as of June 30, 2014. In addition, Idaho Statute 59-1394(1)(a) requires 50% of the gross receipts by the State of the tax on fire insurance premiums, as provided by Idaho Statute 41-402 is perpetually appropriated for the purpose of partially funding the benefit payment requirements of Chapter 14, Title 72 of the Idaho Code (Firemen's Retirement Fund).

Plans Membership - State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2014 and 2013, and the number of participating employer units in the PERSI Base Plan was:

	2014	2013
Cities	150	149
School districts	163	160
Highway and water districts	130	129
State subdivisions	95	95
Counties	42	42
Other	183	180
	763	755

As of June 30, 2014 and 2013, the number of benefit recipients and members in the System consisted of the following:

	2014	2013
Active system members	66,223	65,535
Inactive system members entitled to but not yet receiving benefits	11,504	11,084
Inactive system members or beneficiaries currently receiving benefits	40,776	38,947
Total system members	118,503	115,566

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2014, there were 2 active members and 547 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.

Benefits Provided - 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.

Contributions - 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 member compensation. PERSI Base Plan and FRF member contribution rates are determined by the Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate to accumulate sufficient assets to pay benefits when due. 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.

Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method for the PERSI Base Plan and FRF. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. FRF amortizes any such unfunded liability based on a level dollar amount funded by employer contributions determined as a percentage of the earnings of all firefighters. 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 $2,705,995,000 and $374,000, respectively for the year ended June 30, 2014.

Upon termination of employment, accumulated member contributions plus interest, accrued at 7.77% from January 1, 2014 through June 30, 2014 (1.04% from July 1, 2013 through December 31, 2013) 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.

Normal cost is 14.34% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.05% 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.

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.09%, 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%.

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 twelve investment options; two balance funds, seven equity funds and three fixed income funds.

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

Participants may allocate their assets in 1% increments among the 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.

As of June 30, 2014, there were 42,021 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 401(k) Plan and the 414(k) Plan. As of June 30, 2014, the Choice Plan 401(k) had 25,153 participants, and the Choice Plan 414(k) had 28,580. The administrative expenses of the PERSI Choice Plans are funded by the PERSI Base Plan. Investment management expenses are paid by participants.

Optional Retirement Plan – Junior colleges and universities participate in an optional retirement plan (ORP) in accordance with the provisions of Idaho Code 33-107(A) and (B). The contribution rate to the plan is 1.49% of applicable payroll with an expected payoff date of 2025 for the universities. The junior colleges were paid in full as of June 30, 2011.

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

The SLIRF is made up of two trust funds administered by PERSI - a trust for payment of school district employee benefits and a trust for payment of state employee benefits. The statutes governing the SLIRF are Idaho Code, Sections 67-5333, 33-1216, 59-1365, and 33-1228.

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

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

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

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2014.

Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. The sick leave contribution rates for schools are as follows:

Days Earned	
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 position when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The significant GASB standards affecting the System are:

- GASB Statement No. 34 *Financial Statements – and Management's Discussion and Analysis for State and Local Governments,*
- GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures,*
- GASB Statement No. 40, *Deposit and Investment risk Disclosures,*
- GASB Statement No. 44*, Economic Condition Reporting: The Statistical Section,*
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement No.53, *Accounting and Financial Reporting for Derivative Instruments,* and
- GASB Statement No.67 *Financial Reporting for Pension 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 7.3% of total investments. PERSI's real estate and commercial mortgage investments are 3.6% and 3.5%, respectively of total investments.

Investment expenses presented within the statement of changes in plan fiduciary net position do not include fees and costs for private equity investments nor does it include fees and commissions related to public equity transactions. These fees and costs are presented, for information purposes, within the Investment Section of PERSI's Comprehensive Annual Financial Report in the Schedule of Costs for Private Equity Partnerships and the Schedule of Broker Fees and Commissions. These costs are captured within the net asset value for investments as reported in the statement of plan net position and the statement of changes in plan fiduciary net position.

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

The following is the Board's adopted asset allocation policy (adopted June 2012) as of June 30, 2014 and 2013:

Asset Class	2014	2013
Fixed Income	30%	30%
US/Global Equity	55%	55%
International Equity	15%	15%
Cash	0%	0%
Total	100%	100%

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

Assets Used in Plan Operations — These assets represent buildings, equipment, and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30-50 years. The estimated useful life of computer software development costs is 10-15 years. Computer and technology equipment has a 3-5 year useful life.

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2013, from which the summarized information was derived.

New Accounting Standards – GASB Statement No. 67, which was adopted during the year ended June 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB No. 67 require changes in presentation of the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures. The implementation of GASB No. 67 did not impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB No. 67, is presented in Note 4 and in the Required Supplementary Information on page 53.

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	$ 2,237,937
FDIC insured/collateralized	275,377
Uninsured and uncollateralized	975,481
Total	$ 3,488,795

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. This includes policies pertaining to asset allocation. Refer to Note 2 for additional asset allocation information. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management.

Investments at fair value as of June 30, 2014 are as follows:

Investment Table

Domestic fixed income	$	2,721,632,790
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)		106,257,332
International fixed income		73,373,641
Idaho commercial mortgages		494,449,586
Short-term investments		407,451,910
Real estate		424,641,351
Domestic equities		5,977,475,706
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)		219,889,124
International equities		3,119,152,887
Co-mingled international equity (Sick Leave Insurance Reserve Fund)		58,389,790
Private equity		1,013,199,546
Mutual funds, collective unitized funds		647,117,262
Total Investments	$	15,263,030,925

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

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

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2014, the System had futures contracts with a fair value of $(22,797) 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, 2014, the System had the following net futures contracts exposure:

		Exposure covered by contract
Cash and Cash Equivalents		
90 day Eurodollar	$	18,958,662
Euro Foreign Currency		(171,225)
Fixed Income		
US Treasury Bond		(7,408,125)
US Ultra Bond		1,349,438
Euro-Bund		(1,811,509)
US 10yr Treasury Note		(58,204,922)
US 5yr Treasury Note		(6,331,430)
US 2yr Treasury Note		(658,781)
Net Futures Exposure	$	(54,277,892)

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, 2014, the System had option contracts payable with a fair value of $127,255, which is included in Domestic Fixed Income and $81,166 which is included in Investments Payable. At June 30, 2014, the System had the following options contract exposure:

		Exposure covered by contract
Fixed Income		
Purchased Call Options	$	7,500
Purchased Put Options		124,492
Investments Payable		
Written Call Options		(20,484)
Written Put Options		(63,703)
Net Futures Exposure	$	47,805

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, 2014, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $98,644,718 and had entered into forward currency contracts to buy foreign currencies with a fair value of $99,531,658. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized loss of $902,696 at June 30, 2014 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts.

Mortgage-Backed Securities — These investments are valued based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments, thereby reducing the value of the securities. Details regarding interest rate risk for these investments are included in the Interest Rate Risk section 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, 2014, the System had invested in TIPS with a fair value of $1,388,369,239.

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, 2014, the System's fixed income assets that are not government guaranteed represented 51.3% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table below.

Credit Quality S&P Rating Level	Domestic	International	Total
Short Term			
A-1+	$ 28,897,116	$ -	$ 28,897,116
A-1	67,422,056	-	67,422,056
A-2	14,453,871	-	14,453,871
Long Term			
AAA	50,618,143	20,224,065	70,842,208
AA*	392,524,579	1,181,110	393,705,689
A	254,185,693	27,161,059	281,346,752
BBB	168,803,880	9,018,808	177,822,688
BB	10,459,920	-	10,459,920
B	5,703,785	-	5,703,785
CCC	7,495,263	-	7,495,263
CC	3,186,085	-	3,186,085
C	-	-	-
D	1,690,133	-	1,690,133
Not rated	226,291,312	15,788,599	242,079,911
Total Credit Risk fixed income securities	1,231,731,836	73,373,641	1,305,105,477
U.S. Government	1,851,799,586	-	1,851,799,586
Pooled Investments (unrated)	150,701,000	-	150,701,000
Idaho Mortgages (unrated)	494,449,585	-	494,449,585
Total	$ 3,728,682,007	$ 73,373,641	$ 3,802,055,648

*Includes US Government Agencies implicitly guaranteed by US Government:
FFCB $179,895; FHLB $39,852,971; FHLMC $79,152,044; FNMA $97,540,273

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 84.7%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2014, approximately 4.2% or, $17,513,428, was held by various counterparties not in the System's name. The remainder, approximately 11.1%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

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

F. Interest Rate Risk

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

Effective duration of domestic fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset-backed Securities	$	5,619,012	(0.37)
Asset-backed Securities		62,786	N/A
Mortgages		22,162,868	1.81
Mortgages		737,867	N/A
Commercial Paper		125,228,228	0.29
Corporate Bonds		542,483,451	7.09
Corporate Bonds		731,417	N/A
Fixed Income Derivatives		(428,839)	3.87
Fixed Income Derivatives		45,983	N/A
Government Agencies		61,797,025	7.05
Government Bonds		510,783,248	1.21
Government Mortgage-backed Securities		307,273,019	2.58
Government Mortgage-backed Securities		2,787,578	N/A
Pooled Investments		44,443,667	0.08
Pooled Investments		106,257,333	N/A
Private Placements		71,736,218	3.89
Private Placements		93,975,170	N/A
TIPS		1,338,536,391	8.33
Idaho Mortgages		494,449,585	N/A
Total	$	3,728,682,007	

Effective duration of international fixed income assets by security type:

Investment		Fair Value	Effective Duration in Years
Asset Backed Securities	$	253,611	2.32
Corporate Bonds		2,197,267	3.88
Government Agencies		6,000,766	0.95
Government Bonds		64,921,997	5.52
Total	$	73,373,641	

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, 2014, is highlighted in the table that follows. Negative fair values related to variable-rate debt instruments that are highly sensitive to changes in interest rates.

Currency exposures:

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (15,124,029)	$ 59,983,600	$ 6,867,151	$ 51,726,722
BRAZIL REAL	147,307	99,272,203	1,958,678	101,378,188
CANADIAN DOLLAR	(17,906,268)	41,917,140	15,248,183	39,259,055
CHILEAN PESO	6,586	7,224,670	-	7,231,256
COLOMBIAN PESO	630	3,718,407	-	3,719,037
CZECH KORUNA	49,620	8,058,525	-	8,108,145
DANISH KRONE	49,209	25,852,552	-	25,901,761
EGYPTIAN POUND	14,581	1,733,279	-	1,747,860
EURO CURRENCY UNIT	(19,544,844)	740,054,634	25,646,740	746,156,530
HONG KONG DOLLAR	667,627	286,602,584	-	287,270,211
HUNGARIAN FORINT	60,811	6,037,653	-	6,098,464
INDIAN RUPEE	(770,934)	-	-	(770,934)
INDONESIAN RUPIAH	(434,616)	41,891,118	-	41,456,502
ISRAELI SHEKEL	76,844	11,843,439	-	11,920,283
JAPANESE YEN	(8,537,369)	418,465,468	-	409,928,099
KENYAN SHILLING	63,558	639,218	-	702,776
MALAYSIAN RINGGIT	150,226	26,615,697	-	26,765,923
MEXICAN NEW PESO	(3,633,441)	49,555,284	12,225,095	58,146,938
NEW TAIWAN DOLLAR	2,647,135	129,536,839	-	132,183,974
NEW TURKISH LIRA	44,840	51,363,893	-	51,408,733
NEW ZEALAND DOLLAR	793	750,627	1,189,048	1,940,468
NORWEGIAN KRONE	2,694,382	4,885,370	-	7,579,752
PHILIPPINES PESO	32,423	40,852,824	-	40,885,247
POLISH ZLOTY	115,347	8,126,586	8,583,798	16,825,731
POUND STERLING	1,779,380	536,626,332	2,237,386	540,643,098
RUSSIAN RUBLE (NEW)	-	15,573,977	-	15,573,977
S AFRICAN COMM RAND	95,044	82,406,392	-	82,501,436
SINGAPORE DOLLAR	172,956	34,357,975	-	34,530,931
SOUTH KOREAN WON	46,507	203,003,336	-	203,049,843
SRI LANKA RUPEE	12,535	453,851	-	466,386
SWEDISH KRONA	10,714	34,036,722	-	34,047,436
SWISS FRANC	939,333	153,276,351	-	154,215,684
THAILAND BAHT	1,433	57,482,748	-	57,484,181
Total value of investments subject to foreign currency risk	$ (56,071,680)	$ 3,182,199,294	$ 73,956,079	$ 3,200,083,693

H. Rate of Return

For the years ended June 30, 2014 and 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.89 percent and 8.76 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

4. NET PENSION LIABILITY

The components of the net pension liability of the participating employers as of June 30, 2014 are as follows:

	PERSI (In $millions)		FRF (In $millions)	
	2014	2013	2014	2013
Total pension liability	$ 14,569.3	$ 13,966.6	$ 314.4	$ 318.1
Plan fiduciary net position	13,833.1	12,053.5	352.2	307.0
Employers' Net pension liability	$ 736.2	$ 1,913.1	$ (37.8)	$ 11.1
Plan fiduciary net position as a percentage of total pension liability	94.95%	86.30%	112.01%	96.50%

The net pension liability is calculated using a discount rate of 7.1%, which is the expected rate of return on investments reduced by investment expenses. The unfunded liability as reported in Management's Discussion and Analysis is calculated using 7.0%, which is the expected rate of return on investments reduced by investment and administrative costs. The net pension liability was determined by an actuarial valuation as of July 1, 2014, applied to all prior periods included in the measurement. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013.

The Schedule of Employers' Net Pension Liability presents information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

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

Inflation	3.25 percent
Salary increases	4.5-10.25 percent,
Salary inflation	3.75 percent
Investment rate of return	7.10 percent, net of pension plan investment expense
Cost of Living (COLA) adjustments	1.0 percent

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, we rely primarily on an approach which builds upon the latest capital market assumptions. Specifically, the Retirement Board uses Callan Associates 2014 capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Callan Associates investment consulting as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			**7.10%**

Discount rate – The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of PERSI and FRF employers calculated using the discount rate of 7.10% as well as what the employers' liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (in $ millions)	Current Discount Rate (in $ millions)	1% Increase (in $ millions)
Employers' net pension liability – PERSI	2,556.5	736.2	(777.0)
Employers' net pension liability – FRF	(2.2)	(37.8)	(67.8)

5. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2014, consist of the following:

	2014	2013
Buildings and improvements	$ 5,515,888	$ 5,515,888
Less accumulated depreciation	(3,963,581)	(3,802,886)
Total buildings and improvements	1,552,307	1,713,002
Computer software development - Galena	6,331,360	6,331,360
Less accumulated amortization	(6,331,360)	(6,331,360)
Total computer software development - Galena	-	-
Equipment	481,849	481,849
Less accumulated depreciation	(443,544)	(370,366)
Total equipment	38,305	111,483
Computer software development - IRIS	1,077,517	1,077,517
Less accumulated amortization	(165,522)	(23,646)
Total computer software development - IRIS	911,995	1,053,871
Equipment - IRIS	254,114	230,312
Less accumulated depreciation	(57,532)	(7,677)
Total equipment - IRIS	196,582	222,635
Computer software development-in progress - IRIS	4,408,651	1,647,091
Total assets used in plan operations	$ 7,107,840	$ 4,748,082

Depreciation expense is a component of administrative expense. For the year ended June 30, 2014, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $123,033 for 2014. In January 2012 development began on the Idaho Retirement Information System (IRIS) system. Costs of the IRIS system are being capitalized and are amortized as each phase is implemented. Beginning May 2013, the Employer Reporting component of IRIS began being amortized over 10 years. Amortization for 2014 was $141,876. Equipment purchased for IRIS began being depreciated in May 2013 over 5 years. The balance on contracts pertaining to the completion of the IRIS project at June 30, 2014 was $7.2 million.

6. OTHER POST EMPLOYMENT BENEFITS

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

7. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2014 of $525,226,712 and €34,318,334.

8. SUBSEQUENT EVENT

On July 1, 2014 PERSI took over the administration of the Judges' Retirement Fund. On that date $75,010,866 was transferred to PERSI control, which constitutes .5% of total assets.

