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, 2006

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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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 5, 2006

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, 2006.

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. In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2006, 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 2006, the System had 163 participating employers, 98,187 active members, and 33,262 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 109.

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 interim between legislative sessions, PERS worked with legislative staff on pension-related issues. During fiscal 2006, PERS implemented legislation from the 2005 legislative session that affected the System, including legislation 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. The Retirement Board revised the System's Official Policies to reflect legislative changes made during the 2005 legislative session.

System Governance

The System increased emphasis on system governance in fiscal 2006. The Retirement Board adopted new charters for the Board, Board Chair, Board Vice-Chair, and the Executive Officer. In addition to the governance charters, the Board adopted governance policies in areas including board operations, policy development, strategic planning and budgeting, monitoring and reporting, education, travel, board self-assessment, and human resources. The Board readopted funding and fiduciary policies. The revised governance documents better define the role of the Retirement Board and executive management, guide the conduct and decision-making of the Retirement Board, and document and preserve the System's policies for current and future board members and executive staff. The Retirement Board also participated in a formal self-assessment process.

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 2006, staff performed over 99,000 transactions for members and beneficiaries. Seventy-seven percent of all transactions were performed within 10 working days of receipt. When a member request could not be completed within 10 days, a letter was sent to the member explaining the reasons for the delay. Benefit payments were made to approximately 30,000 benefit recipients monthly.

In addition to customary workload, several projects impacting total workload were managed during fiscal 2006. 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 more than 6,000 of these purchases on behalf of the members.

Board policy calls for an examination of management's assertion about the effectiveness of the System's internal controls over financial reporting. This examination must be performed by an independent auditor at least every 5 years. Per this policy, a comprehensive review of internal controls throughout the operation was conducted during fiscal year 2006. While no material deficiencies were noted, the System is in the process of enhancing procedures and policies, as suggested as a result of the review, to further strengthen controls and improve operating efficiencies.

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, but remains on a sunset limitation. Utilization review and cost will be delivered to the 2009 legislative session for consideration.

Other initiatives included the continuing movement of 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. That site is now providing virtual immediate continuity of services should the main PERS site be damaged. Web functionality was expanded for our benefit recipient population. In addition, PERS created its own intranet that enabled PERS to organize all applications in a common location improving the efficiency of the users.

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.

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, pension portability and preservation of benefits, 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, to insure proper financial controls are in place. The System is also 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:

	2006	2005
Additions	$2,654,665,957	$2,500,688,563
Deductions	(859,373,559)	(763,284,030)
Net Additions	$1,795,292,398	$1,737,404,533

Additions increased by $154.0 million, due mainly to increases in net investment income of $76.0 million, and in contribution revenue of $78.2 million. Deductions increased by $96.1 million, due primarily to an increase of $92.8 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 is set at 30 years, in addition to other significant actuarial assumptions detailed beginning on page 77. Funding levels are presented on page 43 in the Financial Section of this report. The funded ratio for all members is 74.9% in 2006, a decrease from 75.8% in fiscal year 2005.

Investments

The System's ability to provide retirement benefits to its members is influenced by the performance of the investment portfolio. Approximately 14% of the benefits the average member will receive in retirement are funded from contributions. The remaining 86% are generated from investment earnings.

The investment portfolio is designed to meet the funding objectives of the System while taking the least possible risk. 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 2006 was $19.6 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 2006 return objective was 8.82%. The System's total return on investments for that same time period was 8.76%, which includes both realized and unrealized gains. Fiscal year 2006 returns were influenced by above average returns from equities and alternative investments. The fund's annualized rate of return is 10.81% since inception (22 years) versus our long-term actuarial funding objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 10% of public funds for that same time frame. The investment section beginning on page 52 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, 2005 (see page 18). This was the sixteenth 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, 2006 (see page 19). 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 16 and 52.

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 2006.

Respectfully submitted,

Dana K. Bilyeu
Executive Officer

ADMINISTRATIVE PERSONNEL
(Current)
PUBLIC EMPLOYEES' RETIREMENT BOARD

Charles A. Silvestri	Chairman	2007
Sue DeFrancesco	Vice Chairman	2009
Elizabeth Fretwell	Member	2010
Purisimo B. Hernandez	Member	2009
David F. Kallas	Member	2010
George W. Stevens	Member	2007
Warren Wish	Member	2009

Terms expire on June 30 of year noted.

RETIREMENT STAFF

Dana K. Bilyeu	Executive Officer
Tina M. Leiss	Operations Officer
Ken Lambert	Investment Officer
Steve Edmundson	Assistant Investment Officer

Division Supervisors:

Ann Schleich	Accounting
Patti Keyes	Employer & Production Services
Oliver Owen	Information Technology
Brian Snyder	Internal Audit
Lynette Jones	Member & Retiree Services

LEGAL COUNSEL

Robert Auer, Senior 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	2009
Fred Galey	Member	2009
Raymond McAllister	Member	2008
Dean Molburg	Member	2007

Terms expire on June 30 of year noted.

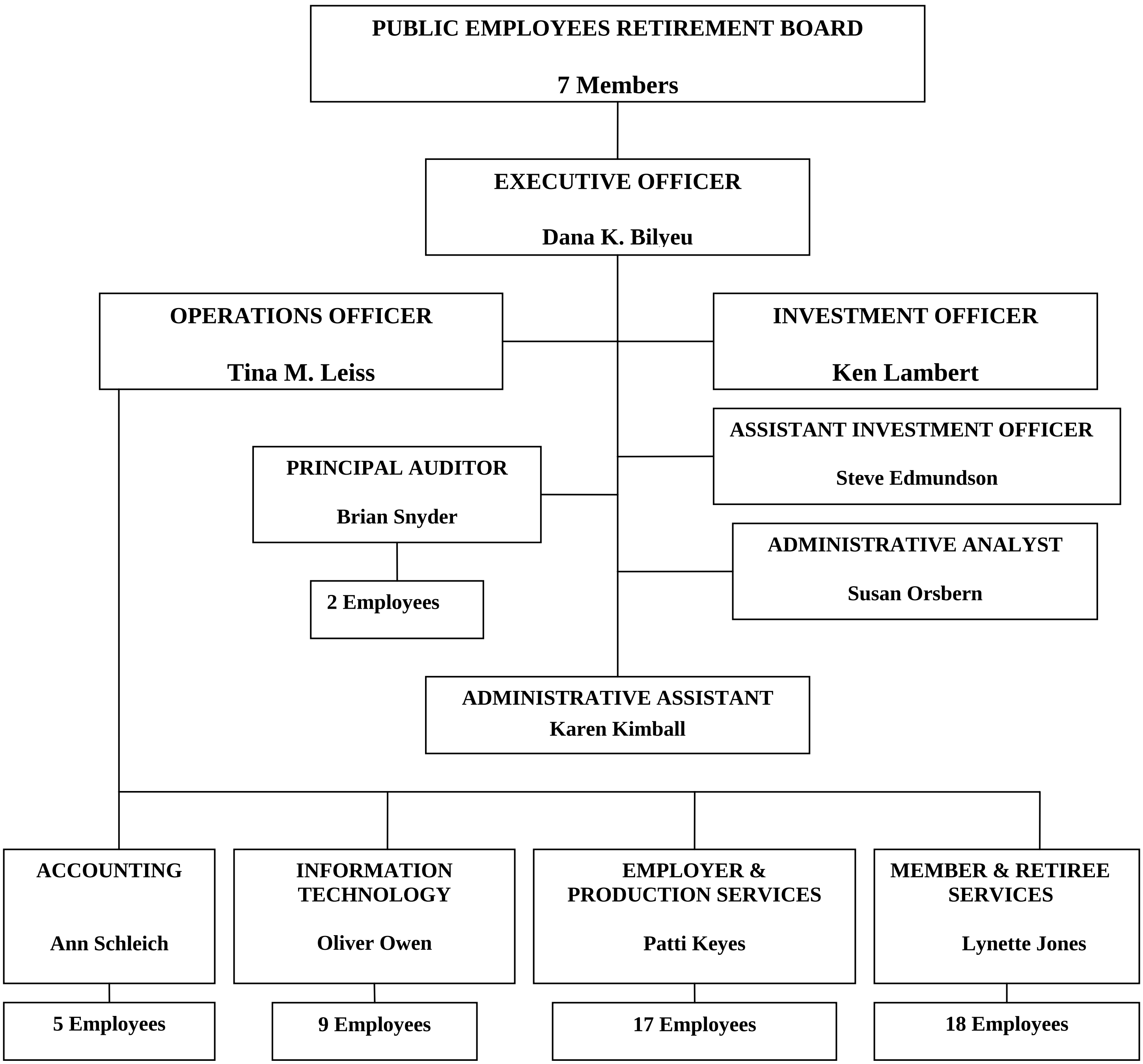
THE SYSTEM'S ADVISORS

Consulting Actuary – The Segal Company, San Francisco

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 52. A schedule of fees and commissions paid to investment professionals can be found beginning on page 66.

ORGANIZATIONAL CHART
(Current)



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, 2005

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2006 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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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

FINANCIAL SECTION

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 Capitol Mall, Suite 600
Sacramento CA 95814-4602
Telephone (916) 930 8100
Facsimile (916) 930 8450

Report of Independent Auditors

Public Employees' Retirement Board
of the State of Nevada

In our opinion, the accompanying basic financial statements present fairly, in all material respects, the fiduciary net assets of the Public Employees' Retirement System of Nevada (the "System"), a component unit of the State of Nevada, at June 30, 2006, and the changes in fiduciary net assets for the year ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We previously audited and reported on the financial statements of the System as of and for the year ended June 30, 2005, and the comparative totals of which are included for additional analysis.

As discussed in Note 2, the financial statements of the System are intended to present the fiduciary net assets and the changes in fiduciary net assets, where applicable, of only that portion of the pension trust funds of the State of Nevada that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Nevada as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis for the year ended June 30, 2006 on pages 25 through 27 is not a required part of the basic financial statements as of and for the year then ended but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on pages 43 though 45 is required under Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The other supplementary information included on pages 46 through 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 5, 2006

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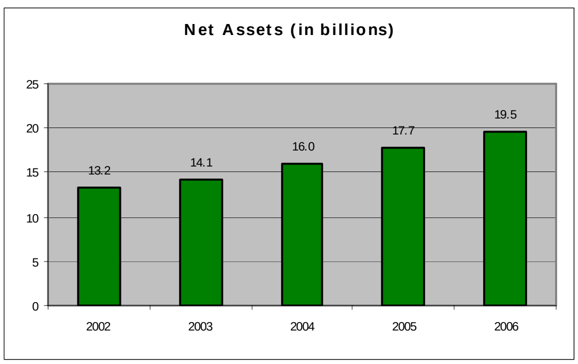
REQUIRED SUPPLEMENTARY INFORMATION

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, 2006. 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 the MD&A.

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 $1.8 billion or 10.1% to $19.5 billion as of June 30, 2006.

Total net investment income was $1.6 billion in fiscal year 2006, an increase from $1.5 billion in fiscal year 2005.

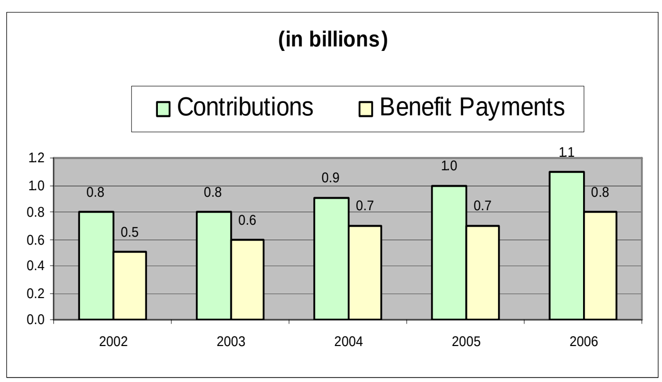
Total investments, excluding securities lending collateral, at June 30, 2006, increased by $2.0 billion or 11.4% to $19.6 billion.

As of June 30, 2006, the most recent actuarial valuation, the System was 74.9% funded, compared to a funding level of 75.8% as of June 30, 2005.

Total contributions for fiscal year 2006 increased by $78.2 million or 7.8% to $1.1 billion.

Benefit payments for fiscal year 2006 increased by $92.8 million or 12.5% to $832.6 million.

