



P E R S I

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

2007 Comprehensive Annual Financial Report
As of and for Fiscal Year Ended June 30, 2007

Public Employee Retirement System of Idaho

A Component Unit of the State of Idaho



Comprehensive Annual Financial Report As and for Fiscal Year Ended June 30, 2007

This 2007 Comprehensive Annual Financial Report was prepared by:

Financial: James E. Monroe, CPA, Financial Officer
Debbie Buck, CGFM, Senior Accountant
Cecile McMonigle, Portfolio Accountant

Investments: Robert M. Maynard, Chief Investment Officer

Administration: Patrice A. Perow, Public Information Officer

Thanks and appreciation to everyone who provided accurate, timely information for this report.

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INTRODUCTORY SECTION

Helping Idaho public employees
build a secure retirement.

PERSI MISSION STATEMENT

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

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

◆◆ Introductory Section ◆◆

C.L. "Butch" Otter, Governor, State of Idaho

RETIREMENT BOARD



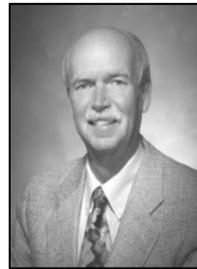
Jody B. Olson, Chairman
Term expires July 1, 2012



Jeff Cilek
Term expires July 1, 2010



William "Bill" Deal
Term expires July 1, 2008



Clifford T. Hayes
Term expires July 1, 2009



J. Kirk Sullivan
Term expires July 1, 2011

PERSI EXECUTIVE STAFF

Alan H. Winkle, Executive Director
Robert M. Maynard, Chief Investment Officer
Donald Drum, Deputy Director
Brad Goodsell, Deputy Attorney General
James E. Monroe, Financial Officer
Judy Aitken, Answer Center Manager
Susan Shaw, Processing Center Manager
Patrice Perow, Public Information Officer
Carol Boylan, Information Technology Manager
Diane Kaiser, Employer Service Center and Defined Contribution Manager

◆◆ Introductory Section ◆◆

PROFESSIONAL CONSULTANTS

Actuary:	Milliman, Inc., Seattle, WA
Auditor:	Deloitte & Touche LLP, Boise, ID
Medical:	Sedgwick CMS, Memphis, TN
Investment:	Callan Associates, Inc., San Francisco, CA CS Capital Management, Inc., Atlanta, GA Capmark Finance, Inc., San Francisco, CA Hamilton Lane Advisors, LLC, Philadelphia, PA
Legal:	Foster, Pepper & Shefelman PLLC, Seattle, WA Whiteford, Taylor & Preston, LLP, Baltimore, MD
Other:	ACS HR Solutions, LLC, Woburn MA Mellon Transition Management Services, San Francisco, CA
Investment Custodians:	Mellon Global Securities Services, Pittsburgh, PA Wells Fargo Bank of Idaho, Boise, ID

Investment Managers:

Adelante Capital Management, LLC, Berkeley, CA	KKR 2006 Fund, New York, NY
Apollo Management, LP, Purchase, NY	Kohlberg & Co., LLC, Mt. Kisko, NY
Baring America Asset Management, Inc., Boston, MA	Koll Company, LLC, Newport Beach, CA
Blackstone Capital Partners, LP, New York, NY	Koll/PER, LLC, Newport Beach, CA
Brandes Investment Partners, LP, San Diego, CA	Lindsay Goldberg & Bessemer, New York, NY
Bridgepoint Capital, Ltd., London	Littlejohn Fund, LP, Greenwich, CT
Bridgewater Associates, Inc., Westport, CT	McCown DeLeeuw & Co., LP, Menlo Park, CA
Capital Guardian Trust Company, Brea, CA	Mellon Capital Management, San Francisco, CA
Cerberus Institutional Investors, LP, New York, NY	Mondrian Investment Partners, Ltd., London
Chisholm Partners, LP, Providence, RI	Mountain Pacific Investment Advisers, Inc., Boise, ID
Clearwater Advisors, LLC, Boise, ID	Nautic Partners, LLC, Providence, RI
CVC European Equity Partners, LP, London	Newbridge Asia, LP, Ft. Worth, TX
D.B. Fitzpatrick & Co., Inc., Boise, ID	Oaktree Capital Management, LLC, Los Angeles, CA
Donald Smith & Co., Inc., New York, NY	Olympic IDA Fund, LLC, Los Angeles, CA
Enhanced Equity, LP, New York, NY	Pareto Partners, LLC, London
Fidelity Management Trust Company, Boston, MA	Peregrine Capital Management, Inc., Minneapolis, MN
First Reserve XI, LP, Greenwich, CT	Providence Equity Partners, LP, Providence, RI
Fortis Investments, Boston, MA	Prudential Investment Management, LLC, Newark, NJ
Frazier Technology Ventures, LP, Seattle, WA	Sanford C. Bernstein & Co., LLC, New York, NY
Furman Selz Investors, LP, New York, NY	Saugatuck Capital Company, LP, Stamford, CT
Galen Partners, LP, New York, NY	State Street Global Advisors, Boston, MA
Genesis Asset Managers, Ltd., London	T. Rowe Price International, Inc., London
Goense Bounds & Partners, LP, Lake Forest, IL	T3 Partners, LP, Fort Worth, TX
Gores Capital Partners, LP, Los Angeles, CA	TCW Asset Management Co., Los Angeles, CA
Green Equity Investors, LP, Los Angeles, CA	Thomas H. Lee Equity Fund, LP, Boston, MA
Hamilton Lane Co-Investment Fund, LP, Baja Cynwyd, PA	TPG Partners, LP, Fort Worth, TX
Hamilton Lane Secondary Fund, LLC, Baja Cynwyd, PA	Tukman Capital Management, Inc., Larkspur, CA
Harvest Partners, Inc., LP, New York, NY	W. Capital Partners, LP, New York, NY
Highway 12 Venture Fund, LP, Boise, ID	Western Asset Management Co., Pasadena, CA
Ida-West Energy Fund, LLC, Boise, ID	Zesiger Capital Group, LLC, New York, NY
JH Whitney & Co., LLC, New Canaan, CT	

More specific information on the above-mentioned investment professionals can be found on pages 65 through 68 in the Investment Section of this report.

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Public Employee Retirement
System of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2007 AWARD

Presented to

Public Employee Retirement System of Idaho

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

◆◆ Introductory Section ◆◆

Organizational Chart

Retirement Board

Alan H. Winkle Executive Director	Don Drum Deputy Director Larry Sweat Technical Writer	Brad Goodsell Deputy Attorney General	Joanne Ax Management Assistant
Robert M. Maynard Chief Investment Officer	Richelle Sugiyama Investment Officer	Rose Marie Sawicki Administrative Assistant 1	Investment Managers See Investment Section for a list of managers - pp 65-66
James E. Monroe Financial Officer	Debbie Buck Senior Accountant Cecile McMonigle Portfolio Accountant Tess Myers Administrative Assistant 1	JoAnne Dieffenbach Financial Technician Sharon Simon Financial Support Technician	Diane Kaiser ESC/DC Plan Manager Alice Brown Financial Technician Steve Jones Financial Technician Linda Whitney Financial Technician
Carol Boylan Information Technology Manager	Nancy Fauver IT Database Analyst Dotty Cluck Customer Service Rep. Kris Colt IT Information System Tech Sr.	Joy Fereday IT Programmer Analyst Sr. Stacy Jones IT Program System Specialist	Ryan Evey IT Programmer Analyst Sr. Stacy Parr Web Developer
Judy Aitken Answer Center Manager	Kimberlee Hall PAC Supervisor Kari Caven Retirement Specialist Catherine Atchison Retirement Specialist Roger Bartlett Retirement Specialist Graydon Wood Training Specialist	Melody Hodges Retirement Specialist Lisa Conn Retirement Specialist Lisa Mabe Retirement Specialist Jami Davis Administrative Assistant 1 Mike Mitchell Training Specialist	Kathi Kaufman Customer Service Rep. 2 Alicia Harper Customer Service Rep. 2 Lynne Yowell Customer Service Rep. 2 Cheryl Inga Customer Service Rep. 2
Susan Shaw Processing Center Manager	Penny Walls Retirement Specialist Julisa Adams Retirement Specialist Susan Strouth Retirement Specialist Lynn Duncan Retirement Specialist	Shasta Luper Retirement Specialist Kay Prince Technical Records Specialist 1 Marian Van Gerpen Technical Records Specialist 1 Lenna Strohmeyer Technical Records Specialist 1	Heidi Andrade Technical Records Specialist 1 Karen Miller Technical Records Specialist 1 Cathy Andrews Imaging Specialist
Patrice Perow Public Information Officer	Betsy Griffith Administrative Assistant 1		
Vacant Position			

THE SYSTEM

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

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

Administrative expenditures consisting of the personnel costs, operating expenditures, and capital outlay necessary to operate the System are limited to those approved and appropriated by the Legislature for that purpose. In Fiscal Year 2007 (FY07), these costs totaled \$6,759,609, including \$181,120 in depreciation, which is not a cash expenditure and, therefore, not appropriated.

The majority of the System's 63 staff works in the headquarters office at 607 North 8th Street, Boise, Idaho. There are two staff members in the Coeur d' Alene office, and three in the Pocatello office. The Executive Director and investment personnel are exempt positions appointed by the Retirement Board to serve at its pleasure. The Deputy Director and Public Information Officer are exempt positions serving under the Executive Director. The Deputy Attorney General is assigned to PERSI by the Office of the Attorney General. All other staff members serve under statutes and personnel rules governing classified state service.

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

SUMMARY OF PLAN PROVISIONS

DEFINED BENEFIT "BASE PLAN" PROVISIONS

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

MEMBER CONTRIBUTION RATE

The employee contribution rate is set by statute at 60% (72%) of the employer rate. As of June 30, 2007, it was 6.23% (7.65%).

EMPLOYER CONTRIBUTION RATE

The employer contribution rate set by the Retirement Board was 10.39% (10.73%) as of June 30, 2007.

SERVICE RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

For each year of credited service, the monthly service retirement allowance as of June 30, 2007, was 2% (2.3%) of the monthly average salary of the member's highest 42 consecutive months.

MINIMUM MONTHLY BENEFIT ALLOWANCE

Until February 28, 2007: for each year of service, the monthly minimum benefit allowance was \$21.71 (\$26.06) to a maximum of the member's accrued benefit. Effective March 1, 2007, the monthly minimum benefit allowance was \$22.54 (\$27.05).

NORMAL FORM

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

OPTIONAL FORMS

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

EARLY RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

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

FORMS

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

DISABILITY RETIREMENT

ELIGIBILITY

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

AMOUNT OF ALLOWANCE

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

NORMAL FORM

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

DEATH BENEFITS

AFTER RETIREMENT

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

BEFORE RETIREMENT

- 1 Non-vested Members: Beneficiary receives a lump sum payment of the member's accumulated contributions plus interest.
- 2 Vested Members:
 - a Beneficiary receives a lump sum payment of two times the member's accumulated contributions plus interest.
 - b If the member is married, and the spouse is the sole beneficiary, the spouse may select a lump sum payment or a lifetime monthly benefit.
 - c If the member is married, but the spouse is not the sole beneficiary, the beneficiary may waive the lump sum, in which case, a lifetime monthly benefit is available to the surviving spouse.
- 3 A \$100,000 death benefit for duty-related deaths for police officers/firefighters became effective July 1, 2003.

SEPARATION BENEFIT

Accumulated member contributions with regular interest is payable upon becoming an inactive member separated from eligible employment. The Regular Interest Rate in effect for FY07 was 10.24% per year compounded monthly from July 1, 2006 through December 31, 2006, and 11.69% from January 1, 2007 through June 30, 2007.

POSTRETIREMENT ADJUSTMENTS

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

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

The COLA authorized and implemented March 1, 2007, was 3.8%.

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November 15, 2007

Governor C.L. "Butch" Otter

Retirement Board
Jody B. Olson, Chairman
Jeff Cilek
William W. Deal
Clifford T. Hayes
J. Kirk Sullivan

Executive Director
Alan H. Winkle

PHONES

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

Employer Service Center
1-866-8887-9525

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

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

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

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

Choice Plan Record Keeper
1-866-437-3774

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, 2007 (FY 2007). 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, 2006. This was the 16th consecutive year PERSI has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

For the 5th 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 only 50 to 60 public retirement systems each year.

This Letter of Transmittal is intended to serve as an overview of the System and to convey information on the topics that follow.

PLAN HISTORY

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

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

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

Legislation in 1979 mandated the Firefighters' Retirement Fund be administered by PERSI effective October 1, 1980. Paid firefighters who were members of the original system retained their original benefit entitlement, while paid firefighters hired after October 1, 1980, were entitled to PERSI benefits. An actuarial valuation of the firefighter member benefit entitlement is conducted at least every other year, separate from the annual PERSI valuation.

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

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

SERVICES PROVIDED

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

In its 42nd 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.

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

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

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

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

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

EMPLOYEE AND EMPLOYER MEMBERSHIP

During FY 2007, the number of active PERSI members increased from 64,762 to 65,800. The number of retired members or annuitants receiving monthly allowances increased from 28,438 to 29,619. The number of inactive members who have not been paid a separation benefit increased from 21,848 to 22,690. Of these inactive members, 9,670 have achieved vested eligibility. Total membership in PERSI increased from 115,048 to 118,109 during the fiscal year. There are currently 701 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, 2007, the audit was conducted by Deloitte & Touche LLP, an independent firm of Certified Public Accountants. Refer to the Independent Auditors' Report for the opinion.

INTERNAL ACCOUNTING CONTROL

As an agency of the State of Idaho, the System's administrative expenses are subject to the State's budget controls. Management is responsible for maintaining a system of internal accounting control designed to provide reasonable assurance transactions are executed in accordance with management's general or specific authorization and are recorded as needed to maintain accountability for assets to permit

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preparation of financial statements. Internal control procedures have been established, and a budget report is prepared for the Board. We believe the internal controls in effect during FY 2007 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 \$2,402,424,993 for all pension funds during the fiscal year ended June 30, 2007.

ADDITIONS:

Contributions	\$ 487,475,589
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INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments	1,650,865,737
Interest, Dividends and Other Investment Income	312,579,872
Less: Investment Expenses	<u>(48,757,397)</u>
Net Investment Income	1,914,688,212

OTHER INCOME

261,192

Total Additions	<u>\$ 2,402,424,993</u>
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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 2007 are as follows:

DEDUCTIONS:

Benefits and Refunds	\$ 469,661,647
Administrative Expenses	6,759,609
Transfers/Rollovers Out	<u>6,257,877</u>

Total Deductions	<u>\$ 482,679,133</u>
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Contributions and expenses continue to increase at a predictable rate.

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

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

The actuarial present value was calculated as part of an actuarial valuation at July 1, 2007. Significant actuarial assumptions used include: an investment return rate of present and future assets of 7.75% compounded annually, (7.25% plus 0.50% for expenses); projected salary increases of 4.50% per year compounded annually, attributable to general wage increases; additional projected salary increases attributable to seniority/merit, up to 6.70% per year, depending on service and employee classification, and; 1.00% per year attributable to postretirement benefit increases.

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At June 30, 2007, 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, 2007
	Benefit Date:	July 1, 2007
A. Actuarial Present Value of All Future Benefits for Contributing Members, Former Contributing Members and Their Survivors		\$ 13,788.9
B. Actuarial Present Value of Total Future Normal Costs for Present Members		\$ 3,357.0
C. Actuarial Liability [A - B]		\$ 10,431.9
D. ORP Contributions		\$ 59.5
E. Actuarial Liability Funded by PERSI Contributions [C-D]		\$ 10,372.4
F. Actuarial Value of Assets Available for Benefits		\$ 10,945.8*
G. Unfunded Actuarial Liability (funding excess) [E-F]		(\$ 573.4)
H. Amortization Period on Valuation Date, Based on Contribution Rate Established as of Benefit Date		N/A
I. Funded Ratio [F/E]		105.5%**

* The total available assets are \$11,258.0 million, but are reduced by \$312.2 million for assets used in plan operations and funds earmarked to provide excess benefits to former members of the Firefighters' Retirement Fund and the Idaho Falls Police Retirement Fund.

** The Funded Ratio of 105.5% does not include the 2008 COLA calculated at 2.0%. The COLA decreases the ratio to 105.1%.

ECONOMIC CONSIDERATIONS

The System operates within a dynamic economic environment, as do all investment funds. The objective of the Retirement Board is to minimize the effect of these external influences, where possible, by diversifying among a broad range of asset classes and investment management styles, both domestically and internationally. Such diversification, combined with prudent management by experienced investment professionals, increases the probability the earnings objective will be achieved. The return for Fiscal Year 2007 was 19.46% net of all expenses.

PERSI is funded on a sound actuarial basis, which protects future benefits for participants. Over the long-term, the Plan's assets should achieve their expected returns. However, short-term shortfalls in earnings targets could occur in unfavorable economic environments and/or unfavorable actuarial experience. As of June 30, 2007 the fund had no amortization period since it was fully funded.

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,

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and other investment restrictions. Each money manager is generally granted full discretion in making investment decisions within their guidelines. The Board, staff, and consultants monitor and evaluate investment results. The Board, in its administration of this System and management of the investment program, is guided by the fiduciary standards in Section 59-1301 of the Idaho Code and the Idaho Uniform Prudent Investor Act, in Sections 68-501 through 68-514 of the Idaho Code and is empowered in its sole discretion to limit, control, and designate the types, kinds, and amounts of investments.

Strong returns in the emerging markets and developed international equity portfolios enabled PERSI's total fund to return 19.54% net of investment expenses for Fiscal Year 2007. This return outpaced our policy benchmark return of 7.25%. PERSI continues to rank in the top quartile when compared to our peer universe of other state-wide public pension funds across the country.

The investment mix at fair value as of the end of Fiscal Year 2007 is 61% domestic equity and global equity, 15% international equity, 24% percent fixed income. The System's investment outlook is long term, allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category. The portfolio is broadly diversified with additional diversification achieved through domestic and international investing. See the Management's Discussion and Analysis and Investment Section of this report for more detailed analysis and information.

FUNDING STATUS

The funding objective of PERSI is to accumulate sufficient assets to ensure funds will be available to meet current and future benefit obligations to participants on a timely basis. If the level of funding is high, the ratio of assets to the actuarial accrued liability is also greater, which means better investment income potential. Each year an independent actuary engaged by PERSI calculates the amount of the annual contribution the plans must make to fully meet their obligations to retired employees. As of June 30, 2007, the PERSI Base Plan has succeeded in funding 105.5% of the present value of the projected benefits earned by employees. The closed Firefighters' Retirement Fund remains an actuarially funded plan. For GASB reporting purposes, the Notes to Required Supplemental Schedules on page 53 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for both plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. For a more in-depth discussion of PERSI's funding, see Management's Discussion and Analysis and the Actuarial Section of this report.

MAJOR INITIATIVE COMPLETED

A major multi-year Business Process Reengineering (BPR) project was initiated in 2003 to improve and enhance our customer service delivery system to meet the growing needs of our aging membership. This reengineering project was completed during the last fiscal year, including the following major accomplishments:

- Completed the conversion and indexing of more than 1.8 million images from microfilm to digital format.
- Implemented an automated workflow system for efficient processing of work within PERSI.
- Upgraded to a new Voice over Internet Protocol (VoIP) phone system.
- Implemented an ACD phone configuration (call monitoring system) that includes field offices and various departments.
- Modified our knowledge database (*Online Guide*), making it easier to use.

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- Rolled out a new and improved education program (*Retirement's a Beach*) for members nearing retirement.
- Began measuring member satisfaction using customer service surveys.

Although the BPR project was officially completed, PERSI knows change is inevitable because of growth and changes in the law. As a result, a plan of action is being created to guide us through future years using meaningful and measureable performance standards to help evaluate our success.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Jody B. Olson, Chairman

Alan H. Winkle, Executive Director

James E. Monroe, Financial Officer

FINANCIAL SECTION

Helping Idaho public employees
build a secure retirement.



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INDEPENDENT AUDITORS' REPORT

Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited the accompanying basic financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the "System"), a component unit of the State of Idaho, as of June 30, 2007, and for the year then ended, listed in the foregoing table of contents. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2006 basic financial statements and, in our report dated October 26, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Systems' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such basic financial statements present fairly, in all material respects, the plan net assets of the pension and other trust funds of the System as of June 30, 2007, and the changes in plan net assets of the pension and other trust funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information on pages 51 through 53 listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we do not express an opinion on it.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of the System taken as a whole. The additional supplementary schedules on pages 55 through 57 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The additional supplementary schedules are also the responsibility of the System's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The Introductory Section, Investment Section, Actuarial Section, and Statistical Section listed in the Table of Contents are also presented for the purpose of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

October 26, 2007

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007 (UNAUDITED)

Management is pleased to provide Management's Discussion and Analysis ("MD&A") of the financial activities of the Public Employee Retirement System of Idaho (the "System" or "PERSI") as of and for the year ended June 30, 2007. This overview and analysis is designed to focus on current known facts and activities and resulting changes. We encourage readers to consider the information presented here in conjunction with information furnished in the Letter of Transmittal, beginning on page 11.

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

Financial Highlights

- Plan net assets for all pension and other funds administered by the System increased \$1.9 billion and \$1.1 billion during the fiscal year 2007 and 2006, respectively. The increase in the defined benefit plans was primarily due to the continuation of favorable investment markets. The increases in the Choice Plan 401(k) and Sick Leave Fund were due to new contributions in addition to market gains. Each fund experienced an increase in net assets.

	2007	2006
PERSI Base Plan	\$ 1,770,966,566	\$ 968,875,308
Firefighters' Retirement Fund	42,775,512	21,543,068
PERSI Choice Plan 414(k)	8,746,822	4,230,900
PERSI Choice Plan 401(k)	62,928,937	42,642,552
Sick Leave Insurance Reserve Fund - State	12,967,671	6,096,669
Sick Leave Insurance Reserve Fund - Schools	21,360,352	9,614,199
 Total increase in plan net assets	 \$ 1,919,745,860	 \$ 1,053,002,696

- 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, 2007 and 2006, the rate of return net of investment expenses on the pooled investment assets are detailed below (these are plan-level returns). For the defined contribution plans, PERSI Choice Plan 414(k) and 401(k), individual participant returns may vary depending on the investment choices.