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(Dollars in $Millions)
FISCAL YEAR ENDING JUNE 30

	PERSI 2014	FRF 2014
Total pension liabiity		
Changes for the year		
Service cost	$ 376.8	$ -
Interest	992.9	21.9
Effect of plan changes	(1.3)	-
Effect of economic/demographic gains or losses	(111.2)	(5.6)
Effect of assumptions changes or inputs	74.6	-
Benefit payments, including refunds of member contributions	(729.1)	(20.0)
Net change in total pension liabiity	**602.7**	**(3.7)**
Total pension liability - beginning	13,966.6	318.1
Total pension liability - ending	14,569.3	314.4
Plan net position		
Contributions - employer	311.0	14.2
Contributions - employee	203.9	-
Net investment income	2,000.6	51.0
Benefit payments, including refunds of member contributions	(729.1)	(20.0)
Administrative expense	(6.8)	-
Net change in plan net position	**1,779.6**	**45.2**
Plan net position - beginning	12,053.5	307.0
Plan net position - ending	13,833.1	352.2
Plan net pension liability - ending	**$ 736.2**	**$ (37.8)**

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF NET PENSION LIABILITY
(Dollars in $Millions)
FISCAL YEAR ENDING JUNE 30

	PERSI 2014	FRF 2014
Total Pension Liability	$ 14,569.3	$ 314.4
Plan net position	13,833.1	352.2
Net pension liability (asset)	736.2	(37.8)
Plan net position as a percentage of the total pension liability	94.95%	112.01%
Covered employee payroll	$2,702.9	$ 63.0
Net pension liability (asset) as a percentage of covered employee payroll	27.24%	-59.94%

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF CONTRIBUTIONS
FISCAL YEARS 2005-2014

PERSI
(In $Millions)

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	$ 236.7	$ 236.2	$ 0.5	$ 2,208.7	10.69%
2006	238.1	250.8	(12.7)	2,343.5	10.70%
2007	235.4	259.5	(24.1)	2,421.0	10.72%
2008	251.4	273.3	(21.9)	2,578.9	10.60%
2009	232.0	284.6	(52.6)	2,683.5	10.61%
2010	260.3	284.9	(24.6)	2,684.4	10.61%
2011	326.5	279.1	47.4	2,627.9	10.62%
2012	327.9	277.2	50.7	2,619.6	10.58%
2013	295.5	285.4	10.1	2,697.6	10.58%
2014	325.0	311.0	14.0	2,702.9	11.51%

FRF

Fiscal Year	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2005	$ 7,225,585	$ 11,725,615	$ (4,500,030)	$ 42,198,856	27.79%
2006	6,455,083	12,022,203	(5,567,120)	45,012,038	26.71%
2007	5,033,291	12,119,173	(7,085,882)	47,638,976	25.44%
2008	1,826,307	12,870,406	(11,044,099)	52,097,173	24.70%
2009	1,826,307	13,215,989	(11,389,682)	55,747,655	23.71%
2010	7,959,238	13,542,331	(5,583,093)	58,360,452	23.20%
2011	7,959,238	13,313,715	(5,354,477)	59,337,447	22.44%
2012	1,666,127	13,486,309	(11,820,182)	59,883,692	22.52%
2013	1,666,127	14,227,314	(12,561,187)	62,969,139	22.59%
2014	1,119,619	14,200,323	(13,080,704)	63,017,405	22.53%

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULE OF INVESTMENT RETURNS
YEAR ENDED JUNE 30, 2014

	2014	2013
Annual money weighted rate of return, net of investment expenses	16.89%	8.76%

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

Methods and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the employers' contributions are calculated as of June 30, 2012 for PERSI and as of June 30, 2013 for FRF. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

	PERSI	FRF
Valuation date	July 1, 2012	July 1, 2013
Actuarial cost method	Entry age normal	Entry age normal
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 - Gross	7.50 %	7.50 %
Projected salary increases	4.5 % - 10.25 %	4.5 % - 10.25 %
Includes salary inflation	3.75 %	3.75 %
Postretirement benefit increase	1.00 %	1.00 %
Implied price inflation rate	3.25 %	3.25 %
Discount Rate - Actuarial Accrued Liability	7.00%	7.00%

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2014

INVESTMENT AND RELATED SERVICES:		
Adelante Capital	$	3,407,351
AEW Capital Management LP		4,097,588
Baring Asset Management, Inc.		1,814,862
BCA Publication, Inc.		7,500
Bernstein, Sanford C.		5,067,433
Bloomberg, LP		61,303
Brandes Investment Partners, LP		1,932,949
Capital Guardian Trust Company		1,800,333
Choice Plan Managers		369,406
Clearwater Advisors, LLC		744,732
D.B. Fitzpatrick & Co., Inc.		2,209,183
Donald Smith & Company		3,738,948
Genesis Asset Managers, Ltd.		2,484,310
Longview Partners		2,747,551
Mellon Capital Management		927,906
Mellon Trust		3,474,198
Mondrian Investment Partners		1,449,285
Mountain Pacific Investment Advisors, Inc.		1,469,911
Peregrine Capital Management		1,834,603
Prudential Investments		358,458
State Street Global Advisors		498,848
Tukman Grossman Capital Management, Inc.		2,364,475
Wells Fargo Bank		72,255
Western Asset		1,016,994
Yardarni Research		7,500
Zesiger Capital Group-Public		2,259,248
		46,217,130
CONSULTING AND OTHER SERVICES:		
Alban Row LLC		86,843
Berkadia Commercial Mortgage LLC		21,290
Callan Associates		306,791
Chartwell Consulting LLC		76,476
Eide Bailly LLP		76,200
Foster Pepper, PLLC		150,095
Gabriel, Roeder, Smith & Company		73,000
Hamilton Lane Advisors, Inc.		170,000
Ice Miller LLP		7,904
Milliman, Inc.		362,494
Robert Storer		80,781
Whiteford, Taylor & Preston LLP		2,982
Xerox HR Solutions LLC		964,904
		2,379,760
TOTAL	$	48,596,890

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2014

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$649,436
Operating expenses	175,823
	825,259
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,419,358
Operating expenses	2,117,590
Building depreciation expense	160,695
Equipment depreciation expense	123,033
Software amortization expense	141,876
	5,962,552
SICK LEAVE FUND EXPENSES - Administrative personnel expenses	104,340
	$6,892,151

EideBailly
CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the "System"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Public Employee Retirement System of Idaho's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PERSI's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho
December 15, 2014

Three Island Crossing State Park

Just south of Glenns Ferry, Idaho, Three Island Crossing State Park is located on the Snake River and is home to The Oregon Trail History & Education Center.

Oregon Trail pioneers knew this spot well. It was one of the most famous river crossings on the historic trail. Pioneer travelers used the three-island crossing until 1869, when Gus Glenn constructed a ferry about two miles upstream. From 1986 to 2009, the Glenns Ferry community sponsored a crossing commemoration each August. Events often include living history presentations and historic skills fair. The actual reenactment was discontinued due to an aging pool of participants and a lack of wagons, though related activities continue to take place each summer.

Helping Idaho public employees build a secure retirement.

INVESTMENT SECTION

PERSI
Public Employee Retirement System of Idaho

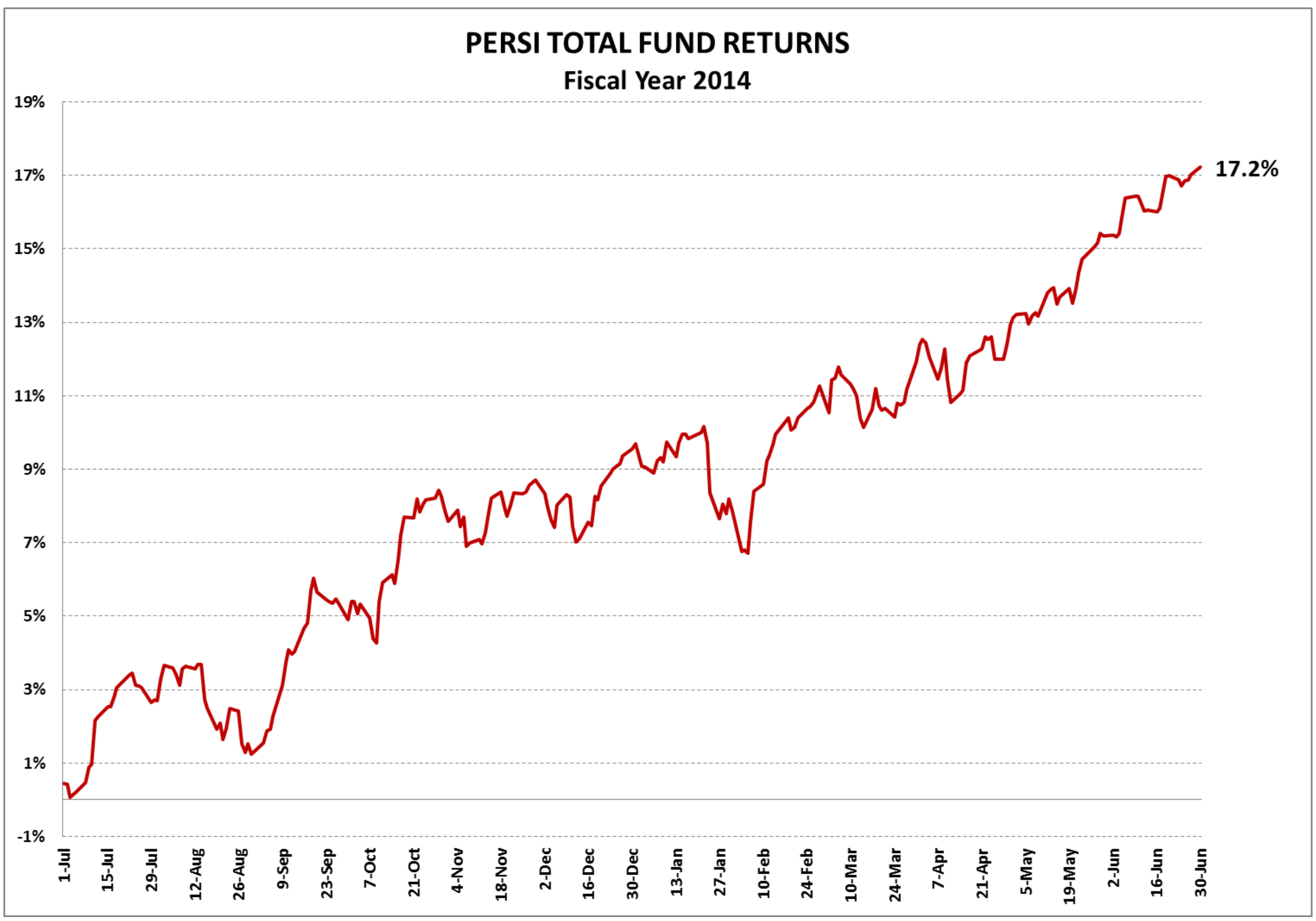
REPORT ON INVESTMENT ACTIVITY
OVERVIEW OF FISCAL YEAR 2014

It was a great fiscal year – one of our best. With returns to the main Defined Benefit/Total Return fund of over 17.2% and assets of $14.686 billion, PERSI reached all-time highs as the fiscal year drew to a close. With the sick leave fund at $384 million (with 18.6% returns), and other DC externally managed assets at over $110 million, total PERSI overseen investment assets rose above $15 billion for the first time in its history. PERSI funded status rose well above 90%, ending the year at 93.9%– one of the best in the nation (if not the world).

U.S. stocks as well ended at all-time highs, and equity volatility was near all-time lows. Over the year the capital markets continued to grind ever higher in an atmosphere of slow, somewhat stumbling, but steady economic growth.

The U.S. equity market was up 25.2% for the fiscal year. Developed market equities (EAFE) were up 24.1%, and bonds returned +4.4%. Despite better relative performance in the last few months, emerging markets lagged developed markets for the fiscal year with 14.7% index returns (PERSI's emerging markets were up 17.0%). Treasury Inflation Protected Securities (TIPS) continued to keep pace with general markets with 4.4% returns. Private equity (with 15.6% returns) and real estate [with 12.2% returns (PERSI REITS at 16.2% and private real estate at 6.8%)] had good years, but also trailed the general public markets substantially.

All in all, the markets seemed to be mostly resilient to general economic and political events, and avoided the deep holes in returns that had characterized the previous dramatic years of 2007 to 2012: As a result, the PERSI fund, with a couple of mild setbacks, enjoyed relatively consistent gains throughout the year:



The fiscal year began with the markets absorbing the new investment term "taper", which had been introduced as a concept in May of 2013 by then chairman Bernanke. With the expectation of less quantitative easing in the US, there was a general belief that interest rates would rise in a slow but accelerating US economy. Overseas the markets were becoming concerned with a decelerating China, a moribund Europe, and even weaker emerging markets.

As the Fall began, the markets weathered uncertainty over potential Syria air strikes, choppy economic waters, murky tapering prospects, and a dysfunctional government. After a disappointing August, September witnessed mildly positive economic news and a pause in the Syrian crisis, a delay in tapering, and the opening salvos of a political budget war in Washington. October saw the resolution of the Washington political standoff that had resulted in a brief government shutdown (without major economic consequences), continued QEIII, and generally positive earnings from corporations. November brought reasonable US economic news supporting subdued growth, continuity in the Fed policy guidance, and a relatively benign international scene. December witnessed the arrival of the long-anticipated "taper", and the fund ended the first half of the fiscal year up a robust 9.7%

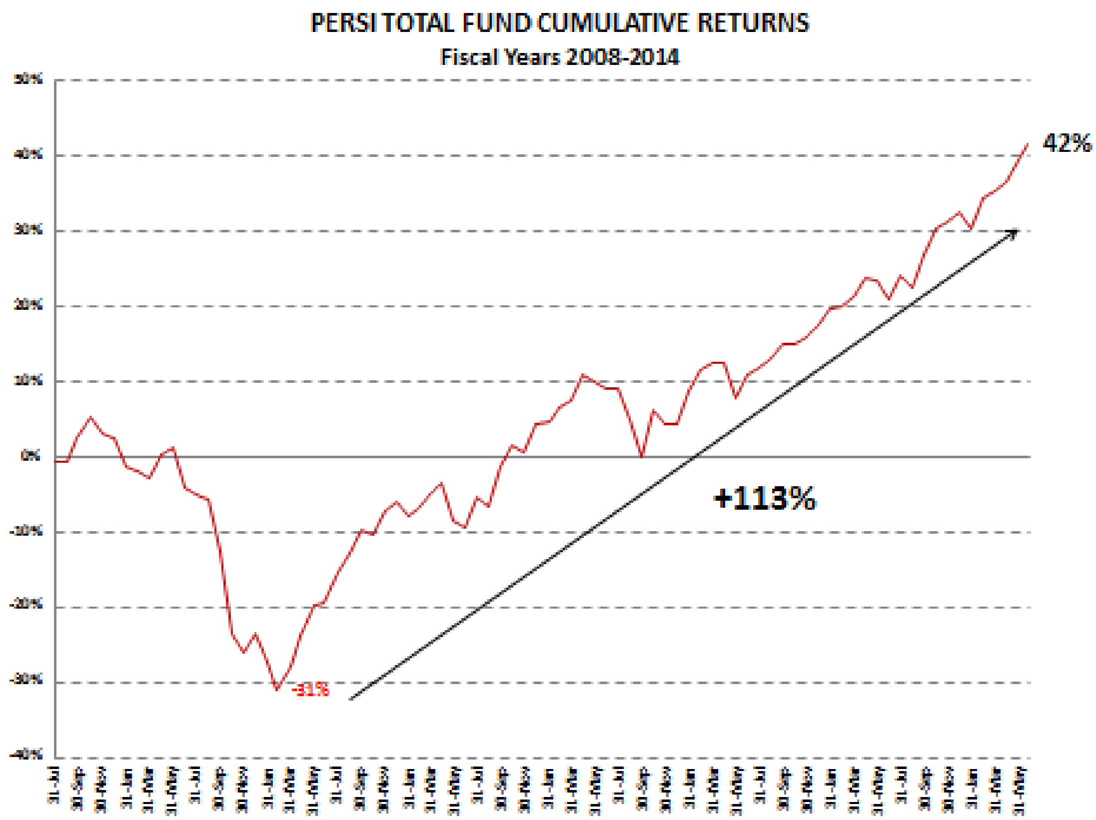
The new calendar year, however, experienced one of the harshest winters on record, which had a marked impact on the US economy, along with a growing belief in a "fully valued" US equity market and troubled European and emerging markets. The markets dropped through the early part of February, and then rebounded as the harsh weather impacts faded, China appeared to be bottoming, a confrontation on the US debt ceiling was avoided, and there was a smooth transition from Bernanke to new Fed Chairperson Yellen. By the end of February, the PERSI fund had recovered and was up 11.3%. For the rest of the fiscal year, the PERSI fund had a steady and very consistent advance to the ending new highs.

The surprise of the new calendar year, however, was a marked shift in the inner dynamics of the capital markets, with bond yields ending the fiscal year around 2.5% after having started the calendar year at 3% - a drop which confounded most experts. Small cap tech and momentum stocks experienced a "mini-crash", and emerging markets broke out of their doldrums of the past few years. This was with the backdrop of continued moderate US economic growth, a moribund China, and a stumbling Europe. As the fiscal year ended, equity valuations appeared a bit high in the US, moderate in Europe, and relatively undervalued in the emerging markets.

