# 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, 2008**

**Dana K. Bilyeu**
**Executive Officer**

693 West Nye Lane
Carson City, Nevada 89703-1599
(775) 687-4200

**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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# Table of Contents

**Actuarial Section**



**Statistical Section**

# INTRODUCTORY SECTION

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December 3, 2008

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, 2008.

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 (GASB). In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2008, and changes in fiduciary net assets for the year then ended.

The System was established by the Nevada Legislature in 1947. By July 1, 1949, the System had approximately 3,000 members and 64 retirees. At the end of fiscal year 2008, the System had 173 participating employers, 106,123 active members, and 38,130 retirees and beneficiaries. The System is comprised of two sub-funds, Regular, consisting of members who are not police or fire employees, and Police and Firefighters (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 111.

Included in the Financial Section of this CAFR, beginning on page 21, is 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.

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

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## 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. Following the 2007 legislative session, the Retirement Board reviewed the System's Official Policies and determined that no changes were necessary as a result of legislative action.

### System Governance

During this past year the Board completed a self-assessment process with the assistance of executive staff and a consultant. The Board also completed a review of compliance with the governance policies. The review covered more than 100 separate provisions of the governance policies. The compliance review report concluded that the Board and staff are adhering to the spirit and letter of the governance policies. No major exceptions were identified.

This year the Board Chairman appointed a sub-committee to work with staff to review each policy and charter to ensure the policies remain current and relevant. The sub-committee process provides an opportunity for in-depth discussions on individual policies and a framework for Board feedback to staff on draft changes. The sub-committee is scheduled to complete the review of all policies and charters, with appropriate recommendations to the Board, during fiscal year 2009.

### 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 ensure that all duties are performed within the fiscal year. PERS' performance is measured, in part, by total member and retiree workload. During fiscal year 2008, the System completed approximately 92,500 pieces of work. Of this group, 74,000 were directly related to customer requests, with the remainder relating to back office support. Approximately 92% of all work was performed within the ten working day benchmark.

Benefit payments were made to approximately 38,000 benefit recipients monthly. The System completed 7,180 one-fifth of a year purchases for educational employees and 1,466 service credit audits for the Public Employees' Benefits Program (PEBP). The electronic enrollment process was introduced to non-choice public employers for the first time during this fiscal year. This process allows employers to directly enroll new members by submitting a data file which is downloaded into the C*A*R*S*O*N System. Staff will be providing group training for employers during the 2009 fiscal year.

In order to better serve our members and retirees in southern Nevada, a new Las Vegas office was opened in the Summerlin area which is in a location geographically diverse from the System's existing Las Vegas office. The new office was officially opened on January 14, 2008.

PERS continued participation in a benchmarking analysis service in fiscal year 2008. The purpose of the analysis was to help PERS understand how our total administrative costs and service levels compare to our peers. The most recently completed report shows that PERS provides a good level of service to the members and beneficiaries at a cost below the median from its peers.

The 4th Annual Liaison Officer Conference was held in Las Vegas on November 15, 2007. The public employer attendees were organized into three groups based on agency type. This grouping provided the opportunity for PERS staff to effectively address the specialized issues related to each employer type. Reviewing the conference attendee surveys completed at the end of the conference revealed 97% of attendees rated the conference good or excellent.

### Information Technology

The System continued to work to improve the functionality of the website for our members, retirees, and employers. Online programs were developed for PERS' service retirement, disability retirement, and purchase of service programs.

The System is migrating the current pension processing system from the Forte product to a Java based system. This migration was necessary due to the announced end of life of the Forte product. The current system came on line in 2001 and has been very successful. The Java migration, which has been underway for approximately nine months, will allow the System to keep the functionality of the current pension processing system, with virtually no interruption to the end users, while migrating to a system that will continue to be supportable. This project is currently on schedule and on budget.

Staff continued to enhance the System's disaster recovery site in fiscal year 2008 through ongoing testing of various System processes. In addition, PERS maintained its security certification through an information technology security consultant and continues to participate in this security review on an ongoing basis.

### Strategic Planning

Annually, the Retirement Board reviews the System's strategic plan for updates, including both additions and deletions. Beginning in 2006, after research in strategic planning within the public pension community, the strategic plan for Nevada PERS was significantly modified to better reflect the core nature of the business of the agency. This new format proved helpful in the fiscal year 2008 revision to the strategic plan which included the following sections: Introduction, Mission, Philosophy, Core Values, Organization and History, Goals and Objectives, Strategies, Internal Assessment, External Assessment, and Performance and Caseload Indicators. Language was modified in the Internal Assessment and External Assessment sections to include progress updates on legal management and information technology as well as a section on social investing issues. The updated Strategic Plan is available on PERS' website.

## 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. The Retirement Act 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 ensure 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 Nevada Legislature.

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

| | 2008 | 2007 |
|---|---|---|
| Additions | $558,002,173 | $4,115,846,295 |
| Deductions | (1,061,353,599) | (957,369,949) |
| Net Additions | ($503,351,426) | $3,158,476,346 |

Additions decreased approximately $3.6 billion from fiscal year 2007, due to decreases in net investment income of $3.7 billion, offset by increases in contribution revenue of $123.2 million. Deductions increased by $104.0 million between 2007 and 2008, due almost exclusively to increases in benefit payouts of $103.8 million.

## 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 Legislature.

The actuarial funding method used is the Entry Age Normal Cost Method. This method is used to calculate liabilities using 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 79. Fiscal year 2008 funding levels are presented on page 34 in the Financial Section of this report. In addition, Required Supplemental Information on page 44 shows ten-year schedules of funding progress. The funded ratio for all members is 76.2% in 2008, a slight decrease from 77.2% in fiscal year 2007.

## Investments

Investment performance plays an important role in the System's ability to provide retirement benefits to its members. Approximately 86% of the benefits the average member receives in retirement is funded from investment earnings. The remaining 14% is funded from contributions. The Board's investment philosophy centers on conservative, consistent, and cost-effective portfolio management.

The investment portfolio is designed to meet the funding objectives of the System while taking the least possible risk. Investment of the System's assets is governed by the prudent person standard. This standard states that the 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.

The System's investment portfolio is well diversified by asset class, investment structure, and individual security. In fact, the System's portfolio currently holds over 8,000 individual securities from 26 different countries. The Board utilizes these portfolio components to maintain strict control of the fund's risk/return profile.

Asset allocation is the most significant factor influencing the risk and return 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 risk/return objectives. The System is more conservatively structured than the average large public pension plan.

The fair value of the System's investment assets at the end of fiscal year 2008 was $22.0 billion. The portfolio return objective includes a premium over the Consumer Price Index (CPI). This premium has ranged from 3.0% to 4.5% over time. On that basis the total fiscal year 2008 return objective was 9.5%. The System's total return on investments for that same time period was -3.2%, which includes both realized and unrealized gains. Fiscal year 2008 returns were influenced by below average returns from U.S. and international equities and a sharp rise in inflation. While the fiscal year returns were below our long-term assumptions, they were quite competitive versus other large public pension plans, ranking in the top third of all plans for the year. The fund's annualized rate of return is 10.3% since inception (24 years) versus our long-term actuarial funding objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 15% of public funds for that same time frame. The investment section beginning on page 54 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 System for its comprehensive annual financial report for the fiscal year ended June 30, 2007 (see page 17). This was the eighteenth 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 Standards Award to the System for the fiscal year ended June 30, 2008 (see page 18). 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 15 and 54.

## 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 2008.

Respectfully submitted,

Dana K. Bilyeu
Executive Officer

## ADMINISTRATIVE PERSONNEL
## (Current)
### PUBLIC EMPLOYEES' RETIREMENT BOARD

| | | |
|---|---|---|
| Sue DeFrancesco | Chairman | 2009 |
| Charles A. Silvestri | Vice Chairman | 2011 |
| Elizabeth Fretwell | Member | 2010 |
| Purisimo B. Hernandez | Member | 2009 |
| David F. Kallas | Member | 2010 |
| George W. Stevens | Member | 2011 |
| 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 |
| Brian Snyder | Employer & Production Services |
| Oliver Owen | Information Technology |
| Debra Thomsen | Internal Audit |
| Lynette Jones | Member & Retiree Services |

## LEGAL COUNSEL

Christine Munro, Senior Deputy Attorney General, Carson City, Nevada

## MEDICAL ADVISOR

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

### POLICE AND FIREFIGHTERS' RETIREMENT FUND ADVISORY COMMITTEE

| | | |
|---|---|---|
| William Loncar | Chairman | 2010 |
| Richard Tiran | Vice Chairman | 2009 |
| John Chase | Member | 2010 |
| Chris Collins | Member | 2009 |
| Raymond McAllister | Member | 2011 |

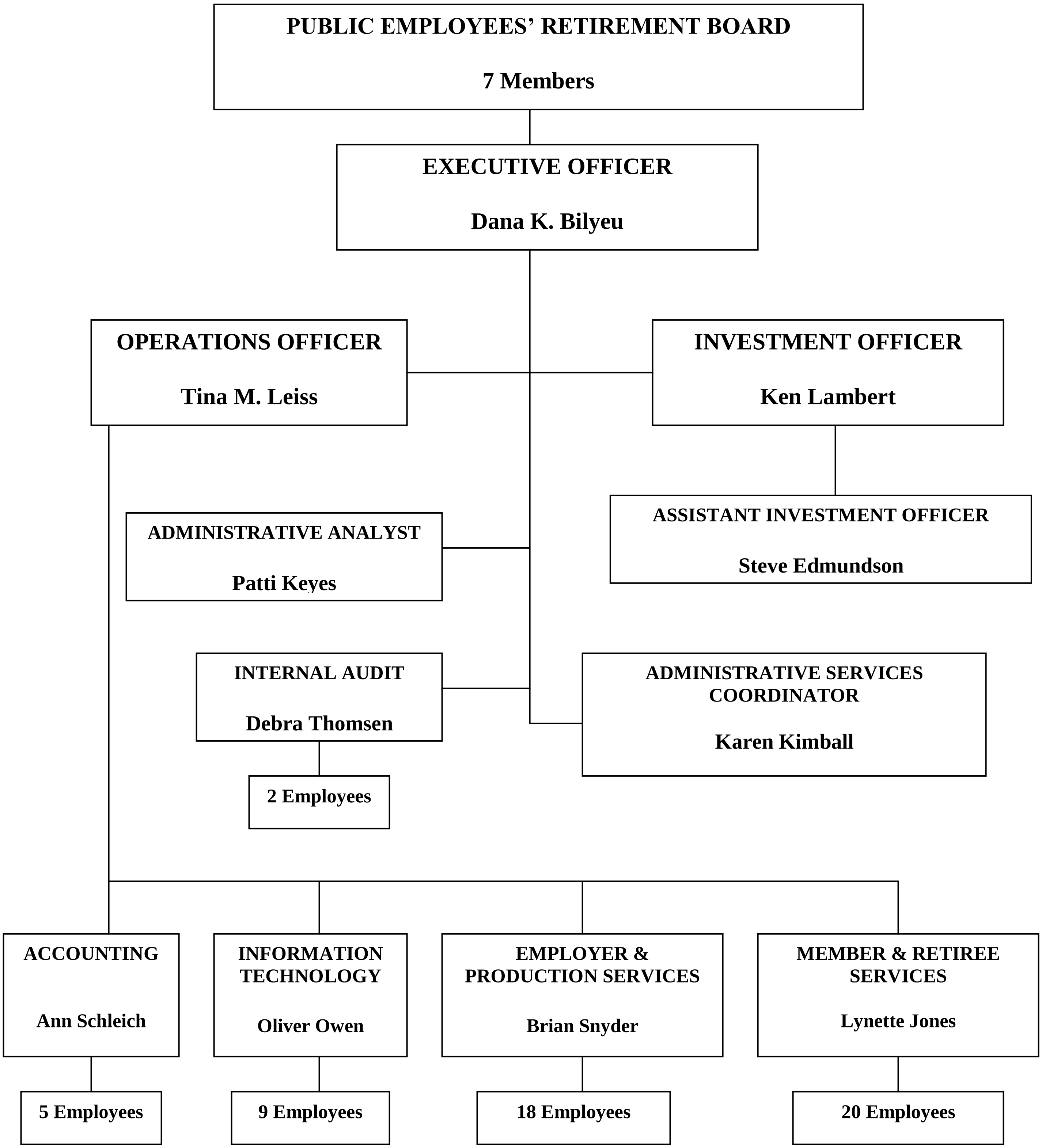
Terms expire on June 30 of year noted.

## THE SYSTEM'S ADVISORS

Consulting Actuary – The Segal Company, San Francisco, California
Independent Auditors – Clifton Gunderson LLP, Baltimore, Maryland
Investment Consultant – Callan Associates, Atlanta, Georgia

Note: A list of investment professionals who provide services to PERS can be found on page 54. A schedule of fees and commissions paid to investment professionals can be found beginning on page 69.

# 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, 2007

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 Award For Funding and Administration 2008*

Presented to

## *Public Employees' Retirement System of Nevada*

In recognition of meeting professional standards for
plan funding 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

# FINANCIAL SECTION

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**Clifton Gunderson LLP**
Certified Public Accountants & Consultants

## Independent Auditor's Report

Public Employees' Retirement Board
of the State of Nevada
Carson City, Nevada

We have audited the accompanying financial statements of the Public Employees' Retirement System of Nevada (the "System"), a component unit of the State of Nevada as of June 30, 2008, as listed in the table of contents. 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. The comparative totals for the year ended June 30, 2007 which are included for additional analysis were audited by other auditors whose report dated December 10, 2007 expressed an unqualified opinion on such information.

We conducted our audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the System as of June 30, 2008 and the changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 23 through 26 and the Schedules of Funding Progress and Employer Contributions on pages 44 and 45 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 46 through 51 is for the purpose of additional analysis and is not a required part of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental information for 2007 was subjected to the auditing procedures applied in the basic financial statements by other auditors whose report dated December 10, 2007 on such information was unqualified, in all material respects, in relation to the basic financial statements taken as a whole.

The Introduction Section on pages 9 through 18, the Investment Section on pages 53 through 72, the Actuarial Section on pages 73 through 90, the Statistical Section on pages 91 through 108 and the Plan Summary on pages 109 through 114 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
December 3, 2008

Offices in 17 states and Washington, DC

Member of HLB International

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## REQUIRED SUPPLEMENTARY INFORMATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the financial performance of PERS provides an overview of the agency's financial activities for the fiscal year ended June 30, 2008. 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, schools, counties, cities, special districts, etc.) as well as Police/Fire members throughout the state.

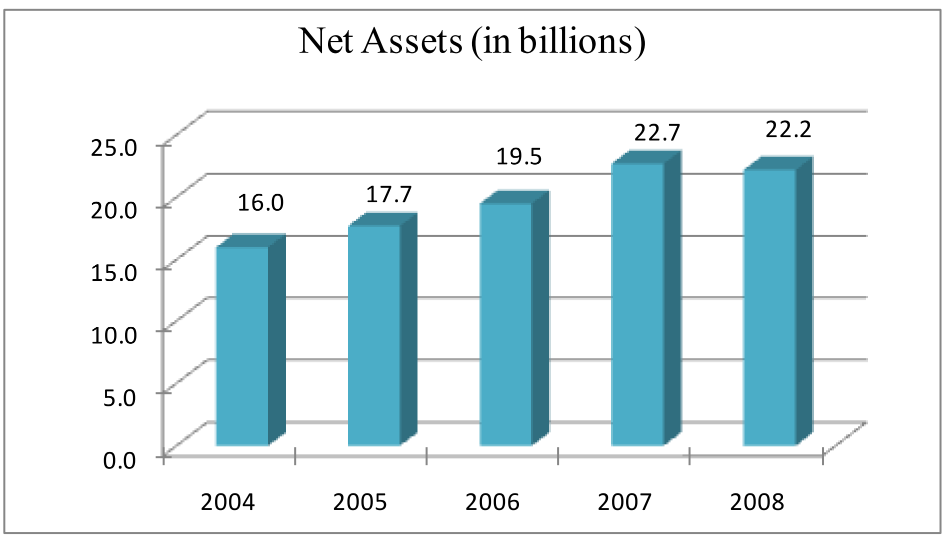
### Financial Highlights

Net assets decreased by $503.4 million or 2.2% to $22.2 billion as of June 30, 2008.

Total net investment loss was $743.1 million in fiscal year 2008, a decrease from the $2.9 billion gain in fiscal year 2007.