Refunds of contributions decreased by $.6 million or 4.3% to $13.9 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 the 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, 2006	As of June 30, 2005	Percentage Change
Cash and cash equivalents	$ 327,125,738	$ 439,693,403	(25.6) %
Receivables	177,420,919	153,154,047	15.8
Trades pending settlement	323,855,131	228,458,254	41.8
Investments, at fair value	19,628,603,979	17,619,978,232	11.4
Collateral on loaned securities	1,691,103,869	1,783,199,685	(5.2)
Property and equipment, net	3,861,200	4,505,701	(14.3)
Other assets	1,194,797	937,244	27.5
Total assets	22,153,165,633	20,229,926,566	9.5
Accounts payable and other accrued expenses	8,908,028	8,528,040	4.5
Trades pending settlement	910,270,124	690,607,627	31.8
Obligations under securities lending activities	1,691,103,869	1,783,199,685	(5.2)
Total liabilities	2,610,282,021	2,482,335,352	5.2
Net assets held in trust for pension benefits	$ 19,542,883,612	$ 17,747,591,214	10.1 %

Condensed Statements of Changes in Fiduciary Net Assets

	For the Year Ended June 30, 2006	For the Year Ended June 30, 2005	Percentage Change
Contributions	$ 1,084,314,390	$ 1,006,138,260	7.8 %
Investment net income	1,567,271,522	1,491,241,797	5.1
Other income	3,080,045	3,308,506	(6.9)
Total additions	2,654,665,957	2,500,688,563	6.2
Benefit payments	832,613,060	739,819,493	12.5
Refunds of contributions	13,874,600	14,492,618	(4.3)
Transfer of contributions	4,673,102	-	100.0
Administrative expenses	8,212,797	8,971,919	(8.5)
Total deductions	859,373,559	763,284,030	12.6
Net increase	1,795,292,398	1,737,404,533	3.3
Net assets, beginning of year	17,747,591,214	16,010,186,681	10.9
Net assets, end of year	$ 19,542,883,612	$ 17,747,591,214	10.1 %

The increase in net assets held in trust for pension benefits is consistent with prior years. This can be attributed primarily to investment returns, which exceeded the 8% actuarial objective for fiscal year 2006. The positive results were driven by stocks and alternative investments. Most asset classes provided a premium in performance over the market for the fiscal year. Since inception (22 years), the fund has generated a 10.8% annualized return, gross of fees. The System’s total return on investments for the year ended June 30, 2006 was 8.8% (9.3% for fiscal year 2005).

Contributions and benefit payments increased consistently with prior years. Other income (consisting of interest on purchase of service and repayment of contributions) decreased due to the lower dollar volume of purchases and repayment of contributions experienced during the fiscal year. Purchases of service, repayment of contributions, and refunds of contributions are unpredictable. However, these decreased from 2005 during 2006.

During fiscal year 2006, a transfer of contributions in the amount of $4,673,102 was made to the Judicial Retirement System for members transferring from the Public Employees’ Retirement System to the Judicial Retirement System. This was a result of 2005 legislative action allowing justices of the peace and municipal court judges to participate in the Judicial Retirement System on a voluntary, employer by employer basis.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006
(With Comparative Totals for June 30, 2005)

ASSETS	2006	2005
Cash and cash equivalents	$ 327,125,738	$ 439,693,403
Receivables:		
Contributions receivable	91,976,780	74,147,373
Trades pending settlement	323,855,131	228,458,254
Accrued investment income	85,444,139	79,006,674
Total receivables	501,276,050	381,612,301
Investments, at fair value:		
Fixed income securities	5,272,144,076	4,541,523,521
Marketable equity securities	9,315,464,246	8,498,327,585
International securities	3,744,369,699	3,513,786,345
Mortgage loans	12,178	13,601
Real estate	1,017,351,126	866,864,092
Alternative investments	279,262,654	199,463,088
Total investments	19,628,603,979	17,619,978,232
Collateral on loaned securities	1,691,103,869	1,783,199,685
Property and equipment, net	3,861,200	4,505,701
Other assets	1,194,797	937,244
Total plan assets	22,153,165,633	20,229,926,566
LIABILITIES		
Accounts payable and other accrued expenses	8,908,028	8,528,040
Trades pending settlement	910,270,124	690,607,627
	919,178,152	699,135,667
Obligations under securities lending activities	1,691,103,869	1,783,199,685
Commitments and contingencies (Note 6)		
Total plan liabilities	2,610,282,021	2,482,335,352
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 43)	$19,542,883,612	$17,747,591,214

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2006
(With Comparative Totals For the Year Ended June 30, 2005)

	2006	2005
ADDITIONS		
Contributions:		
Employer	$ 966,130,036	$ 875,510,984
Plan members	75,970,321	66,896,424
Repayment and purchase of service	42,214,033	63,730,852
Total contributions	1,084,314,390	1,006,138,260
Investment income		
Net appreciation in fair value of investments	1,026,179,811	982,002,661
Interest	269,710,027	240,237,441
Dividends	220,695,082	211,913,280
Other investment income	69,022,827	72,430,235
	1,585,607,747	1,506,583,617
Less investment fees and other expense:	(23,638,860)	(20,179,039)
Net investment income	1,561,968,887	1,486,404,578
Securities lending income	69,477,763	35,654,691
Less securities lending expense	(64,175,128)	(30,817,472)
Net securities lending income	5,302,635	4,837,219
Total net investment income	1,567,271,522	1,491,241,797
Other income	3,080,045	3,308,506
Total additions	2,654,665,957	2,500,688,563
DEDUCTIONS		
Benefit payments:		
Retirement and survivor benefits	788,277,946	700,673,381
Disability	44,293,551	39,098,388
Post-retirement increases	41,563	47,724
Refunds of contributions	13,874,600	14,492,618
Administrative expenses	8,212,797	8,971,919
Transfer of contributions	4,673,102	0
Total deductions	859,373,559	763,284,030
Increase in net assets	1,795,292,398	1,737,404,533
Net assets held in trust for pension benefits:		
Beginning of year	17,747,591,214	16,010,186,681
End of year	$19,542,883,612	$17,747,591,214

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, 2006, the number of participating public 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
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Any public 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:	2006	2005
Regular employees	27,556	25,658
Police/Fire employees	4,147	3,843
Survivor benefit recipients	1,559	1,498
Total benefit recipients	33,262	30,999
Inactive members:		
Regular employees	9,730	8,676
Police/Fire employees	579	506
Total inactive members	10,309	9,182
Active members:		
Regular employees	87,020	83,224
Police/Fire employees	11,167	10,771
Total active members	98,187	93,995

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 45 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 Police/Fire 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 has an effective date of membership 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 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.

NOTES TO FINANCIAL STATEMENTS

Cash, Cash Equivalents, and Derivatives

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

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.

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.

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, 2006, were $3.04 for each Regular member and benefit recipient and $3.25 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.

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2005, 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, 2006, the System implemented the provisions of Government Accounting Standards Board Statement No. 44 (GASB 44). *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.* GASB 44 establishes and modifies requirements related to the supplementary information presented in a statistical section. This Statement applies to state and local governmental entities that prepare a statistical section that accompanies the basic financial statements.

Financial Statement Presentation

Financial statement data shown for the prior year has been restated to provide comparability to the current year.

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, 2006, the System's unfunded accrued liability amounted to approximately $6.5 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, 2006, were as follows:

Regular Employees	Funding Basis*	Statutory Rate
Employer-Pay Plan	20.44%	19.75%
Employee/Employer Plan (matching rate)	10.68	10.50
Police/Fire Employees		
Employer-Pay Plan	33.24%	32.00%
Employee/Employer Plan (matching rate)	17.08	16.50

* Based on June 30, 2005 Actuarial Valuation

For fiscal year 2006, contributions totaling $1,084,314,390 ($966,130,036 employer and $118,184,354 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 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.

The Judicial Retirement System (JRS) was established in 2001 to provide benefits for the retirement, disability or death of all justices of the Supreme Court and district judges. Beginning in fiscal year 2006, justices of the peace and municipal court judges are also allowed to participate in JRS, on a voluntary, employer by employer basis. Each participating individual who has service credit in PERS may transfer, at any time, to the JRS. At the time of transfer, all of the individual's contributions and the related liability to the System for that individual are moved from PERS to JRS.

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 $493,441 for the year ended June 30, 2006.

NOTES TO FINANCIAL STATEMENTS

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, 2006 is as follows:

Investment Type		Fair Value at June 30, 2006	
Fixed Income			
U.S. Government			
Treasuries, Notes, Bonds		$1,129,571,611	
Treasury Inflation Protected Securities		41,865,264	
Agencies		658,633,869	
Other		10,521,229	
	Subtotal	1,840,591,973	
Mortgage-Backed			
Government pass-through		1,172,988,393	
Corporate pass-through		220,761,888	
	Subtotal	1,393,750,281	
Collateralized Mortgage Obligations			
Government CMO's		152,387,593	
Corporate CMO's		156,693,078	
	Subtotal	309,080,671	
Corporate			
Corporate bonds		628,351,503	
Corporate asset backed		406,576,426	
Private placements		95,140,222	
	Subtotal	1,130,068,151	
Commingled Funds		598,490,003	
Other		24,848,887	
Non-U.S. Markets		1,918,860,743	
Total Fixed Income			7,215,690,709

Short Term		
Certificates of deposit	4,559,380	
Repurchase agreements	62,109,067	
Treasury bills	23,499,629	
Other	2,500,000	
Total Short Term		92,668,076
Equity		
U.S.	8,905,559,687	
Non-U.S.	2,086,755,515	
Total Equity		10,992,315,202
Other Investments		
Alternative Investments (Private Equity)	285,335,243	
Real Estate	1,015,527,526	
Commingled Funds		
U.S. Equity	210,013,061	
Money Market funds	191,937,203	
Subtotal	401,950,264	
Total Other Investments		1,702,813,033
Total Investments		**$20,003,487,020**

Reconciliation to investments on Statement of Net Plan Assets:

Total from Above	**$20,003,487,020**
Minus:	
Short Term Investments	(288,762,502)
Accrued Income and Other	(86,120,539)
Investments on Statement of Net Plan Assets	**$19,628,603,979**

Note: American Depository Receipts (ADR) securities are included in Non-U.S. securities for classification purposes. ADR securities are not included in the Foreign Currency Risk by Investment Type schedule. These securities are traded in U.S. currency and are not considered to have a currency risk.

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, 2006, the carrying amount of the System's commercial cash deposits was $3,660,182 and the commercial bank balance was $11,009,234. 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.

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 *custodial 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).

NOTES TO FINANCIAL STATEMENTS

- 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.

Quality Rating (S&P unless noted)

Fixed Income Security Type
(millions)

	Treasury*	Agency*	AAA	AA	A	BBB	BB	Not Rated	Totals
U.S. Government	$320.6	$461.5	$1,048.0	$0.0	$0.0	$0.0	$0.0	$10.5	$1,840.6
Mortgage Backed Securities	0.0	1,153.0	212.3	0.0	0.0	0.3	0.0	28.2	1,393.8
Collateralized Mort.Obligations	0.0	139.5	164.3	0.0	0.4	0.0	0.0	4.8	309.0
Corporate Bonds	0.0	0.0	406.2	86.0	354.0	268.6	0.7	14.7	1,130.2
Other	0.0	0.0	9.0	4.6	8.0	3.2	0.0	598.5	623.3
Non-U.S. Markets	0.0	0.0	1,135.0	657.5	78.7	39.4	0.0	8.2	1,918.8
Total Fixed Income	$320.6	$1,754.0	$2,974.8	$748.1	$441.1	$311.5	$0.7	$664.9	$7,215.7

Quality Rating (S&P unless noted)

Short Term Security Type
(millions)

	AAA	AA	Not Rated	Totals
Certificates of Deposit	$0.0	$4.6	$0.0	$4.6
Repurchase Agreements	0.0	0.0	62.1	62.1
Treasury Bills	23.5	0.0	0.0	23.5
Other	0.0	0.0	2.5	2.5
Total Short Term	$23.5	$4.6	$64.6	$92.7

*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 permit investment in all securities within the Lehman Aggregate Index benchmark.

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, 2006.

NOTES TO FINANCIAL STATEMENTS

	Fair Value	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
Fixed Income Security Type (millions)					
U.S. Government	$ 1,840.6	$ 112.8	$ 693.8	$ 412.2	$ 621.8
Mortgage Backed Securities	1,393.8	7.7	29.1	17.9	1,339.1
Collateralized Mortgage Obligations	309.0	0.0	11.7	17.4	279.9
Corporate Bonds	1,130.2	24.9	455.2	266.5	383.6
Commingled Bonds	598.5	0.0	0.0	0.0	598.5
Other	24.8	0.0	11.8	5.2	7.8
Non-U.S. Markets	1,918.8	167.2	858.0	476.0	417.6
Total Fixed Income	7,215.7	312.6	2,059.6	1,195.2	3,648.3
Short Term Security Type (millions)					
Repurchase Agreements	62.1	62.1	0.0	0.0	0.0
Certificates of Deposit	4.6	4.6	0.0	0.0	0.0
Treasury Bills	23.5	23.5	0.0	0.0	0.0
Other Short Term	2.5	0.0	0.0	0.0	2.5
Total Short Term	92.7	90.2	0.0	0.0	2.5
Total Fixed Income & Short Term	$ 7,308.4	$ 402.8	$ 2,059.6	$ 1,195.2	$ 3,650.8

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, 2006, is summarized in the following table.

