



CASEY NEILON

November 16, 2020

To the Board of the Public Employees' Benefits Program

We have audited the financial statements of the State Retirees' Health and Welfare Benefits Fund of the Public Employees' Benefits Program (the "Fund") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 28, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Fund's financial statements was:

The funding status of the OPEB plan and the actuarial accrued liability. It is based on an actuarial analysis of the estimated liability for post-retirement benefits other than pensions. We evaluated the key factors and assumptions used by the actuary in developing this analysis and the resulting disclosures in determining if the information is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the OPEB liability and activities in Note 2 to the financial statements because of the material changes in the estimated OPEB liability calculations made under GASB 74.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

503 N. Division St.
Carson City, NV 89703
775 . 283 . 5555

+

6770 S. McCarran Blvd, Ste. 200
Reno, NV 89509
775 . 329 . 9999

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Changes in Net OPEB Liability and Related Ratios and the Schedule of Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Public Employees' Benefits Program Board and management of the Fund and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Casey Neilon

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

JUNE 30, 2020 AND 2019

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
<u>Independent Auditor's Report:</u>	
On Financial Statements	1-2
<u>Financial Statements:</u>	
Statements of Fiduciary Net Position	3
Statements of Changes in Fiduciary Net Position	4
Notes to Financial Statements	5-12
<u>Required Supplementary Information:</u>	
Schedule of Changes in Net OPEB Liability and Related Ratios	13
Schedule of Contributions	14
<u>Compliance Section:</u>	
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15

Casey Neilson
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Public Employees' Benefits Program, State of Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, and the changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada are intended to present the net position, and changes in net position of the program. They do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2020 and 2019, and the changes in its net position, for the years then ended, in conformity with

accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net OPEB Liability and Related Ratios and the Schedule of Contributions on pages 13 and 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 on our consideration of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State Retirees' Health & Welfare Benefits Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and compliance.

Casey Neilon

Casey Neilon, Inc.
Carson City, Nevada
November 16, 2020

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash with treasurer	\$ 2,570,445	\$ 480,301
Intergovernmental receivable	22,806	15,103
Due from other funds	130,776	167,754
Due from component unit	1,480,374	1,411,976
Investments at fair value	1,843,713	1,728,842
Total Assets	6,048,114	3,803,976
LIABILITIES		
Due to other funds	11,699,729	3,572,579
Total Liabilities	11,699,729	3,572,579
NET POSITION		
Net position restricted for other postemployment benefits	\$ (5,651,615)	\$ 231,397

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ADDITIONS		
Contributions		
Employer contributions	\$ 43,881,808	\$ 40,942,430
Investment income		
Interest and dividends	100,811	80,098
Net appreciation in fair value of investments	103,941	101,793
Investment expense	(474)	(453)
Net investment income	<u>204,278</u>	<u>181,438</u>
Total additions	<u>44,086,086</u>	<u>41,123,868</u>
DEDUCTIONS		
Benefit payments	<u>49,969,098</u>	<u>42,489,798</u>
Total deductions	<u>49,969,098</u>	<u>42,489,798</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>(5,883,012)</u>	<u>(1,365,930)</u>
NET POSITION:		
Beginning of year	<u>231,397</u>	<u>1,597,327</u>
End of year	<u>\$ (5,651,615)</u>	<u>\$ 231,397</u>

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 - Summary of Significant Accounting Policies:

Reporting Entity:

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 (US GAAP) 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 and the economic resources measurement focus. 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. The Retirees' Fund is accounted for as a fiduciary fund that is administered as an irrevocable trust fund.

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 PEBP Board. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to PEBP which administers a group health and life insurance program.