	2007	2006
PERSI Defined Benefit Plans	19.6 %	11.8 %
PERSI Defined Contribution Plans	17.8 %	11.1 %
Sick Leave Insurance Reserve Fund	13.7 %	4.9 %

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- All of the plans experienced gains as a result of positive market performance. Net investment income for all of the funds administered by the System for the fiscal years ended June 30, 2007 and 2006, was \$1.9 billion and \$1.0 billion, respectively.

	2007	2006
Net investment income:		
PERSI Base Plan	\$ 1,793,984,082	\$ 969,385,175
Firefighters' Retirement Fund	47,693,912	26,225,243
PERSI Choice Plan 414(k)	11,685,145	6,715,343
PERSI Choice Plan 401(k)	33,140,785	15,760,870
Sick Leave Insurance Reserve Fund - State	10,636,103	3,512,674
Sick Leave Insurance Reserve Fund - Schools	17,548,185	5,792,037
 Total net investment income	 \$ 1,914,688,212	 \$ 1,027,391,342

- As of June 30, 2007 and 2006, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for each of the defined benefit plans were:

	2007 Funding Ratio	Amortization Period	2006 Funding Ratio	Amortization Period
PERSI Base Plan	105.5%	N/A	95.2%	9.8 years
Firefighters' Retirement Fund	92.6%	2.3 years	79.7%	6.5 years

For the PERSI defined benefit plans, deductions for benefits and administrative expenses exceeded contributions and other income by \$27.9 million and \$5.2 million for Fiscal Years 2007 and 2006, respectively. This increase in negative net cash flow is normal for a mature plan and has been included in our long-range actuarial planning. Investment income fills in the gap. These relatively small changes combined with investment gains of \$1.8 billion in 2007 and \$995.6 million in 2006, resulted in net assets of the defined benefit plans increasing to \$11.3 and \$9.4 billion in 2007 and 2006, respectively. For actuarial calculations, the System's actuary uses market value to determine the actuarial value of assets. For the July 1, 2007 and 2006 valuations, the actuarial value of assets for the PERSI Base Plan was \$10.9 billion and \$9.2 billion, respectively. The aggregate actuarial liability for all PERSI Base Plan employers was \$10.4 billion on July 1, 2007. On an actuarial basis, the assets held as of July 1, 2007, fund 105.5% of this liability.

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 51 of this report. The actuarial funding ratio for the two defined benefit plans and the amortization periods improved primarily because investment performance was above the actuarial expected rate. The PERSI Board initiated a systematic increase in the employee and employer contribution rates beginning July 1, 2004, to provide a stable funding base and to bring the amortization period below the statutorily required 25-year period for the Base Plan. Because of improving investment returns, the amortization period of the unfunded liability decreased which allowed the PERSI Board to postpone for a third year, the two future scheduled rate increases. At the October 2007 Board Meeting, the PERSI Board made the decision to remove all future scheduled rate increases, and make the current Base Plan rates permanent.

Using the Annual Financial Report

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

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statement of plan net assets as of June 30, 2007 and 2006 indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The statement of changes in plan net assets for the years ended June 30, 2007 and 2006 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net asset value on the statement of net assets. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-48 of this report.

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

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

Comparative Financial Statements **Defined Benefit Pension Trust Funds**

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

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Defined Benefit Pension Trust Funds Net Assets

	As of June 30, 2007	As of June 30, 2006	\$ Change	% Change
Assets:				
Cash and cash equivalents	\$ 2,695,922	\$ 2,251,632	\$ 444,290	19.7 %
Investments sold receivable	1,103,979,386	923,679,953	180,299,433	19.5 %
Other receivables	46,591,254	48,630,720	(2,039,466)	(4.2)%
Investments — at fair value	11,505,068,772	9,800,222,961	1,704,845,811	17.4 %
Prepaid retiree benefits	34,193,978	30,772,971	3,421,007	11.1 %
Capital assets — net of accumulative depreciation	<u>2,690,780</u>	<u>2,850,523</u>	<u>(159,743)</u>	(5.6)%
Total assets	12,695,220,092	10,808,408,760	1,886,811,332	17.5 %
Liabilities:				
Investments purchased payable	1,425,333,383	1,354,245,770	71,087,613	5.2 %
Benefits and refunds payable	160,758	248,275	(87,517)	(35.3)%
Other liabilities	<u>11,766,727</u>	<u>9,697,569</u>	<u>2,069,158</u>	21.3 %
Total liabilities	<u>1,437,260,868</u>	<u>1,364,191,614</u>	<u>73,069,254</u>	5.4 %
Net assets available for benefits	<u>\$11,257,959,224</u>	<u>\$ 9,444,217,146</u>	<u>\$1,813,742,078</u>	19.2 %

The fiscal year ended June 30, 2007, was most notably marked by a continuation in favorable investment markets. Other Liabilities were higher at the end of Fiscal Year 2007 because of an increase in the amounts owed for investment management services. Growth in asset values and timing of payments can affect the balance of liabilities at the balance sheet date.

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

Financial Section

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006	\$ Change	% Change
Additions:				
Member contributions	\$ 159,635,748	\$ 154,352,078	\$ 5,283,670	3.4 %
Employer contributions	271,620,561	262,922,576	8,697,985	3.3 %
Investment income	1,841,677,994	995,610,418	846,067,576	85.0 %
Other additions	<u>238,637</u>	<u>127,213</u>	<u>111,424</u>	87.6 %
Total additions	2,273,172,940	1,413,012,285	860,160,655	60.9 %
Deductions:				
Benefits and refunds paid	452,750,243	415,286,033	37,464,210	9.0 %
Administrative expenses	<u>6,680,619</u>	<u>7,307,876</u>	<u>(627,257)</u>	(8.6)%
Total deductions	<u>459,430,862</u>	<u>422,593,909</u>	<u>36,836,953</u>	8.7 %
Changes in net assets available for benefits	<u>\$1,813,742,078</u>	<u>\$ 990,418,376</u>	<u>\$ 823,323,702</u>	83.1 %

The annual amount of Investment Income and Changes in Net Assets Available for Benefits increased from Fiscal Year 2006 to Fiscal Year 2007 because of an upward swing in the investment market. The increase in Other Additions was due to increased interest earnings on cash balances and a federal withholding tax refund of \$53,307. The increase in Benefits and Refunds Paid was a result of increased number of retirees and the annual Cost of Living Adjustment (COLA) increase for benefits paid to retirees. Administrative Expenses for Fiscal Year 2007 decreased as the Business Process Reengineering Project neared completion.

Defined Contribution Pension Trust Funds

During Fiscal Year 2007, 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 provides another retirement benefit option to members of the Defined Benefit Pension Trust Funds.

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 401k Plan and vice versa.

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Defined Contribution Pension Trust Funds Net Assets

	As of June 30, 2007	As of June 30, 2006	\$ Change	% Change
Assets:				
Cash	\$ 19,524	\$ 19,790	\$ (266)	(1.3)%
Short-term investments	1,127,975	989,123	138,852	14.0 %
Investments — at fair value	294,073,467	222,627,280	71,446,187	32.1 %
Receivables	<u>1,205,619</u>	<u>1,114,633</u>	<u>90,986</u>	8.2 %
Total assets	<u>296,426,585</u>	<u>224,750,826</u>	<u>71,675,759</u>	31.9 %
Net assets available for benefits	<u>\$ 296,426,585</u>	<u>\$ 224,750,826</u>	<u>\$ 71,675,759</u>	31.9 %

Investments increased from Fiscal Year 2006 to Fiscal Year 2007 because of the increase in employee contributions and the continued favorable investment market. Receivables include contributions that are not yet recorded by the recordkeeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006	\$ Change	% Change
Additions:				
Member contributions	\$ 29,668,354	\$ 25,873,335	\$ 3,795,019	14.7 %
Employer contributions	190,850	282,128	(91,278)	(32.4)%
Investment income	44,825,930	22,476,213	22,349,717	99.4 %
Transfers and rollovers in	<u>8,512,489</u>	<u>6,246,072</u>	<u>2,266,417</u>	36.3 %
Total additions	83,197,623	54,877,748	28,319,875	51.6 %
Deductions:				
Benefits and refunds paid	5,263,987	3,963,574	1,300,413	32.8 %
Transfers and rollovers out	<u>6,257,877</u>	<u>4,040,722</u>	<u>2,217,155</u>	54.9 %
Total deductions	<u>11,521,864</u>	<u>8,004,296</u>	<u>3,517,568</u>	43.9 %
Changes in net assets available for benefits	<u>\$ 71,675,759</u>	<u>\$ 46,873,452</u>	<u>\$ 24,802,307</u>	52.9 %

Investment Income increased from Fiscal Year 2006 to Fiscal Year 2007 because of an upward swing in the investment market. Transfers In and Transfers Out only include rollovers from/to other plans. Member Contributions grew due to an increase in the number of employees with salary deferrals. Changes in Employer Contributions vary up or down according to individual employers' desire to match employee contributions. 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 2007, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts within the Fund.

Sick Leave Insurance Reserve Funds Net Assets

	As of June 30, 2007	As of June 30, 2006	\$ Change	% Change
Assets:				
Cash	\$ 33,978	\$ 47,474	\$ (13,496)	(28.4)%
Investments — at fair value	230,843,787	196,689,774	34,154,013	17.4 %
Prepaid insurance premiums	931,896	876,663	55,233	6.3 %
Due from other funds	<u>1,704,619</u>	<u>1,571,594</u>	<u>133,025</u>	8.5 %
Total assets	233,514,280	199,185,505	34,328,775	17.2 %
Liabilities — other liabilities	<u>22,840</u>	<u>22,088</u>	<u>752</u>	3.4 %
Net assets available for benefits	<u>\$ 233,491,440</u>	<u>\$ 199,163,417</u>	<u>\$ 34,328,023</u>	17.2 %

Investments increased from Fiscal Year 2006 to Fiscal Year 2007 because of the continued favorable investment market. The increase in Due From Other Funds was due to a general increase in member compensation rates.

Sick Leave Insurance Reserve Funds Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006	\$ Change	% Change
Additions:				
Employer contributions	\$ 17,847,587	\$ 16,897,504	\$ 950,083	5.6 %
Investment income	28,184,288	9,304,711	18,879,577	202.9 %
Other additions	<u>22,555</u>	<u>15,953</u>	<u>6,602</u>	41.4 %
Total additions	46,054,430	26,218,168	19,836,262	75.7 %
Deductions:				
Benefits and refunds paid	11,647,417	10,453,640	1,193,777	11.4 %
Administrative expenses	<u>78,990</u>	<u>53,660</u>	<u>25,330</u>	47.2 %
Total deductions	<u>11,726,407</u>	<u>10,507,300</u>	<u>1,219,107</u>	11.6 %
Changes in net assets available for benefits	<u>\$ 34,328,023</u>	<u>\$ 15,710,868</u>	<u>\$ 18,617,155</u>	118.5 %

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Investment Income increased from Fiscal Year 2006 to Fiscal Year 2007 because of favorable investment markets. The increase in Other Additions was due to interest earnings on the cash balance held at the State Treasurer's Office. Administrative Expenses increased due to an increase in PERSI overhead costs to administer the SLIRF.

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		
	2007	2006	Change	2007	2006	Change
Active participants	65,800	64,762	1.6 %	37,680	38,946	(3.3)%
Vested - Base Plan	41,360	41,215	0.4 %			
Non-vested - Base Plan	24,440	23,547	3.8 %			
Actively contributing - Choice Plan				9,744	9,202	5.9 %
Retirees and beneficiaries	29,619	28,438	4.2 %	117	119	(1.7)%
Terminated vested	9,670	8,948	8.1 %	10,039	7,988	25.7 %

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

Changes in Retirees and Beneficiaries (Base Plan)

Beginning — June 30, 2006	28,438
Retirements	2,070
Death of retiree/beneficiary	<u>(889)</u>
Ending — July 1, 2007	<u>29,619</u>

Investment Activities

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

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

Economic Factors

PERSI, like any pension fund, has a broad range of opportunities for investment in the open market, as well as many choices for asset allocation and investment managers.

As a result of the Fiscal Year 2002 amortization period calculation being 39.3 years, the Board increased contribution rates 1% per year for three years beginning July 2004. The maximum amortization period allowed by state law for the Base Plan is 25 years. The PERSI Board has

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postponed the second and third year rate increases three times due to a significant increase in funded status. The remaining two increases were scheduled for July 1, 2008 and 2009. However, at the October 2007 Board Meeting, the PERSI Board made the current Base Plan contribution rates permanent and amended PERSI rules to remove the future scheduled rate increases.

As of July 1, 2007, PERSI's Base Plan has a funded ratio of 105.5% and no amortization period of the unfunded liability due to the actuarial assets exceeding the actuarial liabilities of the Plan. This significant increase in the funding and moving to an over 100% funded ratio was due to an investment return before expenses of 20% for Fiscal Year 2007. The actuarial gain (investment return in excess of actuarial assumption) for Fiscal Year 2007 was approximately \$1.1 billion leaving a \$573 million funding surplus at the year end.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

**STATEMENTS OF PLAN NET ASSETS — PENSION TRUST FUNDS AND OTHER TRUST FUNDS
JUNE 30, 2007 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2006**

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan	
			414(k)	401(k)
ASSETS:				
Cash and cash equivalents	\$ 2,625,904	\$ 70,018	\$ -	\$ 19,524
Investments—at fair value:				
Fixed income investments:				
Domestic	2,404,466,656	64,113,587		
International	29,082,555	775,468		
Idaho commercial mortgages	275,113,608	7,335,731		
Short-term investments	485,180,162	12,937,023		1,127,975
Real estate equities	373,634,320	9,962,724		
Equity Securities:				
Domestic	4,598,379,098	122,612,879		
International	2,618,367,293	69,817,113		
Private equity	422,037,199	11,253,356		
Mutual, collective, unitized funds			69,934,126	224,139,341
Total investments	11,206,260,891	298,807,881	69,934,126	225,267,316
Receivables:				
Investments sold	1,075,389,646	28,589,740		
Contributions	3,588,416	124,232		273,949
Interest and dividends	41,768,179	1,110,427	259,269	672,401
Total receivables	1,120,746,241	29,824,399	259,269	946,350
Assets used in plan operations — net	2,690,780			
Due from other plans				
Prepaid retiree benefits	34,193,978			
Total assets	12,366,517,794	328,702,298	70,193,395	226,233,190
LIABILITIES:				
Accrued liabilities	\$ 9,812,702	\$ 249,406	\$ -	\$ -
Benefits and refunds payable	160,758			
Due to other plans	1,704,619			
Investments purchased	1,388,421,542	36,911,841		
Total liabilities	1,400,099,621	37,161,247		
NET ASSETS HELD IN TRUST (see unaudited supplementary schedules of funding progress)				
	\$ 10,966,418,174	\$ 291,541,050	\$ 70,193,395	\$ 226,233,190

See notes to financial statements.

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<u>Other Trust Funds</u>		<u>Totals</u>	
<u>Sick Leave Insurance Reserve Fund</u>			
<u>State</u>	<u>Schools</u>	<u>2007</u>	<u>2006</u>
\$ 24,589	\$ 9,389	\$ 2,749,424	\$ 2,318,896
32,711,035	53,871,905	2,555,163,183	2,408,103,044
		29,858,023	52,052,665
		282,449,339	276,765,613
		499,245,160	552,175,467
		383,597,044	178,238,005
54,501,748	89,759,099	4,865,252,824	4,037,609,638
		2,688,184,406	2,191,333,193
		433,290,555	301,624,233
		294,073,467	222,627,280
<u>87,212,783</u>	<u>143,631,004</u>	<u>12,031,114,001</u>	<u>10,220,529,138</u>
		1,103,979,386	923,679,953
		3,986,597	4,566,614
		<u>43,810,276</u>	<u>45,178,739</u>
		1,151,776,259	973,425,306
		2,690,780	2,850,523
636,622	1,067,997	1,704,619	1,571,594
<u>289,639</u>	<u>642,257</u>	<u>35,125,874</u>	<u>31,649,634</u>
<u>88,163,633</u>	<u>145,350,647</u>	<u>13,225,160,957</u>	<u>11,232,345,091</u>
\$ 8,648	\$ 14,192	\$ 10,084,948	\$ 8,148,063
		160,758	248,275
		1,704,619	1,571,594
		<u>1,425,333,383</u>	<u>1,354,245,770</u>
<u>8,648</u>	<u>14,192</u>	<u>1,437,283,708</u>	<u>1,364,213,702</u>
<u>\$ 88,154,985</u>	<u>\$ 145,336,455</u>	<u>\$ 11,787,877,249</u>	<u>\$ 9,868,131,389</u>

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

**STATEMENTS OF CHANGES IN PLAN NET ASSETS — PENSION TRUST FUNDS AND OTHER TRUST FUNDS
YEAR ENDED JUNE 30, 2007 WITH COMPARATIVE FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2006**

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan	
			414(k)	401(k)
ADDITIONS:				
Contributions:				
Members	\$ 159,601,160	\$ 34,588	\$ -	\$ 29,668,354
Employers	259,489,787	12,130,774		190,850
Transfers and rollovers in				8,512,489
Total contributions	<u>419,090,947</u>	<u>12,165,362</u>		<u>38,371,693</u>
Investment income:				
Net appreciation in fair value of investments	1,544,783,501	41,068,797	9,903,322	26,809,103
Interest, dividends and other investment income	296,350,213	7,878,610	1,948,299	6,402,750
Less investment expenses	<u>(47,149,632)</u>	<u>(1,253,495)</u>	<u>(166,476)</u>	<u>(71,068)</u>
Total investment income — net	1,793,984,082	47,693,912	11,685,145	33,140,785
Other — net	<u>238,637</u>			
Total additions	<u>2,213,313,666</u>	<u>59,859,274</u>	<u>11,685,145</u>	<u>71,512,478</u>
DEDUCTIONS:				
Benefits and refunds paid to members and beneficiaries	435,666,481	17,083,762	1,695,744	3,568,243
Administrative expenses	6,680,619			
Transfers and rollovers out			<u>1,242,579</u>	<u>5,015,298</u>
Total deductions	<u>442,347,100</u>	<u>17,083,762</u>	<u>2,938,323</u>	<u>8,583,541</u>
INCREASE IN NET ASSETS	1,770,966,566	42,775,512	8,746,822	62,928,937
NET ASSETS HELD IN TRUST:				
Beginning of year	<u>9,195,451,608</u>	<u>248,765,538</u>	<u>61,446,573</u>	<u>163,304,253</u>
End of year	<u>\$ 10,966,418,174</u>	<u>\$ 291,541,050</u>	<u>\$ 70,193,395</u>	<u>\$ 226,233,190</u>

See notes to financial statements.

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Other Trust Funds		Totals	
Sick Leave Insurance Reserve Fund			
State	Schools	2007	2006
\$ -	\$ -	\$ 189,304,102	\$ 180,225,413
5,343,549	12,504,038	289,658,998	280,102,208
<u>5,343,549</u>	<u>12,504,038</u>	<u>8,512,489</u>	<u>6,246,072</u>
		<u>487,475,589</u>	<u>466,573,693</u>
10,680,201	17,620,813	1,650,865,737	799,752,931
<u>(44,098)</u>	<u>(72,628)</u>	<u>312,579,872</u>	<u>268,767,560</u>
		<u>(48,757,397)</u>	<u>(41,129,149)</u>
10,636,103	17,548,185	1,914,688,212	1,027,391,342
<u>8,521</u>	<u>14,034</u>	<u>261,192</u>	<u>143,166</u>
<u>15,988,173</u>	<u>30,066,257</u>	<u>2,402,424,993</u>	<u>1,494,108,201</u>
2,990,660	8,656,757	469,661,647	429,703,247
29,842	49,148	6,759,609	7,361,536
<u>3,020,502</u>	<u>8,705,905</u>	<u>6,257,877</u>	<u>4,040,722</u>
		<u>482,679,133</u>	<u>441,105,505</u>
12,967,671	21,360,352	1,919,745,860	1,053,002,696
<u>75,187,314</u>	<u>123,976,103</u>	<u>9,868,131,389</u>	<u>8,815,128,693</u>
<u>\$ 88,154,985</u>	<u>\$ 145,336,455</u>	<u>\$ 11,787,877,249</u>	<u>\$ 9,868,131,389</u>

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2007

1. GENERAL DESCRIPTION OF THE FUNDS

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

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

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

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

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

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2007 and 2006, the number of participating employer units in the PERSI Base Plan was:

	2007	2006
Cities	144	143
School districts	146	140
Highway and water districts	133	123
State subdivisions	97	97
Counties	40	40
Other	141	148
	701	691

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As of June 30, 2007 and 2006, the number of benefit recipients and members in the System consisted of the following:

	2007	2006
Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:		
Members:		
Active	65,800	64,762
Terminated and vested	9,670	8,948
Retirees and beneficiaries	29,619	28,438

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2007, there were 10 active members and 590 retired members or beneficiaries, collecting benefits from FRF. The FRF covers a closed group of firefighters who were hired before October 1, 1980, and who receive benefits in addition to those provided under the Base Plan. The cost of these additional benefits is paid by FRF member and employer contributions and receipts from a fire insurance premium tax.

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

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

Upon termination of employment, accumulated member contributions plus interest, accrued at 11.69% from January 1, 2007 through June 30, 2007 (10.24% from July 1, 2006 through December 31, 2006) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

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

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

Participants may also elect to change their salary deferral every pay period. The 401(k) portion of the PERSI Choice Plans is open to all active PERSI Base Plan members and was established February 1, 2001. On May 1, 2001, this Plan became open to voluntary employer matching contributions at rates determined by the employers. Beginning in January 2002, employees could make tax-deferred contributions up to 100% of their gross salary less deductions and subject to the Internal Revenue Service (IRS) annual contribution limit. The 414(k) portion of the PERSI Choice Plans was established for gain sharing allocations from the PERSI Base Plan. The gain sharing amount (if any) is based on funding levels in the Base Plan and is subject to Board approval. Eligibility for Gain Sharing requires twelve months of active PERSI Base Plan membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

The System has entered into a contract with ACS HR Solutions, LLC (ACS) for plan recordkeeping services. The plan offers eleven investment options, which are mutual or collective funds. The plans include the PERSI Total Return Fund ("PERSI TRF"), seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in 1% increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI TRF is made. The PERSI TRF is a unitized fund comprised of investment accounts of the PERSI Base Plan.