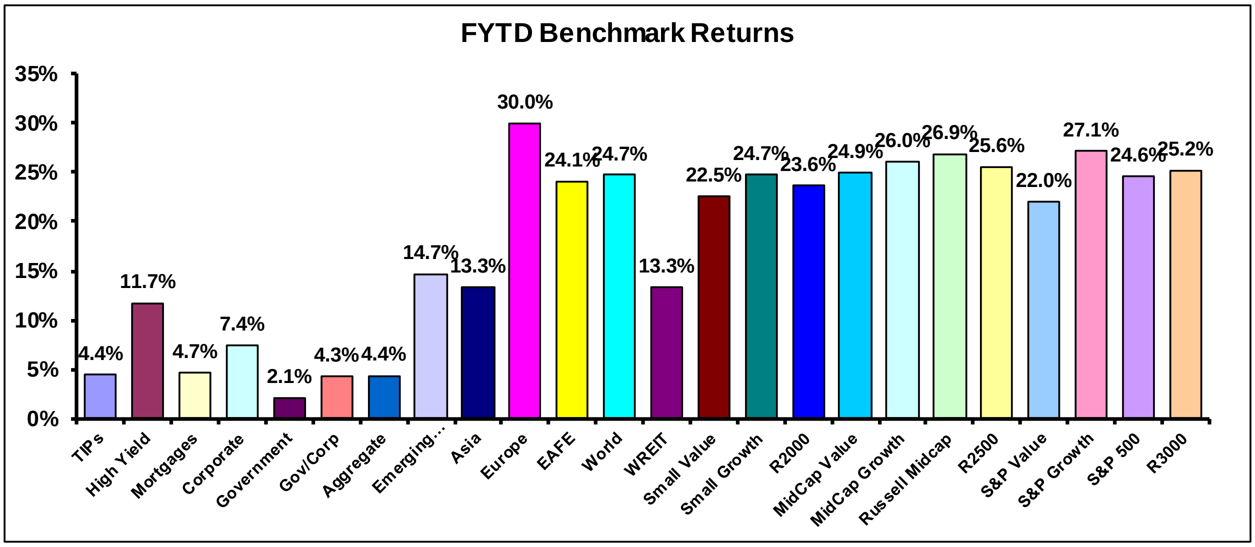
All in all, the "boredom" of the recent capital and economic markets was the outstanding feature of the last half of the fiscal year, with the excitement located in political and military events in the Ukraine and in Northwest Iraq - areas with little direct economic or capital market impact.

Thus FY 2014 was a continuation of the FY 2013 capital market dynamics – a mostly calm background environment without major European crises, US fiscal dramas (except for a brief government shutdown), or other heart-stopping events (at least compared to previous years). Instead, the markets seemed to be mostly resilient to general economic and political events, and the fiscal year avoided the deep holes in returns that had characterized the previous dramatic years of 2007-2012.

The fiscal year continued the historic rise of +113% for the fund since the crisis lows of March 2009:



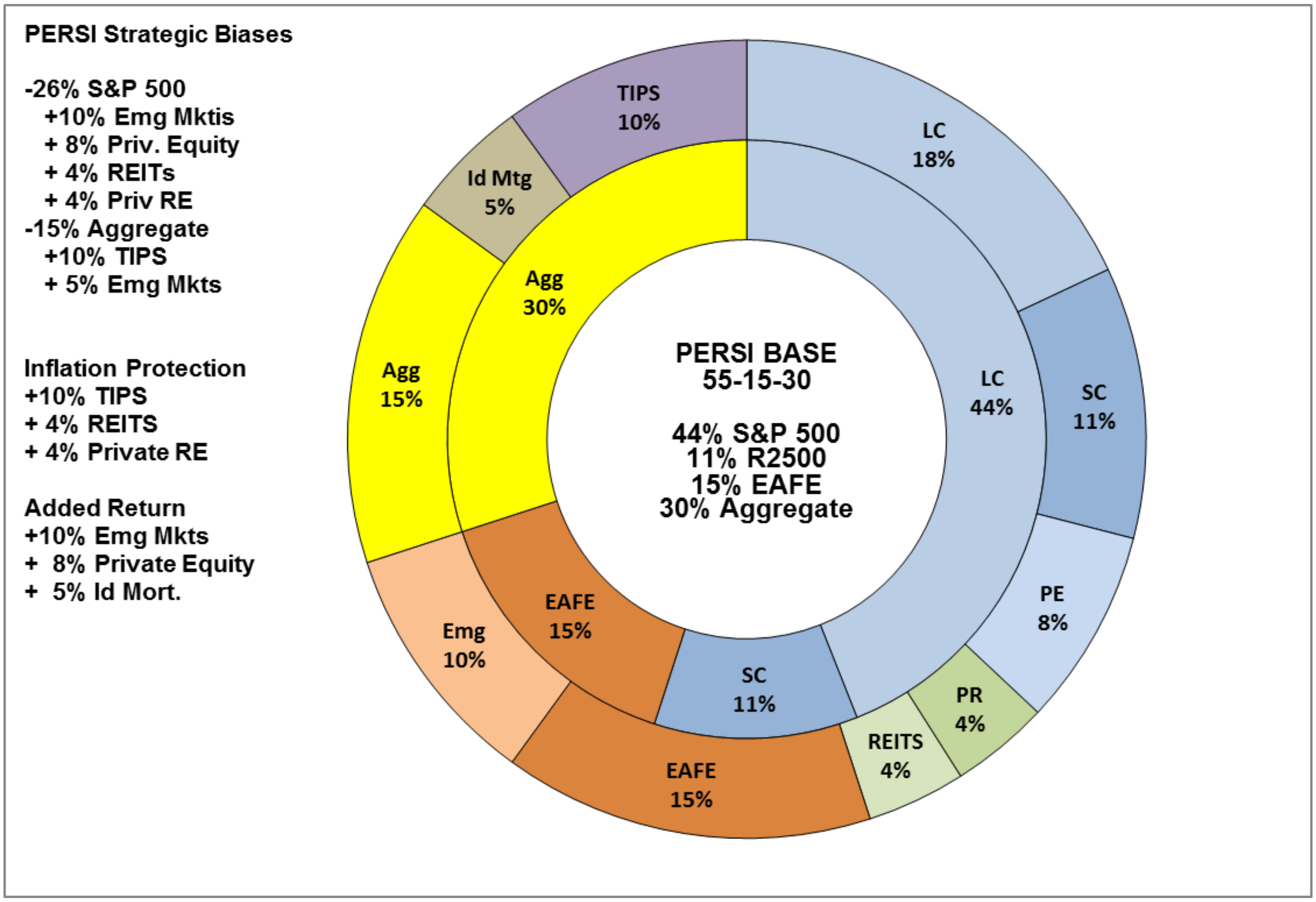
The equity markets continued to see the bigger "established" markets having the best returns, with the S&P 500 returning 24.6%, the Russell 2500 mid/small cap returning 25.6%, and MSCI EAFE developed markets returning 24.1%. In sharp contrast emerging markets (14.7%), REITs (13.3%), private equity (15.6%) and private real estate (6.8%) had good but, compared to developed markets, markedly worse returns (with private real estate reflecting the completion of a multi-year major portfolio restructuring). Investment grade bonds (4.4%) recovered from one of the rare negative annual return years in Fiscal Year 2013, and TIPS kept pace at 4.4%.



These markets, in fact, explain another feature of this fiscal year – that PERSI actual returns trailed the reference 55% Russell 3000, 15% MSCI EAFE, 30% Barclay's Aggregate benchmark ["55-15-30"] by -1.3%.

As with fiscal year 2013, this "underperformance" exactly reflects PERSI's intended structure – one that has been in place for the past two decades. PERSI's strategic biases have consistently reduced the 55-15-30 benchmark's bias to the S&P 500 by -26% (from a 44% weighting to an 18% weight). That money has been shifted to Emerging Markets (10% weight), Private Equity (8% weight), Private Real Estate (4% weight), and REITS (4% weight). The other major shift, with smaller return consequences, has been to take 15% of the monies from the Barclay's Aggregate 30% reference weight and shifted to a 10% general weighting of TIPS, and 5% weight in the Idaho Commercial Mortgage program. These biases account for all of the disparity between actual returns and the 55-15-30 return.

[PERSI's weighting to small cap equities and EAFE is the same as the 55-15-30 reference benchmark, with an 11% weighting to mid/small cap US stocks, and a 15% weighting to MSCI EAFE stocks. All of these weightings "look through" the activities of the active managers, and account for their biases (such as a tendency to overweight small cap stocks) in individual portfolio construction. Staff monitors active manager portfolios to assure that overall portfolio characteristics remain consistent with our long-term strategic biases].

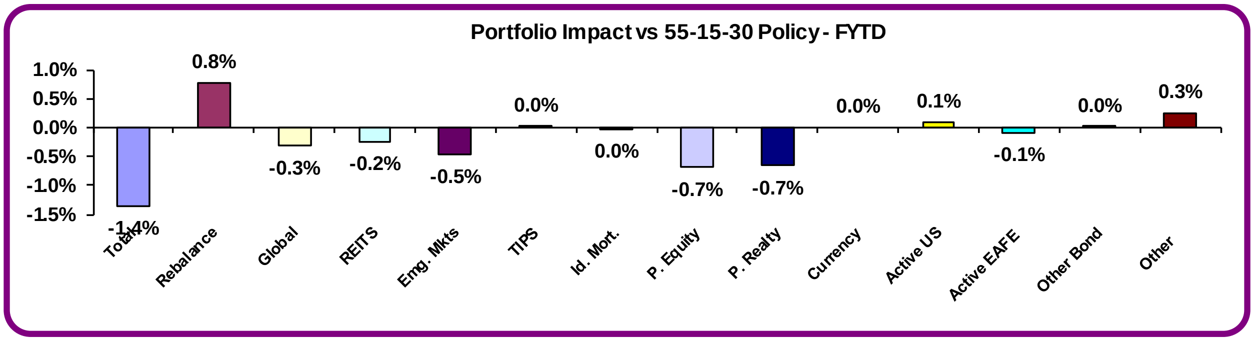


These shifts have been a basic feature of PERSI's strategic structure for at least the past two decades, and have been responsible for practically all of PERSI's relative performance both to peers and to the base reference 55-15-30 benchmark – both when PERSI is a top performing fund and also when it lags its peers.

The central idea is that when the S&P 500 is one of the best performing capital markets in the world, PERSI will normally have no problem meeting its funding goals (as occurred in the mid-1990s and recently). The problem is that PERSI needs protection when the S&P 500 is a mediocre or terrible market both absolutely and relatively – as occurred in the first decade of the 2000s.

Besides additional diversification, PERSI has shifted money to other areas for purposes of increased inflation protection (S&P 500 to REITS and Private Real Estate, Barclay's Aggregate to TIPS) and long-term added return (S&P 500 to emerging markets and private equity, Barclay's Aggregate to private debt in the Idaho Commercial Mortgage Program). All of these strategic biases go back decades, (private real estate began in 1981, the small cap and emerging market bias has been in place since the late 1980s, the Idaho Commercial Mortgage program began in the late 1980s, and the REIT and TIPS biases were added in 1997-1998).

The overall impacts of each of the PERSI strategic biases were largely negative, which was partially overcome by decisions to not strictly rebalance the portfolio during the fiscal year:



PERSI's institutional peer returns for the fiscal and calendar year were very good: handily above the median institutional and public fund. Long term returns (ten years plus) also continue to be significantly above average: Medium term returns (3-5 years), however, reflect the significant underperformance of emerging markets, private real estate, and REITs over the past 3 years and are slightly below median:

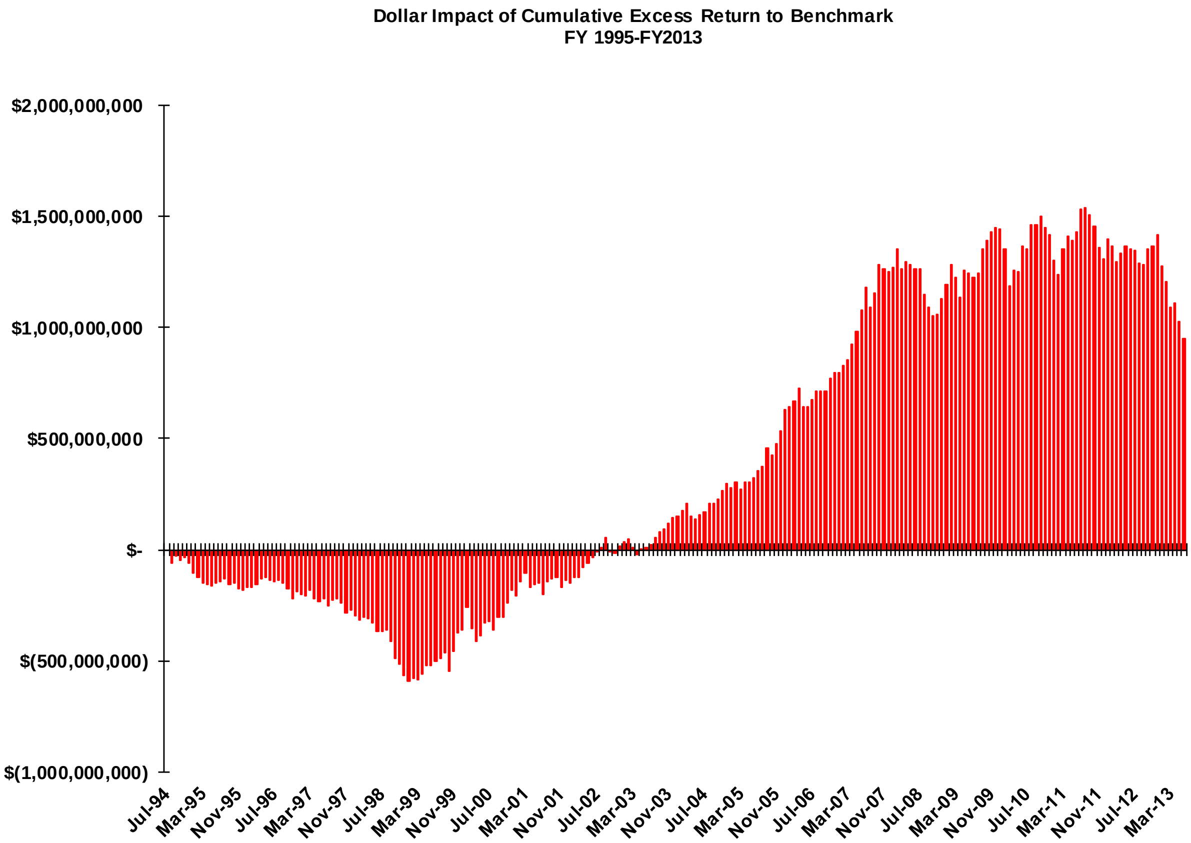
RANKINGS IN MELLON MASTER TRUST (667 funds) and CALLAN PUBLIC FUND UNIVERSES June 30, 2014

	QTR	*CYTD*	*1Yr*	*3Yrs*	*5Yrs*	*10Yrs*
PERSI Return (%)	**4.7**	**6.9**	**17.2**	**9.1**	**12.0**	**7.8**
Callan Median Public	3.5	5.3	16.1	9.7	12.5	7.3
Mellon Median Master	3.7	5.8	16.2	9.6	12.3	7.4

PERSI Rank (Percentile) (1 is highest, 100 is lowest)