Pursuant to NRS 287.023 and NRS 287.046, the following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

Any PEBP covered retiree with state service whose last employer was the state or a participating local government entity and who:

- Has at least five years of public service and who was initially hired by the state prior to January 1, 2010; or
- Has at least fifteen years of public service and who was initially hired by the state on or after January 1, 2010, but before January 1, 2012; or
- Has at least five years of public service, who has a disability and who was initially hired by the state on or after January 1, 2010, but before January 1, 2012; or
- Any PEBP covered retirees with state service whose last employer was not the state or a participating local government entity and who has been continuously covered under PEBP as a retiree since November 30, 2008.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 - Summary of Significant Accounting Policies (continued):

Plan Description and Contribution Information (continued):

State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. Participating local government entity is defined as a county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency that has an agreement in effect with PEBP to provide health coverage for its active employees.

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. Pursuant to NRS 287.0425, the Executive Officer reports information regarding the Retirees' Fund annually to the Governor's Finance Office and the Nevada Legislature. The Retirees' Fund is governed by NRS 287.0436 through NRS 287.04364.

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 Governor's Finance Office based on an amount provided by the Legislature each biennium in session law. The assessment was 2.34% and 2.34% of actual payroll for the years ending June 30, 2020 and 2019, respectively. Benefits are paid to the Public Employees' Benefits Program Self Insurance Trust Fund as necessary to offset retiree premiums pursuant to NRS 287.046. Funds not required to pay benefits are invested in the Retiree Benefits Investment Fund established pursuant to NRS 355.220 or are held in the State of Nevada general portfolio pursuant to NRS 226.110 as approved in the legislatively approved budget. Administrative costs of the Retirees' Fund are absorbed by the Self Insurance Trust Fund.

State active employee and retiree enrollment and inactive members consisted of the following as of the actuarial valuation date:

Active Plan Members*	13,190
Inactive Plan Members or Beneficiaries Currently Receiving Benefit**	12,551
Inactive Plan Members Entitles to but Not Yet Receiving Benefit Payments**	<u>2,272</u>
Total Plan Members	<u>28,013</u>

*Active counts reflect those hired prior to January 1, 2012

**Inactive counts include terminated vested participants and reflect State retirees only.

The Retirees' Fund is governed by the Public Employees Benefits Program Board of Trustees which consists of ten members who are appointed by the Governor of the State of Nevada. Each appointee represents a specific class of public employees and retirees including the Nevada System of Higher Education, retired public employees, state employees, and local government employees. Additionally, two members must have substantial and demonstrated experience in risk management, health care administration, or employee benefits programs. One member must be employed in a managerial capacity for the Nevada State Department of Administration. These requirements are all in accordance with NRS 287.041.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 - Summary of Significant Accounting Policies (continued):

Recently Issued Accounting Pronouncements:

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. It is not clear at this point how this will impact the financial statements as of June 30, 2020.

NOTE 2 – Net OPEB Liability:

Funding Status and Funding Progress

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and includes 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 projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs require consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drug options, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

Net OPEB Liability of the Retirees' Fund

The components of the net OPEB liability of the Retiree's Fund at June 30, 2020 and 2019, were as follows:

	2020	2019
	<u>(in thousands)</u>	<u>(in thousands)</u>
Total OPEB liability	\$ 1,393,813	\$ 1,325,980
Plan fiduciary net position	<u>(231)</u>	<u>(1,597)</u>
Net OPEB liability	<u><u>1,393,582</u></u>	<u><u>1,324,383</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	0%	0%
OPEB expense	\$ 75,973	\$ 70,466

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – Net OPEB Liability (continued):

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Dependent upon pension system ranging from 1.00% to 10.65%, including inflation.
Discount Rate	3.51%, Based on Bond Buyer General Obligation 20-Bond Municipal Bond Index
Healthcare cost trend rates	For medical prescription drug benefits the current amount is 6.50% and decreases to 4.5% long-term trend rate after six years. For dental benefits and Part B Premiums the trend rate is 4.00% and 4.50%, respectively.
Actuarial method	Entry Age Normal Level % of Pay

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2014 with Scale AA for regular participants, set back one year for females and RP-2000 Combined Healthy Mortality Table projected to 2014 with scale AA for Fire and Police, set forward one year.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

As the Retirees' Fund is funded on a pay-as-you-go basis, the discounted rate is equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate of 3.51%.