All 701 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2007, there were 46,719 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 414(k) Plan and the 401(k) Plan. As of June 30, 2007, the Choice Plan 414(k) had 39,410 participants, and the Choice Plan 401(k) had 21,108. The administrative expenses of the PERSI Choice Plans are paid to ACS and funded by the PERSI Base Plan.

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

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

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

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

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

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2007 and 2006. In April 2006, Rule 552 section 2, addressing contribution rates for school districts, was amended which included a phased rate increase implemented over three years. Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. Scheduled rate changes were extended two years from July 1, 2007. The scheduled rates are as follows:

Days Earned	Beginning -	July 1, 2006	July 1, 2009	July 1, 2010
9–10 days		1.16 %	1.18 %	1.21%
11–14 days		1.26 %	1.35 %	1.44%
More than 14 days		Individual rate to be set by the Retirement Board based on current cost and actuarial data and reviewed annually.		

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents less than 3.7% of total investments. PERSI's real estate and commercial mortgage investments are 3.4% and 2.5% respectively of total investments. The System purchases forward currency contracts for certain international investments and United States of America agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. The System may incur minor recording costs for forward contracts until the settlement date. Potential future obligations for the forward contracts are not recognized until the contract expiration date.

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

Assets Used in Plan Operations — These assets represent buildings, equipment, and computer software development costs used by the System and are recorded at cost. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life for buildings is 30 years. The estimated useful life of the computer software development costs is 5 years. Computer and technology equipment has a 3-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, 2006, from which the summarized information was derived.

3. DEPOSITS AND INVESTMENTS

A. Deposits

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

Cash and cash equivalents:		
Held by the State Treasurer		\$ 2,384,570
FDIC insured/collateralized		179,844
Uninsured and uncollateralized		<u>185,010</u>
Total		<u>\$ 2,749,424</u>

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management. For the year ended June 30, 2007, Mellon Global Securities Services is the global custodian for the majority of the investments of the combined PERSI Base Plan, FRF, and PERSI Choice Plans.

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Investments at fair value as of June 30, 2007 are as follows:

	2007	
Investments:		
Domestic fixed income	\$ 2,353,069,217	*
Fixed income futures	30,041	
Commingled domestic fixed income (SLIRF)	86,582,940	*
Short-term investments-cash equivalents	31,075,903	
Short-term investments-domestic	467,041,276	*
Domestic fixed income-USD denominated international securities	115,480,209	*
Idaho commercial mortgages	<u>282,449,343</u>	*
Total domestic fixed income (less payables)	3,335,728,929	
Euro futures	21,339	
Foreign/Euro options	369,789	**
International fixed income	<u>29,466,897</u>	**
Total international fixed income (less payables)	29,858,025	
Short-term investments	1,127,975	
Domestic equities	4,680,607,554	
Domestic equities-preferred stock	38,688,119	
Domestic equities-convertibles	1,697,080	*
International equities	2,630,859,970	
International equities-preferred stock	57,324,444	
Real estate	383,597,043	
Private equity-domestic	403,602,654	
Private equity-international	29,687,895	
Mutual funds (PERSI Choice Plan)	294,073,467	
Commingled equity fund (SLIRF)	<u>144,260,847</u>	
Total investments	12,031,114,002	
Receivables and payables:		
Investments sold:		
International equities with foreign currency exposure	7,420,033	
Foreign exchange contracts receivable	443,187,988	
Receivables not included in risk analysis	653,371,365	
Investments purchased:		
International equities with foreign currency exposure	(17,945,777)	
Foreign exchange contracts payable	(627,629,080)	
Short sales-international	(335,244)	
Written options-domestic	(271,092)	*
Payables not included in risk analysis	<u>(779,152,190)</u>	
Total investments including receivables and payables	<u>\$ 11,709,760,005</u>	
Accrual adjustment	(675,202)	
*Total domestic fixed income (net of payables)	<u>\$ 3,305,373,770</u>	
** Total international fixed income (net of payables)	<u>\$ 29,836,686</u>	

Derivatives — Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. They are designed, among other things, to help investors protect themselves against the risk of price changes. In accordance with its investment policy, the System, through its external investment managers, holds investments in futures, options, 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, 2007, the System had futures contracts with a fair value of \$52,460, 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, 2007, the System had the following net futures contracts exposure:

	Exposure covered by contract
Cash and cash equivalents — Eurodollar	\$ 45,813,687
Cash and cash equivalents — Sterling	4,942,242
U.S. Treasury bond futures	4,202,250
U.S. Treasury note futures	9,041,344
Euro bond futures	5,534,216

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, 2007, the System had option contracts payable with a fair value of \$176,616, which is included in liabilities reported as Investments Purchased. At June 30, 2007, the System had the following options contracts exposure:

	Exposure covered by contract
Cash and cash equivalents purchased call options	\$ 374,437
Cash and cash equivalents purchased put options	3,125
Cash and cash equivalents written call options	9,762
Cash and cash equivalents written put options	10,762
Fixed income purchased call options	75,844
Fixed income written call options	204,484
Fixed income written put options	51,781

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, 2007, the System had entered into forward currency contracts to sell foreign currencies with a fair value of \$1,096,353,910 and had entered into forward currency contracts to buy foreign currencies with a fair value of \$1,098,688,069. Forward currency contracts are receivables or liabilities reported as investments sold or investments purchased. Net unrealized losses of \$2,334,159 at June 30, 2007 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts at June 30, 2007.

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

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2007, the System had invested in TIPS with a fair value of \$940,899,583.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System's investment policies require each portfolio to maintain a reasonable risk level relative to its benchmark. As of June 30, 2007, the System's fixed income assets that are not government guaranteed represented 61% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the following page.

◆◆ Financial Section ◆◆

Credit quality of fixed income securities at fair value:

Credit Quality S&P Rating Level	Domestic	International	Total
Agency (A-1+)	\$ 649,436,954	\$ -	\$ 649,436,954
AAA	144,969,577	21,909,104	166,878,681
AA	91,505,104		91,505,104
A	268,101,907		268,101,907
BBB	131,171,531		131,171,531
BB	26,620,469		26,620,469
B	27,281,655	111,384	27,393,039
CCC	2,291,389		2,291,389
CC	446,678		446,678
C	7,219,862		7,219,862
D	312,321		312,321
Not rated	<u>308,803,363</u>	<u>7,816,197</u>	<u>316,619,560</u>
 Total credit risk fixed income securities	 1,658,160,810	 29,836,685	 1,687,997,495
 U.S. government	 1,262,285,363		 1,262,285,363
Pooled investments	102,478,253		102,478,253
Idaho mortgages	<u>282,449,344</u>		<u>282,449,344</u>
 Total	 <u>\$ 3,305,373,770</u>	 <u>\$ 29,836,685</u>	 <u>\$ 3,335,210,455</u>

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

D. Custodial Credit Risk

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

The System's short-term investments are created through daily sweeps of excess cash by the System's custodian, cash manager, and a few selected investment managers into short-term investment funds. Clearwater Advisors, LLC is the System's cash manager and invests the bulk of the System's cash in short-term instruments. Clearwater Advisors manages approximately 76% of the System's short-term investments. Of the short-term investments at June 30, 2007, \$30,499,442 was held by various counterparties not in the System's name. The remainder of the pooled short-term investment funds is invested in bank-maintained collective investment funds except collective vehicles held and managed by individual investment managers.

E. Concentration of Credit Risk

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

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

F. Interest Rate Risk

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with operational guidelines which include an expected range of interest rate risk in the portfolio. Per the System's policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the tables below quantifies the interest rate risk of the System's fixed income assets. 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	\$ 17,128,387	1.17
Mortgages	57,279,241	2.65
Mortgages	574,034	N/A
Commercial paper	402,203,633	0.13
Corporate bonds	422,416,695	5.88
Corporate bonds	1,048,195	N/A
Fixed income derivatives	(192,523)	N/A
Government agencies	159,142,750	4.19
Government bonds	346,525,804	5.49
Government mortgage — backed securities	428,690,368	2.94
Government mortgage — backed securities	92,027,001	N/A
Pooled investments	15,895,313	0.01
Pooled investments	86,582,940	N/A
Preferred stock	1,697,080	N/A
Private placements	62,403,855	3.33
Private placements	7,972,776	N/A
TIPS	921,528,878	7.76
Idaho mortgages	<u>282,449,343</u>	N/A
Total	<u>\$ 3,305,373,770</u>	

 **Financial Section** 

Effective duration of international fixed income assets by security type:

Investment	Fair Value	Effective Duration in Years
Asset-backed securities	\$ 203,919	7.15
Asset-backed securities	210,398	N/A
Corporate bonds	111,384	4.44
Government agencies	6,779,637	5.85
Government bonds	20,378,936	8.28
Government bonds	1,782,622	N/A
Fixed income derivatives	<u>369,790</u>	N/A
Total	<u>\$ 29,836,686</u>	

G. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risk, primarily reside within the international equity investment holdings. The System expects the managers of these holdings to maintain adequately diversified portfolios to limit foreign currency risk. Per the System's policy, individual manager guidelines outline at a minimum, ranges of currency exposure which are monitored within each portfolio. Managers are required to report variances to the System. Currency gains and losses will result from these fluctuations. The System's exposure to foreign currency risk expressed in U.S. dollars as of June 30, 2007, is highlighted in the table on the following page.

◆ Financial Section ◆

Currency exposures:

Currency	Short-term Investment	Equities	Fixed Income	Total USD Equivalent Fair Value
Australian Dollar	\$ (10,434,357)	\$ 87,465,018	\$ 6,948,675	\$ 83,979,336
Botswana Pula		129,451		129,451
Brazil Real	150,251	73,673,189	1,782,669	75,606,109
British Pound Sterling	(52,997,451)	360,563,264	19,048,249	326,614,062
Canadian Dollar	13,364	46,229,439	554,043	46,796,846
Chilean Peso	156,598	3,066,590		3,223,188
Czech Koruna	9,113			9,113
Danish Krone	91,281	6,381,025		6,472,306
Egyptian Pound	26	13,720,909		13,720,935
Euro	(61,304,571)	816,189,440	6,565,635	761,450,504
Hong Kong Dollar	1,421,499	118,663,181		120,084,680
Hungarian Forint	123,794	15,419,942		15,543,736
Indonesian Rupian	10,918	37,871,219		37,882,137
Israeli Shekel	335,266	21,396,554		21,731,820
Japanese Yen	(57,530,574)	404,077,934		346,547,360
Malaysian Ringgit	52,160	12,861,888		12,914,048
Mexican New Peso	1,397,659	31,031,430	5,455,897	37,884,986
New Taiwan Dollar	4,204,873	94,416,111		98,620,984
New Turkish Lira	121,068	29,281,683		29,402,751
New Zealand Dollar	31,756	4,591,248		4,623,004
Norwegian Krone	26,708	11,895,333		11,922,041
Philippines Peso	81,765	8,318,912		8,400,677
Russian Rubel	319	1,662,734		1,663,053
S African Comm Rand	(9,370)	82,531,948		82,522,578
Singapore Dollar	6,434,781	25,136,958		31,571,739
South Korean Won	(75,244)	221,458,582		221,383,338
Sri Lanka Rupee		224,732		224,732
Swedish Krona	133,112	24,904,972		25,038,084
Swiss Franc	(6,332,741)	119,081,772		112,749,031
Thailand Baht	196,790	49,733,164		49,929,954
Zimbabwe Dollar	4,872	247,010		251,882
	<u>4,872</u>	<u>247,010</u>	<u> </u>	<u>251,882</u>
Total value of investments subject to foreign currency risk	<u>\$(173,686,335)</u>	<u>\$2,722,225,632</u>	<u>\$ 40,355,168</u>	<u>\$2,588,894,465</u>

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2007, consist of the following:

	2007
Buildings and improvements	\$ 5,491,422
Less accumulated depreciation	<u>(2,839,585)</u>
Total buildings and improvements	2,651,837
Computer software development	6,331,360
Less accumulated amortization	<u>(6,331,360)</u>
Total computer software development	-
Equipment	80,218
Less accumulated depreciation	<u>(41,275)</u>
Total equipment	38,943
Total assets used in plan operations	<u>\$ 2,690,780</u>

For the year ended June 30, 2007, depreciation expense on the buildings and improvements was \$157,423, and amortization expense on the computer software development costs was \$ -0-. The computer software development costs were fully depreciated as of June 30, 2006. The equipment had a total depreciation expense of \$23,697 for 2007. The depreciation and amortization costs are included in administrative expenses.

5. CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll), that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately \$2,419,000,000 and \$1,009,000, respectively.

Actuarial valuations of the PERSI Base Plan and FRF are performed annually. The last valuations were performed as of July 1, 2007.

◆◆ Financial Section ◆◆

Normal cost is 14.56% of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.29% 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. The PERSI Board also approved a contribution rate increase of 1% per year for 3 years beginning July 1, 2004, for a total increase of 3% split between employers and employees. The rate increases scheduled to begin July 1, 2005 and July 1, 2006, were postponed for three years. Senate Bill 1183 changed the current payment rate of 3.03% of pay to 1.49% for the optional retirement plan of colleges and universities, effective July 1, 2007.

The contribution rates for the year ended June 30, 2007, and subsequent years through June 30, 2010, are as follows:

Optional retirement plan employees of higher education:

Colleges and universities	3.03 %
Junior colleges	3.83%
Effective July 1, 2007	
Colleges and universities	1.49%
Junior colleges	3.83%

	Active Members		Employers	
	General/ Teacher	Fire/ Police	General/ Teacher	Fire/ Police
Contribution rate effective July 1, 2004 through June 30, 2008	6.23 %	7.65 %	10.39 %	10.73 %
Next planned rate increases:				
Increase effective July 1, 2008	0.37 %	0.44 %	0.61 %	0.61 %
Rate July 1, 2008	6.60	8.09	11.00	11.34
Increase effective July 1, 2009	0.37	0.44	0.61	0.61
Rate July 1, 2009	6.97	8.53	11.61	11.95

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.80%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firefighters hired after October 1, 1980, is 17.24%, in addition to the PERSI Police and Fire rate shown above. FRF employer rates increased along with the PERSI Base Plan rates in Fiscal Year 2005, and are scheduled to increase in Fiscal Year 2009 and 2010.

6. PENSION PLAN PARTICIPATION

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

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

◆◆ Financial Section ◆◆

The contribution requirements of the System and its employees are established and may be amended by the PERSI Board of Trustees. For the years ended June 30, the required contribution rates were 6.23% for general members 7.65% for police/fighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fighter members. PERSI contributions required and paid were \$273,306, \$260,980, and \$245,058 for the three years ended June 30, 2007, 2006, and 2005, respectively.

7. COMMITMENTS

The System had unfunded private equity commitments as of June 30, 2007 of \$628,189,488.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF FUNDING PROGRESS
FISCAL YEARS 2002–2007
(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2002	\$ 6,062.1	\$ 7,209.5	\$ 71.7	\$ 1,075.7	84.9 %	\$ 2,047.1	52.5 %
July 1, 2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)

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

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2002	\$ 181.5	\$ 300.3	\$ 118.8	60.4 %	\$ 34.4	345.3 %
July 1, 2003	182.7	310.7	128.0	58.8	37.0	345.9
July 1, 2004	210.4	302.6	92.2	69.5	39.8	231.7
July 1, 2005	227.2	309.1	81.9	73.5	42.2	194.1
July 1, 2006	248.8	312.3	63.5	79.7	45.0	141.1
July 1, 2007	291.5	314.8	23.3	92.6	47.6	48.9

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

SCHEDULES OF EMPLOYER CONTRIBUTIONS

FISCAL YEARS 2002–2007

(Dollars in millions)

Year Ended June 30	PERSI Employer Contributions			FRF Employer Contributions (c.)		
	Total	Annual	Percentage	Total	Annual	Percentage
	Employer Contributions (Statutory)	Required Contribution (ARC) (a.)	Contributions	Employer Contributions	Required Contribution	Contributions
2002	\$ 205.5	\$ 155.1	133.6 %	\$ 9.6	\$ 9.3	102.2 %
2003	206.7	188.3	110.0	10.1	9.5	107.1
2004	212.6	218.8	97.0	11.7	10.2	114.9
2005	236.2	236.7	100.0	11.7	7.2	162.3
2006	250.8	238.1	105.0	12.0	6.5	186.2
2007	259.5	235.4	110.0	12.1	5.0	240.8

(a.) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is applicable for employers' fiscal years commencing October 1, of the calendar year following the valuation date. For ORP employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2007

ACTUARIAL INFORMATION

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

	PERSI	FRF
Valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Entry age actuarial cost	Entry age actuarial cost
Amortization method	Level percentage of projected payroll — open	Level dollar amount — closed
Remaining amortization period	25 years	30 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.75 %	7.75 %
Projected salary increases —	5.0 % - 11.5 %	4.50 %
Includes salary inflation	4.50 %	4.50 %
Postretirement benefit increase	1.00 %	4.50 %
Implied price inflation rate	3.75 %	3.75 %

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2007

	2007
INVESTMENT AND RELATED SERVICES:	
Adelante Capital Management	\$ 2,651,276
Apollo Management	194,200
Baring Asset Management, Inc.	1,621,525
Sanford C. Bernstein & Company, LLC	4,347,043
Blackstone Capital Partners	86,593
Bloomberg, LP	57,478
Brandes Investment Partners, LP	2,423,248
Bridgepoint Cap, Ltd.	455,279
Bridgewater Associates	353,364
Callan Associates	249,312
Capital Guardian Trust Company	1,648,211
Chadwick, Saylor & Co., Inc.	1,281,633
Chisholm Partners, LP	295,212
Choice Plan Managers	237,545
Clearwater Advisors, LLC	590,774
CVC European Equity	153,515
D.B. Fitzpatrick & Co., Inc.	1,597,196
Donald Smith & Company	1,906,142
Enhanced Equity	716,477
Fidelity Management Trust Company	942,306
Frazier Technology Ventures	282,054
Furman Selz Investments	9,806
Galen Associates	787,750
Genesis Asset Managers, Ltd.	2,468,200
Goense Bounds & Partners, LP	40,217
Hamilton Lane Advisors, Inc.	310,000
Hamilton Lane Co-Investment Fund	100,000
Harvest Partners	150,317
Highway 12	669,518
JH Whitney & Co., LLC	360,118
KKR 2006 Fund	250,244
Kohlberg & Co., LLC	32,636
Lindsay Goldberg & Bessemer	496,885
Littlejohn & Company	86,205
McCown De Leeuw	142,830
Mellon Capital Management	657,960
Mellon Trust	3,302,743
Mondrian Investment Partners	1,142,614
Mountain Pacific Investment Advisors, Inc.	1,030,853
Navis Partners, LP	34,223
Newbridge Asia IV, L.P.	390,813
Pareto Partners	879,287
Peregrine Capital Management	953,621
Providence Investments	382,345

(Continued)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES YEAR ENDED JUNE 30, 2007

	2007
INVESTMENT AND RELATED SERVICES:	
Prudential Investments	428,022
Rowe Price International, Inc.	1,077,447
State Street Global Advisors	369,319
T3 Partners II, LP	35,505
TCW Asset Management	1,243,773
Thomas H. Lee	29,863
TPG Partners, LP	816,188
Tukman Capital Management, Inc.	1,604,133
W. Capital Partners	263,212
Wells Fargo Bank	67,565
Western Asset Management	696,287
Zesiger Capital Group	<u>2,304,800</u>
	45,705,681
CONSULTING/OTHER SERVICES:	
ACS HR Solutions, LLC	1,393,347
Capmark Finance, Inc.	39,537
Deloitte & Touche LLP	65,400
Foster, Pepper, Shefelman PLLC	1,155,001
Gabriel Roeder Smith	58,000
Milliman, Inc.	312,153
Whiteford, Taylor, & Preston	<u>28,278</u>
	<u>3,051,716</u>
	<u>\$ 48,757,397</u>

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 2007

	2007
PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	\$ 460,507
Operating expenses	<u>134,572</u> 595,079
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,095,608
Operating expenses	2,496,379
Capital outlay	312,433
Building depreciation expense	157,423
Equipment depreciation expense	<u>23,697</u> 6,085,540
SICK LEAVE FUND EXPENSES — Administrative	
personnel expenses	<u>78,990</u>
	<u><u>\$ 6,759,609</u></u>



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

Retirement Board
Public Employee Retirement System of Idaho
Boise, Idaho

We have audited the basic financial statements of the Public Employee Retirement System of Idaho (the "System"), a component unit of the State of Idaho, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations

◆◆ Financial Section ◆◆

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

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

October 26, 2007

INVESTMENT SECTION

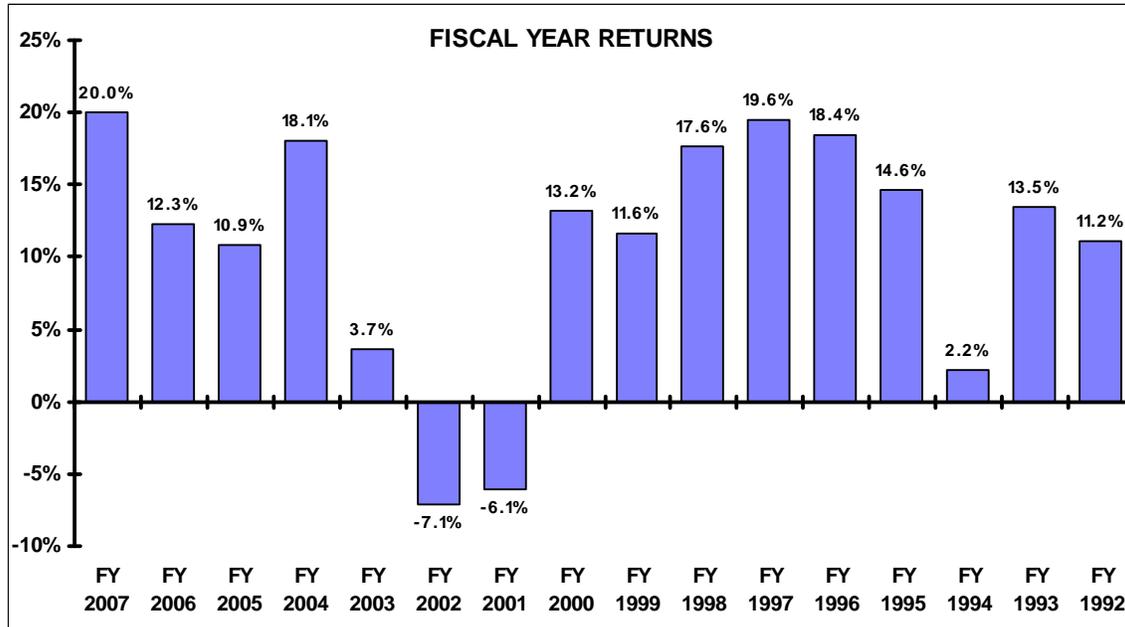
Helping Idaho public employees
build a secure retirement.

