

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM**

JUNE 30, 2008

**STATE OF NEVADA
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BENEFITS FUND
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JUNE 30, 2008**

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Casey, Neilson & Associates, LLC
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Public Employees' Benefits Program

We have audited the accompanying financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada for the period from inception July 1, 2007 through June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2008, and the changes in its plan net assets, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2008, and the changes in plan net assets thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Casey, Neilson & Associates, LLC

Carson City, Nevada
November 24, 2008

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
PUBLIC EMPLOYEES' BENEFIT PROGRAM
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2008

ASSETS

Cash with treasurer	\$ 1,754,604
Collateral on loaned securities	285,845
Intergovernmental receivable	257,529
Due from other funds	66,781
Due from component unit	4,421,488
Investments at fair value	<u>19,164,902</u>
 Total Assets	 <u>25,951,149</u>

LIABILITIES

Obligations under securities lending	285,845
Due to fiduciary funds	<u>513</u>
 Total Liabilities	 <u>286,358</u>

**NET ASSETS HELD IN TRUST FOR
OTHER POSTEMPLOYMENT BENEFITS**

\$ 25,664,791

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
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STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE PERIOD FROM INCEPTION
(JULY 1, 2007) TO JUNE 30, 2008**

ADDITIONS

Contributions	
Employer contributions	<u>\$ 59,263,078</u>
Investment income	
Interest and dividends	257,198
Securities lending income	<u>93,403</u>
	350,601
Less:	
Cost of securities lending	87,799
Net depreciation in fair value of investments	<u>503,438</u>
	(240,636)
Net investment income (loss)	<u>(240,636)</u>
Total additions	<u>59,022,442</u>

DEDUCTIONS

Benefit payments	<u>33,357,651</u>
Total deductions	<u>33,357,651</u>
Net increase	25,664,791

NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS

Beginning of year, July 1	<u>-</u>
End of year, June 30	<u><u>\$ 25,664,791</u></u>

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - Summary of Significant Accounting Policies:

The financial statements of the State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees' Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Retirees' Fund's significant accounting policies applied in the preparation of the accompanying financial statements is presented below.

Basis of Accounting:

The financial statements of the Retirees' Fund have been prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees' Fund does not receive member contributions.

Method Used to Value Investments:

Investments are reported at fair value, which for the Retirees' Fund is determined by the Retirement Benefits Investment Fund.

Plan Description and Contribution Information:

The State Retirees' Health and Welfare Benefits Fund was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. The Retirees' Fund is a multiple employer cost sharing defined postemployment benefit plan run by the Board of the Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the Public Employees' Benefits Program which administers a group health and life insurance program. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission.

The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund. The Board reports annually to the Department of Administration and the Interim Retirement and Benefits Committee of the Nevada Legislature. The Retirees' Fund is governed by NRS 287.0436 through NRS 287.04366.

Contributions to the fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. The assessment is set by the Department of Administration based on an amount provided by the Legislature each biennium in session law. Benefits are paid to the Public Employees' Benefits Program Self Insurance Trust Fund as necessary to offset retiree premiums pursuant to subsection 2 of NRS 287.046. Funds not required to pay benefits are invested in the Retiree Benefits Investment Fund established by the Nevada Legislature in 2007 pursuant to NRS 355.220. Administrative costs of the Retirees' Fund are absorbed by the Self Insurance Trust Fund.

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JUNE 30, 2008**

State active employee and retiree enrollment consisted of the following on June 30, 2008, the date of the last actuarial valuation:

Active Employees	26,530
Retirees	<u>7,184</u>
Total Enrollment	<u><u>33,714</u></u>
 Number of pay centers	 20

NOTE 2 - Funding Status:

The funded status as of the most recent actuarial valuation date is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$0	\$2,211,439	\$2,211,439	0.0%	\$1,523,268	145.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of the GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize and unfunded actuarial liabilities over a period of thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Valuation date	June 30, 2008
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return*	4%