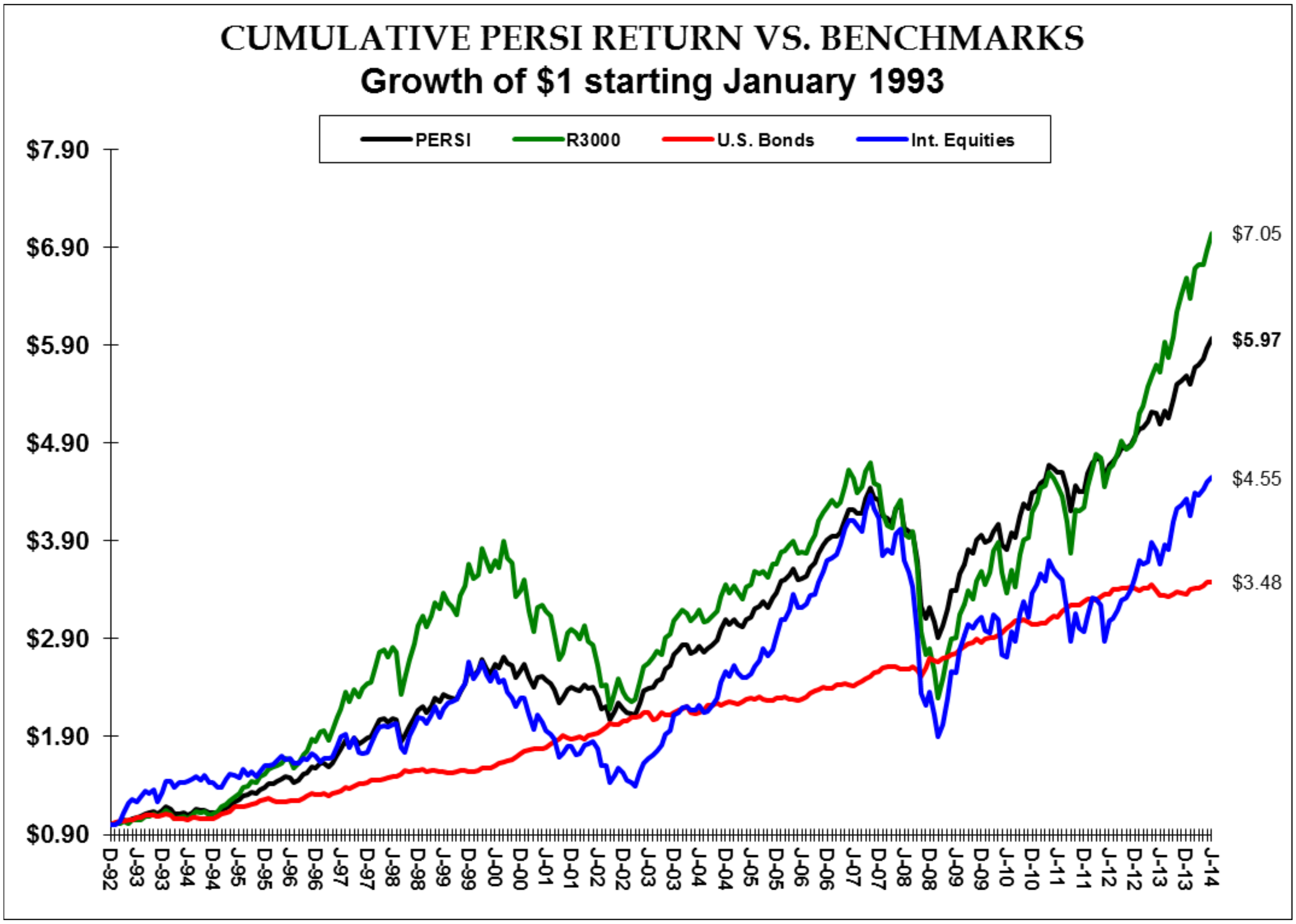
Callan Public Funds	**2**	**3**	**31**	**64**	**64**	**18**
Mellon All Funds	**9**	**28**	**35**	**61**	**60**	**34**

Since July of 1994 (when specific records on these numbers were first kept by staff), PERSI's strategic biases have added almost $1 billion ($950 million) to both general market returns (as represented by the reference 55-15-30 benchmark) through its additional activities in emerging markets, private assets, TIPS, REITS and similar programs, as follows:



PERSI's annualized return over this period was 8.8% while the 55-15-30 benchmark return was 8.0%. That difference in return over 20 years represents almost $1 billion in added value.

Since 1993, every dollar invested in PERSI has returned almost six fold, to $5.97:



PERSI's basic and simple approach has served the fund well both over the past year and over the longer term. It encountered few issues in the turbulent period of the last seven years, and has survived relatively unscathed through all of the crises of the past 20 years.

During the last fiscal year, PERSI's US public active equity component outpaced the indices with a 26.2% return. Donald Smith was the star, with 33.9% returns, followed by Mountain Pacific with 26.0% returns. Peregrine (23.6%) and Tukman (20.7%) underperformed.

The overall US equity component, however, returned "only" 21.0%, dragged down by private equity (15.6%) and real estate (12.2%). Real estate, in turn, was influenced by modest private returns due, in part, to portfolio restructuring (6.8%) and adequate public real estate (REIT) returns of 16.2% (although above the Wilshire REIT index of 13.3%). Adelante active REITs had a good relative year with 17.7% returns.

Global Equity underperformed the MSCI World market index with returns of 23.3%. This was both below the MSCI World index (at 24.7%) and below US equity general returns (25.2%). Bernstein Global (31.2%), Longview (28.0%), and Brandes (27.5%) all had stellar years, while the Capital Group (21.7%), Barings (18.9%) and particularly Zesiger (10.7%) had noticeably poor years.

Total PERSI international equity only returns, both developed markets and emerging combined, returned 21.2% for the year. Developed market international equity (MSCI EAFE) returned 23.6% for the year, outperforming emerging market equity (MSCI Emerging Markets) at 14.7% for the fourth year in a row. Mondrian, our developed markets manager outpaced the EAFE index with a 28.1% return, Both Bernstein Emerging (19.9%) and Genesis (16.7%) handily outperformed the emerging markets index (14.7*%).*

PERSI fixed income matched the returns of investment grade bonds as represented by the Barclay's Aggregate index at 4.4%. TIPS, at least temporarily, stopped a run of underperformance with matching 4.4% returns for the year. This return melded the SSGA TIPs return of 4.8% and the Western active TIPs account return of 4.1%. Western with its nominal bond portfolio had another great bond year with 7.5% returns, and Barings slightly outperformed at 5.2%. Clearwater, whose mandate changed to the Aggregate Bond Index from mortgage backed only, also outperformed with 5.1% returns. Idaho Mortgages, which are priced off of the Treasury yield curve, were up 3.7%, while the DBF mortgage backed securities portfolio tracked the general mortgage market 4.6% returns.

In summary, another great year for PERSI.

ROBERT M. MAYNARD
Chief Investment Officer

INVESTMENT SUMMARY FOR THE YEAR ENDED JUNE 30, 2014

Types of Investment	Market Value		Percent of Total Market Value	
Short-term Investments		$ 407,451,910		2.9%
Fixed Income				
Domestic	$ 2,721,632,789		19.1%	
International	73,373,641		0.5%	
Commercial Mortgages	494,449,586		3.5%	
Total Fixed Income		3,289,456,016		23.1%
Equity				
Domestic Equity	5,977,475,706		42.0%	
International Equity	3,119,152,887		21.9%	
Total Equity		9,096,628,593		63.9%
Private Equity		1,013,199,546		7.1%
Real Estate		424,641,351		3.0%
Total Base Plan Investments		$ 14,231,377,416		100.0%
Other Funds:				
Sick Leave Insurance Reserve Fund		384,536,247		
Choice Plan 414(k)		63,580,829		
Choice Plan 401(k)		583,536,433		
Total Investments in All Funds		$ 15,263,030,925		

Schedule of Investments by Account (including interest and dividends receivable) for the Year Ended June 30, 2014

Base Plan and Firefighters' Retirement Fund		
Adelante Capital Management	$ 433,676,462	
Advent International, LP	46,643,452	
American Securities Opportunities Associates II, LLC	14,628,512	
Apollo Management, LP	55,809,374	
Baring Asset Management-Global Equity	426,894,939	
Baring Asset Management-Global Fixed Income	181,490,749	
Bernstein-Emerging Markets	365,505,273	
Bernstein-Global Equity	519,143,141	
Blackstone Capital Partners, LP	72,281,436	
BNY Mellon Capital Management-International Stock Index	548,611,572	
BNY Mellon Capital Management-Mid Cap Completion	219,712,863	
BNY Mellon Capital Management-R2000 Small Cap	141,331,263	
BNY Mellon Capital Management-S&P 500 Large Cap	1,499,220,688	
BNY Mellon Capital Management-REIT Index	208,137,179	
BNY Mellon Capital Management-Emerging Market Index	357,649,127	
Brandes Investment Partners	507,706,387	
Bridgepoint Cap LTD	16,975,146	
Capital Guardian	458,327,727	
Cascade	88,621,630	
Cerberus Investment Partners	29,713,042	
Chisholm Management, LP	2,498,215	
Clearwater Advisors, LLC-TBAs	135,528,311	
CVC European Equity	36,633,598	
D.B. Fitzpatrick & Co.-Fixed Income	145,272,301	
D.B. Fitzpatrick & Co.-Idaho Mortgages	496,221,094	
Donald Smith & Co.	534,735,545	
Endeavour Capital	14,721,299	
Enhanced Equity, LP	38,834,446	
Epic Venture Fund	11,203,292	
First Reserve Fund XI	52,767,984	
Frazier Technology Ventures II, LP	23,126,366	
Galen Associates, LP	32,933,682	
Genesis Asset Managers	379,427,438	
Goense Bounds & Partners, LP	1,524,648	
Gores Capital Partners, LLP	32,662,170	
Green Equity Investors IV, LP	45,939,664	
Hamilton Lane Co - Investment Fund, LP	64,322,188	
Hamilton Lane Secondary Fund, LP	20,634,354	
Highway 12 Ventures, LP	64,630,864	
Ida-West	3,157,450	
JH Whitney & Co, LLC	29,062,983	
KKR 2006 Fund, LP	43,456,268	
Kohlberg & Co.	29,816,557	
Koll Partners, LLP	235,246,632	
Lindsay Goldberg & Bessemer	41,613,689	
Littlejohn, LP	2,392,939	
Longview Partners	504,969,948	
McCown DeLeeuw & Co. IV, LP	85,037	
Mellon Transition Management Services	1,743,132	(Continued)

Schedule of Investments by Account (including interest and dividends receivable) for the Year Ended June 30, 2014

Mondrian Investment Partners	468,144,767
Mountain Pacific Investment Advisors	491,980,984
Newbridge Asia, LP	16,230,175
Olympic IDA Fund II, LLC	140,472,305
Peregrine Capital Management	454,214,422
PERSI Cash in Short-Term Investment Pool	26,882,565
Private Debt	10,143,360
Providence Equity Partners, LLP	53,459,477
Prudential Investments	41,527,543
State Street Global Advisors-Fixed Income	704,381,094
State Street Global Advisors-TIPS	952,760,874
T3 Partners, LP	95,215,183
Tukman Capital Management	475,098,392
Veritas Capital Partners, LP	17,670,332
W. Capital Partners, LP	2,555,724
Western Asset Management	182,858,179
Western Asset-TIPS	392,990,759
Zesiger Capital Group	393,670,272
Zesiger Capital Group-Private Equity	21,937,931
Total Base Plan and Firefighters' Retirement Fund	**14,159,436,394**
Choice Plan	
BNY Mellon Aggregate Bond Index	10,235,016
BNY Mellon Dow Jones U.S. Completion Total Stock Market Index	10,083,893
BNY Mellon Dow Jones U.S. Total Stock Market Index	4,826,791
BNY Mellon International EAFE Fund	5,221,649
BNY Mellon S&P 500	13,315,461
Brandes International Equity Fund	8,164,384
Calvert SI Balance Fund	1,836,112
Dodge and Cox Income Fund	11,537,576
PERSI Choice Plan Contribution Holding Account	936,136
PERSI Choice Plan Loan Fund	7,872,656
Rowe Price Small Cap Fund	20,211,560
Total Return Fund	527,146,701
Vanguard Growth & Income Fund	16,565,594
PERSI Short Term Investment Portfolio	11,476,013
Total Choice Plan	**649,429,542**
Sick Leave Insurance Reserve Fund	
State Street Global Advisors-Domestic Equity	219,889,124
State Street Global Advisors-International Equity	58,389,790
State Street Global Advisors-Fixed Income	106,257,333
Total Sick Leave Insurance Reserve Fund	**384,536,247**
Total Market Value, Including Investment Receivables and Payables	15,193,402,183
Add: Investments Purchased Payable	245,991,212
Less: Investments Sold Receivable	(138,022,415)
Less: Interest and Dividends Receivable	(38,340,055)
Total Market Value, Net of Investment Receivables and Payables	**$ 15,263,030,925** (Concluded)

Investment Results for the Year Ended June 30, 2014

MANAGERS	TOTAL MKT VAL ($ MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending** FISCAL	1 YR.	3 YRS. *	5 YRS. *	10YRS. *
U.S. EQUITY							
MELLON CAPITAL MANAGEMENT MID CAP	227.9	1.5%	30.1	30.1	16.7	22.4	11.0
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	146.6	1.0%	23.7	23.7	14.6	20.3	8.6
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,555.0	10.6%	24.5	24.5	16.5	18.8	7.8
MOUNTAIN PACIFIC	510.3	3.5%	26.0	26.0	16.4	20.2	10.3
TUKMAN GROSSMAN CAPITAL MGMT	492.8	3.3%	20.7	20.7	17.0	17.2	7.0
DONALD SMITH & CO.	554.7	3.8%	33.9	33.9	19.3	22.0	11.3
PEREGRINE	471.1	3.2%	23.6	23.6	14.8	16.3	
TOTAL U.S. PUBLICLY TRADED EQUITY	3,958.4	26.9%	25.6	25.6	16.6	19.2	8.7
BENCHMARK - Russell 3000			25.2	25.2	16.5	19.3	8.2
PRIVATE EQUITY							
IDA-WEST	3.3	0.0%	8.1	8.1	20.1	19.8	21.5
GALEN III	34.2	0.2%	(1.8)	(1.8)	3.1	2.8	2.7
MCCOWN DE LEEUW	-	0.0%	0.0	0.0	0.0	12.3	(31.8)
PROVIDENCE EQ PARTNERS	55.4	0.4%	11.6	11.6	6.7	12.8	15.1
CHISOLM PARTNERS	2.6	0.0%	8.9	8.9	30.0	37.4	23.8
LITTLEJOHN II L.P.	2.5	0.0%	17.3	17.3	27.1	37.8	34.8
GOENSE BOUNDS	1.6	0.0%	(19.1)	(19.1)	(2.7)	(8.6)	(4.3)
HWY 12 FD VENTURE LP	67.0	0.4%	16.7	16.7	12.0	11.8	2.0
T3 PARTNERS II L.P.	98.8	0.7%	26.5	26.5	16.6	19.6	16.2
APOLLO MGMT LP	57.9	0.4%	35.0	35.0	21.7	33.5	29.7
GREEN EQUITY IV L.P.	47.6	0.3%	26.7	26.7	19.7	26.9	15.6
GORES CAPITAL AD LLC	33.9	0.2%	10.2	10.2	1.3	10.8	9.7
W CAPITAL PARTNERS	2.7	0.0%	(17.7)	(17.7)	(13.6)	(7.0)	(6.3)
FRAZIER TECH VENTURES II	24.0	0.2%	85.4	85.4	29.8	17.2	6.5
KOHLBERG & CO.	30.9	0.2%	1.2	1.2	10.3	12.3	
HAMILTON SECONDARY	21.4	0.1%	13.0	13.0	12.6	11.5	
CVC EUROPEAN EQUITY	38.0	0.3%	16.1	16.1	20.4	19.1	
HAMILTON LANE CO-INVESTMENT FUND	66.7	0.4%	23.3	23.3	15.9	15.2	
BRIDGEPOINT EUROPE III	17.6	0.1%	16.9	16.9	5.7	8.5	
NEWBRIDGE ASIA LP	16.8	0.1%	(9.7)	(9.7)	2.7	31.2	
JH WHITNEY EQUITY PARTNERS IV	30.1	0.2%	10.1	10.1	7.4	7.5	
BLACKSTONE CAPITAL PARTNERS	75.0	0.5%	25.3	25.3	17.8	17.4	
ENHANCED EQUITY FUND LP	40.3	0.3%	3.9	3.9	1.4	6.4	
LINDSEY, GOLDBERG, BESSEMER	43.2	0.3%	12.2	12.2	20.5	12.1	
KKR 2006 FUND	45.1	0.3%	13.0	13.0	13.8	19.6	
FIRST RESERVE FUND XI	54.7	0.4%	(4.7)	(4.7)	3.9	5.9	
CERBERUS INST PARTNERS	30.8	0.2%	8.3	8.3	9.2	15.8	
EPIC VENTURE FUND	11.6	0.1%	3.8	3.8	26.5	11.2	
ADVENT INTERNATIONAL	48.4	0.3%	35.5	35.5	24.5	20.6	
AMERICAN SECURITIES OPPORTUNITIES FUND II	15.2	0.1%	12.1	12.1	10.4		
VERITAS CAPITAL PARTNERS	18.3	0.1%	23.4	23.4	21.4		
ENDEAVOUR CAPITAL PARTNERS	15.3	0.1%	10.1	10.1			
ZESIGER CAPITAL GROUP	22.8	0.1%	1.6	1.6	(4.7)	0.7	0.8
TOTAL PRIVATE EQUITY	1,073.7	7.0%	15.6	15.6	12.6	15.4	12.1
REAL ESTATE							
KOLL PARTNERS	244.0	1.7%	(5.8)	(5.8)	(12.4)	(15.5)	(5.9)
OLYMPIC IDA FUND II	145.7	1.0%	23.6	23.6	26.0	4.1	
CASCADE	91.9	0.6%	18.1	18.1	(4.2)	(6.7)	
ADELANTE - PUBLIC R/E1	449.8	3.1%	17.7	17.7	13.3	25.0	9.3
MELLON CAPITAL MANAGEMENT REIT INDEX	215.9	1.5%	12.7	12.7			
PRUDENTIAL	43.1	0.3%	13.9	13.9	13.4	7.3	7.0
TOTAL R/E MANAGERS	1,190.4	8.2%	12.2	12.2	5.1	3.0	6.0
BENCHMARK - NCREIF			11.2	11.2	11.7	7.9	8.7
TOTAL U.S. EQUITY	6,222.5	42.1%	21.5	21.5	13.7	15.2	8.2
BENCHMARK - Russell 3000			25.2	25.2	16.5	19.3	8.2

