Boise's Changing Skyline

In 1929, J. R "Jack" Simplot founded the J. R. Simplot Company, a Boise, Idaho based agricultural supplier specializing in potato products.

JUMP (Jack's Urban Meeting Place) is a six-story, $70 million, 65,000-square-foot facility under construction on 7.5 acres in downtown Boise. It will include a 3½-acre park and an outdoor amphitheater when completed. The Simplot Company plans to locate its headquarters in the facility when it is finished in 2014.

Helping Idaho public employees build a secure retirement.

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), which comprise the statement of plan net position as of June 30, 2013, and the related statements of changes in plan net position, for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from the System's financial statements and, in our report dated October 16, 2012, expressed that the financial statements were presented fairly, in all material respects, the respective financial statements of the pensions and other trust funds.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective statements of the pension and other trust funds of the Public Employee Retirement System of Idaho, as of June 30, 2013, and the respective changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 21-28 and 53-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 08, 2013, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

October 08, 2013
Boise, Idaho

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013 (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, 2013. The June 30, 2012 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.

- The net position for all pension and other funds administered by the System increased over $884 million during Fiscal Year 2013 and decreased over $22.6 million during the Fiscal Year 2012. The increase in the defined benefit plans reflects the total of contributions received and a gross investment return exceeding benefits paid and administrative expenses. Changes in net position for the years ended June 30, 2013 and 2012 were as follows:

	2013	2012
PERSI Base Plan	$750,236,109	($53,357,404)
Firefighters' Retirement Fund	19,197,679	(2,654,810)
PERSI Choice Plan 414(k)	1,079,136	(3,335,382)
PERSI Choice Plan 401(k)	71,917,493	28,336,805
Sick Leave Insurance Reserve Fund - State	17,103,901	4,591,981
Sick Leave Insurance Reserve Fund - Schools	25,158,546	3,752,765
Total decrease/increase in plan net position	$884,692,864	($22,666,045)

- 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, 2013 and 2012, the rate of return net of investment expenses on the investment assets are detailed below (these are plan-level returns). For the defined contribution plans, the PERSI Choice Plan 401(k) and 414(k), individual participant returns will vary depending on their specific investment choices. Returns for Choice Plan options can be found on the PERSI website under Investments/Choice Plan.

	2013	2012
PERSI Defined Benefit Plans	8.7%	1.2%
Sick Leave Insurance Reserve Fund	14.1%	2.2%

- All of the plans experienced investment gains in Fiscal Year 2013 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, 2013 and 2012, was $1.08 billion and $154 million, respectively.

	2013	2012
Net investment income:		
PERSI Base Plan	$ 974,422,300	$ 137,217,232
Firefighters' Retirement Fund	24,760,648	3,485,154
PERSI Choice Plan 414(k)	4,924,714	625,534
PERSI Choice Plan 401(k)	40,724,178	6,406,117
Sick Leave Insurance Reserve Fund - State	15,142,268	2,298,334
Sick Leave Insurance Reserve Fund - Schools	24,479,545	3,796,750
Total net investment income	$ 1,084,453,653	$ 153,829,121

- As of June 30, 2013 and 2012, the funding ratio (actuarial value of assets divided by actuarial accrued liability) and amortization period (estimated time to payoff unfunded liability) for the unfunded actuarial liability for the defined benefit plans is as shown below. The valuation for the Firefighters' Retirement Fund is completed every other year, for 2011 the funded ratio was 93.2% and the amortization period was 1.6 years.

	2013 Funding Ratio	Amortization Period	2012 Funding Ratio	Amortization Period
PERSI Base Plan	85.3%	13.1	84.7%	14.8
Firefighters' Retirement Fund	95.5%	1.0	N/A	N/A

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 Schedules of Funding Progress on page 53 of this report. In 2013 the actuarial funding ratio for the two defined benefit plans increased from 2012 primarily because investment performance was above the actuarial expected rate. The amortization period decreased for the same reason.

Using the Annual Financial Report

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

Fund Financial Statements — There are two financial statements presented for the fiduciary funds. The statements of plan net position as of June 30, 2013 and 2012 indicate the net position available to pay future payments and gives a snapshot at a particular point in time. The statements of changes in plan net position for the years ended June 30, 2013 and 2012 provide a view of the current year's activity. It details the additions and deductions to the individual funds and supports the change to the prior year's ending net position on the statements of plan net position. All pension fund statements are presented on a full accrual basis and reflect all trust activities, as incurred.

