COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

A COMPONENT UNIT of
the STATE of NEVADA

For the Fiscal Year Ended
June 30, 2005

Dana K. Bilyeu
Executive Officer

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

Prepared by the PERS' Accounting Division

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PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM OF
NEVADA

MISSION STATEMENT

It is the mission of the Public Employees' Retirement System to:

- ♦ Provide public workers and their dependents with a retirement program that provides a reasonable base income for retirement or for periods where a disability has removed a worker's earning capacity.

- ♦ Encourage those workers to enter into and remain in government service for such periods of time to give public employers and the people of the State of Nevada the full benefit of their training and experience.

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December 19, 2005

Dear Chairman and Members of the Board:

It is a pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System of Nevada (System or PERS), a component unit of the State of Nevada, for the fiscal year ended June 30, 2005.

The financial statements included in this report are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles as promulgated or adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2005, and changes in fiduciary net assets for the year then ended.

The System was established by the Nevada State Legislature in 1947. By July 1, 1949, the System had approximately 3,000 members and 64 retirees. At the end of fiscal year 2005, the System had 163 participating employers, 93,995 active members, and 30,999 retirees and beneficiaries. The System is comprised of two sub-funds, the Regular sub-fund, consisting of members who are not police or fire employees, and the Police and Firefighter's sub-fund (Police/Fire). The Regular sub-fund was established to provide retirement, disability, and survivor benefits for public employees with the exception of those who are police officers or firefighters. The Police/Fire sub-fund was established to segregate accounting for retirement and survivor benefits related to members who are police officers or firefighters. All services provided by staff are performed in order to meet those objectives. For more specific information on plan provisions, please refer to the Plan Summary, beginning on page 97.

This CAFR is composed of the following sections:

- Introductory Section, which contains this letter of transmittal, a list of administrative personnel including members of the Retirement Board and principal staff, an organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, and the Public Pension Standards Award.

- Financial Section, which contains the opinion of the System's certified public accountants, PricewaterhouseCoopers LLP, the System's financial statements with notes, and certain supplementary information. This section also includes Management's Discussion and Analysis (MD&A). Users of the financial statements are encouraged to review the MD&A, which contains highlights for the year, a statement overview, and a short analysis of the statements comparing the current and previous year.

- Investment Section, prepared in conjunction with our investment consultant, Callan Associates, which contains a report on investment activity, investment policies, investment results, and various investment schedules.

- Actuarial Section, which contains the Actuary's Certification Letter prepared by the System's consulting actuaries, The Segal Company, and the results of their annual actuarial valuation.

- Statistical Section, which includes significant data pertaining to the System's membership and benefit recipients.

- Plan Summary.

We hope that you and the members of the System will find this CAFR helpful in understanding your public employees' retirement system.

Major Initiatives

Legislation

The Nevada legislature convenes on a biennial basis in odd-numbered years. During the 2005 legislative session, the Retirement Board sought only technical legislation to enhance member and retiree privacy by removing Social Security numbers from Qualified Domestic Relations Orders (QDROs). The System's technical legislation also provided continuing survivor benefits for children who return to full-time student status after a break and made modifications to the waiver and election process for judges' participation in PERS versus the Judicial Retirement System.

Approximately twenty separate pieces of legislation were introduced that could have affected the System. Highlights include an extension of the sunset period for an exemption from re-employment restrictions for retirees who return to public employment in positions designated as one of critical labor shortage. This exemption has been extended to July 1, 2009. Prior to the scheduled sunset date for this legislation, the System will conduct an experience study of this benefit and the related costs. Such costs must be recognized in the contribution rates should this benefit be made a permanent feature of PERS. Legislation was also passed providing for the inclusion of justices of the peace and municipal court judges in the Judicial Retirement System on a voluntary, employer by employer basis. No other benefit modifications affecting PERS were approved in the 2005 session.

Operational Initiatives

Operations of the System are conducted in accordance with the Operational Yearly Plan. This plan is designed to organize all agency functions by department and to insure that all duties are performed within the fiscal year. PERS performance is measured, in part, by total member and retiree workload. During fiscal 2005, staff performed over 80,000 transactions for members and beneficiaries. Seventy-five percent of all transactions were performed within 10 working days of receipt. Benefit payments were made to over 30,000 benefit recipients monthly.

In addition to customary workload, several projects impacting total workload were managed during fiscal 2005. School districts were required by legislation to purchase one-fifth of a year of service credit for certain professional employees employed at schools with certain designations. The System processed several thousand of these purchases on behalf of the members.

PERS continued participation in a performance benchmarking service designed to review the System's operational performance in the absence of a competitive marketplace. The analysis showed that PERS provides a good level of service at substantially lower administration costs than other peer retirement systems.

PERS continues to monitor utilization of modifications to PERS' retiree re-employment restrictions passed by the 2001, and extended by the 2005, Nevada legislature. This legislation was designed to assist Nevada public employers with re-employment of retirees in areas of critical labor shortage.

Other initiatives included the movement of many employers to web-based reporting for efficiency in payroll and contribution reporting. This effort continues into the coming year.

Information Technology

Highlighting technology this fiscal year, the System continued improvements to the disaster recovery site including full testing of real-time data replication. Web functionality was introduced for our benefit recipient population providing retirees with on-line access to individual benefit accounts. Information available to retirees includes deduction screens, check screens, address and bank routing screens, as well as 1099R information.

PERS remains committed to the integrity of our member and retiree information. Many security precautions have been implemented over time to insure the privacy of member records. Each year new testing and recommendations are implemented to continue our vigilance in this area. The System made several upgrades to the security of our information based upon this continual testing and review by staff and the System's security consultant. Additionally, several systems were upgraded, including accounting software and check writer software.

Strategic Planning

Strategic and tactical planning are key to the successful management of the System. These plans must address both external and internal elements ranging from financial market analysis to federal legislative efforts to member relations.

PERS' current strategic plan encompasses issues such as Social Security reform, system governance, economic and actuarial management, staffing, operational performance benchmarking, and plan design. Strategic investment management includes validating our long-term return and risk assumptions for our various asset classes.

Summary of Financial Information

The System's management is responsible for maintaining internal controls designed to provide reasonable assurance that transactions are executed according to management's authorization, recorded to maintain accountability for assets, and to allow the preparation of financial statements in accordance with generally accepted accounting principles. The internal controls include written policies and procedures, and are reviewed periodically by independent auditors and the System's internal audit staff. Statute requires a biennial financial audit of the System by a certified public accountant. However, the System chooses to conduct such audits on an annual basis rather than biennially.

The System is required by statute to submit a biennial budget proposal to the Budget Division of the State of Nevada, which must be incorporated with the State Executive Budget and approved by the State Legislature.

The following schedule is a summary of the pension trust funds' additions and deductions for the years ended June 30:

	2005	2004
Additions	$2,500,688,563	$2,615,725,384
Deductions	(763,284,030)	(679,533,385)
Net Additions	$1,737,404,533	$1,936,191,999

Additions decreased by $115.0 million, due mainly to a decrease in net investment income of $209.6 million, offset by an increase in contribution revenue of $93.4 million. Deductions increased by $83.8 million, due primarily to an increase of $82.2 million in benefit payouts.

Funding

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an annual actuarial valuation indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the rates established by the Nevada State Legislature.

Level cost, as a percentage of salary contribution rates as determined by the actuary, was calculated using the "entry age normal" cost method and a year-by-year closed amortization period where each amortization period will be set at 30 years, in addition to other significant actuarial assumptions detailed beginning on page 73. Funding levels are presented on page 40 in the Financial Section of this report. The funded ratio for all members is 75.8% in 2005, a decrease from 78.7% in fiscal year 2004.

Investments

The System's ability to provide retirement benefits to its members is influenced by the performance of the System's investment portfolio. Approximately 20% of the benefits the average member will receive in retirement are funded from contributions. The remaining 80% are generated from investment earnings.

The strategy employed to accomplish the goal of earning an appropriate return must be tempered with caution due to the level of risk which accompanies various types of investments. This cautious stance is defined by the prudent person standard outlined in the statute which sets guidelines for the System's administration. The standard states that the Public Employees' Retirement Board may invest the System's funds in every type of investment which persons of prudence, discretion and intelligence acquire or retain for their own account. By establishing a well diversified investment portfolio, the System has strengthened control over the fund's risk and return parameters.

Asset allocation is the most significant factor influencing the risk and return profile of the investment program. Determination of the fund's long-term asset allocation involves estimating the expected return and risk of major types of investments and blending them into a portfolio which meets the System's needs. This blend of asset types will provide protection against large fluctuations in portfolio returns.

The fund is diversified among investment categories, styles of management, managers and assets. Not all categories, styles, managers and assets react to movements in the investment markets in the same manner. Therefore, one investment that is not favored by the market should be offset by another which is doing well.

The fair value of the System's investment assets at the end of fiscal year 2005 was $17.6 billion. The portfolio return objective includes a premium over the Consumer Price Index (CPI). This premium has ranged from 3.0% - 4.5% over time. On that basis, the total fiscal year 2005 return objective was 7.09%. The System's total return on investments for that same time period was 9.3%, which includes both realized and unrealized gains. Fiscal year 2005 returns were influenced by above average returns from international equities, private equity and REITS. The fund's annualized rate of return is 10.91% since inception (21 years) versus our long-term actuarial objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 10% of public funds for that same timeframe. The investment section beginning on page 50 addresses specific activity and results in the portfolio.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Employees' Retirement System of Nevada for its comprehensive annual financial report for the fiscal year ended June 30, 2004 (see page 16). This was the fifteenth consecutive year the System has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and are submitting it to the GFOA for consideration again this year.

PPCC Award

The Public Pension Coordinating Council awarded the Public Pension Principles Achievement Award to the Public Employees' Retirement System of Nevada for the fiscal year ended June 30, 2005 (see page 17). The award is designed to commend public employee retirement systems for implementing and maintaining high professional standards. PERS has received the award every year it has been offered.

Professional Services

Professional consultants are hired to perform services essential to the efficient operation of the System. The Report of Independent Auditors, Consultant's Report of Investment Activity, and the actuary's certifications are included in this report. The System's consultants are listed on pages 14 and 50.

Acknowledgements

This report reflects the combined effort of the System's administrative staff. It is intended to provide both complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining the responsible stewardship of assets contributed by the members and their employers.

I would like to express my appreciation to the staff, consultants, Board, and other associates whose efforts ensured the successful operation of the System in 2005.

Respectfully submitted,

Dana K. Bilyeu
Executive Officer

ADMINISTRATIVE PERSONNEL

PUBLIC EMPLOYEES' RETIREMENT BOARD

L. Mark Balen	Chairman	2006
Sue DeFrancesco	Vice Chairman	2005
Purisimo B. Hernandez	Member	2005
David F. Kallas	Member	2006
Charles A. Silvestri	Member	2007
George W. Stevens	Member	2007
Warren Wish	Member	2005

Terms expire on June 30 of year noted.

RETIREMENT STAFF

Dana K. Bilyeu	Executive Officer
Tina M. Leiss	Operations Officer
Laura B. Wallace	Investment Officer
Christina M. Cannella	Assistant Investment Officer

Division Supervisors:

Ann Schleich	Accounting
Patti Keyes	Employer & Production Services
Paula Darragh	Information Technology
Brian Snyder	Internal Audit
Holly Zimmerman	Member & Retiree Services

LEGAL COUNSEL

Robert Auer, Deputy Attorney General, Carson City

MEDICAL ADVISOR

G. Bruce Nickles, M.D., Carson City

POLICE AND FIREFIGHTER RETIREMENT FUND ADVISORY COMMITTEE

William Loncar	Chairman	2007
Richard Tiran	Vice Chairman	2006
Fred Galey	Member	2006
Raymond McAllister	Member	2005
Dean Molburg	Member	2007

Terms expire on June 30 of year noted.

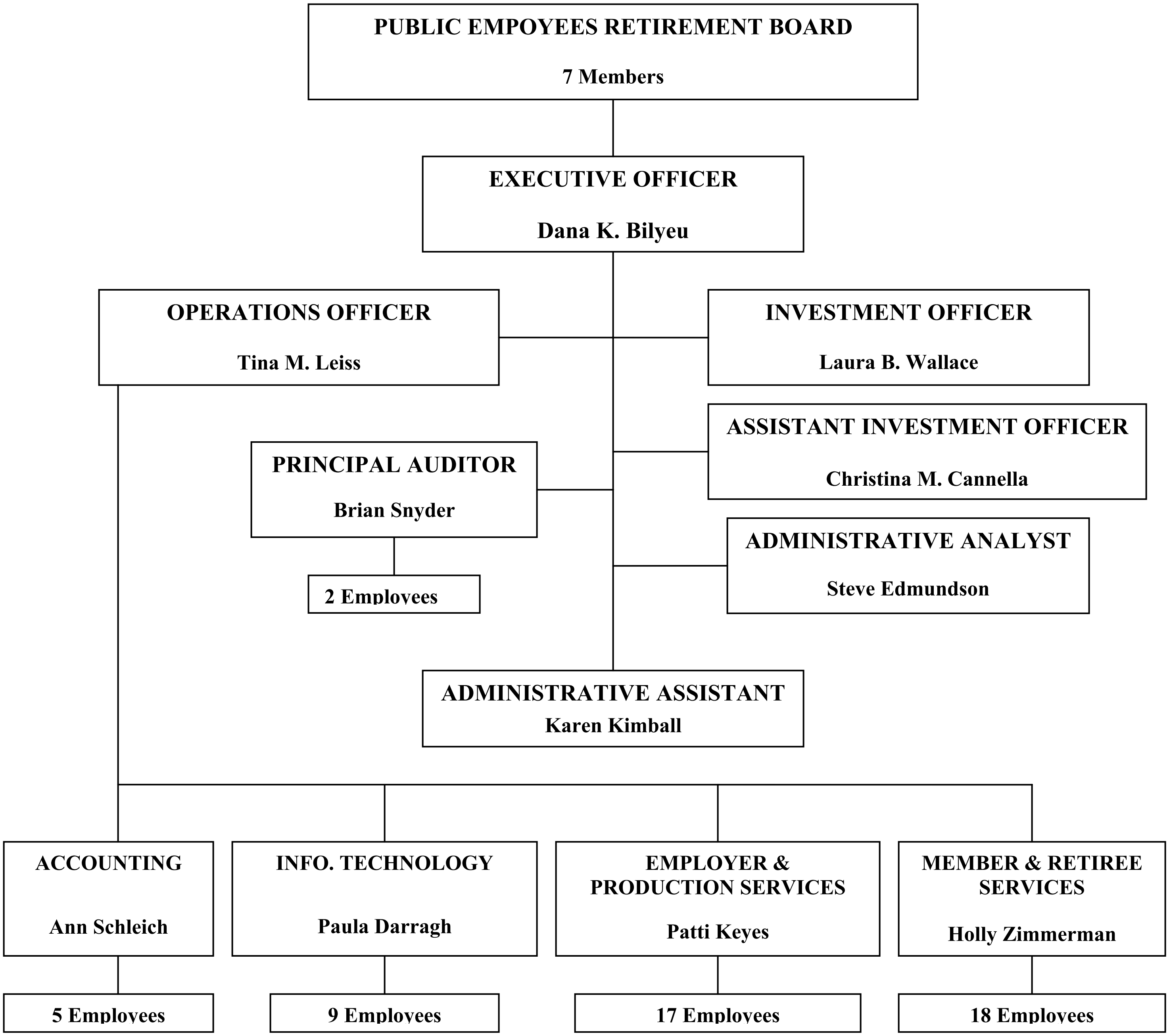
THE SYSTEM'S ADVISORS

Consulting Actuary – The Segal Company, Denver

Independent Auditors – PricewaterhouseCoopers LLP, Sacramento

Note: A list of investment professionals who provide services to the Public Employees' Retirement System of Nevada can be found on page 50. A schedule of fees and commissions paid to investment professionals can be found beginning on page 63.

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees' Retirement System of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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

Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2005 Award

Presented to

Public Employees' Retirement System of Nevada

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

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FINANCIAL SECTION

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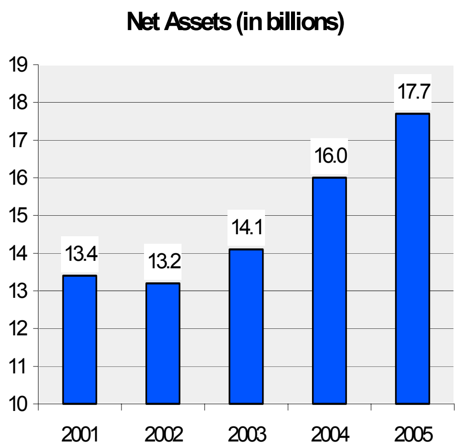
REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the financial performance of the Public Employees' Retirement System of Nevada provides an overview of the agency's financial activities for the fiscal year ended June 30, 2005. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow Management's Discussion and Analysis.