Total investments, excluding securities lending collateral, at June 30, 2008, decreased by $744.0 million or 3.3% to $22.0 billion.

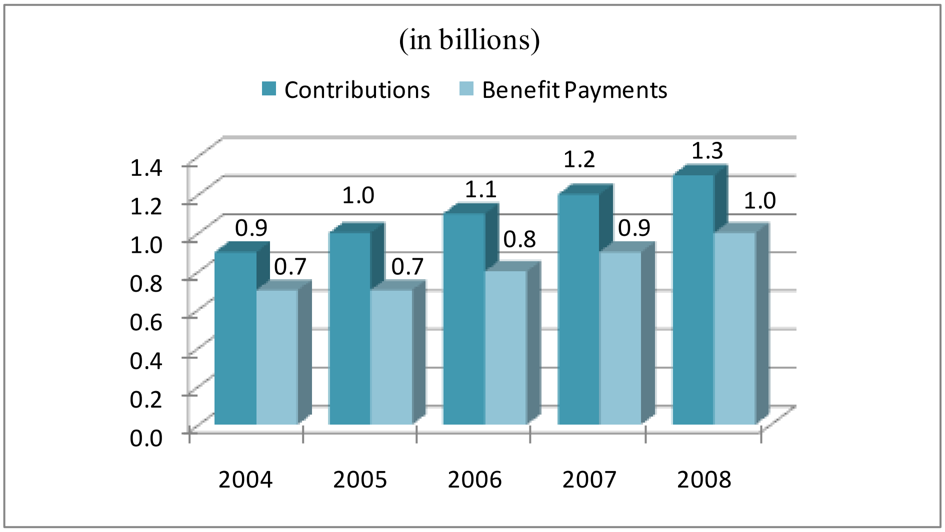
As of June 30, 2008, the most recent actuarial valuation, the System was 76.2% funded, compared to a funding level of 77.2% as of June 30, 2007.




Total contributions for fiscal year 2008 increased by $123.2 million or 10.5% to $1.3 billion.

Benefit payments for fiscal year 2008 increased by $103.8 million or 11.2% to $1.0 billion.

Refunds of contributions decreased by $0.6 million or 3.6% to $16.8 million.




The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. As of June 30, 2008, the Plan held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the Plan's Lehman debt securities will not be known until the bankruptcy proceedings are completed.

## 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, and (4) the Required Supplementary Information. Other supplementary information is also presented.

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, 2008 | As of June 30, 2007 | Percentage Change |
|---|---|---|---|
| Cash and cash equivalents | $ 377,383,481 | $ 404,691,892 | (6.7) % |
| Receivables | 187,412,500 | 195,972,466 | (4.4) |
| Trades pending settlement | 197,657,567 | 302,642,591 | (34.7) |
| Investments, at fair value | 22,009,876,310 | 22,753,829,642 | (3.3) |
| Collateral on loaned securities | 2,872,321,923 | 3,390,654,058 | (15.3) |
| Property and equipment, net | 4,600,228 | 3,095,035 | 48.6 |
| Other assets | 1,676,282 | 1,358,459 | 23.4 |
| Total assets | 25,650,928,291 | 27,052,244,143 | (5.2) |
| Accounts payable and other accrued expenses | 11,410,243 | 10,182,700 | 12.1 |
| Trades pending settlement | 569,187,593 | 950,047,427 | (40.1) |
| Obligations under securities lending activities | 2,872,321,923 | 3,390,654,058 | (15.3) |
| Total liabilities | 3,452,919,759 | 4,350,884,185 | (20.6) |
| Net assets held in trust for pension benefits | $ 22,198,008,532 | $ 22,701,359,958 | (2.2) |

**Condensed Statements of Changes in Fiduciary Net Assets**

| | For the Year Ended June 30, 2008 | For the Year Ended June 30, 2007 | Percentage Change |
|---|---|---|---|
| Contributions | $ 1,298,694,332 | $ 1,175,480,739 | 10.5 % |
| Net investment income (loss) | (743,073,557) | 2,937,087,365 | (125.3) |
| Other income | 2,381,398 | 3,278,191 | (27.4) |
| Total additions | 558,002,173 | 4,115,846,295 | (86.4) |
| Benefit payments | 1,033,191,346 | 929,376,391 | 11.2 |
| Refunds of contributions | 16,822,873 | 17,444,520 | (3.6) |
| Administrative expenses | 8,723,601 | 8,588,057 | 1.6 |
| Transfer of contributions | 2,615,779 | 1,960,981 | 33.4 |
| Total deductions | 1,061,353,599 | 957,369,949 | 10.9 |
| Net increase (decrease) | (503,351,426) | 3,158,476,346 | (115.9) |
| Net assets, beginning of year | 22,701,359,958 | 19,542,883,612 | 16.2 |
| Net assets, end of year | $ 22,198,008,532 | $ 22,701,359,958 | (2.2) |

Although the PERS investment program was unable to generate the 8% actuarial goal for fiscal year 2008, the fund did outperform its market objective and ended this year with approximately $22.0 billion in investment assets, as compared to fiscal year 2007's $22.8 billion. After four consecutive years of positive investment returns, due to the weakening economy and severe credit market crisis, PERS posted negative results. Fiscal year to date return hovered near 0% for the majority of the year, but in the last month of the fiscal year the U.S. stock market posted the worst June performance since the Great Depression (78 years).

The State of Nevada as a whole continues to experience steady growth. Contributions have grown along with this trend. Fiscal year 2008 contributions increased 10.5% from the previous year. Other income decreased 27.4% from 2007. Most of this change can be attributed to a decrease in purchases of service between the two years. Withdrawn contribution repayments and purchases of service, by nature, are unpredictable from year to year.

Benefit payments increased 11.2% in 2008 from 2007. This rate of increase is reasonable and consistent with those experienced over the past several years.

The transfer of contributions to the Judicial Retirement System (JRS) increased from 2007 as members continue to transfer from PERS to JRS. During fiscal year 2008, transfers totaling $2.6 million were made.

## STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

(With Comparative Totals for the Year Ended June 30, 2007)

| ASSETS | 2008 | 2007 |
|---|---|---|
| Cash and cash equivalents | $ 377,383,481 | $ 404,691,892 |
| Receivables: | | |
| Contributions receivable | 98,981,950 | 102,931,882 |
| Trades pending settlement | 197,657,567 | 302,642,591 |
| Accrued investment income | 88,430,550 | 93,040,584 |
| Total receivables | 385,070,067 | 498,615,057 |
| Investments, at fair value: | | |
| Fixed income securities | 6,557,248,763 | 5,671,983,788 |
| Marketable equity securities | 9,147,115,146 | 11,108,979,632 |
| International securities | 4,586,140,392 | 4,513,099,459 |
| Mortgage loans | 8,837 | 10,698 |
| Real estate | 1,179,621,748 | 1,075,034,761 |
| Private equity | 539,741,424 | 384,721,304 |
| Total investments | 22,009,876,310 | 22,753,829,642 |
| Collateral on loaned securities | 2,872,321,923 | 3,390,654,058 |
| Property and equipment, net | 4,600,228 | 3,095,035 |
| Other assets | 1,676,282 | 1,358,459 |
| Total plan assets | 25,650,928,291 | 27,052,244,143 |
| **LIABILITIES** | | |
| Accounts payable and other accrued expenses | 11,410,243 | 10,182,700 |
| Trades pending settlement | 569,187,593 | 950,047,427 |
| | 580,597,836 | 960,230,127 |
| Obligations under securities lending activities | 2,872,321,923 | 3,390,654,058 |
| Commitments and contingencies (Note 6) | | |
| Total plan liabilities | 3,452,919,759 | 4,350,884,185 |
| **Net assets held in trust for pension benefits** (A schedule of funding progress is presented on page 44) | $22,198,008,532 | $22,701,359,958 |

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

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2008
(With Comparative Totals For the Year Ended June 30, 2007)

| | 2008 | 2007 |
|---|---|---|
| **ADDITIONS** | | |
| Contributions: | | |
| Employer | $ 1,167,392,913 | $ 1,046,628,769 |
| Plan members | 88,013,888 | 83,219,638 |
| Repayment and purchase of service | 43,287,531 | 45,632,332 |
| Total contributions | 1,298,694,332 | 1,175,480,739 |
| Investment income | | |
| Net appreciation (depreciation) in fair value of investments | (1,452,221,839) | 2,310,325,045 |
| Interest | 344,301,544 | 308,236,020 |
| Dividends | 310,551,918 | 256,800,373 |
| Other investment income | 62,429,450 | 81,758,481 |
| | (734,938,927) | 2,957,119,919 |
| Less investment fees and other expenses: | (27,918,718) | (25,531,576) |
| Net investment income (loss) | (762,857,645) | 2,931,588,343 |
| Securities lending income | 176,117,382 | 129,784,535 |
| Less securities lending expense | (156,333,294) | (124,285,513) |
| Net securities lending income | 19,784,088 | 5,499,022 |
| Total net investment income (loss) | (743,073,557) | 2,937,087,365 |
| Other income | 2,381,398 | 3,278,191 |
| Total additions | 558,002,173 | 4,115,846,295 |
| **DEDUCTIONS** | | |
| Benefit payments: | | |
| Retirement and survivor benefits | 979,319,655 | 880,300,348 |
| Disability | 53,836,984 | 49,038,024 |
| Post-retirement increases | 34,707 | 38,019 |
| Refunds of contributions | 16,822,873 | 17,444,520 |
| Administrative expenses | 8,723,601 | 8,588,057 |
| Transfer of contributions | 2,615,779 | 1,960,981 |
| Total deductions | 1,061,353,599 | 957,369,949 |
| **Increase (decrease) in net assets** | (503,351,426) | 3,158,476,346 |
| **Net assets held in trust for pension benefits:** | | |
| Beginning of year | 22,701,359,958 | 19,542,883,612 |
| End of year | $22,198,008,532 | $22,701,359,958 |

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – Plan Description

### History and Purpose

PERS 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, 2008, the number of participating public employers is:

| | |
|---|---|
| State of Nevada and Related Agencies | 21 |
| University of Nevada System | 2 |
| Schools | 41 |
| Counties | 16 |
| Cities | 19 |
| Hospitals | 7 |
| Utility, Irrigation, and Sanitation Districts | 17 |
| Special Districts and Agencies | 50 |
| | 173 |

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: | 2008 | 2007 |
|---|---|---|
| Regular employees | 31,722 | 29,670 |
| Police/Fire employees | 4,689 | 4,396 |
| Survivor benefit recipients | 1,719 | 1,621 |
| Total benefit recipients | 38,130 | 35,687 |
| Inactive members: | | |
| Regular employees | 10,965 | 10,394 |
| Police/Fire employees | 628 | 596 |
| Total inactive members | 11,593 | 10,990 |
| Active members: | | |
| Regular employees | 93,816 | 91,757 |
| Police/Fire employees | 12,307 | 11,936 |
| Total active members | 106,123 | 103,693 |

## NOTES TO FINANCIAL STATEMENTS

Benefits

Benefits, as required by the 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 lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS. See Note 3 on page 35 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 thirty years of service. Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of accredited Police/Fire service, at age 50 with twenty years of accredited Police/Fire service, or at any age with twenty-five 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 Board is the governing body of the System with responsibility for administration and management. This autonomous, seven-member Board is appointed by the Governor of the State of Nevada.

The System has developed criteria in accordance with standards issued by 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 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.

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. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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.

Assets of the System can legally be used to pay both Regular or Police/Fire beneficiaries.

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 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. For private equity partnership investments, estimated fair value is determined in good faith by the general partner of the respective investment partnership. In addition, each partnership undergoes an independent audit on an annual basis.

## NOTES TO FINANCIAL STATEMENTS

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, 2008, were $3.79 for each Regular member and benefit recipient and $4.11 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 Legislature.

### Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2007 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, 2008, the System implemented the provisions of Government Accounting Standards Board Statement No. 50 (GASB 50), *Pension Disclosures – an amendment of GASB Statements No. 25 and 27*. GASB 50 requires disclosures, within the notes to the financial statements, of the funded status of the pension plan and actuarial methods and significant assumptions used in the most recent actuarial valuation.

## 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 Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

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).

## NOTES TO FINANCIAL STATEMENTS

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary. As of June 30, 2008 (date of the most recent actuarial valuation), the System's funded status is as follows:

(dollars in millions)

| Actuarial Valuation Date 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 |
|---|---|---|---|---|---|---|
| 2008 | $23,237.7 | $30,495.9 | $7,258.2 | 76.2% | $5,194.4 | 139.7% |

See Required Supplementary Information (RSI) on page 44 for a 10-year schedule of funding progress. This schedule indicates how the actuarial values of plan assets have increased or decreased over time, relative to the actuarial accrued liability (AAL) for benefits.

The unfunded actuarial 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 30 years from inception.

Fiscal year 2008 employer contributions required and contributions made are as follows:

| | Regular | | Police/Fire | | Total | |
|---|---|---|---|---|---|---|
| Actuarial Valuation Date June 30 | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2008 | $924,842,900 | 96% | $333,828,000 | 85% | $1,258,670,900 | 93% |

See Required Supplementary Information (RSI) on page 45 for a 10-year schedule of employer contributions.

## NOTES TO FINANCIAL STATEMENTS

### Actuarial Information

The funding progress and employer contribution information presented above and in the RSI 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 | | 6/30/2008 |
| 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% - 9.75% |
| | Police/Fire | 6.5% - 14.75% |
| Assumed payroll growth rates: | | |
| | Regular | 6.5% |
| | Police/Fire | 8.0% |
| Cost of living (post-retirement) increases | | 2% per year after 3 years of receiving benefits<br>3% per year after 6 years of receiving benefits<br>3.5% per year after 9 years of receiving benefits<br>4% per year after 12 years of receiving benefits<br>5% per year after 14 years of receiving benefits<br>3.5% per year compounded following the twenty-fourth anniversary of benefit commencement |

Trends are affected by investment experience (favorable or unfavorable), salary experience, and 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.

There were no changes in the asset valuation or actuarial funding methods since the previous year. For further information, see the Summary of Actuarial Assumptions and Methods beginning on page 79.

## NOTES TO FINANCIAL STATEMENTS

**Rates in effect for fiscal year ended June 30, 2008, were as follows:**

| Regular Employees | Funding Basis* | Statutory Rate |
|---|---|---|
| Employer-pay plan | 20.82% | 20.50% |
| Employee/employer plan (matching rate) | 10.83 | 10.50 |
| Police/Fire Employees | | |
| Employer-pay plan | 36.97% | 33.50% |
| Employee/employer plan (matching rate) | 18.86 | 17.25 |

* Based on June 30, 2007 actuarial valuation

For fiscal year 2008 contributions totaling $1,298,694,332 ($1,167,392,913 employer and $131,301,419 employee) were made in accordance with statutory rates.

The Public Employees' Retirement Act (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.

JRS was established in 2001 to provide benefits for the retirement, disability, or death of all justices of the Supreme Court and district judges. In fiscal year 2006 justices of the peace and municipal court judges began participating in JRS on a voluntary, employer-by-employer basis. Each participating individual who has service credit in PERS may transfer, at any time, to 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 PERS (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 $551,652 for the year ended June 30, 2008.

## 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 286.682, authorizes the 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 DTC's book-entry system. The holder of record for the System is The Bank of New York Mellon.