NOTES TO FINANCIAL STATEMENTS

Currency by Investment and Fair Value (millions)	Fixed Income	Equity	Derivatives	Cash
Australian dollar	$25.4	$79.6	($41.0)	$12.0
Austrian schilling	0.0	2.4	0.0	0.0
Belgian franc	0.0	1.4	0.0	0.0
British pound sterling	227.6	372.5	(116.1)	2.0
Canadian dollar	87.3	2.0	(37.9)	0.2
Danish krone	47.1	9.1	(2.0)	0.0
Euro currency	873.2	617.5	24.0	(12.5)
Hong Kong dollar	0.0	30.3	0.0	0.0
Japanese yen	527.5	438.3	207.1	4.4
Mexican nuevo peso	0.0	0.0	0.0	0.1
New Zealand dollar	0.0	2.6	0.0	0.2
Norwegian krone	32.9	15.3	0.7	(11.6)
Polish zloty	10.0	0.0	2.9	6.7
Singapore dollar	1.4	10.9	10.3	0.3
Swedish krona	12.5	36.2	15.9	0.3
Swiss franc	4.6	120.4	18.8	0.0
Other	0.0	0.3	0.0	0.1
Total	$1,849.5	$1,738.8	$82.7	$2.2

Derivatives

Several principal categories of derivatives are periodically employed by the System. Foreign exchange forward contracts are used to hedge currency risk of investments in foreign currencies; exchange traded fixed income futures and options are used to reduce transaction costs, control portfolio duration, and enhance return; mortgage backed and asset backed securities provide diversification and enhance return. Mortgage and asset backed securities are components of the 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.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2006, the weighted average maturities are two days for loans outstanding and 25 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, 2006, collateral was 102%. 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, 2006, is $1,661,295,703. 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, 2006, 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 $308.4 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
1997 to 2006
(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
1997	$8,339.2	$11,027.7	$2,688.5	75.6%	$2,363.1	113.8%
1998	9,597.0	12,271.4	2,674.4	78.2	2,556.6	104.6
1999	11,104.5	13,462.9	2,358.4	82.5	2,682.1	87.9
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	5,772.2	75.8	4,064.0	140.8
2006	19,282.0	25,739.1	6,457.1	74.9	4,366.1	147.9

	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
1997	$2,000.6	$687.9	99.3%	196.9%	77.6%	67.4%
1998	1,969.4	705.0	90.3	188.1	80.1	70.2
1999	1,776.9	581.5	77.5	149.5	83.7	77.1
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
2006	4,778.0	1,679.1	131.0	234.0	76.5	68.9

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
1997 to 2006

	Regular		Police/Fire		Total	
June 30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1997	$344,387,800	100%	$86,722,900	100%	$431,110,700	100%
1998	423,607,600	95	114,390,100	92	537,997,700	94
1999	462,040,200	96	127,193,800	91	589,234,000	95
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
2006	795,295,700	97	259,810,300	91	1,055,106,000	96

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		6/30/2006
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% per year after 3 years of receiving benefits 3% per year after 6 years of receiving benefits 3.5% per year after 9 years of receiving benefits 4% per year after 12 years of receiving benefits 5% per year 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, 2006
(GAAP Basis)

Personnel Services:	Staff Payroll and Benefits	$3,915,184	
	Retirement Board Fees	20,320	
	Total Personnel Services		$3,935,504
Out-of-State Travel:	Staff	9,930	
	Retirement Board	9,225	
	Police/Fire Committee	6,205	
	Total Out-of-State Travel		25,360
In-State Travel:	Staff	39,546	
	Retirement Board	15,253	
	Police/Fire Committee	997	
	Total In-State Travel		55,796
Operating:	Office Supplies	27,611	
	Equipment less than $1,000	5,316	
	Postage and Freight	207,687	
	Communications	39,376	
	Printing	275,923	
	Publications and Periodicals	2,702	
	Bonds and Insurance Premiums	10,126	
	Contract Services	685,676	
	Vehicle Expense	5,442	
	Equipment Rental and Repair	17,464	
	Building Rental	254,542	
	License and Fees	1,037	
	Client Communication	104,844	
	Dues and Registration	25,559	
	Medical Expenses	22,260	
	Host Expense	836	
	Nationwide Search	8,014	
	Total Operating		1,694,415
Equipment and Office Furniture:			9,764
Information Technology:			2,334,461
Training:			55,290
Attorney General Allocation:			83,543
TOTAL EXPENSES			$8,194,133

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

Total from Above	$8,194,133
Plus: Miscellaneous Unbudgeted Expenses	18,664
Administrative Expenses on Statement of Changes in Fiduciary Net Assets:	$8,212,797

OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses
For the Year Ended June 30, 2006
(Non-GAAP Budgetary Basis)
Budget vs. Actual

	Budget	Actual Expenditures	Variance Under (Over)
Personnel services	$4,318,165	$3,932,895	$385,270
Out-of-state travel	28,689	25,360	3,329
In-state travel	84,166	55,796	28,370
Operating	1,679,441	1,670,454	8,987
Equipment and office furniture	0	628	(628)
Information technology	1,732,863	1,723,056	9,807
Training	56,272	55,290	982
Attorney General allocation	52,117	83,543	(31,426)
Unallocated budgetary authority	200,000	0	200,000
Total	$8,151,713	$7,547,022	$604,691

Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis
For the Year Ended June 30, 2006

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, 2006.

Administrative Expenses (Non-GAAP Budgetary Basis)	$7,547,022
Adjustments:	
Accrued payroll	2,610
Depreciation expense	2,305,110
Capitalization of fixed assets & software	(1,660,609)
Administrative Expenses (GAAP Basis)	$8,194,133

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES
For the Year Ended June 30, 2006

Investment counselor fees	$16,883,281
Equity real estate/mortgage loan fees	5,953,244
Investment consulting fees	470,442
Depreciation expense	27,692
Custodial banking fees	7,691
Investment monitoring expense	3,238
Securities lending broker rebates and fees	64,175,128
Independent fiduciary services	178,000
Secured loans legal expenses	115,272
Total Investment Expenses	$87,813,988

SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2006

Actuary	
The Segal Company	$ 304,973
Cost Effectiveness Consultant	
Cost Effectiveness Measurement Inc.	30,000
Fiduciary Consultant	
Cortex Applied Research	46,280
Independent Auditors	
PricewaterhouseCoopers LLP	107,800
Clifton Gunderson LLP	124,875
Technology Consultants	
Apex Computing Inc.	1,055,138
Covansys	522,542
Cyber Trust	76,546
Administrative Legal Counsel	
State Attorney General	83,543
Medical Consultant	
Dr. G. Bruce Nickles	20,405
	$ 2,372,102

Note: Information on payments made to investment professionals can be found on page 66.

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF FIDUCIARY NET ASSETS

June 30, 2006

(With Comparative Totals for June 30, 2005)

	Regular	Police/Fire	Eliminations	Total Pension Trust Fund 2006	Total Pension Trust Fund 2005
ASSETS					
Cash and cash equivalents	$ 327,125,738	-	-	$ 327,125,738	$ 439,693,403
Contributions receivable	91,976,780	-	-	91,976,780	74,147,373
Trades pending settlement	323,855,131	-	-	323,855,131	228,458,254
Accrued investment income	85,444,139	-	-	85,444,139	79,006,674
Investments, at fair value	19,628,603,979	-	-	19,628,603,979	17,619,978,232
Collateral on loaned securities	1,691,103,869	-	-	1,691,103,869	1,783,199,685
Property and equipment, net	3,861,200	-	-	3,861,200	4,505,701
Other assets	1,194,797	-	-	1,194,797	937,244
Due from other funds- equity in investments	-	3,766,017,700	(3,766,017,700)	-	-
Total Plan Assets	22,153,165,633	3,766,017,700	(3,766,017,700)	22,153,165,633	20,229,926,566
LIABILITIES					
Accounts payable and other accrued expenses	8,908,028	-	-	8,908,028	8,528,040
Trades pending settlement	910,270,124	-	-	910,270,124	690,607,627
Due to other funds – equity in investments	3,766,017,700	-	(3,766,017,700)	-	-
Obligations under securities lending activities	1,691,103,869	-	-	1,691,103,869	1,783,199,685
Total Plan Liabilities	6,376,299,721	-	(3,766,017,700)	2,610,282,021	2,482,335,352
Net assets held in trust for pension benefits	$ 15,776,865,912	$ 3,766,017,700	-	$ 19,542,883,612	$ 17,747,591,214

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2006

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

	Regular	Police/Fire	Total Pension Trust Fund 2006	Total Pension Trust Fund 2005
ADDITIONS				
Contributions:				
Employer	$ 737,520,650	$ 228,609,386	$ 966,130,036	$ 875,510,984
Plan members	62,623,975	13,346,346	75,970,321	66,896,424
Repayment and purchase of service	35,037,937	7,176,096	42,214,033	63,730,852
Total Contributions	835,182,562	249,131,828	1,084,314,390	1,006,138,260
Investment Income:				
Net appreciation in fair value of investments	1,026,179,811	-	1,026,179,811	982,002,661
Interest	269,710,027	-	269,710,027	240,237,441
Dividends	220,695,082	-	220,695,082	211,913,280
Other investment income	69,022,827	-	69,022,827	72,430,235
Securities lending income	69,477,763	-	69,477,763	35,654,691
	1,655,085,510	-	1,655,085,510	1,542,238,308
Less investment expense:				
Cost of securities lending	(64,175,128)	-	(64,175,128)	(30,817,472)
Other	(23,638,860)	-	(23,638,860)	(20,179,039)
	(87,813,988)	-	(87,813,988)	(50,996,511)
Net Investment Gain	1,567,271,522	-	1,567,271,522	1,491,241,797
Other Income	2,685,956	394,089	3,080,045	3,308,506
Total Additions	2,405,140,040	249,525,917	2,654,665,957	2,500,688,563
DEDUCTIONS				
Benefit payments:				
Retirement and survivor benefits	644,534,332	143,743,614	788,277,946	700,673,381
Disability	35,457,168	8,836,383	44,293,551	39,098,388
Post-retirement increases	35,485	6,078	41,563	47,724
Refund of contributions	11,185,833	2,688,767	13,874,600	14,492,618
Administrative expenses	8,212,797	-	8,212,797	8,971,919
Contribution distributions	4,673,102	-	4,673,102	
Total Deductions	704,098,717	155,274,842	859,373,559	763,284,030
Increase in Net Assets	1,701,041,323	94,251,075	1,795,292,398	1,737,404,533
Transfers:				
Interfund transfers	(885,848)	885,848	-	-
Transfer of annual investment incom	(299,975,769)	299,975,769	-	-
Transfer of administrative fees	721,019	(721,019)	-	-
Total Transfers	(300,140,598)	300,140,598	-	-
Net assets held in trust for pension benefits:				
Beginning of year	14,375,965,187	3,371,626,027	17,747,591,214	16,010,186,681
End of year	$ 15,776,865,912	$ 3,766,017,700	$ 19,542,883,612	$ 17,747,591,214

INVESTMENT SECTION

INVESTMENT CONSULTANT

Callan Associates, Inc.

INVESTMENT COUNSEL

Domestic Equities:

AllianceBernstein
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
UBS Global Asset Management
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:

AllianceBernstein
Barclays Global Investors
Invesco Realty Advisors

Securities Lending:

The Bank of New York

CALLAN ASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

September 26, 2006

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, 2006.

Fiscal year 2006 was a year of modest progress for domestic equity and strong performance by international stocks. Interest rate increases hurt bond prices and performance worldwide. Equity real estate had positive results.

The asset allocation policy for fiscal year 2006 remained unchanged; 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 8.8 percent exceeds the actuarial return assumption of 8.0 percent. The total fund return was above the Fund's benchmark. Longer-term results remain competitive and the return for the past 22 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 22 years.

We welcome any comments or questions regarding the investment activity of PERS for the 2006 fiscal year.

Paul V. Troup
Executive Vice President

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

300 GALLERIA PARKWAY, SUITE 950, ATLANTA, GEORGIA 30339, TELEPHONE 770-618-2140 FACSIMILE 770-618-2141

INVESTMENT REVIEW

Introduction

The investment program is designed to generate an 8% long term return to fund the System's benefits while minimizing 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 detail the investment strategy and guidelines for the portfolio.

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 an 8% long-term investment return 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 57, demonstrates that the investment portfolio, over the last ten years, has captured the blended real return (inflation) objective in seven of those years. The objective was CPI + 3.0% until September 30, 2000, CPI + 3.5% from October 1, 2000 through September 30, 2002, CPI + 3.75% from October 1, 2002 through September 30, 2003, and CPI + 4.5% thereafter. Chart 2, on page 57, details annualized returns for long-term periods ended June 30, 2006. (Note: Effective CPI dates were corrected from previous publications.) The System achieved the blended market objective for the 1, 3, and 22 year periods and both the real return and actuarial earnings goals for the 1-year, 10-year, and since inception periods. The System's 8.8% return in Fiscal Year 2006 was driven by international equity and alternative investments, as those portfolios experienced positive returns of 27.1% and 20.8%. An analysis of asset class results versus the markets is included on pages 63-65.

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.

The long-term target allocation for the fund as of June 30, 2006 was 25% U.S. Fixed Income, 45% U.S. Equity, 10% International Fixed Income, 10% International Equity, and 10% Alternative Investments. The June 30, 2006 actual asset class allocation is shown in Chart 3, page 58.

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 pages 59-60, shows the market value of the assets under management by investment type, category, and manager. A list of the ten largest Equity and Fixed Income holdings based on fair market value at June 30, 2006, is included in Chart 5 on page 61. 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

The System's 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 Global Investment Performance Standards (GIPS) 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 62, 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 63-64, compare 1, 5, 10-year and since-inception returns for each asset class to the corresponding objective for periods ended June 30, 2006.

Chart 11 on page 65, shows alternative investment returns for the year ended June 30, 2006 compared to since-inception returns using a blended objective.

The total fund outperformed the blended market objective for the Fiscal year ending June 30, 2006 with total returns of 8.76% compared to the benchmark of 8.08%. Performance from stock and alternative investments were mainly responsible for the positive results.

