

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF NEVADA**

*Actuarial Valuation as of June 30, 2007*

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November 1, 2007

Public Employees' Retirement Board  
State of Nevada  
693 West Nye Lane  
Carson City, Nevada 89703

Dear Retirement Board Members:

We are pleased to submit this report that presents the results of our actuarial valuation of the Public Employees' Retirement System of the State of Nevada as of June 30, 2007.

Our actuarial valuation is based on:

- > the current provisions of the Retirement System as of June 30, 2007,
- > membership data as of June 30, 2007,
- > unaudited financial data as of June 30, 2007, and
- > actuarial assumptions and funding policy adopted by the Retirement Board.

The actuarial valuation was performed in accordance with generally accepted actuarial principles under our supervision.

We look forward to meeting with the Retirement Board to review this report on the Public Employees' Retirement System of the State of Nevada.

Sincerely,

Michael Moehle, FSA, MAAA, EA, FCA  
Vice President and Consulting Actuary

Thomas D. Levy, FSA, FCIA, MAAA, EA  
Senior Vice President and Chief Actuary

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## I. INTRODUCTION

Actuarial valuations of the Public Employees' Retirement System of the State of Nevada are prepared annually by the independent actuary for the Public Employees' Retirement Board. The basic purposes of annual actuarial valuations are to determine the Retirement System's actuarial liabilities and the contribution rates required to fund the Retirement System on an actuarial reserve basis.

The June 30, 2007 actuarial valuation of the Public Employees' Retirement System of the State of Nevada is based on five basic elements:

1. The current provisions of the Public Employees' Retirement Act (see Section III).
2. The characteristics of active and inactive members.
3. The characteristics of members in pay status.
4. The actuarial assumptions and methods adopted by the Public Employees' Retirement Board (see Section IV).
5. The actuarial value of the Retirement System's net assets, which on June 30, 2007 amounted to \$21.4 billion, based on unaudited assets.

### **Highlights**

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1 of each odd-numbered year, based on the actuarially determined rates indicated in the actuarial valuation report for the immediately preceding year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rate exceeds 0.50% of salary for the Employer-Pay rates or 0.25% of salary for the Employee/Employer rates. Contribution rates are rounded to the nearest 0.25% of covered payroll.

For both the regular and police/fire employees, the calculated rates for 2007 increased from the previous year. The most important factor in this increase for police/fire employees was due to the effect of the assumption changes adopted by the Board from the June 30, 2006 Experience Study.

Since the June 30, 2007 valuation year was an odd-numbered year, an adjustment in the statutory contribution rates is not required for fiscal years July 1, 2008 through June 30, 2009.

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
<b>Employer-Pay*</b>		
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	20.50%	33.50%
Actuarial Determined Contribution Rate per July 1, 2007 Actuarial Valuation	20.82%	36.97%
<i>* See cost-sharing mechanism in NRS 286.421</i>		

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
<b>Employee/Employer*</b>		
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	21.00%	34.50%
Actuarial Determined Contribution Rate per July 1, 2007 Actuarial Valuation	21.66%	37.72%
<i>* See cost-sharing mechanism in NRS 286.410</i>		

As indicated on page 30 of this report, the total investment gain not yet recognized as of June 30, 2007 is approximately \$1,083 million for regular employees. Per page 31, the total investment gain not yet recognized as of June 30, 2007 is approximately \$260 million for police/fire employees. These unrecognized gains will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent they are not offset by recognition of losses derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of investment expenses) on a **market value** basis will result in investment gains on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

**Active and Inactive Vested Membership**

**(Tables 1 through 6 - Section II)**

A total of 114,683 active and inactive vested members of the Public Employees' Retirement System of the State of Nevada are included in this actuarial valuation. Approximately 88% of the active members are regular employees and 12% are police/fire employees.

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>	<u>Total</u>
Active members	91,757	11,936	103,693
Inactive members	<u>10,394</u>	<u>596</u>	<u>10,990</u>
Total active and inactive members	102,151	12,532	114,683

Between the 2006 and 2007 actuarial valuations, the number of active regular employees increased by 4,737 or 5.4%, and the number of active police/fire employees increased by 769 or 6.9%. The average annual salaries of active regular employees increased by 3.4% to \$43,355, and the average annual salaries of police/fire employees increased by 3.2% to \$66,316.

As of the valuation date, approximately 81.8% of regular employees and 84.8% of police/fire employees were covered under the Employer-Pay provisions. The number and payrolls of active members covered under Employer-Pay and Employee/Employer contribution provisions are shown on the following page.

	<u>Regular Employees</u>		<u>Police/Fire Employees</u>		<u>Total</u>	
	<u>Number</u>	<u>Payroll (Millions)</u>	<u>Number</u>	<u>Payroll (Millions)</u>	<u>Number</u>	<u>Payroll (Millions)</u>
Employer-Pay	75,058	\$3,378.48	10,122	\$712.93	85,180	\$4,091.41
Employee/Employer	<u>16,699</u>	<u>599.64</u>	<u>1,814</u>	<u>78.62</u>	<u>18,513</u>	<u>678.26</u>
Total	91,757	\$3,978.12	11,936	\$791.55	103,693	\$4,769.67

**Members in Pay Status**  
**(Tables 7 through 10 - Section II)**

On the valuation date, the Public Employees' Retirement System of the State of Nevada was paying benefits to a total of 35,687 retired members, disabled members, beneficiaries, and survivors. The total number of benefit recipients increased 7.3% from 33,262 on June 30, 2006. The benefit recipients were comprised of 29,119 service retirees, 2,143 disability retirees, 2,804 beneficiaries and 1,621 survivors.

Between the 2006 and 2007 actuarial valuations, the total number of service retirees, beneficiaries, disability retirees and survivors increased as shown below:

	<u>Regular Employees</u>		<u>Police/Fire Employees</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Service	25,496	23,626	3,623	3,409	29,119	27,035
Disability	1,817	1,670	326	320	2,143	1,990
Beneficiaries	2,357	2,260	447	418	2,804	2,678
Survivors	<u>1,434</u>	<u>1,377</u>	<u>187</u>	<u>182</u>	<u>1,621</u>	<u>1,559</u>
Total	31,104	28,933	4,583	4,329	35,687	33,262

As of June 30, 2007, the average monthly benefit payable to service and disability retirees was \$2,216 for retired regular employees and \$3,549 for retired police/fire employees compared to \$2,136 and \$3,387, respectively, as of June 30, 2006.

Average monthly benefits paid to beneficiaries and survivors were \$1,317 for regular employees and \$1,589 for police/fire employees. These average benefit amounts and the amounts shown in the tables that follow include all post-retirement benefit increases as of the valuation date.

**Assets**  
**(Tables 11 through 14 - Section II)**

As of June 30, 2007, net assets totaled \$22.7 billion at market value and \$21.4 billion at actuarial value. The actuarial value of assets as a percentage of market value of assets was 94% for both regular employees and police/fire employees as of the valuation date. Last year, the actuarial value of assets as a percentage of market value of assets was 99% for both regular employees and police/fire employees.

## **Results of the Actuarial Valuation**

### **(Tables 15 through 19 - Section II)**

Under the Entry Age Normal Cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost, an administrative expense allowance, and the payment required to amortize the unfunded actuarial accrued liability over the established (GASB compliant) amortization period. Actuarial gains and losses resulting from differences between actual and assumed non-investment experience are recognized immediately in the Retirement System's actuarial accrued liabilities.

In general terms, the normal cost is the cost of benefit rights allocated to current service. The normal cost rate is the level percentage-of-salary contribution required each year per employee to accumulate, over the projected working lifetime, the reserves needed to meet the cost of projected benefits. The normal cost represents the ultimate percentage-of-salary cost of the Retirement System if the unfunded actuarial accrued liability is paid off and the actual experience of the System conforms to actuarial assumptions. The normal costs are calculated separately for regular employees and police/fire employees.

The calculated normal costs are shown in Table 15 and are summarized as follows:

	<u>Actuarially-Determined Normal Costs</u>		
	<u>Regular Employees</u>	<u>Police/Fire Employees</u>	<u>Total</u>
Employer Normal Cost*	\$657,325,805	\$232,673,331	\$889,999,136
Employee Contributions	<u>75,756,366</u>	<u>16,620,237</u>	<u>92,376,603</u>
Total Normal Cost	\$733,082,171	\$249,293,568	\$982,375,739

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421

The total actuarial accrued liability represents the amount that would have been accumulated as of the valuation date if contributions sufficient to meet the normal costs of the Retirement System had been made each year in the past. If assets equaled the total actuarial accrued liability, there would be no unfunded liability and future contribution requirements would consist solely of the calculated normal cost rates and the administrative expense allowance.