A summary of investments as of June 30, 2008, is as follows:

| Investment Type | | Fair Value at June 30, 2008 | |
|---|---|---|---|
| **Fixed income** | | | |
| U.S. Government | | | |
| Treasuries, notes, bonds | | $ 988,361,130 | |
| Treasury inflation protected securities | | 6,937,197 | |
| Agencies | | 1,159,591,792 | |
| Other | | 11,367,825 | |
| | subtotal | 2,166,257,944 | |
| Mortgage-backed | | | |
| Government pass-through | | 1,360,896,312 | |
| Corporate pass-through | | 226,883,083 | |
| | subtotal | 1,587,779,395 | |
| Collateralized mortgage obligations | | | |
| Government CMOs | | 122,548,546 | |
| Corporate CMOs | | 150,167,754 | |
| | subtotal | 272,716,300 | |
| Corporate | | | |
| Corporate bonds | | 1,030,362,019 | |
| Corporate asset backed | | 182,553,261 | |
| Private placements | | 51,875,776 | |
| | subtotal | 1,264,791,056 | |
| Commingled funds | | 1,104,192,338 | |
| Other | | 51,118,367 | |
| Non-U.S. markets | | 1,357,392,668 | |
| **Total fixed income** | | | 7,804,248,068 |

## NOTES TO FINANCIAL STATEMENTS

| | | |
|---|---|---|
| **Equity** | | |
| U.S. | 8,768,978,124 | |
| Non-U.S. | 3,691,982,312 | |
| **Total equity** | | 12,460,960,436 |
| **Other investments** | | |
| Private markets (Private equity) | 544,509,937 | |
| Real estate | 1,179,621,748 | |
| Mortgage loans | 8,837 | |
| Commingled funds | | |
| U.S. equity | 112,855,339 | |
| Money market funds | 353,056,593 | |
| subtotal | 465,911,932 | |
| **Total other investments** | | 2,190,052,454 |
| **Total investments** | | **$22,455,260,958** |

Reconciliation to investments on statement of net plan assets:

| | |
|---|---|
| Total from above | $22,455,260,958 |
| Minus: | |
| Short-term investments | (356,954,098) |
| Accrued income and other | (88,430,550) |
| **Investments on statement of net plan assets** | **$22,009,876,310** |

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.

## NOTES TO FINANCIAL STATEMENTS

At June 30, 2008, the carrying amount of the System's commercial cash deposits was $3,753,933 and the commercial bank balance was $8,346,488. 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, any amount in the cash reserve in excess of this limit 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 envelope limit of $850,000,000.

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 the following: 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 the following: 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 the following: 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 the following: 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 the following: 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.

Regarding U.S. Government securities, the System carries two types, U.S. Treasury and government sponsored enterprise (GSE or agency) securities. There is no risk or quality rating assigned to the U.S. Treasury securities (such as Government National Mortgage Association and Small Business Administration securities) as these are explicitly guaranteed by the U.S. Government. However, quality ratings have been assigned to the agency securities (such as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities) as these are implicitly guaranteed by the U.S. Government. During 2008 Fannie Mae and Freddie Mac were placed under conservatorship. Such government intervention secures the repayment of debt and guaranteed loans which in turn reduces systemic risk. Under the conservatorship the Federal Housing Finance Agency (FHFA) takes over the assets of and operates these entities with all of the powers of the shareholders, the directors, and the officers and conducts all business including authorizing the payment of valid obligations as outlined in the recently passed Housing and Economic Recovery Act of 2008. It is important to note, however, that the value of agency-issued securities like these fluctuate based on non-credit-related factors, such as interest-rate movements, which could cause future price declines despite government backing.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. As of June 30, 2008, the Plan held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the Plan's Lehman debt securities will not be known until the bankruptcy proceedings are completed.

| **Investment Type** (millions) | **Quality Rating** (S&P unless noted) **Agency** | **AAA** | **AA** | **A** | **BBB** | **BB** | **Not Rated** | **Totals** |
|---|---|---|---|---|---|---|---|---|
| U.S. Government* | $846.6 | $799.7 | $ - | $ - | $0.5 | $ - | $21.1 | $1,667.9 |
| Mortgage backed securities | 1,331.4 | 233.9 | 3.7 | 1.7 | 0.3 | - | 16.8 | 1,587.8 |
| Collateralized mort. obligations | 116.8 | 140.6 | 2.8 | 6.0 | - | - | 6.5 | 272.7 |
| Corporate bonds | - | 256.9 | 221.1 | 436.5 | 334.8 | 9.4 | 6.1 | 1,264.8 |
| Commingled | - | - | - | - | - | - | 1,104.2 | 1,104.2 |
| Other | - | 35.5 | 5.5 | 7.5 | 2.6 | - | - | 51.1 |
| Non-U.S. markets | 6.2 | 597.1 | 463.2 | 233.9 | 56.3 | - | 0.7 | 1,357.4 |
| Total fixed income and short-term | $2,301.0 | $2,063.7 | $696.3 | $685.6 | $394.5 | $9.4 | $1,155.4 | $7,305.9 |

*Quality Ratings of agency securities have been provided by the System's custodial bank, The Bank of New York Mellon. In addition, the System holds $498.3 million in Treasury securities which are explicitly guaranteed by the U.S. Government.

*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 in active strategies. A single firm may manage up to 20% of the System's assets on a

## NOTES TO FINANCIAL STATEMENTS

permanent basis in index strategies. No asset manager may oversee more than 20% of the System's assets. The System's assets shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or private equity) 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 the following: 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 the applicable investment maturities as of June 30, 2008.

| | | **Investment Maturities** (in years) | | | |
|---|---|---|---|---|---|
| **Investment Type** (millions) | **Fair Value** | **Less than 1** | **1-5** | **6-10** | **More than 10** |
| U.S. Government | $ 2,166.2 | $ 128.4 | $ 649.2 | $ 436.1 | $ 952.5 |
| Mortgage backed securities | 1,587.8 | 0.3 | 7.5 | 43.3 | 1,536.7 |
| Collateralized mortgage obligations | 272.7 | 6.7 | 10.8 | 36.5 | 218.7 |
| Corporate bonds | 1,264.8 | 11.3 | 427.0 | 385.4 | 441.1 |
| Commingled bonds | 1,104.2 | - | - | - | 1,104.2 |
| Other | 51.1 | 1.3 | 33.2 | 7.9 | 8.7 |
| Non-U.S. markets | 1,357.4 | 2.8 | 716.2 | 291.6 | 346.8 |
| Total fixed income and short-term | $ 7,804.2 | $ 150.8 | $ 1,843.9 | $ 1,200.8 | $ 4,608.7 |

*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, 2008, is summarized in the following table.

**Currency by Investment and Fair Value (millions)**

| Currency Type | Fixed Income | Equity | Derivatives | Cash |
|---|---|---|---|---|
| Australian Dollar | $4.6 | $234.5 | $0.7 | $0.1 |
| British Pound Sterling | 81.5 | 742.6 | (4.3) | 1.2 |
| Canadian Dollar | 25.8 | 4.8 | - | (0.1) |
| Danish Krone | 9.0 | 36.1 | - | 0.6 |
| Euro Currency | 647.8 | 1,204.3 | (95.0) | (5.0) |
| Hong Kong Dollar | - | 70.8 | 0.1 | 0.3 |
| Japanese Yen | 403.7 | 730.3 | (1.5) | 6.3 |
| Malaysian Ringgit | 2.7 | - | - | 0.1 |
| New Zealand Dollar | - | 3.0 | 0.2 | 0.3 |
| Norwegian Krone | 1.9 | 40.6 | 0.4 | (0.3) |
| Polish Zloty | 13.2 | - | - | (0.2) |
| Singapore Dollar | 1.8 | 40.7 | 0.3 | 0.6 |
| Swedish Krona | 8.0 | 73.0 | 0.3 | 0.3 |
| Swiss Franc | 4.0 | 256.6 | 1.0 | (0.5) |
| Total | $1,204.0 | $3,437.3 | ($97.8) | $3.7 |

*Derivatives*

Derivatives are periodically employed by the System. Foreign exchange forward contracts are used to hedge currency risk of investments in foreign currencies; exchange traded index futures are utilized to equitize cash; 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.

At June 30, 2008, the weighted average maturities were 4 days for loans outstanding and 31 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. Risk exists if short-term investment vehicles permanently lose value to the extent they fall below the value of loan collateral.

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, 2008, collateral was 103%. In addition, securities loaned may not exceed 33 ⅓% 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 borrower default. Therefore, there were no recoveries of prior period losses.

The fair value of securities loaned at June 30, 2008, is $2,789,612,700. 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, 2008, the System had 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.

### NOTE 6 – Commitments and Contingencies

The System has entered into investment funding commitments related to private markets to fund an additional $434.7 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
### 1999 to 2008
(dollars in millions)

| Actuarial Valuation Date 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 |
|---|---|---|---|---|---|---|
| 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 | 3,595.4* | 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 |
| 2007 | 21,359.0 | 27,671.6 | 6,312.6 | 77.2 | 4,769.6 | 132.4 |
| 2008 | 23,237.7 | 30,495.9 | 7,258.2 | 76.2 | 5,194.4 | 139.7 |

* Corrected from previous publications.

| Actuarial Valuation Date June 30 | Unfunded Actuarial Accrued Liability (millions) | | Unfunded Actuarial Accrued Liability as % of Payroll | | Actuarial Value of Assets as % of Total Actuarial Accrued Liability | |
|---|---|---|---|---|---|---|
| | Regular | Police/ Fire | Regular | Police/ Fire | Regular | Police/ Fire |
| 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 |
| 2007 | 4,615.8 | 1,696.8 | 116.0 | 214.4 | 78.8 | 71.1 |
| 2008 | 5,363.0 | 1,895.2 | 123.8 | 219.4 | 77.7 | 70.8 |

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF EMPLOYER CONTRIBUTIONS
## 1999 to 2008

| Actuarial Valuation Date June 30 | Regular | | Police/Fire | | Total | |
|---|---|---|---|---|---|---|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 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 |
| 2007 | 861,341,761 | 97 | 279,177,144 | 91 | 1,092,261,101 | 96 |
| 2008 | 924,842,900 | 96 | 333,828,000 | 85 | 1,258,670,900 | 93 |

## OTHER SUPPLEMENTARY INFORMATION

### Schedule of Administrative Expenses
For the Year Ended June 30, 2008
(GAAP Basis)

| | | | |
|---|---|---|---|
| Personnel services: | Staff payroll and benefits | $4,467,557 | |
| | Board fees | 19,680 | |
| | Total Personnel Services | | $4,487,237 |
| Out-of-state travel: | Staff | 8,406 | |
| | Board | 4,971 | |
| | Police/Fire committee | 2,002 | |
| | Total Out-of-State Travel | | 15,379 |
| In-state travel: | Staff | 48,932 | |
| | Board | 20,287 | |
| | Police/Fire committee | 1,707 | |
| | Total In-State Travel | | 70,926 |
| Operating: | Office supplies | 28,956 | |
| | Equipment less than $1,000 | 6,295 | |
| | Postage and freight | 235,262 | |
| | Communications | 31,075 | |
| | Printing | 272,592 | |
| | Publications and periodicals | 3,327 | |
| | Bonds and insurance premiums | 9,763 | |
| | Contract services | 533,536 | |
| | Vehicle expense | 5,057 | |
| | Equipment rental and repair | 18,533 | |
| | Building rental | 280,832 | |
| | License and fees | 1,952 | |
| | Client communication | 181,025 | |
| | Dues and registration | 21,729 | |
| | Medical expenses | 24,904 | |
| | Host expense | 776 | |
| | Litigation expense | 22,162 | |
| | Total Operating | | 1,677,776 |
| Equipment and office furniture | | | 27,187 |
| Information technology | | | 2,293,118 |
| Training | | | 61,456 |
| Attorney General allocation | | 87,318 | |
| Total Expenses | | | $8,720,397 |

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

| | |
|---|---|
| Total from above | $8,720,397 |
| Plus: Miscellaneous unbudgeted expenses | 3,204 |
| Administrative Expenses on Statement of Changes in Fiduciary Net Assets: | $8,723,601 |

## OTHER SUPPLEMENTARY INFORMATION

### Schedule of Administrative Expenses
For the Year Ended June 30, 2008
(Non-GAAP Budgetary Basis)
Budget vs. Actual

| | Budget | Actual Expenditures | Variance Under (Over) |
|---|---|---|---|
| Personnel services | $4,752,729 | $4,453,694 | $299,035 |
| Out-of-state travel | 35,666 | 15,379 | 20,287 |
| In-state travel | 71,248 | 70,926 | 322 |
| Operating | 1,672,895 | 1,677,776 | (4,881) |
| Equipment and office furniture | 29,804 | 29,740 | 64 |
| Information technology | 3,810,019 | 3,795,759 | 14,260 |
| Training | 67,727 | 61,456 | 6,271 |
| Attorney General allocation | 86,423 | 87,318 | (895) |
| Unallocated budgetary authority | 200,000 | - | 200,000 |
| Total | $10,726,511 | $10,192,048 | $534,463 |

### Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

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, 2008.

| | |
|---|---|
| Administrative Expenses (Non-GAAP Budgetary Basis) | $10,192,048 |
| Adjustments: | |
| Accrued payroll | 33,543 |
| Depreciation expense | 1,951,615 |
| Capitalization of fixed assets & software | (3,456,809) |
| Administrative Expenses (GAAP Basis) | $8,720,397 |

## OTHER SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2008

| | |
|---|---|
| Investment counselor fees | $ 19,935,547 |
| Investment consulting fees | 321,242 |
| Equity real estate expense | 7,463,550 |
| Mortgage loans legal and professional fees | 839,181 |
| Securities lending broker rebates and fees | 156,333,294 |
| Depreciation expense | (701,961) |
| Investments monitoring expense | 19,258 |
| Custodial banking fees | 41,901 |
| Total Investment Expenses | $ 184,252,012 |

## OTHER SUPPLEMENTARY INFORMATION

### SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2008

| | |
|---|---|
| Actuary | |
| The Segal Company | $ 340,155 |
| Cost Effectiveness Consultant | |
| Cost Effectiveness Measurement Inc. | 35,000 |
| Fiduciary Consultant | |
| Cortex Applied Research | 47,831 |
| Independent Auditors | |
| Clifton Gunderson LLP | 22,000 |
| PricewaterhouseCoopers LLP | 113,000 |
| Technology Consultants | |
| Action Technologies | 12,641 |
| Apex Computing Inc. | 3,399,822 |
| Coda Financials Inc. | 18,092 |
| Cyber Trust | 73,212 |
| L.R. Wechsler, LTD | 24,777 |
| Sage Abra | 2,245 |
| Vizant Software | 7,765 |
| Administrative Legal Counsel | |
| Attorney General's Office | 86,423 |
| Woodburn and Wedge | 21,682 |
| Medical Consultant | |
| Dr. G. Bruce Nickles | 26,546 |
| Total Payments to Consultants | $ 4,231,191 |

Note: Information on payments made to investment professionals can be found on page 69.

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE OF FIDUCIARY NET ASSETS

June 30, 2008

(With Comparative Totals for June 30, 2007)

| | Regular | Police/Fire | Eliminations | Total Pension Trust Fund 2008 | Total Pension Trust Fund 2007 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 377,383,481 | $ - | $ - | $ 377,383,481 | $ 404,691,892 |
| Contributions receivable | 98,981,950 | - | - | 98,981,950 | 102,931,882 |
| Trades pending settlement | 197,657,567 | - | - | 197,657,567 | 302,642,591 |
| Accrued investment income | 88,430,550 | - | - | 88,430,550 | 93,040,584 |
| Investments, at fair value | 22,009,876,310 | - | - | 22,009,876,310 | 22,753,829,642 |
| Collateral on loaned securities | 2,872,321,923 | - | - | 2,872,321,923 | 3,390,654,058 |
| Property and equipment, net | 4,600,228 | - | - | 4,600,228 | 3,095,035 |
| Other assets | 1,676,282 | - | - | 1,676,282 | 1,358,459 |
| Due from other funds- equity in investments | - | 4,393,481,603 | (4,393,481,603) | - | - |
| Total plan assets | 25,650,928,291 | 4,393,481,603 | (4,393,481,603) | 25,650,928,291 | 27,052,244,143 |
| **LIABILITIES** | | | | | |
| Accounts payable and other accrued expenses | 11,410,243 | - | - | 11,410,243 | 10,182,700 |
| Trades pending settlement | 569,187,593 | - | - | 569,187,593 | 950,047,427 |
| Due to other funds – equity in investments | 4,393,481,603 | - | (4,393,481,603) | - | - |
| Obligations under securities lending activities | 2,872,321,923 | - | - | 2,872,321,923 | 3,390,654,058 |
| Total plan liabilities | 7,846,401,362 | - | (4,393,481,603) | 3,452,919,759 | 4,350,884,185 |
| Net assets held in trust for pension benefits | $ 17,804,526,929 | $ 4,393,481,603 | $ - | $ 22,198,008,532 | $ 22,701,359,958 |