REPORT ON INVESTMENT ACTIVITY

Prepared by Robert M. Maynard, Chief Investment Officer

OVERVIEW OF FISCAL YEAR 2007

With returns of 20.0%, PERSI had a spectacular fiscal year not only absolutely but also relative to strategic benchmarks, and one that also compares very well to peers. The value of the Fund ended at \$11,462,578,413 -- an increase of \$1.871 billion since June 30 of 2006 from investment returns of \$1.921 billion minus net payments (net benefit payments plus PERSI expenses) of \$50 million. This was PERSI's best fiscal year performance in over 20 years and resulted in a funded status of 105.1% (up from 94.1% at the beginning of the fiscal year) (after COLAs).



The year was also an excellent year compared to strategic benchmarks. If PERSI had been indexed to the strategic benchmark of 55% US Equities (Russell 3000), 15% international (MSCI EAFE), and 30% fixed income (Lehman Aggregate), and had rebalanced at the start of every month, the fiscal year return would have been 16.6%. The additional return of 3.4%, worth over \$300 million, came from four primary sources:

- (1) 1.1% from the strategic dedication of assets to solely emerging market managers,
- (2) 0.7% from simply using global equity managers rather than US only equity managers, and thereby gaining extra return from having a greater exposure to international assets,
- (3) 1.3% from global equity managers collectively outperforming their individual benchmarks (the MSCI World Index), and
- (4) 0.5% from PERSI's internal rebalancing actions over the fiscal year (with the two primary impacts coming from a rebalancing away from REITs in December, and not strictly rebalancing back to fixed income during the year).

All other strategic biases – TIPS, private assets, “traditional” active management, although positive in overall returns, collectively lost slight amounts of money compared to the strategic benchmark returns over the fiscal year.

PERSI's returns compared to peers also ended up very nicely for the year. Callan's public fund database shows PERSI with the best returns in their database for the quarter and in the top 2 percent for the fiscal year. Longer term returns for the last 15 years are almost uniformly in the top decile or top quartile of comparable institutional funds. Of particular interest is that if PERSI had simply met its

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strategic returns over the past 10 years, it would have uniformly ranked in the bottom third or fourth quartiles and would have been significantly below average for the last quarter and fiscal year:

RANKINGS IN THE CALLAN PUBLIC FUND UNIVERSE
June 30, 2007
Percentile Rankings over Period
(1 is highest, 100 is lowest)

	QTR	1Yr	2Yrs	3Yrs	4Yrs	5Yrs	7Yrs	10Yrs
Return (%)	5.8	20.0	161	14.3	15.2	12.8	6.9	9.0
Policy Return (%)	4.0	16.8	12.7	11.4	12.5	10.6	4.9	7.6
Median Fund (%)	4.3	17.2	13.8	12.6	13.5	11.5	6.7	8.5
PERSI Rank	1	2	9	11	11	14	39	22
Policy Rtn Rank	70	59	72	74	72	74	98	85

The year was led by international equity and particularly emerging markets with returns 47.5% for Bernstein Emerging Markets, 43.6% for Genesis Emerging Markets, 29.6% for Mondrian International Equity, all compared to 27.5% for the MSCI EAFE index and 45.5% for the MSCI Emerging Markets index. Overall, the international portion of PERSI equity assets returned 34.3%.

PERSI's absolute and relative returns were particularly enhanced by the individual and collective activities of the global equity managers – those that can invest assets both domestically and internationally. Global equity managers collectively returned 30.4% for the fiscal year compared to the world equity index returns (MSCI World) of 24.2%. Zesiger Capital once again had an exceptional year with public equity returns of 43.9% and total returns (including private equity) of 42.6% -- 20% more than the benchmark returns. Brandes had a very good year with returns of 30.1%, followed closely by Bernstein Global at 27.9% and Barings at 27.5%. Only Cap Guardian had a sub par year against world index returns with returns of 21.0%, continuing a soft period for them. Fortis was added as a global equity manager only in the last week of the fiscal year.

PERSI's US equity efforts, both public and private, added 19.4%, trailing the R3000 index returns of 20.1% due to a combination of private investments, real estate exposure (public and private), and active manager underperformance. Donald Smith was, once again, the best performing US manager with returns of 26.5%. All other active US managers underperformed the Russell 3000 returns with TCW Domestic (a midcap value manager) at 19.7%, Peregrine (a large cap growth manager) at 18.8%, Mountain Pacific (a mid cap manager) at 18.6%, and Tukman (large cap concentrated) at 17.3%. These returns were generally in line with their particular style benchmark. Adelante started the year with a roar as the REIT market continued its remarkable advance but faded with the REIT markets in the new calendar year to end at 13.4% -- ahead of the REIT index return of 11.5%. Private assets had difficulty keeping up with the very hot public equity markets: private equity had a time-weighted return for the year of 16.9% and private real estate returned 15.7% (equaling or exceeding public REITS for the first fiscal year in some time). The private real estate managers were led by Olympic with returns of 17.8%, followed by Prudential at 16.2%, and Koll at 13.8%, all compared with NCREIF (a private real estate benchmark) returns of 14.9%.

Fixed income had a mediocre year, both absolutely and relatively. The PERSI returns of 5.7% trailed the Lehman Aggregate returns of 6.1%, due primarily to TIPS returns of just over 3% from the SSGA TIPS passive fund (3.6%) and the active TIPS efforts of 3.2% (Bridgewater until November, and Western thereafter). The bright spot for the year in fixed income was the active management of Western Asset Management in their core fixed income account, with returns of 7.6%, and Barings fixed income with returns of 7.2%. Fidelity had benchmark-like returns of 6.2%. The mortgage-oriented accounts generally kept up or slightly exceeded the markets with DBF mortgages returning 6.3% and

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Clearwater returning 6.2%. The Idaho Commercial Mortgage program had very good relative returns of 7.9% for the fiscal year.

This fiscal year has capped a remarkable recovery since the end of the equity bear market in March of 2003, when the PERSI Fund had dropped to \$5.8 billion (from a previous high of \$7.3 billion in March of 2000). Since then, PERSI has grown to \$11.4 billion with investment gains of \$5.7 billion and a cumulative return of 98% -- almost doubling in size in only a little over 4 years. Much of this, of course, was due to simply good capital markets – PERSI’s strategic allocation (55% US equity, 15% international equity, and 30% US investment grade fixed income) would have returned 77% over this period of time. But extra efforts, almost exclusively from global equity management, emerging markets, REITS, and internal rebalancing, have added over 20% to returns since that time and slightly over \$1 billion to total fund returns. PERSI has been able to consistently add to fund value since March of 1999. Over the past eight years, our strategic and active biases have added over \$2 billion to total fund returns, and, instead of the current \$11.4 billion, the Fund would be hovering around \$9.4 billion in size if only index returns had been gained on the strategic policy allocation.

This fiscal year has capped an even longer turnaround in PERSI fortunes and demonstrates the merits of what is now regarded as a “plain vanilla” approach to institutional investing. This is the investment approach that concentrates on being simple, transparent, and focused: “simple” in the sense of relying primarily on the public markets over time with a 70% equity, 30% fixed exposure; “transparent” in being relatively easy to understand and explain; and “focused” in concentrating on the big issues that will have material impacts on the total portfolio and can be easily managed by a small staff with a citizen board.

PERSI and its approach is rapidly becoming an outlier in the world of institutional investing. The clear trend of the moment is a movement to many smaller, complicated, leveraged, and non-transparent investment styles – hedge funds, infrastructure, commodities, distressed and subprime debt, shorting and market neutral strategies (such as “130/30”) and “portable alpha” structures (which are simply nothing more than leveraged bets on active management) are only a few of the examples. At bottom, these strategies and portfolio structures attempt to rely more on active specific investment bets and less on market returns and the accompanying market volatility. They view the portfolio not as a basic combination of equity and fixed income exposures but instead as “quests for alpha” (returns independent of market returns), based on a group of active risk factors, exposures to “real” assets, inflation assets, growth assets, and the like, with a myriad of specialized strategies. They rely on the ability of boards and staffs to pick the better than average manager who can consistently beat, rather than match, market returns. In that quest, these funds are also willing to give up transparency with easy explainability and instead, embrace the complexity and the much higher fees that come with such activities.

PERSI, on the other hand, has kept to a consistent investment approach over the past 15 years that relies on core exposures to the broader public markets. When active management is used, it is generally through broad mandates with clear or concentrated styles, using no leverage or shorting or forms of “black box” investing, and relying on publicly-traded and priced securities with some private exposure around the public core. PERSI’s approach looks equally, if not more, at keeping control on the liabilities of the System – with contribution rates consistently a bit above normal cost, an achievable hurdle rate of 7.25% net of costs, a requirement of 113% funded status before granting any extra one-time benefits to the constituency, and no long-term medical liability. PERSI has only to make about 3.5% after inflation in order to meet its statutorily guaranteed benefits and around 5% real returns in order to provide full COLAs to its retirees.

With a focus on controlling liabilities as the anchor of its investment program, PERSI can rely on long-term market returns to keep pace with the benefits promised. With a 70%-75% equity and 25%-30% fixed income exposure, market returns alone will be sufficient as long as equities return 4%-5% above inflation over long periods of time (historically they have consistently provided 6%-7% above inflation over 10-20 year periods), and bonds return 2%-3% above inflation. Thus capital markets can provide

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much lower returns than they have in the past, and PERSI will still easily meet its statutory benefit needs as long as the Fund keeps on track with its program. PERSI does not rely on its active managers for success – active managers are expected to add to value over time, but they are not needed to save the Fund from an otherwise dire situation.

The trade-off is that PERSI will have to accept short-term market volatility to achieve those longer-term returns. PERSI expects a number of years of negative returns on the path to its long-term goal. The negative returns of 2000-2003 should occur at least once every decade, if not slightly more. But PERSI's constituency – the active members, retirees, Legislature, and general public – held firm during the worst equity bear market since the Great Depression in 2000-2003 and demonstrated PERSI's ability to handle expected market volatility.

PERSI thus has about a quarter of its funds in passive or indexed exposures with the bulk of these exposures in the larger, more efficient markets (S&P 500, US investment grade bonds, etc.). Another quarter of PERSI's funds are with traditional active managers – those that have long-only exposures (no short selling) in the normal asset types of US and international developed market equity (large mid and small capitalization stocks with value, growth, or core styles) or primarily investment-grade fixed income. Another quarter of PERSI assets are with global equity managers (who are not confined to either solely US or solely international equity markets). The final quarter of PERSI assets are in private equity (4%), private real estate and Idaho mortgages (6%), dedicated emerging markets mandates (7%), and inflation-protected securities (8%).

These broad but diversified exposures allow PERSI to manage a large amount of money with a small staff, a citizen board, and very tight risk controls. As Warren Buffet noted “risk comes from not knowing what you are doing” – with our type of exposures, it is very easy to see what is happening to the overall PERSI portfolio, to know exactly where we stand in relation to the markets on even a daily basis, and thus not be surprised by unexpected losses or problems building up over time and cascading over material portions of our exposures (as can occur with large, non-transparent, hedge-fund-like investments).

It may be that this relatively straightforward approach is a strategy of the past – but the past has been very, very good to PERSI. Fifteen years ago, PERSI was only \$2.1 billion in size, was 69% funded, the benefit for retirees was only 1.67% of the high five years of salary, and retirees had seen their pensions drop to only 70% of purchasing power. The Fund's returns were at the very bottom (100th percentile) of peer group databases, and the Fund had lost \$1 billion since its inception in 1965 compared to simply indexing to the capital markets.

In the past fifteen years, PERSI has grown to well over \$11 billion with less than \$350 million in net contributions to the System, is over 105% funded, has increased the benefit to retirees to 2% of salary of only the high 3.5 years of salary, and has restored full purchasing power to the retirees. Over almost all time periods, PERSI is in the top quartile, and often in or near the top 10th percentile, depending on the time period reviewed. PERSI has added over \$2 billion, compared to simply indexing to the capital markets, even after distributing \$155 million to the constituency in one-time gain sharing benefits.

PERSI's “plain vanilla” approach to investing has reaped strong rewards and is in a position where it doesn't have to bet on complicated, leveraged, or non-transparent active management approaches in order to have a strong-funded status. It may be that there is a new era of investing, but PERSI has the luxury of being able to wait for more evidence to accumulate on the new wave's benefits before switching from a tried and proven path.

For the numbers presented, the source of the above-disclosed data is the Mellon Analytical Solutions reporting system.

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Investment Summary as of the Year Ended June 30, 2007

<u>Types of Investment</u>	<u>Market Value</u>	<u>Percent of Total Market Value</u>
Short-term investments	\$499,245,160	4.3%
Fixed income		
Domestic	2,468,580,243	21.5%
International	29,858,023	0.3%
Commercial mortgages	<u>282,449,339</u>	<u>2.5%</u>
Total fixed income	2,780,887,605	24.2%
Common stock		
Domestic equity	4,720,991,977	40.9%
International equity	<u>2,688,184,406</u>	<u>23.4%</u>
Total common stock	7,409,176,383	64.4%
Private equity	433,290,555	3.8%
Real estate	<u>383,597,044</u>	<u>3.3%</u>
Total Base Plan investments	<u>\$11,506,196,747</u>	<u>100.0%</u>
Other funds:		
Sick Leave Insurance Reserve Fund	230,843,787	
Choice Plan 414(k)	69,934,126	
Choice Plan 401(k)	<u>224,139,341</u>	
Total investments in all funds	<u>\$12,031,114,001</u>	

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**Schedule of Investments by Account as of June 30, 2007
(including interest and dividends receivable)**

Adelante Capital Management	\$264,436,237
Apollo Management, LP	23,511,528
Baring Asset Management-Global Equity	364,468,383
Baring Asset Management-Global Fixed Income	227,856,801
Bernstein-Emerging Markets	421,084,940
Bernstein-Global Equity	366,663,562
Blackstone Capital Partners, LP	16,530,651
Brandes Investment Partners	689,437,158
Brandes International Equity Fund - <u>Choice Plan</u>	10,836,159
Bridgepoint Capital, LTD	13,501,752
Capital Guardian	439,887,484
Cerberus Investment Partners, LP	10,351,073
Chisholm Management, LP	22,888,541
Clearwater Advisors, LLC	162,646,368
CVC European Equity	16,810,188
D.B. Fitzpatrick & Co.-Fixed Income	167,567,993
D.B. Fitzpatrick & Co.-Idaho Mortgages	289,754,342
Dodge and Cox Income Fund - <u>Choice Plan</u>	3,618,864
Donald Smith & Co.	265,365,237
Dreyfus Prem Midcap Stock Fund - <u>Choice Plan</u>	3,921,011
Enhanced Equity, LP	14,799,861
Fidelity Management Trust Company	216,589,125
First Reserve Fund XI, LP	3,126,774
Fortis Investments	252,866,107
Frazier Technology Ventures II, LP	10,645,428
Furman Selz Investments, LP	6,558,969
Galen Associates, LP	38,880,853
Genesis Asset Managers	418,336,940
Goense Bounds & Partners, LP	6,122,227
Gores Capital Partners, LLP	15,144,620
Green Equity Investors IV, LP	18,056,796
Hamilton Lane Co-Investment Fund, LP	19,443,662
Hamilton Lane Secondary Fund, LP	7,747,513
Harvest Partners III, LP	2,423,205
Highway 12 Ventures, LP	11,407,082
Ida-West	3,275,000
JH Whitney & Co., LLC	11,433,092
KKR 2006 Fund, LP	3,956,633
Kohlberg & Co.	17,155,926
Koll Partners, LLP	256,234,682
Lindsay Goldberg & Bessemer	9,711,331
Littlejohn, LP	12,687,592

(Continued)

 **Investment Section** 

McCown DeLeeuw & Co. IV, LP	3,056,316
Mellon Aggregate Bond Index - <u>Choice Plan</u>	1,398,523
Mellon Capital Management-R2000 Small Cap	149,829,466
Mellon Capital Management-S&P 500 Large Cap	1,374,868,160
Mellon Capital Management-Mid Cap Completion	219,025,786
Mellon Capital Management-International Stock Index	542,171,977
Mellon International EAFE Fund - <u>Choice Plan</u>	3,445,686
Mellon S&P 500 - <u>Choice Plan</u>	6,959,283
Mellon Transition Management Services	154,605
Mellon Wilshire 5000 - <u>Choice Plan</u>	1,929,995
Mondrian Investment Partners	377,179,782
Mountain Pacific Investment Advisors	358,533,837
Newbridge Asia, LP	16,177,459
Oaktree Capital Management, LLC	1,954,559
Olympic IDA Fund II, LLC	86,565,611
Pareto Partners	(2,334,686)
Peregrine Capital Management	193,827,287
PERSI Cash in Short-Term Investment Pool	15,049,639
PERSI Choice Plan Contribution Holding Account	1,127,975
PERSI Choice Plan Loan Fund	2,183,234
Providence Equity Partners, LLP	47,943,344
Prudential Investments	48,860,030
Rowe Price International	2,167,077
Rowe Price Small Cap Fund - <u>Choice Plan</u>	6,837,928
SEI Stable Asset Fund - <u>Choice Plan</u>	9,094,219
State Street Global Advisors-Fixed Income	578,353,199
State Street Global Advisors-TIPS	644,470,129
State Street Global Advisors-Sick Leave Insurance Reserve	230,843,787
T3 Partners, LP	41,847,463
TCW Domestic	214,239,305
Thomas H. Lee, LP	2,643,600
Tukman Capital Management	332,417,978
Vanguard Growth & Income Fund - <u>Choice Plan</u>	8,795,202
W. Capital Partners, LP	12,572,801
Western Asset Management	219,468,697
Western Asset - TIPS	265,315,976
Zesiger Capital Group	583,906,806
Zesiger Capital Group-Private Equity	12,946,555
	<hr/>
Total market value, including investment receivables and payables	\$11,753,570,280
Add: Investments purchased payable	1,425,333,383
Less: Investments sold receivable	(1,103,979,386)
Less: Interest and dividends receivable	(43,810,276)
	<hr/>
Total market value, net of investment receivables and payables	<u>\$12,031,114,001</u>

(Concluded)

Investment Section

Investment Results (Defined Benefit Plans Only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending			
			FISCAL	1 YR	3 YRS*	5 YRS*
U.S. EQUITY						
MELLON CAPITAL MANAGEMENT MID CAP	\$219.0	1.9%	20.6%	20.6%	16.6%	16.0%
MELLON CAPITAL MANAGEMENT R2000 SMALL CAP	149.8	1.3	16.2	16.2	13.2	13.6
MELLON CAPITAL MANAGEMENT S&P 500 LC	1,374.9	12.0	20.5	20.5	11.6	10.6
MOUNTAIN PACIFIC	358.5	3.1	18.6	18.6	12.6	11.4
TUKMAN CAPITAL MGMT	332.4	2.9	17.3	17.3	5.3	5.5
TCW	214.2	1.9	19.7	19.7	11.8	
DONALD SMITH & CO.	265.4	2.3	26.5	26.5	19.0	
PEREGRINE	193.8	1.7	18.8	18.8		
TOTAL U.S. PUBLICLY TRADED EQUITY	\$3,108.1	27.1%	20.0%	20.0%	11.8%	10.9%
BENCHMARK - Russell 3000			20.1%	20.1%	12.4%	11.5%
PRIVATE EQUITY						
IDA-WEST	\$3.3	0.0	20.6%	20.6%	26.6%	36.1%
GALEN III	38.9	0.3	37.4	37.4	5.4	5.4
HARVEST PARTNERS	2.4	0.0	(65.0)	(65.0)	(34.1)	(28.4)
FURMAN SELZ	6.6	0.1	28.6	28.6	40.4	36.9
MCCOWN DE LEEUW	3.1	0.0	22.9	22.9	(73.1)	(55.4)
PROVIDENCE EQ PARTNERS	47.9	0.4	19.1	19.1	33.7	43.7
CHISOLM PARTNERS	22.9	0.2	24.1	24.1	22.7	8.9
LITTLEJOHN II L.P.	12.7	0.1	97.8	97.8	74.6	26.4
OAKTREE CAP	2.0	0.0	230.0	230.0	57.3	40.5
GOENSE BOUNDS	6.1	0.1	7.8	7.8	15.5	44.6
HWY 12 FD VENTURE LP	11.4	0.1	(6.4)	(6.4)	2.2	(7.6)
T3 PARTNERS II L.P.	41.8	0.4	20.7	20.7	36.2	254.8
THOMAS LEE L.P.	2.6	0.0	(11.0)	(11.0)	3.5	(4.2)
APOLLO MGMT LP	23.5	0.2	22.8	22.8	48.0	37.3
GREEN EQUITY IV L.P.	18.1	0.2	9.7	9.7	16.0	
GORES CAPITAL AD LLC	15.1	0.1	37.3	37.3	9.0	
W CAPITAL PARTNERS	12.6	0.1	3.1	3.1	1.2	
FRAZIER TECH VENTURES II	10.6	0.1	18.0	18.0	(0.2)	
KOHLBERG & CO.	17.2	0.1	3.4	3.4		
HAMILTON SECONDARY	7.7	0.1	14.6	14.6		
CVC EUROPEAN EQUITY	16.8	0.1	57.2	57.2		
HAMILTON LANE CO-INVESTMENT FUND	19.4	0.2	0.2	0.2		
BRIDGEPOINT EUROPE III	13.5	0.1	(0.6)	(0.6)		
NEWBRIDGE ASIA LP	16.2	0.1	5.6	5.6		
JH WHITNEY EQUITY PARTNERS IV	11.4	0.1	22.6	22.6		
BLACKSTONE CAPITAL PARTNERS	16.5	0.1	3.7	3.7		
ENHANCED EQUITY FUND LP	14.8	0.1	(16.3)	(16.3)		
LINDSAY GOLDBERG & BESSEMER II**	9.7	0.1				
KKR 2006 FUND**	4.0	0.0				
FIRST RESERVE FUND XI**	3.1	0.0				
CERBERUS INSTITUTIONAL PARTNERS**	10.4	0.1				
ZESIGER CAPITAL GROUP	12.9	0.1	0.6	0.6	6.6	(3.1)
TOTAL PRIVATE EQUITY	\$455.3	4.0%	16.9%	16.9%	20.0%	13.4%
REAL ESTATE						
KOLL PARTNERS	\$256.2	2.2%	13.8%	13.8%	6.9%	
OLYMPIC IDA FUND II	86.6	0.8	17.8	17.8		
ADELANTE - PUBLIC R/E	264.4	2.3	13.4	13.4	24.3	22.1%
PRUDENTIAL	48.9	0.4	16.2	16.2	18.6	15.2
TOTAL R/E MANAGERS	\$556.1	5.7%	18.2%	18.2%	23.1%	20.8%
BENCHMARK - NCREIF			14.9%	14.9%	17.4%	13.7%
TOTAL U.S. EQUITY	\$4,219.5	36.7%	19.4%	19.4%	13.6%	12.1%
BENCHMARK - Russell 3000			20.1%	20.1%	12.4%	11.5%
GLOBAL EQUITY						
BARING ASSET MANAGEMENT	\$364.5	3.2%	27.5%	27.5%	16.9%	14.2%
BRANDES INVST PARTNERS	689.4	6.0	30.1	30.1	19.1	18.7
CAPITAL GUARDIAN	439.9	3.8	21.0	21.0	15.5	14.7
ZESIGER CAPITAL GROUP	583.9	5.1	43.9	43.9	29.5	26.1
BERNSTEIN GLOBAL	366.7	3.2	27.9	27.9	23.5	
FORTIS INVESTMENTS**	252.9	2.2				
TOTAL GLOBAL EQUITY	\$2,697.2	23.5%	30.4%	30.4%	20.7%	18.2%