The unfunded actuarial accrued liability is the difference between the actuarial accrued liability and the actuarial value of assets. The actuarial value of assets is developed by spreading the



market value gains and losses over a five-year period. The majority of public sector retirement funds use an asset smoothing technique as part of their overall strategy in managing contribution rate volatility.

The unfunded actuarial accrued liability is shown in Tables 16 and 17, and amounts to \$4.616 billion for regular employees and \$1.697 billion for police/fire employees. The Plan has adopted the approach of amortizing year by year amounts of each year's change in the unfunded accrued liability. The annual increase in the unfunded actuarial accrued liability is amortized over a period of 30 years from July 1, 2007 and added to the previous years' amortizations. The 2006, 2005 and 2004 unfunded accrued liabilities have 29, 28 and 27 years left on their schedules respectively. The method of amortizing the unfunded actuarial accrued liability is the level percentage-of-payroll method, under which the dollar amounts of calculated amortization payments increase in direct proportion to the assumed payroll growth rates. The assumed payroll growth rates are 6.50% per year for regular employees and 8.00% per year for police/fire employees.

Based on the year-by-year closed percentage-of-payroll amortization method, the annual payments required to amortize the unfunded actuarial accrued liability represent 4.51% of projected payroll for regular employees and 7.39% of projected payroll for police/fire employees. Under this method, the average length of payment for the total unfunded liability is about 27.5 years for both regular and police/fire employees.

	<u>Amortization Payments (Millions)</u>	
	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
2004 Payment	\$161.880	\$52.428
2005 Payment	37.956	6.481
2006 Payment	16.238	5.249
2007 Payment	<u>(13.186)</u>	<u>(1.749)</u>
Total Payment	\$202.888	\$62.409
Percent of Annualized Payroll	4.51%	7.39%

The Retirement System's total administrative expenses are assumed to approximate 0.15% of projected payroll. Because administrative expenses are paid out of the retirement funds, the actuarially-determined employer contribution rates are increased by 0.15% of payroll to

determine the total contribution rates required to meet the calculated actuarial costs plus administrative expenses.

The total calculated contribution rates (as a percent of projected payroll) are:

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
<b>Employer-Pay*</b>		
Employer Normal Cost	16.16%	29.43%
Amortization Payment	4.51%	7.39%
Administrative Expenses	<u>0.15%</u>	<u>0.15%</u>
Total Employer-Pay Rate	20.82%	36.97%
Statutory Rate (2007 – 2009)	20.50%	33.50%

\* See cost-sharing mechanism in NRS 286.421

<b>Employee/Employer*</b>		
Employee Contributions	10.50%	17.25%
Employer Normal Cost	6.50%	12.93%
Amortization Payment	4.51%	7.39%
Administrative Expenses	<u>0.15%</u>	<u>0.15%</u>
Total Employee/Employer Rate	21.66%	37.72%
Statutory Rate (2007 – 2009)	21.00%	34.50%

\* See cost-sharing mechanism in NRS 286.410

For comparison purposes, the 2006 calculated Employer-Pay rates were 20.44% and 33.55% for regular employees and police/fire employees, respectively. The 2006 calculated Employee/Employer rates for regular employees and police/fire employees were 21.33% and 34.43%, respectively. The Employee/Employer rates exceed the Employer-Pay rates because of the additional guaranteed cost for the refund provisions applicable to employee contributions.

### **Changes in Statutory Rates**

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1 of each odd-numbered year, based on the actuarially determined rates indicated in the actuarial valuation report for the immediately preceding year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rate exceeds 0.50% of salary for the Employer-Pay rates or 0.25% of salary for the Employee-Employer rates. Contribution rates are rounded to the nearest 0.25% of covered payroll.

Since the June 30, 2007 valuation year is an odd numbered year, a change in the statutory rates is not required.

### **Analysis of Actuarial Experience (Table 20 - Section II)**

The determinations below are on the basis of the actuarial assumptions used in the prior actuarial valuation.

**Investment Experience.** During fiscal year 2007, the net rate of investment return, on an actuarial basis (smoothed value), was approximately 9.63%, or 1.63% higher than the assumed long-term rate of 8.00% per year. As a result of the more than assumed investment experience on an actuarial value basis, the amortization percentages as of the valuation date for both regular employees and police/fire employees were lower than they would have been if the investment return rate had equaled the assumed rate. (The gain due to investment experience is significant because it offsets loss due to assumption changes loss.)

**Liability Experience.** The remaining experience due to changes in accrued liability is detailed in Table 20.

### **Changes in Plan Provisions Since the Previous Year**

No changes were made to the plan provisions this year.

### **Changes in Actuarial Assumptions and Methods Since the Previous Year**

Please see Section IV for changes made to the actuarial assumptions and methods this year.

## **II. PLAN STATISTICAL AND ACTUARIAL INFORMATION**

This section of the report provides the demographic characteristics of the Retirement System's active and inactive vested members, retirees and beneficiaries, asset information and the details of our actuarial calculations.

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**Table 1**  
**Number, Average Age-Service-Salary, and Total Payroll**  
**of Active Members Included in Actuarial Valuation**

Item	Actuarial Valuation as of June 30,					
	2002	2003	2004	2005	2006	2007
	<b>Regular Employees</b>					
Number	75,518	77,569	79,848	83,224	87,020	91,757
Average age	44.6	44.8	45.1	45.1	45.1	45.0
Average years of service	8.5	8.7	8.7	8.7	8.5	8.3
Average annual salary <sup>(1)</sup>	\$38,106	\$39,193	\$40,069	\$40,901	\$41,929	\$43,355
Total payroll (millions)	\$2,877.7	\$3,040.2	\$3,199.5	\$3,404.0	\$3,648.6	\$3,978.1
	<b>Police/Fire Employees</b>					
Number	9,706	9,758	10,394	10,771	11,167	11,936
Average age	39.8	40.1	39.7	39.6	39.5	39.3
Average years of service	9.9	10.2	9.9	10.0	9.9	9.7
Average annual salary <sup>(1)</sup>	\$55,628	\$56,907	\$59,008	\$61,277	\$64,250	\$66,316
Total payroll (millions)	\$539.9	\$555.3	\$613.3	\$660.0	\$717.5	\$791.5

<sup>(1)</sup> Based on compensation actually paid during the preceding plan year to active members as of the valuation date.

**Table 2**

**Division of Employees by Provision**

**Employees Under Employer-Pay Provisions**

<b>June 30,</b>	<b>Regular Employees</b>	<b>Percent of Total Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Percent of Total Police/Fire Employees</b>	<b>Total</b>	<b>Percent of Total</b>
2002	62,325	82.5%	8,332	85.8%	70,657	82.9%
2003	63,755	82.2%	8,417	86.3%	72,172	82.6%
2004	65,853	82.5%	8,865	85.3%	74,718	82.8%
2005	68,337	82.1%	9,146	85.0%	77,483	82.4%
2006	71,370	82.0%	9,465	84.8%	80,835	82.3%
2007	75,058	81.8%	10,122	84.8%	85,180	82.1%

**Employees Under Employee/Employer Provisions**

<b>June 30,</b>	<b>Regular Employees</b>	<b>Percent of Total Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Percent of Total Police/Fire Employees</b>	<b>Total</b>	<b>Percent of Total</b>
2002	13,193	17.5%	1,374	14.2%	14,567	17.1%
2003	13,814	17.8%	1,341	13.7%	15,155	17.4%
2004	13,995	17.5%	1,529	14.7%	15,524	17.2%
2005	14,887	17.9%	1,625	15.0%	16,512	17.6%
2006	15,650	18.0%	1,702	15.2%	17,352	17.7%
2007	16,699	18.2%	1,814	15.2%	18,513	17.9%



**Table 3-A**

**Population Statistics, Employer-Pay and Employee/Employer**

**Regular Employees**

<b>Employer-Pay</b>			
<b>June 30,</b>	<b>Average Age</b>	<b>Average Service</b>	<b>Average Entry Age</b>
2002	44.6	9.1	35.4
2003	44.9	9.3	35.0
2004	45.2	9.4	35.2
2005	45.2	9.4	35.2
2006	45.2	9.2	35.4
2007	45.1	9.0	35.2

<b>Employee/Employer</b>			
<b>June 30,</b>	<b>Average Age</b>	<b>Average Service</b>	<b>Average Entry Age</b>
2002	44.5	5.9	38.1
2003	44.6	5.8	38.1
2004	44.7	5.6	38.4
2005	44.7	5.5	38.3
2006	44.7	5.5	38.4
2007	44.6	5.4	38.2