Notes to Financial Statements — The notes provide additional information essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 33-50 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 Position

	As of June 30, 2013	As of June 30, 2012	$ Change	% Change
Assets:				
Cash and cash equivalents	$ 3,007,655	$ 3,173,858	$ (166,203)	(5.2)%
Investments sold receivable	182,452,753	672,706,973	(490,254,220)	(72.9)%
Other receivables	40,766,559	42,150,562	(1,384,003)	(3.3)%
Investments — at fair value	12,496,233,505	11,725,165,283	771,068,222	6.6 %
Prepaid retiree benefits	53,029,172	49,570,384	3,458,788	7.0 %
Capital assets — net of accumulated depreciation	4,748,082	2,914,853	1,833,229	62.9 %
Total assets	12,780,237,726	12,495,681,913	284,555,813	2.3 %
Liabilities:				
Investments purchased payable	380,949,971	866,217,329	(485,267,358)	(56.0)%
Benefits and refunds payable	662,770	456,639	206,131	45.1 %
Other liabilities	11,775,296	11,592,044	183,252	1.6 %
Total liabilities	393,388,037	878,266,012	(484,877,975)	(55.2)%
Net position restricted for pensions and amounts held in trust	$ 12,386,849,689	$ 11,617,415,901	$ 769,433,788	6.6 %

The fair market value of investments increased due to the combination of contributions received and an investment gross return of 9.1% exceeding benefits and administrative expenses. Liabilities for benefits and refunds payable vary at Fiscal Year-end depending on member request and timing. Change in asset values and timing of payments can affect the balance of liabilities at the statements of plan net position date.

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

Defined Benefit Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	$ Change	% Change
Additions:				
Member contributions	$ 184,663,426	$ 179,179,174	$ 5,484,252	3.1 %
Employer contributions	299,668,173	290,630,196	9,037,977	3.1 %
Investment income	999,182,948	140,702,386	858,480,562	610.1 %
Other additions	16,311	24,089	(7,778)	(32.3)%
Total additions	1,483,530,858	610,535,845	872,995,013	143.0 %
Deductions:				
Benefits and refunds paid	707,788,583	660,316,628	47,471,955	7.2 %
Administrative expenses	6,308,487	6,231,431	77,056	1.2 %
Total deductions	714,097,070	666,548,059	47,549,011	7.1 %
Changes in net position	$ 769,433,788	$ (56,012,214)	$ 825,446,002	1,473.7%

Investment income for the Fiscal Year 2013 was $999.1 million as a result of the gross investment return of 9.1%. Contributions and other additions totaled $484.3 million, resulting in total additions of $1.4 billion exceeding benefits and administrative expenses paid of $714 million by $769.4 million. For Fiscal Year 2012, the gross investment return was 1.6%. Contributions and other additions totaled $469.8 million resulting in total additions of $610.5 million. The benefits and administrative expenses paid of $666.5 million exceeded additions by $56 million for the year. The increase in benefits and refunds paid was a result of increased number of retirees, increased separation benefits, and the annual 1% Cost of Living Adjustment (COLA) increase for benefits paid to retirees.

Defined Contribution Pension Trust Funds

During Fiscal Year 2013, the System administered two defined contribution plans. The PERSI Choice Plans, qualified plans under Internal Revenue Code, consist of a 401(k) plan and a 414(k) plan and provide another retirement benefit option to members of the Defined Benefit Pension Plans.

The PERSI Choice Plans were created during Fiscal Year 2001. The 401(k) Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions. The 414(k)

Plan represents the gain sharing allocation made to eligible PERSI members during Fiscal Year 2001. The assets of these plans are pooled for investment purposes, but the 414(k) Plan cannot be used to pay the benefits of the 401(k) Plan and vice versa.

Defined Contribution Pension Trust Funds Net Position

	As of June 30, 2013	As of June 30, 2012	$ Change	% Change
Assets:				
Cash	$ -	$ 60,840	$ (60,840)	(100.0)%
Short-term investments	2,585,228	609,833	1,975,395	323.9 %
Investments — at fair value	522,804,939	451,913,014	70,891,925	15.7 %
Receivables	1,604,191	1,414,042	190,149	13.4 %
Total assets	526,994,358	453,997,729	72,996,629	16.1 %
Net position restricted for pensions and amounts held in trust	$ 526,994,358	$ 453,997,729	$ 72,996,629	16.1 %

Net position increased from Fiscal Year 2012 to Fiscal Year 2013. The change reflects a positive return in the investment market and an increase in employer contributions. The change in cash is due to the timing of a transfer of funds at the end of the month. Receivables include contributions that are not yet recorded by the record keeper at year end plus accrued interest and dividends.

