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, 2002

George W. Pyne
Executive Officer

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

Prepared by the PERS' Accounting Division

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PUBLIC
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A COMPONENT UNIT OF THE STATE OF NEVADA

For the Fiscal Year Ended June 30, 2002

December 3, 2002

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, 2002.

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 and the American Institute of Certified Public Accountants. In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2002, and changes in fiduciary net assets for the year then ended.

The System was established by the Nevada State Legislature in 1947. By July 1, 1949, the System had approximately 3,000 members and 64 retirees. At the end of fiscal year 2002, the System had 152 participating employers, 85,224 active members, and 25,535 retirees and beneficiaries. The System is comprised of two sub-funds, the Regular sub-fund, consisting of members who are not police or fire employees, and the Police and Firemen's sub-fund (Police/Fire). The Regular sub-fund was established to provide retirement, disability and survivor benefits for public employees with the exception of those who are police officers or firefighters. The Police/Fire sub-fund was established to segregate accounting for retirement and survivor benefits related to members who are police officers or firefighters. All services provided by staff are performed in order to meet those objectives. For more specific information on plan provisions, please refer to the Plan Summary, which begins on page 91.

This CAFR is composed of the following sections:

- an Introductory Section, which contains this letter of transmittal, a list of Administrative Personnel which includes members of the Retirement Board and principal staff, an organizational chart, a Certificate of Achievement for Excellence in Financial Reporting, and the Public Pension Coordinating Council Achievement Award;
- a Financial Section, which contains the opinion of the System's certified public accountants, PricewaterhouseCoopers LLP, management's discussion and analysis, the System's financial statements with notes, and certain supplementary information;
- an Investment Section, prepared in conjunction with our investment consultant, Callan Associates, which contains a report on investment activity, investment policies, investment results, and various investment schedules;
- an Actuarial Section, which contains the Actuary's Certification Letter prepared by the System's consulting actuaries, The Segal Company, and the results of their annual actuarial valuation;
- a Statistical Section, which includes significant data pertaining to the System's membership and benefit recipients;
- our Plan Summary.

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

Major Initiatives

Legislation

The Nevada legislature convenes on a biennial basis. For 2001, the Nevada legislature passed several measures of importance to the System. PERS' staff spent much of this past year on the successful implementation of these plan design changes to include:

- An increased multiplier for all service earned after July 1, 2001, at 2.67% of average compensation.
- New survivor benefits for beneficiaries of deceased single members prior to retirement.
- 25 year retirement at any age for police and fire members beginning July 1, 2001.

Also completed was a legislatively mandated study, Assembly Bill 431 (AB431), of lump-sum optional retirement plans, commonly known as DROPs, PLOPs, and Back DROPs. After careful consideration of these programs, the Board voted not to include a lump-sum optional retirement program as part of its 2003 legislative package.

PERS' staff continues to monitor utilization of modifications to PERS' retiree re-employment restrictions passed by the 2001 Nevada legislature. This legislation was designed to assist Nevada public employers with re-employment of retirees in areas of critical labor shortage.

Additionally, federal legislation titled the Economic Growth and Tax Relief Reconciliation Act of 2002 (EGTRRA) provided for enhanced retirement savings through new purchase of service vehicles for PERS' members. AB555 of the 2001 Nevada legislature provided the Board with the opportunity to allow PERS' members to take advantage of this new legislation beginning January, 2002.

Finally, PERS' staff continues to work on the establishment of a new Judicial Retirement System (JRS) which will be effective January 1, 2003. AB4 of the 17^{th} special session of the Nevada legislature created this system to be funded on an actuarial reserve basis. An initial contribution of $5 million was received in July of 2001 to fund benefits that will be paid beginning January 1, 2003. The System will be responsible for the administration of the new JRS.

Information Technology

With the Computer Automated Retirement System of Nevada (CARSON) project in final warranty phase, focus was placed on additional functionality made necessary by legislative changes mentioned above and enhancements to the System's website. Implementation of eCARSON will provide a secure website for online customer service. Electronic enrollments, terminations, web estimates, online review of member account information, optional service credit estimates, online wage and contribution editing, member demographic updates, address changes, and optional service credit payoff information are part of this initiative for 2003.

Strategic Planning

Strategic and tactical planning are key to the successful management of the System. These plans must address both external and internal elements ranging from financial market analysis to federal legislative efforts to member relations.