**Table 3-B**

**Population Statistics, Employer-Pay and Employee/Employer**

**Police/Fire Employees**

<b>Employer-Pay</b>			
<b>June 30,</b>	<b>Average Age</b>	<b>Average Service</b>	<b>Average Entry Age</b>
2002	39.8	10.6	29.4
2003	40.2	11.0	29.0
2004	39.8	10.8	28.8
2005	39.9	10.9	28.7
2006	40.0	10.8	28.7
2007	39.6	10.7	28.5

<b>Employee/Employer</b>			
<b>June 30,</b>	<b>Average Age</b>	<b>Average Service</b>	<b>Average Entry Age</b>
2002	39.6	5.6	33.6
2003	40.0	5.8	33.4
2004	39.0	5.0	33.5
2005	38.4	4.8	33.1
2006	38.2	4.5	33.1
2007	37.9	4.3	32.9

**Table 4-A****Active Member Distribution by Age and Years of Service****Regular Employees****June 30, 2007**

Age	Years of Service							
	Total	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 & Over
Total	91,757	40,963	19,935	13,282	9,334	4,271	3,059	913
Under 20	309	308	0	0	1	0	0	0
20 - 24	3,262	3,241	21	0	0	0	0	0
25 - 29	7,668	6,802	849	17	0	0	0	0
30 - 34	9,215	5,642	2,909	641	22	1	0	0
35 - 39	11,590	5,338	3,247	2,337	617	50	1	0
40 - 44	12,479	4,949	3,024	2,173	1,749	505	76	3
45 - 49	13,565	4,846	3,033	2,255	1,811	1,001	569	50
50 - 54	13,401	3,993	2,799	2,390	1,941	1,001	1,070	207
55 - 59	11,706	3,294	2,240	2,020	1,909	1,044	839	360
60 - 64	6,094	1,780	1,280	1,052	938	503	362	179
65 - 69	1,823	511	404	307	271	137	112	81
70 & Over	645	259	129	90	75	29	30	33

**Table 4-B****Active Member Distribution by Age and Years of Service****Police/Fire Employees****June 30, 2007**

<b>Age</b>	<b>Years of Service</b>							
	<b>Total</b>	<b>0 - 4</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 &amp; Over</b>
Total	11,936	3,995	3,064	1,927	1,616	817	436	81
Under 20	0	0	0	0	0	0	0	0
20 - 24	485	481	4	0	0	0	0	0
25 - 29	1,436	1,199	229	7	1	0	0	0
30 - 34	2,146	965	955	217	8	1	0	0
35 - 39	2,608	660	950	726	249	23	0	0
40 - 44	2,120	340	461	507	629	176	7	0
45 - 49	1,605	204	252	227	436	346	138	2
50 - 54	911	80	117	145	174	163	205	27
55 - 59	415	45	60	55	72	71	70	42
60 - 64	167	16	31	31	35	32	13	9
65 - 69	34	5	5	9	7	4	3	1
70 & Over	9	0	0	3	5	1	0	0

**Table 5****Salary Distributions****Regular Employees and Police/Fire Employees  
in Active Service on June 30, 2007**

<b>Actual Salary</b>	<b>Regular Employees</b>		<b>Police/Fire Employees</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Total	91,757	100.0%	11,936	100.0%
Under \$20,000	4,735	5.2%	144	1.2%
\$20,000 - \$24,999	5,269	5.7%	6	0.1%
25,000 - 29,999	5,666	6.2%	9	0.1%
30,000 - 34,999	6,975	7.6%	118	1.0%
35,000 - 39,999	9,944	10.8%	323	2.7%
40,000 - 44,999	9,548	10.4%	510	4.3%
45,000 - 49,999	8,309	9.1%	559	4.7%
50,000 - 54,999	8,895	9.7%	721	6.0%
55,000 - 59,999	6,836	7.5%	887	7.4%
60,000 - 64,999	5,403	5.9%	1,092	9.1%
65,000 - 69,999	5,968	6.5%	943	7.9%
70,000 - 74,999	3,132	3.4%	718	6.0%
75,000 - 79,999	2,591	2.8%	714	6.0%
80,000 - 84,999	2,054	2.2%	734	6.1%
85,000 - 89,999	1,684	1.8%	595	5.0%
90,000 - 94,999	1,115	1.2%	558	4.7%
95,000 - 99,999	897	1.0%	622	5.2%
100,000 - 104,999	616	0.7%	571	4.8%
105,000 - 109,999	448	0.5%	480	4.0%
110,000 - 114,999	357	0.4%	334	2.8%
115,000 - 119,999	239	0.3%	305	2.6%
120,000 - 124,999	206	0.2%	219	1.8%
125,000 - 129,999	136	0.1%	177	1.5%
130,000 - 134,999	117	0.1%	125	1.0%
135,000 - 139,999	70	0.1%	119	1.0%
140,000 - 144,999	80	0.1%	74	0.6%
145,000 - 149,999	61	0.1%	74	0.6%
150,000 - 154,999	50	0.1%	52	0.4%
155,000 - 159,999	53	0.1%	33	0.3%
160,000 & Over	303	0.3%	120	1.0%

Note: Based on compensation actually paid during the plan year.

**Table 6**

**Salary Increase Rates by Service**

<b>Active Employees in Both 2007 and 2006 Actuarial Valuations</b>			
		<b>Percent Increase in Average Salary</b>	
<b>Service</b>	<b>Number</b>	<b>Actual</b>	<b>Expected</b>
<b>Regular Employees</b>			
Under 5	25,404	10.3%	7.8%
5 - 10	20,019	5.0%	6.2%
10 - 15	13,058	6.5%	4.7%
15 - 20	10,005	6.4%	4.5%
20 & Over	<u>10,257</u>	<u>6.1%</u>	<u>4.5%</u>
Total	78,743	7.3%	6.0%
<b>Police/Fire Employees</b>			
Under 5	2,669	14.1%	10.1%
5 - 10	3,073	9.3%	7.7%
10 - 15	1,983	7.0%	6.5%
15 - 20	1,708	6.1%	6.5%
20 & Over	<u>1,372</u>	<u>5.8%</u>	<u>6.5%</u>
Total	10,805	9.1%	7.8%

**Table 7-A****Pensions in Force  
by Type and Monthly Amount****June 30, 2007****Regular Members**

<b>Monthly Amount</b>	<b>Total</b>	<b>Service</b>	<b>Beneficiary</b>	<b>Disability</b>	<b>Survivor</b>
Total	31,104	25,496	2,357	1,817	1,434
Less than \$250	583	508	60	10	5
\$250 - \$499	2,790	1,802	277	215	496
500 - 749	3,115	2,140	337	256	382
750 - 999	2,925	2,267	319	232	107
1,000 - 1,249	2,668	2,160	261	180	67
1,250 - 1,499	2,592	2,088	241	186	77
1,500 - 1,749	1,468	1,189	123	119	37
1,750 - 1,999	1,706	1,354	158	142	52
2,000 - 2,249	1,490	1,226	116	117	31
2,250 - 2,499	1,275	1,088	87	68	32
2,500 - 2,749	1,147	948	81	79	39
2,750 - 2,999	1,070	931	59	56	24
3,000 - 3,249	972	864	45	42	21
3,250 - 3,499	1,090	994	47	30	19
3,500 - 3,749	1,087	1,011	45	16	15
3,750 - 3,999	1,128	1,065	24	30	9
4,000 - 4,249	963	937	18	3	5
4,250 - 4,499	596	565	20	8	3
4,500 - 4,749	491	460	15	11	5
4,750 - 4,999	325	313	4	7	1
5,000 - 5,249	274	266	5	3	0
5,250 - 5,499	292	282	4	3	3
5,500 - 5,749	200	196	2	2	0
5,750 - 5,999	194	191	1	1	1
6,000 & Over	663	651	8	1	3

**Table 7-B**

**Pensions in Force  
by Type and Monthly Amount**

**June 30, 2007**

**Police/Fire Members**

<b>Monthly Amount</b>	<b>Total</b>	<b>Service</b>	<b>Beneficiary</b>	<b>Disability</b>	<b>Survivor</b>
Total	4,583	3,623	447	326	187
Less than \$250	12	10	2	0	0
\$250 - \$499	167	54	31	10	72
500 - 749	224	109	58	23	34
750 - 999	248	150	44	34	20
1,000 - 1,249	225	145	39	32	9
1,250 - 1,499	286	170	70	38	8
1,500 - 1,749	144	101	28	15	0
1,750 - 1,999	200	135	31	32	2
2,000 - 2,249	208	147	33	22	6
2,250 - 2,499	222	174	14	30	4
2,500 - 2,749	214	170	23	18	3
2,750 - 2,999	187	153	14	13	7
3,000 - 3,249	205	176	10	14	5
3,250 - 3,499	187	157	13	12	5
3,500 - 3,749	179	156	11	10	2
3,750 - 3,999	184	170	8	4	2
4,000 - 4,249	157	149	3	3	2
4,250 - 4,499	151	143	2	4	2
4,500 - 4,749	131	125	4	2	0
4,750 - 4,999	132	126	1	3	2
5,000 - 5,249	144	139	1	2	2
5,250 - 5,499	94	93	1	0	0
5,500 - 5,749	92	90	0	2	0
5,750 - 5,999	73	69	3	1	0
6,000 & Over	517	512	3	2	0