Defined Contribution Pension Trust Funds Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	$ Change	% Change
Additions:				
Member contributions	$ 36,348,413	$ 32,417,476	$ 3,930,937	12.1 %
Employer contributions	9,119,848	383,189	8,736,659	2,280.0%
Investment income	45,648,892	7,031,651	38,617,241	549.2 %
Transfers and rollovers in	9,132,179	9,576,929	(444,750)	(4.6)%
Total additions	100,249,332	49,409,245	50,840,087	102.9 %
Deductions:				
Benefits and refunds paid	10,251,319	9,464,776	786,543	8.3 %
Transfers and rollovers out	17,001,384	14,943,046	2,058,338	13.8 %
Total deductions	27,252,703	24,407,822	2,844,881	11.7 %
Change in net position	$ 72,996,629	$ 25,001,423	$ 47,995,206	192.0 %

The change in net position was impacted by a positive investment return for the fiscal year. Member contributions increased due to an increase in the number of employees with salary deferrals. Transfers in and transfers out represent rollovers from/to other plans. Changes in employer contributions vary up or down according to individual employers' desire to match employee contributions. During the Fiscal Year 2013 the Firefighters Social Security Referendum was held. As a result some employers of firefighters have elected to contribute matching contributions to the Defined Contribution plan. The effect of this was a significant increase in employer contributions. The increase in benefits and refunds paid is a result of an increase in the number of retirees receiving benefits.

Other Trust Funds

During Fiscal Year 2013, 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 Position

	As of June 30, 2013	As of June 30, 2012	$ Change	% Change
Assets:				
Cash	$ 78,584	$ 74,998	$ 3,586	4.8 %
Investments — at fair value	322,861,632	280,604,369	42,257,263	15.1 %
Prepaid insurance premiums	1,197,547	1,295,919	(98,372)	(7.6)%
Due from other funds	1,675,063	1,575,032	100,031	6.4 %
Total assets	325,812,826	283,550,318	42,262,508	14.9 %
Liabilities — other liabilities	32,708	32,647	61	0.2 %
Net position restricted for pensions and amounts held in trust	$ 325,780,118	$ 283,517,671	$ 42,262,447	14.9 %

The net position increased in Fiscal Year 2013 from Fiscal Year 2012 because of positive investment returns and contributions exceeding benefits paid.

Sick Leave Insurance Reserve Funds Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	$ Change	% Change
Additions:				
Employer contributions	$ 19,430,658	$ 18,659,577	$ 771,081	4.1 %
Investment income	39,621,813	6,095,084	33,526,729	550.1 %
Other additions	2,014	4,430	(2,416)	(54.5)%
Total additions	59,054,485	24,759,091	34,295,394	138.5 %
Deductions:				
Benefits and refunds paid	16,687,698	16,310,005	377,693	2.3 %
Administrative expenses	104,340	104,340	-	.0 %
Total deductions	16,792,038	16,414,345	377,693	2.3 %
Changes in net position	$ 42,262,447	$ 8,344,746	$ 33,917,701	406.5 %

The changes in net position reflect a net return of 14.1% resulting in $39.6 million in investment income, compared to $6.1 million for Fiscal Year 2012. 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		
	2013	2012	Change	2013	2012	Change
Active participants	65,535	65,270	0.4 %	42,196	42,577	(0.9)%
Vested - Base Plan	44,447	44,016	1.0 %			
Non-vested - Base Plan	21,088	21,254	(0.8)%			
Actively contributing - Choice Plan				13,254	12,863	3.0 %
Retirees and beneficiaries	38,947	37,150	4.8 %	140	101	38.6 %
Terminated vested	11,084	10,823	2.4 %	12,724	11,997	6.1 %

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)

	2013	2012
Beginning — July 1	37,150	35,334
New Retirements	2,815	2,769
Death of retiree/beneficiary	(1,018)	(953)
Ending — June 30	38,947	37,150

Investment Activities

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

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

Economic Factors

At July 1, 2013, PERSI's Base Plan had a funded ratio of 85.3% and an amortization period on the unfunded actuarial liability of 13.1 years. The investment return net of all expenses for 2013 was 8.6% compared to the assumed return of 7.5%. This positive movement is in large part to improvement in the investment market. These results and decisions enable PERSI to meet the mandate set by the legislature when it created PERSI to "Provide a secure retirement for public employees in Idaho".

Since inception, the cumulative funding of the plan is 57% investment income, 27% employer contributions and 16% member contributions. PERSI is viewed as a well-run and conservatively managed pension plan compared to plans nationally. This reputation stems from sound decisions made by the legislature and the PERSI Board of Trustees.