Discount rate

The discount rate basis under GASB 74 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate.

The discount rates used for fiscal years ended June 30, 2020 and 2019 are 3.51% and 3.87%, respectively.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Retirees' Fund, as well as what the Retirees' Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate:

	1% Decrease (2.51%) (in thousands)	Discount Rate (3.51%) (in thousands)	1% Decrease (4.51%) (in thousands)
Total OPEB Liability (Ending)	\$ 1,536,767	\$ 1,393,813	\$ 1,269,786
Plan Fiduciary Net Position (Ending)	(231)	(231)	(231)
Net OPEB Liability (Ending)	<u>\$ 1,536,536</u>	<u>\$ 1,393,582</u>	<u>\$ 1,269,555</u>

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – Net OPEB Liability (continued):

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Retirees' Fund, as well as what the Retirees' Fund liability would be if it were using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (in thousands)	Trend Rates (in thousands)	1% Decrease (in thousands)
Total OPEB Liability (Ending)	\$ 1,293,175	\$ 1,393,813	\$ 1,513,360
Plan Fiduciary Net Position (Ending)	(231)	(231)	(231)
Net OPEB Liability (Ending)	<u>\$ 1,292,944</u>	<u>\$ 1,393,582</u>	<u>\$ 1,513,129</u>

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

	2020	2019
Cash:		
Deposits with State Treasurer:		
State Treasurer's Investment Pool	\$ 2,541,127	\$ 479,096
GASB 31 adjustment	29,318	1,205
Total Cash and Deposits	<u>\$ 2,570,445</u>	<u>\$ 480,301</u>

The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledge collateral for all public deposits.

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

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, money market funds whose policies meet the criteria set forth in the statute, United States treasury securities and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements.

A copy of the State of Nevada Comprehensive Annual Financial Report can be obtained online at <https://controller.nv.gov/FinRpts/CAFR/CAFR/>.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 – Interfund Balances:

Interfund balances at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Due to fiduciary fund from:		
General funds	\$ 125,626	\$ 152,832
Internal service funds	5,150	6,574
Trust funds	-	8,348
Total due to fiduciary fund from other funds	\$ 130,776	\$ 167,754
 Due to fiduciary fund from:		
All others	\$ 1,480,374	\$ 1,411,976
Total due to fiduciary fund from component units	\$ 1,480,374	\$ 1,411,976
 Due from fiduciary fund:		
Internal service funds	\$ 11,699,729	\$ 3,572,579
Total due to internal service funds from fiduciary fund	\$ 11,699,729	\$ 3,572,579

These balances resulted from the time lag between the dates that (1) interfund contributions are provided or benefit payments occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 5 - 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 by NRS 355.220 to enable such entities to support financing of other post-employment benefits at some time in the future. Per NRS 355.220(2) monies received by the RBIF from participating entities 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. NRS 355.220(2) requires that any money in the Fund must be invested in the same manner as money in the Public Employees' Retirement System of Nevada (PERS) Investment Fund is invested. The PERS Investment Fund is governed primarily by the "prudent person" standard as set forth in NRS 286.682, which authorizes the Retirement Board to invest PERS' funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account." PERS has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm. In general, the authorized investments include: fixed income, both US comingled and non-US comingled; domestic, international and comingled equity; money market funds; and short-term investments.

RBIF is designed to value participants' shares in the Fund according to the contributions of each entity, and accordingly, earnings (including realized and 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. The financial statements of the RBIF were audited in accordance with auditing standards generally accepted in the United States of America and can be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 - Fair Value:

The Retirees' Fund holds investments that are measured at fair value on a recurring basis. The Retirees' Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments measured and reported at fair value using Level inputs are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include U.S. Treasury securities and listed equities.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations in which all significant inputs and significant value drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

The following table presents fair value measurements as of June 30, 2020:

	Level 1
U.S treasury securities and equities	\$ 1,843,713
Total investments	\$ 1,843,713

The following table presents fair value measurements as of June 30, 2019:

	Level 1
U.S treasury securities and equities	\$ 1,728,842
Total investments	\$ 1,728,842

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments are classified in Level 1.