**Table 8-A**

**Pensions in Force  
by Type and Age**

**June 30, 2007**

**Regular Members**

<b>Age</b>	<b>Total</b>	<b>Service</b>	<b>Beneficiary</b>	<b>Disability</b>	<b>Survivor</b>
Total	31,104	25,496	2,357	1,817	1,434
Under 50	1,366	370	211	271	514
50 - 54	1,824	1,269	100	326	129
55 - 59	3,818	3,015	141	493	169
60 - 64	6,291	5,515	233	368	175
65 - 69	6,237	5,609	294	199	135
70 - 74	4,620	4,077	336	83	124
75 - 79	3,233	2,726	383	37	87
80 - 84	2,182	1,743	352	21	66
85 - 89	1,083	831	212	14	26
90 & Over	450	341	95	5	9

**Table 8-B**

**Pensions in Force  
by Type and Age**

**June 30, 2007**

**Police/Fire Members**

<b>Age</b>	<b>Total</b>	<b>Service</b>	<b>Beneficiary</b>	<b>Disability</b>	<b>Survivor</b>
Total	4,583	3,623	447	326	187
Under 50	413	187	44	81	101
50 - 54	576	467	25	69	15
55 - 59	862	702	49	86	25
60 - 64	940	820	63	43	14
65 - 69	774	655	74	32	13
70 - 74	532	442	71	12	7
75 - 79	280	218	57	0	5
80 - 84	141	95	39	2	5
85 - 89	50	33	14	1	2
90 & Over	15	4	11	0	0

**Table 9-A****Pensions Awarded  
by Type and Monthly Amount****Year Ended June 30, 2007****Retired Regular Members**

<b>Monthly Amount</b>	<b>Total</b>	<b>Service</b>	<b>Disability</b>
Total	2,678	2,455	223
Less than \$250	42	41	1
\$250 - \$499	222	204	18
500 - 749	227	201	26
750 - 999	231	210	21
1,000 - 1,249	189	166	23
1,250 - 1,499	201	182	19
1,500 - 1,749	127	112	15
1,750 - 1,999	144	127	17
2,000 - 2,249	157	133	24
2,250 - 2,499	107	97	10
2,500 - 2,749	97	88	9
2,750 - 2,999	93	85	8
3,000 - 3,249	85	79	6
3,250 - 3,499	85	81	4
3,500 - 3,749	95	93	2
3,750 - 3,999	91	85	6
4,000 - 4,249	113	111	2
4,250 - 4,499	68	66	2
4,500 - 4,749	55	51	4
4,750 - 4,999	43	41	2
5,000 - 5,249	32	30	2
5,250 - 5,499	41	40	1
5,500 - 5,749	18	17	1
5,750 - 5,999	19	19	0
6,000 & Over	96	96	0

**Table 9-B**

**Pensions Awarded  
by Type and Monthly Amount**

**Year Ended June 30, 2007**

**Retired Police/Fire Members**

<b>Monthly Amount</b>	<b>Total</b>	<b>Service</b>	<b>Disability</b>
Total	299	281	18
Less than \$250	1	1	0
\$250 - \$499	4	4	0
500 - 749	7	5	2
750 - 999	9	9	0
1,000 - 1,249	10	9	1
1,250 - 1,499	10	10	0
1,500 - 1,749	5	5	0
1,750 - 1,999	11	9	2
2,000 - 2,249	17	13	4
2,250 - 2,499	18	18	0
2,500 - 2,749	10	6	4
2,750 - 2,999	9	8	1
3,000 - 3,249	9	9	0
3,250 - 3,499	10	10	0
3,500 - 3,749	11	9	2
3,750 - 3,999	14	14	0
4,000 - 4,249	11	10	1
4,250 - 4,499	8	7	1
4,500 - 4,749	10	10	0
4,750 - 4,999	5	5	0
5,000 - 5,249	7	7	0
5,250 - 5,499	9	9	0
5,500 - 5,749	6	6	0
5,750 - 5,999	9	9	0
6,000 & Over	79	79	0

**Table 10-A**

**Pensions Awarded  
by Type and Age**

**Year Ended June 30, 2007**

**Retired Regular Members**

<b>Age</b>	<b>Total</b>	<b>Service</b>	<b>Disability</b>
Total	2,678	2,455	223
Under 50	185	124	61
50 - 54	406	329	77
55 - 59	675	613	62
60 - 64	899	878	21
65 - 69	385	384	1
70 - 74	101	100	1
75 - 79	23	23	0
80 - 84	4	4	0
85 - 89	0	0	0
90 & Over	0	0	0

**Table 10-B**

**Pensions Awarded  
by Type and Age**

**Year Ended June 30, 2007**

**Retired Police/Fire Members**

<b>Age</b>	<b>Total</b>	<b>Service</b>	<b>Disability</b>
Total	299	281	18
Under 50	54	45	9
50 - 54	104	97	7
55 - 59	88	86	2
60 - 64	31	31	0
65 - 69	17	17	0
70 - 74	3	3	0
75 - 79	2	2	0
80 - 84	0	0	0
85 - 89	0	0	0
90 & Over	0	0	0

**Table 11**  
**Market Value of Assets**  
**Combined Balance Sheet**

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
<b>ASSETS:</b>		
Cash & Short-Term Investments	\$404,691,892	\$327,125,738
Contributions Receivable	102,931,882	91,976,780
Trades Pending	93,040,584	85,444,139
Accrued Investment Income	302,642,591	323,855,131
Investments	22,753,829,642	19,628,603,978
Collateral on Loaned Securities	3,390,654,058	1,691,103,869
Property & Equipment	3,095,035	3,861,200
Other Assets	<u>1,358,459</u>	<u>1,194,797</u>
Total Assets	<u>\$27,052,244,143</u>	<u>\$22,153,165,632</u>
<b>LIABILITIES:</b>		
Accounts Payable	\$10,182,701	\$8,908,028
Trades Pending	950,047,427	910,270,124
Obligations under Securities Lending	<u>3,390,654,057</u>	<u>1,691,103,869</u>
Total Liabilities	<u>\$4,350,884,184</u>	<u>\$2,610,282,021</u>
<b>NET ASSETS</b>	<u>\$22,701,359,958</u>	<u>\$19,542,883,611</u>

**Table 12**

**Statement of Revenue and Expenses**

**Market Value Reconciliation For Year Ended June 30, 2007**

	<b>Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Total</b>
<b>Operating Revenues</b>			
Contributions:			
Employer*	\$802,512,310	\$244,116,459	\$1,046,628,769
Members	68,977,138	14,242,500	83,219,638
Repayment and Purchase of Service	<u>35,703,316</u>	<u>9,929,016</u>	<u>45,632,332</u>
Total Contributions	\$907,192,764	\$268,287,975	\$1,175,480,739
Investment Income:			
Interest	\$308,236,020	\$0	\$308,236,020
Dividends	256,800,373	0	256,800,373
Net Appreciation	2,310,325,045	0	2,310,325,045
Other	81,758,481	0	81,758,481
Transfer of Annual Investment Income	(569,794,949)	569,794,949	0
Securities Lending Income	<u>129,784,535</u>	<u>0</u>	<u>129,784,535</u>
Total Investment Income	\$2,517,109,505	\$569,794,949	\$3,086,904,454
Investment Expenses	<u>(149,817,089)</u>	<u>0</u>	<u>(149,817,089)</u>
Net Investment Income	\$2,367,292,416	\$569,794,949	\$2,937,087,365
Other Income	\$2,868,648	\$409,543	\$3,278,191
<b>Total Operating Revenues</b>	\$3,277,353,828	\$838,492,467	\$4,115,846,295
<b>Operating Expenses</b>			
Benefit Payments:			
Retirement and Survivor Benefits	\$716,930,305	\$163,370,043	\$880,300,348
Disability Benefits	39,813,468	9,224,556	49,038,024
Post-Retirement Increases	33,163	4,856	38,019
Refunds to Members	14,045,841	3,398,679	17,444,520
Administrative Expenses	8,587,482	575	8,588,057
Contribution Distributions	<u>1,960,981</u>	<u>0</u>	<u>1,960,981</u>
<b>Total Operating Expenses</b>	\$781,371,240	\$175,998,709	\$957,369,949
<b>Excess of Revenues over Expenses</b>	\$2,495,982,588	\$662,493,758	\$3,158,476,346
Interfund Transfers	<u>(\$1,069,692)</u>	<u>\$1,069,692</u>	<u>0</u>
<b>Total Change During the Year</b>	\$2,494,912,896	\$663,563,450	\$3,158,476,346
<b>Fund Balance, July 1, 2006</b>	\$15,776,865,912	\$3,766,017,700	\$19,542,883,612
<b>Fund Balance, June 30, 2007</b>	\$18,271,778,808	\$4,429,581,150	\$22,701,359,958

Based on unaudited financial statements.