U.S. Equity portfolio returns captured the objective for the 1, 5, and 10-year periods ended June 30, 2006 due to positive results from active management and consistent returns from index management.

The International Equity portfolio outperformed the market benchmark for the 1-year, 10-year and since inception periods. The 5-year periods is below the benchmark due to the substandard performance of active managers. The portfolio is currently 100% indexed and above average results from the index managers have added value to the portfolio.

U.S. Fixed Income has captured its objective for the 1-year period due to positive performance by the index funds and active managers. The 5-year, 10-year, and inception returns have not met the benchmark due to performance from active managers that have been subsequently terminated.

The International fixed income portfolio outperformed the market benchmark for the 1-year, 5-year, and since inception periods. The 10-year returns trail the objective due to active management results. The index funds captured their benchmark.

The Alternative Investment portfolio has 2 ¾ years of performance history as an asset class. Fiscal year 2006 performance captured the objective due to strong performance from private equity and private real estate.

This report has been prepared in conjunction with the System's investment consultant, Callan Associates.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 1

Individual Fiscal Year Return vs. Inflation Objective

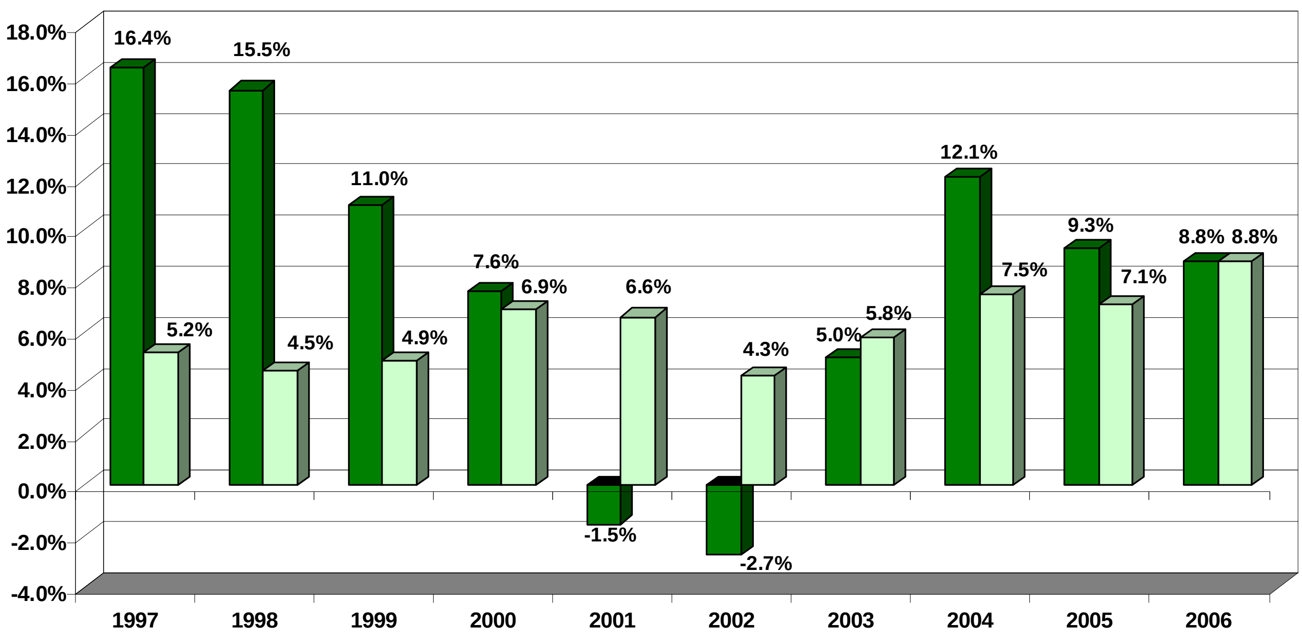
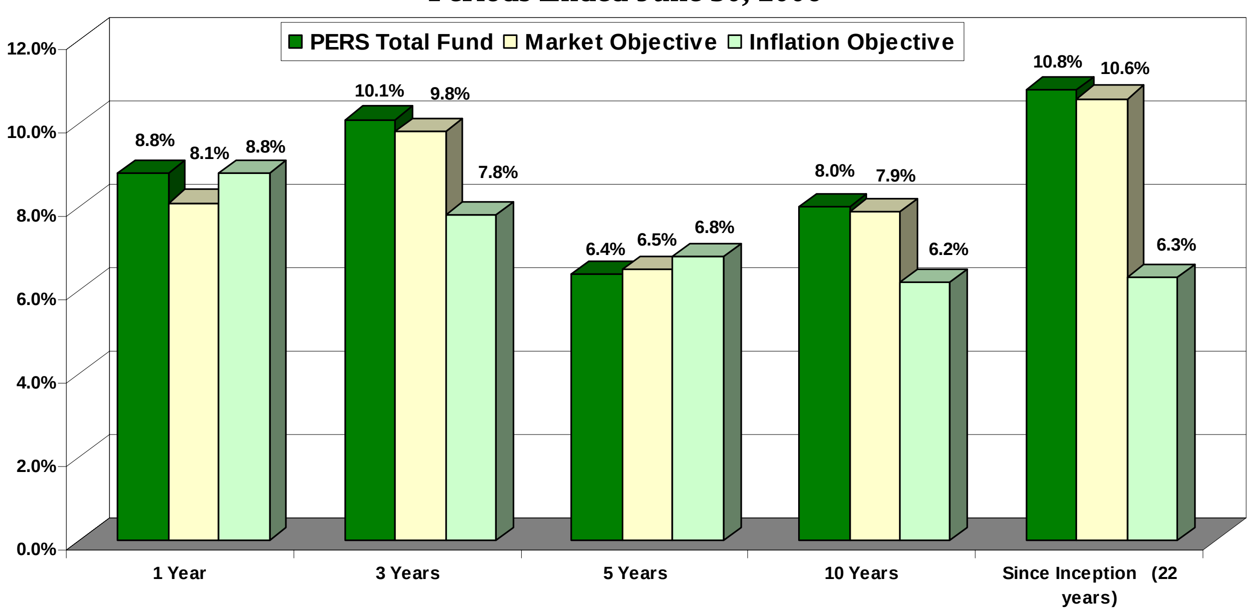


CHART 2

Annualized Total Returns vs. Market Objective and Inflation Objectives *
Periods Ended June 30, 2006



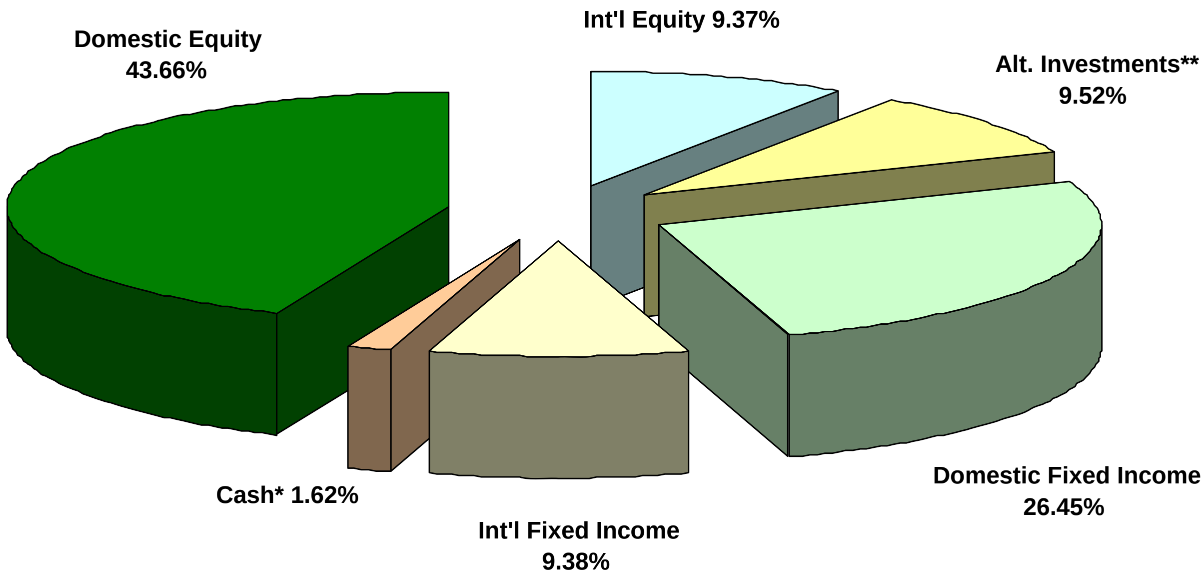
***CPI +3.0% until September 2000, CPI +3.5% from October 1, 2000 through September 30, 2002, CPI + 3.75% from October 1, 2002 through September 30, 2003, and CPI +4.5% thereafter. (Note: Effective CPI dates were corrected from previous publications.)**

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

CHART 3

ASSET MIX

JUNE 30, 2006



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

****Includes 1.40% Private Equity, 3.02% REITS, and 5.10% Private Real Estate.**

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2006
(Page 1 of 2)

	Amount Under Management		Percent of Total Managed
EQUITIES			
Domestic Active Managers			
AllianceBernstein	$ 347,846,306		
Atlanta Capital Management	378,603,581		
Capital Guardian	380,436,941		
Loomis, Sayles & Company	506,085,237		
J. & W. Seligman	505,652,964		
Voyageur Asset Management	372,815,374		
Subtotal	2,491,440,403		12.49 %
Domestic Index Managers			
AllianceBernstein – S&P Citigroup Value	520,186,492		
AllianceBernstein – S&P 500	1,419,156,637		
Barclays Global Investors – S&P 500	1,432,422,652		
Mellon Capital - S&P 500	1,432,740,931		
Merrill Lynch - S&P 500	1,416,921,183		
Subtotal	6,221,427,895		31.17
International Index Manager			
BNY Asset Management	939,208,841		
Mellon Capital	929,334,080		
Subtotal	1,868,542,921		9.37
Private Equity			
Pathway Capital Management	279,262,654		1.40
REIT Index			
AllianceBernstein REIT	199,981,951		
Barclays REIT	206,446,451		
Invesco REIT	196,167,547		
Subtotal	602,595,949		3.02
Total Equities		$ 11,463,269,822	57.45 %
FIXED INCOME			
Domestic Active Managers			
Dodge & Cox	601,466,392		
JP Morgan	576,104,799		
Payden & Rygel US Bond	774,901,039		
Western Asset Management	812,052,324		
Subtotal	2,764,524,554		13.86

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2006
(Page 2 of 2)

	Amount Under Management		Percent of Total Managed
FIXED INCOME (continued)			
Domestic Index Managers			
Barclays U.S. Debt Index	$ 598,490,003		
Lehman Brothers Asset Management	643,175,657		
Payden & Rygel U.S. Bond Index	665,350,609		
UBS US Bond	605,076,951		
Subtotal	2,512,093,220		12.59 %
International Active Managers			
Julius Baer Investment Management	306,296,792		
UBS Global Asset Management	313,606,463		
Rogge Global Partners	310,588,189		
Subtotal	930,491,444		4.66
International Index Managers			
Payden & Rygel	467,105,814		
UBS Global Asset Management	473,755,821		
Subtotal	940,861,635		4.72
Mortgage Loans			
Invesco	12,178		0.00 *
Total Fixed Income		7,147,983,031	35.83
PRIVATE REAL ESTATE			
Invesco Realty	619,817,649		
Invesco Realty Takeover	1,784,918		
BlackRock Realty	395,655,288		
BlackRock Realty Takeover	93,271		
Total Real Estate		1,017,351,126	5.10
SHORT-TERM INVESTMENTS			
Cash Equivalents	282,689,915		
Custodial Cash - Bank of New York	40,775,641		
Total Short-Term Investments		323,465,556	1.62
TOTAL PORTFOLIO		**$ 19,952,069,535**	**100.00** %

Notes: The Statement of Fiduciary Net Assets contains $3,660,182 in administrative cash, which does not appear on this schedule. Total Portfolio less short term investments of $323,465,556 equals investments of $19,628,603,979.