## OTHER SUPPLEMENTARY INFORMATION

### COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

| | Regular | Police/Fire | Total Pension Trust Fund 2008 | Total Pension Trust Fund 2007 |
|---|---|---|---|---|
| **ADDITIONS** | | | | |
| Contributions: | | | | |
| Employer | $ 885,258,334 | $ 282,134,579 | $ 1,167,392,913 | $ 1,046,628,769 |
| Plan members | 72,438,115 | 15,575,773 | 88,013,888 | 83,219,638 |
| Repayment and purchase of service | 34,662,679 | 8,624,852 | 43,287,531 | 45,632,332 |
| Total contributions | 992,359,128 | 306,335,204 | 1,298,694,332 | 1,175,480,739 |
| Investment Income: | | | | |
| Net appreciation (depreciation) in fair value of investments | (1,452,221,839) | - | (1,452,221,839) | 2,310,325,045 |
| Interest | 344,301,544 | - | 344,301,544 | 308,236,020 |
| Dividends | 310,551,918 | - | 310,551,918 | 256,800,373 |
| Other investment income | 62,429,450 | - | 62,429,450 | 81,758,481 |
| | (734,938,927) | - | (734,938,927) | 2,957,119,919 |
| Less investment fees and other expense | (27,918,718) | - | (27,918,718) | (25,531,576) |
| Net investment income (loss) | (762,857,645) | - | (762,857,645) | 2,931,588,343 |
| Securities lending income | 176,117,382 | - | 176,117,382 | 129,784,535 |
| Less securities lending expense | (156,333,294) | - | (156,333,294) | (124,285,513) |
| Net securities lending income | 19,784,088 | - | 19,784,088 | 5,499,022 |
| Total net investment income (loss) | (743,073,557) | - | (743,073,557) | 2,937,087,365 |
| Other income | 1,980,933 | 400,465 | 2,381,398 | 3,278,191 |
| Total additions | 251,266,504 | 306,735,669 | 558,002,173 | 4,115,846,295 |
| **DEDUCTIONS** | | | | |
| Benefit payments: | | | | |
| Retirement and survivor benefits | 797,682,278 | 181,637,377 | 979,319,655 | 880,300,348 |
| Disability | 43,956,025 | 9,880,959 | 53,836,984 | 49,038,024 |
| Post-retirement increases | 31,103 | 3,604 | 34,707 | 38,019 |
| Refunds of contributions | 12,547,038 | 4,275,835 | 16,822,873 | 17,444,520 |
| Administrative expenses | 8,723,601 | - | 8,723,601 | 8,588,057 |
| Transfer of contributions | 2,615,779 | - | 2,615,779 | 1,960,981 |
| Total deductions | 865,555,824 | 195,797,775 | 1,061,353,599 | 957,369,949 |
| **Increase (decrease) in net assets** | (614,289,320) | 110,937,894 | (503,351,426) | 3,158,476,346 |
| Transfers: | | | | |
| Interfund transfers | 13,726 | (13,726) | - | - |
| Transfer of annual investment income | 146,013,954 | (146,013,954) | - | - |
| Transfer of administrative fees | 1,009,761 | (1,009,761) | - | - |
| Total transfers | 147,037,441 | (147,037,441) | - | - |
| Net assets held in trust for pension benefits: | | | | |
| Beginning of year | 18,271,778,808 | 4,429,581,150 | 22,701,359,958 | 19,542,883,612 |
| End of year | $ 17,804,526,929 | $ 4,393,481,603 | $ 22,198,008,532 | $ 22,701,359,958 |

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# INVESTMENT SECTION

## INVESTMENT CONSULTANT

Callan Associates, Inc.

## INVESTMENT COUNSEL

Domestic Equities:

AllianceBernstein
Atlanta Capital Management
Barclays Global Investors
BlackRock
Capital Guardian
Golden Capital
Mellon Capital
J. & W. Seligman
Loomis, Sayles & Company

International Equities:

Goldman Sachs
Mellon Capital
Quantitative Management Associates

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:

Payden & Rygel
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 Mellon

CALLAN ASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

September 30, 2008

Dear Reader:

Callan Associates is pleased to report the investment activity for the Public Employees' Retirement System of Nevada (PERS) for the fiscal year ending June 30, 2008.

Following four consecutive years of strong positive returns, fiscal year 2008 was a tumultuous and challenging year for equities worldwide. Oil and commodity prices rose to all time highs, while low consumer confidence, negative job growth, rising inflationary pressures, and a seemingly endless mortgage crisis severely dampened economic growth.

In response to this macroeconomic environment, all major U.S. and non-U.S. equity indices traded in negative territory for the fiscal year. Returns varied widely among economic sectors. Financials declined the most due to continued mortgage defaults and credit concerns, while soaring commodity prices propelled Energy to the top performing sector.

Despite the credit crisis and liquidity crunch, fixed income assets were higher over the fiscal year and outperformed equities. The Federal Reserve cut rates multiple times over the course of the year; the Fed Funds target rate ended the fiscal year at 2.0%, the lowest level in four years.

PERS' asset allocation policy for fiscal year 2008 was: 40% Domestic Equity, 15% International Equity, 30% Domestic Fixed Income, 5% International Fixed Income and 10% Private Markets.

The negative stock market took its toll on the PERS performance. During the fiscal year ending June 30, 2008, the PERS total fund return of -3.2% exceeds the Fund's benchmark (-4.0%), and the average large pension fund, but falls short of the actuarial return assumption of 8.0%. The fund's 5 year return was 8.03% and long-term results remain competitive as performance for the past 24 years (+10.4%) continues to exceed the actuarial return assumption and the Fund's benchmark.

The Fund's conservative and consistent investment strategy has produced attractive risk-adjusted returns over the years. PERS' Sharpe Ratio is better than 77% of other public funds of similar size since inception. Sharpe ratio is a measure that defines the amount of return generated per unit of risk.

We welcome any comments or questions regarding the investment activity of PERS for the 2008 fiscal year.

Sincerely,

| | |
|---|---|
| Paul Troup | Eileen Kwei, CFA |
| Executive Vice President | Vice President |

101 CALIFORNIA STREET, SUITE 3500, SAN FRANCISCO, CALIFORNIA 94111 TELEPHONE 415.974.5060 FACSIMILE 415.291.4014

# INVESTMENT REVIEW

## Introduction

The investment program is designed to generate an 8% long-term return while minimizing risk. The structure and administration of the portfolio is defined by the prudent person standard. The standard states that the 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. The Board's investment philosophy centers on conservative, consistent, and cost-effective portfolio management. Developing a long-term investment strategy and faithfully adhering to that strategy in both strong and poor market environments has been a key element to the fund's historical success.

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 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 60, demonstrates that the investment portfolio, over the last ten years, has captured the blended real return (inflation) objective in six 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 60, details annualized returns for long-term periods ended June 30, 2008. (Note: Effective CPI dates were corrected from previous publications.) The System achieved the blended market objective for the 1, 3, 5, 10, and 24-year periods and both the real return and actuarial earnings goals for the 5-year and since-inception periods. The System's -3.2% return in fiscal year 2008 was influenced by negative results from the U.S. and international stock markets. Credit market and economic challenges weighed on both U.S. and international stocks, with each market generating returns of -11.7% and -10.9% respectively. After four years of strong returns from equities, a down market cycle (while not pleasant) is not unreasonable based on long-term capital market history. An analysis of asset class results versus the markets is included on pages 66-68.

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

Asset allocation is the most significant factor influencing the risk and return 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 risk/return objectives.

To establish an appropriate long-term asset allocation strategy, the Board evaluates expected return and risk for each of the major asset types (stocks, bonds, private markets). These asset classes are then combined in the most efficient manner possible to construct a portfolio that matches the risk and return needs of the fund. By diversifying the System's investments in multiple asset classes the Board is able to reduce the volatility of annual investment earnings. The Board reviews capital market expectations and asset allocation annually. In addition, the Board employs a disciplined rebalancing policy to take advantage of market volatility and to ensure the portfolio's exposures are consistent with the System's long-term asset targets.

The long-term target allocation for the fund as of June 30, 2008, was 30% U.S. Fixed Income, 40% U.S. Equity, 5% International Fixed Income, 15% International Equity, and 10% Private Markets. The June 30, 2008, actual asset class allocation is shown in Chart 3, page 61.

Diversification

After the asset allocation strategy is established, the Board implements a portfolio management structure that is designed to capture the market objective in each asset class. The portfolios are diversified by strategy and investment management. For example, in U.S. stocks, management categories include active and index approaches, as well as value and growth styles. Within the U.S. stock portfolio, eleven investment firms are employed that utilize different stock selection approaches. This diversification of strategies is expected to reduce return volatility.

Similar diversification measures are utilized throughout the fund. The System's overall portfolio is well diversified by asset class, investment structure, and individual security. The System's portfolio currently holds over 8,000 individual securities from 26 different countries.

Chart 4, on pages 62-63, 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, 2008, is included in Chart 5 on page 64. 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 & 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. |
| Private Markets | - | 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. 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 65, 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 66-67, compare 1, 3, 5, 10-year, and since-inception returns for each asset class to the corresponding objective for periods ended June 30, 2008.

Chart 11, on page 68, shows Private Markets returns for the fiscal year ended June 30, 2008, compared to since-inception returns using a blended objective.

The U.S. Equity portfolio exceeded its market objective for nearly all annualized time periods, except the 24-year since-inception period. The Board has implemented a portfolio structure that combines active and index management. This structure controls risk versus the index and enables the fund to employ fewer active managers with larger portfolios. This approach keeps costs low and prevents dilution of the active management positions. Currently, four of the six active managers in the program have worked with PERS for over 10 years; this consistency has contributed to competitive results in the past decade.

The International Equity portfolio underperformed the market benchmark for the 1 and 5-year periods and has outperformed for all longer term periods. Quantitative enhanced index management was introduced into the program in fiscal year 2008, and that strategy has yet to contribute to positive results. Long-term expectations are for this management approach to add value to the program.

U.S. Fixed Income has fallen modestly below the market for short and long-term periods. Given the uninspiring long-term results from active managers in investment grade bonds, the Board has begun a shift to 100% index management in fixed income. Currently, the portfolio includes 60% index management and 40% active management. This structure is expected to be shifted further towards index management in the next 18-24 months.

The International Fixed Income portfolio has added value since inception versus the index but has not captured the market for shorter term periods. This portfolio has been restructured to a 100% index management strategy to ensure returns closely track the markets in a low cost manner in the future.

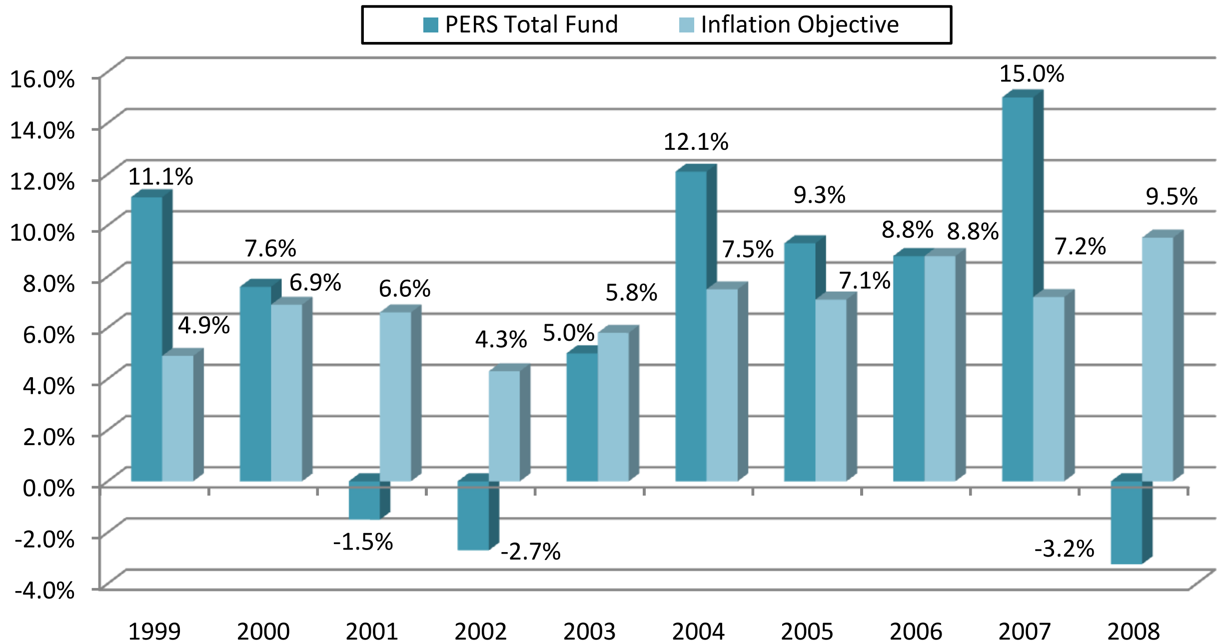
The Private Markets portfolio has 4 ¾ years of performance history as an asset class and has captured its objectives in all time periods.

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

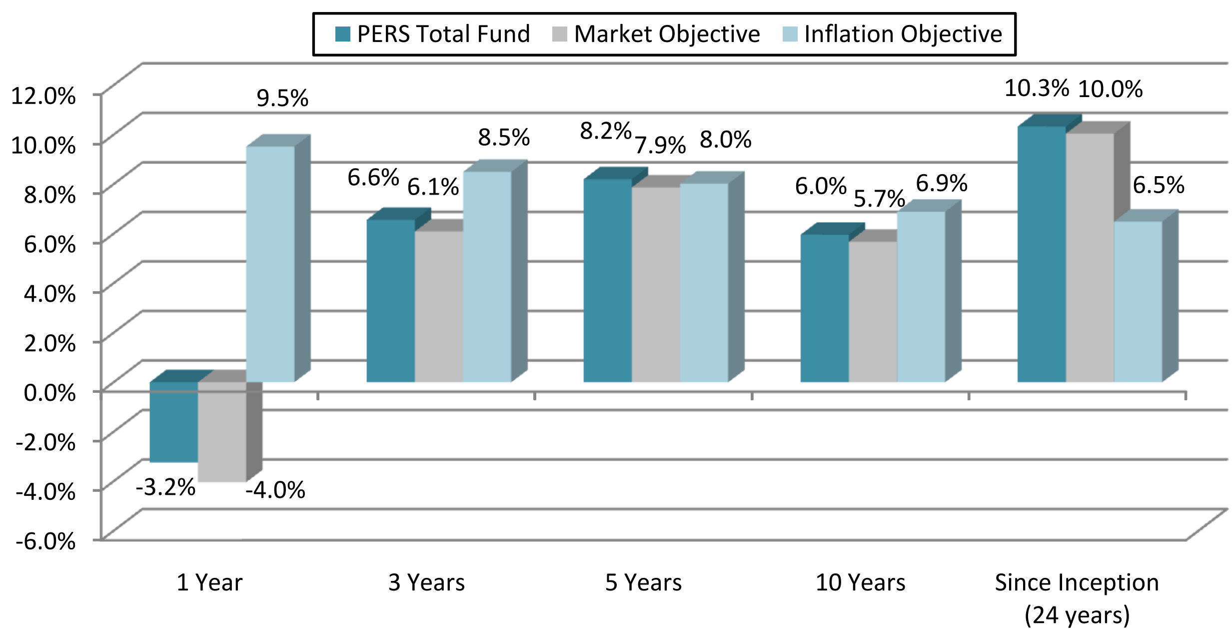
## INVESTMENT PERFORMANCE VS. OBJECTIVE

### CHART 1

### Individual Fiscal Year Return vs. Inflation Objective
### Periods Ended June 30




### CHART 2
### Annualized Total Returns vs. Market Objective and Inflation Objectives *
### Periods Ended June 30, 2008



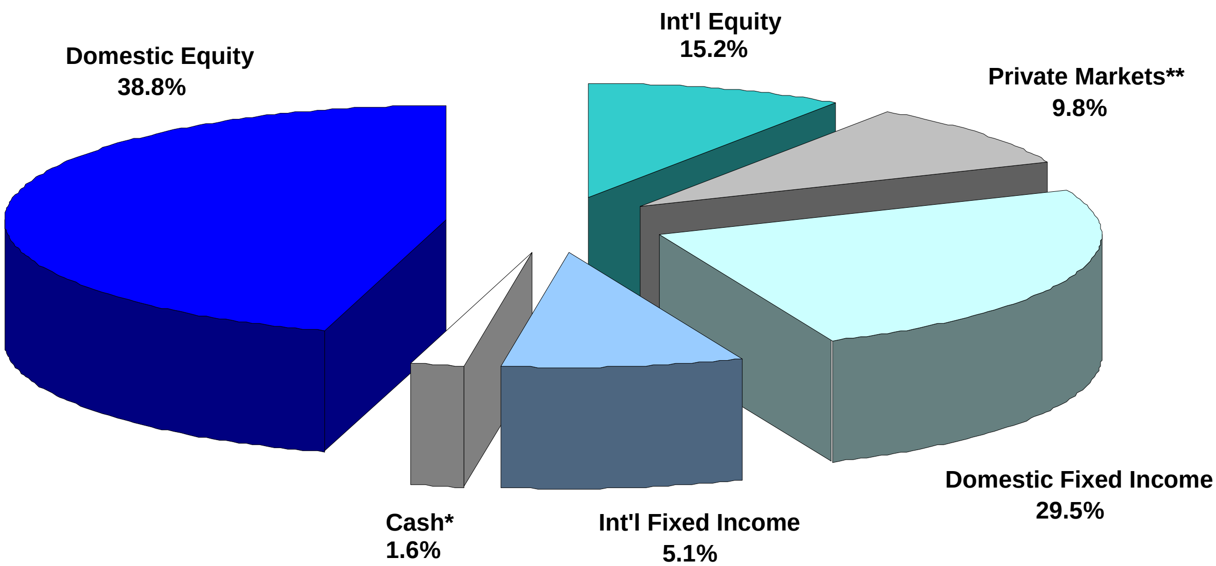

***CPI + 3.0% until September 2000, CPI + 3.5% from October 1, 2000 through September 30, 2002, CPI + 3.75% from October 1, 2002 through September 30, 2003, and CPI + 4.5% thereafter. (Note: Effective CPI dates were corrected from previous publications.)**