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421



**Table 13**

**Determination of the Actuarial Value of Assets**

**Regular Employees**

**June 30, 2007**

1.	Actuarial Value of Assets as of the beginning of the year.....	\$15,566,605,896
2.	Contributions during the year .....	905,231,783
3.	Benefit payments during the year .....	770,822,777
4.	Expenses paid from the trust during the year.....	8,587,482
5.	Net Transfers.....	(1,069,692)
6.	Expected Return at 8.0%.....	1,244,760,321
7.	Write up (down)	

<b>Year Ended June 30</b>	<b>Total Asset Gain/(Loss)</b>	<b>Write Up/(Down) 20% of Total Asset Gain/(Loss)</b>	<b>Percent Not Yet Recognized</b>	<b>Gain/(Loss) Not Yet Recognized</b>
2003	(\$434,152,166)	(\$86,830,433)	0%	\$0
2004	347,172,112	69,434,422	20%	\$69,434,422
2005	116,477,696	23,295,539	40%	46,591,078
2006	110,418,729	22,083,746	60%	66,251,237
2007	<u>1,125,400,748</u>	<u>225,080,150</u>	80%	<u>900,320,598</u>
Total	\$1,265,317,119	\$253,063,424		\$1,082,597,335

8.	Actuarial Value of Assets as of the end of the year (1) + (2) - (3) - (4) + (5) + (6) + (7)	\$17,189,181,473
9.	Market Value of Assets as of the end of the year	\$18,271,778,808
10.	Actuarial Value of Assets as a percentage of Market Value of Assets	94.08%

**Table 14**  
**Determination of the Actuarial Value of Assets**  
**Police/Fire Employees**  
**June 30, 2007**

1.	Actuarial Value of Assets as of the beginning of the year.....	\$3,715,422,338
2.	Contributions during the year .....	268,287,975
3.	Benefit payments during the year .....	175,998,134
4.	Expenses paid from the trust during the year.....	575
5.	Net transfers .....	1,069,692
6.	Expected Return at 8.0%.....	299,487,194
7.	Write up (down).	

<b>Year Ended June 30</b>	<b>Total Asset Gain/(Loss)</b>	<b>Write Up/(Down) 20% of Total Asset Gain/(Loss)</b>	<b>Percent Not Yet Recognized</b>	<b>Gain/(Loss) Not Yet Recognized</b>
2003	(\$98,060,004)	(\$19,612,001)	0%	\$0
2004	81,050,295	16,210,059	20%	16,210,059
2005	27,771,856	5,554,371	40%	11,108,742
2006	26,405,168	5,281,034	60%	15,843,101
2007	<u>270,717,295</u>	<u>54,143,459</u>	80%	<u>216,573,836</u>
Total	\$307,884,610	\$61,576,922		\$259,735,738

8.	Actuarial Value of Assets as of the end of the year (1) + (2) - (3) - (4) + (5) + (6) + (7)	\$4,169,845,412
9.	Market Value of Assets as of the end of the year	\$4,429,581,150
10.	Actuarial Value of Assets as a percentage of Market Value of Assets	94.14%

**Table 15**  
**Determination of Normal Cost**  
**June 30, 2007**

	<b>Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Total</b>
Normal Cost Components:			
Retirement Benefits	\$626,614,958	\$223,385,451	\$850,000,409
Termination Benefits	27,355,663	3,520,055	30,875,718
Return of Contributions	5,695,149	677,833	6,372,982
Death Benefits	37,884,750	7,515,847	45,400,597
Disability Benefits	<u>35,531,651</u>	<u>14,194,382</u>	<u>49,726,033</u>
Total Normal Cost	\$733,082,171	\$249,293,568	\$982,375,739
Less: Employee Contributions	<u>(75,756,366)</u>	<u>(16,620,237)</u>	<u>(92,376,603)</u>
Employer Normal Cost*	<u>\$657,325,805</u>	<u>\$232,673,331</u>	<u>\$889,999,136</u>

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421

**Table 16**  
**Determination of the Unfunded Actuarial Accrued Liability**  
**June 30, 2007**

	<b>Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Total</b>
Actuarial Accrued Liability Components:			
Active Members:			
Retirement Benefits	\$10,767,462,087	\$3,279,103,631	\$14,046,565,718
Termination Benefits	41,295,523	(1,209,214)	40,086,309
Return of Contributions	(20,588,922)	(2,341,449)	(22,930,371)
Death Benefits	353,731,128	69,368,869	423,099,997
Disability Benefits	<u>337,610,739</u>	<u>130,177,726</u>	<u>467,788,465</u>
Total for Active Members	<u>\$11,479,510,555</u>	<u>\$3,475,099,563</u>	<u>\$14,954,610,118</u>
Inactive Vested Members	<u>\$551,504,328</u>	<u>\$31,167,703</u>	<u>\$582,672,031</u>
Pay Status Members:			
Service Retirees	\$8,723,225,637	\$2,105,213,751	\$10,828,439,388
Beneficiaries	420,888,283	110,987,712	531,875,995
Disability Retirees	405,152,027	105,116,102	510,268,129
Survivors	<u>224,707,147</u>	<u>39,020,558</u>	<u>263,727,705</u>
Total for Pay Status Members	<u>\$9,773,973,094</u>	<u>\$2,360,338,123</u>	<u>\$12,134,311,217</u>
Total Actuarial Accrued Liability	\$21,804,987,977	\$5,866,605,389	\$27,671,593,366
Actuarial Value of Assets	<u>17,189,181,473</u>	<u>4,169,845,412</u>	<u>21,359,026,885</u>
Total Unfunded Actuarial Accrued Liability	\$4,615,806,504	\$1,696,759,977	\$6,312,566,481

**Table 17**

**Total Unfunded Actuarial Accrued Liability (Millions)**

<b>June 30,</b>	<b>Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Total</b>
2002	\$2,433.8	\$773.7	\$3,207.5
2003	2,612.5	1,045.2	3,657.7
2004	3,306.5	1,248.6	4,555.1
2005	4,252.0	1,470.2	5,722.2
2006	4,778.0	1,679.1	6,457.1
2007	4,615.8	1,696.8	6,312.6*

*\* Increase between 2007 total and unpaid portion of previous bases is this year's new financing base to be amortized over 30 years.*

**Table 18**

**Percent Funded**

**Ratio of Actuarial Value of Assets to**

**Total Actuarial Accrued Liability**

<b>June 30,</b>	<b>Regular Employees</b>	<b>Police/Fire Employees</b>	<b>Total</b>
2002	83.5%	78.1%	82.4%
2003	83.2%	73.9%	81.3%
2004	80.5%	71.7%	78.7%
2005	77.3%	69.8%	75.8%
2006	76.5%	68.9%	74.9%
2007	78.8%	71.1%	77.2%

**Table 19-A**  
**Actuarially Determined Contribution Rates**  
**Regular Employees**

	Year					
	2002	2003	2004	2005	2006	2007
<b>Employer-Pay*</b>						
Employer normal cost	16.17%	15.70%	15.77%	15.70%	15.48%	16.16%
Amortization payment	4.00%	4.22%	3.78%	4.59%	4.81%	4.51%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
Total contribution rate	20.32%	20.07%	19.70%	20.44%	20.44%	20.82%
<b>Employee/Employer*</b>						
Employee contribution rate	9.75%	10.50%	10.50%	10.50%	10.50%	10.50%
Employer normal cost	7.28%	6.15%	6.18%	6.11%	5.87%	6.50%
Amortization payment	4.00%	4.22%	3.78%	4.59%	4.81%	4.51%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
Total contribution rate	21.18%	21.02%	20.61%	21.35%	21.33%	21.66%
Matching Employee/Employer contribution rate	10.59%	10.51%	10.31%	10.68%	10.67%	10.83%