* - Less than .01%

CHART 5

LIST OF LARGEST ASSETS HELD

Largest Equity Holdings
June 30, 2006

Ranking	Name	Fair Value
1	GENERAL ELECTRIC CO	$240,853,717
2	EXXON MOBIL CORP	222,485,346
3	CITIGROUP INC	161,947,758
4	BANK OF AMERICA CORP	151,577,819
5	JP MORGAN CHASE	127,383,606
6	PROCTER & GAMBLE CO	127,013,307
7	MICROSOFT CORP	123,779,316
8	ALTRIA GROUP INC	108,261,741
9	AMERICAN INTERNATIONAL GROUP INC	108,031,266
10	JOHNSON & JOHNSON	107,124,497

Largest Fixed Income Holdings
June 30, 2006

Ranking	Name	Fair Value
1	FNMA TBA 30YR 5.00% JULY 1, 2034	140,100,309
2	FNMA TBA 30YR 6.00% JULY 1, 2034	137,896,678
3	FNMA TBA 30YR 5.50% JULY 1, 2034	89,587,553
4	U. S. TREAS NTSDTD 00109 4.5% NOVEMBER 15, 2015	77,009,625
5	U. S. TREAS NTS 2.75% AUGUST 15, 2007	45,725,830
6	BUNDESREPUBLIK DEUTS 4.75 JULY 4, 2034	43,216,115
7	U. S. TREAS NTSDTD 00103 3.875% SEPTEMBER 15, 2010	42,987,555
8	FNMA TBA 15YR SFM 5.00% JULY 1, 2018	42,922,181
9	U. S. TREAS NTSDTD 00076 2.875% NOVEMBER 30, 2006	41,593,125
10	JAPAN GOVERNMENT TEN 0.9 DECEMBER 22, 2008	38,427,745

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 1997							
Total Return	33.2%	14.9%	8.0%	6.2%	9.9%		16.4%
Objective	34.7	12.8	8.2	2.2	11.5		5.2
Fiscal Year 1998							
Total Return	29.3	6.7	10.4	1.7	11.0		15.5
Objective	30.2	6.1	10.5	0.9	18.0		4.5
Fiscal Year 1999							
Total Return	23.1	9.6	2.9	3.2	12.0		11.0
Objective	22.8	7.6	3.2	4.9	12.6		4.9
Fiscal Year 2000							
Total Return	9.3	22.3	4.2	(1.2)	10.5		7.6
Objective	7.2	17.2	4.6	2.4	10.9		6.9
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
Fiscal Year 2006							
Total Return	9.7	27.1	(0.5)	0.2		20.8	8.8
Objective	8.6	26.6	(0.8)	(0.0)**		19.3	8.1

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:
Until September 30, 2002 – CPI +3%
October 1, 2000 – September 30, 2002 – CPI + 3.5%
October 1, 2002 – September 30, 2003 – CPI + 3.75%
October 1, 2003 thereafter – CPI + 4.5%

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.

** objective = (0.01)

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 7

U.S. Equity vs. S&P 500
Periods Ended June 30, 2006

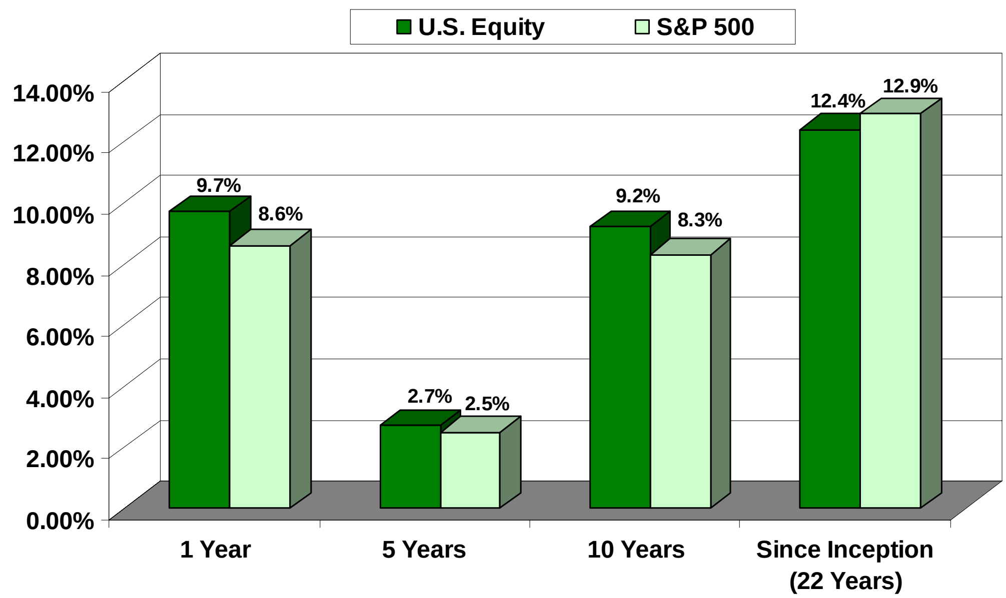
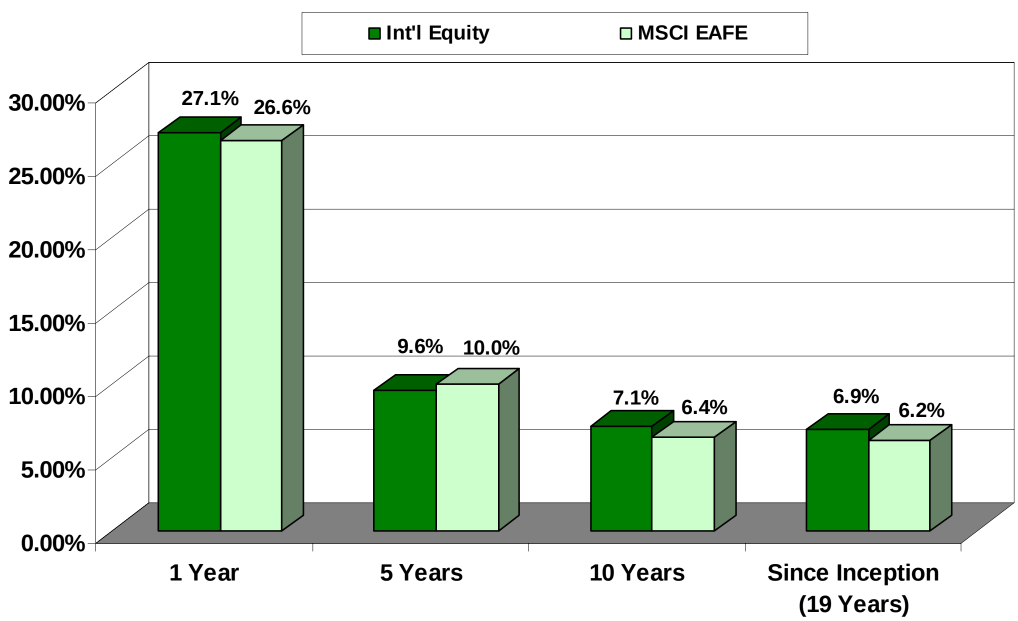


CHART 8

International Equity vs. MSCI EAFE
Periods Ended June 30, 2006



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 9

U.S. Fixed Income vs. Lehman Aggregate
Periods Ended June 30, 2006

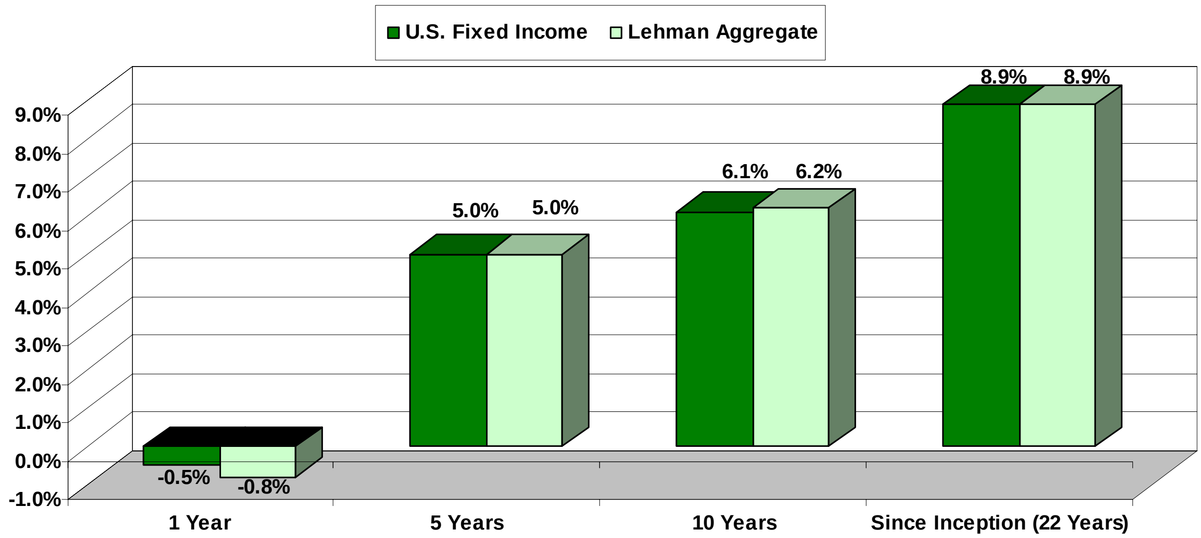
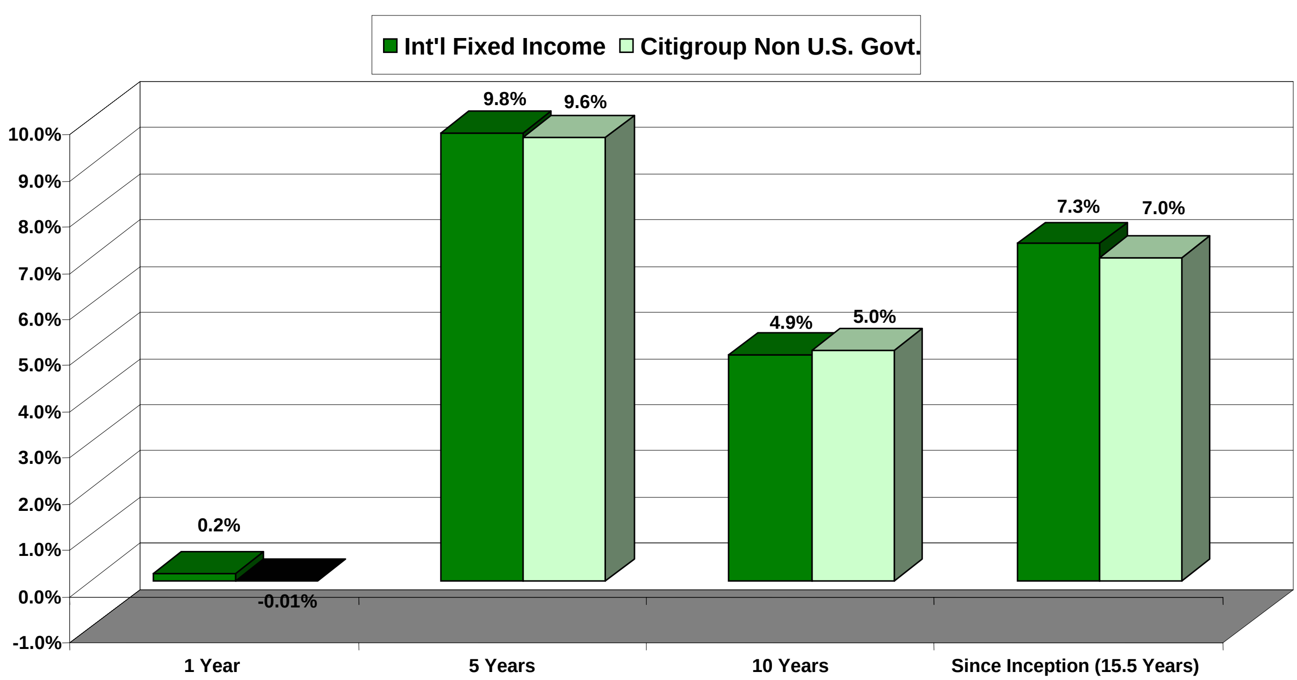


CHART 10

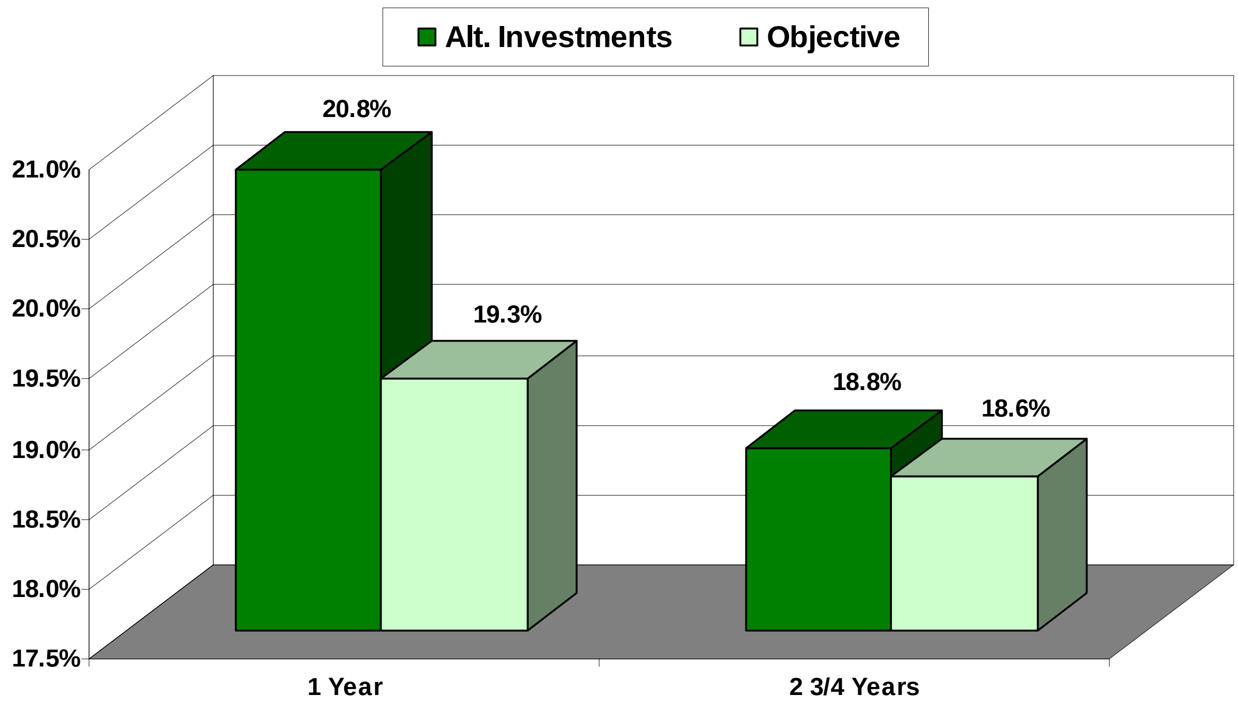
International Fixed Income vs. Citigroup Non U.S. Govt.
Periods Ended June 30, 2006



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 11

Alternative Investments vs. Blended Objective*
Periods Ended June 30, 2006



* Blended Objective as of April 1, 2005:

55.3% NCREIF Total Property Index
32.5% Wilshire REIT float adjusted
12.2% S & P 500 + 4.0%

Target adjusted quarterly, based on beginning market values.