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

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF PLAN NET POSITION – PENSION TRUST FUNDS AND OTHER TRUST FUNDS JUNE 30, 2013 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2012

	Pension Trust Funds			
	PERSI	Firefighters'	PERSI Choice Plan	
	Base Plan	Retirement Fund	414(k)	401(k)
ASSETS				
Cash and cash equivalents	$ 2,932,780	$ 74,875	$ -	$ -
Investments—at fair value				
Fixed income investments				
Domestic	2,519,102,611	64,313,608	-	-
International	73,247,395	1,870,033	-	-
Idaho commercial mortgages	458,653,806	11,709,599	-	-
Short-term investments	410,856,608	10,489,319	-	2,585,228
Real estate equities	465,616,569	11,887,361	-	-
Equity securities				
Domestic	4,756,554,231	121,436,564	-	-
International	2,537,689,255	64,788,132	-	-
Private equity	963,421,902	24,596,512	-	-
Mutual, collective, unitized funds	-	-	57,979,323	464,825,616
Total investments	12,185,142,377	311,091,128	57,979,323	467,410,844
Receivables				
Investments sold	177,931,410	4,521,343	-	-
Contributions	4,615,671	58,196	-	367,246
Interest and dividends	35,198,283	894,409	162,905	1,074,040
Total receivables	217,745,364	5,473,948	162,905	1,441,286
Assets used in plan operations - net	4,748,082	-	-	-
Due from other plans	-	-	-	-
Prepaid retiree benefits	53,029,172	-	-	-
Total assets	12,463,597,775	316,639,951	58,142,228	468,852,130
LIABILITIES				
Accrued liabilities	9,857,398	242,835	-	-
Benefits and refunds payable	662,770	-	-	-
Due to other plans	1,675,063	-	-	-
Investments purchased	371,509,689	9,440,282	-	-
Total liabilities	383,704,920	9,683,117	-	-
NET POSITION				
Net position restricted for pensions and amounts held in trust	$ 12,079,892,855	$ 306,956,834	$ 58,142,228	$ 468,852,130

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2013	2012
$ 25,437	$ 53,147	$ 3,086,239	$ 3,309,696
33,486,197	47,653,045	2,664,555,461	2,792,631,983
-	-	75,117,428	79,152,672
-	-	470,363,405	489,343,413
-	-	423,931,155	420,342,243
-	-	477,503,930	528,484,448
74,888,795	124,283,960	5,077,163,550	4,440,600,559
16,147,694	26,401,941	2,645,027,022	2,249,773,858
-	-	988,018,414	1,006,050,309
-	-	522,804,939	451,913,014
124,522,686	198,338,946	13,344,485,304	12,458,292,499
-	-	182,452,753	672,706,973
-	-	5,041,113	3,972,989
-	-	37,329,637	39,591,615
-	-	224,823,503	716,271,577
-	-	4,748,082	2,914,853
562,877	1,112,186	1,675,063	1,575,032
358,308	839,239	54,226,719	50,866,303
125,469,308	200,343,518	13,633,044,910	13,233,229,960
12,279	20,429	10,132,941	10,049,659
-	-	662,770	456,639
-	-	1,675,063	1,575,032
-	-	380,949,971	866,217,329
12,279	20,429	393,420,745	878,298,659
$ 125,457,029	$ 200,323,089	$ 13,239,624,165	$ 12,354,931,301

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STATEMENTS OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUNDS AND OTHER TRUST FUNDS YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2012

	Pension Trust Funds			
	PERSI Base Plan	Firefighters' Retirement Fund	PERSI Choice Plan 414(k)	PERSI Choice Plan 401(k)
ADDITIONS				
Contributions				
Members	$ 184,652,290	$ 11,136	$ 6,462	$ 36,341,951
Employers	285,440,860	14,227,313	-	9,119,848
Transfers and rollovers in	-	-	-	9,132,179
Total contributions	470,093,150	14,238,449	6,462	54,593,978
Investment income				
Net appreciation (depreciation) in fair value of investments	726,899,521	18,470,947	3,732,343	31,292,784
Interest, dividends and other investment income	289,567,930	7,358,093	1,389,771	9,581,521
Less investment expenses	(42,045,151)	(1,068,392)	(197,400)	(150,127)
Total investment income (loss) - net	974,422,300	24,760,648	4,924,714	40,724,178
Other- net	16,311	-	-	-
Total additions	1,444,531,761	38,999,097	4,931,176	95,318,156
DEDUCTIONS				
Benefits and refunds paid to members and beneficiaries	687,987,165	19,801,418	2,233,004	8,018,315
Administrative expenses	6,308,487	-	-	-
Transfers and rollovers out	-	-	1,619,036	15,382,348
Total deductions	694,295,652	19,801,418	3,852,040	23,400,663
INCREASE (DECREASE) IN NET POSITION	750,236,109	19,197,679	1,079,136	71,917,493
NET POSITION HELD IN TRUST				
Beginning of year	11,329,656,746	287,759,155	57,063,092	396,934,637
End of year	$ 12,079,892,855	$ 306,956,834	$ 58,142,228	$ 468,852,130