The System is responsible for administering retirement, disability, and survivor benefits for Regular members (consisting of employees within the State of Nevada, school districts, counties, cities, special districts, etc.) as well as Police/Fire members throughout the state.

Financial Highlights



- ♦ Net assets increased by $1.7 billion or 10.9% to $17.7 billion as of June 30, 2005.
- ♦ Net investment income was $1.5 billion in fiscal year 2005, a slight decrease from $1.7 billion in fiscal year 2004.
- ♦ Total investments, excluding securities lending collateral, at June 30, 2005, increased by $1.4 billion or 8.9% to $17.6 billion.
- ♦ As of June 30, 2005, the most recent actuarial valuation, the System was 75.8% funded, compared to a funding level of 78.7% as of June 30, 2005.
- ♦ Total contributions for fiscal year 2005 increased by $93.4 million or 10.2% to $1.0 billion.
- ♦ Benefit payments for fiscal year 2005 increased by $82.2 million or 12.5% to $739.8 million.
- ♦ Refunds of contributions increased by $2.4 million or 19.6% to $14.5 million.

Overview of Financial Statements

The basic financial statements consist of: 1) the Statement of Fiduciary Net Assets; 2) the Statement of Changes in Fiduciary Net Assets; 3) the Notes to the Financial Statements; 4) the Required Supplementary Information; 5) Other Supplementary Information.

The **Statement of Fiduciary Net Assets** includes all of the System's pension trust fund assets, liabilities, and the net assets available at the end of the fiscal year.

The **Statement of Changes in Fiduciary Net Assets** reports additions to and deductions from the pension trust fund during the fiscal year presented. Over time, the increase or decrease in net assets serves as a useful indicator of the health of the System's financial position.

The **Notes to the Financial Statements** provide additional information that is required by generally accepted accounting principles.

The **Required Supplementary Information** following the notes to the financial statements consists of schedules and related notes on the funding progress of our defined benefit pension plan, the funding progress broken down between Regular and Police/Fire members, and a short history of contributions from employers.

Other Supplementary Information details administrative expenses, investment expenses, consultant and professional service expenses, in addition to Schedules of Fiduciary Net Assets and Changes in Fiduciary Net Assets broken down between Regular and Police/Fire members.

Financial Analysis

The following are summary comparative statements of the System.

Condensed Statements of Fiduciary Net Assets

	As of June 30, 2005	As of June 30, 2004	Percentage Change
Cash and cash equivalents	$ 439,693,403	$ 308,139,868	42.7%
Receivables	153,154,047	146,482,235	4.6
Trades pending settlement	228,458,254	375,987,937	(39.2)
Investments, at fair value	17,619,978,232	16,174,953,194	8.9
Collateral on loaned securities	1,783,199,685	1,510,984,488	18.0
Property and equipment, net	4,505,701	6,038,853	(25.4)
Other assets	937,244	743,335	26.1
Total Assets	20,229,926,566	18,523,329,910	9.2
Accounts payable and other accrued expenses	8,528,040	8,406,618	1.4
Trades pending settlement	690,607,627	993,752,123	(30.5)
Obligations under securities lending activities	1,783,199,685	1,510,984,488	18.0
Total Liabilities	2,482,335,352	2,513,143,229	(1.2)
Net assets held in trust for pension benefits	$17,747,591,214	$16,010,186,681	10.9 %

Condensed Statements of Changes in Fiduciary Net Assets

	For the Year Ended June 30, 2005	For the Year Ended June 30, 2004	Percentage Change
Contributions	$ 1,006,138,260	$ 912,778,168	10.2%
Investment net income	1,491,241,797	1,700,860,918	(12.3)
Other income	3,308,506	2,086,298	58. 6
Total Additions	2,500,688,563	2,615,725,384	(4.4)
Benefit payments	739,819,493	657,622,497	12.5
Refunds of contributions	14,492,618	12,116,351	19.6
Administrative expenses	8,971,919	9,794,537	(8.4)
Total Deductions	763,284,030	679,533,385	12.3
Net Increase	1,737,404,533	1,936,191,999	(10.3)
Net assets, beginning of year	16,010,186,681	14,073,994,682	13.8
Net assets, end of year	$17,747,591,214	$16,010,186,681	10.9%

The increase in net assets held in trust for pension benefits is consistent with prior years and can primarily be attributed to the fact that all investment styles employed by the System had a positive investment return for fiscal year 2005. Net property and equipment as well as administrative expenses decreased due to depreciation.

Contributions increased consistently with prior years. A change in asset allocation of 5% from fixed income to equity was primarily responsible for the decrease in net investment income. The System's total return on investments for the year ended June 30, 2005 was 9.3% (12.1% for fiscal year 2004).

The increase in other income is due to interest on purchase of service and repayment of contributions. Purchases of service, repayment of contributions, and refunds of contributions are unpredictable.

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005
(With Comparative Totals for June 30, 2004)

ASSETS	2005	2004
Cash and cash equivalents	$ 439,693,403	$ 308,139,868
Receivables:		
Contributions receivable	74,147,373	67,478,126
Trades pending settlement	228,458,254	375,987,937
Accrued investment income	79,006,674	79,004,109
Total Receivables	381,612,301	522,470,172
Investments, at fair value:		
Fixed income securities	4,541,523,521	5,012,020,852
Marketable equity securities	8,498,327,585	6,781,380,863
International securities	3,513,786,345	3,236,055,118
Mortgage loans	13,601	54,307
Real estate	866,864,092	990,503,124
Alternative investments	199,463,088	154,938,930
Total Investments	17,619,978,232	16,174,953,194
Collateral on loaned securities	1,783,199,685	1,510,984,488
Property and equipment, net	4,505,701	6,038,853
Other assets	937,244	743,335
Total Plan Assets	20,229,926,566	18,523,329,910
LIABILITIES		
Accounts payable and other accrued expenses	8,528,040	8,406,618
Trades pending settlement	690,607,627	993,752,123
	699,135,667	1,002,158,741
Obligations under securities lending activities	1,783,199,685	1,510,984,488
Commitments and contingencies (Note 6)		
Total Plan Liabilities	2,482,335,352	2,513,143,229
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 40)	$17,747,591,214	$16,010,186,681

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2005
(With Comparative Totals For the Year Ended June 30, 2004)

	2005	2004
ADDITIONS		
Contributions:		
Employer	$ 875,510,984	$ 808,344,995
Plan members	66,896,424	61,079,957
Repayment and purchase of service	63,730,852	43,353,216
Total Contributions	1,006,138,260	912,778,168
Investment Income		
Net appreciation in fair value of investments	982,002,661	1,251,451,013
Interest	240,237,441	248,808,703
Dividends	211,913,280	139,224,795
Other investment income	72,430,235	81,211,461
Securities lending income	35,654,691	19,040,124
	1,542,238,308	1,739,736,096
Less investment expense:		
Cost of securities lending	(30,817,472)	(13,990,481)
Fees and other	(20,179,039)	(24,884,697)
	(50,996,511)	(38,875,178)
Net Investment Income	1,491,241,797	1,700,860,918
Other Income	3,308,506	2,086,298
Total Additions	2,500,688,563	2,615,725,384
DEDUCTIONS		
Benefit payments:		
Retirement and survivor benefits	700,673,381	622,125,090
Disability	39,098,388	35,443,240
Post-retirement increases	47,724	54,167
Refunds of contributions	14,492,618	12,116,351
Administrative expenses	8,971,919	9,794,537
Total Deductions	763,284,030	679,533,385
Increase in Net Assets	1,737,404,533	1,936,191,999
Net assets held in trust for pension benefits:		
Beginning of year	16,010,186,681	14,073,994,682
End of year	$17,747,591,214	$16,010,186,681

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Plan Description

History and Purpose

The Public Employees' Retirement System of Nevada is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered by the State of Nevada to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability.

Membership

At June 30, 2005, the number of participating local government employers is:

State of Nevada and Related Agencies	20
University of Nevada System	2
Schools	36
Counties	16
Cities	19
Hospitals	7
Utility, Irrigation, and Sanitation Districts	18
Special Districts and Agencies	45
	163

Any local government employer in the State of Nevada may have its Regular or Police/Fire employees covered by the System. Membership at June 30 is as follows:

Service retirees, disability recipients, and beneficiaries receiving benefits:	2005	2004
Regular employees	25,658	23,749
Police/Fire employees	3,843	3,610
Survivor benefit recipients	1,498	1,409
Total Benefit Recipients	30,999	28,768
Inactive members:		
Regular employees	8,676	7,397
Police/Fire employees	506	432
Total Inactive Members	9,182	7,829
Active members:		
Regular employees	83,224	79,848
Police/Fire employees	10,771	10,394
Total Active Members	93,995	90,242

NOTES TO FINANCIAL STATEMENTS

Benefits

Benefits, as required by Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for Regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her life and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of the NRS. See Note to Required Supplementary Information schedules on page 42 for detail.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. Police/Fire members are eligible for retirement at age 65 with five years of accredited service, at age 55 with ten years of accredited Police/Fire service, at age 50 with 20 years of accredited Police/Fire service, or at any age with 25 years of accredited Police/Fire service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who retired on or after July 1, 1977, and is an active member whose effective date of membership is before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Member Contributions

The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are cancelled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert back to the Employee/Employer Contribution plan.

Termination

Upon termination or partial termination of the System, all accrued benefits that are funded become 100% vested and nonforfeitable.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Summary of Significant Accounting Policies and Plan Asset Matters

Financial Reporting Entity

The Public Employees' Retirement Board (Retirement Board) is the governing body of the System with responsibility for administration and management. This autonomous, seven-member Retirement Board is appointed by the Governor of the State of Nevada.

The System has developed criteria in accordance with standards issued by the Governmental Accounting Standards Board (GASB) to determine whether other state agencies, boards, and commissions, which benefit the members of the System, should be included within its financial reporting entity as component units. A component unit is defined as a legally separate organization for which officials of the System are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete.

In accordance with GASB, the following criteria are used when evaluating financial accountability: The ability of the System to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the System. In addition, the System may be financially accountable if an organization is fiscally dependent on the System regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The System has no relationship with another entity that meets the above criteria, and so has not included any other entity as a component unit of its financial reporting entity.

The System is classified as a component unit of the State of Nevada for financial reporting purposes, in accordance with the provisions of GASB. Assets of the System can legally be used to pay Regular or Police/Fire beneficiaries.

Basis of Accounting

The System uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, employee and employer contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Organization

The System is comprised of two sub-funds.

> Regular sub-fund – Established to provide retirement, disability, and survivor benefits for public employees with the exception of those who are police officers or firefighters.
>
> Police/Fire sub-fund – Established to segregate accounting for benefits related to members who are police officers or firefighters.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid financial instruments with original maturities of one year or less.

NOTES TO FINANCIAL STATEMENTS

Contributions Receivable

No allowance for doubtful accounts has been established since the System anticipates no material collection loss with respect to contribution receivables.

Investments

The Regular sub-fund and the Police/Fire sub-fund are accounted for separately, based upon actual funds contributed and an allocation of the combined investment earnings. Individual investments are not specifically identified as belonging to either the Regular sub-fund or the Police/Fire sub-fund.

Plan investments are reported at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on estimated current values and Member Appraisal Institute (MAI) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

There is no concentration of investments in securities of a single organization that represent 5% or more of the plan's net assets (other than those issued by the U.S. Government).

Investment income is recognized as earned. Net appreciation (depreciation) is determined by calculating the change in fair value of investments between the beginning of the fiscal year and the end of the fiscal year, less purchases of investments at cost, plus sales of investments at fair value.

There are certain market risks, credit risks, foreign exchange currency risks, or event risks which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The Retirement Board adopted a formal written policy on the use of derivatives. The types of derivatives used and limits on their use are defined in the System's Investment Objectives and Policies. The System's Investment Objectives and Policies restrict the use of certain types of derivatives. The use of exotic, highly leveraged structured notes such as inverse floaters, Constant Maturity Treasury (CMT) floaters, range floaters, dual index floaters, and other speculative instruments tied to inappropriate reset provisions is specifically prohibited. The System's derivatives transactions are designed to reduce transaction costs, reduce foreign exchange risk, and manage market risks associated with the underlying securities. They may also reduce the System's exposure to changes in stock prices, interest rates, and currency exchange rates.

Property and Equipment

Property and equipment consists of furniture, equipment, computer hardware, and computer software reported at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line depreciation method over five years.

Administrative Expenses

The funds for administering the System are provided by assessment of an administrative fee for each member and benefit recipient. Monthly fees at June 30, 2005, were $3.37 for each Regular member and benefit recipient and $3.57 for each Police/Fire member and benefit recipient. PERS is required by statute to submit a biennial budget proposal to the Budget Division of the State of Nevada, which must be incorporated with the State Executive Budget and approved by the Nevada State Legislature.

NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2004, financial statements. It has been presented to facilitate financial analysis, but is not considered full disclosure of transactions for that year.

New Accounting Pronouncement

For the year ended June 30, 2005, the System implemented the provisions of Government Accounting Standards Board Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.* GASB 40 requires disclosure of credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and modifies previous custodial credit risk disclosure requirements.

NOTE 3 – Contributions Required and Contributions Made

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime, in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada State Legislature. These statutory rates are increased/decreased pursuant to NRS Chapters 286.421 and 286.450.

Level pattern of cost as a percentage of salary contribution rates, as determined by the actuary, was calculated using the "entry age normal" cost method. As of June 30, 2005, the System's unfunded accrued liability amounted to approximately $5.7 billion. The unfunded accrued liability is amortized using a year-by-year closed amortization period where each amortization period is set at 30 years. This presumes each year's change in unfunded liability will be fully paid in 30 years from inception.

Rates in effect for fiscal year ended June 30, 2005, were as follows:

Regular Employees	Funding Basis*	Statutory Rate
Employer-Pay Plan	19.70%	20.25%
Employee/Employer Plan (matching rate)	10.31	10.50
Police/Fire Employees		
Employer-Pay Plan	32.12%	28.50%
Employee/Employer Plan (matching rate)	16.44	14.75

* Based on June 30, 2004 Actuarial Valuation

For fiscal year 2005, contributions totaling $1,006,138,260 ($875,510,984 employer and $130,627,276 employee) were made in accordance with statutory rates.

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1st of each odd-numbered year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rate exceeds 0.5% 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.

Under the Employer-Pay provisions, the contributions made by employers on behalf of employees are not credited to the member's account and are not refunded upon termination. For employees covered by the Employer-Pay

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 4 – Retirement Fund Contributions of PERS' Employees

Administrative employees of the System (as a participating employer) are members of the System. All participating public employers make contributions to the System at the same percentage of salary rate for Regular members as required by statute. Actuarially determined contribution requirements for administrative employees of the System are the same as all other employers within the System (See Note 3). Employer contributions for administrative employees were $498,988 for the year ended June 30, 2005.

NOTE 5 - Deposit and Investment Risk Disclosures

The investments of the System are governed primarily by the "prudent person" standard. The prudent person standard, as set forth by NRS Chapter 286.682, authorizes the Retirement Board to invest the System's funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account." Additionally, the System has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm.

The majority of the System's investments are held by the Depository Trust Company (DTC) in DTC's nominee name, and trading is conducted through the DTC's book-entry system. The holder of record for the System is The Bank of New York.

A summary of investments as of June 30, 2005 is as follows:

Investment Type	Fair Value at June 30, 2005	
U.S. Government		
Treasuries, Notes, Bonds	$1,020,212,575	
Agencies	500,713,324	
Other	51,345,285	$1,572,271,184
Mortgage-Backed		
Government Pass-through	926,281,127	
Corporate Pass-through	197,876,499	1,124,157,626
Collateralized Mortgage Obligations		
Government CMO's	202,160,365	
Corporate CMO's	49,985,164	252,145,529
Corporate		
Corporate Bonds	553,889,121	
Corporate Asset Backed	429,783,498	
Private Placements	18,625,649	1,002,298,268
Other Bonds	12,337,912	12,337,912
Non-U.S. Markets	1,832,321,882	1,832,321,882

NOTES TO FINANCIAL STATEMENTS

Short Term		
Repurchase Agreements	108,008,751	
Other	74,087,191	$ 182,095,942
Equity		
U.S.	$ 8,390,031,049	
Non-U.S.	1,914,956,001	10,304,987,050
Alternative Investments (Private Equity)	202,867,663	202,867,663
Real Estate	867,512,801	867,512,801
Commingled Funds		
U.S. Fixed Income	554,890,937	
Money Market Funds	198,741,362	753,632,299
Other Investments	3,921,832	3,921,832
Total Investments	$18,110,549,988	$18,110,549,988

Reconciliation to investments on Statement of Net Plan Assets:

Total from Above	$18,110,549,988
Minus:	
Short Term Investments	(410,916,374)
Accrued Income and Other	(79,655,382)
Investments on Statement of Net Plan Assets:	$17,619,978,232

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of its depository financial institution, the System will not be able to recover its deposits.