CHART 12

SCHEDULE OF FEES and COMMISSIONS
For Year Ended June 30, 2006
(Page 1 of 5)

Name/Firm		Amount Under Management at June 30, 2006	Fees Paid
Investment Management Fees			
Domestic and International Equity Managers			
AllianceBernstein S&P 500	U.S. Index	$ 1,423,481,331	$ 243,561
AllianceBernstein Value	U.S. Index	521,221,030	178,262
Barclays Global Investors	U.S. Index	1,433,220,251	243,706
Mellon Capital	U.S. Index	1,432,903,892	156,176
Merrill Lynch	U.S. Index	1,422,812,593	156,283
AllianceBernstein Growth	U.S. Active	352,399,855	788,175
Atlanta Capital Management	U.S. Active	387,623,107	949,312
Capital Guardian	U.S. Active	395,289,487	1,012,697
J. & W. Seligman	U.S. Active	507,284,313	1,271,925
Loomis, Sayles & Company	U.S. Active	509,782,584	1,102,191
Voyageur Asset Management	U.S. Active	382,583,177	937,298
BNY Asset Management	Int'l Index	944,552,944	802,893
Mellon Capital	Int'l Index	931,391,369	294,510
Domestic and International Fixed Income Managers			
Barclays Global Investors	U.S. Index	598,490,003	145,966
Lehman Brothers	U.S. Index	623,645,354	237,305
Payden & Rygel	U.S. Index	614,053,724	236,869
UBS Global Asset Management	U.S. Index	612,516,990	114,634
Dodge & Cox	U.S. Active	604,952,558	814,921
JP Morgan Asset Management	U.S. Active	614,412,322	705,794
Payden & Rygel	U.S. Active	603,212,485	703,159
WestAM	U.S. Active	39,844	155,609
Western Asset Management	U.S. Active	610,491,777	1,058,157
Payden & Rygel	Int'l Index	483,011,273	288,951
UBS Global Asset Management	Int'l Index	475,822,206	310,334
Julius Baer Investment Management	Int'l Active	310,623,861	644,141
Rogge Capital Partners	Int'l Active	319,416,919	649,447
UBS Global Asset Management	Int'l Active	314,424,024	749,188

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2006
(Page 2 of 5)

Name/Firm		Amount Under Management at June 30, 2006	Fees Paid
Investment Management Fees (continued)			
Private Equity Manager			
Pathway Capital Management		$ 285,335,243	$ 1,562,800
Private Real Estate Managers			
Invesco Realty Advisors		622,291,145	3,738,821
BlackRock Realty		395,748,559	2,165,818
Real Estate Investment Trust (REIT) Managers			
AllianceBernstein REIT	Index	210,348,617	57,644
Barclays Global Investors REIT	Index	206,446,451	162,116
Invesco Realty Advisors REIT	Index	196,175,616	197,862
Sub-total Investment Management Fees			22,836,525
Investment Services Fees			
Investment Consultants			
Callan Associates			470,442
Sub-total services fees			470,442

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2006
(Page 3 of 5)

	Number of Shares	Commission Paid	Commission Per Share (rounded)
Broker Commissions			
A. G. Edwards & Sons	847,950	$ 39,721	$ 0.05
Able Noser Corporation	628,990	23,458	0.04
ABN AMRO	1,533,880	23,008	0.02
Acento Securities	37,000	1,650	0.04
Adams, Harkness & Hill	164,150	7,371	0.04
ADP Clearing and Outsourcing	41,000	1,640	0.04
American Technology Research	163,625	7,104	0.04
Arnhold & Bleichroeder	8,775	351	0.04
Avondale Partners	208,500	10,425	0.05
Bank of America Securities	3,360,800	88,156	0.03
Baypoint Trading	4,000	124	0.03
Bear Stearns & Company	3,922,890	125,080	0.03
Blair William & Company	992,325	40,730	0.04
BMO Nesbitt Burns Corporation	57,150	2,531	0.04
BNY Brokerage	185,100	7,695	0.04
Bridge Trading Company	294,000	12,200	0.04
Brown Brothers Harriman & Company	156,850	6,747	0.04
B-Trade Services	756,325	18,916	0.03
Buckingham Research Group	48,500	2,183	0.05
Cantor, Fitzgerald & Company	229,613	9,108	0.04
Capital Institutional Services	225,600	4,510	0.02
CIBC World Markets Corporation	352,271	15,758	0.04
Citation Group/BCC Clearing	113,000	4,520	0.04
Citibank	2,347,017	35,042	0.01
Citigroup Global Markets	11,193,135	202,953	0.02
Credit Suisse First Boston	6,676,891	152,278	0.02
Davenport & Company	55,000	2,750	0.05
Davis, Mendel & Regenstein	147,600	7,234	0.05
Deutsche Banc/Alex Brown	5,275,829	70,737	0.01
Dowling & Partners	300	12	0.04
First Albany Corporation	48,500	2,425	0.05
First Analysis Securities Corporation	4,525	181	0.04
First Clearing	27,000	1,350	0.05
First Tennessee Securities	81,775	4,089	0.05
Fox-Pitt Kelton	36,975	1,492	0.04
Friedman, Billings & Ramsey	166,625	6,753	0.04
Fulcrum Global Partners	22,175	998	0.05
Futuretrade Securities	170,700	1,707	0.01
Gabelli & Company	49,300	2,219	0.05
Gardner Rich & Company	282,000	14,100	0.05
Gerson Lehrman Group Brokerage	488,445	21,438	0.04
Goldman Sachs & Company	6,205,466	149,318	0.02
Gordon, Haskett & Company	176,000	7,190	0.04

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2006
(Page 4 of 5)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share (rounded)
Griswold Company	9,600	$ 288	$ 0.03
Guzman & Company	3,900	39	0.01
HSBC Securities Inc. (James Capel)	207,100	7,249	0.04
Imperial Capital	181,700	6,341	0.03
Instinet Corporation	1,576,954	63,158	0.04
Investment Technology Group	5,635,063	93,211	0.02
ISI Group	474,075	22,076	0.05
Ivy Securities	312,000	12,830	0.04
J P Morgan Securities	3,686,805	139,101	0.04
Janney Montgomery Scott	16,925	677	0.04
Jefferies & Company	1,050,950	31,279	0.03
JMP Securities	5,725	255	0.04
Jones & Associates	105,821	3,233	0.03
Kaufman Brothers	19,300	772	0.04
Keefe Bruyette & Woods	119,675	5,220	0.04
Knight Securities	160,000	6,189	0.04
Leerink Swann and Company	127,600	5,419	0.04
Legg Mason Wood Walker	752,825	35,813	0.05
Lehman Brothers	31,101,553	297,361	0.01
Liquidnet	2,357,492	56,539	0.02
Lynch Jones & Ryan	404,000	16,710	0.04
Magna Securities Corporation	63,000	3,150	0.05
McDonald Investments Inc. (Key Bank)	426,800	20,406	0.05
Merrill Lynch Pierce Fenner	17,432,292	380,027	0.02
Merriman Curhan Ford & Company	18,400	828	0.05
Midwest Research Securities	241,675	10,449	0.04
Midwood Securities	36,750	1,470	0.04
Morgan Keegan & Company	110,600	5,477	0.05
Morgan Stanley & Company	4,316,134	106,244	0.02
Natexis Bleischroeder	417,110	11,775	0.03
National Financial Services Corporation	57,095	2,535	0.04
Needham & Company	20,000	700	0.04
Neuberger & Berman	20,609	461	0.02
Nomura Securities International	8,800	88	0.01
Nyfix Clearing Corporation	53,300	1,333	0.03
Nyfix Transaction Services #2	27,000	732	0.03
O’Neil, William & Co/BCC Clearing	260,850	11,854	0.05
Oppenheimer and Company	66,675	3,019	0.05
Pacific Crest Securities	156,050	6,713	0.04
Pacific Growth Equities	79,350	3,174	0.04
Pershing & Company	258,875	7,469	0.03
Pipeline Trading Systems	10,300	206	0.02
Piper Jaffray & Company	345,825	13,979	0.04
Polcari/Weicker	16,500	330	0.02
Princeton Securities	58,900	1,767	0.03

CHART 12

SCHEDULE OF FEES and COMMISSIONS
For Year Ended June 30, 2006
(Page 5 of 5)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share (rounded)
Prudential Equity Group	664,266	$ 29,307	$ 0.04
Pulse Trading	274,700	3,575	0.01
Raymond, James & Associates	21,600	1,018	0.05
RBC Dominion Securities Corporation	127,100	4,806	0.04
Robert W. Baird & Company	970,525	44,628	0.05
Rosenblatt Securities Inc.	7,900	356	0.05
S.G. Cowen & Company	602,700	16,272	0.03
Sanders Morris Mundy	42,050	1,517	0.04
Sandler O'Neill & Partners	11,500	560	0.05
Sanford C. Bernstein & Company	1,141,150	53,811	0.05
SBK-Brooks Investment Corporation	15,000	750	0.05
SG Americas Securities	1,022,930	21,406	0.02
Sidoti & Company	123,900	5,743	0.05
Simmons & Company	53,675	2,352	0.04
Societe General	3,503,695	70,074	0.02
Soleil Securities Corporation	113,000	5,381	0.05
Southwest Securities	83,100	4,155	0.05
Spear, Leeds & Kellogg	2,565,941	12,326	0.00*
State Street Brokerage Service	107,800	4,002	0.04
Stiffel Nicholaus & Company	117,025	5,708	0.05
Suntrust Capital Markets	147,100	6,868	0.05
The Williams Capital Group	79,500	3,728	0.05
Thinkequity Partners	69,385	2,806	0.04
Thomas Weisel Partners	242,750	10,208	0.04
U.S. Bancorp Piper Jaffray	111,900	3,673	0.03
UBS Securities	3,818,204	112,113	0.03
Veritas Securities	390,330	16,700	0.04
Wachovia Sec. Capital Market	138,690	3,973	0.03
Wachovia Securities	536,525	24,233	0.05
Wedbush Morgan Securities	215,700	10,628	0.05
Weeden & Company	1,148,787	40,345	0.04
Westminster Research	71,000	3,460	0.05
Sub-total Commissions		3,061,680	
Total Fees and Commissions		$ 26,368,648	

* Commission is less than one cent per share.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

ACTUARIAL SECTION

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SEGAL

THE SEGAL COMPANY
6300 South Syracuse Way, Suite 750 Englewood, CO 80111
T 303.714.9900 F 303.714.9990 www.segalco.com

November 17, 2006

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, 2006**

Dear Retirement Board Members:

This letter is to certify that Segal has prepared an actuarial valuation of the Public Employees' Retirement System of the State of Nevada as of June 30, 2006 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, 2006, the funded ratio is 76.5% for regular employees and 68.9% 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 and firefighters. These payroll growth rates are based on a 3.5% per year inflation assumption.

For GASB 25 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, 2006
Page 2

The most recent actuarial valuation prepared as of June 30, 2006, is based on the following major elements:

- Current benefit provisions (as specified in the Public Employees' Retirement Act).
- Membership data as of June 30, 2006 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, 2006 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, 2006 (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
- Unfunded Actuarial Accrued Liability and Funding Ratios
- 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

Public Employees' Retirement Board
November 17, 2006
Page 3

- Schedule 5 – Analysis of Financial Experience
- Actuarial Valuation Statement (GASB Disclosure Basis)

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

Since the actuarially determined rates from the July 1, 2006 valuation were not within the ranges noted above for Employer-Pay regular employees and all police/fire employees, and that valuation year is an even number year, a change in the statutory rates was required for fiscal years July 1, 2007 through June 30, 2009, as follows:

	Regular Employees	Police/Fire Employees
Employer-Pay		
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	19.75 %	32.00 %
Actuarial Determined Contribution Rate per July 1, 2006 Actuarial Valuation	20.44 %	33.55 %
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	20.50 %	33.50 %
Employee/Employer		
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	21.00 %	33.00 %
Actuarial Determined Contribution Rate per July 1, 2006 Actuarial Valuation	21.33 %	34.43 %
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	21.00 %	34.50 %

Public Employees' Retirement Board
November 17, 2006
Page 4

Since the July 1, 2006 valuation year is an even numbered year, a change in the statutory rates for 2007 is required.

A summary of the GASB disclosure rates are as follows:

	Regular Employees	Police/Fire Employees
Employer-Pay	21.15%	36.37%
Employee/Employer	22.04%	37.25%

The actuarial calculations prepared for disclosure requirements under GASB 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,

Mike Moehle

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

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

/dqm

4000789v1/01068.001

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in the June 30, 2006 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 2006 actuarial valuation.