Other Trust Funds			
Sick Leave Insurance Reserve Fund		Totals	
State	Schools	2013	2012
$ -	$ -	$ 221,011,839	$ 211,596,650
6,049,837	13,380,821	328,218,679	309,672,962
-	-	9,132,179	9,576,929
6,049,837	13,380,821	558,362,697	530,846,541
15,207,027	24,584,236	820,186,858	(101,608,701)
-	-	307,897,315	297,899,261
(64,759)	(104,691)	(43,630,520)	(42,461,439)
15,142,268	24,479,545	1,084,453,653	153,829,121
1,290	724	18,325	28,519
21,193,395	37,861,090	1,642,834,675	684,704,181
4,049,618	12,638,080	734,727,600	686,091,409
39,876	64,464	6,412,827	6,335,771
-	-	17,001,384	14,943,046
4,089,494	12,702,544	758,141,811	707,370,226
17,103,901	25,158,546	884,692,864	(22,666,045)
108,353,128	175,164,543	12,354,931,301	12,377,597,346
$ 125,457,029	$ 200,323,089	$ 13,239,624,165	$ 12,354,931,301

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

1. GENERAL DESCRIPTION OF THE FUNDS

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

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

Defined Benefit Retirement Plans — 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, 2013 and 2012, the number of participating employer units in the PERSI Base Plan was:

	2013	2012
Cities	149	149
School districts	160	158
Highway and water districts	129	128
State subdivisions	95	96
Counties	42	42
Other	180	179
	755	752

As of June 30, 2013 and 2012, the number of benefit recipients and members in the System consisted of the following:

Members, retirees and beneficiaries currently receiving benefits during the fiscal year and terminated employees entitled to benefits but not yet receiving them:

	2013	**2012**
Members:		
Active	65,535	65,270
Terminated and vested	11,084	10,823
Retirees and beneficiaries	38,947	37,150

FRF has 22 participating employer units all consisting of fire departments also participating in PERSI. As of June 30, 2013, there were 2 active members and 551 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 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 1.04% from January 1, 2013 through June 30, 2013 (18.16% from July 1, 2012 through December 31, 2012) 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 funds.

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 Xerox HR Solutions 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 755 PERSI employer units are eligible to have participating employees in the PERSI Choice Plan. As of June 30, 2013, there were 42,196 participants, with balances in the PERSI Choice Plans. Some of these participants are in both the 401(k) Plan and the 414(k) Plan. As of June 30, 2013, the Choice Plan 401(k) had 25,281 participants, and the Choice Plan 414(k) had 29,930. The administrative expenses of the PERSI Choice Plans are paid to Xerox 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 67-5333, 33-1216, 59-1365, and 33-1228.

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

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

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

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

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

The rate for state agency contributions was 0.65% of covered salary at June 30, 2013.

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

Days Earned	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 position when due and receivable, pursuant to formal commitments and statutory or contractual requirements, investment income is recognized when earned, and benefit payments and refunds and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus. The 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 8.2% of total investments. PERSI's real estate and commercial mortgage investments are 4.5% and 3.8% respectively of total investments.

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

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

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 position and liabilities, disclosure of contingent liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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

Totals — The basic financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's basic financial statements for the year ended June 30, 2012, from which the summarized information was derived.

New Accounting Standards –Two GASB standards were implemented during the Fiscal Year ending June 30, 2013: GASB 62 – GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The implementation of these standards 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	$ 2,400,198
FDIC insured/collateralized	264,614
Uninsured and uncollateralized	421,427
Total	$ 3,086,239

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, 2013, 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, 2013 are as follows:

Investment Table

Domestic fixed income	$ 2,583,416,219
Co-mingled domestic fixed income (Sick Leave Insurance Reserve Fund)	81,139,242
International fixed income	75,117,428
Idaho commercial mortgages	470,363,405
Short-term investments	423,931,155
Real estate	477,503,930
Domestic equities	4,877,838,997
Domestic equities-convertibles	151,798
Co-mingled domestic equity (Sick Leave Insurance Reserve Fund)	199,172,755
International equities	2,602,477,386
Co-mingled international equity (Sick Leave Insurance Reserve Fund)	42,549,636
Private equity	988,018,414
Mutual, collective, and unitized funds	522,804,939
Total Investments	$ 13,344,485,304

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, 2013, the System had futures contracts with a fair value of $386,595 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, 2013, the System had the following net futures contracts exposure:

	Exposure covered by contract
Cash and Cash Equivalents Eurodollar	$ 4,710,813
Euribor future	9,671,859
U.S. Treasury note futures	(12,501,219)
U.S. Treasury bond futures	271,688
US Ultra (Long-Term Treasury) bond future	(1,325,813)

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, 2013, the System had option contracts payable with a fair value of $86,867, which is included in Domestic Fixed Income. At June 30, 2013, the System had the following options contract exposure:

	Exposure covered by contract
Fixed income purchased put options	$ 86,867

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, 2013, the System had entered into forward currency contracts to sell foreign currencies with a fair value of $134,585,618 and had entered into forward currency contracts to buy foreign currencies with a fair value of $130,687,480. Forward currency contracts are receivables or payables reported as investments sold or investments purchased. Net unrealized gains of $3,965,578 at June 30, 2013 were recorded, which represent the gain which would occur from executing these forward foreign currency contracts.