At June 30, 2005, the carrying amount of the System's commercial cash deposits was $3,046,942 and the commercial bank balance was $9,000,648. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining commercial bank balance is, per a depository pledge agreement between the System and the System's commercial bank, collateralized at 102% of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC). These collateral securities are held by the System's agent in the System's name.

Custodial cash is swept nightly from the custodial bank to an overnight short term investment fund held outside the bank. Funds arriving at the bank after the overnight sweep deadline are part of the custodial bank cash reserve and are covered up to the FDIC limit of $100,000. Any amount in the cash reserve in excess of $100,000 is subject to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS

The custodial bank also carries insurance covering destruction of cash or securities on or off premises (including securities or others held in custody) with a per loss limit of $400,000,000.

Credit Risk - Investments

Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the System and c*ustodial credit risk for investments* is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

System policies provide protection from undue investment credit risk as follows:

- Investment in commercial paper provided it, or the guarantor, is rated A1 and P1, or the equivalent by at least two of Moody's, Standard & Poor's or Fitch.

- Certificates of deposit, banker's acceptances, and time deposits are only allowed of banks with a minimum of $1.5 billion capitalization which have a quality rating of A or better by at least two of Moody's, Standard & Poor's or Fitch.

- Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U.S. Treasuries or traditional pass-through mortgages and such collateral is delivered to the System's bank or its correspondent.

- Money market mutual funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard & Poor's or Fitch and are collateralized with U.S. Treasuries or agency securities or are secured by repurchase agreements and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.

- Bonds, notes of United States corporations, and asset-related instruments which have an investment grade rating by at least two of Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/ Fitch, Baa3 or better by Moody's).

- Debt issued in the United States by foreign entities and foreign corporations provided both interest and principal are payable in U.S. dollars and such debt is rated investment grade by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

- To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Outstanding TBA positions with a single broker may not exceed 10% of the manager's portfolio.

NOTES TO FINANCIAL STATEMENTS

The following table shows the Standard and Poor's (S&P) credit quality ratings of the System's investments in fixed income and short term securities, as of June 30, 2005.

Quality Rating (S&P unless noted)

Fixed Income Security Type (millions)	Treasury*	Agency*	AAA	AA	A	BBB	BB	Not Rated	Totals
U.S. Government	$1,049.9	$508.3	$10.1		$3.5	$0.6			$1,572.4
Mortgage Backed Securities		926.3	187.1	$1.1	2.7	0.3		$6.7	1,124.2
Collateralized Mortgage Obligations		202.2	47.9		1.6	0.4			252.1
Corporate Bonds		5.9	262.4	72.8	347.4	264.1	$45.2	4.4	1,002.2
Other Bonds			6.5	3.9	0.7	1.2			12.3
Non-U.S. Markets			947.0	757.6	77.0	42.8		7.9	1,832.3
Total Fixed Income	$1,049.9	$1,642.7	$1,461.0	$835.4	$432.9	$309.4	$45.2	$19.0	$5,795.5

Quality Rating (S&P unless noted)

Short Term Security Type (millions)	Treasury*	A-1	Not Rated	Totals
Repurchase Agreements			$108.0	$108.0
Certificates of Deposit		$5.5	5.0	10.5
Treasury Bills	$63.6			63.6
Total Short Term	$63.6	$5.5	$113.0	$182.1

*Quality Ratings of Treasury and Agency have been assigned by the System's custodial bank, The Bank of New York.

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. System policy limits the bond and corporate short-term investments of any of the System's investment portfolio managers to 5% of a single issuer. The manager's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a substantial share of the total portfolio.

In addition, no more than 10% of the System's assets shall be managed on a permanent basis by a single investment firm unless that firm manages an S&P 500 Index or securities lending assets for PERS. In those cases, the firm may manage up to 15% of the System's assets on a permanent basis. In addition, the System's assets shall not permanently constitute more than 10% of any firm's assets within the asset class managed for PERS.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The System mitigates interest rate risk through portfolio diversification as discussed previously. The System's investment policy and investment portfolio manager mandates authorize all securities within the Lehman Aggregate Index benchmark.

NOTES TO FINANCIAL STATEMENTS

If securities purchased are outside the Lehman Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch, (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

The following table shows the fair value of fixed income and short term securities and their applicable investment maturities, as of June 30, 2005.

		Investment Maturities (in years)			
	Fair Value	**Less than 1**	**1-5**	**6-10**	**More than 10**
Fixed Income Security Type (millions)					
U.S. Government	$1,572.3	$195.9	$649.3	$237.7	$489.4
Mortgage Backed Securities	1,124.2	15.0	46.7	29.2	1,033.2
Collateralized Mortgage Obligations	252.1		4.1	18.8	229.2
Corporate Bonds	1,002.3	65.2	365.2	291.8	280.1
Other Bonds	12.3		4.2	3.8	4.3
Non-U.S. Markets	1,832.3	93.5	939.1	429.9	369.9
Total Fixed Income	5,795.5	369.6	2,008.6	1,011.2	2,406.1
Short Term Security Type (millions)					
Repurchase Agreements	108.0	108.0			
Certificates of Deposit	10.5	5.0	5.5		
Treasury Bills	63.6	63.6			
Total Short Term	182.1	176.6	5.5		
Total Fixed Income & Short Term	$5,977.6	$546.2	$2,014.1	$1,011.2	$2,406.1

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System mitigates foreign currency risk through portfolio diversification as discussed previously. Foreign currency deposits and options on foreign currency positions are allowed by System policy for purposes of hedging, including cross currency hedges. Highly speculative positions in currency are not permitted.

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2005, is summarized in the following table.

NOTES TO FINANCIAL STATEMENTS

Currency by Investment and Fair Value (millions)	**Fixed Income**	**Equity**	**Derivatives**	**Cash**
Australian Dollar	$41.1	$94.1	($18.9)	$0.4
Austrian Schilling	11.1	1.9	0.0	0.0
Belgian Franc	0.0	4.9	0.0	0.0
British Pound Sterling	109.7	385.0	1.1	0.5
Canadian Dollar	26.4	3.9	8.3	0.4
Danish Krone	37.9	14.5	(7.9)	0.1
Deutsche Mark	0.0	0.3	0.0	0.0
Euro Currency	874.4	571.0	(134.0)	36.7
Hong Kong Dollar	0.0	31.5	0.0	0.0
Irish Pound	0.0	0.6	0.0	0.0
Italian Lira	0.0	0.1	0.0	0.0
Japanese Yen	577.3	372.4	75.8	8.0
New Zealand Dollar	0.0	2.2	0.0	0.1
Norwegian Krone	17.7	13.0	7.8	0.2
Polish Zloty	13.7	0.0	6.7	0.1
Singapore Dollar	1.0	15.2	7.9	0.4
Swedish Krona	12.6	34.7	11.0	7.6
Swiss Franc	4.1	113.5	3.3	0.3
Total	$1,727.0	$1,658.8	($38.9)	$54.8

Derivatives

The principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investments in foreign currencies
Exchange traded fixed income futures and options	Reduce transaction costs, control portfolio duration, enhance return
Mortgage backed securities	Diversification, enhance return (component of Lehman Aggregate Index)
Asset backed securities	Diversification, enhance return (component of Lehman Aggregate Index)

Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by the System typically have no greater market risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMO), mortgage backed securities, and asset backed securities, commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets.

NOTES TO FINANCIAL STATEMENTS

Management believes that it is unlikely that any of the derivatives in the System's portfolio could have a material adverse effect on the financial condition of the System. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.

Securities Lending

The System maintains a securities lending program by authorization of NRS 286.682, the "prudent person" standard previously described. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. The System has no discretionary authority to sell or pledge collateral received. The maturities of the investments made with cash collateral generally match the maturities of securities loaned. At June 30, 2005, the weighted average maturities are two days for loans outstanding and 28 days for collateral/reinvestments. Collateral received for the lending of U.S. securities must equal at least 102% of market value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of market value, plus accrued interest in the case of fixed income securities. In accordance with the System's Investment Objectives and Policies, the securities lending agent is authorized to invest collateral only in high quality, short-term investment vehicles. The System has no credit risk exposure to borrowers; because the amount the System owes the borrowers exceeds the amount the borrowers owe the System. As of June 30, 2005, collateral was 103%. In addition, securities loaned may not exceed 33-1/3% of the total portfolio. Loss indemnification due to borrower default is provided by agents. There were no losses during the period, or any prior period, resulting from default. Therefore, there were no recoveries of prior period losses.

The fair value of securities loaned at June 30, 2005, is $1,689,081,071. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2005, the System has collateral, consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in excess of the market value of investments held by brokers/dealers under a securities lending agreement.

NOTE 6 – Commitments and Contingencies

The System has entered into investment funding commitments related to alternative investments to fund an additional $228.0 million at some future date.

NOTE 7 – Risk Management

The System is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, the System maintains commercial building and contents insurance; vehicle liability and collision/comprehensive insurance; general liability insurance; worker's compensation insurance; and employee fidelity bonds. For coverage included within the State of Nevada's policies (all but worker's compensation and building/contents insurance), the System pays its premium directly to the State. The System's worker's compensation and building/contents insurance are placed with private insurance companies. There have been no reductions of insurance coverage from coverage of the previous year in any of the categories of risk. In addition, there have never been any insurance settlements which exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
2000 to 2005
(dollars in millions)

June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
2000	$12,662.1	$14,951.9	$2,289.8	84.7%	$2,967.7	77.2%
2001	14,031.1	16,664.2	2,633.1	84.2	3,168.9	83.1
2002	15,052.3	18,259.9	3,207.6	82.4	3,417.6	93.9
2003	15,883.0	19,540.7	3,657.7	81.3	3,595.5	101.7
2004	16,830.3	21,385.4	4,555.1	78.7	3,812.8	119.5
2005	17,886.5	23,608.7	5,722.2	75.8	4,064.0	140.8

	Unfunded Actuarial Accrued Liability (millions)		Unfunded Actuarial Accrued Liability as % of Payroll		Actuarial Value of Assets as % of Total Actuarial Accrued Liability	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
2000	$1,708.9	$580.9	67.7%	131.5%	85.9%	79.5%
2001	1,954.4	678.7	72.8	140.0	85.5	78.9
2002	2,433.8	773.7	84.6	143.3	83.5	78.1
2003	2,612.5	1,045.2	85.9	188.2	83.2	73.9
2004	3,306.5	1,248.6	103.3	203.6	80.5	71.7
2005	4,252.0	1,470.2	124.9	222.8	77.3	69.8

The accompanying note is an integral part of the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
2000 to 2005

	Regular		Police/Fire		Total	
June 30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2000	$496,794,400	96 %	$129,349,400	99 %	$626,143,800	97 %
2001	514,992,000	100	140,428,200	100	655,420,200	100
2002	550,513,000	96	158,694,400	96	709,207,400	96
2003	630,511,700	89	173,194,600	94	803,706,300	90
2004	650,105,000	100	214,378,000	86	864,483,000	99
2005	696,686,600	100	231,962,000	88	928,648,600	100

The accompanying note is an integral part of the required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Information

The funding progress and employer contribution information presented in the Required Supplementary Information schedules were determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation for the System follows:

Valuation date		6/30/05
Actuarial cost method		Entry age normal
Amortization method		Year-by-year closed with each amortization period set at 30 years
Asset valuation method		5-year smoothed market
Actuarial assumptions:		
Investment rate of return (Includes inflation at 3.5%)		8.0%
Projected salary increases (Includes inflation at 3.5%)	Regular	4.5% - 9.5%
	Police/Fire	6.25% - 14.75%
Cost of living (post-retirement) increases		2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits

Trends are affected by investment experience (favorable or unfavorable), salary experience, changes in demographic characteristics of employees as well as the distribution of employees under Employer-Pay and Employee/Employer contribution provisions. Other factors include retirement experience. For example, the number of service retirements could be greater or less than expected for those with shorter or longer service. Changes in benefit provisions and in actuarial methods and assumptions also affect trends.

OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses
For the Year Ended June 30, 2005
(GAAP Basis)

Personnel Services:	Staff Payroll and Benefits	$3,989,429	
	Retirement Board Fees	21,680	
	Total Personnel Services		$4,011,109
Out-of-State Travel:	Staff	11,374	
	Retirement Board	9,061	
	Police/Fire Committee	2,291	
	Total Out-of-State Travel		22,726
In-State Travel:	Staff	29,090	
	Retirement Board	17,177	
	Police/Fire Committee	4,128	
	Total In-State Travel		50,395
Operating:	Office Supplies	20,955	
	Equipment less than $1,000	4,897	
	Postage and Freight	165,291	
	Communications	29,367	
	Printing	151,992	
	Publications and Periodicals	2,636	
	Bonds and Insurance Premiums	12,954	
	Contact Services	508,424	
	Vehicle Expense	3,306	
	Equipment Rental and Repair	17,462	
	Building Rental	217,353	
	License and Fees	2,777	
	Client Communication	122,036	
	Dues and Registration	29,874	
	Medical Expenses	21,180	
	Host Expense	1,467	
	Nationwide Search	17,246	
	Total Operating		1,329,217
Equipment and Office Furniture:		(26,878)	
Depreciation		34,616	
	Total Equipment and Office Furniture		7,738
Information Technology:		785,292	
Depreciation		2,661,912	
	Total Information Technology		3,447,204
Training:			53,648
Attorney General Allocation:			46,956
TOTAL EXPENSES			$8,968,993

Reconciliation to Administrative Expenses on Statement of Changes in Fiduciary Net Assets:

Total from Above	$8,968,993
Plus: Miscellaneous Unbudgeted Administrative Expenses	2,926
Administrative Expenses on Statement of Changes in Fiduciary Net Assets:	$8,971,919

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses
For the Year Ended June 30, 2005
(Non-GAAP Budgetary Basis)
Budget vs. Actual

	Budget	Actual Expenditures	Variance Under (Over)
Personnel services	$4,165,541	$4,058,942	$106,599
Out-of-state travel	46,201	22,726	23,475
In-state travel	76,994	50,395	26,599
Operating	1,505,328	1,340,539	164,789
Equipment and office furniture	1,000	932	68
Information technology	2,088,989	1,920,858	168,131
Training	51,274	53,648	(2,374)
State cost allocation	1,311	0	1,311
Attorney General allocation	46,956	46,956	0
Unallocated budgetary authority	200,000	0	200,000
Total	$ 8,183,594	$7,494,996	$688,598

Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis
For the Year Ended June 30, 2005

The budget and actual (non-GAAP budgetary basis) schedules present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis sometimes differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resulting differences is presented for the year ended June 30, 2005.

Administrative Expenses (Non-GAAP Budgetary Basis)	$7,494,996
Adjustments:	
Accrued payroll	(47,833)
Depreciation expense	2,688,133
Capitalization of fixed assets & software	(1,163,377)
Administrative Expenses (GAAP Basis)	$8,971,919

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES
For the Year Ended June 30, 2005

Investment counselor fees	$15,921,998
Mortgage loans legal and professional fees	(1,816,626)
Investment consulting fees	412,701
Depreciation expense	23,431
Equity real estate expense	5,631,077
Custodial banking fees	3,068
Investment monitoring expense	3,390
Securities lending broker rebates and fees	30,817,472
Total Investment Expenses	$50,996,511

SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2005

Actuary	
The Segal Company	$ 327,802
Cost Effectiveness Consultant	
Cost Effectiveness Measurement Inc.	30,000
Fiduciary Consultant	
Cortex Applied Research	40,000
Independent Auditors	
PricewaterhouseCoopers LLP	103,400
Technology Consultants	
Advance Total Imaging	48,465
Apex Computing Inc.	576,686
Covansys	727,294
Cyber Trust	77,371
Glynn Durham	4,248
Sigma IT Group	460
Administrative Legal Counsel	
State Attorney General	56,156
Medical Consultant	
Dr. G. Bruce Nickles	21,270
	$2,013,152

Note: Information on payments made to investment professionals can be found on page 63.