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 and firefighters.

Payroll growth* (GASB disclosure) - 5.0% per year for both regular and police/fire fighter 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. For GASB disclosure, the unfunded accrued liability is amortized over 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
1997 to 2006

June 30	Active Members	Inactive Members	Retired and Disabled Members	Beneficiaries & Survivors	Total Membership
1997	70,726	3,934	16,036	2,741	93,437
1998	74,693	4,511	16,993	2,843	99,040
1999	77,252	5,212	18,038	2,984	103,486
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
2006	98,187	10,309	29,025	4,237	141,758

SCHEDULE 2

ACTIVE MEMBER VALUATION DATA
1997 to 2006

	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
1997	62,636	8,090	$ 2,013.7	$ 349.4	$ 32,149	$ 43,194	2.3 %	2.5 %
1998	66,374	8,319	2,181.3	374.9	32,714	44,987	1.8	4.2
1999	68,661	8,591	2,293.1	389.0	33,397	45,283	2.1	0.7
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
2006	87,020	11,167	3,648.6	717.5	41,929	64,250	2.5	4.9

SCHEDULE 3

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS
1997 to 2006

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*
1997	15,673	1,566		(490)		16,749			
1998	16,749	1,487		(559)		17,677			
1999	17,677	1,512		(466)		18,723			
2000	18,723	2,068		(618)		20,173			
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
2006	27,661	2,762	81,562,280	(710)	(14,789,407)	29,713	810,259,691	12.1	27,270

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*
1997	892	125		(67)		950			
1998	950	138		(51)		1,037			
1999	1,037	158		(66)		1,129			
2000	1,129	176		(56)		1,249			
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
2006	1,840	237	4,610,636	(87)	(1,478,451)	1,990	36,475,093	12.1	18,329

* Data unavailable for 1997-2000.

SCHEDULE 3
(continued)

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS
1997 to 2006

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*
1997	1,018	96		(36)		1,078			
1998	1,078	90		(46)		1,122			
1999	1,122	102		(54)		1,170			
2000	1,170	121		(78)		1,213			
2001	1,213	115	$1,253,040	(95)	($544,920)	1,233	$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
2006	1,498	147	1,673,808	(86)	(651,337)	1,559	19,303,127	8.7	12,382

*Data unavailable for 1997 – 2000.

SCHEDULE 4

SOLVENCY TEST
(millions)

1997 to 2006

	Actuarial Accrued Liabilities				Portion of Actuarial Accrued Liabilities Covered by Assets		
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	(1)	(2)	(3)
1997	$ 237.4	$ 4,197.9	$ 6,592.4	$ 8,339.2	100%	100%	59.2%
1998	266.2	4,723.5	7,281.7	9,597.0	100	100	63.3
1999	272.3	5,338.0	7,852.6	11,104.5	100	100	70.0
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
2006	483.3	11,852.6	13,403.2	19,282.0	100	100	51.8

* Includes liability for post-retirement benefit increases

SCHEDULE 5

ANALYSIS OF ACTUARIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2006 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 retirements occur at younger ages with higher average pay, there is a loss.	$42.8	($38.5)
Disability Retirements. If disability claims are less than assumed, there is a gain. If there are more claims, there is a loss.	(25.2)	1.1
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If there are more claims, there is a loss.	5.2	0.2
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If less liabilities are released, there is a loss	(92.5)	(5.1)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If there are greater increases, there is a loss.	(61.2)	(45.7)
Purchase of Service. Increase in accrued liability due to service purchases.	(10.9)	0.8
Investment Income. If there is a greater investment income than assumed, there is a gain. If there is less income, there is a loss.	(216.0)	(46.9)
Death After Retirement. If retirees live longer than assumed, there is a loss. If retirees live shorter than assumed, there is a gain.	79.5	(9.6)
Inactive Showups. Persons in inactive status who are added due to entry near July 1, 2005.	(0.5)	(0.5)
Retiree Showups. Persons in pay status who are added due to entry near July 1, 2005.	(2.0)	0.0
Other. Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results.	(44.8)	4.0
Total Experience Gain (or Loss) During Year.	**(325.6)**	**(140.2)**

ANALYSIS OF FINANCIAL EXPERIENCE (continued)

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2006 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.	(64.2)	(4.0)
Net Gain (or Loss) During Year.	**($389.8)**	**($144.2)**
Actuarial Assumptions and Methods. There were no changes in actuarial assumptions or methods.	0.0	0.0
Composite Gain (or Loss) During Year.	**($389.8)**	**($144.2)**

June 30, 2006

Actuarial Valuation Statement
(GASB Disclosure Basis)

Normal Cost	Regular Employees	Police/Fire Employees	Total
Employer normal cost	$ 589,274,400	$ 191,273,400	$ 780,547,800
Employee contributions	68,587,000	14,310,700	82,897,700
Total Normal Cost	**$ 657,861,400**	**$ 205,584,100**	**$ 863,445,500**
Actuarial Accrued Liability			
Active members	$ 10,740,089,400	$ 3,146,476,300	$ 13,886,565,700
Inactive members	448,328,000	29,360,200	477,688,200
Pensioners, beneficiaries and disabled	8,937,269,400	2,178,632,500	11,115,901,900
Survivors	218,948,100	40,042,200	258,990,300
Total Actuarial Accrued Liability	**$ 20,344,634,900**	**$ 5,394,511,200**	**$ 25,739,146,100**
Assets at Actuarial Value	**$ 15,566,605,897**	**$ 3,715,422,338**	**$ 19,282,028,235**
Total Unfunded Actuarial Accrued Liability	**$ 4,778,029,003**	**$ 1,679,088,862**	**$ 6,457,117,865**
Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization	**$ 232,644,600**	**$ 81,755,700**	**$ 314,400,300**
Employer-Pay Rate Payroll	$ 3,588,058,300	$ 706,331,900	$ 4,294,390,200
Employee/Employer Rate Payroll	626,239,800	84,931,300	711,171,100
Total Rate Payroll	**$ 4,214,298,100**	**$ 791,263,200**	**$ 5,005,561,300**

June 30, 2006

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	**21.15%**	**36.37%**
Employer normal cost	15.48%	25.89%
Amortization percentage	5.52%	10.33%
Administrative expenses	0.15%	0.15%
Employee/Employer, statutory rate	**21.00%**	**33.00%**
Employee/Employer, total rate	**22.04%**	**37.25%**
Employee contribution rate	10.50%	16.50%
Employer normal cost	5.87%	10.27%
Amortization percentage	5.52%	10.33%
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 the State 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.

Mike Moehle

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

STATISTICAL SECTION

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PERS has implemented GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004. This pronouncement further enhances statistical data in order to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

While "financial position" typically refers to the status of an entity's accounts as reported in a balance sheet, according to paragraph 34 of Government Accounting Standards Board (GASB) Concepts Statement 1, "economic condition" is described as a government agency's "financial position and its ability to continue to provide services and meet its obligations as they come due." This additional information provides the reader a more comprehensive overview of the entity.

Plan Membership

Active membership in PERS for fiscal year 2006 increased by 4,192 or 4.5%. This is consistent with the growth trends we have seen in the past three fiscal years. The number of benefit recipients increased by 2,263 or 7.3%. Again, this is consistent with retiree growth trends we have seen in the past several years, and can largely be attributed to the retirements of the first portion of the "baby boom" generation. We expect to see consistent growth in the number of retired members over the following years. Active and retired membership data, broken down between Regular and Police/Fire members, along with statistics on the number of active members per retiree can be found in Schedule 5 of this section. The number of active members per retiree continues to decline.

Net Assets vs. Liabilities

As exhibited in Schedule 1 of this section, there has only been one year, 2002, in which the change in net assets for the year was negative. Over the past ten years, the average change in net assets was an increase of $1.2 billion. The ratio of total deductions to total additions has held steady at 26-32% over the past three years. 2001 and 2002, very poor investment years with total returns of (1.5%) and (2.7%) respectively, showed deduction to addition ratios of 98.8% for fiscal year 2001 and 141.6% for fiscal year 2002. Much of this can be attributed to the effects of the World Trade Center event of 9/11/06. The System, overall, and investment returns in particular have recovered nicely from that period.

The ten year history of the funded ratio (Actuarial Value of Assets to Actuarial Accrued Liability) appears on the Schedule of Funding Progress in the Financial Section of this report. Some possible causes of fluctuations in this ratio are strong or weak investment returns, the smoothing of actuarial gains and losses over five year periods (see Actuarial Section, Asset Valuation Method narrative for further information on smoothing), and changes in the method of amortizing of the Unfunded Actuarial Accrued Liability, (such a change occurred effective July 1, 2004).

Fluctuations in the funded ratio are to be expected depending on financial and world events, and the existence of unfunded actuarial accrued liabilities is not necessarily an indicator of financial problems. However, the funding ratio is consistently and closely monitored and controlled to the best of the System's ability.

SCHEDULE 1
Changes in Net Assets
Last Ten Fiscal Years
(millions)

	Fiscal Year			
	1997	**1998**	**1999**	**2000**
Additions				
Employer contributions	$ 473.2	$ 508.1[a]	$ 557.4	$ 604.9
Plan member contributions	39.9	43.1	45.1	48.4
Repayment and purchase of service	4.5	6.0	6.8	8.5
Investment income (net of expenses)	1,277.8	1,435.2	1,172.0	917.0
Other income	1.8	1.9	1.9	2.2
Total additions to plan net assets	1,797.2	1,994.3	1,783.2	1,581.0
Deductions				
Benefit payments	300.1	336.1	374.2	421.2
Refunds	8.9	13.5	11.3	16.4
Administrative expenses	3.2	4.0	4.2	6.4[d]
Other expenses			0.1	0.7
Total deductions from plan net assets	312.2	353.6	389.8	444.7
Change in net assets	**$1,485.0**	**$1,640.7**	**$1,393.4**	**$ 1,136.3**

[a] – Contribution rates increased from previous period.

[b] – Began combining Administrative and Other expenses into one line item (exclusive of transfers of contributions) due to immateriality.

[c] – Transfers of contributions from the Public Employees' Retirement System to the Judicial Retirement System for members moving from PERS to JRS.

[d] – Computer system replacement project.

Information is from internal System records.

Fiscal Year

2001	2002	2003	2004	2005	2006
$ 656.1	$ 680.7	$ 724.0	$ 808.3[a]	$ 875.5	$ 966.1[a]
49.4	53.9	55.4	61.1	66.9	76.0
10.6	24.7	29.4	43.4	63.7	42.2
(217.0)	(367.8)	672.9	1,700.8	1,491.3	1,567.3
1.9	2.1	2.1	2.1	3.3	3.1
501.0	393.6	1,483.8	2,615.7	2,500.7	2,654.7
477.3	533.0	591.8	657.6	739.8	832.6
10.0	15.8	11.1	12.1	14.5	13.9
7.5[d]	8.7[d]	9.6[bd]	9.8[d]	9.0	8.2
0.1		6.7[c]			4.7[c]
494.9	557.5	619.2	679.5	763.3	859.4
$ 6.1	**$ (163.9)**	**$ 864.6**	**$ 1,936.2**	**$ 1,737.4**	**$ 1,795.3**

SCHEDULE 2
Benefit and Refund Deductions from Net Assets
(millions)

Regular Retired Members
Fiscal Year

	1997	1998	1999	2000
Benefits				
Retirement and survivor	$ 239.1	$ 266.6	$ 296.6	$ 334.0
Disability	8.8	10.2	11.3	13.2
Post-retirement increases	.1	0.1	0.1	0.1
Total Benefits	$ 248.0	$ 276.9	$ 308.0	$ 347.3
Total Refunds	$ 7.5	$ 11.5	$ 8.7	$ 13.6

Police/Fire Retired Members
Fiscal Year

	1997	1998	1999	2000
Benefits				
Retirement and survivor	$ 48.9	$ 55.7	$ 62.1	$ 69.4
Disability	3.2	3.5	4.1	4.5
Post-retirement increases	0.0	0.0	0.0	0.0
Total Benefits	$ 52.1	$ 59.2	$ 66.2	$ 73.9
Total Refunds	$ 1.4	$ 2.0	$ 2.6	$ 2.8

Total Retired Members
Fiscal Year

	1997	1998	1999	2000
Benefits				
Retirement and survivor	$ 288.0	$ 322.3	$ 358.7	$ 403.4
Disability	12.0	13.7	15.4	17.7
Post-retirement increases	0.1	0.1	0.1	0.1
Total Benefits	**$** 300.1	$ 336.1	$ 374.2	$ 421.2
Total Refunds	**$** 8.9	$ 13.5	$ 11.3	$ 16.4

Information is from internal System records.