(Continued)

 **Investment Section** 

Investment Results (Defined Benefit Plans Only)

MANAGERS	TOTAL MKT VAL (MILLIONS)	% OF TOTAL FUND	Investment Performance for Periods Ending			
			FISCAL	1 YR	3 YRS. *	5 YRS. *
TOTAL U.S./GLOBAL EQUITY	\$6,916.7	60.2%	23.2%	23.2%	15.9%	14.1%
BENCHMARK - Russell 3000			20.1%	20.1%	12.4%	11.5%
INTERNATIONAL EQUITY						
GENESIS INVESTMENTS	\$418.3	3.6%	43.6%	43.6%	39.3%	33.1%
MELLON CAPITAL MANAGEMENT INTL STK INDX	542.2	4.7	26.5	26.5	21.9	17.6
T. ROWE PRICE	2.2	0.0	32.5	32.5	22.1	16.3
MONDRIAN	377.2	3.3	29.6	29.6	24.5	
BERNSTEIN EMERGING	421.1	3.7	47.5	47.5	43.1	
TOTAL INTERNATIONAL EQUITY	\$1,760.9	15.4%	34.5%	34.5%	27.1%	20.8%
TOTAL INT'L EQUITY (HEDGED) ¹	\$1,758.6	15.3%	34.3%	34.3%	26.9%	20.4%
EAFE INDEX NET			27.5%	27.5%	22.7%	18.2%
TOTAL EQUITY	\$8,675.4	75.6%	25.6%	25.6%	18.2%	15.4%
BENCHMARK - Russell 3000			20.1%	20.1%	12.4%	11.5%
U.S. FIXED INCOME						
DBF & CO FIXED	\$167.6	1.5%	6.3%	6.3%	4.0%	4.1%
DBF & CO-IDAHO MTGS	289.8	2.5	7.9	7.9	4.8	4.9
STATE ST ADV-FX	578.4	5.0	6.1	6.1	3.9	4.7
SSGA-TIPS	644.5	5.6	3.6	3.6	4.1	6.6
CLEARWATER-TBA	162.6	1.4	6.2	6.2	4.0	4.1
TOTAL U.S. FIXED INCOME	\$1,842.8	16.1%	5.6%	5.6%	4.1%	5.5%
GLOBAL FIXED INCOME						
BARING ASSET MANAGEMENT	\$227.9	2.0%	7.2%	7.2%	4.6%	5.3%
FIDELITY	216.6	1.9	6.2	6.2		
WESTERN ASSET	219.5	1.9	7.6	7.6		
WESTERN-TIPS**	265.3	2.3				
TOTAL GLOBAL FIXED INCOME	\$929.2	5.8%	5.9%	5.9%	4.4%	4.7%
TOTAL FIXED INCOME	\$2,772.0	24.2%	5.7%	5.7%	4.2%	5.4%
BENCHMARK - LB Aggregate			6.1%	6.1%	4.0%	4.5%
OTHER						
UNALLOCATED CASH	\$15.0	0.2%	15.3%	15.3%	9.8%	8.1%
MELLON TRANSITION MANAGEMENT SERVICES	0.2	0.0	133.7	133.7	206.7	
TOTAL OTHER	\$15.2					
COMBINED TOTAL	\$11,462.6	100.0%	20.0%	20.0%	14.3%	12.8%
BENCHMARK - 55% Russell 3000			16.8%	16.8%	11.4%	10.6%
30% Lehman Aggregate						
15% MSCI EAFE Index						
Add: Mutual Fund Holdings in 401(K) Plan	\$60.1					
Sick Leave Fixed Income Investments	86.6					
Sick Leave Equity Securities	144.3					
Investments Purchased	1,425.3					
Less: Interest and Dividends Receivable	(43.8)					
Investments Sold	(1,104.0)					
Total Pension Fund Investments Net of Receivables	\$12,031.1					

*Rates of Return are annualized

¹Includes Pareto Partners currency overlay account

**Accounts opened less than one year

Prepared using a time-weighted rate of return per Mellon Analytical Solutions-a division of Mellon Global Security Services.

(Concluded)

◆ Investment Section ◆

Schedule of Investment Income for the Last Six Years

<u>Year</u>	<u>Interest</u>	<u>Dividends</u>	<u>Gains & Losses*</u>	<u>Total</u>
2002	\$120,190,309	\$ 68,412,290	\$ (663,804,822)	\$(475,202,223)
2003	107,626,722	82,726,663	47,095,088	237,448,473
2004	105,106,092	99,565,950	1,005,291,439	1,209,963,481
2005	108,964,781	121,363,908	622,839,336	853,168,025
2006	128,071,925	135,998,068	804,450,498	1,068,520,491
2007	152,332,222	150,190,103	1,660,923,284	1,963,445,609

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

List of Largest Assets Held

Largest Bond Holdings (by Market Value) June 30, 2007

	<u>Par</u>	<u>Bonds</u>	<u>Description</u>	<u>Market Value</u>
1	\$221,035,536	US TREASURY INFLATION INDEX BD	3.875% 04/15/2029 DD 04/15/99	\$266,865,928
2	225,145,008	US TREASURY INFLATION INDEX NT	4.250% 01/15/2010 DD 01/15/00	233,675,978
3	174,837,188	US TREASURY INFLATION INDEX BD	2.000% 01/15/2026 DD 01/15/06	158,364,203
4	46,190,000	COMMIT TO PUR FNMA SF MTG	5.500% 07/01/2037 DD 07/01/07	44,544,481
5	45,999,070	US TREASURY INFLATION INDEX BD	2.375% 01/15/2025 DD 07/01/04	44,230,957
6	41,250,000	COMMIT TO PUR FNMA SF MTG	6.000% 08/01/2022 DD 08/01/07	41,417,558
7	41,000,000	COMMIT TO PUR FHLMC GOLD SFM	5.000% 08/01/2037 DD 08/01/07	38,411,875
8	35,000,000	COMMIT TO PUR FNMA SF MTG	5.500% 08/01/2037 DD 08/01/07	33,731,250
9	32,300,000	COMMIT TO PUR FNMA SF MTG	6.000% 07/01/2037 DD 07/01/07	31,946,703
10	31,154,000	US TREASURY NOTES	5.125% 05/15/2016 DD 05/15/06	31,329,241

Largest Stock Holdings (by Market Value) June 30, 2007

	<u>Shares</u>	<u>Stock</u>	<u>Market Value</u>
1	2,291,292	GENERAL ELECTRIC CO.	\$ 87,710,658
2	2,377,493	MICROSOFT CORP.	70,064,719
3	921,716	AMERICAN INTERNATIONAL GROUP, INC.	64,547,771
4	595,577	IBM CORP.	62,684,479
5	952,018	JOHNSON & JOHNSON CO.	58,663,349
6	249,506	GOLDMAN SACHS GROUP, INC.	54,080,426
7	637,922	EXXON MOBIL CORP.	53,508,897
8	1,354,249	WELLS FARGO & CO.	47,628,937
9	1,801,519	PFIZER, INC.	46,064,841
10	68,748	SAMSUNG ELECTRONICS CO. LTD.	42,116,420

A complete list of portfolio holdings is available upon request.

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Schedules of Fees and Commissions for the Year Ended June 30, 2007

<u>Investment fees by type</u>	<u>Average assets under management</u>	<u>Fees</u>	<u>Basis points</u>
Investment manager fees			
Equity managers	\$7,465,528,230	\$26,504,321	36
Fixed income managers	2,374,730,097	1,910,955	8
Private equity managers	632,324,349	7,420,484	117
Real estate managers	610,154,014	4,270,592	70
	<hr/>		
Total average assets	\$11,082,738,690		
Total investment manager fees		40,106,352	36
Other investment service fees			
Custodian/recordkeeping fees		4,763,655	
Investment consultant fees		1,937,959	
Legal fees		1,183,280	
Actuary/audit service fees		411,881	
		<hr/>	
Total investment service fees		8,296,775	7
Total defined benefit plans' fees		\$48,403,127	<u>44</u>
Total defined contribution plans' fees		237,544	
Total other trust funds' fees		116,726	
		<hr/>	
Total investment fees		\$48,757,397	

(Continued)

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Schedules of Fees and Commissions for the Year Ended June 30, 2007

<u>Broker Commissions</u>	<u>Base Commission</u>	<u>Total Shares</u>	<u>Commission per Share</u>
DEUTSCHE BK SECS INC, NY	\$ 431,070	294,983,411	0.0115
BEAR STEARNS & CO INC, NEW YORK	185,136	9,200,546	0.0201
LEHMAN BROS INC, NEW YORK	177,444	4,587,407	0.0387
GOLDMAN SACHS & CO, NEW YORK	167,660	13,129,153	0.0128
MORGAN STANLEY & CO INC, NEW YORK	124,497	9,124,095	0.0136
JEFFERIES & CO INC, NEW YORK	124,216	2,872,182	0.0432
CITIGROUP GBL MKTS LTD, LONDON	120,698	7,519,526	0.0161
CITIGROUP GBL MKTS/SALOMON, NEW YORK	119,453	44,945,118	0.0027
DEUTSCHE BK INTL EQ, LONDON	117,580	4,277,860	0.0275
BEAR STEARNS SEC CORP, BROOKLYN	117,263	4,909,501	0.0239
LEHMAN BROS INTL, LONDON	108,587	9,145,641	0.0119
UBS SECURITIES LLC, STAMFORD	100,292	3,712,189	0.0270
MERRILL LYNCH INTL LONDON EQUITIES	97,209	3,025,428	0.0321
CITIGROUP GBL MKTS INC, NEW YORK	96,824	3,028,633	0.0320
INVESTMENT TECHNOLOGY GROUPS, NEW YORK	96,148	8,509,759	0.0113
CREDIT LYONNAIS SECS (ASIA), HONG KONG	94,825	21,813,200	0.0043
GOLDMAN SACHS INTL, LONDON	92,519	4,561,415	0.0203
MERRILL LYNCH PIERCE FENNER, WILMINGTON	87,182	20,691,484	0.0042
BERNSTEIN SANFORD C & CO, NEW YORK	86,299	1,967,412	0.0439
MERRILL LYNCH PIERCE FENNER SMITH INC, NEW YORK	85,907	2,740,011	0.0314
CITATION GROUP, NEW YORK	79,042	1,961,091	0.0403
J P MORGAN SECS LTD, LONDON	75,011	2,585,496	0.0290
CANTOR FITZGERALD & CO INC, NEW YORK	73,968	1,923,229	0.0385
UBS WARBURG ASIA LTD, HONG KONG	71,784	12,252,900	0.0059
MORGAN STANLEY & CO, LONDON	70,816	3,668,294	0.0193
UBS EQUITIES, LONDON	70,613	1,829,047	0.0386
CREDIT SUISSE, NEW YORK	66,173	2,632,364	0.0251
CREDIT SUISSE (EUROPE), LONDON	64,154	2,238,681	0.0287
INSTINET CORP, NEW YORK	63,510	1,659,309	0.0383
CREDIT SUISSE (HK) LIMITED, HONG KONG	57,016	11,994,261	0.0048
ABEL NOSER CORP, NEW YORK	55,875	3,306,950	0.0169
DEUTSCHE SEC ASIA LTD, HONG KONG	55,400	31,283,870	0.0018
CJS SECURITIES, BROOKLYN	53,066	1,550,458	0.0342
OTHER BROKERS UNDER \$60,000	2,121,225	212,761,365	0.0100
TOTAL BROKER COMMISSIONS	\$5,608,462	766,391,286	0.0073

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

(Concluded)

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

I. Introduction

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

II. Statutory Requirements

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

A. Sole Interest of Beneficiaries

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

B. Prudent Investments

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

C. Fiduciary Duties

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

III. Investment Goals

A. General Objective

1. Purpose

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

2. Considerations

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

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

B. Specific PERSI return and risk objectives

1. Investment Returns

(a) Actuarial Assumptions

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

discretionary COLAs (2-6%), retroactive COLAs, accelerate the amortization of the unfunded liability, build a stabilization reserve, or allow for gain-sharing distributions.

(b) Inflation and Salary Assumptions

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

(c) Relation to Funding Policy

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

(d) Periodic Specific Return Goals

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

2. Investment Risk and Strategic Asset Allocations

(a) Diversification Among Asset Classes

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

(b) Review of Asset Classes and Asset Allocation

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

(c) Content of Strategic Asset Allocations

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

(d) Strategic Policies

In addition to asset allocation, the Board may from time to time adopt strategic policies. "Strategic policies" are actions by the Board to invest in asset types that have not been singled out as "asset classes" in the asset allocation process, to overweight particular sectors within an asset class, or to

employ particular strategies in the investment of Trust assets. The purposes of these actions are either to increase the return above the expected return or to reduce risk. Examples of types of strategic policies include: a tilt towards small capitalization stocks in U.S. equity allocations; a tilt toward mortgage exposures in fixed income; hedging international currency exposures through a currency overlay program, and adding international emerging markets exposure in international equities.

IV. Investment Structure

A. Overall Structure

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

1. Board Ultimately Responsible

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

2. General Roles and Responsibilities of Board and Agents

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

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

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

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

1. Specific Responsibilities

The Board will be directly responsible for

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

2. Delegation and Monitoring of Specific Investment Activities

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

C. Employees, Consultants, and Advisors to the Board

1. Investment Staff

(a) Duties of Chief Investment Officer and Other Staff

The Board will hire a Chief Investment Officer and such other staff as it considers appropriate who will

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

(b) Allocation of New Net Contributions

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

(c) Tactical Asset Allocation

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

(d) Minimum Qualifications of Chief Investment Officer

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

2. Actuaries

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

3. Investment Consultants

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

D. Managers or Agents with Delegated Responsibilities

1. Custodian

(a) Responsibilities

The Board will hire custodians and other agents who will be fiduciaries of the Trust and who will assume full responsibility for the safekeeping and accounting of all assets held on behalf of the Trust. Among other duties as may be agreed to, the custodian will be responsible for: (a) the receipt, delivery, and safekeeping of securities; (b) the transfer, exchange, or redelivery of securities; (c) the claiming,

receipt, and deposit of all dividend, interest, and other corporate actions due the Trust; (d) the daily sweep of all uninvested funds into a cash management account or accounts; and, (e) the provision of reports to PERSI upon agreed time intervals that will include all purchases and sales of securities, all dividend declarations on securities held by the Trust, a list of securities held by the Trust, and a cash statement of all transactions for the Trust account.

(b) Authorization of Collective Investment Trusts

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

2. Investment Managers

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

(a) Minimum Qualifications

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

(b) Guidelines

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

(c) Responsibilities and Discretion

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

(d) Corporate Governance

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

(e) Transactions and Brokerage

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

3. Use of Passive and Active Managers

(a) Purpose and Use of Active Management

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

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

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

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

(b) Structure

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

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

(c) Balance between Passive and Active Management

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

(d) Monitoring Standards

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

V. Asset Class Policies

A. U.S. Equities

1. Objective

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

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

B. International Equities

1. Objective

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

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

C. Fixed Income

1. Objectives

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

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

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

2. Allowable Investments

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

3. Manager Styles

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

4. Benchmarks

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

D. Real Estate

1. Objectives

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

2. Allowable Investments

Allowable private equity real estate investments will include open-end and closed-end commingled real estate funds, publicly traded real estate investment trusts, and direct real estate investments originated by selected real estate advisors who structure similar investments with other institutional investors. The

real estate asset sector will not include solely debt obligations; in particular, straight mortgage interests will be considered part of the fixed income asset class.

3. Need for Income Component of Return

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

4. Protection of the Trust

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

5. Reporting

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

E. Alternative Investments

1. Definition and Board Approval

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

2. Objectives and Benchmarks

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

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

A. Purpose

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

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

developed primarily for portfolios dominated by fixed income investments, and are often only poorly transferred, if at all, to portfolios, like PERSI's, that are dominated by equity interests.

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

B. Specific Areas of Risk

1. Credit Risk

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

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

2. Custodial Credit Risk

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

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

3. Concentration of Credit Risk

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

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

4. Interest Rate Risk

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

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

5. Foreign Currency Risk

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

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

 **Investment Section** 

VII. Asset Allocation

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

STRATEGIC ASSET ALLOCATION

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges	Actual Allocation Year Ended June 30, 2007
U.S. Equity	9.65%	17%	55%	50% - 65%	60.4%
International Equity	9.65%	19%	15%	10% - 20%	15.3%
Total Equities			70%	66% - 77%	75.7%
Fixed Income	5.8%	5%	30%	23% - 33%	24.2%
Cash	4.0%	1%	0%	0% - 5%	0.1%

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

ACTUARIAL SECTION

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build a secure retirement.



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October 26, 2007

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

Members of the Board:

Milliman has performed annual actuarial valuations for the Public Employee Retirement System of Idaho since the System's inception. It is anticipated that future actuarial valuations will be performed every year with the next valuation to be as of July 1, 2008. Various benefit increases have occurred since the System was established in 1965. The most recent significant benefit changes were effective July 1, 2000.

Contribution Rates

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

To cover the cost of the benefit improvements in October 1992, 1993, and 1994, the contribution rates were increased. The contribution rates were temporarily reduced between November 1997 and April 25, 2000, when the Board adopted as permanent the new lower rate of 15.78%, based on the funding status of the system. Our July 1, 2002, valuation found that the contribution rates were not sufficient to amortize the unfunded actuarial accrued liability within 25 years of the valuation date, as required by Section 59-1322, Idaho Code. Therefore, in November 2002, the Board approved three 1% contribution rate increases to take effect on July 1, 2004, July 1, 2005, and July 1, 2006. Effective July 1, 2003, the contribution rate for Fire and Police employers was also increased by 0.1% to offset the cost of the \$100,000 duty-related death benefit. The July 1, 2004 contribution rate increase took effect as scheduled, but the other two increases were delayed by the Board to July 1, 2007, and July 1, 2008. In October 2006, the Board delayed these increases to July 1, 2008, and July 1, 2009. In October 2007, the Board cancelled the scheduled contribution rate increases.

◆ Actuarial Section ◆

The historical changes are shown in the table below.

Year of Change	Total Rate	Weighted Total		Fire & Police		General/Teachers	
		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
2005	16.84	6.41	10.43	7.65	10.73	6.23	10.39
2006	16.85	6.42	10.43	7.65	10.73	6.23	10.39
2007	16.86	6.42	10.44	7.65	10.73	6.23	10.39

Our July 1, 2007, actuarial valuation found that the System's rates are sufficient to pay the System's normal cost rate of 14.56%. As of July 1, 2007, there is a funding reserve of \$573.4 million. There is currently no unfunded actuarial liability to amortize. The term "funding reserve" is used when the actuarial value of assets exceeds the actuarial liability as of the valuation date. Thus, the current contribution basis meets the requirements of Section 59-1322, Idaho Code, which requires the unfunded actuarial accrued liability to be amortized within 25 years of the valuation date.

Funding Status

Based on the July 1, 2007, actuarial valuation, the unfunded actuarial accrued liability was decreased by \$1.130 billion due to a large asset gain recognized as of July 1, 2007. Specifically, the System's assets earned a gross return before expenses of 20.10%, which is 12.35% over the actuarial assumption of 7.75%. All other actuarial experience gains and losses decreased the actuarial accrued liability by \$2.1 million. Thus, the total experience gain for the year was \$1.132 billion.

Also, the actuarial accrued liability was decreased by \$16.3 million because actual contributions plus assumed investment returns were greater than the normal cost and the interest on the unfunded actuarial accrued liability. The March 1, 2007, COLA increased the actuarial accrued liability by \$113.4 million. All of these items then resulted in a total actuarial gain of \$1.035 billion and a change in funding status from a 95.2% funding ratio on July 1, 2006, to 105.5% on June 30, 2007. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2007, actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The next major experience study, to be completed in 2008, will cover the period July 1, 2003, through June 30, 2007.