(Continued)

Investment Results for the Year Ended June 30, 2014

MANAGERS	TOTAL MKT VAL ($ MILLION	% OF TOTAL FUND	Investment Performance for Periods Ending** FISCAL	1 YR.	3 YRS. *	5 YRS. *	10YRS. *
GLOBAL EQUITY							
BARING ASSET MANAGEMENT	442.7	3.0%	18.9	18.9	8.5	13.1	8.4
BRANDES INVST PARTNERS	526.6	3.6%	27.5	27.5	13.3	15.2	6.3
CAPITAL GUARDIAN	475.4	3.2%	21.7	21.7	11.7	14.5	7.1
ZESIGER CAPITAL GROUP	408.3	2.9%	10.7	10.7	(0.2)	8.9	7.3
BERNSTEIN GLOBAL	538.5	3.7%	31.2	31.2	11.0	13.7	5.9
LONGVIEW PARTNERS	523.8	3.6%	28.0	28.0	17.9		
TOTAL GLOBAL EQUITY	2,915.3	20.0%	23.3	23.3	10.2	14.1	7.5
TOTAL U.S./GLOBAL EQUITY	9,137.8	62.1%	21.7	21.7	12.3	14.7	7.7
BENCHMARK - Russell 3000			25.2	25.2	16.5	19.3	8.2
INTERNATIONAL EQUITY							
GENESIS INVESTMENTS	393.6	2.7%	16.7	16.7	3.2	13.6	14.9
MELLON CAPITAL MANAGEMENT INTL STK INDX	569.0	3.9%	23.9	23.9	8.5	12.1	7.1
MONDRIAN	485.6	3.3%	28.1	28.1	10.0	12.8	8.6
BERNSTEIN EMERGING	379.1	2.6%	19.9	19.9	(2.4)	8.0	11.2
MELLON CAPITAL MANAGEMENT EMERGING STK INDX	371.0	2.6%	14.4	14.4			
TOTAL INTERNATIONAL EQUITY	2,198.3	15.1%	21.2	21.2	4.4	11.6	9.4
EAFE INDEX NET			23.6	23.6	8.1	11.8	6.9
TOTAL EQUITY	11,336.1	77.1%	77.2	2.1	5.3	21.6	21.6
BENCHMARK - Russell 3000			0.0	2.5	4.9	25.2	25.2
FIXED INCOME							
DBF & CO FIXED	150.7	1.0%	4.6	4.6	2.9	3.7	4.7
DBF & CO-IDAHO MTGS	514.7	3.5%	3.7	3.7	4.0	5.5	6.6
STATE ST ADV-FX	730.6	5.0%	4.4	4.4	4.1	5.2	5.1
SSGA-TIPS	988.2	6.7%	4.8	4.8	6.3	7.7	6.5
CLEARWATER-TBA	140.6	1.0%	5.1	5.1	2.5	3.9	4.7
REAL ESTATE PVT DEBT	10.5	0.1%	(30.8)	(30.8)	(22.8)	(11.7)	
BARING ASSET MANAGEMENT	188.2	1.3%	5.2	5.2	4.1	5.1	5.3
WESTERN ASSET	189.7	1.3%	7.5	7.5	6.0	9.8	
WESTERN TIPS	407.6	2.8%	4.1	4.1	3.4	5.5	
TOTAL FIXED INCOME	3,320.8	22.7%	4.4	4.4	4.5	6.0	5.7
BENCHMARK - BC Aggregate Bonds			4.4	4.4	3.7	4.9	4.9
OTHER							
UNALLOCATED CASH	27.9	0.2%	2.3	2.3	2.3	2.4	6.0
MELLON TRANSITION MANAGEMENT SERVICES[1]	1.8	0.0%	27.2	27.2	38.0	105.0	175.8
TOTAL OTHER	29.7	0.2%					
COMBINED TOTAL[2]	14,686.6	100.0%	17.2	17.2	9.1	12.0	7.8
BENCHMARK: 55% Russell 3000 30% BC Aggregate Bonds 15% MSCI EAFE Index			18.5	18.5	11.5	14.0	7.4
Add: Other PERSI DC Choice Plan Investments[2]	122.3						
Sick Leave Fixed Income Investments	106.2						
Sick Leave Equity Securities	278.2						
Investments Purchased	246.0						
Less: Interest and Dividends Receivable	(38.3)						
Investments Sold	(138.0)						
Total Pension Fund Investments Net of Receivables	15,263.0						

*Rates of Return are annualized
**Performance is gross of fees
[1]Returns vary due to transaction size relative to market value
[2]Total Return Fund included in investment results

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

(Concluded)

Schedule of Investment Income for the Last Six Years

Year	Interest	Dividends	Gains & Losses*	Total
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
2012	117,140,608	165,467,250	(86,288,779)	196,319,079
2013	110,329,885	180,373,163	817,663,490	1,108,366,538
2014	105,237,909	220,530,606	1,907,625,265	2,233,393,780

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

Largest Stock Holdings (by Market Value) June 30, 2014

	Shares	Stock	Market Value
1	1,822,868	WELLS FARGO & CO	$ 95,809,942
2	939,335	APPLE INC	87,292,402
3	2,415,017	MICRON TECHNOLOGY INC	79,574,810
4	1,448,309	AMERICAN INTERNATIONAL GROUP INC	79,048,705
5	446,992	SIMON PROPERTY GROUP INC	74,325,830
6	614,461	SCHLUMBERGER LTD	72,475,675
7	50,271	SAMSUNG ELECTRONICS CO LTD	65,683,226
8	1,977,077	PFIZER INC	58,679,645
9	554,272	JOHNSON & JOHNSON	57,987,937
10	313,026	GOLDMAN SACHS GROUP INC	52,413,073

A complete list of portfolio holdings is available upon request.

Largest Bond Holdings (by Market Value) June 30, 2014

	Par	Bonds	Description	Market Value
1	72,685,566	US TREASURY INFLATION INDEX SECURITY	1.125% 01/15/2021 DD 01/15/11	$ 78,733,223
2	76,397,769	US TREASURY INFLATION INDEX SECURITY	0.125% 01/15/2022 DD 01/15/12	76,905,127
3	71,872,096	US TREASURY INFLATION INDEX SECURITY	0.125% 04/15/2016 DD 04/15/11	73,758,739
4	64,862,848	US TREASURY INFLATION INDEX SECURITY	0.125% 04/15/2017 DD 04/15/12	67,092,508
5	61,768,583	US TREASURY INFLATION INDEX SECURITY	0.125% 04/15/2018 DD 04/15/13	63,805,032
6	43,310,087	US TREASURY INFLATION INDEX SECURITY	3.875% 04/15/2029 DD 04/15/99	63,313,934
7	47,680,359	US TREASURY INFLATION INDEX SECURITY	2.375% 01/15/2025 DD 07/15/04	57,763,992
8	49,241,415	US TREASURY INFLATION INDEX SECURITY	0.625% 07/15/2021 DD 07/15/11	51,868,888
9	50,858,609	US TREASURY INFLATION INDEX SECURITY	0.125% 07/15/2022 DD 07/15/12	51,204,295
10	42,526,134	US TREASURY INFLATION INDEX SECURITY	2.000% 01/15/2026 DD 01/15/06	50,104,418

A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions for the Year Ended June 30, 2014

Broker Name	Base Commission	Total Shares	Commission per Share
UBS SECURITIES LLC, STAMFORD	$ 245,716	5,413,627	$ 0.04539
MORGAN STANLEY & CO INC, NY	213,122	16,776,565	0.01270
MERRILL LYNCH INTL LONDON EQUITIES	137,550	33,460,219	0.00411
DEUTSCHE BK SECS INC, NY	126,114	41,977,817	0.00300
GOLDMAN SACHS & CO, NY	122,581	12,078,936	0.01015
UBS EQUITIES, LONDON	115,597	21,909,645	0.00528
GOLDMAN SACHS INTL, LONDON	100,817	11,230,660	0.00898
MERRILL LYNCH PIERCE FENNER SMITH INC NY	95,975	2,885,832	0.03326
CREDIT SUISSE, NEW YORK	95,819	4,807,891	0.01993
BARCLAYS CAPITAL INC./LE, NEW JERSEY	91,211	1,795,422	0.05080
CREDIT SUISSE (EUROPE), LONDON	88,200	5,892,449	0.01497
DEUTSCHE BK INTL EQ, LONDON	86,547	7,994,624	0.01083
BARCLAYS CAPITAL LE, JERSEY CITY	84,862	2,330,699	0.03641
CITIGROUP GLOBAL MARKETS LTD, LONDON	82,979	14,189,970	0.00585
CITIGROUP GBL MKTS INC, NEW YORK	82,525	2,455,874	0.03360
SIDOTI & CO LLC, NEW YORK	82,091	2,206,044	0.03721
MORGAN STANLEY & CO, LONDON	72,946	4,469,869	0.01632
BERNSTEIN SANFORD C & CO, NEW YORK	64,095	2,247,712	0.02852
BARCLAYS CAPITAL, LONDON	63,990	6,829,519	0.00937
JEFFERIES & CO INC, NEW YORK	61,950	2,019,497	0.03068
CREDIT LYONNAIS SECS (ASIA), HONG KONG	60,703	34,074,003	0.00178
CITATION GROUP/BCC CLRG, NEW YORK	59,747	1,553,118	0.03847
J P MORGAN SECURITIES INC, BROOKLYN	58,877	2,857,582	0.02060
BNY CONVERGEX, NEW YORK	57,609	1,447,886	0.03979
MERRILL LYNCH PIERCE FENNER, WILMINGTON	55,929	5,908,098	0.00947
JOHNSON RICE & CO, NEW ORLEANS	53,138	1,328,439	0.04000
J.P. MORGAN CLEARING CORP, NEW YORK	51,154	3,100,979	0.01650
MORGAN J P SECS INC, NEW YORK	50,014	12,794	3.90918
JPMORGAN SECURITIES INC, NEW YORK	43,892	3,497,899	0.01255
INSTINET PACIFIC LTD, HONG KONG	42,674	16,220,840	0.00263
HSBC BANK PLC (MIDLAND BK)(JAC), LONDON	41,991	2,441,045	0.01720
INSTINET EUROPE LIMITED, LONDON	41,231	8,875,158	0.00465
INSTINET CORP, NY	41,124	1,750,030	0.02350
WEEDEN & CO, NEW YORK	40,555	1,080,580	0.03753
IVY SECURITIES INC, GREAT NECK	39,604	1,039,057	0.03812
MACQUARIE BANK LTD, HONG KONG	38,881	10,674,519	0.00364
KIM ENG SEC USA INC, NY	38,807	14,457,000	0.00268
J P MORGAN SECS LTD, LONDON	38,547	1,292,606	0.02982
CREDIT RESEARCH & TRADING LLC, JERSEY	36,350	1,097,486	0.03312
ROYAL BANK OF CANADA EUROPE LTD, LONDON	35,728	3,039,060	0.01176
WELLS FARGO SECURITIES LLC, CHARLOTTE	35,205	1,082,108	0.03253
Other Brokers Under $35,000	15,671,119	174,180,436	0.08997
TOTAL BROKER COMMISSIONS	**$ 4,643,566**	**493,983,594**	$ 0.00940

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, 2014

PRIVATE EQUITY COSTS

Advent International GPE, L.P.	$ 337,500
American Securities Opportunities Fund II, L.P.	300,000
Apollo Investment Fund, L.P.	171,723
Blackstone Capital Partners, L.P.	286,301
Chisholm/Nautic Partners , L.P.	(17,992)
CVC European Equity Partners, L.P.	397,405
Endeavour Capital Fund VI, L.P.	215,543
Enhanced Equity Funds, L.P.	204,207
EPIC Venture Fund IV, LLC	50,043
First Reserve, L.P.	513,193
Gores Capital Partners II, L.P.	192,018
Hamilton Lane Co-Investment Fund, L.P.	243,061
Hamilton Lane Secondary Funds, L.P.	200,000
Highway 12 Venture Funds, L.P.	144,055
J.H. Whitney, L.P.	125,508
KKR 2006 Fund, L.P.	152,889
Kohlberg Investors, L.P.	500,981
Lindsay Goldberg, L.P.	495,857
Littlejohn Associates LLC	267,092
Providence Equity Partners III, L.P.	156,303
T3 Partners II, L.P.	466,998
Veritas Capital Partners, LLC	39,552
W Capital Partners	110,906
	$ 5,553,143

Schedule of Fees and Commissions for the Year Ended June 30, 2014

Investment Fees	**Average Assets Under Management**	**Fees**	**Basis Points**
Investment Manager Fees			
Equity Managers	$ 9,183,339,823	$ 33,390,925	36
Fixed Income Managers	3,247,977,436	4,680,985	14
Real Estate Managers	536,348,836	4,456,046	83
Total Average Assets	$ 12,967,666,095		
Total Investment Manager Fees		42,527,956	33
Other Investment Service Fees			
Custodian/Record Keeping Fees		4,065,498	
Investment Consultant & Advisor Fees		818,484	
Legal Fees		160,981	
Actuary Service Fees		422,744	
Audit Fees		76,200	
Total Investment Service Fees		5,543,907	4
Total Defined Benefit Plans Fees		$ 48,071,863	37
Total Defined Contribution Plans' Fees		369,407	
Total Other Trust Funds' Fees		155,620	
Total Fees		$ 48,596,890	

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,
- the 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 7.50% 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 7.00%]. Assuming all of the actuarial assumptions are accurate, this 7.50% 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 7.50% 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 7.50% rate before fees and 7.00% rate net of fees assume an inflation rate of 3.25% and an annual general state salary growth rate of 3.75%. 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 7.50% [7.00% 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 7.50% 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;
- delegating and monitoring all other activities, including hiring and monitoring investment managers; and
- maintaining a reporting system that provides a clear picture of the status of the fund on a reasonably concurrent basis to both the Board and PERSI's constituencies.

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. Unless the Board provides otherwise, the custodian will also be responsible for monitoring class action litigation, filing and collecting claims on PERSI's behalf, and reporting to PERSI on such activities.

(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 will normally have discretion to vote proxies according to their respective proxy voting policies, provided they vote those proxies in the best interest of our Fund. The Board may from time to time take any other action it deems appropriate in exercising PERSI's proxy voting powers, including but not limited to directing staff to vote individual proxies in a particular manner.

(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 to consistently 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 the 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 is equal to 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 or MSCI ACWI indexes are the benchmarks 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 and general international 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 Barclays Capital 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 Barclays Capital 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 Barclays Capital 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 Barclays Capital 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 Barclays Capital Government/Corporate Index or Barclays Capital Aggregate Index will be the benchmark for all non-mortgage fixed income managers. The Barclays Capital Mortgage Index will be the benchmark for all mortgage managers. The Barclays Capital 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 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 upon the recommendation of a qualified consultant after due diligence and with approval by the Board or a subcommittee appointed by the Board to review the recommendation. 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 Barclays Capital Government/Credit Index plus 3%. It is recognized that these investments will likely experience greater volatility than the comparable publicly traded securities and indices.

3. Asset Allocation

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

STRATEGIC ASSET ALLOCATION

(Expected Returns are before fees and expenses)

Asset Class	Expected Return	Expected Risk	Stretegic Normal	Strategic Ranges
Equities			70%	66%-77%
U.S./Global Equity	9.2%	19.0%	55%	50%-65%
International	9.3%	20.2%	15%	10%-20%
Fixed Income	3.1%	3.8%	30%	23%-33%
Cash	2.0%	0.9%	0%	0%-5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.50%	3.25%	4.25%	n/a
Portfolio	7.34%	2.25%	5.09%	13.06%

VI. Deposit and Investment Risk Policy - GASB 40

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 instrument 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.

Route of the Hiawatha

The Route of the Hiawatha Rail-Trail represents a unique opportunity to take in some of the most breathtaking scenery in North Idaho. Located near the Idaho/Montana border, half way between Spokane, Washington and Missoula, Montana, the abandoned railroad was opened as a scenic, non-motorized recreation trail in 1998. The original stretch of the trail runs thirteen miles, including several open tunnels and high train trestles. The trail is operated by a private concessionaire under a United States Forest Service special use permit, and is open from late-May through September each year.

Helping Idaho public employees build a secure retirement.

ACTUARIAL SECTION

PERSI
Public Employee Retirement System of Idaho

Milliman

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October 30, 2014

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 (PERSI) 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, 2015. 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 2014, 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. In December 2011, these scheduled rate increases were again each delayed one year. On July 1, 2013, the first contribution rate increase went into effect as scheduled. In October 2013, the remaining two scheduled rate increases were each delayed one year; in September 2014 these increases were cancelled altogether.