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
June 30, 2005
(With Comparative Totals for June 30, 2004)

	Regular	Police/Fire	Eliminations	Total Pension Trust Fund 2005	Total Pension Trust Fund 2004
ASSETS					
Cash and cash equivalents	$439,693,403	$ -	$ -	$ 439,693,403	$ 308,139,868
Contributions receivable	74,147,373	-	-	74,147,373	67,478,126
Trades pending settlement	228,458,254	-	-	228,458,254	375,987,937
Accrued investment income	79,006,674	-	-	79,006,674	79,004,109
Investments, at fair value	17,619,978,232	-	-	17,619,978,232	16,174,953,194
Collateral on loaned securities	1,783,199,685	-	-	1,783,199,685	1,510,984,488
Property and equipment, net	4,505,701	-	-	4,505,701	6,038,853
Other assets	937,244	-	-	937,244	743,335
Due from other funds-equity in investments		3,371,626,027	(3,371,626,027)	-	-
Total Plan Assets	20,229,926,566	3,371,626,027	(3,371,626,027)	20,229,926,566	18,523,329,910
LIABILITIES					
Accounts payable and other accrued expenses	8,528,040			8,528,040	8,406,618
Trades pending settlement	690,607,627			690,607,627	993,752,123
Due to other funds – equity in investments	3,371,626,027		(3,371,626,027)		
Obligations under securities lending activities	1,783,199,685			1,783,199,685	1,510,984,488
Total Plan Liabilities	5,853,961,379		(3,371,626,027)	2,482,335,352	2,513,143,229
Net assets held in trust for pension benefits	$14,375,965,187	$3,371,626,027	$ -	$17,747,591,214	$16,010,186,681

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	Regular	Police/Fire	Total Pension Trust Fund 2005	Total Pension Trust Fund 2004
ADDITIONS				
Contributions:				
Employer	$ 688,139,410	$ 187,371,574	$ 875,510,984	$ 808,344,995
Plan members	56,736,705	10,159,719	66,896,424	61,079,957
Repayment and purchase of service	47,847,587	15,883,265	63,730,852	43,353,216
Total Contributions	792,723,702	213,414,558	1,006,138,260	912,778,168
Investment Income:				
Net appreciation in fair value of investments	982,002,661	-	982,002,661	1,251,451,013
Interest	240,237,441	-	240,237,441	248,808,703
Dividends	211,913,280	-	211,913,280	139,224,795
Other investment income	72,430,235	-	72,430,235	81,211,461
Securities lending income	35,654,691	-	35,654,691	19,040,124
	1,542,238,308	-	1,542,238,308	1,739,736,096
Less investment expense:				
Cost of securities lending	(30,817,472)	-	(30,817,472)	(13,990,481)
Other	(20,179,039)	-	(20,179,039)	(24,884,697)
	(50,996,511)	-	(50,996,511)	(38,875,178)
Net Investment Gain	1,491,241,797	-	1,491,241,797	1,700,860,918
Other Income	2,860,072	448,434	3,308,506	2,086,298
Total Additions	2,286,825,571	213,862,992	2,500,688,563	2,615,725,384
DEDUCTIONS				
Benefit payments:				
Retirement and survivor benefits	574,098,425	126,574,956	700,673,381	622,125,090
Disability	30,972,750	8,125,638	39,098,388	35,443,240
Post-retirement increases	41,870	5,854	47,724	54,167
Refund of contributions	11,107,225	3,385,393	14,492,618	12,116,351
Administrative expenses	8,970,536	1,383	8,971,919	9,794,537
Total Deductions	625,190,806	138,093,224	763,284,030	679,533,385
Increase in Net Assets	1,661,634,765	75,769,768	1,737,404,533	1,936,191,999
Transfers:				
Interfund transfers	(1,838,708)	1,838,708	-	-
Transfer of annual investment income	(281,993,824)	281,993,824	-	-
Transfer of administrative fees	761,417	(761,417)	-	-
Total Transfers	(283,071,115)	283,071,115	-	-
Net assets held in trust for pension benefits:				
Beginning of year	12,997,401,537	3,012,785,144	16,010,186,681	14,073,994,682
End of year	$14,375,965,187	$3,371,626,027	$17,747,591,214	$16,010,186,681

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INVESTMENT SECTION

INVESTMENT CONSULTANT

Callan Associates, Inc.

INVESTMENT COUNSEL

Domestic Equities:

Alliance Capital Management
Atlanta Capital Management
Barclays Global Investors
Capital Guardian
Mellon Capital
Merrill Lynch
J. & W. Seligman
Loomis, Sayles & Company
Voyageur Asset Management

International Equities:

BNY Asset Management
Mellon Capital

Domestic Fixed Income:

Barclays Global Investors
Dodge & Cox
JP Morgan Asset Management
Lehman Brothers
Payden & Rygel
WestAM
Western Asset Management

International Fixed Income:

Julius Baer Investment Management
Payden & Rygel
Rogge Capital Partners
UBS Global Asset Management

Private Equity:

Pathway Capital Management

Private Real Estate:

Invesco Realty Advisors
BlackRock Realty

Real Estate Investment Trust (REIT) Securities:

Alliance Capital Management
Barclays Global Investors
Invesco Realty Advisors

Securities Lending:

The Bank of New York

CALLAN ASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

October 17, 2005

Dear Reader:

Callan Associates is pleased to report on the investment activity for the Public Employees' Retirement System of Nevada (PERS) for the fiscal year ending June 30, 2005.

Fiscal year 2005 was a year of modest progress for domestic equity and fixed income markets. International equity returns were above long-term expectations. International fixed income and equity real estate had positive results as well. The asset allocation policy was changed in the first quarter of fiscal year 2005 to 45 percent Domestic Equity, 10 percent International Equity, 25 percent Domestic Fixed Income, 10 percent International Fixed Income and 10 percent Alternative Investments.

For the fiscal year, the total fund return of 9.3 percent exceeds the actuarial return assumption of 8.0 percent. The total fund return was in line with expectations based on the market environment. Longer-term results remain competitive and the return for the past 21 years is above the actuarial return assumption.

Investing is two-dimensional – return and volatility or risk. The Sharpe ratio is a measure that defines the amount of return delivered per unit of risk. When compared to other public funds, PERS ranks in the top quartile on the basis of Sharpe ratio over the past 21 years.

During fiscal year 2005 the Board made modest adjustments to the roster of investment managers. Additional active domestic equity capacity was added.

We welcome any comments or questions regarding the investment activity of PERS for the 2005 fiscal year.

Ruthann C. Moomy

Ruthann C. Moomy, Ph.D., CFA
Senior Vice President

6 CONCOURSE PARKWAY, SUITE 2900, ATLANTA, GEORGIA 30328, TELEPHONE 770-804-5585 FACSIMILE 770-804-5586

INVESTMENT REVIEW

Introduction

The investment program is designed to generate earnings to fund the System's benefits while minimizing investment risk. The structure and administration of the portfolio is defined by the prudent person standard. The standard states that the Retirement Board may invest the System's funds in every type of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account under similar circumstances. By establishing a well-diversified portfolio at the asset class, management, and security level, the System has strengthened control over the fund's risk and return parameters. Through the prudent person standard, the Board has established Investment Objectives and Policies that recognize future funding requirements based on membership demographics.

The System's Investment Objectives and Policies detail the fund's long-term investment goals, management responsibilities, return/risk expectations, and monitoring requirements. These policies are subject to change at any time by the Retirement Board and are reviewed thoroughly at least annually to ensure that they continue to reflect the System's expectations.

Objective

The investment objective of the System is to:

- Generate 8% investment return by producing a long-term total return from investments which exceeds the rate of inflation (CPI) by 4.5% by capturing market returns within each asset class.

- Invest so that the short-term volatility of returns will not cause the System to alter its long-term strategy.

- Structure an investment program which is sufficiently uncomplicated to control the ability to consistently meet return and risk objectives.

Chart 1, on page 55, demonstrates that the investment portfolio, over the last ten years, has achieved the blended real return (inflation) objective in eight of those years. Objective was CPI + 3.0% until September 30, 2001, CPI + 3.5% from October 1, 2001, through September 30, 2002, CPI + 3.75% from October 1, 2002, through September 30, 2003, and CPI + 4.5% from October 1, 2003. Chart 2, on page 55, details annualized returns for long-term periods ended June 30, 2005. The System achieved the blended market objective for the 5, 10, and 20 year periods and both the real return and actuarial earnings goals for the 1-year, 10-year, and since inception periods. The System's 9.3% return in Fiscal Year 2005 was driven by international equity, private equity, and REITs, as those portfolios experienced positive returns of 12.9%, 23.7%, and 33.8% respectively. An analysis of asset class results versus the markets is included on pages 61-62.

Note: Inception on Chart 2 refers to July 1, 1984, the date the System began calculating total return versus annual yield. For all other charts, inception refers to the point at which the System began including that particular investment vehicle in the portfolio.

Asset Allocation

Determination of long-term asset allocation for the fund involves estimating returns and risk associated with major types of investments and blending investments into a portfolio which meets the risk/return comfort level of the Board. This blend of asset types is designed to provide protection against large fluctuations in portfolio returns and to stabilize overall investment earnings.

The Board annually reviews capital market expectations and asset allocation. During fiscal year 2005, return expectations for the capital markets were reduced. To improve the portfolio's ability to meet our funding objectives, the Retirement Board shifted 5% of assets from U.S. Fixed Income to U.S. Equity.

The long-term target allocation for the fund as of June 30, 2005 was 25% U.S. Fixed Income, 45% U.S. Equity, 10% International Fixed Income, 10% International Equity, and 10% Alternative Investments. The June 30, 2005 actual asset class allocation is shown in Chart 3, page 56.

Diversification

In addition to the asset allocation decision, the Board must determine what investment categories and styles of management will make up the portfolio, and which managers will oversee each investment type. By blending categories (e.g. domestic versus international), styles (e.g. active versus indexed), managers (e.g. different asset selection processes), and assets, the diversity of the fund is enhanced. Not all categories, styles, managers, and assets react to movements in the investment markets in the same manner. Therefore, one manager whose investment style is not favored by the markets should be offset by a manager whose style is doing well. The System maintains a well diversified portfolio. Chart 4, on page 57, shows the market value of the assets under management by investment type, category, and manager. A detail of the 10 largest Equity and Fixed Income holdings based on fair market value at June 30, 2005, is included in Chart 5 on page 59. A complete list of security holdings is available upon request.

Investment Class Objectives

In order to achieve the total fund objectives, each asset type is assigned return objectives (listed below). Progress toward those benchmarks is closely monitored.

U.S. Equity	-	Produce a total return that captures the Standard and Poor's 500 Common Stock Index over rolling 10-year periods with commensurate volatility.
International Equity	-	Produce a total return that captures the unhedged Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index over rolling 10-year periods with commensurate volatility.
U.S. Fixed Income	-	Produce a total return that captures the Lehman Aggregate Index over rolling 10-year periods with commensurate volatility.
International Fixed Income	-	Produce a total return that captures the Citigroup Non-Dollar Government Bond Index over rolling 10-year periods with commensurate volatility.
Alternative Investments	-	Produce a total return that captures the blended return (based on PERS actual allocation) of: the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index, Wilshire REIT Index, and S&P 500 Index + 4% over rolling 10-year periods with commensurate volatility.

Each of the System's investment managers agrees to a performance benchmark which, when all the benchmarks in an investment class are combined, is expected to produce the class objective.

Investment Performance

Our investment consultant calculates performance for the total fund, each asset class, and individual investment management firms employed by the Board. By policy, the System requires performance to be calculated in accordance with Association for Investment Management and Research guidelines. Performance calculations are prepared using time-weighted rate of return based on market values. Returns in this report are gross of fees.

Chart 6, shown on page 60, shows a year by year comparison of how the total fund and each investment class compared with its corresponding objective.

Charts 7-10 on pages 61-62, compare 1, 5, 10-year and since-inception returns for each asset class to the corresponding objective for periods ended June 30, 2005.

U.S. Equity portfolio returns captured the objective for the 1, 5, and 10-year periods ended June 30, 2005. Since inception, the portfolio trails the S&P 500 Index due to substandard performance from active management.

The International Equity portfolio outperformed the market benchmark for the 10-year and since inception periods. Fiscal year underperformance is due to negative tracking error by index managers. However, the individual managers in this portfolio remain within tracking error guidelines.

U.S. Fixed Income has captured its objective since inception, but trails its objective over all other time periods due to underperformance from active management. A number of changes in both management and structure have been implemented in the last few years to address performance concerns in this portfolio.

The International fixed income portfolio outperformed the market benchmark for the 5-year, 10-year, and since inception periods, though it trailed the objective for the 1-year period due to active management underperformance.

The Alternative Investment portfolio has $1^{3/4}$ years performance, as it was only recently established. Fiscal year 2005 performance captured the objective due to strong performance from private equity and REITs.

This report has been prepared in conjunction with our investment consultant, Callan Associates.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 1

Individual Fiscal Year Return vs. Inflation Objective

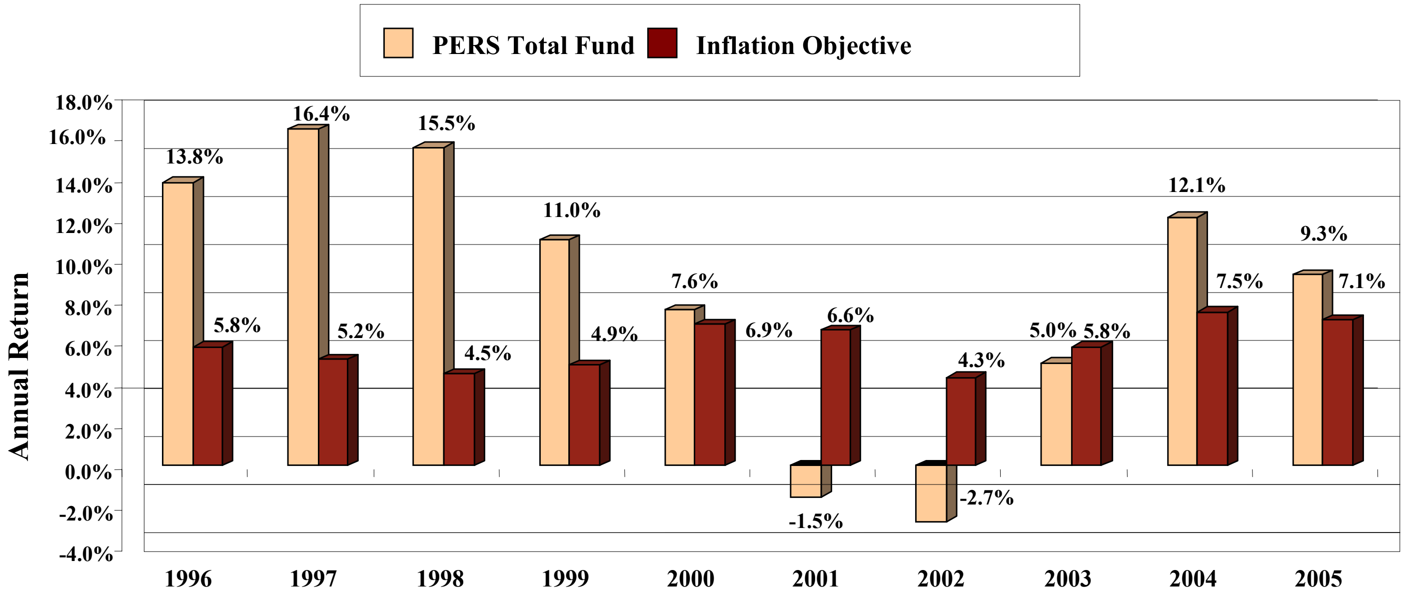
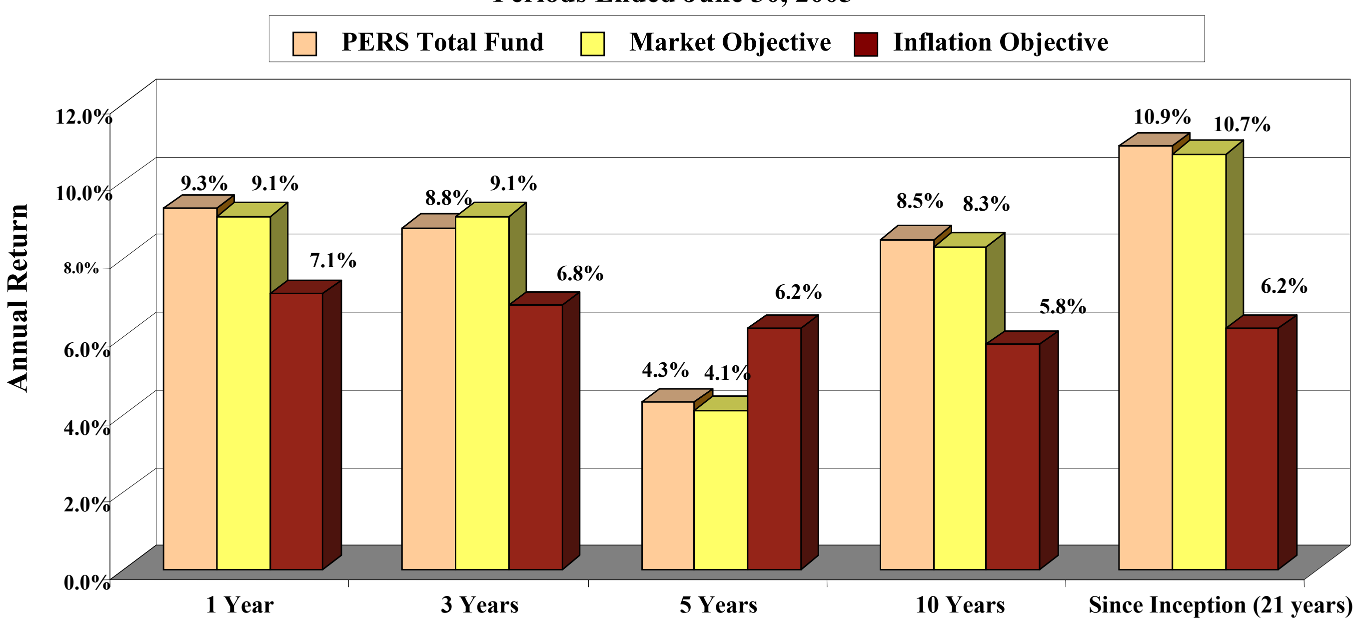