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

TIPS — Treasury Inflation Protected Securities (TIPS) are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2013, the System had invested in TIPS with a fair value of $1,324,370,620.

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, 2013, the System's fixed income assets that are not government guaranteed represented 51% of the fixed income portfolio. The System's fixed income assets are shown with current credit ratings in the table that follows.

Credit Quality of fixed income securities at fair value

Credit Quality S&P Rating Level	**Domestic**	**International**	**Total**
Short-Term			
A-1+	$ 37,710,569	$ -	$ 37,710,569
A-1	28,965,376	-	28,965,376
A-2	-	-	-
Long-Term			
AAA	40,314,035	23,384,726	63,698,761
AA*	361,979,054	719,300	362,698,354
A	288,167,044	24,536,930	312,703,974
BBB	128,774,159	12,160,922	140,935,081
BB	10,457,921	-	10,457,921
B	7,060,757	-	7,060,757
CCC	4,568,000	-	4,568,000
CC	1,023,799	-	1,023,799
C	-	-	-
D	791,765	-	791,765
Not rated	300,324,760	14,315,550	314,640,310
Total Credit Risk fixed income securities	1,210,137,239	75,117,428	1,285,254,667
U.S. Government	1,756,738,307	-	1,756,738,307
Pooled Investments	110,545,809	-	110,545,809
Idaho Mortgages	470,363,405	-	470,363,405
Total	$ 3,547,784,760	$ 75,117,428	$ 3,622,902,188

*Includes US Government Agencies implicitly guaranteed by US Government:
FFCB $686,329; FHLB $25,494,133; FHLMC $86,271,951; FNMA $110,009,697

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 89.6%, in short-term instruments held at the custodian bank. Of the remaining cash and deposits at June 30, 2013, approximately 3.0% or, $12,899,894, was held by various counterparties not in the System's name. The remainder, approximately 7.4%, is invested in custodial bank-maintained collective investment funds.

E. Concentration of Credit Risk

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

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

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 invested assets.

F. Interest Rate Risk

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

Effective duration of domestic fixed income assets by security type:

Investment	Fair Value	Duration in Years
Asset-backed Securities	$ 5,574,558	(0.12)
Asset-backed Securities	198,841	N/A
Mortgages	8,817,866	2.13
Commercial Paper	76,508,816	0.30
Corporate Bonds	511,865,485	6.79
Fixed Income Derivatives	390,365	5.76
Fixed Income Derivatives	86,867	N/A
Government Agencies	53,587,624	6.66
Government Agencies	198,824	N/A
Government Bonds	476,651,711	6.02
Government Mortgage-backed Securities	385,587,173	2.43
Government Mortgage-backed Securities	3,187,419	N/A
Pooled Investments	29,406,567	0.08
Pooled Investments	81,139,242	N/A
Private Placements	73,313,062	4.38
Private Placements	90,420,317	N/A
TIPS	1,280,486,618	9.65
Idaho Mortgages	470,363,405	N/A
Total	$ 3,547,784,760	

Effective duration of international fixed income assets by security type:

Investment	Fair Value	Effective Duration in Years
Asset-Backed Securities	$ 217,366	N/A
Corporate Bonds	2,325,171	3.47
Government Agencies	6,160,277	0.95
Government Bonds	66,414,614	4.10
Total	$ 75,117,428	

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, 2013, is highlighted in the table that follows.

Currency exposures:

CURRENCY	Short-term Investments	Equity	Fixed Income	Total USD Equivalent Fair Value
AUSTRALIAN DOLLAR	$ (19,736,638)	$ 65,401,887	$ 7,454,475	$ 53,119,724
BRAZIL REAL	(242,777)	82,445,208	1,311,011	83,513,442
CANADIAN DOLLAR	(19,400,594)	29,058,357	18,508,922	28,166,685
CHILEAN PESO	4,424	7,279,787	-	7,284,211
CHINESE YUAN RENMINBI	-	532	-	532
COLOMBIAN PESO	4,823	3,577,787	-	3,582,610
CZECH KORUNA	62,752	3,804,750	-	3,867,502
DANISH KRONE	40,262	15,431,459	-	15,471,721
EGYPTIAN POUND	57,948	1,239,312	-	1,297,260
EURO CURRENCY UNIT	(27,991,411)	616,132,982	25,332,997	613,474,568
HONG KONG DOLLAR	372,537	236,134,411	-	236,506,948
HUNGARIAN FORINT	122,043	7,592,501	-	7,714,544
INDONESIAN RUPIAH	144,361	46,498,776	-	46,643,137
ISRAELI SHEKEL	66,903	5,824,453	-	5,891,356
JAPANESE YEN	373,261	376,796,502	-	377,169,763
KENYAN SHILLING	-	175,063	-	175,063
MALAYSIAN RINGGIT	83,443	23,028,361	-	23,111,804
MEXICAN NEW PESO	(5,265,398)	30,604,123	11,956,857	37,295,582
MOROCCAN DIRHAM	7,105	297,655	-	304,760
NEW TAIWAN DOLLAR	305,172	86,629,792	-	86,934,964
NEW TURKISH LIRA	(145,195)	60,122,491	-	59,977,296
NEW ZEALAND DOLLAR	18,243	599,789	-	618,032
NORWEGIAN KRONE	4,502,621	8,203,344	-	12,705,965
PHILIPPINES PESO	14,993	36,990,133	-	37,005,126
POLISH ZLOTY	(2,986,562)	13,951,738	7,185,059	18,150,235
POUND STERLING	(1,486,815)	427,117,464	2,365,781	427,996,430
RUSSIAN RUBEL (NEW)	-	14,827,115	-	14,827,115
S AFRICAN COMM RAND	(102,292)	68,747,077	1,596,639	70,241,424
SINGAPORE DOLLAR	25,477	30,475,039	-	30,500,516
SOUTH KOREAN WON	(3,695,671)	176,023,054	-	172,327,383
SRI LANKA RUPEE	-	372,574	-	372,574
SWEDISH KRONA	20,715	26,898,487	-	26,919,202
SWISS FRANC	(1,316,155)	116,188,936	-	114,872,781
THAILAND BAHT	6,834	52,173,312	-	52,180,146
Total value of investments subject to foreign currency risk	$ (76,135,591)	$ 2,670,644,251	$ 75,711,741	$ 2,670,220,401

4. ASSETS USED IN PLAN OPERATIONS

Assets used in plan operations at June 30, 2013, consist of the following:

	2013
Buildings and improvements	$ 5,515,888
Less accumulated depreciation	(3,802,886)
Total buildings and improvements	1,713,002
Computer software development - Galena	6,331,360
Less accumulated amortization	(6,331,360)
Total computer software development - Galena	-
Equipment	481,849
Less accumulated depreciation	(370,366)
Total equipment	111,483
Computer software development - IRIS	2,724,608
Less accumulated amortization	(23,646)
Total computer software development - IRIS	2,700,962
Equipment - IRIS	230,312
Less accumulated depreciation	(7,677)
Total equipment	222,635
Total assets used in plan operations	$ 4,748,082

For the year ended June 30, 2013, depreciation expense on the buildings and improvements was $160,695. The equipment had a total depreciation expense of $79,345 for 2013. Computer software development costs for the Galena system were fully amortized as of June 30, 2006. In January 2012 development began on the IRIS system. Costs of the Idaho Retirement Information System (IRIS) are being capitalized and are amortized as each phase is implemented. Beginning May 2013, the Employer Reporting component of IRIS began being amortized over 10 years. Amortization for 2013 was $23,646. Equipment purchased for IRIS began being depreciated in May 2013 over 5 years. The balance on contracts pertaining to the completion of the IRIS project at June 30, 2013 was $10.1 million.

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 $2,695,882,000 and $338,200, respectively for the year ended June 30, 2013.

Normal cost is 14.19% of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.2% 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, the contribution rates for the optional retirement plan for Junior Colleges ended per Idaho Code 33-107B (4)(a)(ii). In July, 2007 Idaho Code 33-107A(4)(ii) was amended to reduce the payment rate and extend the payoff period for colleges and universities to pay off the unfunded liability obligation that resulted when the ORP was established. The rate was reduced from 3.03% to 1.49% and the payoff date extended from 2015 to 2025.

Optional retirement plan employees of higher education:

Colleges and universities	1.49%

The contribution rates for the year ended June 30, 2013 are:

	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, 2013	6.79%	8.36%	11.32%	11.66%
Effective July 1, 2014	7.34%	9.03%	12.24%	12.58%
Effective July 1, 2015	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%.

The planned contribution rate increase for July 1, 2013 was implemented.