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

## CHART 3

## ASSET MIX

## JUNE 30, 2008




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

****Includes 2.4% Private Equity, 2.1% REITS, and 5.3% Private Real Estate.**

**CHART 4**

**Fair Value by Investment Type, Category, and Manager**
**June 30, 2008**
**(Page 1 of 2)**

| | Amount Under Management | | Percent of Total Managed |
|---|---|---|---|
| **EQUITIES** | | | |
| Domestic Active Managers | | | |
| AllianceBernstein | $ 580,423,343 | | |
| Atlanta Capital Management | 591,454,085 | | |
| Capital Guardian | 410,382,368 | | |
| Golden Capital | 389,555,310 | | |
| J. & W. Seligman | 564,273,102 | | |
| Loomis, Sayles & Company | 552,101,281 | | |
| Subtotal | 3,088,189,489 | | 13.8 % |
| Domestic Index Managers | | | |
| AllianceBernstein - S&P Citigroup Value | 1,395,468,779 | | |
| Barclays Global Investors - S&P 500 | 1,396,337,962 | | |
| BlackRock - S&P 500 | 1,392,712,304 | | |
| Mellon Capital - S&P 500 | 1,402,809,882 | | |
| Subtotal | 5,587,328,927 | | 25.0 |
| International Active Managers | | | |
| Goldman Sachs Assets Mangement | 692,310,505 | | |
| Quantitative Management Assocociates | 433,119,282 | | |
| Subtotal | 1,125,429,787 | | 5.0 |
| International Index Manager | | | |
| Mellon Capital | 2,275,775,438 | | |
| Subtotal | 2,275,775,438 | | 10.2 |
| Private Equity | | | |
| Pathway Capital Management | 539,741,424 | | 2.4 |
| REIT Index | | | |
| AllianceBernstein | 175,025,989 | | |
| Barclays Global Investors | 111,201,410 | | |
| Invesco Realty Advisors | 185,369,332 | | |
| Subtotal | 471,596,731 | | 2.1 |
| Total Equities | | $ 13,088,061,796 | 58.5 |
| **FIXED INCOME** | | | |
| Domestic Active Managers | | | |
| Dodge & Cox | 768,524,541 | | |
| JP Morgan Asset Management | 770,442,646 | | |
| Western Asset Management | 900,455,660 | | |
| Subtotal | 2,439,422,847 | | 10.9 |

**CHART 4**

**Fair Value by Investment Type, Category, and Manager**
**June 30, 2008**
**(Page 2 of 2)**

| | Amount Under Management | | Percent of Total Managed |
|---|---|---|---|
| **FIXED INCOME (continued)** | | | |
| Domestic Index Managers | | | |
| Barclays Global Investors - U.S. Debt Index | 1,104,192,338 | | |
| Lehman Brothers | 863,709,557 | | |
| Payden & Rygel - U.S. Bond Index | 1,116,489,384 | | |
| UBS Global Asset Management - U.S. Bond | 1,082,661,495 | | |
| Subtotal | 4,167,052,774 | | 18.6 |
| International Active Managers | | | |
| Payden & Rygel - Global | (143,785) | | |
| Subtotal | (143,785) | | 0.0* |
| International Index Managers | | | |
| Payden & Rygel | 543,111,271 | | |
| UBS Global Asset Management | 592,740,822 | | |
| Subtotal | 1,135,852,093 | | 5.1 |
| Total Fixed Income | | 7,742,183,929 | 34.6 |
| **PRIVATE REAL ESTATE** | | | |
| BlackRock Realty | 596,753,167 | | |
| Invesco Realty Advisors | 580,126,496 | | |
| Invesco Realty Advisors Takeover | 2,742,085 | | |
| Invesco Realty Advisors - Mortgage Loans | 8,837 | | |
| Total Real Estate | | 1,179,630,585 | 5.3 |
| **SHORT-TERM INVESTMENTS** | | | |
| Cash Equivalents | 352,185,521 | | |
| Custodial Cash - Bank of New York Mellon | 21,444,027 | | |
| Total Short-Term Investments | | 373,629,548 | 1.6 |
| **TOTAL PORTFOLIO** | | **$ 22,383,505,858** | **100.0** % |

Notes: The Statement of Fiduciary Net Assets contains $3,753,933 in administrative cash, which does not appear on this schedule. Total Portfolio less short-term investments (classified on the Statement of Fiduciary Net Assets as cash equivalents) of $373,629,548 equals investments of $22,009,876,310.

* Less than 0.1%

# CHART 5

## LIST OF LARGEST ASSETS HELD

### Largest Equity Holdings
### June 30, 2008

| Ranking | Name | Fair Value |
|---|---|---|
| 1 | EXXON MOBIL | $277,697,542 |
| 2 | GENERAL ELECTRIC | 166,190,143 |
| 3 | MICROSOFT | 154,401,581 |
| 4 | CHEVRON | 139,039,936 |
| 5 | AT&T | 138,735,555 |
| 6 | APPLE | 128,865,005 |
| 7 | SCHLUMBERGER | 121,926,497 |
| 8 | PROCTER & GAMBLE | 119,671,708 |
| 9 | CISCO SYSTEMS | 117,179,368 |
| 10 | GOOGLE | 112,838,127 |

### Largest Fixed Income Holdings
### June 30, 2008

| Ranking | Name | Fair Value |
|---|---|---|
| 1 | U.S. TREAS NTS 1.75% MARCH 31, 2010 | $128,199,315 |
| 2 | FNMA TBA 30YR 5.00% JULY 1, 2034 | 68,873,319 |
| 3 | U.S. TREAS NTS 3.25% AUGUST 15, 2008 | 65,121,875 |
| 4 | FNMA TBA 30YR SFM 5.00% AUGUST 1, 2034 | 64,642,500 |
| 5 | U.S. TREAS NTS 4.75% AUGUST 15, 2017 | 56,553,321 |
| 6 | U.S. TREAS NTS 4.25% NOVEMBER 15, 2017 | 52,971,423 |
| 7 | U.S. TREAS NTS 3.50% DECEMBER 15, 2009 | 47,121,734 |
| 8 | BUNDESREPUBLIK DEUTSCH 4.25 JANUARY 4, 2014 | 44,782,112 |
| 9 | JAPAN GOVERNMENT TEN 1.60 MARCH 20, 2016 | 38,406,265 |
| 10 | FHLMC TBA 30 YR GOLD SFM 5.50% JULY 1, 2034 | 37,448,171 |

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 | PRIVATE MARKETS* | TOTAL FUND |
|---|---|---|---|---|---|---|---|
| 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 | 8.8*** |
| Fiscal Year 2007 | | | | | | | |
| Total Return | 20.2 | 27.0 | 6.1 | 1.5 | | 16.3 | 15.0 |
| Objective | 20.6 | 27.0 | 6.1 | 2.2 | | 16.2 | 7.2 |
| Fiscal Year 2008 | | | | | | | |
| Total Return | -11.7 | -10.9 | 6.4 | 18.4 | | 3.5 | -3.2 |
| Objective | -13.1 | -10.6 | 7.1 | 18.7 | | -2.5 | -4.0 |

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
Private Markets – Portfolio weighted blend of NCREIF,
Wilshire REIT, and S & P 500 + 4%

Total Fund:
Until September 30, 2000 – 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 Private Markets return represents performance from October 1, 2003 through June 30, 2004.

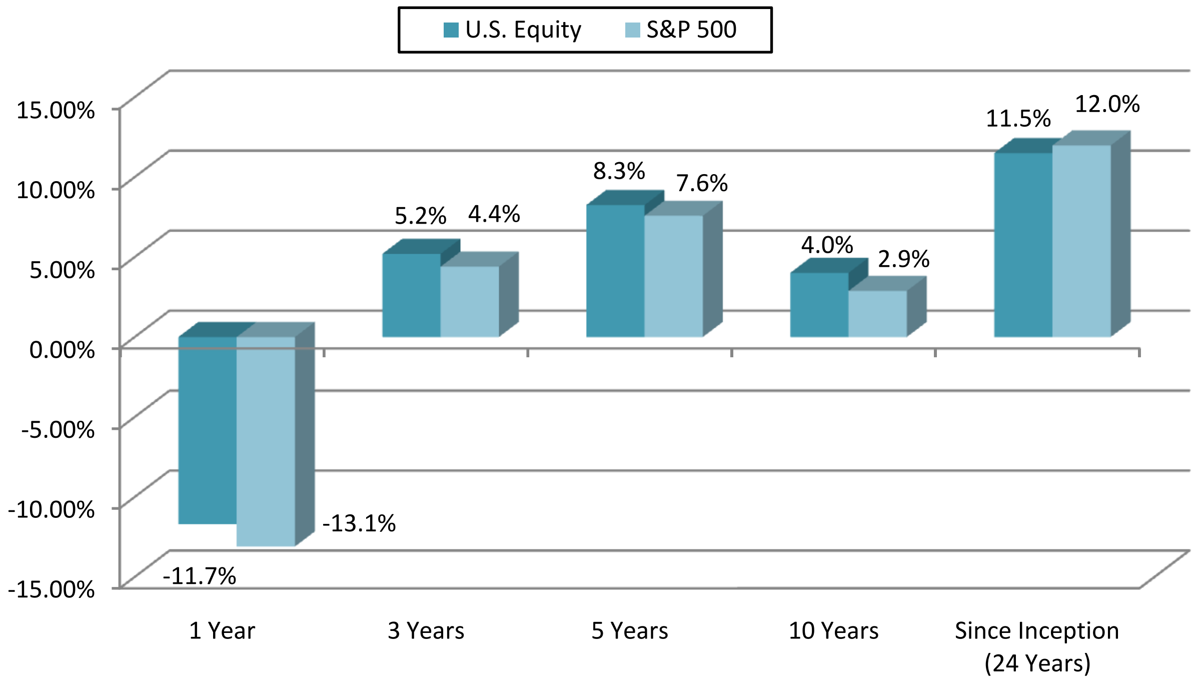
** objective = (0.01)

*** corrected from previous publication.

## INVESTMENT PERFORMANCE VS. OBJECTIVE

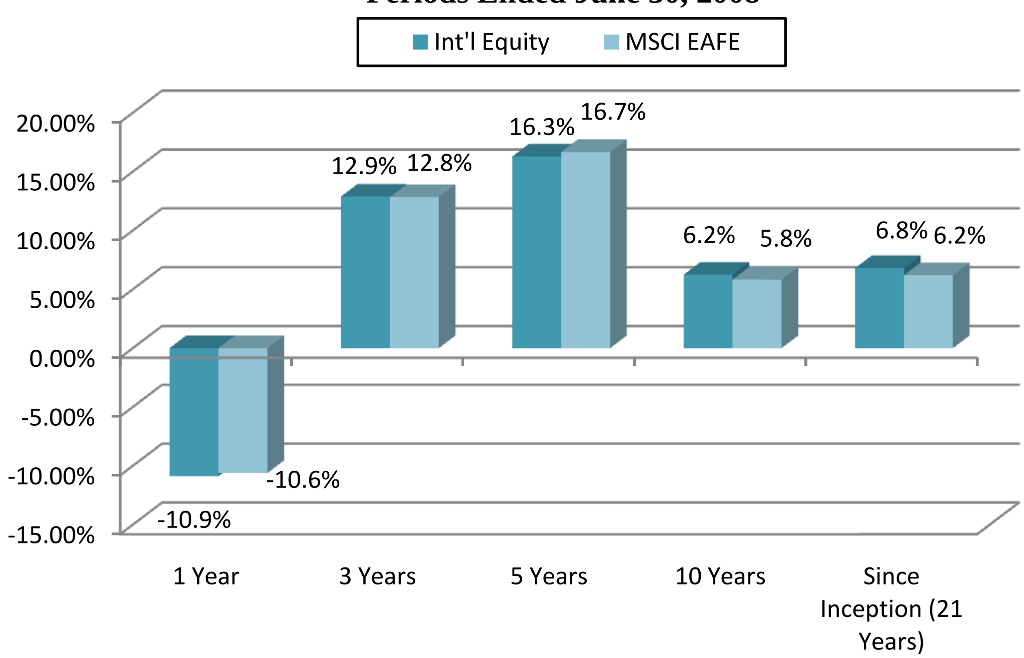
### CHART 7

**U.S. Equity vs. S&P 500**
**Periods Ended June 30, 2008**




### CHART 8

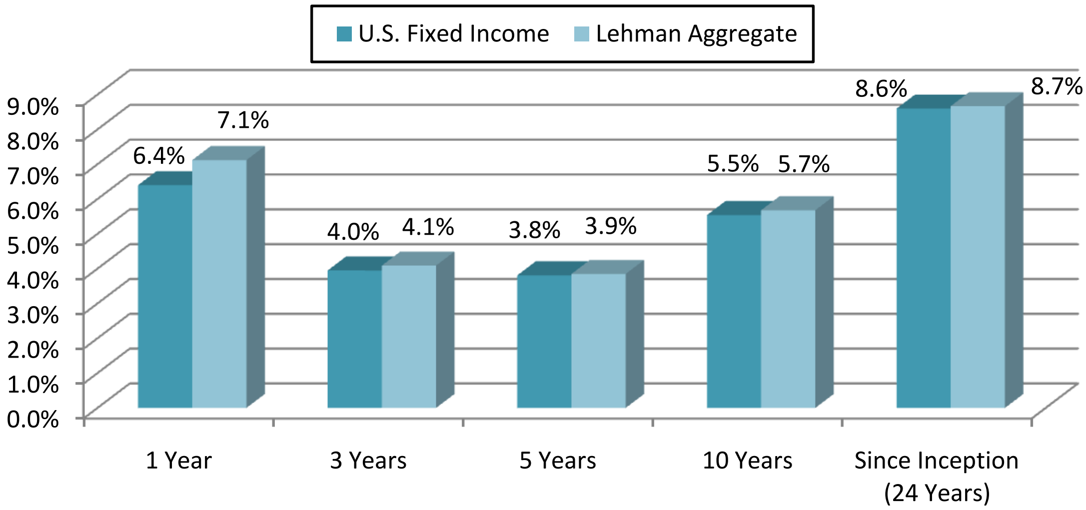
**International Equity vs. MSCI EAFE**
**Periods Ended June 30, 2008**