Certification Statement

In preparing our actuarial valuation reports, we relied, without audit, upon the financial statements prepared by the staff of the System. We also relied upon the member and beneficiary data provided to us by the staff. We compared the data for the July 1, 2007, actuarial valuation with corresponding information from the prior valuation and tested for missing or incomplete items, such as birth dates and hire dates. Based on these tests, we believe the data to be sufficient and reliable for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

◆◆ Actuarial Section ◆◆

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

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

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

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

Respectfully submitted,



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



Geoff Bridges, F.S.A., M.A.A.A.
Consulting Actuary

RLS/GB/pap

Public Employee Retirement
System of Idaho

**EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
EFFECTIVE JULY 1, 2007**

1. Investment Return (Adopted July 1, 2004)

The annual rate of investment return on the assets of the System is assumed to be 7.75% (including 0.50% for expenses), compounded annually.

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

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

3. Actuarial Assumptions

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

4. Mortality (Adopted July 1, 2006)

Contributing Members, Service Retirement Members, and Beneficiaries:

• **Teachers**

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

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

• **Fire & Police**

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

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

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

• **General Employees and All Beneficiaries**

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

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

All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2007 valuation report. The projection scale is applied from the year 2000 to the year in which the mortality assumption is being applied.

Disabled Members

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

All mortality tables are adjusted with generational mortality adjustments using projection scale AA as shown in Table A-11B of the July 1, 2007 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, 2004)

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

Age	Fire & Police		General Employees			
	First Year Eligible	Thereafter	Male		Female	
			First Year Eligible	Thereafter	First Year Eligible	Thereafter
55	30%	20%	30%	10%	30%	15%
60	30	25	30	15	30	20
65	50	45	80	75	65	65
70	*	*	30	30	30	25

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

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

6. Early Retirement (Adopted July 1, 2004)

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

Age	Fire & Police	General Employees		Teachers	
		Male	Female	Male	Female
50	6%	*	*	*	*
55	7	3%	3%	7%	6%
60		7	9	13	15

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

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

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

Years of Service	Fire and Police	General Employees		Teachers	
		Male	Female	Male	Female
5	8.0%	10.0%	11.0%	6.0%	7.0%
10	4.6	5.5	6.8	3.3	3.3
15	3.2	3.6	4.6	2.0	2.0
20	2.0	2.6	3.4	1.6	1.6
25	2.0	2.0	2.3	1.6	1.6
30	2.0	2.0	2.0	1.6	1.6

8. Disability Retirement (Adopted July 1, 2004)

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

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

9. Future Salaries (Adopted July 1, 2004)

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

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

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

10. Vesting (Adopted July 1, 2004)

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

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

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

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

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

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

13. Postretirement Benefit Increases (Cost of Living Adjustments)

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

14. Actuarial Cost Method

The entry age actuarial cost method is used, as specified by Idaho law. The aggregate normal cost rate is based on separate rates developed for each valuation group. The normal cost rates used in this valuation were calculated based on all current active members, for each sex and type of employee in this valuation. The actuarial present values of projected benefits and of projected salaries for all active members were calculated. The ratio of the two is the aggregate normal cost rate. The aggregate rate remains unchanged between valuations, unless actuarial assumptions, benefits or contribution rates are changed. The current aggregate normal cost rate was adopted July 1, 2006.

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

Commencing July 1, 2007, 1.49% of the payroll of higher education faculty covered by the Optional Retirement Program (ORP) is payable to PERSI until July 1, 2025. Commencing July 1, 1997, 3.83% of the payroll of community college and post-secondary vocational educational institutions covered by the ORP is payable to PERSI until July 1, 2011. The difference between the future ORP contributions and the actuarial accrued liability computed under the actuarial cost method is the portion of the actuarial accrued liability used to determine the UAAL, or funding reserve, for PERSI.

15. Experience Studies

The last experience study was for the period July 1, 2001, through June 30, 2005, and reviewed the mortality assumptions. All assumptions except mortality will be studied in 2008 for the period from July 1, 2003, through June 30, 2007. Assumptions were adopted and have remained in effect as noted.

16. Recent Changes

The contribution rate for ORP participants contributing 3.30% was changed to 1.49% as of July 1, 2007. To balance out the lower contribution rate, the period over which these contributions will be paid was extended from 2015 to 2025.

◆◆ Actuarial Section ◆◆

**Public Employee Retirement
System of Idaho**

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries*		
		Annual Valuation Payroll	Average Annual Pay	% Increase in Average Annual Pay
1998	57,528	\$1,562,205,000	\$27,156	2.9%
1999	59,248	1,673,056,000	28,243	4.0
2000	60,388	1,798,222,000	29,778	5.4
2001	62,125	1,924,389,000	30,976	4.0
2002	62,376	2,036,004,000	32,641	5.4
2003	62,385	2,063,615,000	33,079	1.3
2004	63,385	2,124,040,000	33,510	1.3
2005	64,391	2,197,385,000	34,126	1.8
2006	64,762	2,294,317,000	35,427	3.8
2007	65,800	2,397,470,000	36,436	2.8

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

◆◆ Actuarial Section ◆◆

**Public Employee Retirement
System of Idaho**

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

Valuation Date July 1	Number			COLA
	Total	Added	Removed	Increases Granted Previous March 1
1998	21,134	1,416	781	2.2%
1999	21,756	1,464	842	1.6 + 100% restoration
2000	22,456	1,597	897	2.3
2001	23,253	1,840	1,043	3.4
2002	24,018	1,612	847	2.7
2003	24,991	1,790	817	1.0
2004	26,043	1,875	823	2.2
2005	27,246	1,959	756	2.7 + 100% restoration
2006	28,438	2,073	881	3.6
2007	29,619	2,101	920	3.8

Valuation Date July 1	Annual Benefits				
	Total Rolls End of Year	Added to Rolls ⁽²⁾	Removed from Rolls	Average	% Increase in Average
1998	\$173,519,000	\$17,894,000	\$5,283,000	\$8,210	4.6%
1999	193,441,000	25,956,000	6,034,000	8,891	8.3
2000	209,549,000	22,757,000	6,649,000	9,332	5.0
2001	235,269,000	33,251,000	7,531,000	10,118	8.4
2002	255,374,000	26,672,000	6,567,000	10,633	5.1
2003	279,219,000	30,190,000	6,345,000	11,173	5.1
2004	307,410,000	35,243,000	7,052,000	11,804	5.6
2005	343,077,000	42,022,000	6,355,000	12,592	6.7
2006	381,677,000	46,085,000	7,485,000	13,421	6.6
2007	422,196,000	49,182,000	8,663,000	14,254	6.2

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

(2) Includes postretirement increases.

**Public Employee Retirement
System of Idaho**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ⁽¹⁾	Present Value of Future ORP Contributions	Unfunded Actuarial Accrued Liabilities (UAAL) ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	UAAL as a Percentage of Covered Payroll
July 1, 1998	\$5,488.2	\$5,060.0	\$65.7	\$(493.9)	109.9%	\$1,627.7	(30.3)%
July 1, 1999	6,171.9	5,536.8	68.9	(704.0)	112.9	1,733.5	(40.6)
July 1, 2000	7,032.9	6,105.1	70.5	(998.3)	116.5	1,827.2	(54.6)
July 1, 2001	6,492.8	6,751.3	72.2	186.3	97.2	1,975.3	9.4
July 1, 2002	6,062.1	7,209.5	71.7	1,075.7	84.9	2,047.1	52.5
July 1, 2003	6,297.8	7,578.8	66.4	1,214.6	83.8	2,057.7	59.0
July 1, 2004	7,420.2	8,154.8	63.5	671.1	91.7	2,115.4	31.7
July 1, 2005	8,208.8	8,778.7	61.3	508.6	94.2	2,208.7	23.0
July 1, 2006	9,177.1	9,699.0	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)

- (1) Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.
- (2) Actuarial accrued liabilities less actuarial value of assets and present value of future ORP contributions. Amounts reported in this table do not include the value of any discretionary COLA or Gain Sharing payments granted after the valuation date. If negative, amount is referred to as a funding reserve.
- (3) Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future ORP contributions.
- (4) Covered Payroll includes compensation paid to all active employees on which contributions are calculated. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members who were active on the actuarial valuation date.

**Public Employee Retirement
System of Idaho**

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
July 1, 1998	\$5,488.2	\$1,089.7	\$1,766.1	\$2,204.2	100.0	100.0%	100.0%
July 1, 1999	6,171.9	1,158.1	1,978.1	2,400.6	100	100.0	100.0
July 1, 2000	7,032.9	1,329.7	2,173.8	2,601.6	100	100.0	100.0
July 1, 2001	6,492.8	1,502.0	2,487.6	2,761.7	100	100.0	90.6
July 1, 2002	6,062.1	1,622.4	2,665.3	2,921.8	100	100.0	60.7
July 1, 2003	6,297.8	1,677.8	2,882.9	3,018.1	100	100.0	57.6
July 1, 2004	7,420.2	1,717.7	3,198.1	3,239.0	100	100.0	77.3
July 1, 2005	8,208.8	1,875.1	3,606.7	3,296.9	100	100.0	82.7
July 1, 2006	9,177.1	2,142.5	4,088.9	3,467.6	100	100.0	84.9
July 1, 2007	10,945.8	2,335.6	4,582.9	3,513.4	100	100.0	100.0

◆◆ Actuarial Section ◆◆

**Public Employee Retirement
System of Idaho**

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

	Gain(Loss) for Period		
	2004-2005	2005-2006	2006-2007
Investment Income			
Investment income was greater (less) than expected.	\$ 239.1	\$ 378.9	\$1,130.1
Pay Increases			
Pay increases were less (greater) than expected.	88.5	75.9	72.8
Membership Growth			
(Additional) liability for new members.	(12.4)	(15.5)	(18.9)
Return to Employment			
Less (more) reserves were required for terminated members returning to work.	(3.9)	(1.8)	(5.5)
Death After Retirement			
Retirees died younger (lived longer) than expected.	4.3	9.8	13.6
Other			
Miscellaneous gains (and losses) resulting from other causes. ⁽¹⁾	<u>(88.4)</u>	<u>(53.8)</u>	<u>(23.5)</u>
Total Gain (Loss) During the Period From Actuarial Experience	\$ 227.2	\$ 393.5	\$1,168.6
Contribution Income			
Actual contributions were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	13.2	(5.2)	16.3
Non-Recurring Items			
Changes in actuarial assumptions caused a gain (loss).	None	(231.0)	None
Changes in actuarial methods caused a gain (loss). ⁽²⁾	(0.7)	(3.7)	(36.4)
Changes in plan provisions caused a gain (loss).	<u>(2.0)</u>	<u>(13.9)</u>	<u>None</u>
Composite Gain (Loss) During the Period	\$ 237.7	\$ 139.7	\$ 1,148.5

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

(1) For 2006-2007, this includes a \$23.5 million loss on active and inactive member experience.

(2) For 2006-2007, this includes a \$24.4 million dollar loss due to the use of current FAE (if higher than estimated FAE) in calculating benefits and a \$12.0 million dollar loss due to an adjustment of the COLA timing factor.

**Public Employee Retirement
System of Idaho**

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

<u>Fiscal Year Ending</u>	<u>Covered Employee Payroll⁽¹⁾</u>	<u>Actual PERSI Employer Contributions Dollar Amount⁽²⁾</u>	<u>Actual ORP Contributions Dollar Amount</u>	<u>Total Actual Employer Contributions</u>	<u>Annual Required Contribution (ARC)⁽³⁾</u>	<u>Percentage of ARC Dollars Contributed</u>
6/30/02	\$ 2,047.1	\$ 200.6	\$ 4.9	\$ 205.5	\$ 155.1	134%
6/30/03	2,057.7	201.7	5.0	206.7	188.3	110
6/30/04	2,115.4	207.3	5.3	212.6	218.8	97
6/30/05	2,208.7	230.4	5.8	236.2	236.7	100
6/30/06	2,343.5	244.4	6.4	250.8	238.1	105
6/30/07	2,421.0	252.8	6.7	259.5	235.4	110

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

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

(3) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

**Public Employee Retirement
System of Idaho**

**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
6/30/02	9.80%	7.335%	134%
6/30/03	9.80	8.910	110
6/30/04	9.80	10.093	97
6/30/05	10.43	10.453	100
6/30/06	10.43	9.885	105
6/30/07	10.44	9.448 ⁽³⁾	110

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

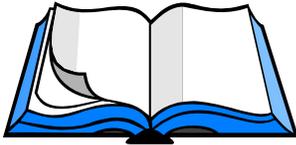
(2) For PERSI employers, the Annual Required Contribution (ARC) is equal to the normal cost rate plus a 25-year amortization of any Unfunded Actuarial Accrued Liability or minus a 25-year amortization of any Funding Reserve amount. The ARC determined as of the valuation date is assumed applicable for employers commencing October 1 of the calendar year following the valuation date. For Optional Retirement Plan (ORP) employers, the ARC is equal to 1.49% of salaries of university members in the ORP until 2025 and 3.83% of salaries of junior college members in the ORP until 2011.

(3) See Table C-5 of the valuation for further disclosures. The ARC of 9.448% for the PERSI fiscal year ending June 30, 2007 is based on three months at 9.68% as computed in the 2004 valuation and nine months at 9.37% as computed in the 2005 valuation.

◆◆ Actuarial Section ◆◆

Public Employee Retirement
System of Idaho

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, 2007. 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, 2007, are considered in this valuation.

The items in parentheses are the provisions applicable to firefighters and police officers.

Effective Date

The effective date of the Retirement System was July 1, 1965.

Member Contribution Rate

The member contribution rate effective July 1, 2005, is 6.23% (7.65%) of salary.

This rate will remain in effect then until the employer contribution rate is changed, at which time the member contribution rate will be fixed at 60% (72%) of the employer contribution rate. For firefighters and police officers, the 72% adjustment is applied after reducing the employer rate by 0.10%, reflecting the 1993 changes in disability provisions for firefighters and police members and the 2003 addition of a \$100,000 death benefit for fire and police members who die in the line of duty. Member contributions have been “picked up” on a pre-tax basis by the employer since June 30, 1983. (Sections 59-1331 and 59-1332).

◆◆ Actuarial Section ◆◆

Employer Contribution Rate

The employer contribution rate is set by the Retirement Board (Section 59-1322).

Service Retirement Allowance

Eligibility

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

Amount of Allowance

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

Minimum Benefit

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

Maximum Benefit

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

Normal Form

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

Optional Form

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

Early Retirement Allowance

Eligibility

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

Amount of Allowance

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

Vested Retirement Allowance

Eligibility

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

Amount of Allowance

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

Disability Retirement Allowance

Eligibility

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

Amount of Allowance

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

Normal Form

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

Death Benefits

After Retirement

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

Before Retirement

- A. An automatic joint and survivor option applied to the actuarial equivalent of the member's accrued service retirement allowance is paid to the surviving spouse of a member with at least five years of service who dies while:
- i. contributing;
 - ii. not contributing, but eligible for benefits; or
 - iii. retired for disability

◆◆ Actuarial Section ◆◆

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

C. If a member has less than five years of service, a lump sum payment is made equal to the accumulated contributions with interest (Section 59-1361).

Fire and police members are entitled to an additional \$100,000 payment if death occurs in the line of duty (Section 59-1361 A).

Withdrawal Benefits

Accumulated contributions with interest (Section 59-1358). The interest rate is determined by the Board (Section 59-1301 (26)).

Postretirement Increases

A 1% annual postretirement increase is effective March of each year. An additional postretirement increase of up to 5% each year may be authorized by the Board, subject to the approval of the Legislature, if it finds that the System's assets are no less in value than its actuarial liabilities, including those created by the additional increase. Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase of 6% in any year (Section 59-1355).

Gain Sharing

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

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

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October 26, 2007

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

Members of the Board:

Milliman has performed annual actuarial valuations of the Idaho Firefighters' Retirement Fund (FRF) from 1981 through 1988 and biennial valuations from July 1, 1990, to July 1, 2000. Since the July 1, 2001, valuation, actuarial valuations have occurred annually. The next actuarial valuation is scheduled for July 1, 2009.

Contribution Rates

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

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

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

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

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

After the July 1, 2006, PERSI and FRF valuation reports were completed, the PERSI Board delayed the effective date of the scheduled contribution rate increases to July 1, 2008, and July 1, 2009. In October 2007, the Board cancelled the remaining scheduled contribution rate increases.

Funding Status

Based on the July 1, 2007, actuarial valuation, the current schedule of contribution rates will amortize the FRF excess benefit costs by October 31, 2009, or 2.3 years from the valuation date. This is shorter than the expected amortization period of 5.5 years based on the July 1, 2006, valuation. It is shorter than the Fund's original funding goal, which is to amortize the liabilities over 12 years or by June 30, 2018 (40 years from July 1, 1978). The current amortization period is less than the statutory maximum of 50 years.

The unfunded actuarial accrued liability (UAAL) was decreased by \$29.7 million due to an asset gain recognized as of July 1, 2007. Specifically, the Fund's assets earned a gross return before expenses of 19.92% for the 2007 plan year, exceeding the actuarial assumption of 7.75%. All experience gains and losses (including the asset gain) over the year resulted in the UAAL being decreased by \$32.1 million. Also, the actuarial accrued liability was decreased by \$8.1 million because actual contributions plus assumed investment returns were more than the normal cost and the interest on the unfunded actuarial accrued liability. The funding status increased from a 79.7% funding ratio on July 1, 2006, to 92.6% on June 30, 2007. The funding ratio is the ratio of the actuarial value of the assets over the value of the actuarial accrued liability.

Assumptions

Our July 1, 2007, actuarial valuation report presented summaries of the actuarial assumptions and methods used in the valuation. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members. Several assumptions were changed between July 1, 2003, and July 1, 2004, including the investment return, wage growth assumption, and the inflation assumption. The mortality assumptions for the plan were changed on July 1, 2006, in conjunction with changes to the assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006, valuation.

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

Certification Statement

In preparing our actuarial valuation report, we relied, without audit, upon the financial statements prepared by the staff of the System. We also relied upon the member and beneficiary data provided us by the staff. We compared the data for the July 1, 2007, actuarial valuation with corresponding information from the prior valuation and tested for missing or incomplete items, such as birth dates and hire dates. Based on these tests, we believe the data to be sufficient and reliable for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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

◆◆ Actuarial Section ◆◆

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

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

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

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

Respectfully submitted,



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



Geoff Bridges, F.S.A., M.A.A.A.
Consulting Actuary

RLS/GB/pap

Idaho Firefighters' Retirement Fund

EXHIBIT 1: SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS EFFECTIVE JULY 1, 2007

1. Investment Return (Adopted July 1, 2004)

The annual rate of investment return on the assets of the Fund is assumed to be 7.75% (including 0.50% for expenses), compounded annually.

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

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

3. Actuarial Assumptions

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

4. Service Retirement (Adopted July 1, 1992)

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

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

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

5. Mortality (Adopted July 1, 2006)

The mortality rates used for all members of the Fund, active and retired, are from the RP-2000 Combined Mortality Table for males with generational mortality adjustments, with ages unadjusted. The mortality rates assumed for spouses are from the RP-2000 Combined Mortality Table for females with generational mortality adjustments, with ages set back one year. For disabled members, the mortality rates used in the valuation are from the RP-2000 Mortality Table for disabled males with generational mortality adjustments, set back two years. These tables are illustrated in Table A-4A of the July 1, 2007, 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, 2007, valuation report.

6. Disability Retirement (Adopted July 1, 1996)

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

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

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

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

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

8. Future Salaries (Adopted July 1, 2004)

In general, the total annual rates at which salaries are assumed to increase include 4.50% per year for increases in the general wage level of membership. The general wage level increases are due to inflation and increases in productivity. Due to the closed group and the aging of the membership, the general wage assumption is assumed to adequately cover any additional increases due to promotions and longevity.

9. Replacement of Terminated Members

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

10. Postretirement Benefit Increases (Cost of Living Adjustments) (Adopted July 1, 2004)

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

11. Probability of Marriage

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

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

The fire insurance premiums received for the plan year ending June 30, 2007, amounted to \$3,827,763 or approximately 8.03% of all firefighters' covered compensation during the same period. Future fire insurance premiums are expected to provide contributions as a decreasing percentage of compensation, due to the assumption that the firefighters' covered compensation (including Class D members) will increase at the rate of 4.50% per year, but future fire insurance premiums are assumed to increase at a rate of only 3.75% per year. In addition, scheduled decreases in the fire insurance premium tax rate will result in reduced funds being transferred to the FRF plan. The rate for the increase for covered compensation was adopted July 1, 2004. The rate for the increase of fire insurance premiums was adopted July 1, 2004.

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

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

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

For GASB disclosure purposes, costs are determined based on the entry age normal cost method. The actuarial present value of future benefits not provided by PERSI less the present value of future normal costs equals the actuarial accrued liability. The unfunded actuarial accrued liability (UAAL) is equal to the actuarial accrued liability less the actuarial value of the assets. The UAAL is amortized as a level dollar amount over a fixed amortization period. The current amortization period is based on an open 30-year period from July 1, 2007. 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, 2001, through June 30, 2005, and reviewed the mortality assumptions. All assumptions except mortality will be studied in 2008 for the period July 1, 2003, to June 30, 2007. Assumptions were adopted and have remained in effect as noted. The FRF assumptions generally reflect the assumptions used for the PERSI Fire and Police members, but are modified to reflect the characteristics expected of the closed group of FRF members.

16. Recent Changes

The mortality assumptions were modified as of July 1, 2006 in conjunction with changes to the mortality assumptions for the PERSI base plan, as described in Appendix A of the July 1, 2006 valuation report. The investment return assumption, wage growth assumption, and the inflation assumption were modified effective July 1, 2004.