CHART 2

Annualized Total Returns vs. Market Objective and Inflation Objective *
Periods Ended June 30, 2005



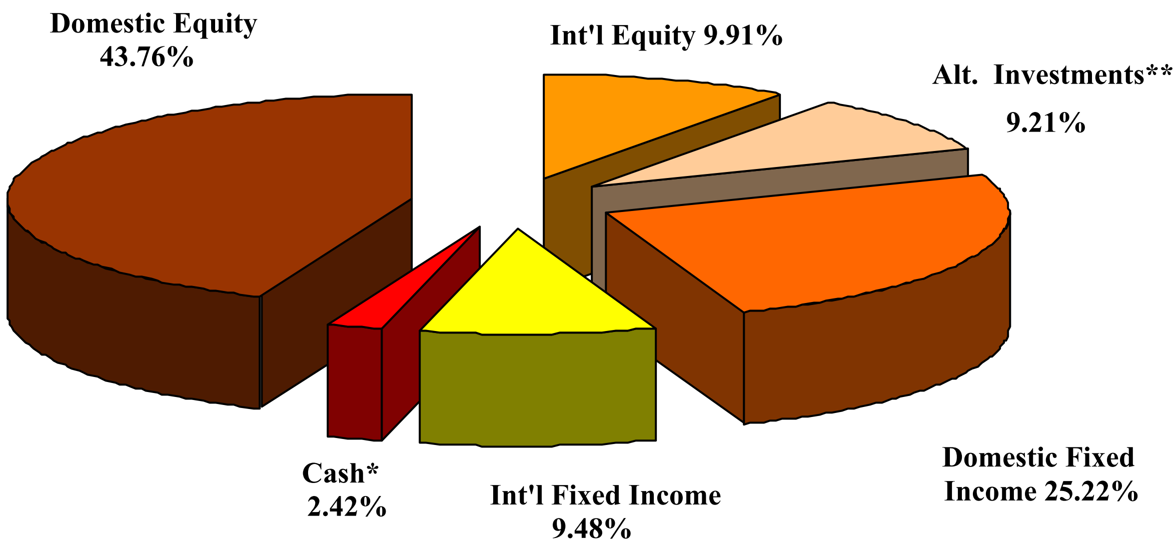
* CPI +3.0% until September 2001, CPI + 3.5% from October 1, 2001 through September 30, 2002, CPI + 3.75% from October 1, 2002 through September 30, 2003, and CPI + 4.5% from October 1, 2003.

Performance calculations are prepared using time-weighted rate of return based on market values.

CHART 3

ASSET MIX

JUNE 30, 2005



***Includes cash held by investment managers.**

****Includes 4.80% Private Real Estate, 3.31% REITS, and 1.10% Private Equity.**

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2005
(Page 1 of 2)

	Amount Under Management		Percent of Total Managed
EQUITIES			
Domestic Active Managers			
Alliance Growth	$ 409,292,322		
Atlanta Capital	414,091,556		
Capital Guardian	370,007,444		
Loomis Sayles	424,983,852		
JW Seligman	601,706,339		
Voyageur	377,392,240		
Subtotal	2,597,473,753		14.39%
Domestic Index Managers			
Alliance – S&P Barra Value	570,256,316		
Alliance – S&P 500	1,178,289,404		
Barclays – S&P 500	1,188,466,651		
Mellon Capital S&P 500	1,181,638,016		
Merrill Lynch S&P 500	1,184,391,144		
Subtotal	5,303,041,531		29.37
International Active Managers			
Mellon Capital	925,971,739		5.13
International Index Manager			
BNY Asset Management	862,634,076		4.78
Private Equity			
Pathway Capital	199,463,089		1.10
REIT Index			
Alliance REIT	168,492,651		
Barclays REIT	215,395,800		
Invesco REIT	213,923,849		
Subtotal	597,812,300		3.31
Total Equities		$10,486,396,488	58.08
FIXED INCOME			
Domestic Active Managers			
Dodge & Cox	533,383,863		
JP Morgan	507,328,881		
Payden & Rygel US Bond	643,857,536		
Western Asset Management	12,287,039		
Western Asset Management	547,614,538		
Subtotal	2,244,471,857		12.43

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2005
(Page 2 of 2)

	Amount Under Management		Percent of Total Managed
Domestic Index Managers			
Barclays U.S. Debt Index	554,817,706		
Lehman Brothers	616,761,336		
Payden & Rygel U.S. Bond Index	584,364,147		
WestLB Asset Management	553,395,513		
Subtotal	2,309,338,702		12.79
International Active Managers			
Julius Baer Investment Management	255,989,444		
UBS Global Asset Management	328,838,951		
Rogge Global Partners	262,318,798		
Subtotal	847,147,193		4.69
International Index Managers			
Payden & Rygel	431,305,343		
UBS Global Asset Management	434,440,956		
Subtotal	865,746,299		4.79
Mortgage Loans			
Invesco	13,601		< 0.00
Total Fixed Income		6,266,717,652	34.70
PRIVATE REAL ESTATE			
Invesco Realty	585,557,553		
Invesco RealtyTakeover	2,413,105		
BlackRock Realty Advisors	255,661,014		
BlackRock Realty Advisors Takeover	23,232,420		
Total Real Estate		866,864,092	4.80
SHORT-TERM INVESTMENTS			
Cash Equivalents	407,511,799		
Custodial Cash - Bank of New York	29,134,662		
Total Short-Term Investments		436,646,461	2.42
TOTAL PORTFOLIO		**$18,056,624,693**	**100.00%**

Notes: The Statement of Fiduciary Net Assets contains $3,046,942 in administrative cash, which does not appear on this schedule. Total Portfolio less short term investments of $436,646,461 equals investments of $17,619,978,232.

CHART 5

LIST OF LARGEST ASSETS HELD

Largest Equity Holdings
June 30, 2005

Ranking	Name	Fair Value
1	GENERAL ELECTRIC CO	$236,428,364
2	U.S. REIT INDEX FUND	215,395,800
3	EXXON MOBIL CORP	187,318,293
4	CITIGROUP INC	157,063,975
5	MICROSOFT CORP	149,256,307
6	PFIZER INC COM	128,491,607
7	BANK OF AMERICA CORP	122,880,774
8	JP MORGAN CHASE	105,892,786
9	JOHNSON & JOHNSON	102,756,810
10	CISCO SYSTEMS INC	99,060,698

Largest Fixed Income Holdings
June 30, 2005

Ranking	Name	Fair Value
1	BGI U.S. DEBT INDEX FUND	$554,817,706
2	FNMA POOL TBA 5.50% JULY 1, 2035	97,350,103
3	FNMA TBA 6.00% JULY 1, 2035	84,005,278
4	U.S. TREASURY NOTES 3.375% FEB 15, 2008	62,003,607
5	JAPAN GOVERNMENT 1.30% JUNE 20, 2011	60,497,260
6	JAPAN GOVERNMENT 0.90% DEC 22, 2008	55,661,295
7	DEUTSCHLAND BUNDESREPUBLIK 6.00% JAN 4, 2007	50,525,144
8	U.S. TREASURY NOTES 4.00% APRIL 15, 2010	49,769,900
9	U.S. TREASURY NOTES 1.625% FEB 28, 2006	47,692,386
10	JAPAN GOVERNMENT 1.50% MARCH 20, 2014	47,207,072

Note: A complete list of the portfolio's holdings can be obtained upon request.

CHART 6

SUMMARY OF ACTUAL PERFORMANCE VS. OBJECTIVES
(% Returns)

	U.S. EQUITY	INT'L EQUITY	U.S. FIXED INC.	INT'L FIXED INC.	REAL ESTATE	ALT. INVEST*	TOTAL FUND
Fiscal Year 2001							
Total Return	(9.1)%	(23.6)%	11.3%	(7.8)%	10.0%		(1.5%)
Objective	(14.8)	(23.6)	11.2	(7.4)	11.2		6.6
Fiscal Year 2002							
Total Return	(17.5)	(9.4)	8.3	15.9	3.9		(2.7)
Objective	(18.0)	(9.5)	8.6	15.7	5.6		4.3
Fiscal Year 2003							
Total Return	(1.2)	(7.2)	10.1	18.3	4.6		5.0
Objective	0.3	(6.5)	10.4	17.9	7.6		5.8
Fiscal Year 2004							
Total Return	19.2	30.9	0.6	7.7		8.7%	12.1
Objective	19.1	32.4	0.3	7.6		10.5	7.5
Fiscal Year 2005							
Total Return	7.1	12.9	6.7	7.7		22.2	9.3
Objective	6.3	13.7	6.8	7.8		21.3	7.1

Objectives: U.S. Equity (S&P 500), Int'l Equity (MSCI EAFE), U.S. Fixed Income (Lehman Aggregate), Int'l Fixed Income (Citigroup Non U.S. Govt.), Real Estate (NCREIF), Alternative Investments (Portfolio weighted blend of NCREIF, Wilshire REIT, and S&P 500 + 4%), Total Fund (CPI + 3.0/3.5/3.75/4.5%). Objective was CPI + 3.0% until September 30, 2001, CPI + 3.5% from October 1, 2001 through September 30, 2002, CPI + 3.75% from October 1, 2002, through September 30, 2003, and CPI + 4.5% from October 1, 2003.

Performance calculations are prepared using time-weighted rate of return based on market values.

* Real Estate was combined with Private Equity and REITs in September 2003. Fiscal Year 2004 Alternative Investments return represents performance from October 1, 2003 through June 30, 2004.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 7

U.S. Equity vs. S&P 500
Periods Ended June 30, 2005

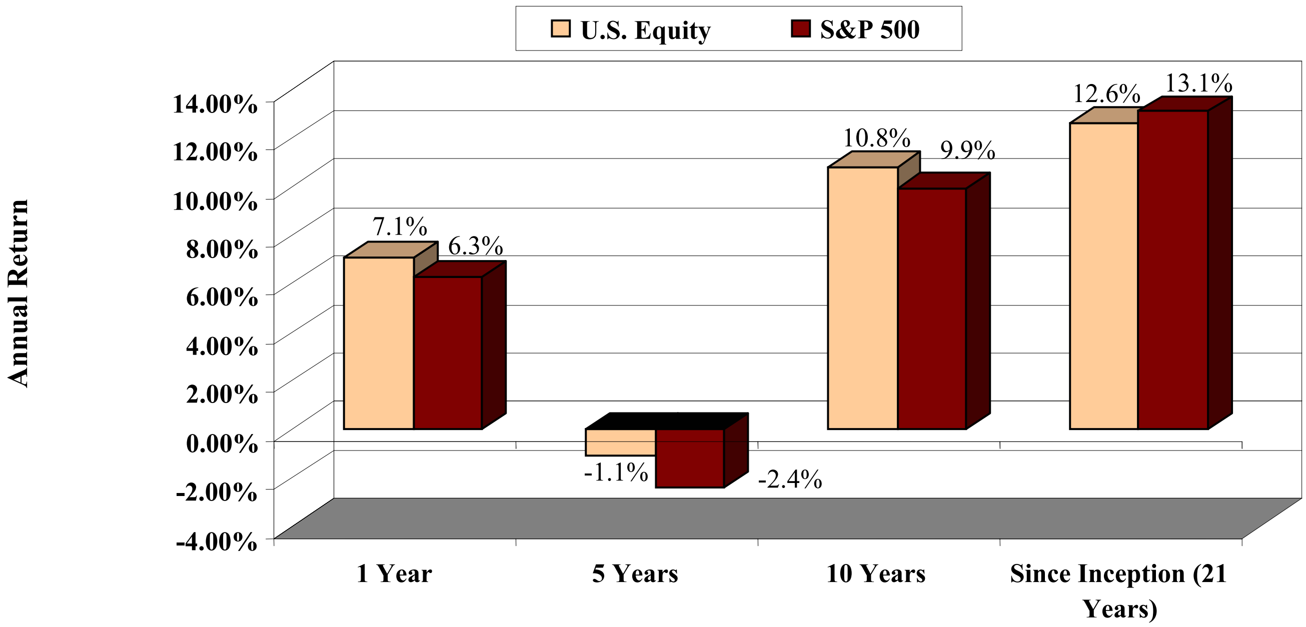
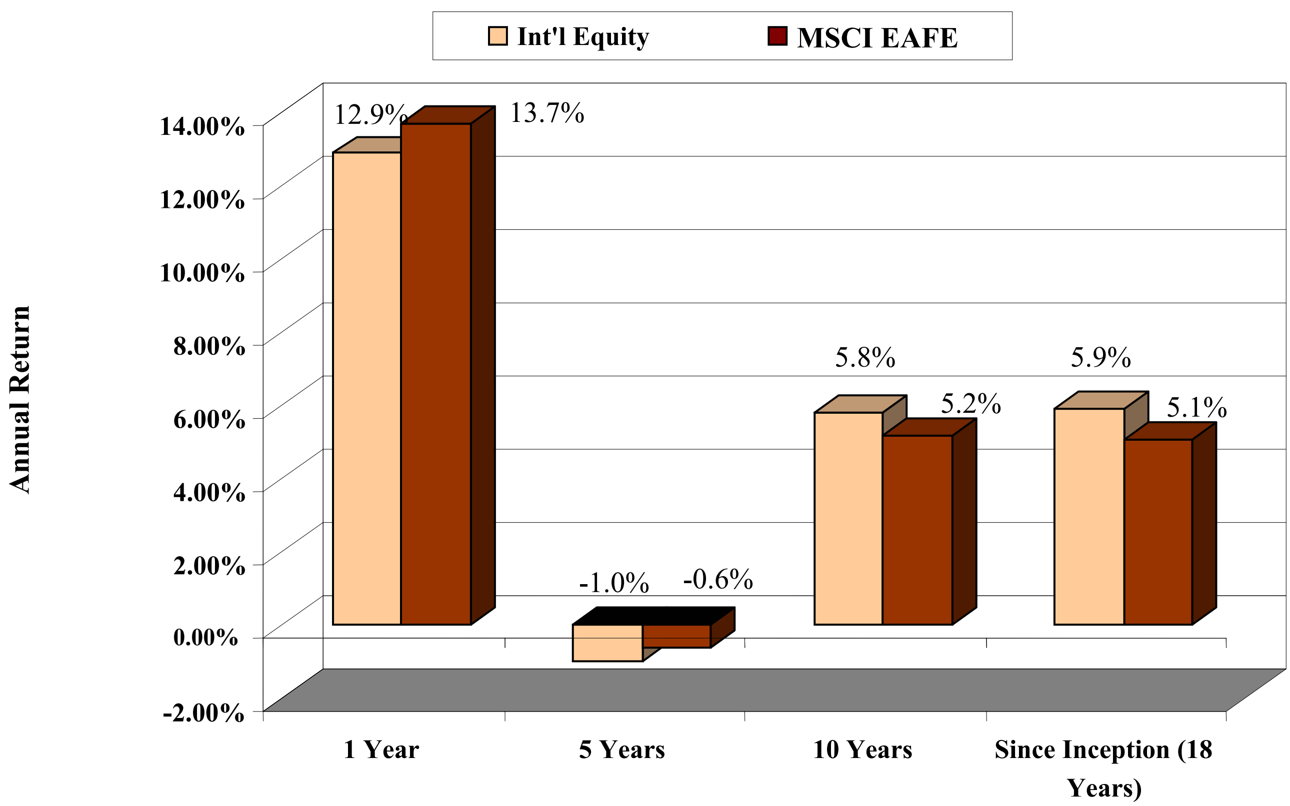


