Financial Section

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the "System"), a component unit of the State of Idaho, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 13, 2010, we expressed an unqualified opinion on the respective financial statements of the pensions and other trust funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the pension and other trusts as of June 30, 2011, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

October 12, 2011
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

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

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

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

Financial Highlights

- Plan net assets for all pension and other funds administered by the System increased over $1.9 billion during fiscal year 2011 and $1.0 billion during the fiscal year 2010. The increase in the defined benefit plans was primarily due to an upturn in the investment market. The increases in the Choice Plan 401(k) and Sick Leave Fund were due to contributions exceeding benefits and expenses in addition to market gains. Each fund experienced an increase in net assets. Changes in net assets for the years ended June 30, 2011 and 2010 were as follows:

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

- Assets for the two defined benefit plans, the PERSI Base Plan and the FRF, are pooled for investment purposes. For the fiscal years ended June 30, 2011 and 2010, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 414(k) and 401(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under investments/Choice Plan.

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

- All of the plans experienced gains in fiscal year 2011 as a result of positive market performance. Net investment income for all of the funds administered by the System for the fiscal years ended June 30, 2011 and 2010, was $2.0 billion and $1.1 billion, respectively.

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

- As of June 30, 2011 and 2010, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial accrued liability for the Base Plan and FRF are as follows.

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

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

The System's funding objective is to meet long-term benefit obligations through contributions and investment income and provide a reserve against market fluctuations. The funding ratio listed above gives an indication of how well this objective has been met at a specific point in time. The higher the funding ratio, the better the plan is funded. For more detailed information and history of the funding ratio, see the Schedule of Funding Progress on page 51 of this report. The actuarial funding ratio for the two defined benefit plans and the amortization period improved primarily in 2011 because investment performance was above the actuarial expected rate.

Using the Annual Financial Report

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

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statement of plan net assets as of June 30, 2011 and 2010 indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The statement of changes in plan net assets for the years ended June 30, 2011 and 2010 provides a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net asset value on the statement of net assets. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

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

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

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

Comparative Financial Statements

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

Defined Benefit Pension Trust Funds Net Assets

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

The fiscal year ended June 30, 2011, was most notably marked by improvement in the investment markets. Liabilities for benefits and refunds payable vary at fiscal year end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the balance sheet date.

The percent change in investments sold receivable and investments purchased payable fluctuates as the volume of trading activity by the System's professional investment managers' changes. The cash balance change was due to normal fluctuations in operating cash requirements and the timing of transfers to investment managers. Benefits and refunds payable fluctuate based on the demand for and timing of contribution refund payments.

Defined Benefit Pension Trust Funds Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	$ Change	% Change
Additions:				
Member contributions	$ 178,429,591	$ 178,140,566	$ 289,025	0.2 %
Employer contributions	292,488,559	298,474,749	(5,986,190)	(2.0)%
Investment income	1,978,050,779	1,060,665,513	917,385,266	86.5 %
Other additions	37,716	12,261	25,455	207.6%
Total additions	2,449,006,645	1,537,293,089	911,713,556	59.3 %
Deductions:				
Benefits and refunds paid	616,611,884	572,166,883	44,445,001	7.8 %
Administrative expenses	5,973,540	6,471,359	(497,819)	(7.7)%
Total deductions	622,585,424	578,638,242	43,947,182	7.6 %
Changes in net assets available for benefits	$ 1,826,421,221	$ 958,654,847	$ 867,766,374	90.5 %

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

Defined Contribution Pension Trust Funds

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

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

Defined Contribution Pension Trust Funds Net Assets

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

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

Defined Contribution Pension Trust Funds Changes in Net Assets

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

Investment income and changes in net assets available for benefits increased from Fiscal Year 2010 to Fiscal Year 2011 because of continued positive returns in the investment market. Transfers in and transfers out represent rollovers from/to other plans. Member contributions declined due to a decrease in the number of employees with salary deferrals. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2011, the System administered two Sick Leave Insurance Reserve Fund (SLIRF) trusts. The PERSI SLIRF provides payment of eligible postretirement insurance premiums on behalf of retired state and public school district employees, based on accumulated unused sick leave at the time of retirement. The Fund's contributions are financed by state agency and school district employers of the System which make up the two separate trusts within the Fund.

Sick Leave Insurance Reserve Funds Net Assets

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

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

Sick Leave Insurance Reserve Funds Changes in Net Assets

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

Investment income increased in Fiscal Year 2011 from Fiscal Year 2010 because of favorable investment markets. The decrease in other additions was due to a decrease in interest earnings on the cash balance held at the State Treasurer's Office.