Regular Retired Members
Fiscal Year

2001	2002	2003	2004	2005	2006
$ 373.7	$ 415.5	$ 460.2	$ 509.5	$ 574.1	$ 644.5
19.0	22.6	24.7	27.8	31.0	35.5
0.1	0.1	0.1	0.0	0.0	0.0
$ 392.8	$ 438.2	$ 485.0	$ 537.3	$ 605.1	$ 680.0
$ 7.6	$ 13.4	$ 8.7	$ 9.1	$ 11.1	$ 11.2

Police/Fire Retired Members
Fiscal Year

2001	2002	2003	2004	2005	2006
$ 78.9	$ 88.3	$ 99.7	$ 112.6	$ 126.6	$ 143.7
5.6	6.5	7.1	7.6	8.1	8.8
0.0	0.0	0.0	0.0	0.0	0.0
$ 84.5	$ 94.8	$ 106.8	$ 120.2	$ 134.7	$ 152.5
$ 2.4	$ 2.4	$ 2.4	$ 3.0	$ 3.4	$ 2.7

Total Retired Members
Fiscal Year

2001	2002	2003	2004	2005	2006
$ 452.6	$ 503.8	$ 559.9	$ 622.1	$ 700.7	$ 788.2
24.6	29.1	31.8	35.4	39.1	44.3
0.1	0.1	0.1	0.1	0.0	0.0
$ 477.3	$ 533.0	$ 591.8	$ 657.6	$ 739.8	$ 832.5
$ 10.0	$ 15.8	$ 11.1	$ 12.1	$ 14.5	$ 13.9

SCHEDULE 3

RETIRED MEMBERS BY TYPE OF BENEFIT
As of June 30, 2006
(Page 1 of 2)

Regular Retired Members

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement: Service	Beneficiary	Disability	Survivor
Less than $250	588	509	63	13	3
$250 - $499	2,742	1,713	300	212	517
$500 - $749	3,003	2,077	342	248	336
$750 - $999	2,833	2,181	317	222	113
$1,000 - $1,249	2,519	2,055	239	163	62
$1,250 - $1,499	2,428	1,947	228	176	77
$1,500 - $1,749	1,432	1,157	133	106	36
$1,750 - $1,999	1,590	1,267	142	133	48
$2,000 - $2,249	1,340	1,125	93	93	29
$2,250 - $2,499	1,184	994	91	70	29
$2,500 - $2,749	1,094	934	62	60	38
$2,750 - $2,999	967	838	53	54	22
$3,000 - $3,249	959	865	38	36	20
$3,250 - $3,499	1,067	979	55	20	13
$3,500 - $3,749	1,024	965	27	21	11
$3,750 - $3,999	1,054	1,013	18	15	8
$4,000 - $4,249	691	662	22	4	3
$4,250 - $4,499	479	458	12	6	3
$4,500 - $4,749	378	364	4	7	3
$4,750 - $4,999	274	265	4	5	0
$5,000 - $5,249	252	246	5	0	1
$5,250 - $5,499	213	206	3	3	1
$5,500 - $5,749	181	177	3	0	1
$5,750 - $5,999	145	142	1	1	1
$6,000 & Over	496	487	5	2	2
Total	28,933	23,626	2,260	1,670	1,377

Information provided by The Segal Company, the System’s actuary.

SCHEDULE 3

RETIRED MEMBERS BY TYPE OF BENEFIT
As of June 30, 2006
(Page 2 of 2)

Police/Fire Retired Members

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement: Service	Beneficiary	Disability	Survivor
Less than $250	10	9	1	0	0
$250 - $499	166	54	33	11	68
$500 - $749	236	115	60	23	38
$750 - $999	245	145	48	33	19
$1,000 - $1,249	229	147	39	34	9
$1,250 - $1,499	270	159	63	42	6
$1,500 - $1,749	147	106	28	12	1
$1,750 - $1,999	204	141	27	31	5
$2,000 - $2,249	204	149	25	26	4
$2,250 - $2,499	209	163	14	28	4
$2,500 - $2,749	208	173	21	10	4
$2,750 - $2,999	182	153	8	15	6
$3,000 - $3,249	217	183	13	15	6
$3,250 - $3,499	165	143	10	10	2
$3,500 - $3,749	179	160	9	9	1
$3,750 - $3,999	168	159	4	3	2
$4,000 - $4,249	152	143	4	4	1
$4,250 - $4,499	134	126	3	3	2
$4,500 - $4,749	120	117	1	1	1
$4,750 - $4,999	140	133	1	3	3
$5,000 - $5,249	108	106	1	1	0
$5,250 - $5,499	96	95	0	1	0
$5,500 - $5,749	79	76	2	1	0
$5,750 - $5,999	57	56	0	1	0
$6,000 & Over	404	398	3	3	0
Total	4,329	3,409	418	320	182

Information provided by The Segal Company, the System’s actuary.

SCHEDULE 4

AVERAGE BENEFIT PAYMENTS
(Page 1 of 2)

June 30		Regular Members	Police/Fire Members
1997	Average monthly benefit	$1,399	$2,129
	Average monthly compensation at retirement	$3,649	$4,927
	Number of new retirees	1,683	199
	Average years of service at retirement	20.30	21.70
	Average age at retirement	58	54
1998	Average monthly benefit	$1,466	$2,229
	Average monthly compensation at retirement	$3,512	$4,915
	Number of new retirees	1,258	201
	Average years of service at retirement	18.67	21.43
	Average age at retirement	58	54
1999	Average monthly benefit	$1,540	$2,333
	Average monthly compensation at retirement	$3,743	$5,052
	Number of new retirees	1,404	188
	Average years of service at retirement	19.30	20.27
	Average age at retirement	58	53
2000	Average monthly benefit	$1,626	$2,445
	Average monthly compensation at retirement	$4,023	$5,341
	Number of new retirees	1,791	234
	Average years of service at retirement	19.27	21.44
	Average age at retirement	59	54
2001	Average monthly benefit	$1,719	$2,583
	Average monthly compensation at retirement	$4,091	$5,548
	Number of new retirees	1,741	236
	Average years of service at retirement	18.96	21.24
	Average age at retirement	59	54

Number of new retirees excludes survivors and beneficiaries.

Number of new retirees and average monthly benefit is from The Segal Company, the System’s actuarial firm. Other data is from internal System records.

SCHEDULE 4

AVERAGE BENEFIT PAYMENTS
(Page 2 of 2)

June 30		Regular Members	Police/Fire Members
2002	Average monthly benefit	$1,799	$2,664
	Average monthly compensation at retirement	$4,143	$5,637
	Number of new retirees	1,582	220
	Average years of service at retirement	19.40	21.64
	Average age at retirement	58	53
2003	Average monthly benefit	$1,879	$2,862
	Average monthly compensation at retirement	$4,238	$5,931
	Number of new retirees	1,731	283
	Average years of service at retirement	19.32	21.78
	Average age at retirement	59	54
2004	Average monthly benefit	$1,961	$3,014
	Average monthly compensation at retirement	$4,356	$6,189
	Number of new retirees	1,981	262
	Average years of service at retirement	18.73	21.65
	Average age at retirement	59	54
2005	Average monthly benefit	$2,062	$3,184
	Average monthly compensation at retirement	$4,600	$6,578
	Number of new retirees	2,446	279
	Average years of service at retirement	19.14	21.77
	Average age at retirement	59	55
2006	Average monthly benefit	$2,136	$3,387
	Average monthly compensation at retirement	$4,643	$7,153
	Number of new retirees	2,445	328
	Average years of service at retirement	18.51	22.33
	Average age at retirement	60	55

SCHEDULE 5

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
1997	62,636	8,090	14,033	2,003	4.5	4.0
1998	66,374	8,319	14,822	2,171	4.5	3.8
1999	68,661	8,591	15,729	2,309	4.4	3.7
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
2006	87,020	11,167	25,296	3,729	3.4	3.0

* Excluding survivors and beneficiaries
Information provided by The Segal Company, the System's actuary.

SCHEDULE 6

CONTRIBUTION RATE HISTORY

	Funding Basis Contribution Rates[b]		GASB Disclosure Contribution Rates[ab]		Statutory Contribution Rates[c]	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
Employer Pay Plan						
1997	18.33%	27.36%	N/A	N/A	18.75%	27.00%
1998	18.45	27.95	19.62%	30.94%	18.75	28.50
1999	18.55	28.40	19.59	31.25	18.75	28.50
2000	18.92	27.58	19.45	28.88	18.75	28.50
2001	18.29	27.14	18.75	28.33	18.75	28.50
2002	18.96	28.45	19.45	29.70	18.75	28.50
2003	20.32	28.81	20.91	30.13	18.75	28.50
2004	20.07	32.60	20.46	34.98	20.25	28.50
2005	19.70	32.12	21.24	36.15	20.25	28.50
2006	20.44	33.24	21.15	36.37	19.75	32.00
Employee/ Employer Plan						
1997	9.75%	14.21%	N/A	N/A	10.00%	14.00%
1998	9.86	14.61	10.45%	16.10%	10.00	14.75
1999	9.73	14.61	10.25	16.03	10.00	14.75
2000	9.87	14.22	10.14	14.87	9.75	14.75
2001	9.56	14.00	9.79	14.60	9.75	14.75
2002	9.91	14.68	10.16	15.30	9.75	14.75
2003	10.59	14.79	10.89	15.45	9.75	14.75
2004	10.51	16.68	10.69	17.87	10.50	14.75
2005	10.31	16.44	11.08	18.53	10.50	14.75
2006	10.68	17.08	11.02	18.63	10.50	16.50

[a] GASB disclosure contribution rates were prepared for the first time in fiscal year 1997 for the fiscal 1998 rate year.

[b] Funding Basis and GASB Disclosure Contribution rates are provided by The Segal Company, the System's actuary.

[c] Statutory contribution rates are calculated (see Actuarial Section of this report for calculation parameters) and effective July 1st of each odd-numbered year.

SCHEDULE 7
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 Preparatory 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

SCHEDULE 7
Participating Employers
(Page 2 of 2)

Cities (Continued)
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
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 District
Beatty Water and Sanitation District
CC Communications
Clark County Water Reclamation District
Douglas County Sewer and Water District
Lander County Sewer and Water District
Lincoln County Power District
Lovelock Meadows Water District
McGill-Ruth Consolidated Sewer and Water District
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 County 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 8
PRINCIPAL PARTICIPATING EMPLOYERS

Participating Agencies	1997 Covered Employees	Rank	Percentage of Total System
Clark County School District	17,072	1	24.13%
State of Nevada	11,367	2	16.07
Washoe County School District	5,493	3	7.77
Clark County	4,833	4	6.83
Las Vegas Metropolitan Police Department	2,659	5	3.76
University Medical Center of Southern Nevada	2,652	6	3.75
Washoe County	2,410	7	3.41
City of Las Vegas	2,357	8	3.33
University of Nevada Reno	1,801	9	2.55
Department of Transportation	1,491	10	2.11
Sub-total	52,135		73.71%
All other	18,591		26.29%
Total 1997 (138 Agencies)	70,726		100.00%

Participating Agencies	2006 Covered Employees	Rank	Percentage of Total System
Clark County School District	29,596	1	30.15%
State of Nevada	14,770	2	15.04
Clark County	7,040	3	7.17
Washoe County School District	6,706	4	6.83
Las Vegas Metropolitan Police Department	4,437	5	4.52
University Medical Center of Southern Nevada	3,473	6	3.54
Washoe County	2,828	7	2.88
City of Las Vegas	2,812	8	2.86
University of Nevada Reno	2,170	9	2.21
City of Henderson	1,848	10	1.88
Sub-total	75,680		77.08%
All other[a]	22,507		22.92%
Total 2006 (163 Agencies)	98,187		100.00%

[a] In 2006, "All other" consisted of:

TYPE	NUMBER	EMPLOYEES
State of Nevada and Related Agencies	19	2,115
University of Nevada System	1	1,808
Schools	34	6,777
Counties	14	2,739
Cities	17	5,125
Hospitals	6	631
Utility, Irrigation, and Sanitation Districts	18	713
Special Districts and Agencies	44	2,599
Sub-total	153	22,507
Largest Ten Participating Employers	10	75,680
Total	163	98,187

SCHEDULE 9

Average Age and Service Statistics for Members*

	1997	2006
Regular members:		
Average age	43.6	45.1
Average years of service	8.3	8.5
Police/Fire members:		
Average age	39.2	39.5
Average years of service	9.3	9.9

SCHEDULE 10
Average Salaries for Members*

	Regular	Increase	Police/Fire	Increase
June 30, 1997	$32,149		$43,194	
1998	32,714	1.8 %	44,987	4.2 %
1999	33,397	2.1	45,283	0.7
2000	35,185	5.4	48,857	7.9
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
2006	41,929	2.5	64,250	4.9
Annual increase 1997 – 2006		3.0 %		4.5 %

Fiscal Year 2006 All Urban Consumer Price Index (CPI) 4.3%

* Information provided by The Segal Company

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

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, 2006, were $3.04 for each Regular member and benefit recipient and $3.25 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.

Employer-Pay Contribution Plan (EPC)

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, 2006, were 19.75% for Regular members and 32.0% for Police/Fire members.

Employee/Employer Contribution Plan

Under this plan, through June 30, 2006, the Regular member and the employer each contributed 10.5% of compensation to the System. Police/Fire members and their employers each contributed 16.5% 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.

PLAN SUMMARY

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 repayment is complete.

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. A person who was the spouse at time of retirement, shall be entitled, at the time of the retired employee's death or upon the attainment of age 50, whichever is later, to a benefit of 50% of the deceased retired employee's benefit earned at the time of his/her death in an eligible police/fire position.

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 77, for a schedule of post-retirement increases.

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

Eligibility

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 on 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.
2. 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.

Amount of Survivor Benefits

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.