Idaho Firefighters' Retirement Fund

EXHIBIT 2: SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date July 1	Number	Annual Salaries		Annual Increase in Average
		Total ⁽¹⁾	Average	
1996	194	\$ 8,514,433	\$ 43,889	5.8%
1998	163	7,954,048	48,798	5.4
2000	129	7,174,924	55,620	6.8
2001	103	5,771,086	56,030	0.7
2002	81	4,981,492	61,500	9.8
2003	57	3,750,432	65,797	7.0
2004	42	2,840,572	67,633	2.8
2005	20	1,526,466	76,323	12.8
2006	13	1,034,693	79,592	4.3
2007	10	791,125	79,113	(0.6)

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

Idaho Firefighters' Retirement Fund

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

Valuation Date July 1	Number			COLA
	Total	Added	Removed	Increases Granted Previous January 1
1996	431	34	14	3.54%
1998	482	72	21	5.00
2000	508	43	17	3.33
2001	526	31	13	7.55
2002	558	41	9	1.51
2003	576	27	9	4.41
2004	582	21	15	2.56
2005	599	25	8	4.33
2006	597	10	12	4.36
2007	590	5	12	2.42

Valuation Date July 1	Annual Benefits				Increases in Average
	Total ⁽²⁾	Added ⁽³⁾	Removed	Average	
1996	10,411,707	1,668,685	232,962	24,157	5.2%
1998	12,950,197	2,942,954	404,464	26,868	5.5
2000	14,420,361	1,896,872	426,708	28,387	2.8
2001	16,607,752	2,529,792	342,401	31,574	11.2
2002	17,834,237	1,458,868	232,384	31,961	1.2
2003	19,329,902	1,725,487	229,822	33,559	5.0
2004	20,095,076	1,148,461	383,287	34,528	2.9
2005	21,699,127	1,833,685	229,634	36,226	4.9
2006	22,636,930	1,320,848	383,045	37,918	4.7
2007	22,992,269	754,703	399,364	38,970	2.8

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

(2) Combined annual benefits from FRF and PERSI. The FRF benefits comprised \$16,796,350 of the 2007 total.

(3) Includes postretirement increases.

Idaho Firefighters' Retirement Fund

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

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ⁽¹⁾	Unfunded Actuarial Accrued Liabilities (UAAL) ⁽²⁾	Funded Ratio	Covered Payroll ⁽³⁾	UAAL as a Percentage of Covered Payroll
1996	\$132.1	\$246.7	\$114.6	53.5%	\$24.6	465.9%
1998	179.0	284.0	105.0	63.0	28.0	375.0
2000	217.8	293.4	75.6	74.2	30.8	245.5
2001	200.4	316.2	115.8	63.4	32.9	352.0
2002	181.5	300.3	118.8	60.4	34.4	345.3
2003	182.7	310.7	128.0	58.8	37.0	345.9
2004	210.4	302.6	92.2	69.5	39.8	231.7
2005	227.2	309.1	81.9	73.5	42.2	194.1
2006	248.8	312.3	63.5	79.7	45.0	141.1
2007	291.5	314.8	23.3	92.6	47.6	48.9

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

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

(3) Covered Payroll includes compensation paid to all active firefighters for whom contributions were made to FRF. Covered Payroll differs from the Active Member Valuation Payroll shown in Exhibit 2, which is an annualized compensation of only those members hired prior to October 1, 1980, who were active on the actuarial valuation date. For years prior to 1996, Covered Payroll is estimated. See footnote to Exhibit 7.

Idaho Firefighters' Retirement Fund

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

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Liabilities ⁽¹⁾ for			Portion of Actuarial Liabilities Covered by Assets		
		(A) Active Member Contributions	(B) Retirees and Beneficiaries	(C) Active Members (Employer Financed Portion)	(A)	(B)	(C)
1996	\$132.1	\$1.1	\$182.5	\$67.3	100.0%	71.8%	0.0%
1998	179.0	0.9	226.0	60.8	100.0	78.8	0.0
2000	217.8	0.9	239.9	55.0	100.0	90.4	0.0
2001	200.4	0.3	274.5	43.0	100.0	72.9	0.0
2002	181.5	0.2	270.5	30.4	100.0	67.0	0.0
2003	182.7	0.2	289.4	21.5	100.0	63.1	0.0
2004	210.4	0.1	287.7	15.2	100.0	73.1	0.0
2005	227.2	0.1	301.6	7.4	100.0	75.3	0.0
2006	248.8	0.0	308.1	4.2	100.0	80.8	0.0
2007	291.5	0.0	312.0	2.8	100.0	93.4	0.0

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

Idaho Firefighters' Retirement Fund

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

	Gain (Loss) for Period		
	2004-2005	2005-2006	2006-2007
Investment Income			
Investment income was greater (less) than expected.	\$ 6.2	\$ 10.0	\$ 29.7
Pay Increases			
Pay increases and COLAs were less (greater) than expected.	1.1	0.4	8.1
Death After Retirement			
Retirees died younger (lived longer) than expected.	-	-	(2.7)
Other			
Miscellaneous gains (and losses) resulting from other causes.	(2.2)	0.3	3.3
Total Gain (Loss) During the Period From Actuarial Experience	\$ 5.1	\$ 10.7	\$ 38.4
Contribution Income			
Actual contributions plus assumed investment returns were greater (less) than the normal cost and interest on the Unfunded Actuarial Accrued Liability.	5.2	6.5	8.1
Non-Recurring Items			
Changes in actuarial assumptions and benefits caused a gain (loss).	None	1.2	(6.3)
Composite Gain (Loss) During the Period	\$ 10.3	\$ 18.4	\$ 40.2

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
1998	\$ 27,953,792	\$ 717,489	\$ 4,648,494	\$ 2,634,818	\$ 8,000,801	\$ 9,447,790	84.7%
1999	30,091,784	673,975	5,187,823	2,706,956	8,568,754	8,643,708	99.1
2000	30,830,049	615,335	5,315,101	2,744,153	8,674,589	8,643,708	100.4
2001	32,938,022	583,440	5,678,515	2,964,981	9,226,936	6,265,400	147.3
2002	34,426,786	463,017	5,935,178	3,150,114	9,548,309	9,339,992	102.2
2003	37,005,298	352,350	6,379,713	3,383,388	10,115,451	9,447,664	107.1
2004	39,789,908	301,089	7,421,215	4,001,053	11,723,357	10,200,418	114.9
2005	42,198,856	181,916	7,275,080	4,268,619	11,725,615	7,225,585	162.3
2006	45,012,038	106,814	7,760,075	4,155,314	12,022,203	6,455,083	186.2
2007	47,638,976	78,450	8,212,960	3,827,763	12,119,173	5,033,291	240.8

- (1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll.
- (2) Employer contributions are made as a percentage of actual payroll rather than as a dollar amount. The Statutory Employer FRF contributions in excess of PERSI required contributions are payable only on Class A & B active member payroll. The Additional Employer FRF contributions are payable on Class A & B and Class D active member payrolls.
- (3) Starting July 1, 1996, the Annual Required Contributions (ARC) are computed as a dollar amount based on the entry age cost method and future payroll contributions from Class A & B members only. The ARC is computed for GASB reporting purposes only. The actual employer contributions as a percentage of payroll varied from those determined by the actuarial valuation based on the funding policy as shown in Table D-2 of the actuarial valuation report. Thus, as long as the actual contributions are made as a percentage of payroll under the current funding policy methods and assumptions, as required by the most recent actuarial valuation, the actual dollar amount of the employer contributions will differ from the dollar amount of the Annual Required Contributions (ARC).

Idaho Firefighters' Retirement Fund

EXHIBIT 8: CONTRIBUTION RATES AS A PERCENT OF PAY

Year ⁽¹⁾	State Contributions	Employer Contributions				Total Employer Contributions For Members	
	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
1996	10.88%	11.85%	8.65%	15.40%	7.65%	35.90%	34.90%
1998	7.30	10.01	8.65	17.24	7.65	35.90	34.90
2000	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2001	7.10	10.01	8.65	17.24	7.65	35.90	34.90
2002	7.60	10.01	8.65	17.24	7.65	35.90	34.90
2003	7.60	10.11	8.65	17.24	7.65	36.00	35.00
2004	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2005	6.70	10.73	8.65	17.24	7.65	36.62	35.62
2006	6.60	10.73	8.65	17.24	7.65	36.62	35.62
2007	6.90	10.73	8.65	17.24	7.65	36.62	35.62

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

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

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

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

Idaho Firefighters' Retirement Fund

EXHIBIT 9: PROVISIONS OF GOVERNING LAW

This exhibit outlines our understanding of the laws governing the Firefighters' Retirement Fund (FRF), compared with the provisions that apply to firefighters of the Public Employee Retirement System of Idaho (PERSI), as contained in Sections 59-1301 through 59-1399 for PERSI and Sections 72-1401 through 72-1472 for FRF, inclusive of the Idaho Code through July 1, 2007. 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, 2007

	<u>Public Employee Retirement System</u>	<u>Firefighters' Retirement Fund</u>
Member Contribution Rate	7.65% 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.

 **Actuarial Section** 

Public Employee Retirement System

Firefighters' Retirement Fund

Non-Duty Disability Retirement Allowance

Eligibility	Five years of membership service.	Five years of service. ⁽²⁾
Amount of Annual Allowance	Projected service retirement allowance based on accrued service plus service projected to age 60 (projected service is limited to excess of 30 years over accrued service), less any amount payable under workers' compensation law.	2.00% of final five-year average salary ⁽¹⁾ times years of service ⁽²⁾ , or same as service retirement benefit if eligible.
Normal Form	Temporary annuity to age 60 plus any death benefit.	Payable for firefighter's lifetime, with 100% of benefit continued to eligible surviving spouse or children.

Duty Disability Retirement Allowance

Eligibility	If hired after July 1, 1993, no service requirement, otherwise same as non-duty disability retirement.	No age or service requirements.
Amount of Annual Allowance	Same as non-duty disability retirement.	65% of final five-year average salary.
Normal Form	Same as non-duty disability retirement.	Same as non-duty disability retirement.

Special Disability Benefit

Eligibility	Firefighters hired October 1, 1980 and prior to July 1, 1993, with less than 10 years of service.	None.
Benefit	Same as FRF disability benefit.	None.

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

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

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

 **Actuarial Section** 

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: <ul style="list-style-type: none"> 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.

 **Actuarial Section** 

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.
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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.
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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.
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Amount of Allowance	Same as early retirement allowance.	2.00% of final five-year average salary times years of service ⁽²⁾ .
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Withdrawal Benefit

Accumulated contributions with interest.	Accumulated contributions with interest.
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Post-Retirement Increases

Amount of Adjustment	A 1.00% annual postretirement increase is effective each 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.	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 in February.
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Increases are based on a cost-of-living factor reflecting the changes in the Consumer Price Index, subject to a maximum total increase of 6.00% in any year.

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

STATISTICAL SECTION

Helping Idaho public employees
build a secure retirement.

◆◆ Statistical Section ◆◆

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 2007, the number of active PERSI members increased from 64,762 to 65,800. The number of retired members or annuitants receiving monthly allowances increased from 28,438 to 29,619. The number of inactive members who have not been paid a separation benefit increased from 21,848 to 22,690. Of these inactive members, 9,670 have achieved vested eligibility. Total membership in PERSI increased from 115,048 to 118,109 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, 2007, there were 701 public employers in Idaho who were PERSI members. Tables 7 and 8 of this section illustrate the diversity of our employer participation.

Table 1
Distribution of Membership by Group

	Active Members			Inactive Members			Retirees	Total
	Vested	Non-vested	Total	Vested	Non-vested	Total		
Cities	4,121	2,557	6,678	1,393	879	2,272	2,639	11,589
Female	1,198	865	2,063	428	324	752	928	3,743
Male	2,923	1,692	4,615	965	555	1,520	1,711	7,846
Counties	3,915	3,286	7,201	789	1,307	2,096	2,439	11,736
Female	1,904	1,685	3,589	442	717	1,159	1,266	6,014
Male	2,011	1,601	3,612	347	590	937	1,173	5,722
Schools	19,163	10,170	29,333	3,291	5,716	9,007	12,287	50,627
Female	14,250	7,694	21,944	2,626	4,427	7,053	8,455	37,452
Male	4,913	2,476	7,389	665	1,289	1,954	3,832	13,175
State	11,299	6,793	18,092	3,231	4,134	7,365	9,223	34,680
Female	5,822	3,762	9,584	1,828	2,352	4,180	4,381	18,145
Male	5,477	3,031	8,508	1,403	1,782	3,185	4,842	16,535
All Others	2,862	1,634	4,496	966	984	1,950	3,031	9,477
Female	914	689	1,603	433	640	1,073	1,274	3,950
Male	1,948	945	2,893	533	344	877	1,757	5,527
Grand Total	41,360	24,440	65,800	9,670	13,020	22,690	29,619	118,109
Female	24,088	14,695	38,783	5,757	8,460	14,217	16,304	69,304
Male	17,272	9,745	27,017	3,913	4,560	8,473	13,315	48,805

Table 2
Changes in Membership

Fiscal Year Ended	Active Members			Retired Members		Inactive Members
	Number	Average Age	Average Years of Service	Number	Average Age	Number
1998	57,528	44.6	9.7	21,134	73.2	12,945
1999	59,248	44.8	9.8	21,756	73.1	14,180
2000	60,388	45.0	9.8	22,456	73.1	18,497
2001	62,125	45.1	9.7	23,253	72.7	18,723
2002	62,376	45.4	10.0	24,018	72.7	18,267
2003	62,385	45.7	10.2	24,991	72.5	18,599
2004	63,385	45.9	10.2	26,043	72.3	18,837
2005	64,391	46.0	10.2	27,246	72.1	20,028
2006	64,762	46.2	10.4	28,438	72.0	21,848
2007	65,800	46.2	10.3	29,619	72.0	22,690

Table 3a
Retired Members by Type of Benefit – PERSI Base Plan

Amount of Monthly Benefit	Total Number of Retirees	Type of Retirement			Option Selected	
		Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
\$0 - 250	5,336	4,535	18	783	1,238	4,098
251 - 500	4,863	4,213	71	579	923	3,940
501 - 750	3,622	3,083	151	388	717	2,905
751 - 1,000	2,823	2,405	151	267	569	2,254
1,001 - 1,250	2,324	1,969	176	179	500	1,824
1,251 - 1,500	1,943	1,632	171	140	456	1,487
1,501 - 1,750	1,509	1,317	120	72	411	1,098
1,751 - 2,000	1,279	1,119	108	52	346	933
Over 2,000	5,920	5,552	252	116	1,897	4,023
Totals	29,619	25,825	1,218	2,576	7,057	22,562

Joint & Survivor (also known as Contingent Annuitant)

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

Table 3b

Retired Members by Type of Benefit – Firefighters’ Retirement Fund

Amount of Monthly Benefit	Total Number of Retirees	Type of Retirement			Option Selected	
		Normal	Disability	Beneficiary	Joint & Survivor	Straight Life*
\$0 - 250	11	7	1	3	8	3
251 - 500	9	5		4	5	4
501 - 750	17	14	1	2	15	2
751 - 1,000	17	12	2	3	14	3
1,001 - 1,250	20	17	2	1	19	1
1,251 - 1,500	28	20	1	7	21	7
1,501 - 1,750	36	31	2	3	33	3
1,751 - 2,000	66	52	7	7	59	7
Over 2,000	386	273	28	85	301	85
Totals	590	431	44	115	475	115

Joint & Survivor (also known as Contingent Annuitant)

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

Monthly benefit refers to the benefit payable by the FRF plan (total benefit less PERSI benefit).

All FRF retirees and disableds are valued with two benefits and two options.

- 1) The benefit payable by the FRF plan is valued using a Straight Life option.*
- 2) The total benefit is valued using a Spouse Reversionary option (spouse benefit payable upon the death of the retiree or disabled).*

All FRF beneficiaries are valued using a Straight Life option.

Table 3c

Retired Members by Type of Benefit – PERSI Choice Plan

Amount of Monthly Benefit	Total Number of Retirees	Both 414(k) and 401(k)	414(k) Only	401(k) Only
\$0 - 250	20	13	1	6
251 - 500	14	11		3
501 - 750	7	6	1	
751 - 1,000	13	13		
1,001 - 1,250	3	3		
1,251 - 1,500	0			
1,501 - 1,750	0			
1,751 - 2,000	1	1		
Over 2,000	2	2		
Totals	60	49	2	9

Table 4a
Average Benefit Payments – PERSI Base Plan

<u>Retirement Effective Dates</u>	<u>Years Credited Service</u>						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/97 to 6/30/98							
Average monthly benefit	\$641	\$297	\$503	\$755	\$1,219	\$1,814	\$2,480
Number of retired members	97	210	180	174	162	172	187
Period 7/1/98 to 6/30/99							
Average monthly benefit	\$792	\$268	\$545	\$860	\$1,156	\$1,937	\$2,727
Number of retired members	87	185	203	189	197	193	187
Period 7/1/99 to 6/30/00							
Average monthly benefit	\$614	\$286	\$533	\$848	\$1,257	\$1,934	\$2,702
Number of retired members	81	212	184	180	191	215	231
Period 7/1/00 to 6/30/01							
Average monthly benefit	\$720	\$333	\$543	\$899	\$1,383	\$2,227	\$3,000
Average final average salary	\$1,662	\$1,810	\$2,041	\$2,451	\$2,911	\$3,452	\$3,922
Number of retired members	95	222	240	224	241	242	320
Period 7/1/01 to 6/30/02							
Average monthly benefit	\$582	\$292	\$579	\$944	\$1,388	\$2,196	\$3,123
Average final average salary	\$1,766	\$1,667	\$2,225	\$2,611	\$2,920	\$3,587	\$4,081
Number of retired members	83	226	261	203	234	196	291
Period 7/1/02 to 6/30/03							
Average monthly benefit	\$687	\$331	\$622	\$979	\$1,604	\$2,256	\$3,127
Average final average salary	\$2,299	\$2,065	\$2,287	\$2,647	\$3,202	\$3,707	\$4,184
Number of retired members	79	260	247	251	240	261	406
Period 7/1/03 to 6/30/04							
Average monthly benefit	\$510	\$274	\$585	\$980	\$1,538	\$2,350	\$3,271
Average final average salary	\$1,829	\$1,792	\$2,310	\$2,762	\$3,191	\$3,879	\$4,401
Number of retired members	78	302	231	243	256	297	368
Period 7/1/04 to 6/30/05							
Average monthly benefit	\$451	\$331	\$644	\$1,002	\$1,596	\$2,246	\$3,168
Average final average salary	\$1,918	\$2,078	\$2,525	\$2,926	\$3,345	\$3,809	\$4,434
Number of retired members	66	287	286	270	269	287	403
Period 7/1/05 to 6/30/06							
Average monthly benefit	\$411	\$287	\$623	\$991	\$1,420	\$2,197	\$3,109
Average final average salary	\$1,548	\$1,871	\$2,468	\$2,979	\$3,329	\$3,848	\$4,467
Number of retired members	70	288	289	291	270	331	448
Period 7/1/06 to 6/30/07							
Average monthly benefit	\$354	\$332	\$605	\$946	\$1,505	\$2,211	\$3,074
Average final average salary	\$2,196	\$2,322	\$2,499	\$2,974	\$3,546	\$4,045	\$4,606
Number of retired members	43	304	288	299	273	310	462

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

Creditable data not available for average final average salary for years 1997 thru 2000.

Table 4b

Average Benefit Payments – Firefighters’ Retirement Fund

<u>Retirement Effective Dates</u>	<u>Years Credited Service</u>						
	0-4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/97 to 6/30/98							
Average monthly benefit	\$2,277	\$2,346				\$2,301	
Number of retired members	24	1				1	
Period 7/1/98 to 6/30/99							
Average monthly benefit	\$2,312						
Number of retired members	19						
Period 7/1/99 to 6/30/00							
Average monthly benefit	\$2,046	\$1,775				\$3,416	
Number of retired members	16	1				2	
Period 7/1/00 to 6/30/01							
Average monthly benefit	\$2,145			\$764	\$1,675		
Average Final Average Salary	\$3,805			*	\$4,092		
Number of retired members	12			1	16		
Period 7/1/01 to 6/30/02							
Average monthly benefit				\$2,976	\$1,689		
Average Final Average Salary				*	\$4,140		
Number of retired members				1	24		
Period 7/1/02 to 6/30/03							
Average monthly benefit					\$1,498		
Average Final Average Salary					*		
Number of retired members					23		
Period 7/1/03 to 6/30/04							
Average monthly benefit					\$1,294	\$1,834	
Average Final Average Salary					4,449	*	
Number of retired members					14	2	
Period 7/1/04 to 6/30/05							
Average monthly benefit					\$871		
Average Final Average Salary					4,642		
Number of retired members					25		
Period 7/1/05 to 6/30/06							
Average monthly benefit					\$1,133	\$830	
Average monthly benefit					*	\$4,639	
Average Final Average Salary					2	7	
Period 7/1/06 to 6/30/07							
Average monthly benefit						\$606	
Average monthly benefit						*	
Average Final Average Salary						3	

*Average final average salary is not the basis for calculating benefits on the classes of firefighters in the group. Benefits payable by the FRF Plan are net of PERSI benefits.

Creditable data not available for average final average salary for years 1997 thru 2000.

Table 4c

Average Benefit Payments – PERSI Choice Plan

<u>Retirement Effective Dates</u>	<u>Years of Service</u>						
	0 - 4*	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/00 to 6/30/01							
Average monthly benefit			\$150				
Number of retired members			1				
Period 7/1/01 to 6/30/02							
Average monthly benefit		\$4,000	\$250		\$527	\$250	\$300
Number of retired members		1	1		1	1	2
Period 7/1/02 to 6/30/03							
Average monthly benefit							\$308
Number of retired members							3
Period 7/1/03 to 6/30/04							
Average monthly benefit		\$1,000	\$500	\$400			
Number of retired members		1	1	2			
Period 7/1/04 to 6/30/05							
Average monthly benefit		\$1,000	\$275	\$537	\$585		\$538
Number of retired members		1	2	3	2		6
Period 7/1/05 to 6/30/06							
Average monthly benefit		\$139	\$1,000	\$1,000	\$1,964	\$750	\$698
Number of retired members		1	1	1	4	2	6
Period 7/1/06 to 6/30/07							
Average monthly benefit			\$150	\$425	\$409	\$616	\$648
Number of retired members			2	2	2	4	4

Plan inception was February 1, 2001

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

Table 5
Schedule of Benefit Expenses by Type

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disabilities</u>			<u>Refunds</u>		<u>Total</u>
	<u>Retirants</u>	<u>Survivors (2)</u>	<u>Pre-NRA</u>	<u>Post-NRA</u>	<u>Survivors</u>	<u>Death</u>	<u>Separation</u>	
PERSI BASE PLAN and FRF								
2002	232,856,198	17,968,893	7,959,961	5,150,169	\$21,516	4,310,763	21,799,204	290,066,704
2003	256,035,493	18,866,589	9,035,051	5,500,590	22,042	4,481,725	20,154,162	314,095,652
2004	280,763,933	19,735,004	11,273,747	5,675,595	22,619	6,277,761	20,192,340	343,940,999
2005	307,745,370	20,840,882	12,909,391	5,781,296	352,314	3,133,222	21,768,619	372,531,094
2006	342,794,760	22,205,546	13,694,529	6,088,943	387,844	5,386,912	22,945,895	413,504,429
2007	380,879,849	22,579,175	15,672,020	6,377,501	267,684	4,821,583	22,152,431	452,750,243
PERSI CHOICE PLAN								
2002	2,466,580							
2003	1,951,818							
2004	2,219,650							
2005	3,403,187							
2006	3,963,574							
2007	5,263,987							
SICK LEAVE INSURANCE RESERVE TRUST FUND								
2002	\$6,656,435							
2003	7,852,029							
2004	9,164,531							
2005	10,600,252							
2006	10,453,640							
2007	11,647,417							

(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 Police, 65 for other members).