NOTE 7 – Subsequent Events:

Management has evaluated the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2020. Management has evaluated subsequent events through November 16, 2020, the date which the financial statements were available to be issued.

The Retirees' Fund is responding to the recent COVID-19 outbreak with a measured, practical response. As of the date of this report, the Retirees' Fund is able to perform necessary business functions however, the extent of future financial impact and duration cannot be reasonably estimated at this time.

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years* (Unaudited)

	Fiscal Year Ending June 30,			
	2020	2019	2018	2017
	(in thousands)			
Total OPEB Liability				
Service cost	\$ 51,349	\$ 51,882	\$ 59,309	\$ 49,794
Interest cost	52,488	47,795	39,469	45,361
Changes of benefit terms	-	-	-	-
Differences between expected and actual experiences	(31,485)	-	-	-
Changes of assumptions	37,971	(36,851)	(102,300)	123,519
Gross benefit payments	(42,490)	(39,710)	(38,069)	(35,932)
Net change in total OPEB liability	67,833	23,116	(41,591)	182,742
Total OPEB liability - beginning	1,325,980	1,302,864	1,344,455	1,161,713
Total OPEB liability - ending	<u>\$ 1,393,813</u>	<u>\$ 1,325,980</u>	<u>\$ 1,302,864</u>	<u>\$ 1,344,455</u>
Plan Fiduciary Net Position				
Contributions: Employer	\$ 40,943	\$ 39,669	\$ 38,049	\$ 32,213
Contributions: Member	-	-	-	-
Net investment income	181	162	164	55
Gross benefit payments	(42,490)	(39,710)	(38,069)	(35,932)
Administrative expenses	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	(1,366)	121	144	(3,664)
Plan fiduciary net position - beginning	1,597	1,476	1,332	4,996
Plan fiduciary net position - ending	<u>\$ 231</u>	<u>\$ 1,597</u>	<u>\$ 1,476</u>	<u>\$ 1,332</u>
Net OPEB liability - ending	<u>\$ 1,393,582</u>	<u>\$ 1,324,383</u>	<u>\$ 1,301,388</u>	<u>\$ 1,343,123</u>
Net position as a percentage of OPEB liability	0%	0%	0%	0%
Covered employee payroll	\$ 1,991,456	\$ 1,890,946	\$ 1,663,856	\$ 1,627,517
Net OPEB liability as a percentage of payroll	70%	70%	78%	83%

* Only four years of information is available due to reporting changes related to the implementation of GASB 75 effective fiscal year 2018.

Notes to Schedule:

Plan Changes: None

Assumption Changes: The valuation reflects a change of assumption in that the discount rate used at June 30, 2018 was 3.87% and the discount rate used at June 30, 2019 was 3.51%.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019**

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years* (Unaudited)

	Fiscal Year Ending June 30,			
	2020	2019	2018	2017
	(in thousands)			
Actuarially determined contribution	N/A	N/A	N/A	N/A
Contributions made in relation to the actuarially determined contribution	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A
Covered employee payroll **	\$ 1,991,456	\$ 1,890,946	\$ 1,663,856	\$ 1,627,517
Contributions as a percentage of payroll	N/A	N/A	N/A	N/A

* Only four years of information is available due to reporting changes related to the implementation of GASB 75 effective fiscal year 2018.

** Covered payroll for all fiscal years were provided by the State.

Notes to Schedule

Valuation Date January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal - Level % of Salary

Asset Valuation Method Market Value of Assets

Retirement Age*** Varies by age and service

Mortality Headcount-weighted RP-2014 table projected to 2020 with Scale MP-2016

*** Weighted average retirement age based on January 1, 2018 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report.

Casey Neilon
Accountants and Advisors

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of the
Public Employees' Benefits Program, State of Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which comprise the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Programs basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Programs internal control. Accordingly, we do not express an opinion on the effectiveness of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Casey Neilon

Carson City, Nevada
November 16, 2020