Plan Membership

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

Changes in Plan Membership

	Base Plan			Choice Plan		
	2011	2010	Change	2011	2010	Change
Active participants	65,798	67,020	(1.8)%	43,391	44,467	(2.4)%
Vested - Base Plan	43,545	42,950	1.4%			
Non-vested - Base Plan	22,253	24,070	(7.5)%			
Actively contributing - Choice Plan				10,523	10,381	1.4%
Retirees and beneficiaries	35,334	33,625	5.1%	117	108	8.3%
Terminated vested	10,468	10,187	2.7%	11,561	11,116	4.0%

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

Changes in Retirees and Beneficiaries (Base Plan)

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

Investment Activities

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

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

Economic Factors

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

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

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

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

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

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

See notes to Financial Statements

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

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

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

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

See notes to Financial Statements

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

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

1. GENERAL DESCRIPTION OF THE FUNDS

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

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

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

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

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

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the System. As of June 30, 2011 and 2010, the number of participating employer units in the PERSI Base Plan was:

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

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

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

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

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

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

Upon termination of employment, accumulated member contributions plus interest, accrued at 10.74% from January 1, 2011 through June 30, 2011 (1.0% from July 1, 2010 through December 31, 2010) compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

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

The PERSI Choice Plans are defined contribution pension plans made up of a qualified 401(k) plan and a 414(k) plan. The assets of the two plans within the PERSI Choice Plans are commingled for investment and recordkeeping purposes. Participants direct their investment mix with the some trading frequency restrictions. Participants have 12 investment options; two balance funds, seven equity funds and three fixed income. The PERSI Short-Term Portfolio (a fixed income fund seeking to provide returns consistent with short–term US interest rates) was added effective October 30, 2010. The SEI Stable Asset Fund ceased being an option June 21, 2011.

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

The System contracts with ACS HR Solutions, LLC (ACS) for plan recordkeeping services. Participants may allocate their assets in 1% increments among the twelve investment options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made. The PERSI Total Return Fund is a unitized fund comprised of investment accounts of the PERSI Base Plan.

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

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

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

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

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

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

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

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2011. In April 2006, Rule 552 section 2, addressing contribution rates for school districts, was amended which included a phased rate increase implemented over three years. Contribution percentages are based on the number of days of paid sick leave earned during the contract year for certified teachers. January 25, 2011 the PERSI Board voted to rescind the additional scheduled rate changes. The sick leave contribution rates are as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The fair value of investments is based on published market prices and quotations from major investment brokers, when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of real estate investments is based on industry practice. For recent acquisitions, cost closely approximates fair value. The fair value of longer term real estate holdings is estimated based on the System's consultant assessments and/or independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximate market value. The fair values of private equity limited partnership investments by their nature have no readily ascertainable market prices. Similar to real estate, cost closely approximates fair value for recent acquisitions. Thereafter, the fair values of limited partnership funds are based on the valuations as presented by the general partner, approved by the funds' advisory committee, and reviewed by consultants. Generally, the companies within a fund are valued by the general partner, taking into account many factors such as the purchase price, estimated liquidation value, significant events like initial public offerings, bankruptcies, and additional rounds of financing, and other relevant factors. Because of the lack of published market prices for these investments, the estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. Although these differences could be material to the individual company values, private equity represents 8.1% of total investments. PERSI's real estate and commercial mortgage investments are 4.8% and 4.3% respectively of total investments.

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

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

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

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

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

3. DEPOSITS AND INVESTMENTS

A. Deposits

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

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

B. Investments

Investments of the pension trust funds are reported at fair value. See Note 2 for more details. The Board of Trustees maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Trustees has contracted with investment managers, a master global custodian, other custodians, and a cash manager. Manager contracts include specific guidelines regarding the PERSI investments under management. For the year ended June 30, 2011, BNY Mellon Asset Servicing is the global custodian for the majority of the investments of the PERSI Base Plan, FRF, and PERSI Choice Plans.

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

Investment Table

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

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

Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest rate fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Each day the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to the nonperformance of counterparties to futures contracts is minimal. At June 30, 2011, the System had futures contracts with a fair value of $59,000 which is included in Fixed Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the System's Statement of Investment Policy. At June 30, 2011, the System had the following net futures contracts exposure:

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

Option contracts are contractual agreements giving the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. The option's price is usually a small percentage of the underlying asset's value. Options strategies used by the System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2011, the System had option contracts payable with a fair value of $47,827, which is included in liabilities for Investments Purchased and $21,772, which is included in Domestic Fixed Income. At June 30, 2011, the System had the following options contracts exposure:

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

Forward Foreign Currency Exchange Contracts are carried at fair value by the System. The System has entered into foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the System's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. Forward foreign exchange contracts are negotiated between two counterparties. The System could sell the forward contract at a loss, or if it were to continue to hold the contract, the System may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. The System could also incur a loss if its counterparties failed to perform pursuant to the terms of their contractual obligations. Controls are established by the System and the investment managers to monitor the creditworthiness of the counterparties. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. As of June 30, 2011, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $789,689,545 and had entered into forward currency contracts to buy foreign currencies with a fair value of $793,788,362. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized losses of $4,098,817 at June 30, 2011 were recorded, which represent the loss which would occur from executing these forward foreign currency contracts at June 30, 2011.