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
2013	18.39	7.03	11.36	8.36	11.66	6.79	11.32

Contribution rate increases were scheduled for July 1, 2015 (1.5%) and July 1, 2016 (2.28%) but have each been cancelled.

Our July 1, 2014 actuarial valuation found that the System's current rates are sufficient to pay the System's normal cost rate of 14.34%. As of July 1, 2014, there is an unfunded actuarial liability of $1,052.3 million. The current rates, including the cancelled rate increases, in effect at July 1, 2014 are sufficient to amortize the Unfunded Actuarial Accrued Liability (UAAL) in 11.6 years.

Funding Status

Based on the July 1, 2014 actuarial valuation, the unfunded actuarial accrued liability was decreased by $1,146.6 million due to an asset gain recognized as of July 1, 2014. Specifically, the System's assets earned a gross return before expenses of 17.20%, which is 9.70% above the actuarial assumption of 7.50%. All other actuarial experience gains and losses further decreased the actuarial accrued liability by $122.6 million. Thus, the total experience gain for the year was $1,269.2 million.

Also, the unfunded actuarial accrued liability was decreased by $1.3 million due to the one year delay in the scheduled rate increases. The UAAL increased by $76.2 million because of the update to the mortality assumptions. Also, the UAAL increased by $23.6 million because actual contributions plus assumed investment returns were less than the normal cost and the interest on the unfunded actuarial accrued liability. The impact of the March 2015 discretionary COLA, including the Restoration of Purchasing Power pieces, was an increase in the UAAL of $159.2 million. Finally, the cancellation of future rate increases decreased the UAAL by $10.3 million.

All of these items resulted in a total actuarial gain of $1,021.8 million and a change in funding status from an 85.3% funding ratio on July 1, 2013 to 92.9% on June 30, 2014. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Comparison to GASB Statement No. 67 Liabilities

The long-term expected rate of return on investments is 7.50%, including 0.40% for expected investment expenses and 0.10% for expected administrative expenses. For purposes of determining the System's funding status and Unfunded Actuarial Accrued Liability (UAAL), we use a discount rate that is net of all expenses (7.00%). The figures shown in this report have been calculated using this discount rate.

This is in contrast to the discount rate used to determine the Total Pension Liability (TPL) and Net Pension Liability (NPL) for purposes of GASB reporting. According to GASB Statement 67, the discount rate used to calculate TPL and NPL must be net of investment expenses but not administrative expenses. Therefore, TPL and NPL have been determined using a discount rate of 7.10%. Results and further details on these items can be found in our forthcoming GASB 67 Report.

Assumptions

Our July 1, 2014 actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The last major experience study, completed in May 2014, covered the period July 1, 2009 through June 30, 2013. The next major experience study, to be completed in 2016, will cover the period July 1, 2011 through June 30, 2015.

Certification Statement

In preparing this letter, 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, statutory provisions, member census data, and financial information. We found this information to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System 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. Further, in our opinion, each actuarial assumption used is reasonably related to the experience of the System and to reasonable expectations which, in combination, represent our best estimate of anticipated experience under the System.

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 Retirement Board has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed exhibits have been made on a basis consistent with our understanding of the System's funding requirements and goals and of GASB Statement No. 27. 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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

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

We would like to express our appreciation to Don Drum, Executive Director of the System, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

Respectfully submitted,

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Consulting Actuary

Jeffrey D. Bradley, F.S.A., M.A.A.A.
Consulting Actuary

MCO/JDB/pap

Public Employee Retirement
System of Idaho

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2014

1. Investment Return (Adopted July 1, 2012)

The annual rate of investment return on the assets of the System is assumed to be 7.50% (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, 2014)

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, set back one year.

  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, 2014 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 one-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, 2014 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, 2012)

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	21%	18%	22%	10%	26%	18%
60	17	22	26	17	26	18
65	40	40	33	55	37	49
70	*	*	18	18	18	18

	Teachers			
	Male		Female	
Age	First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	19%	5%	10%	10%
60	30	18	26	18
65	36	46	49	49
70	*	*	*	*

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

6. Early Retirement (Adopted July 1, 2012)

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

		General Employees		Teachers	
Age	Fire & Police	Male	Female	Male	Female
50	5%	*	*	*	*
55	5	3%	3%	7%	6%
60		5	6	11	12

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

7. Other Terminations of Employment (Adopted July 1, 2012)

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

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	7.7%	10.9%	11.8%	6.3%	6.8%
10	4.6	5.6	6.7	3.3	3.6
15	2.7	3.8	4.3	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, 2012)

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

Age	Fire & Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	.01%	.01%	.01%	.01%	.05%
35	.03	.03	.01	.02	.04
45	.10	.11	.10	.07	.07
55	.43	.38	.28	.27	.27

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

9. Future Salaries (Adopted July 1, 2012)

In general, the total annual rates at which salaries are assumed to increase include 3.75% per annum for increase in the general wage level of the membership plus increases due to promotions and longevity. The general wage level increases are due to inflation and increases in productivity. The total ultimate rates assumed are illustrated below.

Years of Service	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
5	7.43%	6.24%	6.74%	7.12%	7.85%
10	5.77	5.31	5.67	6.03	6.24
15	5.00	4.68	4.77	4.99	4.68
20	4.53	4.42	4.42	4.27	4.27

10. Vesting (Adopted July 1, 2012)

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

Age	Fire and Police	General Employees Male	General Employees Female	Teachers Male	Teachers Female
25	48%	51%	63%	75%	94%
35	53	69	70	76	84
45	70	76	74	82	85
55	--	--	--	--	--

11. Growth in Membership (Adopted July 1, 2012)

In general, the combined effects of stable active membership and salary levels are assumed to produce a 3.75% average annual expansion in the payroll of covered members.

12. Interest on Employee Contributions (Adopted July 1, 2012)

The credited interest rate on employee contributions is assumed to be 8.00%.

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 individual entry age actuarial cost method is used. The normal cost rates used in this valuation were calculated based on all current active members as of July 1, 2014, for each sex and type of employee in the valuation. The normal costs and projected fiscal year 2015 salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The current normal cost rate was adopted in October, 2014 in conjunction with the July 1, 2014 actuarial valuation.

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 was 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 2014 for the period July 1, 2009 through June 30, 2013 and reviewed all economic assumptions and mortality. Other demographic assumptions and all economic assumptions will be studied in 2016 for the period from July 1, 2011 through June 30, 2015. Assumptions were adopted as noted.

16. Recent Changes

At the September 2014 Board meeting, the scheduled contribution rate increases on July 1, 2015 and July 1 2016, were each cancelled.

Also at the September 2014 Board meeting, the March 2015 total discretionary COLA of 3.0% was approved.

Public Employee Retirement System of Idaho

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
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
2012	65,270	2,567,659,000	39,339	0.6
2013	65,535	2,634,566,000	40,201	2.2
2014	66,223	2,676,344,000	40,414	0.5

* *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 Total	Number Added	Number Removed	COLA Percentage Increases Granted Previous March 1
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
2012	37,150	2,769	953	1.0
2013	38,947	2,815	1,018	1.0
2014	40,776	2,852	1,023	1.0

Valuation Date July 1	Annual Benefits: Total Rolls End of Year	Added to Rolls [2]	Removed from Rolls	Average	% Increase in Average
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
2012	611,045,000	53,184,000	10,072,000	16,448	2.3
2013	651,466,000	51,630,000	11,209,000	16,727	1.7
2014	694,946,000	54,963,000	11,483,000	17,043	1.9

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

(2) Includes postretirement increases.

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, 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
July 1, 2012	11,306.2	13,396.7	47.0	2,043.5	84.7	2,619.6	78.0
July 1, 2013	12,053.5	14,172.9	45.3	2,074.1	85.3	2,697.6	76.9

(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, 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
July 1, 2012	11,306.2	3,114.9	6,925.0	3,356.8	100.0	100.0	37.7
July 1, 2013	12,053.5	3,304.1	7,425.2	3,443.6	100.0	100.0	38.5
July 1, 2014	13,833.1	3,268.7	8,125.8	3,533.6	100.0	100.0	69.0

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

	Gain(Loss) for Period		
	2011-2012	2012-2013	2013-2014
Investment Income			
Investment income was greater (less) than expected.	$ (669.0)	$ 179.8	$ 1,146.6
Pay Increases			
Pay increases were less (greater) than expected.	171.3	49.4	155.9
Membership Growth			
(Additional) liability for new members.	(8.1)	(15.2)	(16.9)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(10.5)	(9.9)	(10.7)
Death After Retirement			
Retirees died younger (lived longer) than expected.	(9.2)	(6.9)	10.2
Cost of Living Adjustment (COLA)			
Different Automatic COLA than expected.	NA	NA	NA
Other			
Miscellaneous gains (and losses) resulting from other causes. (1)	7.1	(14.0)	(15.9)
Total Gain (Loss) During the Period From Actuarial Experience	$ (518.4)	$ 183.2	$ 1,269.2
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	(31.5)	(70.3)	(23.6)
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss) (2)	(255.0)	None	(76.2)
Changes in actuarial methods caused a gain (loss) (3)	None	(143.5)	None
Changes in plan provisions caused a gain (loss) (4)	None	None	(159.2)
Changes to Contribution Rate Increase Schedule	(6.0)	0.0	11.6
Composite Gain (Loss) During the Period	$ (810.9)	$ (30.6)	$ 1,021.8

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 2011-2012, this reflects changes made to the demographic and economic assumptions adopted according to the 2012 Active Member Experience Study. For 2013-2014, this reflects changes made to the mortality assumptions adopted according to the 2014 Experience Study.

(3) For 2012-2013, this reflects the change from Aggregate Entry Age Cost Method to Individual Entry Age Cost Method.

(4) For 2013-2014, this reflects the 0.70% discretionary and 2.30% retroactive COLA, effective March 1, 2015.

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
6/30/07	$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	85
6/30/12	2,619.6	273.5	3.7	277.2	327.9	84
6/30/13	2,697.6	281.6	3.8	285.4	295.5	97
6/30/14	2,702.9	307.1	3.9	311.0	325.0 (4)	96

(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 July 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) The ARC for the PERSI fiscal year ending June 30, 2014 is based on 11.88% of covered payroll as computed in the 2012 valuation. For valuations prior to 2012, the ARC determined as of the valuation date was applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date.

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
6/30/07	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	85
6/30/12	10.44	12.375	84
6/30/13	10.44	10.813	97
6/30/14	11.36	11.880 (3)	96

(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 applicable for employer fiscal years commencing July 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) The ARC for the PERSI fiscal year ending June 30, 2014 is based on 11.88% of covered payroll as computed in the 2012 valuation. For valuations prior to 2012, the ARC determined as of the valuation date was applicable for employer fiscal years commencing October 1 of the calendar year following the valuation date.

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, 2014. 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, 2014 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, 2014 is 6.79% (8.36%) of salary. As described earlier, there are currently no scheduled rate increases.

The member contribution rate is 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). As described in our 7/1/2014 Actuarial Valuation, there are no longer any future scheduled rate increases. The current rates are reflected in this report.

Service Retirement Allowance

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

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

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

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

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

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

Early Retirement Allowance

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

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

Vested Retirement Allowance

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

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

Disability Retirement Allowance

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

Amount of Allowance
Projected service retirement allowance based on accrued service plus service projected to age 65 (60) (latter limited to excess of 30 years over accrued service) less any amount payable under workers' compensation law (Section 59-1353).

Normal Form
Temporary annuity to age 65 (60) plus any death benefit. Service retirement allowance becomes payable at age 65 (60) (Section 59-1354).

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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October 30, 2014

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. Starting with the July 1, 2001 valuation, actuarial valuations occurred annually through the July 1, 2007 valuation. From July 1, 2007 through July 1, 2013 the valuations were again biennial. Beginning with the July 1, 2014 valuation they will be performed annually once again. The next actuarial valuation is scheduled for July 1, 2015.

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.

On September 16, 2014 the PERSI Board moved to reduce the Additional Employer Contribution Rate from the current 17.24% to 5.00%. In accordance with this decision, the additional employer contribution rate for excess benefits (shown in Exhibit 8) will be reduced to a rate of 5.00% of payroll, effective January 1, 2015.

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.

After the July 1, 2009 PERSI and FRF valuation reports were completed, the PERSI Board approved three new contribution rate increases scheduled for July 1, 2011, July 1, 2012, and July 1, 2013. These were adopted in December 2009 due to a significant drop in funded status because of investment losses in the year ending June 30, 2009,

Due to the 12.01% investment return in the year ending June 30, 2010, in December 2010, the PERSI Board delayed the scheduled contribution rate increases for July 1, 2011, July 1, 2012, and July 1, 2013, to July 1, 2012, July 1, 2013, and July 1, 2014, respectively.

Due to the 20.25% investment return in the year ending June 30, 2011, in December 2011, the Board delayed the scheduled contribution rate increases for July 1, 2012, July 1, 2013, and July 1, 2014, to July 1, 2013, July 1, 2014, and July 1, 2015, respectively.

On July 1, 2013, the first of three scheduled contribution rate increases went into effect. This raised the member contribution for Class D Firefighters from 7.69% to 8.36%. It also increased the PERSI Rate employer contribution from 10.73% to 11.66% for all firefighter groups.

In December 2013, the Board delayed the scheduled contribution rate increases for July 1, 2014 and July 1, 2015, to July 1, 2015 and July 1, 2016, respectively

In September 2014 the scheduled contribution rate increases scheduled for July 1, 2015 and July 1, 2016 were cancelled.

On January 1, 2015, the additional employer contribution rate will decrease from 17.24% to 5.00%.

Funding Status

Based on the July 1, 2014 actuarial valuation, there is no longer an Unfunded Actuarial Accrued Liability to amortize. This is consistent with the expected amortization period based on the July 1, 2013 valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over four 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 $29.7 million due to an asset gain recognized as of July 1, 2014. Specifically, the Fund's assets earned an annual average net return after expenses of 16.71% for the 2014 plan year which was greater than the actuarial assumption of 7.00%. All experience gains and losses (including the asset gain) over the one-year period since the prior valuation resulted in the UAAL being decreased by $35.3 million. The actuarial accrued liability was decreased by $13.7 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. The UAAL was further reduced by $2.1 million due to the PERSI Restoration of Purchasing Power and March 1, 2015 discretionary COLA approved by the Board at the September Board Meeting.

The funding status increased from a 95.5% funding ratio on July 1, 2013, to 111.6% on June 30, 2014. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Comparison to GASB Statement No. 67 Liabilities

The long-term expected rate of return on investments is 7.50%, including 0.40% for expected investment expenses and 0.10% for expected administrative expenses. For purposes of determining the Fund's funding status and Unfunded Actuarial Accrued Liability (UAAL), we use a discount rate that is net of all expenses (7.00%). The figures shown in this report have been calculated using this discount rate.

This is in contrast to the discount rate used to determine the Total Pension Liability (TPL) and Net Pension Liability (NPL) for purposes of GASB reporting. According to GASB Statement 67, the discount rate used to calculate TPL and NPL must be net of investment expenses but not administrative expenses. Therefore, TPL and NPL have been determined using a discount rate of 7.10%. Results and further details on these items can be found in our forthcoming GASB 67 Report.

Assumptions

Our July 1, 2014 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.

The wage growth and inflation assumption were changed on July 1, 2010. The mortality assumptions for the plan were changed on July 1, 2014, in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2014 valuation. The wage growth and inflation assumption were again changed on July 1, 2012, as was the investment return assumption. As of July 1, 2013, the assumption for future Cost of Living Adjustments to the PERSI offset benefit was changed.

The next major PERSI experience study, to be completed in 2016, will cover the period July 1, 2011 through June 30, 2015.

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.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Fund. Actuarial computations under GASB Statements No. 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed exhibits have been made on a basis consistent with our understanding of the Fund's funding requirements and goals and of GASB Statement No. 27. 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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

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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EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2014

1. Investment Return (Adopted July 1, 2012)

The annual rate of investment return on the assets of the Fund is assumed to be 7.50% (including 0.50% for expenses), compounded annually.

2. Actuarial Value of Assets (Adopted September 2014)

For the July 1, 2014 valuation all assets are valued at market as of the valuation date. Use of 3-year smoothing to calculate the actuarial value of plan assets will be implemented prospectively: the July 1, 2015 valuation will use a 2-year smoothing and all subsequent valuations will use a 3-year smoothing.

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(1)
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, 2014)

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, 2014 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, 2014 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, 2012)

In general, the total annual rates at which salaries are assumed to increase include 3.75% per year for increases in the general wage level of membership. The general wage level increases are due to inflation and increases in productivity. Due to the closed group and the aging of the membership, the general wage assumption is assumed to adequately cover any additional increases due to promotions and longevity.

