

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

JUNE 30, 2009 AND 2008

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
JUNE 30, 2009 AND 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 years ended June 30, 2009 and 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 audits.

We conducted our audits 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, 2009 and 2008, and the changes in its plan net assets, where applicable, for the years 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, 2009 and 2008, and the changes in plan net assets thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress and the Schedule of Employer Contributions on page 8, 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.

Casey, Neilson & Associates, LLC

Carson City, Nevada
October 30, 2009

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash with treasurer	\$ 546,814	\$ 1,754,604
Collateral on loaned securities	-	285,845
Intergovernmental receivable	15,427	257,529
Due from other funds	824,524	66,781
Due from component unit	1,031,255	4,421,488
Investments at fair value	21,139,856	19,164,902
Total Assets	23,557,876	25,951,149
LIABILITIES		
Obligations under securities lending	-	285,845
Due to fiduciary funds	-	513
Due to other funds	21,922	-
Total Liabilities	21,922	286,358
NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 23,535,954	\$ 25,664,791

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

ADDITIONS

Contributions		
Employer contributions	\$ 32,256,720	\$ 59,263,078
Investment income		
Interest and dividends	36,551	257,198
Securities lending income	9,159	93,403
	<u>45,710</u>	<u>350,601</u>
Less:		
Cost of securities lending	8,181	87,799
Net depreciation in fair value of investments	4,447,092	503,438
Net investment income (loss)	<u>(4,409,563)</u>	<u>(240,636)</u>
Total additions	<u>27,847,157</u>	<u>59,022,442</u>

DEDUCTIONS

Benefit payments	<u>29,975,994</u>	<u>33,357,651</u>
Total deductions	<u>29,975,994</u>	<u>33,357,651</u>
Net increase (decrease)	(2,128,837)	25,664,791

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

Beginning of year, July 1	<u>25,664,791</u>	<u>-</u>
End of year, June 30	<u>\$ 23,535,954</u>	<u>\$ 25,664,791</u>

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 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 employees of the State of Nevada 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 NRS 287.046(2). Funds not required to pay benefits are invested in the Retiree Benefits Investment Fund established pursuant to NRS 355.220 as approved in the Legislatively Approved Budget. Administrative costs of the Retirees' Fund are absorbed by the Self Insurance Trust Fund.

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BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

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

State active employee and retiree enrollment consisted of the following on June 30, 2009 and 2008 respectively:

	<u>2009</u>	<u>2008</u>
Active Employees	26,014	26,530
Retirees	<u>7,667</u>	<u>7,184</u>
Total Enrollment	<u>33,681</u>	<u>33,714</u>
Number of pay centers	21	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)
7/1/2008	\$25,665	\$1,815,501	\$1,789,836	1.4%	\$1,488,847	120.2%

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, 2009 AND 2008**

NOTE 2 - Funding Status (continued):

Valuation date	July 1, 2008
For Year Ending	June 30, 2009
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	HMOs				
7/1/2008	7.0%	5.0%	10.8%	6.0%	3.0%	7.0%
7/1/2009	7.0%	5.0%	10.3%	5.5%	3.0%	7.0%
7/1/2010	8.5%	8.5%	8.8%	5.0%	3.0%	8.5%
7/1/2011	8.0%	8.0%	8.3%	4.5%	3.0%	8.0%
7/1/2012	7.0%	7.0%	7.3%	4.5%	3.0%	7.0%
7/1/2013	6.0%	6.0%	6.3%	4.5%	3.0%	6.0%
7/1/2014	5.0%	5.0%	5.3%	4.5%	3.0%	5.0%
7/1/2015 and Beyond	5.0%	5.0%	5.0%	4.5%	3.0%	5.0%

* 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 \$6,412,518 and \$19,622,376 as of June 30, 2009 and 2008, respectively. However, due to budgetary constraints, further investing has been suspended indefinitely.

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

	<u>2009</u>	<u>2008</u>
Cash:		
Deposits with State Treasurer:		
State Treasurer's Investment Pool	\$ 556,342	\$ 1,750,567
GASB 31 adjustment	<u>(9,528)</u>	<u>4,037</u>
Total Cash and Deposits	<u>\$ 546,814</u>	<u>\$ 1,754,604</u>

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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, 2009 there were three public entities participating in the Retirement Benefits Investment Fund: the Retirees' Fund, Washoe County School District and Truckee Meadows Water Authority.

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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PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009 AND 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%
7/1/2008	\$25,665	\$1,815,501	\$1,789,836	1.4%	\$1,488,847	120.2%

**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	\$43,534	\$25,905	24.2%
2009	\$235,264	\$50,809	\$0	21.6%

A copy of the actuarial valuation for the year ended June 30, 2009 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.