## INVESTMENT PERFORMANCE VS. OBJECTIVE

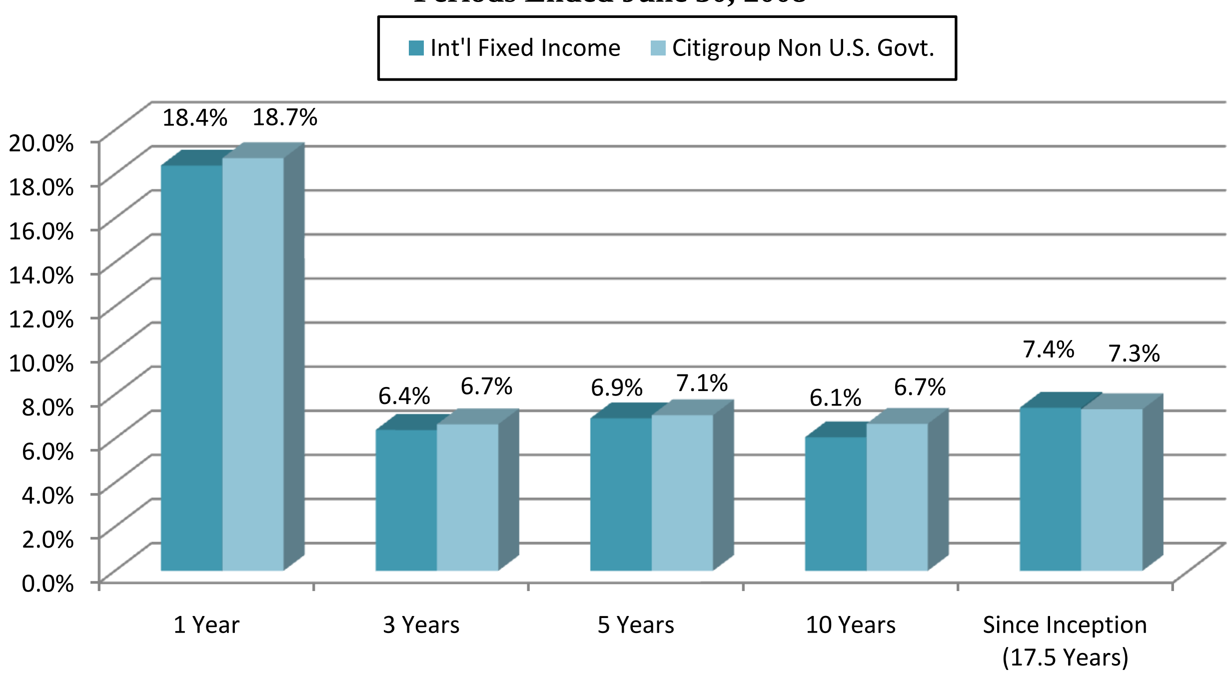
### CHART 9

**U.S. Fixed Income vs. Lehman Aggregate**
**Periods Ended June 30, 2008**




### CHART 10

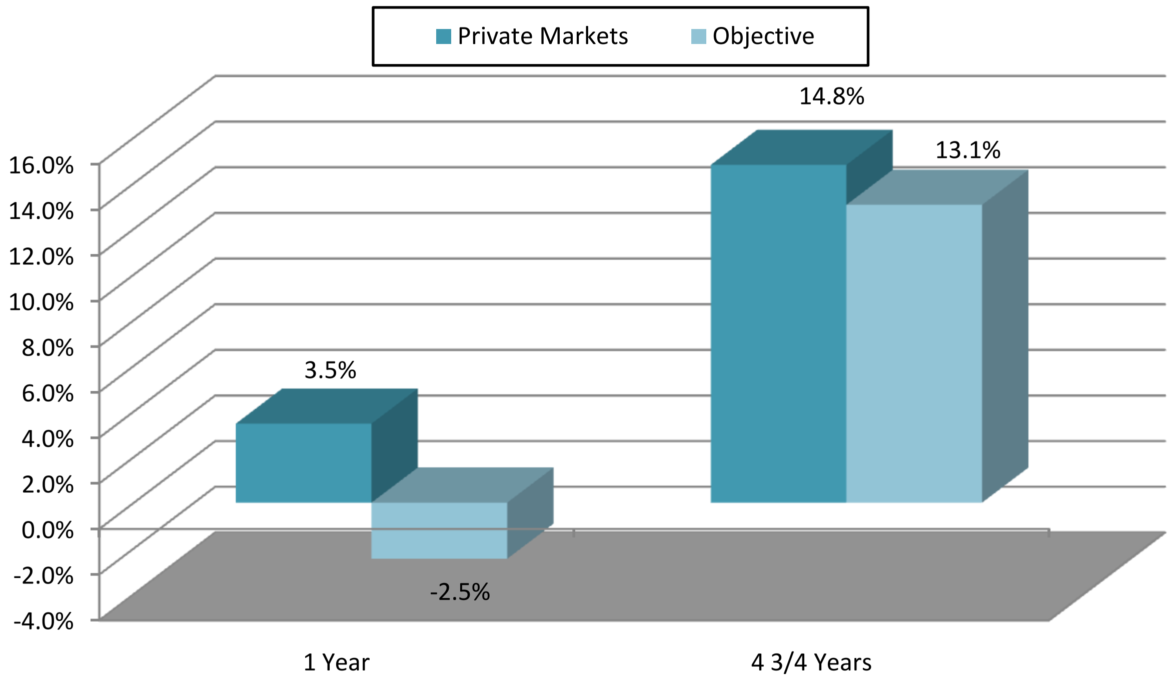
**International Fixed Income vs. Citigroup Non U.S. Govt.**
**Periods Ended June 30, 2008**



## INVESTMENT PERFORMANCE VS. OBJECTIVE

### CHART 11

**Private Markets vs. Blended Objective***
**Periods Ended June 30, 2008**




* Blended Objective as of March 1, 2007:

49.5% NCREIF -0.75%
33.5% Wilshire REIT float adjusted
17.0% 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, 2008
(Page 1 of 4)

| Name/Firm | Amount Under Management at June 30, 2008 | Fees Incurred | Investment Mandate |
|---|---|---|---|
| **Investment Management Fees** | | | |
| Domestic and International Equity Managers | | | |
| AllianceBernstein S&P 500 | $ 1,399,506,090 | $ 308,658 | U.S. Index |
| AllianceBernstein Value | - | 61,691 | U.S. Index |
| Barclays Global Investors S&P 500 | 1,397,246,464 | 302,343 | U.S. Index |
| BlackRock S&P 500 | 1,392,054,565 | 184,916 | U.S. Index |
| Mellon Capital | 1,403,670,711 | 186,047 | U.S. Index |
| AllianceBernstein Growth | 585,218,106 | 1,207,750 | U.S. Active |
| Atlanta Capital Management | 595,930,712 | 1,262,230 | U.S. Active |
| Capital Guardian | 412,362,456 | 1,122,446 | U.S. Active |
| Golden Capital | 390,945,758 | 175,797 | U.S. Active |
| J. & W. Seligman | 565,003,963 | 1,325,708 | U.S. Active |
| Loomis, Sayles & Company | 561,060,456 | 1,345,691 | U.S. Active |
| Voyageur Asset Management | | 52,432 | U.S. Active |
| BNY Asset Management | | 58,096 | Int'l Index |
| Mellon Capital | 2,282,027,318 | 470,634 | Int'l Index |
| Goldman Sachs Asset Management | 699,920,333 | 1,991,453 | Int'l Active |
| Quantitative Management Associates | 433,545,955 | 870,753 | Int'l Active |
| Domestic and International Fixed Income Managers | | | |
| Barclays Global Investors | 1,104,192,621 | 245,753 | U.S. Index |
| Lehman Brothers | 834,509,409 | 277,360 | U.S. Index |
| Payden & Rygel | 1,099,815,520 | 364,578 | U.S. Index |
| UBS Global Asset Management | 1,090,320,076 | 284,279 | U.S. Index |
| Dodge & Cox | 803,497,893 | 1,073,128 | U.S. Active |
| JP Morgan Asset Management | 823,101,212 | 764,577 | U.S. Active |
| Payden & Rygel | | 809,513 | U.S. Active |
| Western Asset Management | 792,507,099 | 1,372,266 | U.S. Active |
| Payden & Rygel | 539,562,881 | 297,664 | Int'l Index |
| UBS Global Asset Management | 591,072,819 | 308,618 | Int'l Index |
| UBS Global Asset Management | - | 409,310 | Int'l Active |

## CHART 12

### SCHEDULE OF FEES AND COMMISSIONS

For Year Ended June 30, 2008
(Page 2 of 4)

| Name/Firm | Amount Under Management at June 30, 2008 | Fees Incurred | Investment Mandate |
|---|---|---|---|
| **Investment Management Fees (continued)** | | | |
| Private Equity Manager | | | |
| Pathway Capital Management | $ 544,509,937 | $ 2,473,618 | |
| Private Real Estate Managers | | | |
| BlackRock Realty | 596,753,231 | 3,635,180 | |
| Invesco Realty Advisors | 582,868,581 | 3,828,370 | |
| Real Estate Investment Trust (REIT) Managers | | | |
| AllianceBernstein | 175,384,411 | 53,773 | Index |
| Barclays Global Investors | 111,201,410 | 125,114 | Index |
| Invesco Realty Advisors | 185,528,712 | 149,352 | Index |
| Subtotal investment management fees | | 27,399,098 | |
| **Investment Service Fees** | | | |
| Investment Consultants | | | |
| Callan Associates | | 321,242 | |
| Subtotal investment service fees | | 321,242 | |
| Subtotal investment management fees and service fees | | 27,720,340 | |

## CHART 12

### SCHEDULE OF FEES AND COMMISSIONS
For Year Ended June 30, 2008
(Page 3 of 4)

| Broker Commissions | Number of Shares Traded | Commission Paid | Commission Per Share (rounded) |
|---|---|---|---|
| ABN AMRO Securities | 17,640 | $ 353 | $ 0.02 |
| Arnhold and Bleichroeder | 75,020 | 750 | 0.01 |
| Baird, Robert W. & Company | 232,334 | 9,941 | 0.04 |
| Bank of America Securities | 1,870,200 | 45,516 | 0.02 |
| Baypoint Trading | 29,810 | 596 | 0.02 |
| Bear Stearns & Company | 13,248,971 | 89,695 | 0.01 |
| Blair William & Company | 285,920 | 11,437 | 0.04 |
| BMO Nesbitt Burns Corporation | 32,500 | 1,138 | 0.04 |
| BNY Convergex Exec Solutions | 14,300 | 502 | 0.04 |
| Bridge Trading Company | 13,800 | 552 | 0.04 |
| Brown Brothers Harriman & Company | 82,900 | 3,731 | 0.05 |
| Cantor, Fitzgerald & Company | 966,322 | 29,221 | 0.03 |
| Capital Institutional Services | 7,805,730 | 119,153 | 0.02 |
| Chapdelaine Institutional | 387,672 | 11,630 | 0.03 |
| CIBC World Markets Corporation Merrill Lynch | 517,176 | 19,283 | 0.04 |
| Citation Group/BCC Clrg-Merrill Lynch | 1,305,025 | 20,945 | 0.02 |
| Citigroup Global Markets | 11,385,083 | 267,184 | 0.02 |
| Cowen & Company | 230,495 | 9,200 | 0.04 |
| Credit Research Trading | 16,400 | 328 | 0.02 |
| Credit Suisse First Boston | 61,904,170 | 435,332 | 0.01 |
| Davenport & Company | 30,000 | 1,350 | 0.05 |
| Deutsche Banc/Alex Brown | 54,275,920 | 418,524 | 0.01 |
| Direct Trading Institutional | 258,400 | 2,390 | 0.01 |
| Donaldson & Company | 40,000 | 1,800 | 0.05 |
| Edwards, A.G. & Sons | 261,700 | 11,777 | 0.05 |
| Friedman, Billings & Ramsey | 39,110 | 1,442 | 0.04 |
| Goldman Sachs & Company | 7,444,020 | 108,900 | 0.01 |
| Guzman & Company | 6,743 | 67 | 0.01 |
| Heflin & Company | 422,900 | 14,802 | 0.04 |
| Instinet Corporation | 38,353,748 | 111,473 | 0.00* |
| Investment Technology Group | 35,392,100 | 191,710 | 0.01 |
| ISI Group | 1,331,670 | 55,953 | 0.04 |
| J P Morgan Securities | 26,062,001 | 351,100 | 0.01 |
| Jefferies & Company | 8,899,189 | 151,562 | 0.02 |
| JMP Securities | 9,100 | 319 | 0.04 |
| JonesTrading Institutional Services | 142,200 | 3,103 | 0.02 |
| JP Morgan Securities | 12,218,646 | 44,738 | 0.00* |
| Keefe Bruyette & Woods | 71,548 | 2,841 | 0.04 |
| Keybanc Capital Markets | 45,000 | 1,800 | 0.04 |
| Knight Securities | 254,087 | 8,488 | 0.03 |
| Labranche Financial Services | 4,300 | 86 | 0.02 |

## CHART 12

### SCHEDULE OF FEES AND COMMISSIONS
For Year Ended June 30, 2008
(Page 4 of 4)

| | Number of Shares | Commission Paid | Commission Per Share (rounded) |
|---|---|---|---|
| **Broker Commissions** | | | |
| Leerink Swann and Company | 213,840 | $ 7,604 | $ 0.04 |
| Lehman Brothers | 66,784,239 | 454,917 | 0.01 |
| Liquidnet Inc./Westminster | 3,546,203 | 82,055 | 0.02 |
| Merrill Lynch Pierce Fenner | 10,234,229 | 167,797 | 0.02 |
| Morgan Keegan & Company | 257,000 | 11,565 | 0.05 |
| Morgan Stanley & Company | 39,732,728 | 260,396 | 0.01 |
| Natexis Bleichroeder New York | 62,387 | 448 | 0.01 |
| National Financial Services Corporation | 15,669 | 627 | 0.04 |
| NBC Clearing Services | 4,600 | 161 | 0.04 |
| Nomura Securities International | 4,875,219 | 18,261 | 0.00* |
| Oppenheimer and Company | 360,600 | 14,424 | 0.04 |
| Pacific Crest Securities | 71,600 | 2,738 | 0.04 |
| Pershing & Company/Credit Suisse Europe | 74,071 | 835 | 0.01 |
| Pipeline Trading Systems | 601,598 | 13,113 | 0.02 |
| Piper Jaffray & Company | 615,175 | 23,579 | 0.04 |
| Raymond, James & Associates | 110,000 | 4,400 | 0.04 |
| RBC Capital Markets Corporation | 184,335 | 6,795 | 0.04 |
| RBC/Dain Rauscher | 106,025 | 4,121 | 0.04 |
| Sandler O'Neill & Partners | 60,000 | 2,700 | 0.05 |
| Sanford C. Bernstein & Company | 1,110,399 | 29,686 | 0.03 |
| Scotia Capital (USA) | 80,000 | 2,800 | 0.04 |
| SG Americas Securities | 105,368 | 130 | 0.00* |
| Simmons & Company | 149,000 | 6,705 | 0.05 |
| Societe Generale London Branch | 387,102 | 132 | 0.00* |
| Soleil Securities Corporation | 163,900 | 8,195 | 0.05 |
| Spear, Leeds & Kellogg/Prime | 9,600 | 192 | 0.02 |
| State Street Global Markets | 300 | 11 | 0.04 |
| Stifel Nicolaus & Company | 523,417 | 20,937 | 0.04 |
| The Benchmark Company | 53,800 | 1,614 | 0.03 |
| Thomas Weisel Partners | 323,291 | 6,175 | 0.02 |
| UBS Securities | 19,708,973 | 178,279 | 0.01 |
| Wachovia Securities | 619,492 | 18,258 | 0.03 |
| Wedbush Morgan Securities | 125,000 | 5,000 | 0.04 |
| Weeden & Company | 909,294 | 22,878 | 0.03 |
| Subtotal commissions | | 3,938,240 | |
| Total fees and commissions | | $ 31,658,580 | |

* Commission is less than one cent per share.

# ACTUARIAL SECTION

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SEGAL

THE SEGAL COMPANY
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November 20, 2008

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, 2008**

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, 2008, 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, 2008, the funded ratio is 77.7% for regular employees and 70.8% for police/fire employees.

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

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

Public Employees' Retirement Board
November 20, 2008
Page 2

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. Also, for GASB reporting purposes only, the unfunded accrued liability is amortized over an open (non-declining) amortization period of 30 years.