Table 6
History of Cost-of-Living Adjustments

Year	CPI Rate	PERSI COLA Rate (1)	Maximum COLA	Difference	
1979	8.9%	6.0%	6.0%	0.0%	
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	(3)
1993	3.1	3.1	3.1	0.0	(3)
1994	2.8	2.8	2.8	0.0	(3)
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	(3)
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	(2)
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	

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

2 The discretionary portion of the COLA was not approved.

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

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

	1998	1999	2000	2001
Additions:				
Employee contributions	\$109,305,482	\$110,900,497	\$118,270,877	\$127,533,104
Employer contributions (1)	180,322,741	181,659,638	191,534,944	131,997,290
Investment income (2)	144,779,498	165,730,848	201,552,566	203,096,882
Gains and losses	683,857,465	473,925,423	628,751,044	(669,224,044)
Transfers/Rollovers In (3)				56,560,935
Other income	385,412	411,586	301,280	386,742
Total additions to plan net assets	\$1,118,650,598	\$932,627,992	\$1,140,410,711	(\$149,649,091)
Deductions:				
Benefit payments	\$182,788,207	\$200,025,199	\$220,960,251	\$263,159,138
Refunds	23,019,945	19,938,836	24,560,909	24,777,749
Administrative Expenses	3,172,208	3,596,797	4,283,525	5,874,271
Transfers/Rollovers Out (3)				56,589,222
Total deductions to plan net assets	\$208,980,360	\$223,560,832	\$249,804,685	\$350,400,380
Change in net assets	\$909,670,238	\$709,067,160	\$890,606,026	(\$500,049,471)

1 Employer contributions for 2001 did not include \$77,690,500 of employer gain sharing credits.

2 Investment income is reported net of investment expense.

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

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2002	2003	2004	2005	2006	2007
\$135,637,682	\$145,862,839	\$148,726,798	\$167,192,092	\$180,225,413	\$189,304,102
220,398,889	217,096,030	241,063,204	264,113,386	280,102,208	289,658,998
162,149,168	171,792,158	179,934,208	200,437,219	227,638,411	263,822,475
(663,804,822)	40,395,034	1,001,322,358	619,037,925	799,752,931	1,650,865,737
1,341,525	2,062,334	3,318,115	8,275,628	6,246,072	8,812,489
137,215	132,967	77,694	159,912	143,166	261,192
(\$144,140,343)	\$577,341,362	\$1,574,442,377	\$1,259,216,162	\$1,494,108,201	\$2,402,424,993
\$266,887,469	\$291,220,969	\$328,787,900	\$362,205,823	\$400,122,778	\$442,090,781
25,645,815	24,826,501	26,537,280	24,328,709	29,580,469	27,570,866
7,034,588	6,614,117	6,991,503	7,169,254	7,361,536	6,759,609
829,922	1,555,049	1,976,643	3,457,942	4,040,722	6,257,877
\$300,397,794	\$324,216,636	\$364,293,326	\$397,161,728	\$441,105,505	\$482,679,133
(\$444,538,137)	\$253,124,726	\$1,210,149,051	\$862,054,434	\$1,053,002,696	\$1,919,745,860

Table 8
Principal Participating Employers

2007

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	18,183	1	28%
Meridian School District	3,243	2	5%
Boise Ind School District	2,987	3	5%
Ada County	1,409	4	2%
Nampa School District	1,403	5	2%
City of Boise	1,233	6	2%
Pocatello School District	1,174	7	2%
Idaho Falls School District	1,046	8	2%
Coeur d'Alene School District	1,009	9	1%
Bonneville School District	848	10	1%
All other	33,265		50%
Total (701 employers)	65,800		100%

1998

Participating Employers	Covered Employees	Rank	Percentage of Total System
State of Idaho	17,394	1	30%
Boise Ind. School District	2,848	2	5%
Meridian School District	2,003	3	3%
Pocatello School District	1,364	4	2%
Idaho Falls School District	1,123	5	2%
Ada County	1,071	6	2%
City of Boise	958	7	2%
Nampa School District	886	8	2%
Coeur d'Alene School District	853	9	2%
Bonneville School District	765	10	1%
All other	28,263		49%
Total (617 employers)	57,528		100%

Table 9

Public Entities Participating in PERSI

State Agencies

Accountancy Board
 Administration Dept.
 Aging, Commission on
 Agriculture Dept.
 Arts, Commission
 Athletic Commission
 Attorney General
 Barley Commission
 Bean Commission
 Beef Council, Idaho
 Blind & Visually Impaired Com.
 Boise State University
 Brand Inspector, State
 Building Safety Division
 Canola & Rapeseed Com.
 Certified Shorthand Reporters
 Commerce and Labor Dept.
 Controller's Office
 Corrections Dept
 Correctional Industries
 Dairy Council
 Deaf and Blind School
 Dentistry Board
 Eastern Idaho Technical College
 Education Board
 Engineers & Land Surveyors, Prof.
 Environmental Quality Dept.
 Finance Dept.
 Financial Management Division
 Fish and Game Dept.
 Forest Products Com.
 Governor, Office of the
 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 Com.
 Historical Society
 Idaho Rangeland Resources
 Comm.
 Human Resources Division
 Human Rights Com.
 Idaho Div. Prof.-Tech. Education
 Idaho Public Television
 Idaho State Bar
 Idaho State Police

Idaho State University
 Independent Living Council
 Industrial Com.
 Insurance Dept.
 Insurance Fund, State
 Investment Board
 Judicial Branch
 Juvenile Corrections Dept.
 Lands, Dept.
 Lava Hot Springs Foundation
 Legislative Services
 Legislature - House of Reps.
 Legislature - Senate
 Lewis-Clark State College
 Library, Idaho State
 Lieutenant Governor
 Liquor Dispensary
 Lottery, Idaho State
 Medicine Board
 Military Division
 Nursing Board
 Occupational Licenses Bureau
 Optometry Board
 Outfitters and Guides Board
 Parks & Recreation Dept.
 Pea & Lentil Com., Idaho
 Pharmacy Board
 Potato Com., Idaho
 Professional Geologists Board
 Public Employee Retirement Sys.
 Public Utilities Com.
 Racing Com.
 Real Estate Com.
 Secretary of State
 Species Conservation Office
 State Appellate Public Defender
 Superintendent of Public
 Instruction
 Tax Appeals Board
 Tax Com.
 Transportation Dept.
 Treasurer, State of Idaho
 University of Idaho
 Veterans Services Division
 Veterinary Medicine Board
 Vocational Rehabilitation
 Water Resources Dept.
 Wheat Com.
 Women's Com.

Counties

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

Cities

City of Aberdeen
 City of Albion
 City of American Falls
 City of Ammon
 City of Arco
 City of Ashton
 City of Athol

◆◆ Statistical Section ◆◆

City of Bancroft
City of Blackfoot
City of Bliss
City of Bloomington
City of Boise
City of Bonners Ferry
City of Bovill
City of Buhl
City of Burley
City of Caldwell
City of Cascade
City of Castleford
City of Challis
City of Chubbuck
City of Clark Fork
City of Coeur d' Alene
City of Cottonwood
City of Council
City of Craigmont
City of Culdesac
City of Dalton Gardens
City of Deary
City of Declo
City of Donnelly
City of Dover
City of Downey
City of Driggs
City of Dubois
City of Eagle
City of Emmett
City of Fairfield
City of Filer
City of Firth
City of Franklin
City of Fruitland
City of Garden City
City of Genesee
City of Georgetown
City of Glenns Ferry
City of Gooding
City of Grace
City of Grangeville
City of Greenleaf
City of Hagerman
City of Hailey
City of Hayden
City of Hayden Lake
City of Heyburn
City of Homedale
City of Hope
City of Horseshoe Bend
City of Idaho Falls
City of Inkom
City of Iona

City of Newdale
City of Island Park
City of Jerome
City of Juliaetta
City of Kamiah
City of Kellogg
City of Kendrick
City of Ketchum
City of Kimberly
City of Kooskia
City of Kootenai
City of Kuna
City of Lapwai
City of Lava Hot Springs
City of Lewiston
City of Mackay
City of Malad
City of Malta
City of Marsing
City of McCall
City of McCammon
City of Melba
City of Menan
City of Meridian
City of Middleton
City of Montpelier
City of Moscow
City of Mountain Home
City of Moyie Springs
City of Mullan
City of Nampa
City of New Meadows
City of New Plymouth
City of Nez Perce
City of Notus
City of Old Town
City of Orofino
City of Osburn
City of Paris
City of Parma
City of Paul
City of Payette
City of Pinehurst
City of Plummer
City of Pocatello
City of Ponderay
City of Post Falls
City of Potlatch
City of Preston
City of Priest River
City of Rathdrum
City of Rexburg
City of Richfield
City of Rigby

City of Ririe
City of Roberts
City of Rupert
City of Salmon
City of Sandpoint
City of Shelley
City of Shoshone
City of Smelterville
City of Soda Springs
City of Spirit Lake
City of St. Anthony
City of St. Charles
City of St. Maries
City of Sugar City
City of Sun Valley
City of Tensed
City of Teton
City of Teton
City of Tonia
City of Troy
City of Twin Falls
City of Ucon
City of Victor
City of Wallace
City of Weippe
City of Weiser
City of Wendell
City of Wilder
City of Winchester
City of Worley

**Water and Sewer
Districts**

Ada County Drainage Dist.
#2
Aberdeen-Springfield
Canal Co.
American Falls Reservoir
Dist.#1
American Falls Reservoir
Dist. #2
Avondale Irrigation Dist.
Bench Sewer 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.
Caldwell Irrigation Lateral
Dist.
Canyon Hill Irrigation Dist.
Cataldo Water Dist.

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Central Orchards Sewer Dist.
Central Shoshone Cnty Water Dist.
Clearwater Soil & Water Cons.
Coolin Sewer Dist.
Dalton Gardens Irrigation Dist.
Eagle Sewer Dist.
East Green Acres Irrigation Dist.
E&W Cassia Sewer & Water Dist.
East Shoshone County Water Dist.
Fish Haven Area Rec Sewer Dist.
Fremont-Madison Irrigation Dist.
Grand View Mutual Canal Co.
Hayden Area Regional Sewer Bd.
Hayden Lake Irrigation Dist.
Idaho Irrigation Dist.
Kalispel Bay Water/Sewer Dist.
King Hill Irrigation Dist.
Kingston-Cataldo Sewer 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
Outlet Bay Water & Sewer Dist.
Owyhee Project Sewer Board
Owyhee Sewer Dist.
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.
South Fork Coeur d' Alene Sewer
Southside Water & Sewer Dist.
Sun Valley Water & Sewer Dist.
Twin Falls Canal Co.
Valley Soil & Water Cons.
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 Boise Sewer Dist.
West Bonner Water & Sewer Dist.
Wilder Irrigation Dist.

Highway Districts

Ada County Highway Dist.
Atlanta Highway Dist.
Bliss Highway Dist. #2
Buhl Highway Dist,
Burley Highway Dist.
Canyon Highway Dist. #4
Central Highway Dist.
Clarkia Better Roads Highway
Dist.
Clearwater Highway Dist.
Cottonwood Highway Dist.
Deer Creek Highway Dist.
Dietrich Highway Dist. #5
Downey-Swan Lake Highway Dist.
East Side Highway Dist.
Evergreen Highway Dist.
Fenn Highway Dist.
Ferdinand Highway Dist.
Fruitland Highway Dist. #1
Gem Highway Dist.
Glenns Ferry Highway Dist.
Golden Gate Highway Dist.
Gooding Highway Dist.
Grangeville Highway Dist.
Greencreek Highway Dist.
Hagerman Highway Dist.
Hillsdale Highway Dist.
Homedale Highway Dist.
Jerome Highway Dist.
Kamiah Highway Dist.
Keuterville Highway Dist.
Kidder-Harris Highway Dist.
Lakes Highway Dist.
Minidoka County Highway Dist.
Mountain Home Highway Dist.
Nampa Highway Dist.
North Highway Dist.
North Latah County Highway Dist.
Notus-Parma Highway Dist.
Plummer-Gateway Highway Dist.
Post Falls Highway Dist.
Prarie Highway Dist.
Raft River Highway Dist.

Richfield Highway Dist. #3
Sandpoint Ind. Highway
Dist.
Shoshone Highway Dist.
#2
So. Latah County Hwy Dist.
#2
Targhee Reg Public Transit
Authority
Twin Falls Highway Dist.
Union Independent
Highway Dist.
Weiser Valley Highway
Dist.
Wendell Highway Dist. #6
West Point Highway Dist.
#4
White Bird Highway Dist.
Winona Highway Dist.
Worley Highway 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.
ANSER Charter School
Arbon School Dist.
ARTEC Charter School
Avery School Dist.
Basin School Dist.
Bear Lake School Dist.
Blackfoot Charter Com.
Learning Ctr.
Blackfoot School Dist.
Blaine County School Dist.
Bliss School Dist.
Boise Independent School
Dist.
Bonnevile School Dist.
Boundary 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.

◆◆ Statistical Section ◆◆

Cassia County School Dist.
Castleford School Dist.
Challis School Dist.
Clark County School Dist.
Clearwater School Dist.
Coeur d' Alene Charter Academy
Coeur d' Alene School Dist.
Compass Public Charter School
Cottonwood School Dist.
Council School Dist.
Culdesac School Dist.
Dietrich School Dist.
Emmett School Dist.
Falcon Ridge Charter School
Filer School Dist.
Firth School Dist.
Fruitland School Dist.
Garden City Community School
Garden Valley School Dist.
Genesee School Dist.
Glenns Ferry School Dist.
Gooding School Dist.
Grace School Dist.
Grangeville School Dist.
Hagerman School Dist.
Hansen School Dist.
Hidden Springs Charter School
Highland School Dist.
Homedale School Dist.
Horseshoe Bend School Dist.
Idaho Arts Charter School
Idaho Distance Education
Academy
Idaho Falls School Dist.
Idaho High School Activities Assn.
Idaho Leadership Academy
Idaho School District Council
Idaho Virtual Academy
Inspire Virtual Charter School
Jerome School Dist.
Kamiah School Dist.
Kellogg School Dist.
Kendrick School Dist.
Kimberly School Dist.
Kootenai School Dist.
Kuna School Dist.
Lake Pend Oreille School Dist.
Lakeland School Dist.
Lapwai School Dist.
Lewiston Indept. School Dist.
Liberty Charter School
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 High School, Inc.
Meridian Medical Arts Charter
Meridian School Dist.
Middleton School Dist.
Midvale School Dist.
Minidoka County School Dist.
Moscow Charter School
Moscow School Dist.
Mountain Home School Dist.
Mullan School Dist.
Murtaugh School Dist.
Nampa School Dist.
New Plymouth School Dist.
Nez Perce School Dist.
North Gem School Dist.
North Star Charter School
Notus School Dist.
Oneida School Dist.
Parma School Dist.
Payette School Dist.
Pleasant Valley School Dist.
Plummer-Worley School Dist.
Pocatello Community Charter
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
Salmon School Dist.
Sandpoint Charter School
Shelley School Dist.
Shoshone School Dist.
Snake River School Dist.
Soda Springs School Dist.
South Lemhi School Dist.
St. Anthony School Dist.
St. Maries School Dist.
Sugar-Salem School Dist.
Swan Valley School Dist.
Taylor's Crossing Public Charter
School
Teton School Dist.
Three Creek School Dist.
Thomas Jefferson Charter School
Troy School Dist.

Twin Falls School Dist.
Upper Carmen Charter
School
Valley School Dist.
Vallivue School Dist.
Victory Charter School
Wallace School Dist.
Weiser School Dist.
Wendell School Dist.
West Bonner County
School Dist.
West Jefferson School
Dist.
West Side School Dist.
Whitepine Charter School
Whitepine School Dist.
Wilder School Dist.

Other

Cascade Medical Center
Council Community
Hospital
Elmore Medical Center
McCall Memorial Hospital
Dist.
Salmon River Hospital Dist.
Weiser Memorial Hospital
Ada Planning Assn.
American Falls Housing
Authority
Assn. of Idaho Cities
Bear Lake Regional Com.
Bingham County Senior
Citizens Ctr.
Blaine County Recreational
Dist.
Boise City/Ada Cty.
Housing Auth.
Caldwell Housing Auth.
Canyon County Org. on
Aging
Capital City Development
Corp.
Caribou Soil Conservation
Dist.
Clearwater-Potlatch Timber
Protection
Dry Creek Cemetery Dist.
Eastern Idaho Fair Board
Foster Grandparents of
Southeast ID
Gem County Mosquito
Abatement

◆◆ Statistical Section ◆◆

Gem County Recreation Dist.
 Genesee Cemetery Dist.
 Gooding Cemetery Dist.
 Grangeville Cemetery Dist..
 Hagerman Cemetery Dist.
 Hayden Area Recreational Dist.
 Housing Authority of Pocatello
 Idaho School Board Assn.
 Idaho Crop Improvement Assn.
 Idaho Public Employees Assn.
 Idaho Assn. of Counties
 Idaho Heritage Trust, Inc.
 Idaho Education Assn.
 Idaho Assn. of School Administrators
 Idaho Risk Management Program
 Lincoln County Cemetery Dist.
 Lincoln County Housing Auth.
 Local Highway Technical Assistance
 M-A-R Cemetery Dist.
 Marsing-Homedale Cemetery
 Meridian Cemetery Dist.
 Moscow Cemetery Dist.
 Nampa Housing Authority
 Nez Perce County Fair Board
 North Fremont Cemetery Dist.
 North Idaho Fair
 Orofino Cemetery Dist.
 Port of Lewiston
 Rexburg Cemetery Dist.
 Shelley Cemetery Dist.
 Southern Idaho Solid Waste Dist.
 Twin Falls Housing Auth.
 Valley Recreation Dist. of Hazelton
 W. Bonner Cemetery Maintenance
 West End Cemetery Dist.
 Wilder Cemetery Dist.
 Wilder Housing Auth.

Aberdeen Library Dist.
 Ada County Free Library Dist.
 American Falls H
 Bear Lake County Free Library
 Boundary County Free Library
 Burley Public Library
 East Bonner County Library Dist.
 Franklin County Library Dist.
 Fremont County Library Dist.

Jefferson Free Library Dist.
 Latah County Library
 Madison County Library Dist.
 Meadows Valley Public Library
 Dist.
 Meridian Free Library
 North Bingham County Library
 Dist.
 Oneida County Library
 Portneuf Library Dist.
 Prairie-River Library Dist.
 Priest Lake Public Library
 Salmon Library Assn.
 South Bannock Free Library Dist.
 Stanley Community Library
 Valley of Tetons Dist. Library
 Board
 West Bonner Library Dist.

Blackfoot Fire Dept.
 Boise Fire Dept.
 Buhl Fire Dept.
 Burley Fire Dept.
 Caldwell Fire Dept.
 Cascade Rural Fire & EMS
 Central Fire Dist.
 Coeur d' Alene Fire Dept.
 Cottonwood Rural Fire Dist.
 Donnelly Rural Fire Protection
 Assn.
 Franklin County Fire Dist.
 Gem County Fire Protection Dist.
 Greater Swan Valley Fire
 Protection
 Hagerman Fire Protection Dist.
 Homedale Rural Fire Prot. Dist.
 Idaho Falls Fire Dept.
 Jerome Fire Dept.
 Ketchum Fire Dept.
 Kootenai County Fire and Rescue
 Kootenai County Emergency
 Medical
 Kootenai County Rescue
 Kuna Fire Dist.
 Lewiston Fire Dept.
 Lincoln County Emergency
 Services

McCall Rural Fire Dist.
 Mica Kidd Island Fire Dist.
 Moscow Fire Dept.
 Nampa Fire Dept.
 No. Ada CtyFire/Rescue
 Dist.
 No. Ada Cty Fire/Rescue
 Vol.
 No. Lakes Fire Protect.
 Dist.
 Northside Fire Dist.
 Payette Fire Dept.
 Plummer-Gateway Fire
 Protect. Dist.
 Pocatello Fire Dept.
 Rexburg-Madison Fire
 Dept.
 Sagle Fire Dist.
 Saint Maries Fire Protect.
 Dist.
 Sandpoint Fire Dept.
 Shoshone County Fire Dist.
 #1
 Shoshone County Fire Dist.
 #2
 Shoshone Co. Fire Protect.
 Dist #2
 South Central Region E911
 So. Idaho Timber
 Protection Assn.
 Spirit Lake Fire Protect.
 Dist.
 Star Joint Fire Protect. Dist.
 Teton County Fire
 Protection Dist.
 Timberlake Fire Protect.
 Dist.
 Twin Falls Fire Dept.
 Weiser Area Rural Fire
 Dist.
 Wendell Rural Fire Dist.
 West End Fire Prot. Dist.
 Westside Fire Dist.
 Whitney Fire Protect. Dist.
 Wood River Fire Protect.
 Dist.
 Worley Ambulance Assn.
 Worley Fire Protect. Dist

◆◆ Statistical Section ◆◆

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

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

To receive any of these materials, contact PERSI at 208-334-3365. Additional PERSI information can be found on PERSI's Web site at www.persi.idaho.gov.

PERSI Office Locations:

Boise

Office Location:
607 North 8th Street
Boise, ID

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

Coeur d'Alene

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

Pocatello

Office Location:
850 East Center
Suite "D"
Pocatello, ID

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

Telephone:

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

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

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



PERSI

Public Employee Retirement System of Idaho

The costs associated with this publication are available from the Public Employee Retirement System of Idaho
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