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421

**Table 19-B**  
**Actuarially Determined Contribution Rates**  
**Police/Fire Employees**

	Year					
	2002	2003	2004	2005	2006	2007
<b>Employer-Pay*</b>						
Employer normal cost	22.14%	24.61%	25.76%	26.13%	25.89%	29.43%
Amortization payment	6.52%	7.84%	6.21%	6.96%	7.51%	7.39%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
Total contribution rate	28.81%	32.60%	32.12%	33.24%	33.55%	36.97%
<b>Employee/Employer*</b>						
Employee contribution rate	14.75%	14.75%	14.75%	16.50%	16.50%	17.25%
Employer normal cost	8.15%	10.62%	11.77%	10.54%	10.27%	12.93%
Amortization payment	6.52%	7.84%	6.21%	6.96%	7.51%	7.39%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>	<u>0.15%</u>
Total contribution rate	29.57%	33.36%	32.88%	34.15%	34.43%	37.72%
Matching Employee/Employer contribution rate	14.79%	16.68%	16.44%	17.08%	17.22%	18.86%

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421



**Table 20**

**Analysis of Actuarial Experience**

**Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2007  
Resulting from Differences Between Assumed Experience and Actual Experience  
(Dollar Amounts in Millions)**

	<b>Gain (or Loss) For Year</b>	
<b>Type of Activity</b>	<b>Regular</b>	<b>Police/Fire</b>
<b>Age and Service Retirements.</b> If members retire at older ages or with lower final average pay than assumed, there is a gain. If retirements occur at younger ages with higher average pay, there is a loss.	(\$37.5)	\$11.5
<b>Disability Retirements.</b> If disability claims are less than assumed, there is a gain. If there are more claims, there is a loss.	(18.8)	(1.7)
<b>Pre- and Post-Retirement Deaths.</b> If retirees live longer than assumed, there is a loss. If retirees live shorter than assumed, there is a gain.	(78.2)	(28.8)
<b>Withdrawal From Employment.</b> If more liabilities are released by withdrawals than assumed, there is a gain. If less liabilities are released, there is a loss.	(84.0)	(40.5)
<b>Pay Increases.</b> If there are smaller pay increases than assumed, there is a gain. If there are greater increases, there is a loss.	(262.3)	(24.2)
<b>Investment Income.</b> If there is a greater investment income than assumed, there is a gain. If there is less income, there is a loss.	253.1	61.6

**Table 20 (continued)**

**Analysis of Actuarial Experience**

**Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2007  
Resulting from Differences Between Assumed Experience and Actual Experience  
(Dollar Amounts in Millions)**

Type of Activity	Gain (or Loss) For Year	
	Regular	Police/Fire
<b>Active New Entrants/Rehires.</b> Unanticipated cost due to new hires and rehires. Some new active members have past service credits reinstated, thereby increasing costs due to the unanticipated liabilities.	(149.6)	(16.6)
<b>Other.</b> Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results, etc.	(16.7)	9.4
<b>Total Experience Gain (or Loss) During Year.</b>	(394.0)	(29.3)

### III. SUMMARY OF PRINCIPAL PLAN PROVISIONS

Our 2007 actuarial valuation is based on the present provisions of the Nevada Public Employees' Retirement Act, which are summarized in this section. This summary is not intended to be, nor should it be, interpreted as a complete statement of all plan provisions.

#### **Service Retirement**

Requirements for regular members - age 65 with five years of service, or age 60 with ten years of service, or at any age with 30 years of service.

Requirements for police/fire members - age 65 with five years of service, or age 55 with ten years of police/fire service, or age 50 with 20 years of police/fire service, or at any age with 25 years of police/fire service.

Benefit - 2.67% of final average compensation (average of 36 highest consecutive months) per year of service earned on or after to July 1, 2001 plus 2.50% of final average compensation per year of service before July 1, 2001. Maximum benefits are 90% of average compensation for individuals who became members before July 1, 1985 and 75% of average compensation for individuals who became members after June 30, 1985.

#### **Early Retirement**

Requirements - any age with five years of service.

Benefit - accrued service retirement benefit reduced 4% for each year before service retirement age.

#### **Vesting**

Requirements - any age with five years of service, provided the member has not received a refund of employee contributions.

Benefit - accrued service retirement benefit payable upon attainment of age 65 if member has between five and ten years of service at termination, or upon attainment of the age required for service retirement if member has ten or more years of service at termination.

#### **Disability Retirement**

Requirements - five years of service and totally unable to perform current job or any comparable job for which the member is qualified by training and experience, because of injury or illness of a permanent nature, provided the member is in the employ of a participating employer at the time of application for disability retirement.

Benefit - accrued service retirement benefit without reduction for age. (System disability benefit is reduced for other benefits received on account of same disability if such other benefits are financed by a Nevada public employer, and to the extent that total disability benefits would otherwise exceed 100% of final average compensation.)

### **Optional Benefit Forms**

Regular and disability retirees may elect one of six optional benefit plans:

- Option 2 - 100% joint and survivor
- Option 3 - 50% joint and survivor
- Option 4 - 100% joint and survivor, with payments to beneficiary commencing at age 60
- Option 5 - 50% joint and survivor, with payments to beneficiary commencing at age 60
- Option 6 - specific sum option up to 100% of allowance paid to retiree
- Option 7 - specific sum option up to 100% of allowance paid to retiree, with payments to beneficiary commencing at age 60.

If the beneficiary predeceases the retired member, the optional allowance reverts to the unmodified allowance.

### **Survivor Benefits**

Requirements - eligible survivors of an active member who dies receive survivor benefits if: (a) the deceased member had two years of service in the 2½ years immediately preceding death; or (b) the deceased member had ten years of service; or (c) death was caused by occupational disease or a service-connected accident regardless of the deceased member's length of service; or (d) death occurred within 18 months after termination of employment where mental or physical condition required the termination; or (e) death occurred while member was on leave of absence for training and member met requirements of (a) at time such leave began.

## Benefits

- a. Unmarried children under age 18, or age 18 to 23 and attending an accredited school on a full-time basis: \$400 per month per child. Payments cease upon attaining age 18 or age 23 if full-time student, unless child is incapacitated; or upon marriage, adoption, or death.
- b. Spouse, or survivor beneficiary of an unmarried member, of deceased member with fewer than ten years of service (and at least two years of service in the last 2½ years): \$450 per month. Payments cease upon death.
- c. Spouse, or survivor beneficiary of an unmarried member, of deceased member with ten but fewer than 15 years of service: greater of \$450 per month or Option 3 benefit that would have been payable if deceased member had retired on date of death without reduction for early payment. Payments cease upon death.
- d. Spouse, or survivor beneficiary of an unmarried member, of deceased member with 15 or more years of service: greater of \$450 per month or Option 2 benefit that would have been payable if deceased member had retired on date of death without reduction for early payment. Payments cease upon death.
- e. Spouse, or survivor beneficiary of an unmarried member, of deceased member eligible to retire with respect to both age and service: greater of \$450 per month, Option 2 or Option 3 benefit that would have been payable if deceased member had retired on death, without reduction for early payment. Payments cease upon death.
- f. Dependent parents: \$400 per month each, provided there are no other eligible survivors. Payments cease upon death.
- (g) Lump sum payment option: a spouse, or survivor beneficiary of an unmarried member, may waive right to monthly survivor benefits and instead receive a lump sum refund of deceased member's contributions plus half the contributions made under the Employer-Pay provisions, provided no other person is eligible for survivor benefits.

Benefit limitations - total survivor benefits, including any other survivor benefit received from any other source, shall not exceed final average compensation (a) if the other benefit was

provided or purchased by a public employer, except for lump sum payments under a group insurance program; and (b) to the extent that the total of the allowance and the other benefit would otherwise exceed the deceased member's final average compensation.

Benefit for certain spouses - an employee who begins receiving service or disability retirement benefits from the police/fire members retirement fund after June 30, 1981, is eligible to receive an unreduced service retirement allowance. Upon the death of such a retired employee, a spouse who was the retired employee's spouse at the time of retirement is entitled to receive 50% of the unreduced allowance; this benefit is payable to the surviving spouse beginning at age 50. A surviving spouse is not eligible to receive this 50% spouse's benefit if the retired employee elects an optional benefit form at the time of retirement. Service performed after July 1, 1981, in positions other than as a police/fire employee, except military service, is not credited toward this 50% spouse's benefit. Existing "employer-pay" police/fire retirees who retired after June 30, 1981 have been valued assuming no surviving spouse, pending the results of an analysis and verification of spousal information.