9. Replacement of Terminated Members

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

10. Postretirement Benefit Increases (Cost of Living Adjustments) (Adopted July 1, 2013)

FRF benefits are based on paid salary and are assumed to increase at the same rate as the average paid firefighter's salary, or 3.75% per year. For members whose FRF benefits are offset by their PERSI benefits, the PERSI benefits are assumed to have post-retirement benefit increases of 1.00% per year. The assumptions regarding PERSI future post-retirement benefit increases is part of the funding policy for the FRF.

11. Probability of Marriage

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

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

The fire insurance premiums received for the plan year ending June 30, 2014, amounted to $3,311,094 or approximately 5.31% 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 3.75% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.25% per year. The rate for the increase for covered compensation was adopted July 1, 2012. 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, 2014.

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, 2009, through June 30, 2013, and reviewed all economic and mortality assumptions. All demographic assumptions, other than mortality, and all economic assumptions will be studied in 2016 for the period from July 1, 2011, through June 30, 2015. Some mortality assumptions were updated July 1, 2014, 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, 2014, in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2014 valuation report.

The results also reflect the PERSI Restoration of Purchasing Power and March 1, 2015 Discretionary COLA approved at the September 2014 Board Meeting.

Idaho Firefighters' Retirement Fund

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries Total [1]	Annual Salaries Average	Annual Salaries Annual Increase in Average
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
2013	3	307,849	102,616	5.5
2014	2	198,646	99,323	(3.2)

(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.

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

Valuation Date July 1	Number Total	Number Added	Number Removed	COLA Increases Granted Previous January 1
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
2013	551	3	18	2.18
2014	545	3	9	2.48

Valuation Date July 1	Annual Benefits Total [2]	Added [3]	Removed	Average	Annual Increases in Average
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
2013	26,499,035	1,255,415	754,643	48,093	2.3
2014	26,856,909	784,008	426,134	49,279	2.5

(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 $19,921,805 of the 2014 total.

(3) Includes postretirement increases.

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

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) (1)	Unfunded Actuarial Accrued Liabilities (UAAL) (2)	Funded Ratio	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll
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
2013	307.0	321.5	14.5	95.5	63.0	23.0
2014	352.2	315.6	(36.6)	111.6	63.0	(58.1)

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

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

(3) Covered Payroll includes compensation paid to all active firefighters for whom contributions were made to FRF. Covered Payroll differs from the Active Member Valuation Payroll shown in 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.

EXHIBIT 5: SOLVENCY TEST (All Dollar Amounts in Millions)

		Actuarial Liabilities [1] for			Portion of Actuarial Liabilities Covered by Assets		
Actuarial Valuation Date July 1	Actuarial Value of Assets	(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	(A)	(B)	(C)
2002	$181.5	$0.2	$270.5	$30.4	100.0%	67.0%	0.0%
2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0
2004	210.4	0.1	287.7	15.2	100.0	73.1	0.0
2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0
2007	291.5	0.0	312.0	2.8	100.0	93.4	0.0
2009	225.3	0.0	324.0	1.3	100.0	69.5	0.0
2011	290.4	0.0	310.7	0.8	100.0	93.5	0.0
2013	307.0	0.0	320.4	1.1	100.0	95.8	0.0
2014	352.2	0.0	314.9	0.7	100.0	100.0	100.0

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

Idaho Firefighters' Retirement Fund

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

	Gain (Loss) for Period		
	2009-2011	2011-2013	2013-2014
Investment Income Investment income was greater (less) than expected.	$ 42.7	$ (12.9)	$ 29.7
Pay Increases Pay increases and COLAs were less (greater) than expected.	(0.3)	8.1	4.8
Death After Retirement Retirees died younger (lived longer) than expected.	–	–	–
Other Miscellaneous gains (and losses) resulting from other causes.	(1.9)	0.2	0.8
Total Gain (Loss) During the Period From Actuarial Experience	$ 40.5	$ (4.6)	$ 35.3
Contribution Income Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	17.1	26.6	13.7
Non-Recurring Items Changes in actuarial assumptions and benefits caused a gain (loss).	21.3	(15.4)	None
PERSI Restoration of Purchasing Power and Discretionary COLA	None	None	2.1
Composite Gain (Loss) During the Period	$ 78.9	$ 6.6	$ 51.1

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
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
2012	59,883,692	25,532	10,323,948	3,136,829	13,486,309	1,666,127	809.4
2013	62,969,139	25,617	10,855,876	3,345,821	14,227,314	1,666,127	853.9
2014	63,017,405	25,032	10,864,197	3,311,094	14,200,323	1,119,619	1,268.3

(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).

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
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
2013	5.30	11.66	8.65	17.24	7.65	37.55	36.55
2014	5.20	11.66	8.65	17.24 (5)	7.65	37.55	36.55

(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.

(5) Effective January 1, 2015, the Additional Employer Contribution Rate will decrease from 17.24% to 5.00%.

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, 2014. 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, 2014

	Public Employee Retirement System	Firefighters' Retirement Fund
Member Contribution Rate	8.36% 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 cannot 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.

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April 8, 2014

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

Dear Board Members:

As a matter of policy, the Public Employee Retirement System of Idaho (PERSI) periodically engages a third party actuary to conduct a review (or audit) of the annual actuarial valuations and experience study work performed by the retained actuary, Milliman. Gabriel, Roeder, Smith & Company (GRS) was selected to provide an independent third party review and provide opinions regarding the July 1, 2013 actuarial valuation results and the actuarial assumptions and methods recommended in the 2010 and 2012 experience studies. The results of our review are presented in this report. This report should not be relied upon for any other purpose. This report may be provided to parties other than the Retirement Board only in its entirety and only with the permission of the Board.

This report includes an executive summary in Section A. Our review, comments and recommendations on the experience studies are included in Section B. The results of our replication of the 2013 actuarial valuation of PERSI are included in Section C. Our review and valuation of PERSI was based on information provided by Milliman and PERSI, including the 2010 and 2012 experience study reports, and the 2013 actuarial valuation report. The data used in our work was provided by Milliman. Although we reviewed the data for reasonability, the data was not audited by GRS.

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

Louise Gates, Mark Buis and James Anderson are independent of the plan sponsor, are Members of the American Academy of Actuaries and meet the qualification standards of the Academy to render the actuarial opinions contained herein.

Respectfully submitted

Louise M. Gates, ASA, MAAA James D. Anderson, FSA, EA, MAAA Mark Buis, FSA, EA,MAAA

LMG:mrb

Bayhorse Ghost Town and Trail System

Once a booming silver mining town southwest of Challis, Idaho, Bayhorse is now an 1880s era ghost town. The Bayhorse Mines are silent now but a trip to the area will help you understand the trials and tribulations of this historic site. Managed as a unit of Land of the Yankee Fork State Park, Bayhorse demonstrates that historic preservation and recreational use can be mutually beneficial. The Bayhorse Town site is open for the summer season through October 15th each year. The ATV Trail System is open for year round use.

Helping Idaho public employees build a secure retirement.

Statistical Section

PERSI
Public Employee Retirement System of Idaho

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 2014, the number of active PERSI members Increased from 65,535 to 66,223. The number of retired members or annuitants receiving monthly allowances increased from 38,947 to 40,776. The number of inactive members who have not been paid a separation benefit increased from 27,110 to 28,273 Of these inactive members, 11,504 have achieved vested eligibility. Total membership in PERSI increased from 131,592 to 135,272 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, 2014 there were 763 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	4,727	2,274	7,001	1,625	1,023	2,648	3,614	13,263
Female	1,410	751	2,161	537	428	965	1,276	4,402
Male	3,317	1,523	4,840	1,088	595	1,683	2,338	8,861
Counties	5.023	2,695	7,718	963	1,463	2,426	3,317	13,461
Female	2,457	1,315	3,772	521	834	1,355	1,742	6,869
Male	2,566	1,380	3,946	442	629	1,071	1,575	6,592
Schools	20,059	9,364	29,423	4,279	7,858	12,137	17,812	59,372
Female	15,045	6,982	22,027	3,432	6,127	9,559	12,613	44,199
Male	5,014	2,382	7,396	847	1,731	2,578	5,199	15,173
State	10,976	6,222	17,198	3,574	5,293	8,867	12,563	38,628
Female	5,677	3,218	8,895	2,077	2,939	5,016	6,302	20,213
Male	5,299	3,004	8,303	1,497	2,354	3,851	6,261	18,415
All Others	3,180	1,703	4,883	1,063	1,132	2,195	3,470	10,548
Female	922	614	1,536	567	728	1,295	1,481	4,312
Male	2,258	1,089	3,347	496	404	900	1,989	6,236
Grand Total	43,965	22,258	66,223	11,504	16,769	28,273	40,776	135,272
Female	25,511	12,880	38,391	7,134	11,056	18,190	23,414	79,995
Male	18,454	9,378	27,832	4,370	5,713	10,083	17,362	55,277

Table 2

Changes in Membership – PERSI Base Plan

	Active Members			Retired Members		Inactive Members
Fiscal Year Ended	Number	Average Age	Average Years of Service	Number	Average Age	Number
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
2012	65,270	46.9	10.8	37,150	71.6	26,682
2013	65,535	46.8	10.7	38,947	71.7	27,110
2014	66,223	46.6	10.5	40,776	71.8	28,273

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[1]	Straight Life[2]
$0 - 250	5,563	4,862	10	691	1,427	4,136
251 - 500	5,942	5,308	66	568	1,349	4,593
501 - 750	4,612	4,045	164	403	1,097	3,515
751 - 1,000	3,657	3,177	179	301	915	2,742
1,001 - 1,250	3,099	2,698	164	237	872	2,227
1,251 - 1,500	2,646	2,257	207	182	736	1,910
1,501 - 1,750	2,283	1,992	168	123	706	1,577
1,751 - 2,000	2,030	1,802	139	89	650	1,380
Over 2,000	10,944	10,266	440	238	3,953	6,991
Totals	40,776	36,407	1,537	2,832	11,705	29,071

[1]*Joint & Survivor (also known as Contingent Annuitant)*

[2]*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

		Type of Retirement			Option Selected	
Amount of Monthly Benefit	Total Number of Retirees	Normal	Disability	Beneficiary	Joint & Survivor[1]	Straight Life[2]
$0 - 250	4	2		2	2	2
251 - 500	11	2		9	2	9
501 - 750	6	4		2	4	2
751 - 1,000	10	8		2	8	2
1,001 - 1,250	15	10	1	4	11	4
1,251 - 1,500	17	14	1	2	15	2
1,501 - 1,750	13	10	1	2	11	2
1,751 - 2,000	23	16	2	5	18	5
Over 2,000	446	308	28	110	336	110
Totals	545	374	33	138	407	138

[1] *Joint & Survivor (also known as Contingent Annuitant)*
[2] *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	30	20	3	7
251 - 500	40	34	2	4
501 - 750	19	16		3
751 - 1,000	10	6		4
1,001 - 1,250	12	12		
1,251 - 1,500				
1,501 - 1,750	2	2		
1,751 - 2,000				
Over 2,000	7	6		1
Totals	120	96	5	19

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 7/1/04 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
Period 7/1/11 to 6/30/12							
Average monthly benefit	$419	$369	$662	$1,096	$1,591	$2,363	$3,279
Average final average salary	$1,568	$2,445	$2,818	$3,286	$3,778	$4,283	$4,789
Number of retired members	61	440	348	376	406	405	530
Period 7/1/12 to 6/30/13							
Average monthly benefit	$535	$365	$688	$1,102	$1,577	$2,413	$3,351
Average final average salary	$2,482	$2,408	$2,888	$3,303	$3,725	$4,421	$4,933
Number of retired members	58	475	404	381	406	391	496
Period 7/1/13 to 6/30/14							
Average monthly benefit	$276	$383	$681	$1,166	$1,681	$2,351	$3,317
Average final average salary	$2,470	$2,476	$2,788	$3,425	$3,905	$4,360	$4,920
Number of retired members	45	455	423	419	390	414	516

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 7/1/04 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							
Period 7/1/11 to 6/30/12		No	Valuation	Completed			
Period 7/1/12 to 6/30/13	**		**	**	**	**	**
Average monthly benefit							
Average Final Average Salary							
Period 7/1/13 to 6/30/14							
Average monthly benefit							$6,256
Average Final Average Salary							*
Number of retired members							1

*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 7/1/05 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
Period 7/1/11 to 6/30/12							
Average monthly benefit	$850	$525	$425	$514	$534	$489	$588
Number of retired members	1	12	14	30	12	13	37
Period 7/1/12 to 6/30/13							
Average monthly benefit	$820	$456	$515	$554	$480	$683	$644
Number of retired members	2	14	14	27	22	17	44
Period 7/1/13 to 6/30/14							
Average monthly benefit	$120	$890	$534	$1,124	$560	$656	$560
Number of retired members	1	10	15	23	13	17	41

**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

	Age & Service Benefits		Disabilities Retirants (1)		Disabilities	Refunds		
Fiscal Year	Retirants	Survivors (2)	Pre-NRA	Post-NRA	Survivors	Death	Separation	Total
PERSI BASE PLAN and FRF								
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
2012	561,784,458	28,396,660	18,557,300	9,483,506	1,263,805	10,018,545	30,812,354	660,316,628
2013	602,758,058	29,847,798	19,229,642	10,737,466	1,385,697	11,562,936	32,266,986	707,788,583
2014	677,054,949	31,181,280	19,263,836	11,699,605	1,499,603	12,414,898	33,959,615	787,073,786

PERSI CHOICE PLAN

2009	6,766,643
2010	7,703,591
2011	10,110,544
2012	9,464,776
2013	10,251,319
2014	11,147,689

SICK LEAVE INSURANCE RESERVE TRUST FUND

2009	14,339,783
2010	14,304,262
2011	15,267,853
2012	16,310,005
2013	16,687,698
2014	17,373,642

(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	1.0	3.77	2.77	
2013	1.69	1.0	1.69	.69	
2014	1.59	1.0	1.59	.59	
2015	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 7a

Changes in Net Position - Base Plan
(last 10 fiscal years)

	2005	2006	2007	2008
Additions:				
Employee Contributions	145,638,100	154,313,873	159,601,160	170,710,597
Employer Contributions	236,116,938	250,816,313	259,489,787	273,410,279
Investment Income [1]	190,922,592	215,827,564	249,200,581	275,703,902
Gains and Losses	579,046,289	753,557,611	1,544,783,501	(779,405,404)
Transfers/Rollovers In				
Other Income	149,317	127,213	238,637	215,297
Total additions to plan net position	**1,151,873,236**	**1,374,642,574**	**2,213,313,666**	**(59,365,329)**
Deductions				
Benefit Payments	331,934,293	368,878,921	408,095,615	448,660,441
Refunds	24,328,709	29,580,469	27,570,866	31,151,910
Administrative Expenses	7,115,594	7,307,876	6,680,619	5,905,580
Transfers/Rollovers Out				
Total deductions to plan net position	**363,378,596**	**405,767,266**	**442,347,100**	**485,717,931**
Change in net position	**788,494,640**	**968,875,308**	**1,770,966,566**	**(545,083,260)**

[1] Investment income is reported net of investment expense.

2009	2010	2011	2012	2013	2014
180,063,010	178,124,381	178,415,845	179,168,074	184,652,290	203,890,954
284,608,663	284,932,418	279,174,844	277,143,887	285,440,860	310,986,283
221,899,829	200,479,456	231,745,111	240,033,473	247,522,779	279,876,227
(1,920,771,032)	833,597,303	1,697,095,152	(102,816,241)	726,899,521	1,719,909,543
84,268	12,261	37,716	24,089	16,311	12,690
(1,234,115,262)	**1,497,145,819**	**2,386,468,668**	**593,553,282**	**1,444,531,761**	**2,514,675,697**
483,128,952	517,046,719	558,619,602	599,848,356	654,141,410	694,765,148
34,845,676	36,747,852	38,753,611	40,830,899	33,845,755	34,828,507
6,232,678	6,471,359	5,973,540	6,231,431	6,308,487	6,787,811
524,207,306	**560,265,930**	**603,346,753**	**646,910,686**	**694,295,652**	**736,381,466**
(1,758,322,568)	**936,879,889**	**1,783,121,915**	**(53,357,404)**	**750,236,109**	**1,778,294,231**

Table 7b

Changes in Net Position - FRF Plan
(last 10 fiscal years)

	2005	2006	2007	2008
Additions:				
Employee Contributions	89,172	38,205	34,588	23,190
Employer Contributions	11,725,615	12,106,263	12,130,774	12,866,827
Investment Income [1]	5,273,480	5,838,887	6,625,115	7,249,703
Gains and Losses	15,993,861	20,386,356	41,068,797	(20,494,659)
Transfers/Rollovers In				
Other Income				
Total additions to plan net position	**33,082,128**	**38,369,711**	**59,859,274**	**(354,939)**
Deductions				
Benefit Payments	16,268,091	16,826,643	17,083,762	17,163,333
Refunds				
Administrative Expenses				
Transfers/Rollovers Out				
Total deductions to plan net position	**16,268,091**	**16,826,643**	**17,083,762**	**17,163,333**
Change in net position	**16,814,037**	**21,543,068**	**42,775,512**	**(17,518,272)**

[1] Investment income is reported net of investment expense.