CHART 8

Int'l Equity vs. MSCI EAFE
Periods Ended June 30, 2005



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 9

U.S. Fixed Income vs. Lehman Aggregate
Periods Ended June 30, 2005

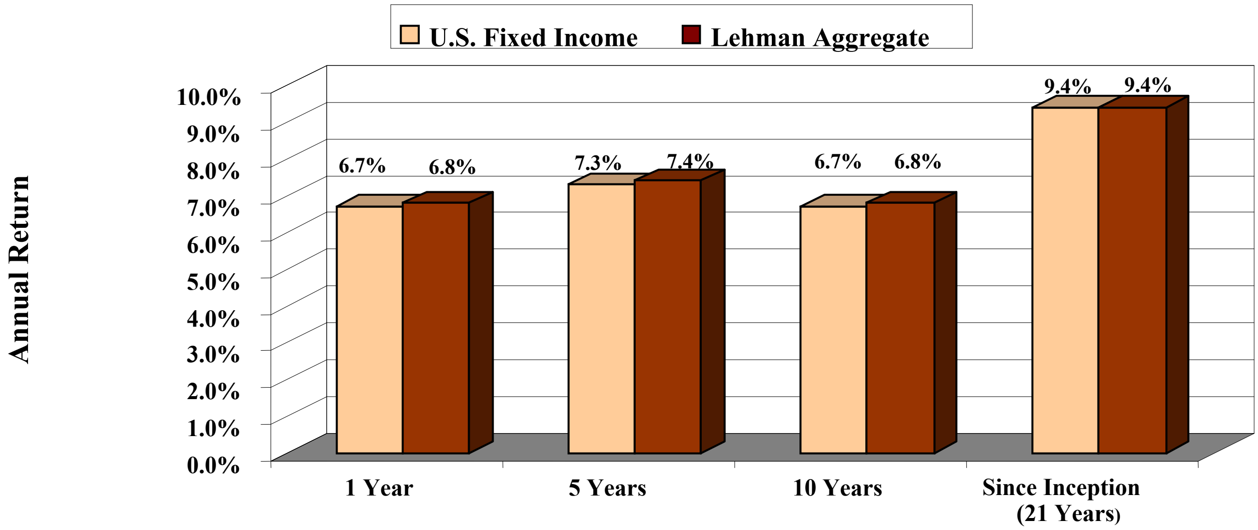


CHART 10

Int'l Fixed Income vs. Citigroup Non U.S. Govt.
Periods Ended June 30, 2005

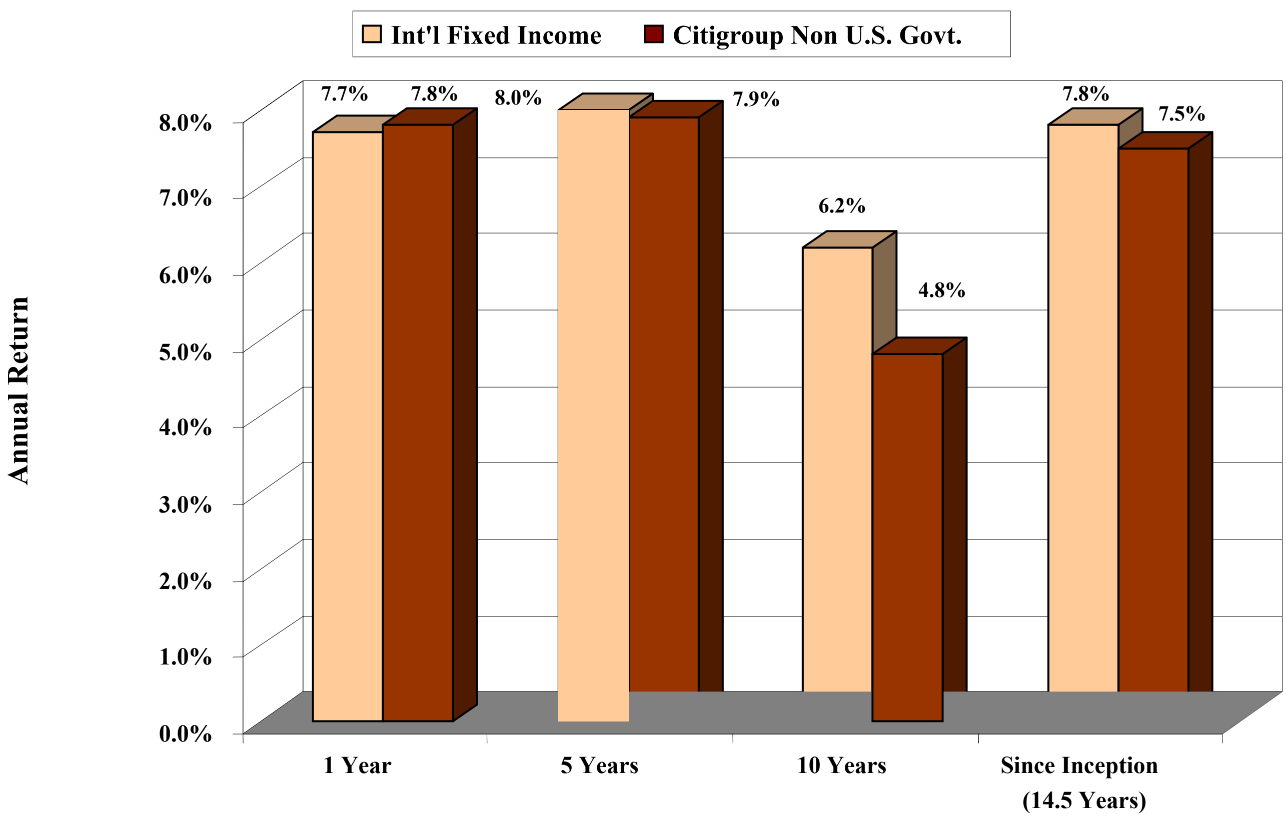


CHART 11

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2005
(Page 1 of 4)

Name/Firm	Amount Under Management at June 30, 2005	Fees Paid
Investment Management Fees		
Domestic and International Equity Managers		
Alliance Capital	$2,173,203,217	$ 1,664,841
Atlanta Capital	419,299,890	1,192,768
BNY Asset Management	867,604,205	735,001
Barclays Global Investors	1,189,306,598	224,560
Capital Guardian	379,418,221	505,478
J. W. Seligman	602,041,033	1,379,933
Loomis, Sayles & Company	431,771,721	929,286
Mellon Capital	2,110,819,302	268,207
Merrill Lynch	1,191,722,486	107,883
Voyageur	387,539,431	543,088
Domestic and International Fixed Income Managers		
Barclays US Debt	554,817,706	135,086
Dodge & Cox	546,164,675	772,185
Julius Baer	258,403,575	617,294
JP Morgan	558,628,263	665,857
Lehman Brothers Asset Management	558,218,193	223,438
Payden & Rygel	1,539,727,360	1,149,744
Rogge Global	273,057,870	631,169
UBS Global Asset Management	773,894,930	917,060
West AM	554,144,808	247,578
Western Asset Management	546,804,157	925,281
Private Equity Manager		
Pathway Capital	202,867,663	1,555,320
Private Real Estate Managers		
Invesco Realty	588,632,967	4,064,169
Blackrock Realty	278,893,434	1,683,721
Real Estate Investment Trust (REIT) Managers		
Alliance REIT	168,668,809	120,836
Barclays REIT	215,395,800	147,402
Invesco REIT	213,926,054	148,809
Sub-total management fees		21,555,994
Investment Services Fees		
Investment Consultants		
Callan Associates		412,701
Sub-total services fees		412,701

CHART 11

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2005
(Page 2 of 4)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share (rounded)
A. G. Edwards & Sons, Inc.	1,490,125	$ 73,692	$ 0.05
Able Noser Corporation	561,200	24,570	0.04
Advest, Inc.	18,000	900	0.05
American Technology Research	32,500	1,463	0.05
Arnhold S. Bleischroeder	79,200	3,564	0.05
Avalon Research Group Inc.	36,850	1,658	0.05
B-Trade Services	1,621,575	35,290	0.02
BMO Nesbit Burns Corp.	341,550	15,276	0.05
BNY Brokerage Inc.	238,600	10,792	0.05
Bank of America – Securities	3,407,020	117,842	0.04
Baypoint Trading	7,500	263	0.04
Bear Stearns & Co.	4,372,791	183,271	0.04
Bear Stearns Securities Corp.	2,334,250	103,179	0.04
Bernstein, Sanford	1,986,275	99,314	0.05
Bridge Trading	300,000	12,630	0.04
Brill Securities Inc.	9,800	441	0.05
Broadcort Capital Corp.	187,600	9,380	0.05
Brown Brothers Harriman & Co.	45,650	2,054	0.05
Buckingham Research Group	34,000	1,530	0.05
CIBC Oppenheimer	19,100	819	0.04
CIBC World Markets	778,600	31,222	0.04
C.L. King & Associates	40,000	2,000	0.05
Cantor Fitzgerald	985,165	35,091	0.04
Capital Institutional	881,700	25,113	0.03
Caris and Company	14,600	657	0.05
Citigroup Global Markets	6,496,106	167,764	0.03
Credit Lyonnais	11,300	509	0.05
Credit Suisse First Boston	3,574,697	114,907	0.03
Davidson D.A. & Co. Inc. NSCC	7,800	351	0.05
Davis, Mendel & Regenstein	118,800	5,940	0.05
Deutsche Alex Brown	5,353,451	80,144	0.02
Dougherty Company	65,300	2,939	0.05
Dowling & Partners Secs, LLC	41,200	1,854	0.05
Factset Securities	108,025	5,401	0.05
First Clearing, LLC	450,000	19,700	0.04
Friedman, Billings, Ramsey & Co.	242,700	10,872	0.05
Fulcrum Global Partners	10,700	482	0.05
Future Trade	968,600	9,686	0.01
Fwac	1,144,375	38,147	0.03
Gardner Rich & Company	139,000	6,950	0.05
Goldman Sachs	10,251,781	241,043	0.02
Goldman Sachs Execution	27,082	188	0.01

CHART 11

SCHEDULE OF FEES and COMMISSIONS
For Year Ended June 30, 2005
(Page 3 of 4)

	Number of Shares	Commission Paid	Commission Per Share (rounded)
Broker Commissions			
Guzman & Co.	4,400	$ 44	$ 0.01
Harborside Securities	45,000	1,350	0.03
Harvestons Securities	23,000	1,150	0.05
Hibernia Southcoast Capital	10,900	491	0.05
ISI Group	822,925	39,803	0.05
Imperial Capital LLC	54,300	1,296	0.02
Instinet	1,049,066	34,627	0.03
Investment Tech Group	5,824,816	57,836	0.01
Ivy Securities	20,000	1,000	0.05
JMP Securities	24,550	1,105	0.05
JP Morgan	10,336,540	183,023	0.02
Jackson Securities	55,000	2,750	0.05
Janney, Montgomery & Scott	30,000	1,500	0.05
Jefferies & Company	1,500,676	53,441	0.04
Jones	214,600	8,278	0.04
KV Execution Services	172,100	3,442	0.02
Keefe Bruyette Woods	109,900	5,086	0.05
Knight Securities	55,100	2,694	0.05
Lazard Freres & Company	9,700	437	0.05
Leerink Swann & Co.	3,300	127	0.04
Legg Mason	388,825	18,617	0.05
Lehman Brothers	7,243,332	343,637	0.05
Lehman Brothers Intl	8,522,586	42,926	0.01
Liquidnet	1,501,325	50,091	0.03
Loop Capital	100,000	5,000	0.05
Lynch Jones Ryan	442,900	21,645	0.05
M. Ramsey King Securities	2,600	91	0.04
Magna Securities	115,000	5,750	0.05
McDonald Investments	267,000	12,271	0.05
Merrill Lynch	14,990,241	447,406	0.03
Merrill Lynch Professional	108,968	4,899	0.05
Midwest Research Securities	114,035	5,132	0.05
Morgan Keegan & Co.	250,000	12,500	0.05
Morgan Stanley Dean Witter	4,030,181	114,476	0.03
NYFIX CLG CORP	565,675	13,812	0.02
NYFIX Transaction Services #2	11,400	114	0.01
Needham & Co.	170,000	7,650	0.05
Neuberger & Berman	432,089	8,838	0.02
Next Generation	161,000	8,050	0.05
Nomura Securities	227,000	4,540	0.02
O'Neil, William & Co.	312,000	15,600	0.05
Oppenheimer & Co.	115,000	5,750	0.05
Pacific Crest Secs	76,850	3,458	0.05

CHART 11

SCHEDULE OF FEES and COMMISSIONS
For Year Ended June 30, 2005
(Page 4 of 4)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share (rounded)
Pacific Growth Equities	7,650	$ 344	$ 0.05
Pershing	609,400	26,628	0.04
Princeton Securities Group	355,750	10,673	0.03
Prudential Equity Group	483,869	23,038	0.05
Prudential Securities	445,360	4,454	0.01
Pulse Trading LLC	206,300	2,672	0.01
Punk, Ziegel & Knoell	13,400	603	0.05
RBC Dominion Securities	262,500	12,013	0.05
Raymond James & Associates	74,200	3,339	0.05
Robert W. Baird & Co.	268,050	11,972	0.05
SBK - Brooks Investment Corp.	95,000	4,750	0.05
SG Americas Securities LLC	518,225	25,911	0.05
SG Cowen Securities	76,030	3,299	0.04
Sanders Morris Mundy	19,000	665	0.04
Sandler O’Neill	62,600	3,130	0.05
Scott & Stringfellow, Inc.	8,000	400	0.05
Sidoti & Co. Bear Stearns	69,800	3,341	0.05
Solomon Brothers	192,494	1,580	0.01
Southwest Securities, Inc.	30,200	1,359	0.05
Spear, Leeds & Kellogg	8,400	378	0.05
Standford Group Co.	67,500	3,038	0.05
State St. Brokerage Service Inc.	600	18	0.03
Sun Trust Capital Markets, Inc.	431,800	21,590	0.05
The Citation Group	422,200	21,110	0.05
Thinkequity Partners LLC	100,500	4,523	0.05
Thomas Weisel	154,863	6,168	0.04
U.S. Bancorp Piper Jaffray	457,575	17,705	0.04
UBS Financial	257,000	12,850	0.05
UBS Securities	6,419,657	196,308	0.03
UBS Warburg	188,686	1,833	0.01
US Clearing Institutional Trad.	184,100	8,285	0.05
Veritas Securities	683,400	31,316	0.05
Wachovia	468,000	22,885	0.05
Wedbush Morgan Securities	7,500	338	0.05
Weeden & Co.	539,000	25,276	0.05
Wells Fargo Securities	23,900	1,014	0.04
Westminster Research	223,200	11,160	0.05
William Blair & Company	459,550	21,615	0.05
Williams Capital	82,100	4,105	0.05
Sub-total Commissions		3,602,307	
Total Fees and Commissions		$25,571,002	

ACTUARIAL SECTION

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SEGAL

THE SEGAL COMPANY
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303-714-9936

E-MAIL ADDRESS
lthompson@segalco.com

November 17, 2005

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

Re: **Certification Letter for Actuarial Section of Financial Report for Fiscal Year Ended June 30, 2005**

Dear Retirement Board Members:

This letter is to certify that Segal has prepared an actuarial valuation of the Public Employees' Retirement System of Nevada as of June 30, 2005, and that such valuation is accurate and fairly presents the actual position of the Public Employees' Retirement System of Nevada.

The unfunded actuarial accrued liability is being amortized by level percentage-of-payroll payments over a year-by-year closed amortization period where each amortization period will be set at 30 years. As of June 30, 2005, the funded ratio is 77.3% for Regular employees and 69.8% for Police/Fire employees.

Actuarial valuations 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 level percentage-of-payroll contribution rates required to fund the Retirement System on an actuarial reserve basis.

For actual funding purposes, to amortize the unfunded portion of actuarial accrued liability under the level percentage-of-payroll amortization method, the dollar amounts of calculated amortization payments increase in direct proportion to the assumed payroll growth rates of 6.5% per year for Regular employees and 8.0% per year for Police/Fire employees. These payroll growth rates are based on a 3.5% per year inflation assumption.

For GASB reporting purposes only, the unfunded actuarial accrued liability payments are assumed to increase in direct proportion to assumed payroll growth rates of 5.0% per year for both Regular and Police/Fire employees. This payroll growth rate is based on a 3.5% per year inflation assumption.

Public Employees' Retirement Board
November 17, 2005
Page 2

The most recent actuarial valuation prepared as of June 30, 2005, is based on the following major elements:

- Current benefit provisions (as specified in the Public Employees' Retirement Act).
- Membership data as of June 30, 2005, obtained from electronic files provided by the Retirement System. Membership data contained on the electronic files is examined and tested for reasonableness, but is not audited by the actuary.
- Assets as of June 30, 2005, obtained from the System's unaudited financial statements.
- Trend schedules for financial and actuarial sections of the Comprehensive Annual Financial Report (CAFR) as of June 30, 2005, (based upon data from the System, accepted without verification or audit, and upon results of the annual actuarial valuation).
- Actuarial assumptions and methods adopted by the Public Employees' Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date. (See the Plan Summary section of this Annual Financial Report for a summary of current benefit and contribution provisions.)