## Post-Retirement Benefit Increases

Benefit recipients are eligible for annual benefit increases if they began receiving benefits at least three years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits, as follows: (a) 2% per year compounded following the third anniversary of the commencement of benefits, (b) 3% per year compounded following the sixth anniversary, (c) 3½% per year compounded following the ninth anniversary, (d) 4% per year compounded following the twelfth anniversary, and (e) 5% per year compounded following the fourteenth anniversary. If less, the annual benefit increase is equal to the average percentage increase in the Consumer Price Index for the three preceding years. In any event, a member's benefit must be increased by the percentages shown above if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other Board approved index) for the period between retirement and the date of increase.

## Contribution Rates

For the fiscal years July 1, 2007 through June 30, 2009, statutory contribution rates as a percentage of compensation are as follows:

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
Employer-Pay	20.50%	33.50%
Employee/Employer	10.50%/10.50%	17.25%/17.25%

Total contribution rates are adjusted at the beginning of each odd-numbered fiscal year, based on the actuarially determined rates indicated in the actuarial valuation report for the immediately preceding year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rate exceeds 0.50% of salary for the Employer-Pay rates or 0.25% of salary for the matching Employee/Employer rates. Contribution rates are rounded to the nearest 0.25% of covered payroll.

Under the Employer-Pay provisions, the contributions made by employers on behalf of employees are not credited to member accounts and are not refunded upon termination. For employees covered by the Employer-Pay provisions, average compensation is increased by half

the total contribution made by the public employer and may not be less than it would have been if contributions had been made by the member and the employer separately.

**Plan Provision Changes Since the Last Valuation**

No changes were made to the plan provisions this year.



#### IV. ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in this 2007 actuarial valuation have been updated based on the recommended assumption changes from the June 30, 2006 five-year experience study.

##### **Investment Return**

Funding a retirement system on an actuarial reserve basis involves the accumulation of substantial reserves to pay benefits in the future. These reserves are invested and the rate of investment return is a major factor in determining the contributions required to support the ultimate cost of benefits. The long-term rate of investment return - net of investment expenses - is assumed to be 8% per year. The 8% investment return rate is based on an assumed long-term inflation rate of 3.5% per year.

During the fiscal year ended June 30, 2007, the total rate of return on an actuarial (smoothed) value basis was approximately 9.6%. The schedule that follows shows the total rate of investment return on an actuarial (smoothed) value basis for each of the past ten fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>Actuarial Value of Assets Total Rate of Return</u>
1998	13.1%
1999	13.3%
2000	12.0%
2001	9.0%
2002	5.8%
2003	4.3%
2004	4.5%
2005	4.8%
2006	6.5%
2007	9.6%

### Salary and Payroll Increases

Because the benefits provided by the Retirement System are based on an employee's final average compensation (average of 36 highest consecutive months), increases in salaries have a significant effect on the System's ultimate cost. The rate of annual salary increases assumed for this actuarial valuation are shown below:

Regular Employees	
Years of Service	Rate
1	9.75%
2	8.25%
3	7.75%
4	7.50%
5	7.25%
6	7.00%
7	6.75%
8	6.25%
9	5.75%
10	5.50%
11	5.10%
12	4.90%
13 or more	4.50%

Police/Fire Employees	
Years of Service	Rate
1	14.75%
2	10.75%
3	10.20%
4	9.80%
5	9.40%
6	9.00%
7	8.25%
8	7.75%
9	7.25%
10 or more	6.50%

Assumed payroll growth rates are used to compute the unfunded actuarial accrued liability amortization payments as a level percentage of projected payroll. For this actuarial valuation, the total payroll growth assumptions are 6.50% per year for regular employees and 8.00% per year for police/fire employees.

### Post-Retirement Benefit Increases

Members retiring during 1992 and earlier were assumed to currently be at the cap described on page 44 (based upon historical CPI). Those retiring in 1993 and later were assumed to reach the cap after 24 years of retirement. Underlying this assumption is that CPI will grow over time at a rate of 3.50% per year.

## Retirement Rates

The assumed rates of retirement project the percentage of eligible active employees who will retire at each age. The assumed retirement rates used in the actuarial valuation are shown below:

<b>Regular Employees</b>				
<b>Years of Service</b>				
<b>Age</b>	<b>5 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 or more</b>
45 - 49	--	1%	8%	--
50 - 54	2%	2%	10%	25%
55 - 59	4%	7%	15%	30%
60 - 61	13%	20%	25%	30%
62 - 64	15%	20%	25%	30%
65 - 69	22%	25%	30%	30%
70 & older	100%	100%	100%	100%

<b>Police/Fire Employees</b>					
<b>Years of Service</b>					
<b>Age</b>	<b>5 - 9</b>	<b>10 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 or more</b>
40 - 44	--	1%	1%	--	--
45 - 49	--	1%	3%	15%	15%
50 - 54	1%	5%	12%	15%	25%
55 - 59	5%	12%	20%	25%	35%
60 - 64	10%	20%	25%	25%	35%
65 & older	100%	100%	100%	100%	100%

The retirement age for inactive vested members is equal to their earliest unreduced retirement age.

## Withdrawal Rates

The assumed withdrawal or turnover rates used in the actuarial valuation are shown below:

<b>Regular Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
0	18.25%
1	13.00%
2	9.80%
3	7.75%
4	6.50%
5	6.00%
6	5.00%
7	4.65%
8	3.90%
9	3.70%
10	3.30%
11 or more	2.00%

<b>Police/Fire Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
0	13.00%
1	6.50%
2	5.50%
3	4.00%
4	3.90%
5	3.75%
6 or more	2.00%

Withdrawal rates end when retirement rates commence.

## Disability Rates

The assumed rates of disability used in the actuarial valuation are shown below for selected ages:

<b>Age</b>	<b>Regular Employees</b>	<b>Police/Fire Employees</b>
22	0.01%	0.05%
27	0.02%	0.05%
32	0.06%	0.06%
37	0.09%	0.09%
42	0.18%	0.37%
47	0.31%	0.53%
52	0.50%	0.66%
57	0.69%	0.60%
62	0.50%	0.60%

No disability rates are assumed after age 65.

## Mortality Rates

A mortality table is used to project the number of employees who will die at each age in active service, and also to determine the amount of the reserve required at the time of retirement to pay benefits for the remainder of an employee's lifetime.

The mortality table used in the actuarial valuation to project mortality rates for non-disabled male regular members is the RP 2000 Combined Healthy Table. For non-disabled female regular members and for all police/fire members it is the RP 2000 Combined Healthy Table set forward one year. The schedules on the following page show the assumed mortality rates and projected life expectancies for selected ages:

<b>Regular Members</b>				
	<b>Mortality Rates</b>		<b>Expected Years of Life Remaining</b>	
<b>Age</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
40	0.11%	0.08%	39.8	41.7
50	0.21%	0.19%	30.3	32.1
60	0.67%	0.58%	21.2	23.0
70	2.22%	1.86%	13.4	15.0
80	6.44%	5.08%	7.3	8.6

<b>Police/Fire Members</b>				
	<b>Mortality Rates</b>		<b>Expected Years of Life Remaining</b>	
<b>Age</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
40	0.11%	0.08%	38.8	41.7
50	0.24%	0.19%	29.4	32.1
60	0.77%	0.58%	20.4	23.0
70	2.46%	1.86%	12.7	15.0
80	7.20%	5.08%	6.7	8.6

The mortality table used in the actuarial valuation to project mortality rates for disabled male retirees is the RP 2000 Disabled Retiree Table set back three years for regular members and the RP 2000 Combined Healthy Table set forward ten years for police/fire members. For both regular and police/fire disabled female retirees it is the RP 2000 Disabled Retiree Table set forward eight years. Any mortality that occurs in the first two years of employment is assumed to be non-duty related.

### **Presence and Age of Beneficiary**

It is assumed for purposes of the actuarial valuation that beneficiaries of female members are three years older than the female member. Beneficiaries of male members are assumed to be three years younger than the male member. Since survivor benefits are payable to a surviving beneficiary of an unmarried member, all members are assumed to have a beneficiary. Existing “employer-pay” police/fire retirees with an unmodified option who retired after June 30, 1981 have been valued assuming no surviving spouse, pending the results of an analysis and verification of spousal information.

## **Dependent Children**

The assumption for dependent children in the actuarial valuation is one dependent child who is 28 years younger than the employee.

## **Asset Valuation Method**

The actuarial value of assets is equal to the prior year's actuarial value of assets plus contributions, less benefit payments and expenses, an adjustment for net transfers, plus expected investment return, and 20% of each of the previous five years' gain/(loss) due to investment return greater/(less) than expected. The actuarial value of assets is further limited to not less than 80% or greater than 120% of the market value of assets.