Assumed Trends

Year Beginning	Medical				Pharmacy	Dental	Admin Costs	State Subsidy
	Self-Funded	HMO North	HMO South	HMO Medicare				
7/1/2007	10.00%	8.20%	2.70%	12.60%	11.30%	6.50%	3.00%	12.30%
7/1/2008	9.50%	9.50%	9.50%	9.50%	10.80%	6.00%	3.00%	9.50%
7/1/2009	9.00%	9.00%	9.00%	9.00%	10.30%	5.50%	3.00%	9.00%
7/1/2010	8.50%	8.50%	8.50%	8.50%	8.80%	5.00%	3.00%	8.50%
7/1/2011	8.00%	8.00%	8.00%	8.00%	8.30%	4.50%	3.00%	8.00%
7/1/2012	7.00%	7.00%	7.00%	7.00%	7.30%	4.50%	3.00%	7.00%
7/1/2013	6.00%	6.00%	6.00%	6.00%	6.30%	4.50%	3.00%	6.00%
7/1/2014	5.00%	5.00%	5.00%	5.00%	5.30%	4.50%	3.00%	5.00%
7/1/2015	5.00%	5.00%	5.00%	5.00%	5.00%	4.50%	3.00%	5.00%

* The investment rate of return is based on the historical rate of return for State of Nevada General Fund money held by the State Treasurer. The state invested \$19,622,376 as of June 30, 2008. However, due to budgetary constraints, further investing has been suspended indefinitely.

NOTE 3 - Cash and Deposits with the State Treasurer as of June 30:

	2008
Cash:	
Deposits with State Treasurer:	
State Treasurer's Investment Pool	\$ 1,750,567
GASB 31 adjustment	4,037
Total Cash and Deposits	\$ 1,754,604

NOTE 4 - Retirement Benefits Investment Fund:

The Nevada Legislature established the Retirement Benefits Investment Fund (RBIF) with an effective date of July 1, 2007. The purpose of the Fund is to invest contributions made by participating public entities, as defined in Section 355.220 of the Nevada Revised Statutes to enable such entities to support financing of other post employment benefits. Monies received by the RBIF are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the Fund. At June 30, 2008 the Retirees' Fund was the only participating entity.

The RBIF is designed to value participants' shares in the Fund according to the contributions of each entity, and accordingly, earnings (including realized gains and losses, unrealized gains and losses, interest, and other income) and expenses are allocated to each entity in proportion to the participant's share in the Fund.

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JUNE 30, 2008

NOTE 5 - Securities Lending Transactions:

NRS 355.135 authorizes the State Treasurer to participate in securities lending transactions, where the State's U.S. Government securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year-end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis.

Securities on loan as of June 30, 2008 for cash collateral are unclassified as to custodial credit risk. At June 30, 2008, the State has no credit risk exposure to borrowers because the amount the State owes to borrowers exceeds the amounts the borrowers owe to the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. The contract with the securities lending agent requires it to indemnify the State for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

There are no restrictions on the amount of securities that can be loaned. Either the State or the borrower can terminate all open securities loans on demand. All term securities loans can be terminated with five days notice by either the State or the borrower. Cash collateral is invested in accordance with the investment guidelines approved by the Board of Finance. The maturities of the investments made with cash collateral generally match the maturities of the securities loans.

For purposes of valuing the underlying securities invested in the collateral investment pool, they are commingled with all of the securities invested by the State. Securities loaned consist of U.S. Government securities. The collateral received consists of cash, commercial paper, repurchase agreements, asset backed securities, negotiable CDs and fixed income securities. The total collateral received is in excess of the fair value of the investments held by brokers/dealers under the securities lending agreement. Costs related to securities lending transactions are included as interest expense for the Self Insurance Trust Fund.

The fair value of the underlying securities at June 30, 2008 is as follows:

Self Insurance Trust Fund Participation in State Treasurer's Securities Lending Pool	\$ <u>283,508</u>
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REQUIRED SUPPLEMENTARY INFORMATION
FOR THE PERIOD OF INCEPTION FROM
JULY 1, 2007 TO JUNE 30, 2008**

**Schedule of Funding Progress
(Dollar Amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$0	\$2,211,439	\$2,211,439	0.0%	\$1,523,268	145.2%

**Schedule of Employer Contributions
(Dollar Amounts in thousands)**

Year Ended June 30	Annual Required Contribution (d)	Claims Paid (e)	Funds Invested (f)	Percentage Contributed ([e + f] / d)
2008	\$287,217	\$39,541	\$19,622	20.6%

A copy of the actuarial valuation for the year ended June 30, 2008 may be obtained by mail at 901 S. Stewart Street, Suite 1001, Carson City, NV 89701 or online at www.pebp.state.nv.us/informed/financial.htm.