The most recent actuarial valuation prepared as of June 30, 2008, is based on the following major elements:

- Current benefit provisions (as specified in the Public Employees' Retirement Act).
- Membership data as of June 30, 2008, 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, 2008 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, 2008 (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 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

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Public Employees' Retirement Board
November 20, 2008
Page 3

**List of Supporting Schedules**

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

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

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

Since the actuarially determined rates from the June 30, 2008 valuation were not within the ranges noted above for Employer-Pay regular employees and all police/fire employees, and this valuation year is an even number year, a change in the statutory rates was required for fiscal years July 1, 2009 through June 30, 2011, as follows:

| | Regular Employees | Police/Fire Employees |
|---|---|---|
| **Employer-Pay** | | |
| Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009 | 20.50 % | 33.50 % |
| Actuarial Determined Contribution Rate per June 30, 2008 Actuarial Valuation | 21.54 % | 37.06 % |
| Statutory Rate for Fiscal Years July 1, 2009 through June 30, 2011 | 21.50 % | 37.00 % |

5015518v1/01068.001

Public Employees' Retirement Board
November 20, 2008
Page 4

| | Regular Employees | Police/Fire Employees |
|---|---|---|
| **Employee/Employer** | | |
| Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009 | 21.00 % | 34.50 % |
| Actuarial Determined Contribution Rate per June 30, 2008 Actuarial Valuation | 22.42 % | 37.83 % |
| Statutory Rate for Fiscal Years July 1, 2009 through June 30, 2011 | 22.50 % | 38.00 % |

A summary of the GASB disclosure rates are as follows:

| | Regular Employees | Police/Fire Employees |
|---|---|---|
| **Employer-Pay** | 21.98% | 39.27% |
| **Employee/Employer** | 22.86% | 40.04% |

The actuarial calculations prepared for disclosure requirements under GASB as well as for actual funding purposes were made in accordance with generally accepted actuarial principles and practices. The information supplied in this letter is 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. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

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

John Monroe

John Monroe, ASA, MAAA
Vice President and Associate Actuary

CZI/hy
Enclosures

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## SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in the June 30, 2008 actuarial valuation were adopted by the Public Employees' Retirement Board and were based on the results of the experience review completed in 2007.

### Economic Assumptions

The economic assumptions for the 2008 actuarial valuation were:

Investment return* - 8.0% per year.

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

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

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

Rate Payroll - Based on actual contributions for the prior year with an increase of 3.00% for regular employees and 5.00% for police/fire employees.

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 employees and for police/firefighter employees.

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

*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 |
| 45 – 49 | -- | 1% | 8% | -- |
| 50 – 54 | 2% | 2% | 10% | 25% |
| 55 – 59 | 4% | 7% | 15% | 30% |
| 60 – 61 | 13% | 20% | 25% | 30% |
| 62 – 64 | 15% | 20% | 25% | 30% |
| 65 – 69 | 22% | 25% | 30% | 30% |
| 70 & older | 100% | 100% | 100% | 100% |

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

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

The assumed withdrawal rates are shown below:

| Regular Employees | |
|---|---|
| **Years of Service** | **Rate** |
| 0 | 18.25% |
| 1 | 13.00% |
| 2 | 9.80% |
| 3 | 7.75% |
| 4 | 6.50% |
| 5 | 6.00% |
| 6 | 5.00% |
| 7 | 4.65% |
| 8 | 3.90% |
| 9 | 3.70% |
| 10 | 3.30% |
| 11 or more | 2.00% |
| | |
| **Police/Fire Employees** | |
| **Years of Service** | **Rate** |
| 0 | 13.00% |
| 1 | 6.50% |
| 2 | 5.50% |
| 3 | 4.00% |
| 4 | 3.90% |
| 5 | 3.75% |
| 6 or more | 2.00% |

Withdrawal rates end when retirement rates commence.

The assumed disability rates are shown below for selected ages:

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

No disability rates are assumed after age 65.

Mortality table - For non-disabled male regular members it is the RP 2000 Combined Healthy Table. For non-disabled female regular members and all non-disabled police/fire members it is the RP 2000 Combined Healthy Table set forward one year. 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 | 0.11% | 0.08% | 39.8 | 41.7 |
| 50 | 0.21% | 0.19% | 30.3 | 32.1 |
| 60 | 0.67% | 0.58% | 21.2 | 23.0 |
| 70 | 2.22% | 1.86% | 13.4 | 15.0 |
| 80 | 6.44% | 5.08% | 7.3 | 8.6 |

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

The mortality table used in the actuarial valuation to project mortality rates for disabled male members is the RP 2000 Disabled Retiree Table set back three years for regular members and the RP 2000 Combined Healthy Table set forward ten years for police/fire members. For both regular and police/fire disabled female members, it is the RP 2000 Disabled Retiree Table set forward eight years.

## 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, and 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 an open (non-declining) amortization period of 30 years.

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

There were no changes in the asset valuation or actuarial funding methods since the previous year. Various assumptions were revised pursuant to the actuarial experience study completed and approved by the Board in October, 2007.

## SCHEDULE 1

### RETIREMENT SYSTEM MEMBERSHIP
### 1999 to 2008

| June 30 | Active Members | Inactive Members | Retired and Disabled Members | Beneficiaries & Survivors | Total Membership |
|---|---|---|---|---|---|
| 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 |
| 2007 | 103,693 | 10,990 | 31,262 | 4,425 | 150,370 |
| 2008 | 106,123 | 11,593 | 33,479 | 4,651 | 155,846 |

## SCHEDULE 2

### ACTIVE MEMBER VALUATION DATA
### 1999 to 2008

| | 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 |
| 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 |
| 2007 | 91,757 | 11,936 | 3,978.1 | 791.5 | 43,355 | 66,316 | 3.4 | 3.2 |
| 2008 | 93,816 | 12,307 | 4,330.5 | 863.9 | 46,159 | 70,194 | 6.5 | 5.8 |

## SCHEDULE 3

### PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS 1999 to 2008

### 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* |
| 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 |
| 2007 | 29,713 | 3,005 | 91,153,219 | (795) | (17,445,492) | 31,923 | 906,337,590 | 11.9 | 28,391 |
| 2008 | 31,923 | 3,118 | 98,180,394 | (875) | (18,596,824) | 34,166 | 1,010,049,395 | 11.4 | 29,563 |

### 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* |
| 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 |
| 2007 | 1,990 | 243 | 5,357,238 | (90) | (1,905,849) | 2,143 | 40,799,325 | 11.9 | 19,038 |
| 2008 | 2,143 | 223 | 5,162,630 | (121) | (2,175,505) | 2,245 | 44,738,669 | 9.7 | 19,928 |

### 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* |
| 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 |
| 2007 | 1,559 | 148 | 1,896,176 | (86) | (792,804) | 1,621 | 20,944,150 | 8.5 | 12,921 |
| 2008 | 1,621 | 161 | 1,905,857 | (63) | (512,942) | 1,719 | 22,920,123 | 9.4 | 13,333 |

*Data unavailable for 1999 – 2000.

## SCHEDULE 4

### SOLVENCY TEST
### (millions)

### 1999 to 2008

| | 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) |
| 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 |
| 2007 | 521.5 | 12,717.0 | 14,433.1 | 21,359.0 | 100 | 100 | 56.3 |
| 2008 | 574.8 | 14,258.6 | 15,662.5 | 23,237.7 | 100 | 100 | 53.7 |

* Includes liability for post-retirement benefit increases

## SCHEDULE 5

## ANALYSIS OF ACTUARIAL EXPERIENCE

### Gains and Losses in Actuarial Accrued Liabilities (AAL) During Year Ended June 30, 2008 Resulting from Differences Between Assumed Experience and Actual Experience (Dollar Amounts in Millions)

| | Gain (or Loss) For Year | | | |
|---|---|---|---|---|
| | Regular | | Police/Fire | |
| Type of Activity | Amount | As Pct of AAL | Amount | As Pct of AAL |
| **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. | ($115.3) | (0.48%) | $15.2 | 0.23% |
| **Disability Retirements.** If disability claims are less than assumed, there is a gain. If there are more claims, there is a loss. | (10.8) | (0.05%) | 0.7 | 0.01% |
| **Pre- and Post-Retirement Deaths**. If retirees live longer than assumed, there is a loss. If retirees live shorter than assumed, there is a gain. | 4.4 | 0.02% | (6.6) | (0.10%) |
| **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. | 28.9 | 0.12% | 1.7 | 0.03% |
| **Pay Increases.** If there are smaller pay increases than assumed, there is a gain. If there are greater increases, there is a loss. | (303.8) | (1.27%) | (56.2) | (0.87%) |
| **Active New Entrants.** Cost due to new hires. | (45.3) | (0.19%) | (6.4) | (0.10%) |
| **Active Rehires.** Some new active members have past service credits reinstated, thereby increasing costs due to the unanticipated liabilities. | (71.0) | (0.30%) | (8.5) | (0.13%) |
| **Inactive and Retiree Showups.** Persons in inactive or pay status who are added to the valuation data during the year. | (11.2) | (0.05%) | (3.3) | (0.05%) |
| **Other.** Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results. | (35.1) | (0.15%) | (31.6) | (0.49%) |
| **Total Liability Experience Gain (Loss) During Year.** | (559.2) | (2.35%) | (95.0) | (1.47%) |

## SCHEDULE 5

## ANALYSIS OF ACTUARIAL EXPERIENCE (continued)

### Gains and Losses in Actuarial Accrued Liabilities (AAL) During Year Ended June 30, 2008 Resulting from Differences Between Assumed Experience and Actual Experience (Dollar Amounts in Millions)

| | Gain (or Loss) For Year | | | |
|---|---|---|---|---|
| | Regular | | Police/Fire | |
| **Type of Activity** | Amount | **As Pet of AAL** | **Amount** | **As Pet of AAL** |
| **Investment Income.** If there is a greater investment income than assumed, there is a gain. If there is less income, there is a loss. | (53.9) | (0.22%) | (15.2) | (0.23%) |
| **Total Experience Gain (Loss) During the Year.** | (613.1) | (2.57%) | (110.2) | (1.70%) |

**June 30, 2008**

**Actuarial Valuation Statement**
**(GASB Disclosure Basis)**

| Normal Cost | Regular Employees | Police/Fire Employees | Total |
|---|---|---|---|
| Employer normal cost* | $ 708,417,558 | $ 254,581,841 | $ 962,999,399 |
| Employee contributions | 83,076,286 | 17,820,654 | 100,896,940 |
| **Total Normal Cost** | **$ 791,493,844** | **$ 272,402,495** | **$ 1,063,896,339** |
| **Actuarial Accrued Liability** | | | |
| Active members | $ 12,426,496,332 | $ 3,810,797,839 | $ 16,237,294,171 |
| Inactive members | 660,449,732 | 36,726,655 | 697,176,387 |
| Pensioners, beneficiaries and disabled | 10,664,940,568 | 2,606,326,832 | 13,271,267,400 |
| Survivors | 249,153,873 | 40,998,572 | 290,152,445 |
| **Total Actuarial Accrued Liability** | **$ 24,001,040,505** | **$ 6,494,849,898** | **$ 30,495,890,403** |
| **Assets at Actuarial Value** | **$ 18,638,027,923** | **$ 4,599,623,681** | **$ 23,237,651,604** |
| **Total Unfunded Actuarial Accrued Liability** | **$ 5,363,012,582** | **$ 1,895,226,217** | **$ 7,258,238,799** |
| **Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization** | **$ 261,127,752** | **$ 92,279,508** | **$ 353,407,260** |
| Employer-Pay Rate Payroll | $ 4,083,925,978 | $ 835,482,824 | $ 4,919,408,802 |
| Employee/Employer Rate Payroll | 710,583,414 | 94,809,053 | 805,392,467 |
| **Total Rate Payroll** | **$ 4,794,509,392** | **$ 930,291,877** | **$ 5,724,801,269** |

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

**June 30, 2008**

**Actuarial Valuation Statement (continued)**
**(GASB Disclosure Basis)**

| | Regular Employees | Police/Fire Employees |
|---|---|---|
| **Calculated Contribution Rates (as percentage of rate payroll):** | | |
| **Employer-Pay, statutory rate** | **20.50%** | **33.50%** |
| **Employer-Pay, total rate** | **21.98%** | **39.27%** |
| Employer normal cost | 16.38% | 29.20% |
| Amortization percentage | 5.45% | 9.92% |
| Administrative expenses | 0.15% | 0.15% |
| **Employee/Employer, statutory rate** | **21.00%** | **34.50%** |
| **Employee/Employer, total rate** | **22.86%** | **40.04%** |
| Employee contribution rate | 10.50% | 17.25% |
| Employer normal cost | 6.76% | 12.72% |
| Amortization percentage | 5.45% | 9.92% |
| Administrative expenses | 0.15% | 0.15% |

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.

The actuarial calculations performed solely for the GASB disclosure were made 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 No. 25. A comparison of the funding contribution rates and the GASB disclosure contribution rates can be found in the Certification Letter.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

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

John Monroe, ASA, MAAA
Vice President and Associate Actuary

# STATISTICAL SECTION

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### Plan Membership

Active membership in PERS for fiscal year 2008 increased by 2,430 or 2.3%. This represents a slowing of active member growth trends back to fiscal year 2003 levels, after steady increases in growth ranging from 3.3% to 5.6% from 2004 through 2007. The number of benefit recipients (excluding survivors and beneficiaries) increased by 2,217 or 7.1%. 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 decreased slightly between 2007 and 2008.

### Net Assets vs. Liabilities

As exhibited in Schedule 1 of this section, there have been two years, 2002 and 2008, in which the change in net assets for the year was negative. The 2002 result may largely be attributed to the World Trade Center event of 9/11/01. The 2008 change in net assets was mainly the result of a challenging investment year in which the System experienced a 3.2% loss.

The ten-year history of the funded ratio (Actuarial Value of Assets to Actuarial Accrued Liability) appears on the Schedule of Funding Progress (page 44) 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 | | | |
|---|---|---|---|---|
| | **1999** | **2000** | **2001** | **2002** |
| **Additions** | | | | |
| Employer contributions | $ 557.4 | $ 604.9 | $ 656.1 | $ 680.7 |
| Plan member contributions | 45.1 | 48.4 | 49.4 | 53.9 |
| Repayment and purchase of service | 6.8 | 8.5 | 10.6 | 24.7 |
| Investment income (net of expenses) | 1,172.0 | 917.0 | (217.0) | (367.8) |
| Other income | 1.9 | 2.2 | 1.9 | 2.1 |
| Total additions to plan net assets | 1,783.2 | 1,581.0 | 501.0 | 393.6 |
| **Deductions** | | | | |
| Benefit payments | 374.2 | 421.2 | 477.3 | 533.0 |
| Refunds | 11.3 | 16.4 | 10.0 | 15.8 |
| Administrative expenses | 4.2 | 6.4[d] | 7.5[d] | 8.7[d] |
| Other expenses | 0.1 | 0.7 | 0.1 | - |
| Total deductions from plan net assets | 389.8 | 444.7 | 494.9 | 557.5 |
| **Change in net assets** | **$ 1,393.4** | **$ 1,136.3** | **$ 6.1** | **$ (163.9)** |

[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 System to JRS for members moving from one retirement system to the other.

[d] Computer system replacement project.

Information is from internal System records.

**Fiscal Year**

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| $ 724.0 | $ 808.3[a] | $ 875.5 | $ 966.1[a] | $ 1,046.6 | $ 1,167.4[a] |
| 55.4 | 61.1 | 66.9 | 76.0 | 83.2 | 88.0 |
| 29.4 | 43.4 | 63.7 | 42.2 | 45.6 | 43.3 |
| 672.9 | 1,700.8 | 1,491.3 | 1,567.3 | 2,937.1 | (743.1) |
| 2.1 | 2.1 | 3.3 | 3.1 | 3.3 | 2.4 |
| 1,483.8 | 2,615.7 | 2,500.7 | 2,654.7 | 4,115.8 | 558.0 |
| 591.8 | 657.6 | 739.8 | 832.6 | 929.4 | $ 1,033.3 |
| 11.1 | 12.1 | 14.5 | 13.9 | 17.4 | 16.8 |
| 9.6[bd] | 9.8[d] | 9.0 | 8.2 | 8.6 | 8.7 |
| 6.7[c] | - | - | 4.7[c] | 2.0[c] | 2.6[c] |
| 619.2 | 679.5 | 763.3 | 859.4 | 957.4 | 1,061.4 |
| **$ 864.6** | **$ 1,936.2** | **$ 1,737.4** | **$ 1,795.3** | **$ 3,158.5** | **(503.4)** |

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

**Regular Retired Members**
**Fiscal Year**

| | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|
| **Benefits** | | | | |
| Retirement and survivor | $ 296.6 | $ 334.0 | $ 373.7 | $ 415.5 |
| Disability | 11.3 | 13.2 | 19.0 | 22.6 |
| Post-retirement increases | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total benefits** | $ 308.0 | $ 347.3 | $ 392.8 | $ 438.2 |
| **Total refunds** | $ 8.7 | $ 13.6 | $ 7.6 | $ 13.4 |

**Police/Fire Retired Members**
**Fiscal Year**

| | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|
| **Benefits** | | | | |
| Retirement and survivor | $ 62.1 | $ 69.4 | $ 78.9 | $ 88.3 |
| Disability | 4.1 | 4.5 | 5.6 | 6.5 |
| **Total benefits** | $ 66.2 | $ 73.9 | $ 84.5 | $ 94.8 |
| **Total refunds** | $ 2.6 | $ 2.8 | $ 2.4 | $ 2.4 |

**Total Retired Members**
**Fiscal Year**

| | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|
| **Benefits** | | | | |
| Retirement and survivor | $ 358.7 | $ 403.4 | $ 452.6 | $ 503.8 |
| Disability | 15.4 | 17.7 | 24.6 | 29.1 |
| Post-retirement increases | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total benefits** | $ 374.2 | $ 421.2 | $ 477.3 | $ 533.0 |
| **Total refunds** | $ 11.3 | $ 16.4 | $ 10.0 | $ 15.8 |

Notes: Both Regular and Police/Fire retired members received post-retirement increases each year. However, in all years for Police/Fire members, and in some years for Regular members, the amounts were immaterial for purposes of this schedule.