List of Trend Schedules

The following schedules, prepared by Segal, are included in the Financial Section of this report:

- Schedule of Funding Progress
- Schedule of Employer Contributions

List of Supporting Schedules

The following schedules and summaries prepared by Segal are included within this Actuarial Section:

- Summary of Actuarial Assumptions and Methods
- Schedule 1 - Retirement System Membership
- Schedule 2 - Active Member Valuation Data
- Schedule 3 - Pay Status Participants Added to and Removed from the Rolls
- Schedule 4 - Solvency Test
- Schedule 5 - Analysis of Financial Experience
- Actuarial Valuation Statement (GASB Disclosure Basis)

Public Employees' Retirement Board
November 17, 2005
Page 3

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1st 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.

Using the parameters described above, based on the actuarial valuation dated June 30, 2004, an adjustment in the statutory contribution rates is required for the period July 1, 2005 through June 30, 2007 as follows:

	Regular Employees	Police/Fire Employees
Employer-Pay		
Statutory Rate for Fiscal Years July 1, 2003 through June 30, 2005	20.25%	28.50%
Actuarial Determined Contribution Rate per the June 30, 2004 Actuarial Valuation	19.70%	32.12%
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	19.75%	32.00%
Employee/Employer		
Statutory Rate for Fiscal Years July 1, 2003 through June 30, 2005	21.00%	29.50%
Actuarial Determined Contribution Rate per the June 30, 2004 Actuarial Valuation	20.61%	32.88%
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	21.00%	33.00%

Since the July 1, 2005 valuation (valuation dated June 30, 2005) is an odd numbered year, a change in the statutory rates effective July 1, 2006 is not required.

A summary of the GASB disclosure rates are as follows:

	Regular Employees	Police/Fire Employees
Employer-Pay	21.24%	36.15%
Employee/Employer	22.15%	37.06%

Public Employees' Retirement Board
November 17, 2005
Page 4

The actuarial calculations prepared for disclosure requirements under GASB Statement No. 25 as well as for actual funding purposes were made by qualified actuaries in accordance with generally accepted actuarial principles and procedures, 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.

Sincerely,

Leslie L. Thompson

Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

Brad Ramirez

Brad Ramirez, ASA, MAAA, EA
Consulting Actuary

143872/01068.001

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in the June 30, 2005 actuarial valuation were adopted by the Public Employees' Retirement Board and were based on the results of the experience review completed in 2003.

Economic Assumptions

The economic assumptions for the 2005 actuarial valuation are as follows:

Investment return* - 8.0% per year.

Salary increases* - The assumed salary increase rates are shown below:

Regular Employees	
Years of Service	**Rate**
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%

Police/Fire Employees	
Years of Service	**Rate**
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	6.25%

Payroll growth* (Funding) - 6.5% per year for Regular employees and 8.0% per year for Police/Fire employees.

Payroll growth* (GASB disclosure) - 5.0% per year for both Regular and Police/Fire employees.

Post-retirement - 2.0% per year compounded following the third anniversary of benefit commencement;
3.0% per year compounded following the sixth anniversary of benefit commencement;
3.5% per year compounded following the ninth anniversary of benefit commencement;
4.0% per year compounded following the twelfth anniversary of benefit commencement;
5.0% per year compounded following the fourteenth anniversary of benefit commencement.

---

* Includes inflation at 3.5% per year.

Non-Economic Assumptions

The assumed retirement rates, which project the percentage of eligible employees who will retire, are shown below:

Regular Employees				
Years of Service				
Age	**5 - 19**	**20 - 24**	**25 - 29**	**30 or more**
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%

Police/Fire Employees					
Years of Service					
Age	**5 - 9**	**10 - 19**	**20 - 24**	**25 - 29**	**30 or more**
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 assumed withdrawal rates are shown below:

Regular Employees	
Years of Service	**Rate**
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%

Police/Fire Employees	
Years of Service	**Rate**
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.

The assumed disability rates are shown below for selected ages:

Age	Regular Employees	Police/Fire Employees
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.

The mortality table used in the actuarial valuation to project mortality rates for all non-disabled Regular members is the 1994 Group Annuity Mortality Table set-forward one year. For all non-disabled Police/Fire members it is the 1983 Group Annuity Mortality Table. The schedules below show the assumed mortality rates and projected life expectancies for selected ages:

Regular Members				
	Mortality Rates		Expected Years of Life Remaining	
Age	Males	Females	Males	Females
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

Police/Fire Members				
	Mortality Rates		Expected Years of Life Remaining	
Age	Males	Females	Males	Females
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

The mortality table used in the actuarial valuation to project mortality rates for disabled members is the 1983 Railroad Retirement Board Disabled Life Mortality Table set-back six years. Any mortality that occurs in the first two years of employment is assumed to be non-duty related.

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

The actuarial cost or funding method used in the actuarial valuation is the Entry Age Normal Cost Method. Under this method, the total calculated employer contribution rate consists of the normal cost, the administrative expense allowance, plus the payment required to amortize the unfunded actuarial accrued liability over the established amortization period.

The normal cost rate is the level percentage-of-salary contribution required each year to accumulate over each covered employee's projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost is determined as if the current benefit accrual rate had always been in effect.

The total actuarial accrued liability under the Entry Age Normal Cost Method represents the amount that would have been accumulated as of the valuation date if contributions sufficient to meet the normal costs had been made each year in the past. The unfunded actuarial accrued liability is the amount obtained by subtracting valuation assets from the total actuarial accrued liability.

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 for each year will be set at 30 years.

Changes in Actuarial Assumptions and Methods Since the Previous Year

There were no changes in assumptions or methods since the previous year.

SCHEDULE 1

RETIREMENT SYSTEM MEMBERSHIP
2000 to 2005

June 30	Active Members	Inactive Members	Retired and Disabled Members	Beneficiaries & Survivors	Total Membership
2000	80,834	5,592	19,482	3,153	109,061
2001	82,890	6,276	20,827	3,250	113,243
2002	85,224	6,965	22,011	3,524	117,724
2003	87,327	7,687	23,371	3,669	122,054
2004	90,242	7,829	24,938	3,830	126,839
2005	93,995	9,182	26,962	4,037	134,176

SCHEDULE 2

ACTIVE MEMBER VALUATION DATA
2000 to 2005

	Number of Active Members		Annual Payroll (millions)		Annual Average Salary		Percent Increase Average Salary	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
2000	71,793	9,041	$2,526.0	$441.7	$35,185	$48,857	5.4%	7.9%
2001	73,307	9,583	2,684.1	484.8	36,615	50,587	4.1	3.5
2002	75,518	9,706	2,877.7	539.9	38,106	55,628	4.1	10.0
2003	77,569	9,758	3,040.1	555.3	39,193	56,907	2.9	2.3
2004	79,848	10,394	3,199.5	613.3	40,069	59,008	2.2	3.7
2005	83,224	10,771	3,404.0	660.0	40,901	61,277	2.1	3.8

SCHEDULE 3

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS

2000 to 2005

RETIREES AND BENEFICIARIES

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2000	$18,723	2,068	$48,738,624	(618)	($9,229,879)	20,173	$410,076,744	16.0%	$20,328
2001	20,173	1,979	51,390,672	(663)	(10,102,608)	21,489	463,388,796	13.0	21,564
2002	21,489	2,017	52,934,066	(707)	(11,901,499)	22,799	515,044,612	11.2	22,591
2003	22,799	2,028	54,693,801	(702)	(12,333,157)	24,125	572,093,340	11.1	23,714
2004	24,125	2,283	62,097,018	(742)	(13,656,840)	25,666	636,595,582	11.3	24,803
2005	25,666	2,727	81,174,174	(732)	(14,848,050)	27,661	722,702,905	13.5	26,127

DISABILITY RECIPIENTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2000	$1,129	176	$2,838,528	(56)	($756,235)	1,249	$18,570,132	15.5%	$14,868
2001	1,249	168	2,842,560	(62)	(759,498)	1,355	21,105,480	13.7	15,576
2002	1,355	181	2,934,072	(84)	(1,322,553)	1,452	23,155,128	9.7	15,947
2003	1,452	183	3,052,989	(55)	(753,234)	1,580	26,061,629	12.6	16,495
2004	1,580	198	3,185,565	(85)	(1,378,530)	1,693	28,502,933	9.4	16,836
2005	1,693	222	4,593,174	(75)	(1,310,668)	1,840	32,537,424	14.2	17,683

SURVIVOR ANNUITANTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2000	$1,170	121	$962,676	(78)	($459,838)	1,213	$11,266,344	13.8%	$9,288
2001	1,213	115	1,253,040	(95)	(544,920)	1233	12,295,476	9.1	9,972
2002	1,233	121	1,244,727	(70)	(720,090)	1,284	13,208,347	7.4	10,287
2003	1,284	121	1,406,944	(70)	(548,713)	1,335	14,487,802	9.7	10,852
2004	1,335	136	1,616,992	(62)	(469,614)	1,409	16,063,816	10.9	11,401
2005	1,409	118	1,605,532	(29)	(369,222)	1,498	17,755,952	10.5	11,853

SCHEDULE 4

SOLVENCY TEST
(millions)

2000 to 2005

	Actuarial Accrued Liabilities						
June 30	Active Member Contributions (1)	Retirees and Beneficiaries Inactive and Pay-Status Members* (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
2000	$295.6	$6,064.9	$8,591.3	$12,662.1	100%	100%	73.3%
2001	325.4	6,811.0	9,527.8	14,031.1	100	100	72.4
2002	352.1	7,559.7	10,348.1	15,052.3	100	100	69.0
2003	368.3	8,291.2	10,881.2	15,883.0	100	100	66.3
2004	403.4	9,312.1	11,669.9	16,830.3	100	100	61.0
2005	448.7	10,663.4	12,496.6	17,886.5	100	100	54.2

* Includes liability for post-retirement benefit increases

SCHEDULE 5

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2005
Resulting from Differences Between Assumed Experience and Actual Experience
(millions)

	Gain (or Loss) For Year	
Type of Activity	**Regular**	**Police/Fire**
Age and Service Retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, there is a loss.	($151.3)	$2.1
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, there is a loss.	(20.0)	(1.6)
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	1.7	2.4
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, there is a loss.	(13.4)	(2.6)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, there is a loss.	37.0	1.3
Purchase of Service. Unanticipated contributions due to service purchase.	(114.3)	(30.7)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, there is a loss.	(440.4)	(96.5)
Death After Retirement. If retirees live longer than assumed, there is a loss. If not as long, there is a gain.	28.3	(2.0)
Inactive Vesteds. If inactive vesteds commence benefits sooner than projected, there is a loss. If later, there is a gain.	(5.8)	0.0
Inactive Showups. Persons in pay status who are added due to delayed reporting.	(12.2)	(2.3)
Retiree Showups. Pay status who are added due to entry near July 1, 2004.	(90.2)	(0.6)
Other. Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results.	(19.4)	(11.5)
Total Experience Gain (or Loss) During Year.	**(800.0)**	**(142.0)**

ANALYSIS OF FINANCIAL EXPERIENCE (continued)

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2005
Resulting from Differences Between Assumed Experience and Actual Experience
(millions)

	Gain (or Loss) For Year	
Type of Activity	**Regular**	**Police/Fire**
Active New Entrants/Rehires. 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.	(94.1)	(14.0)
Net Gain (or Loss) During Year.	**(894.1)**	**($156.0)**
Actuarial Assumptions and Methods. The change in the period used to amortize the unfunded actuarial accrued liability does not impact the determination of the actuarial accrued liability.	0.0	0.0
Composite Gain (or Loss) During Year.	**($894.1)**	**($156.0)**

June 30, 2005

Actuarial Valuation Statement
(GASB Disclosure Basis)

Normal Cost	Regular Employees	Police/Fire Employees	Total
Employer normal cost	$ 544,928,600	$ 177,494,700	$ 722,423,300
Employee contributions	63,479,200	12,643,800	76,123,000
Total Normal Cost	**$ 608,407,800**	**$ 190,138,500**	**$ 798,546,300**
Actuarial Accrued Liability			
Active members	$10,056,923,200	$2,888,347,700	$12,945,270,900
Inactive members	409,799,200	28,506,400	438,305,600
Pensioners, beneficiaries and disabled	8,076,758,200	1,911,699,800	9,988,458,000
Survivors	200,646,000	36,020,100	236,666,100
Total Actuarial Accrued Liability	**$18,744,126,600**	**$4,864,574,000**	**$23,608,700,600**
Assets at Actuarial Value	**$14,492,170,624**	**$3,394,367,949**	**$17,886,538,573**
Total Unfunded Actuarial Accrued Liability	**$ 4,251,955,976**	**$1,470,206,051**	**$ 5,722,162,027**
Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization	**$ 207,029,900**	**$ 71,585,100**	**$ 278,615,000**
Employer-Pay Rate Payroll	$ 3,273,940,000	$ 652,885,800	$ 3,926,825,800
Employee/Employer Rate Payroll	567,367,100	72,323,400	639,690,500
Total Rate Payroll	**$ 3,841,307,100**	**$ 725,209,200**	**$ 4,566,516,300**

June 30, 2005

Actuarial Valuation Statement (continued)
(GASB Disclosure Basis)

	Regular Employees	Police/Fire Employees
Calculated Contribution Rates (as percentage of rate payroll):		
Employer-Pay, statutory rate	**19.75%**	**32.00%**
Employer-Pay, total rate	**21.24%**	**36.15%**
Employer normal cost	15.70%	26.13%
Amortization percentage	5.39%	9.87%
Administrative expenses	0.15%	0.15%
Employee/Employer, statutory rate	**21.00%**	**29.50%**
Employee/Employer, total rate	**22.15%**	**37.06%**
Employee contribution rate	10.50%	16.50%
Employer normal cost	6.11%	10.54%
Amortization percentage	5.39%	9.87%
Administrative expenses	0.15%	0.15%

The actuarial calculations performed solely for GASB disclosure were made by qualified actuaries in accordance with generally accepted actuarial principles and procedures, based on the current provisions of the Public Employees' Retirement Act and on the actuarial assumptions and methods recommended to the Public Employees' Retirement Board and as required under GASB. A comparison of the funding contribution rates and the GASB disclosure contribution rates can be found in the Certification Letter.

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

Leslie L. Thompson

Leslie L. Thompson, FSA, MAAA, EA
Senior Vice President and Consulting Actuary
The Segal Company

Brad Ramirez, ASA, MAAA, EA
Consulting Actuary
The Segal Company

STATISTICAL SECTION

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SCHEDULE 1

Additions by Source

June 30	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Net Investment Income (Loss)	Other Income	Total
2000	$56,842,969	$604,926,098	20.4%	$916,992,809	$2,162,002	$1,580,923,878
2001	60,032,958	656,051,791	20.7	(217,005,186)	1,911,127	500,990,690
2002	78,624,839	680,730,753	19.9	(367,856,335)	2,104,359	393,603,616
2003	84,838,127	724,030,565	20.1	672,834,767	2,075,376	1,483,778,835
2004	104,433,173	808,344,995	21.2	1,700,860,918	2,086,298	2,615,725,384
2005	130,627,276	875,510,984	21.5	1,491,241,797	3,308,506	2,500,688,563

SCHEDULE 2

Deductions by Type

June 30	Benefit Payments	Refunds to Members	Administrative/Other Expenses	Total
2000	$421,171,517	$16,362,173	$7,065,980	$444,599,670
2001	477,319,049	10,031,413	7,570,472	494,920,934
2002	533,012,667	15,826,195	8,697,923	557,536,785
2003	591,791,730	11,086,193	16,309,706	619,187,629
2004	657,622,497	12,116,351	9,794,537	679,533,385
2005	739,819,493	14,492,618	8,971,919	763,284,030

SCHEDULE 3

Benefit Expenses by Type – Regular Members

June 30	Service & Survivor	Disability	Post-Retirement Increases	Total
2000	$333,992,290	$13,154,759	$63,666	$347,210,715
2001	373,685,416	19,039,793	59,521	392,784,730
2002	415,508,147	22,621,743	53,701	438,183,591
2003	460,209,111	24,792,006	50,407	485,051,524
2004	509,475,297	27,796,346	46,289	537,317,932
2005	574,098,425	30,972,750	41,870	605,113,045

SCHEDULE 4

Benefit Expenses by Type – Police/Fire Members

June 30	Service & Survivor	Disability	Post-Retirement Increases	Total
2000	$69,446,322	$4,504,802	$9,678	$73,960,802
2001	78,881,589	5,643,052	9,678	84,534,319
2002	88,284,961	6,534,437	9,678	94,829,076
2003	99,672,890	7,057,638	9,678	106,740,206
2004	112,649,793	7,646,894	7,878	120,304,565
2005	126,574,956	8,125,638	5,854	134,706,448