## **Actuarial Funding Method**

Funding the Retirement System on an actuarial reserve basis seeks to achieve the following major objectives:

- Maintain level required contribution rates as a percentage of payroll over a long period of years;
- Finance benefits earned by present employees on a current basis;
- Accumulate assets to enhance members' benefit security;
- Produce investment earnings on accumulated assets to help meet future benefit costs;
- Allow estimates of the long-term actuarial cost of proposed amendments to System provisions; and
- Maintain the Retirement System's long-term financial viability.

The basic funding objective is a level pattern of cost as a percentage of salary throughout an employee's working lifetime. The funding method used in this actuarial valuation - the Entry Age Normal Cost Method - is intended to meet this objective and result in a relatively level long-term contribution requirement as a percentage of salary.

### **Amortization of the Unfunded Actuarial Accrued Liability**

The unfunded actuarial accrued liability is amortized over a year-by-year closed amortization period where each amortization period will be set at 30 years.

### **Method and Assumption Changes Since the Last Valuation**

Based on the June 30, 2006 experience study, several assumptions were changed. Previously, those assumptions were as follows:

### **Salary and Payroll Increases**

<b>Regular Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
1	9.50%
2	8.00%
3	7.50%
4	7.25%
5	7.00%
6	6.75%
7	6.50%
8	5.75%
9	5.50%
10	5.25%
11	5.00%
12	4.75%
13 or more	4.50%

<b>Police/Fire Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
1	14.75%
2	10.75%
3	10.50%
4	10.25%
5	10.00%
6	8.50%
7	7.75%
8	7.25%
9	6.75%
10 or more	6.20%



**Retirement Rates**

<b>Regular Employees</b>				
<b>Years of Service</b>				
<b>Age</b>	<b>5 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 or more</b>
50 - 54	3%	3%	5%	30%
55 - 59	5%	10%	10%	30%
60 - 61	15%	20%	25%	30%
62 - 64	20%	20%	25%	30%
65 - 69	25%	25%	25%	30%
70 & older	100%	100%	100%	100%

<b>Police/Fire Employees</b>					
<b>Years of Service</b>					
<b>Age</b>	<b>5 - 9</b>	<b>10 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30 or more</b>
45 - 49	--	--	--	15%	15%
50 - 54	5%	5%	15%	15%	35%
55 - 59	5%	15%	20%	25%	35%
60 - 64	5%	25%	25%	25%	35%
65 & older	100%	100%	100%	100%	100%

The retirement age for inactive vested members is equal to their earliest unreduced retirement age.

## Withdrawal Rates

<b>Regular Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
0	18.50%
1	14.00%
2	10.25%
3	8.50%
4	6.50%
5	6.25%
6	5.25%
7	4.75%
8	4.25%
9	4.00%
10	3.50%
11 or more	3.00%

<b>Police/Fire Employees</b>	
<b>Years of Service</b>	<b>Rate</b>
0	14.00%
1	7.00%
2	6.00%
3	4.50%
4	4.00%
5	3.50%
6 or more	3.00%

Withdrawal rates end when retirement rates commence.

## Disability Rates

<b>Age</b>	<b>Regular Employees</b>	<b>Police/Fire Employees</b>
22	0.03%	0.05%
27	0.03%	0.05%
32	0.05%	0.06%
37	0.07%	0.09%
42	0.14%	0.37%
47	0.25%	0.53%
52	0.40%	0.66%
57	0.55%	0.96%
62	0.40%	1.40%

No disability rates are assumed after age 65.

## Mortality Rates

Previously, the 1994 Group Annuity Mortality Table set-forward one year was used for all non-disabled regular members and the 1983 Group Annuity Mortality Table was used for all non-disabled police/fire members. The schedules on the following page show the assumed mortality rates and projected life expectancies for selected ages:

<b>Regular Members</b>				
	<b>Mortality Rates</b>		<b>Expected Years of Life Remaining</b>	
<b>Age</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
40	0.12%	0.08%	39.2	43.6
50	0.29%	0.16%	29.8	34.0
60	0.90%	0.51%	21.0	24.7
70	2.60%	1.50%	13.7	16.6
80	6.86%	4.40%	7.9	9.8

<b>Police/Fire Members</b>				
	<b>Mortality Rates</b>		<b>Expected Years of Life Remaining</b>	
<b>Age</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
40	0.12%	0.07%	38.0	44.0
50	0.39%	0.16%	28.7	34.4
60	0.92%	0.42%	20.1	25.2
70	2.75%	1.24%	12.7	16.6
80	7.41%	4.29%	7.1	9.7

Previously, the 1983 Railroad Retirement Board Disabled Life Mortality Table set-back six years was used for all disabled members. Any mortality that occurs in the first two years of employment is assumed to be non-duty related.

## V. ACTUARIAL VALUATION STATEMENT

This statement is to certify that The Segal Company has prepared an actuarial valuation of the Public Employees' Retirement System of the State of Nevada as of June 30, 2007.

Actuarial calculations were made with respect to 103,693 covered active members, 10,990 inactive members with vested benefit rights, 31,262 service and disabled pensioners, 2,804 beneficiaries, and 1,621 survivors.

The actuarial cost factors as of the valuation date are as follows:

<b>Normal Cost</b>	<b><u>Regular Employees</u></b>	<b><u>Police/Fire Employees</u></b>	<b><u>Total</u></b>
Employer normal cost* .....	\$657,325,805	\$232,673,331	\$889,999,136
Employee contributions .....	75,756,366	16,620,237	92,376,603
<b>Total Normal Cost .....</b>	<b><u>\$733,082,171</u></b>	<b><u>\$249,293,568</u></b>	<b><u>\$982,375,739</u></b>
<b>Actuarial Accrued Liability</b>			
Active members .....	\$11,479,510,555	\$3,475,099,563	\$14,954,610,118
Inactive members .....	551,504,328	31,167,703	582,672,031
Pensioners, beneficiaries and disabled .....	9,549,265,947	2,321,317,565	11,870,583,512
Survivors .....	224,707,147	39,020,558	263,727,705
<b>Total Actuarial Accrued Liability .....</b>	<b><u>\$21,804,987,977</u></b>	<b><u>\$5,866,605,389</u></b>	<b><u>\$27,671,593,366</u></b>
<b>Assets at Actuarial Value .....</b>	<b><u>\$17,189,181,473</u></b>	<b><u>\$4,169,845,412</u></b>	<b><u>\$21,359,026,885</u></b>
<b>Total Unfunded Actuarial Accrued Liability .....</b>	<b><u>\$4,615,806,504</u></b>	<b><u>\$1,696,759,977</u></b>	<b><u>\$6,312,566,481</u></b>
<b>Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization .....</b>			
	<b>\$202,888,379</b>	<b>\$62,408,531</b>	<b>\$265,296,910</b>
Employer-Pay Rate Payroll.. .....	\$3,825,525,201	\$754,273,928	\$4,579,799,129
Employee/Employer Rate Payroll. ....	676,632,878	90,634,091	767,266,969
<b>Total Rate Payroll .....</b>	<b><u>\$4,502,158,079</u></b>	<b><u>\$844,908,019</u></b>	<b><u>\$5,347,066,098</u></b>

\* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421

<b>Calculated Contribution Rates (as percentage of rate payroll):</b>	<b><u>Regular Employees</u></b>	<b><u>Police/Fire Employees</u></b>
<b>Employer-Pay, current statutory rate *</b>	<b>20.50%</b>	<b>33.50%</b>
Employer normal cost	16.16%	29.43%
Amortization percentage	4.51%	7.39%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>
<b>Employer-Pay, total rate *</b>	<b><u>20.82%</u></b>	<b><u>36.97%</u></b>
<i>* See cost-sharing mechanism in NRS 286.421</i>		
<b>Employee/Employer, current statutory rate **</b>	<b>21.00%</b>	<b>34.50%</b>
Employee contribution rate	10.50%	17.25%
Employer normal cost	6.50%	12.93%
Amortization percentage	4.51%	7.39%
Administrative expenses	<u>0.15%</u>	<u>0.15%</u>
<b>Employee/Employer, total rate **</b>	<b>21.66%</b>	<b>37.72%</b>
<i>** See cost-sharing mechanism in NRS 286.410</i>		

The actuarial calculations were performed by qualified actuaries in accordance with generally accepted actuarial principles, based on the current provisions of the Public Employees' Retirement Act and on the actuarial assumptions and methods adopted by the Public Employees' Retirement Board.

The actuarial assumptions used in the June 30, 2007 actuarial valuation are reasonably related to the past and anticipated future experience of the retirement system.

The Public Employees' Retirement System of the State of Nevada is funded on an actuarial reserve basis. Participating employers contribute to the Retirement System based on the results of actuarial valuations and the statutory funding provisions of the Public Employees' Retirement Act.



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