Information is from internal System records.

**Regular Retired Members**
**Fiscal Year**

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| $ 460.2 | $ 509.5 | $ 574.1 | $ 644.5 | $ 716.9 | $ 797.7 |
| 24.7 | 27.8 | 31.0 | 35.5 | 39.8 | 44.0 |
| 0.1 | - | - | - | 0.1 | - |
| $ 485.0 | $ 537.3 | $ 605.1 | $ 680.0 | $ 756.8 | $ 841.7 |
| $ 8.7 | $ 9.1 | $ 11.1 | $ 11.2 | $ 14.0 | $ 12.5 |

**Police/Fire Retired Members**
**Fiscal Year**

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| $ 99.7 | $ 112.6 | $ 126.6 | $ 143.7 | $ 163.4 | $ 181.6 |
| 7.1 | 7.6 | 8.1 | 8.8 | 9.2 | 9.9 |
| $ 106.8 | $ 120.2 | $ 134.7 | $ 152.5 | $ 172.6 | $ 191.5 |
| $ 2.4 | $ 3.0 | $ 3.4 | $ 2.7 | $ 3.4 | $ 4.3 |

**Total Retired Members**
**Fiscal Year**

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| $ 559.9 | $ 622.1 | $ 700.7 | $ 788.2 | $ 880.3 | $ 979.3 |
| 31.8 | 35.4 | 39.1 | 44.3 | 49.0 | 53.9 |
| 0.1 | 0.1 | - | - | 0.1 | - |
| $ 591.8 | $ 657.6 | $ 739.8 | $ 832.5 | $ 929.4 | $ 1,033.2 |
| $ 11.1 | $ 12.1 | $ 14.5 | $ 13.9 | $ 17.4 | $ 16.8 |

## SCHEDULE 3

## RETIRED MEMBERS BY TYPE OF BENEFIT
**As of June 30, 2008**
**(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 | 584 | 514 | 57 | 8 | 5 |
| $250 - $499 | 2,825 | 1,828 | 276 | 209 | 512 |
| $500 - $749 | 3,202 | 2,201 | 345 | 256 | 400 |
| $750 - $999 | 2,993 | 2,312 | 307 | 255 | 119 |
| $1,000 - $1,249 | 2,745 | 2,224 | 266 | 179 | 76 |
| $1,250 - $1,499 | 2,750 | 2,253 | 243 | 180 | 74 |
| $1,500 - $1,749 | 1,588 | 1,278 | 141 | 122 | 47 |
| $1,750 - $1,999 | 1,831 | 1,465 | 161 | 149 | 56 |
| $2,000 - $2,249 | 1,567 | 1,285 | 122 | 125 | 35 |
| $2,250 - $2,499 | 1,405 | 1,190 | 101 | 75 | 39 |
| $2,500 - $2,749 | 1,183 | 980 | 83 | 85 | 35 |
| $2,750 - $2,999 | 1,145 | 987 | 66 | 68 | 24 |
| $3,000 - $3,249 | 1,076 | 944 | 62 | 46 | 24 |
| $3,250 - $3,499 | 1,079 | 971 | 42 | 39 | 27 |
| $3,500 - $3,749 | 1,135 | 1,047 | 52 | 21 | 15 |
| $3,750 - $3,999 | 1,181 | 1,114 | 30 | 29 | 8 |
| $4,000 - $4,249 | 1,095 | 1,051 | 22 | 14 | 8 |
| $4,250 - $4,499 | 832 | 797 | 24 | 7 | 4 |
| $4,500 - $4,749 | 601 | 572 | 15 | 10 | 4 |
| $4,750 - $4,999 | 444 | 416 | 9 | 14 | 5 |
| $5,000 - $5,249 | 316 | 304 | 6 | 5 | 1 |
| $5,250 - $5,499 | 317 | 309 | 3 | 3 | 2 |
| $5,500 - $5,749 | 251 | 244 | 4 | 1 | 2 |
| $5,750 - $5,999 | 219 | 214 | 3 | 2 | 0 |
| $6,000 & Over | 884 | 865 | 12 | 3 | 4 |
| Total | 33,248 | 27,365 | 2,452 | 1,905 | 1,526 |

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

## SCHEDULE 3

## RETIRED MEMBERS BY TYPE OF BENEFIT
### As of June 30, 2008
### (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 | 12 | 10 | 2 | 0 | 0 |
| $250 - $499 | 157 | 49 | 31 | 9 | 68 |
| $500 - $749 | 242 | 112 | 64 | 22 | 44 |
| $750 - $999 | 236 | 148 | 37 | 36 | 15 |
| $1,000 - $1,249 | 224 | 140 | 43 | 29 | 12 |
| $1,250 - $1,499 | 288 | 176 | 65 | 40 | 7 |
| $1,500 - $1,749 | 156 | 106 | 36 | 13 | 1 |
| $1,750 - $1,999 | 203 | 137 | 37 | 28 | 1 |
| $2,000 - $2,249 | 203 | 141 | 28 | 27 | 7 |
| $2,250 - $2,499 | 220 | 169 | 30 | 19 | 2 |
| $2,500 - $2,749 | 237 | 179 | 24 | 30 | 4 |
| $2,750 - $2,999 | 192 | 158 | 18 | 10 | 6 |
| $3,000 - $3,249 | 208 | 170 | 12 | 19 | 7 |
| $3,250 - $3,499 | 198 | 169 | 9 | 14 | 6 |
| $3,500 - $3,749 | 179 | 154 | 12 | 11 | 2 |
| $3,750 - $3,999 | 190 | 174 | 7 | 7 | 2 |
| $4,000 - $4,249 | 181 | 168 | 7 | 6 | 0 |
| $4,250 - $4,499 | 168 | 156 | 4 | 4 | 4 |
| $4,500 - $4,749 | 148 | 139 | 3 | 5 | 1 |
| $4,750 - $4,999 | 127 | 123 | 1 | 3 | 0 |
| $5,000 - $5,249 | 145 | 138 | 2 | 2 | 3 |
| $5,250 - $5,499 | 129 | 126 | 1 | 1 | 1 |
| $5,500 - $5,749 | 100 | 98 | 0 | 2 | 0 |
| $5,750 - $5,999 | 88 | 85 | 2 | 1 | 0 |
| $6,000 & Over | 651 | 644 | 5 | 2 | 0 |
| Total | 4,882 | 3,869 | 480 | 340 | 193 |

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 |
|---|---|---|---|
| 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 |
| 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 |

Number of new retirees excludes survivors and beneficiaries.

Average monthly benefit and number of new retirees 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 |
|---|---|---|---|
| 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 |
| 2007 | Average monthly benefit | $2,216 | $3,549 |
| | Average monthly compensation at retirement | $4,800 | $7,421 |
| | Number of new retirees | 2,678 | 299 |
| | Average years of service at retirement | 18.93 | 22.55 |
| | Average age at retirement | 60 | 55 |
| 2008 | Average monthly benefit | $2,306 | $3,740 |
| | Average monthly compensation at retirement | $5,054 | $7,458 |
| | Number of new retirees | 2,710 | 345 |
| | Average years of service at retirement | 19.04 | 22.30 |
| | 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 |
| 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 |
| 2007 | 91,757 | 11,936 | 27,313 | 3,949 | 3.4 | 3.0 |
| 2008 | 93,816 | 12,307 | 29,270 | 4,209 | 3.2 | 2.9 |

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

## SCHEDULE 6

## CONTRIBUTION RATE HISTORY

| June 30 | Funding Basis Contribution Rates[a] | | GASB Disclosure Contribution Rates[a] | | Statutory Contribution Rates[b] | |
|---|---|---|---|---|---|---|
| | Regular | Police/ Fire | Regular | Police/ Fire | Regular | Police/ Fire |
| **Employer Pay Plan** | | | | | | |
| 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 | 20.66 | 35.00 | 20.25 | 28.50 |
| 2005 | 19.70 | 32.12 | 20.46 | 34.98 | 20.25 | 28.50 |
| 2006 | 20.44 | 33.24 | 21.24 | 36.15 | 19.75 | 32.00 |
| 2007 | 20.44 | 33.55 | 21.15 | 36.37 | 19.75 | 32.00 |
| 2008 | 20.82 | 36.97 | 21.30 | 39.36 | 20.50 | 33.50 |
| **Employee/ Employer Plan** | | | | | | |
| 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 | 10.81 | 17.88 | 10.50 | 14.75 |
| 2005 | 10.31 | 16.44 | 10.69 | 17.87 | 10.50 | 14.75 |
| 2006 | 10.68 | 17.08 | 11.08 | 18.53 | 10.50 | 16.50 |
| 2007 | 10.67 | 17.22 | 11.02 | 18.63 | 10.50 | 16.50 |
| 2008 | 10.83 | 18.86 | 11.07 | 20.01 | 10.50 | 17.25 |

[a] Funding basis and GASB disclosure contribution rates are provided by The Segal Company, the System's actuary. GASB rates were corrected from previous publication.

[b] 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 3)

**State of Nevada and Related Agencies**
Board of Examiners for Alcohol & Drug Abuse Counselors
Cosmetology Board
Department of Transportation
Legislative Counsel Bureau
Liquefied Petroleum Gas Board
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 Massage Therapy
State Board of Medical Examiners
State Board of Nursing
State Board of Optometry
State Board of Osteopathic Medicine
State Board of Pharmacy
State Board of Physical Therapy Examiners
State Board of Veterinary Medical Examiners
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 Las Vegas
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
High Desert Montessori School
Humboldt County School District
ICDA Charter High School
Innovations Charter 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 Connections Academy
Nevada State High School
Nevada Virtual Academy
Nye County School District
Odyssey Charter School
Pershing County School District
Rainbow Dreams Academy
Rainshadow 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
Westcare Charter School
White Pine County School District
100 Academy of Excellence

**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

**SCHEDULE 7**
**Participating Employers**
(Page 2 of 3)

**Cities (Continued)**
City of Carson
City of Elko
City of Ely
City of Fallon
City of Fernley
City of Henderson
City of Las Vegas
City of Lovelock
City of Mesquite
City of North Las Vegas
City of Reno
City of Sparks
City of Wells
City of West Wendover
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 General Improvement District
Beatty Water and Sanitation District
CC Communications
Clark County Water Reclamation District
Douglas 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
Douglas County Mosquito District
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
Incline Village Visitor's/Convention Bureau
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
RTC of Southern Nevada
Rye Patch Volunteer Fire Department
Sierra Fire Protection District
Southern Nevada Workforce Investment Board
Stagecoach General Improvement District

## SCHEDULE 7
## Participating Employers
(Page 3 of 3)

**Special Districts and Agencies (Continued)**
Sun Valley General Improvement District
Tahoe-Douglas District
Tahoe-Douglas Fire Protection District
White Pine County Tourism and Recreation Board
Winnemucca Rural Volunteer Fire
Winnemucca Volunteer Fire Department

# SCHEDULE 8
# PRINCIPAL PARTICIPATING EMPLOYERS

**1999**

| Participating Agencies | Covered Employees | Rank | Percentage of Total System |
|---|---|---|---|
| Clark County School District | 19,886 | 1 | 25.75% |
| State of Nevada | 12,019 | 2 | 15.56 |
| Washoe County School District | 5,595 | 3 | 7.24 |
| Clark County | 5,330 | 4 | 6.90 |
| Las Vegas Metropolitan Police Department | 3,051 | 5 | 3.95 |
| University Medical Center of Southern Nevada | 2,749 | 6 | 3.56 |
| Washoe County | 2,522 | 7 | 3.26 |
| City of Las Vegas | 2,457 | 8 | 3.18 |
| University of Nevada Reno | 1,873 | 9 | 2.42 |
| Department of Transportation | 1,509 | 10 | 1.95 |
| Subtotal | 56,991 | | 73.77% |
| All other | 20,261 | | 26.23% |
| Total 1999 (141 Agencies) | 77,252 | | 100.00% |

**2008**

| Participating Agencies | Covered Employees | Rank | Percentage of Total System |
|---|---|---|---|
| Clark County School District | 32,719 | 1 | 30.83% |
| State of Nevada | 15,252 | 2 | 14.37 |
| Clark County | 7,579 | 3 | 7.14 |
| Washoe County School District | 7,291 | 4 | 6.87 |
| Las Vegas Metropolitan Police Department | 5,042 | 5 | 4.75 |
| University Medical Center of Southern Nevada | 3,582 | 6 | 3.38 |
| City of Las Vegas | 2,926 | 7 | 2.76 |
| Washoe County | 2,865 | 8 | 2.70 |
| University of Nevada Reno | 2,191 | 9 | 2.06 |
| City of Henderson | 2,116 | 10 | 2.00 |
| Subtotal | 81,563 | | 76.86% |
| All other[a] | 24,560 | | 23.14% |
| Total 2008 (173 Agencies) | 106,123 | | 100.00% |

[a] In 2008 "All other" consisted of:

| Agency Type | Number of Agencies | Covered Employees |
|---|---|---|
| State of Nevada and Related Agencies | 20 | 2,183 |
| University of Nevada System | 1 | 2,045 |
| Schools | 39 | 7,072 |
| Counties | 14 | 2,977 |
| Cities | 17 | 5,664 |
| Hospitals | 6 | 686 |
| Utility, Irrigation, and Sanitation Districts | 17 | 764 |
| Special Districts and Agencies | 49 | 3,169 |
| Subtotal | 163 | 24,560 |
| Largest Ten Participating Employers | 10 | 81,563 |
| Total | 173 | 106,123 |

## SCHEDULE 9

### Average Age and Service Statistics for Members*

| | 1999 | 2008 |
|---|---|---|
| Regular members: | | |
| Average age | 43.9 | 45.1 |
| Average years of service | 8.3 | 8.4 |
| Police/Fire members: | | |
| Average age | 39.3 | 39.3 |
| Average years of service | 9.6 | 9.8 |

## SCHEDULE 10
### Average Salaries for Members*

| | Regular | Increase | Police/Fire | Increase |
|---|---|---|---|---|
| June 30, 1999 | $33,397 | | $45,283 | |
| 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 |
| 2007 | 43,355 | 3.4 | 66,316 | 3.2 |
| 2008 | 46,159 | 6.5 | 70,194 | 5.8 |
| Annual increase 1999 – 2008 | | 3.7 % | | 5.0 % |

Fiscal Year 2008 All Urban Consumer Price Index (CPI) 5.02%

* Information provided by The Segal Company

# PLAN SUMMARY

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## Administration

PERS 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, 2008, were $3.79 for each Regular member and benefit recipient and $4.11 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 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, 2008, were 20.50% for Regular members and 33.50% for Police/Fire members.

Employee/Employer Contribution Plan

Under this plan, through June 30, 2008, the Regular member and the employer each contributed 10.5% of compensation to the System. Police/Fire members and their employers each contributed 17.25% 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 thirty 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 twenty years of Police/Fire service, **or** at any age with twenty-five 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 the 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. The increases begin at 2% in each of the fourth, fifth, and sixth years; increase to 3% in years seven, eight, and nine; 3.5% in years ten, eleven, and twelve; 4% for years thirteen and fourteen; and 5% in year fifteen and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (All Items).

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

Eligible survivors:

1. Spouse
2. Each unmarried dependent child under age 18, or up to age 23 if a full-time student.
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 would receive $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 of 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 is 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.