2009	2010	2011	2012	2013	2014
18,753	16,185	13,746	11,100	11,136	9,095
13,434,204	13,542,331	13,313,715	13,486,309	14,227,313	14,200,323
5,772,048	5,165,228	5,912,515	6,096,564	6,289,701	8,078,269
(49,963,011)	21,423,526	43,298,001	(2,611,410)	18,470,947	49,642,989
(30,738,006)	**40,147,270**	**62,537,977**	**16,982,563**	**38,999,097**	**71,930,676**
17,945,071	18,372,312	19,238,671	19,637,373	19,801,418	19,958,800
17,945,071	**18,372,312**	**19,238,671**	**19,637,373**	**19,801,418**	**19,958,800**
(48,683,077)	**21,774,958**	**43,299,306**	**(2,654,810)**	**19,197,679**	**51,971,876**

Table 7c

Changes in Net Position - Choice Plan 401(k) (last 10 fiscal years)

	2004	2005	2006	2007
Additions:				
Employee Contributions	17,489,692	21,464,820	25,873,335	29,668,354
Employer Contributions	236,121	203,026	282,128	190,850
Investment Income [1]	3,243,549	4,433,590	5,544,611	6,331,682
Gains and Losses	7,317,598	5,195,696	10,216,259	26,809,103
Transfers/Rollovers In	3,318,115	8,275,628	6,246,072	8,512,489
Other Income				
Total additions to plan net position	**31,605,075**	**39,572,760**	**48,162,405**	**71,512,478**
Deductions				
Benefit Payments	2,022,236	3,126,755	3,478,900	3,568,243
Refunds				
Administrative Expenses				
Transfers/Rollovers Out	313,424	1,269,780	2,040,953	5,015,298
Total deductions to plan net position	**2,335,660**	**4,396,535**	**5,519,853**	**8,583,541**
Change in net position	**29,269,415**	**35,176,225**	**42,642,552**	**62,928,937**

[1] Investment income is reported net of investment expense.

2008	2009	2010	2011	2012	2013	2014
34,868,605	35,680,207	33,413,555	33,068,567	32,417,476	36,341,951	39,062,685
217,878	153,211	127,154	180,556	383,189	9,119,848	14,230,058
6,606,090	6,144,038	6,144,609	7,441,583	8,267,997	9,431,394	11,462,165
(20,059,176)	(45,522,778)	20,858,277	51,079,923	(1,861,880)	31,292,784	69,529,511
8,946,219	6,057,764	4,867,768	7,469,551	9,576,929	9,132,179	10,706,301
30,579,616	**2,512,442**	**65,411,363**	**99,240,180**	**48,783,711**	**95,318,156**	**144,990,720**
3,882,154	4,951,776	6,013,245	7,771,465	7,123,041	8,018,315	8,936,739
5,982,049	7,069,099	7,676,334	12,032,837	13,323,865	15,382,348	18,901,443
9,864,203	**12,020,875**	**13,689,579**	**19,804,302**	**20,446,906**	**23,400,663**	**27,838,182**
20,715,413	**(9,508,433)**	**51,721,784**	**79,435,878**	**28,336,805**	**71,917,493**	**117,152,538**

Table 7d

Changes in Net Position - Choice Plan 414(k) (last 10 fiscal years)

	2005	2006	2007	2008
Additions:				
Employee Contributions				
Employer Contributions				
Investment Income [1]	(66,349)	517,524	1,781,823	1,789,833
Gains and Losses	5,586,185	6,197,819	9,903,322	(4,902,983)
Transfers/Rollovers In				
Other Income				
Total additions to plan net position	**5,519,836**	**6,715,343**	**11,685,145**	**(3,113,150)**
Deductions				
Benefit Payments	276,432	484,674	1,695,744	1,749,823
Refunds				
Administrative Expenses				
Transfers/Rollovers Out	2,188,162	1,999,769	1,242,579	1,291,002
Total deductions to plan net position	**2,464,594**	**2,484,443**	**2,938,323**	**3,040,825**
Change in net position	**3,055,242**	**4,230,900**	**8,746,822**	**(6,153,975)**

[1] Investment income is reported net of investment expense.

2009	2010	2011	2012	2013	2014
				6,462	
1,365,004	1,168,118	1,244,977	1,190,148	1,192,371	1,293,253
(11,880,802)	4,877,123	9,321,922	(564,614)	3,732,343	8,177,394
(10,515,798)	**6,045,241**	**10,566,899**	**625,534**	**4,931,176**	**9,470,647**
1,814,867	1,690,346	2,339,079	2,341,735	2,233,004	2,210,950
1,056,981	1,208,031	1,627,984	1,619,181	1,619,036	1,661,723
2,871,848	**2,898,377**	**3,967,063**	**3,960,916**	**3,852,040**	**3,872,673**
(13,387,646)	**3,146,864**	**6,599,836**	**(3,335,382)**	**1,079,136**	**5,597,974**

Table 7e

Changes in Net Position – Sick Leave Insurance Reserve Fund – State (last 10 fiscal years)

	2005	2006	2007	2008
Additions:				
Employer Contributions	4,924,904	5,322,463	5,343,549	5,681,376
Net appreciation (depreciation) [1]	4,930,677	3,512,674	10,636,103	(10,878,863)
Other Income	3,995	6,023	8,521	10,520
Total additions to plan net position	**9,859,576**	**8,841,160**	**15,988,173**	**(5,186,967)**
Deductions				
Benefit Payments	2,780,726	2,724,234	2,990,660	3,628,582
Administrative Expenses	20,267	20,257	29,842	29,823
Total deductions to plan net position	**2,800,993**	**2,744,491**	**3,020,502**	**3,658,405**
Change in net position	**7,058,583**	**6,096,669**	**12,967,671**	**(8,845,372)**

Table 7f

Changes in Net Position – Sick Leave Insurance Reserve Fund – School (last 10 fiscal years)

	2005	2006	2007	2008
Additions:				
Employer Contributions	11,142,903	11,575,041	12,504,038	13,150,921
Net appreciation (depreciation) [1]	8,159,123	5,792,037	17,548,185	(17,999,083)
Other Income	6,600	9,930	14,034	17,345
Total additions to plan net position	**19,308,626**	**17,377,008**	**30,066,257**	**(4,830,817)**
Deductions				
Benefit Payments	7,819,526	7,729,406	8,656,757	9,238,739
Administrative Expenses	33,393	33,403	49,148	49,167
Total deductions to plan net position	**7,852,919**	**7,762,809**	**8,705,905**	**9,287,906**
Change in net position	**11,455,707**	**9,614,199**	**21,360,352**	**(14,118,723)**

[1] Reported net of investment expense.

2009	2010	2011	2012	2013	2014
5,889,260	5,790,947	5,675,940	5,793,204	6,049,837	6,088,489
(9,976,100)	9,814,139	19,114,477	2,298,334	15,142,268	23,097,449
2,554	2,042	2,656	3,690	1,290	1,079
(4,084,286)	**15,607,128**	**24,793,073**	**8,095,228**	**21,193,395**	**29,187,017**
4,328,025	3,656,816	3,765,826	3,463,901	4,049,618	4,366,900
35,486	39,080	39,148	39,346	39,876	40,181
4,363,511	**3,695,896**	**3,804,974**	**3,503,247**	**4,089,494**	**4,407,081**
(8,447,797)	**11,911,232**	**20,988,099**	**4,591,981**	**17,103,901**	**24,779,936**

2009	2010	2011	2012	2013	2014
13,669,429	13,855,046	13,307,372	12,866,373	13,380,821	13,264,646
(16,505,489)	16,376,593	31,830,496	3,796,750	24,479,545	36,880,546
6,054	2,877	2,064	740	724	327
(2,830,006)	**30,234,516**	**45,139,932**	**16,663,863**	**37,861,090**	**50,145,519**
10,011,758	10,647,446	11,502,027	12,846,104	12,638,080	13,006,742
58,714	65,259	65,192	64,994	64,464	64,159
10,070,472	**10,712,705**	**11,567,219**	**12,911,098**	**12,702,544**	**13,070,901**
(12,900,478)	**19,521,811**	**33,572,713**	**3,752,765**	**25,158,546**	**37,074,618**

Table 8

Principal Participating Employers

2014

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	17,198	1	26%
West Ada School District (Formerly Meridian School District)	3,432	2	5%
Boise Ind. School District	2,987	3	5%
Ada County	1,614	4	2%
City of Boise	1,259	5	2%
Nampa School District	1,256	6	2%
Pocatello School District	1,162	7	2%
Bonneville School District	1,002	8	2%
Coeur d'Alene School District	979	9	1%
Idaho Falls School District	897	10	1%
All other	34,437		52%
Total (663 employers)	**66,223**		**100%**

2005

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	18,126	1	28%
Boise Ind School District	3,079	2	5%
Meridian School District	2,889	3	4%
Pocatello School District	1,362	4	2%
Ada County	1,328	5	2%
Nampa School District	1,318	6	2%
City of Boise	1,217	7	2%
Idaho Falls School District	1,055	8	2%
Coeur d'Alene School District	1,006	9	2%
Bonneville School District	788	10	1%
All other	32,223		50%
Total (584 employers)	**64,391**		**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

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
Franklin 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 Bellevue
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 Oakley
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

A&B Irrigation District
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 Cnty Water Dist.

Falls Irrigation District
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.
Filer Highway 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.
Lost River 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.
American Heritage Charter School
Another Choice Virtual Charter School
ANSER of Idaho Inc.
Arbon School Dist.
Avery School Dist.
Basin School Dist.
Bear Lake School Dist.
Bingham Academy
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.
Chief Tahgee Elem. School
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.

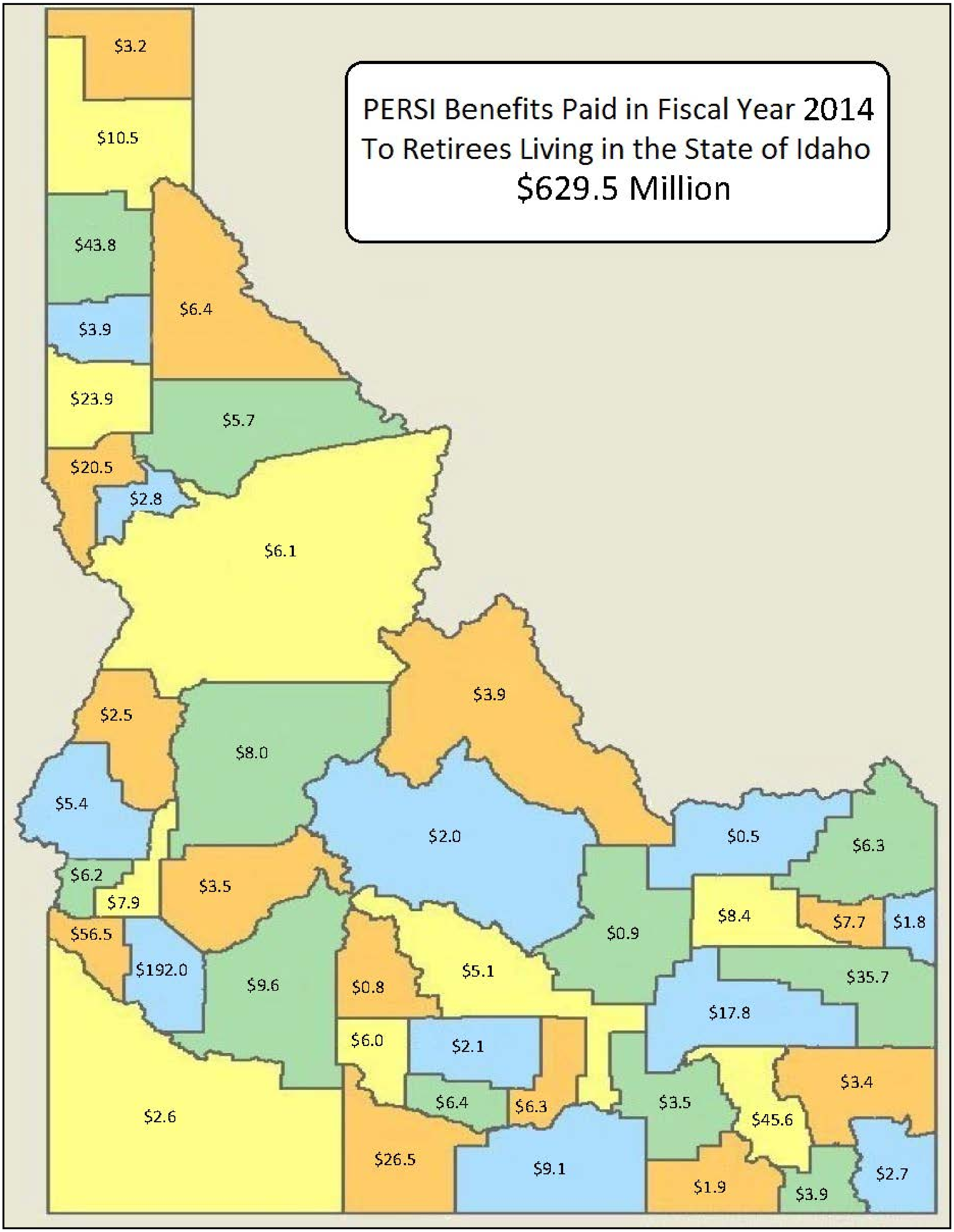
Emmett School Dist.
Falcon Ridge Charter School
Filer School Dist.
Firth School Dist.
Fruitland School Dist.
Garden Valley School Dist.
Genesee School Dist.
Glenns Ferry Joint School Dist.
Gooding Joint School Dist.
Grace School Dist.
Hagerman Joint School Dist.
Hansen School Dist.
Heritage Academy
Heritage Community Charter School
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
Kootenai Tech. Ed. Campus
Kuna Joint School Dist.
Lake Pend Oreille School Dist.
Lakeland School Dist.
Lapwai School Dist.
Legacy Public Charter School
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
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.
Odyssey Charter School
Oneida School Dist.
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.
STEM Charter Academy
Sugar-Salem School Dist.
Swan Valley School Dist.
Taylor's Crossing Public Charter School
Teton School Dist.
The Village Charter School
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 Ada School Dist. (Formerly Meridian 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

Bannock Planning Organization
Cascade 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.
Buhl Housing Authority
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.

Coolin Sewer Dist.
Dry Creek Cemetery Dist.
Eagle Sewer Dist.
Eastern Idaho Fair Board
Eastern Idaho Regional Waste Water Auth.
Edwards Mosquito Abatement Dist.
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
Iona Bonneville Sewer Dist.
Jerome Recreation Dist.
Kingston-Cataldo Sewer Dist.
Kootenai Metropolitan Planning Org.
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.
Minidoka Soil & Water Conservation 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.
Paul Cemetery Dist.
Port of Lewiston
Post Falls Urban Renewal Dist.
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 County Pest Abatement Dist.
Twin Falls Housing Auth.
Valley Recreation Dist. of Hazelton
Valley Regional Transit
Valley Soil and Water Conservation Dist.
West Boise Sewer Dist.
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.
Kuna Rural Fire Dist.
Lemhi Co. Fire Protection Dist.
Lewiston Fire Dept.
Lincoln County Emergency Svs.
McCall Fire Protection Dist.
Mica Kidd Island Fire Protect.Dist.
Minidoka County Fire Protect. Dist.
Moscow Fire Dept.
Nampa Fire Dept.
No. Ada Cnty. Fire/Rescue Vol.
No. Lakes Fire Protection Dist.
Northside Fire Dist.
Paradise Valley 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 City & Rural Fire Prot. 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.
Wilder Rural Fire Protect. Dist.
Wood River Fire Protect. Dist.
Worley Fire Protect. Dist


PERSI Benefits Paid in Fiscal Year 2014
To Retirees Living in the State of Idaho
$629.5 Million
$3.2
$10.5
$43.8
$6.4
$3.9
$23.9
$5.7
$20.5
$2.8
$6.1
$3.9
$2.5
$8.0
$5.4
$2.0
$0.5
$6.3
$6.2
$7.9
$3.5
$56.5
$8.4
$7.7
$1.8
$0.9
$192.0
$9.6
$0.8
$5.1
$35.7
$17.8
$6.0
$2.1
$3.4
$6.4
$6.3
$3.5
$45.6
$2.6
$26.5
$9.1
$1.9
$3.9
$2.7

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
- Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. (Form 1099R)
- 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 website at www.persi.idaho.gov.

PERSI Office Locations:

Boise

Office Location:	Mailing Address:
607 North 8th Street	P.O. Box 83720
Boise, ID 83702	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:
1246 Yellowstone Avenue	P.O. Box 1058
Suite A5	Pocatello, ID 83204
Pocatello, ID 83201	

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