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

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

C. Credit Risk

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

As of June 30, 2011, the System's fixed income assets that are not government guaranteed represented 53% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table on the following page.

Credit Quality of fixed income securities at fair value

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

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

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

D. Custodial Credit Risk

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

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

E. Concentration of Credit Risk

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

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

In line with policy, the System holds no investments from a single issuer that represent more than 5% of the System's net assets.

F. Interest Rate Risk

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

Effective duration of domestic fixed income assets by security type:

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

Effective duration of international fixed income assets by security type:

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

G. Foreign Currency Risk

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

Currency exposures:

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

4. ASSETS USED IN PLAN OPERATIONS

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

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

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

5. CONTRIBUTIONS

The System's funding policy for the PERSI Base Plan and FRF is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll), that are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the Entry Age Actuarial Cost Method for the PERSI Base Plan and a modified aggregate funding method for FRF. Under the Entry Age Actuarial Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. FRF amortizes the difference between the value of the FRF benefits not provided by the Base Plan and the FRF assets over the earnings of all firefighters. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. FRF amortizes any unfunded liability based on a level dollar amount. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years. The maximum amortization period for FRF permitted under Section 59-1394, Idaho Code, is 50 years. The payroll for employees covered by the PERSI Base Plan and FRF was approximately $2,628,000,000 and $397,228, respectively for the year ended June 30, 2011.

Normal cost is 13.93% of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.96% of covered payroll for the PERSI Base Plan. There is no normal cost associated with FRF, and all contributions to FRF are available to pay benefits and reduce the unfunded actuarial liability.

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

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

Optional retirement plan employees of higher education:

Colleges and universities	1.49 %
Junior colleges	3.83%

Base Plan:

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

FRF employer and employee contribution rates for firefighters hired before October 1, 1980, are 25.89% and 3.80%, respectively, in addition to the PERSI Police and Fire rates shown above. The employer contribution rate for firefighters hired after October 1, 1980, is 17.24%.

ACTUARIAL INFORMATION

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

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

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

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9

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

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2011	290.4	311.5	21.1	93.2	59.3	35.6

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

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

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

6. Pension Plan Participation

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

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

The contribution requirements of the System and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011 the required contribution rates were 6.23% for general members 7.69% for police/fire fighter. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/fire fighter. PERSI general member contributions required and paid were $278,921, $287,266, and $285,350, for the three years ended June 30, 2011, 2010, and 2009, respectively.

7. OTHER POST EMPLOYMENT BENEFITS

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

8. COMMITMENTS

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

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PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

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

PERSI

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) (a.)	(3) PV of Future ORP Contributions	(4) Unfunded AAL (UAAL) (2)-(1)-(3) (b.)	(5) Funded Ratios (1) : [(2)-(3)] (c.)	(6) Annual Covered Payroll (d.)	(7) UAAL as a Percentage of Covered Payroll (4) : (6)
July 1, 2006	9,177.1	9,699.0	60.2	461.7	95.2	2,343.5	19.7
July 1, 2007	10,945.8	10,431.9	59.5	(573.4)	105.5	2,421.0	(23.7)
July 1, 2008	10,402.0	11,211.8	60.9	749.9	93.3	2,578.9	29.0
July 1, 2009	8,646.0	11,732.2	59.6	3,026.6	74.1	2,683.5	112.8
July 1, 2010	9,579.8	12,187.9	52.3	2,556.8	78.9	2,684.4	95.2
July 1, 2011	11,360.1	12,641.2	48.5	1,232.6	90.2	2,627.9	46.9

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

FRF

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll (e.)	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
July 1, 2006	248.8	312.3	63.5	79.7	45.0	141.1
July 1, 2007	291.5	314.8	23.3	92.6	47.6	48.9
July 1, 2008		No Valuation				
July 1, 2009	225.3	325.3	100.0	69.3	55.7	179.5
July 1, 2010		No Valuation				
July 1, 2011	290.4	311.5	21.1	93.2	59.3	35.6

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

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

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

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

PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

ACTUARIAL INFORMATION

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

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

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2011

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

(Continued)

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

(Concluded)

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2011

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

EideBailly
CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), a component unit of the State of Idaho, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Boise, Idaho
October 12, 2011