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, 2013	July 1, 2013
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 - gross	7.50 %	7.50 %
Projected salary increases	4.5 % - 10.25 %	4.5 % - 10.25 %
Includes salary inflation	3.75%	3.75%
Postretirement benefit increase	1.00 %	1.00 %
Implied price inflation rate	3.25%	3.25%

SCHEDULES OF FUNDING PROGRESS
PUBLIC EMPLOYEE RETIREMENT FUND AND FIREFIGHTERS' RETIREMENT FUND
FISCAL YEAR 2013
(Dollars in millions) (UNAUDITED)

PERSI

Actuarial Valuation Date	(1) Actuarial Market 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, 2013	12,053.5	14,172.9	45.3	2,074.1	85.3	2,697.6	76.9

(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 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, 2013	307.0	321.5	14.5	95.5	63.0	23.0

(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 declined in 2008 and 2009, then increased in 2010 and 2011. A tough financial market resulted in a decline in 2012, but 2013 saw a rebound and large gain in the actuary value.

A multi-year presentation of funding progress for the Fiscal Years 2008 – 2013 can be found immediately following the notes to the Financial Statements in the Required Supplementary Information Section on pages 52-54.

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, 2013, 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 $294,159, $283,020, and $278,921 for the three years ended June 30, 2013, 2012, and 2011, 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, 2013 of $415,735,943 and €13,765,399.

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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 2008 - 2013
(Dollars in millions) (UNAUDITED)

PERSI

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

(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, 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
July 1, 2012		No Valuation				
July 1, 2013	307.0	321.5	14.5	95.0	63.0	23.0

(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 2008 - 2013
(Dollars in millions) (UNAUDITED)

	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
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
2012	277.2	327.9	84.0		No Valuation	
2013	285.4	295.5	97.0	14.2	1.7	853.9

(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, 2013

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, 2013	July 1, 2013
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	7.50 %	7.50 %
Projected salary increases —	4.5 % - 10.25 %	4.5% - 10.25%
Includes salary inflation	3.75 %	3.75 %
Postretirement benefit increase	1.00 %	1.00 %
Implied price inflation rate	3.25 %	3.25 %

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

ADDITIONAL SUPPLEMENTARY SCHEDULES

PUBLIC EMPLOYEE RETIREMENTSYSTEM OF IDAHO

SCHEDULE OF INVESTMENT EXPENSES
YEAR ENDED JUNE 30, 2013

INVESTMENT AND RELATED SERVICES:		
Adelante Capital	$	3,362,088
AEW Captial Management LP		1,645,393
Baring Asset Management, Inc.		1,723,873
BCA Publication, Inc.		7,500
Bernstein, Sanford C.		4,637,499
Bloomberg, LP		59,881
Brandes Investmetn Partners, LP		1,757,254
Capital Guardian Trust Company		1,614,072
Chadwick, Saylor & Co., Inc.		2,009,224
Choice Plan Managers		347,528
Clearwater Advisors, LLC		769,377
D.B. Fitzpatrick & Co., Inc.		2,119,210
Donald Smith & Company		2,655,176
Genesis Asset Managers, Ltd.		2,647,494
Longview Partners		2,017,368
Mellon Capital Management		947,051
Mellon Trust		2,819,992
Mondrian Investment Partners		1,148,276
Mountain Pacific Investment Advisors, Inc.		1,205,959
Pareto Partners		181,222
Peregrine Capital Management		1,344,852
Prudential Investments		353,751
State Street Global Advisors		536,198
Tukman Grossman Capital Management, Inc.		2,057,578
Wells Fargo Bank		71,950
Western Asset		1,045,289
Yardarni Research		7,500
Zesiger Capital Group		2,281,875
		41,374,430
CONSULTING AND OTHER SERVICES:		
Alban Row		81,041
Berkadia Commercial Mortgage (formally Capmark)		19,550
Callan Associates		306,791
Chartwell Consulting LLC		81,818
Eide Bailly LLP		84,650
Foster, Pepper, Shefelman PLLC		153,435
Hamilton Lane Advisors, Inc.		215,000
Ice Miller LLP		2,639
Milliman, Inc.		213,761
Robert Storer		84,094
Whiteford, Taylor & Preston		18,729
Xerox HR Solutions LLC		994,582
		2,256,090
TOTAL	$	43,630,520

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2013

PORTFOLIO-RELATED EXPENSES:	
Personnel expenses	$ 609,127
Operating expenses	379,573
	988,700
OTHER ADMINISTRATIVE EXPENSES:	
Personnel expenses	3,320,413
Operating expenses	1,737,927
Building depreciation expense	160,695
Equipment depreciation expense	77,106
Software amortization expense	23,646
	5,319,787
SICK LEAVE FUND EXPENSES — Administrative personnel expenses	104,340
Total	$ 6,412,827

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the pension and other trust funds of the Public Employee Retirement System of Idaho (the System), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Public Employee Retirement System of Idaho's basic financial statements, and have issued our report thereon dated October 08, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Boise, Idaho
October 08, 2013