SCHEDULE 5

Benefit Recipients by Type of Benefit – Regular Members

June 30	Service	Beneficiary	Disability	Survivor	Total
2000	15,984	1,681	1,013	1,062	19,740
2001	17,081	1,748	1,090	1,075	20,994
2002	18,014	1,907	1,177	1,123	22,221
2003	19,042	1,976	1,288	1,174	23,480
2004	20,314	2,042	1,393	1,238	24,987
2005	21,992	2,138	1,528	1,320	26,978

Information provided by The Segal Company

SCHEDULE 6

Benefit Recipients by Type of Benefit – Police/Fire Members

June 30	Service	Beneficiary	Disability	Survivor	Total
2000	2,249	259	236	151	2,895
2001	2,391	269	265	158	3,083
2002	2,545	333	275	161	3,314
2003	2,749	358	292	161	3,560
2004	2,931	379	300	171	3,781
2005	3,130	401	312	178	4,021

Information provided by The Segal Company

SCHEDULE 7

Number of Active Members Per Retiree

	Number of Active Members		Number of Retired Members*		Active Members per Retiree	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
2000	71,793	9,041	16,997	2,485	4.2	3.6
2001	73,307	9,583	18,171	2,656	4.0	3.6
2002	75,518	9,706	19,191	2,820	3.9	3.4
2003	77,569	9,758	20,330	3,041	3.8	3.2
2004	79,848	10,394	21,707	3,231	3.7	3.2
2005	83,224	10,771	23,520	3,442	3.5	3.1

* Excluding survivors and beneficiaries
Information provided by The Segal Company

SCHEDULE 8

Average Monthly Benefit – Regular Members*

June 30	Number of New Retirees**	Average Monthly Benefit**	Average Age at Retirement	Average Years' Service at Retirement
2000	1,791	$1,626	59	19.27
2001	1,741	1,719	59	18.96
2002	1,582	1,799	58	19.40
2003	1,731	1,879	59	19.32
2004	1,981	1,961	59	18.73
2005	2,446	2,062	59	19.14

* Excluding survivors and beneficiaries
** Information provided by The Segal Company

SCHEDULE 9

Average Monthly Benefit – Police/Fire Members*

June 30	Number of New Retirees**	Average Monthly Benefit**	Average Age at Retirement	Average Years' Service at Retirement
2000	234	$2,445	54	21.44
2001	236	2,583	54	21.24
2002	220	2,664	53	21.64
2003	283	2,862	54	21.78
2004	262	3,014	54	21.65
2005	279	3,184	55	21.77

* Excluding survivors and beneficiaries
** Information provided by The Segal Company

SCHEDULE 10

Average Monthly Compensation at Retirement

June 30	Regular	Police/Fire
2000	$4,023	$5,341
2001	4,091	5,548
2002	4,143	5,637
2003	4,238	5,931
2004	4,356	6,189
2005	4,600	6,578

SCHEDULE 11
Participating Employers
(Page 1 of 2)

State of Nevada and Related Agencies
Board of Examiners for Alcohol & Drug Abuse
Cosmetology Board
Department of Transportation
Legislative Counsel Bureau
Liquefied Petroleum Gas Board
Nevada Board of Physical Therapy Examiners
Nevada Board of Veterinary Medical Examiners
Nevada Rural Housing Authority
Public Employees' Retirement System
State Board of Accountancy
State Board of Architecture
State Board of Chiropractic Examiners
State Board of Dental Examiners
State Board of Examiners for Social Workers
State Board of Medical Examiners
State Board of Nursing
State Board of Optometry
State Board of Osteopathic Medicine
State Board of Pharmacy
State Personnel

Schools
Academy for Career Education
Andre Agassi College Prepatory Academy
Bailey Charter Elementary School
Carson City School District
Carson Montessori School
Churchill County School District
Clark County School District
Coral Academy of Science Charter School
Douglas County School District
Elko County School District
Esmeralda County School District
Eureka County School District
Explore Knowledge Charter School
Gateways to Success Charter School
Halima Academy
High Desert Montessori School
Humboldt County School District
ICDA Charter High School
Keystone Academy Charter School
Lander County School District
Lincoln County School District
Lyon County School District
Mariposa Academy of Language and Learning
Mineral County School District
Nevada State High School
Nye County School District
Odyssey Charter School
Pershing County School District
Rainshadow Community Charter School
Sierra Crest Academy
Sierra Nevada Academy
Silver State High School
Storey County School District
Team A Washoe Charter School
Washoe County School District
White Pine County School District

University of Nevada System
University of Nevada, Las Vegas
University of Nevada, Reno

Counties
Churchill County
Clark County
Douglas County
Elko County
Esmeralda County
Eureka County
Humboldt County
Lander County
Lincoln County
Lyon County
Mineral County
Nye County
Pershing County
Storey County
Washoe County
White Pine County

Cities
City of Boulder
City of Caliente
City of Carlin
City of Carson
City of Elko
City of Ely
City of Fallon
City of Fernley
City of Henderson
City of Las Vegas
City of Lovelock
City of Mesquite
City of North Las Vegas
City of Reno
City of Sparks
City of Wells
City of West Wendover

SCHEDULE 11
Participating Employers
(Page 2 of 2)

Cities (Continued)
City of Winnemucca
City of Yerington

Hospitals
Battle Mountain General Hospital
Grover C. Dils Medical Center
Humboldt General Hospital
Mount Grant General Hospital
Pershing General Hospital
University Medical Center of Southern Nevada
William Bee Ririe Hospital

Utility, Irrigation and Sanitation Districts
Alamo Sewer & Water
Beatty Water and Sanitation District
CC Communications
Clark County Water Reclamation District
Douglas County Sewer District
Lander County Sewer and Water
Lincoln County Power District
Lovelock Meadows Water District
McGill-Ruth Consolidated Sewer and Water
Minden-Gardnerville Sanitation District
Moapa Valley Water District
Overton Power District
Pershing County Water Conservation District
Truckee-Carson Irrigation District
Truckee Meadows Water Authority
Virgin Valley Water District
Washoe County Water District
Walker River Irrigation District

Special Districts and Agencies
Airport Authority of Washoe County
Austin Volunteer Fire Department
Battle Mountain Volunteer Fire Department
Canyon General Improvement District
Central Dispatch Administrative Authority
Churchill County Volunteer Fire Department
Churchill Mosquito Abatement District
City of Wells Volunteer Fire Department
Clark County Health Department
Clark County Housing Authority
Conservation District of Southern Nevada
East Fork Swimming Pool District
Elko County Agricultural Association
Elko Convention and Visitors Authority
Gardnerville Ranchos General Improvement District
Gerlach General Improvement District
Grass Valley Volunteer Fire Department
Henderson District Public Libraries
Indian Hills Improvement District
Kingsbury General Improvement District
Las Vegas Convention/Visitors Authority
Las Vegas Housing Authority
Las Vegas Metropolitan Police Department
Las Vegas/Clark County Library District
Lovelock Volunteer Fire Department
Mineral County Housing Authority
Nevada Association of Counties
Nevada Tahoe Conservation District
North Lake Tahoe Fire Protection District
North Las Vegas Housing Authority
Palomino Valley General Improvement District
Pershing Volunteer Fire Department
Regional Planning Agency of Washoe County
Regional Transportation Commission
Reno Housing Authority
Reno/Sparks Convention and Visitors Authority
Round Hill General Improvement District
Southern Nevada Workforce Investment Board
Stagecoach General Improvement District
Sun Valley General Improvement District
Tahoe-Douglas District
Tahoe-Douglas Fire Protection District
White Pine County Tourism and Recreation
Winnemucca Rural Volunteer Fire
Winnemucca Volunteer Fire Department

SCHEDULE 12

Active Members by Employer Type*

June 30, 2000	Regular	Police/ Fire	Total	% of Total
State of Nevada and Related Agencies	12,117	2,471	14,588	18%
University of Nevada System	3,153	41	3,194	4
Schools	33,510	122	33,632	42
Counties	8,988	1,740	10,728	13
Cities	5,506	2,147	7,653	9
Hospitals	4,344	0	4,344	5
Utility, Irrigation, and Sanitation Districts	549	0	549	1
Special Districts and Agencies	3,757	2,389	6,146	8
Totals	71,924	8,910	80,834	100%
June 30, 2005				
State of Nevada and Related Agencies	13,216	2,878	16,094	17%
University of Nevada System	3,790	56	3,846	4
Schools	41,009	160	41,169	44
Counties	10,169	1,871	12,040	13
Cities	6,392	2,971	9,363	10
Hospitals	3,904	0	3,904	4
Utility, Irrigation, and Sanitation Districts	683	0	683	1
Special Districts and Agencies	4,061	2,835	6,896	7
Totals	83,224	10,771	93,995	100%

SCHEDULE 13

Average Age and Service Statistics for Members*

	2000	2005
Regular members:		
Average age	44.0	45.1
Average years of service	8.2	8.7
Police/Fire members:		
Average age	39.1	39.6
Average years of service	9.5	10.0

SCHEDULE 14

Average Salaries for Members*

	Regular	Increase	Police/Fire	Increase
June 30, 2000	$35,185		$48,857	
2001	36,615	4.1%	50,587	3.5%
2002	38,106	4.1	55,628	10.0
2003	39,193	2.9	56,907	2.3
2004	40,069	2.2	59,008	3.7
2005	40,901	2.1	61,277	3.8
Annual increase 2000 – 2005		3.1%		4.6%
Fiscal Year 2005 Consumer Price Index (CPI)		2.59%		

* Information provided by The Segal Company

PLAN SUMMARY

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Administration

The Public Employees' Retirement System provides retirement, disability, and death benefits to long-term public employees. The System includes the employees of Nevada counties, cities, schools, state government, and miscellaneous public employers.

The governing authority of the System is a 7-member board appointed by the Governor. Day-to-day operations are managed by the Executive Officer. Operating funds are provided by transfer of an administrative fee assigned to each member and benefit recipient. Monthly fees at June 30, 2005, were $3.37 for each Regular member and benefit recipient and $3.57 for each Police/Fire member and benefit recipient.

Membership

An employee of a participating public employer is required to be a member of the System from the first day of service if he or she is employed in a position which is normally considered to be half-time or more according to the full-time work schedule established by the public employer. Persons employed in an approved police or fire position are covered under the Police/Fire sub-fund. Persons who are not police or fire employees are covered under the Regular sub-fund. Membership is canceled upon refund, retirement, or death. Membership is not canceled automatically upon termination of employment. A member must apply for a refund, distribution, or retirement to cancel membership.

Types of Contribution Plans

All pay that meets the definition of compensation as defined in NRS Chapter 286.025(2), is subject to retirement contribution. New hires (in agencies which did not elect the Employer-Pay Contribution plan (EPC) prior to July 1, 1983) have the option of selecting the Employer-Pay Contribution plan or the Employee/Employer Contribution plan. Each plan is described below.

<u>Employer-Pay Contribution Plan (EPC)</u>

Under EPC, contributions are paid on the employee's behalf by their public employer. EPC contributions are not deposited to the individual member's account and are not available for refund upon termination of employment. The EPC contribution rates, through June 30, 2005, were 20.25% for Regular members and 28.5% for Police/Fire members.

<u>Employee/Employer Contribution Plan</u>

Under this plan, through June 30, 2005, the Regular member and the employer each contributed 10.5% of compensation to the System. Police/Fire members and their employers each contributed 14.75% of compensation. Employee contributions made under this plan are refundable upon termination of employment. Employer contributions are not refundable.

Public employees, other than school employees, earn service credit for years, months, and days actually worked. School employees, who are not regular 12-month employees, receive service credit on the basis of a full year if they work full-time for the entire school year. For these same school employees, service for a part of the school year is credited on a ratio of one and one-third days for each day worked.

Service

Purchase of Service

Members with five years of creditable service may purchase up to five years of service credit. The member must pay the full actuarial cost associated with age and average compensation at the time of purchase.

Refund of Contributions

Members who have contributed under the Employee/Employer Contribution plan may withdraw employee contributions if terminating all employment for which contribution is required or if employed in a position ineligible for membership for at least 90 days. A refund cancels all rights of membership.

Repayment of Refunded Contributions

Members who receive a refund of employee contributions and later return to work and re-establish active membership for a period of at least six months may repay the refunded contributions and restore service credit. Repayment, including interest at the actuarially determined rate, may be in the form of a lump-sum payment or by monthly installments. Service will not be restored until the installment agreement is paid in full.

Benefits

Service Retirement Vesting

Contributing members of the System earn the right to receive a retirement benefit after five years of service.

Service Retirement

Requirements for Regular members to retire with an unreduced benefit - age 65 with five years of service, **or** age 60 with ten years of service, **or** any age with 30 years of service.

Requirements for Police/Fire members to retire with an unreduced benefit - 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.

Early Retirement Penalty

Members with the years of service necessary to receive a retirement benefit but who have not reached the age for an unreduced benefit may retire at any age with the benefit reduced by 4% for each full year that they retire early.

Important Factors for Determining Retirement Benefits

Benefit amounts are based on three factors:

1. Average compensation – defined as the average of 36 highest consecutive months of compensation.
2. Service credit – years, months, and days worked.
3. Selection of retirement plan – prospective retirees may elect one of seven retirement options.

Option 1 – (the unmodified plan) for Regular members – Pays the full monthly benefit earned but provides no income protection for beneficiary after death.

Option 1 – (the unmodified plan) for Police/Fire members – Pays the full monthly benefit earned for the retiree's lifetime. If the retired employee was married to the same spouse at the time of retirement and at the time of death, the spouse is eligible to receive a benefit equal to 50% of the retired employee's benefit earned in Police/Fire service upon attainment of age 50.

Option 2 – Provides an actuarially reduced lifetime benefit. After death, the same benefit continues for the lifetime of beneficiary.

Option 3 – Provides an actuarially reduced lifetime benefit. After death, 50% of the benefit continues for the lifetime of the beneficiary.

Option 4 – Provides an actuarially reduced lifetime benefit. After retiree's death and upon beneficiary reaching age 60, the same benefit continues for the lifetime of the beneficiary.

Option 5 – Provides an actuarially reduced lifetime benefit to retiree. After retiree's death and upon beneficiary reaching age 60, 50% of the benefit continues for the lifetime of the beneficiary.

Option 6 – Provides an actuarially reduced lifetime benefit to retiree. Upon death of the retiree, this option provides to the beneficiary a specific sum per month, which cannot exceed the monthly benefit paid to retiree.

Option 7 – Provides an actuarially reduced lifetime benefit to retiree. The option provides to the beneficiary, upon retiree's death and the beneficiary reaching age 60, a specific sum per month, which cannot exceed the monthly benefit paid to retiree.

Post-Retirement Benefit Increases

Retirees 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. See the Actuarial Section, page 73, for a schedule of post-retirement increases.

PLAN SUMMARY

Benefit Formula

The formula used for calculating retirement benefits is as follows:

- Total Service Credit Earned before July 1, 2001 X 2.5% = Service Time Factor
- Total Service Credit Earned on and after July 1, 2001 X 2.67% = Service Time Factor
- Total Service Time Factors X Average Monthly Compensation (36 Highest Consecutive Months of Salary) = Unmodified benefit (Option 1).

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.

Actuarial reductions are based on the member's age and the beneficiary's age at the time of retirement, determined from tables supplied by the System's actuary.

Disability Retirement

Members with five or more years of service who become totally unable to perform their current or any comparable job because of an injury or mental or physical illness of a permanent nature, are eligible to apply for disability retirement. The application must be filed with the System prior to termination of employment. Disability retirement benefits are calculated in the same manner as service retirement without reduction for age.

Survivor Benefits

<u>Eligibility</u>

Eligible survivors of a member who dies prior to retirement are entitled to a benefit if:

1. The member had two years of service in the two and one half years immediately preceding death; or
2. The member had more than ten years of accredited service; or
3. The member's death was caused by an occupational disease or an accident arising out of or in the course of employment, regardless of service credit.

Eligible survivors:

1. Spouse.
2. Each unmarried dependent child under age 18, or up to age 23 if a full-time student.
3. Dependent parents, provided there are no other eligible survivors at the time of member's death.
4. If the member is unmarried at the time of death, any single designated survivor beneficiary.

<u>Amount of Survivor Benefits</u>

Generally, if a member dies with less than ten years of service, the spouse would receive $450 per month and each dependent child $400 per month. The spouse would receive survivor benefits for his or her lifetime. Each unmarried dependent child would receive monthly benefits until age 18, or age 23 if he or she is a full-time student.

If a member dies with more than ten years service credit, the spouse is entitled to a lifetime benefit. The amount of the benefit is based on the member's age, years of service, and average compensation at the time of death. A child would receive the same benefits as previously described.

A member is able to designate one survivor beneficiary to receive benefits (as described above) to be paid if the member was unmarried at the time of death. Beginning January 1, 2004, a member may designate additional payees to receive direct payment of a portion of the survivor beneficiary benefit.