Strategic investment management includes validating our long term return and risk assumptions for our asset classes. Other strategic planning issues include continuing to coordinate and review all current communications, including forms, letters, newsletters, web site content, member and employer programs and development of a new approach to pre-retirement programs in cooperation with our participating public employers. Additionally, the System will begin a review of the governance framework of PERS including governance policies, defining clear roles and responsibilities for Board and Executive Management. Operational performance benchmarking is targeted for implementation within the strategic horizon through enhanced data collection relating to service, complexity, workload volumes and activity costs such that we may be compared to a peer group of Systems most similar to PERS.

Summary of Financial Information

The System's management is responsible for maintaining internal controls designed to provide reasonable assurance that transactions are executed according to management's authorization, recorded to maintain accountability for assets, and to allow the preparation of financial statements in accordance with generally accepted accounting principles. The internal controls include written policies and procedures and are reviewed periodically by independent auditors and the System's internal audit staff. Statute requires a biennial financial audit of the System by a certified public accountant. However, the System chooses to conduct such audits on an annual basis rather than biennially.

The System 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 State Legislature.

The following schedule is a summary of the pension trust funds' additions and deductions for the years ended June 30, 2002 and 2001.

	June 30, 2002	June 30, 2001
Additions	$ 393,603,616	$ 500,990,690
Deductions	(557,536,785)	(494,920,934)
Net (Deductions) additions	$ (163,933,169)	$ 6,069,756

Additions decreased by $107.4 million, due to an increase in net investment loss of $150.9 million, offset by an increase in contributions of $43.3 million. Deductions increased by $62.6 million due to increases of $55.7 million in benefit payouts and $5.8 million in refund payouts.

Funding

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an annual actuarial valuation indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the rates established by the Nevada State Legislature.

Level cost, as a percentage of salary contribution rates as determined by the actuary, was calculated using the "entry age normal" cost method and other significant actuarial assumptions detailed beginning on page 68. The System uses this actuarial method to amortize the unfunded liability over a period of 22 years from July 1, 2002. Funding levels are presented on page 36 in the Financial Section of this report. The funded ratio for all members is 82.4% in 2002, a slight decrease from 84.2% in fiscal year 2001.

Investments

The responsibility of the System to provide retirement benefits to its members is accomplished by management of the System's investment portfolio. Contributions pay approximately 20% of the benefits the average member will receive in retirement. The remaining 80% come from investment earnings.

The strategy employed to accomplish the goal of earning an appropriate return must be tempered with caution due to the level of risk which accompanies various types of investments. This cautious stance is defined by the prudent person standard outlined in the statute which sets guidelines for the System's administration. The standard states that the Public Employees' Retirement Board (Retirement Board) may invest the System's funds in every type of investment which persons of prudence, discretion and intelligence acquire or retain for their own account. By establishing a well diversified investment portfolio, the System has strengthened control over the fund's risk and return parameters.

Asset allocation is one of the most important determinants of investment return. More than 90% of the long-term risk and return profile of the investment program results from the asset mix decision. 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 risk/return comfort level of the Board. This blend of asset types will provide protection against large fluctuations in portfolio returns.

In addition to the asset allocation decision, the fund is diversified by investment categories, styles of management, managers, and assets. Not all categories, styles, managers, and assets react to movements in the investment markets in the same manner. Therefore, one investment style that is not favored by the markets should be offset by a style which is doing well. The System's portfolio is well diversified.

As it relates to management style, the Board shifted the U.S. Bond portfolio structure to 50% index / 50% active core last fiscal year. Two new index managers were subsequently retained. To address active management concerns, three active managers were terminated and, given the reduced allocation, replaced by one new firm.

The portfolio return objective, beginning with fiscal year 2001, is 3.5% over the Consumer Price Index (CPI) of 0.75%, for a total fiscal year 2002 return objective of 4.25%. The fair value of the Systems' investments at the end of fiscal year 2002 was $13.4 billion. The System's total return on investments for the same period was negative 2.7%, which includes both realized and unrealized losses. This was primarily the result of disappointing returns from global stock markets. More importantly, the fund's annualized rate of return was 8.8% over the last ten years versus our long-term actuarial objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 5% of public funds for the last 10 years. The Investment Section beginning on page 47 addresses specific activity and results in the investment portfolio for fiscal year 2002.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Employees' Retirement System of Nevada for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001 (see page 14). The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid only for one year. The System has received a Certificate of Achievement for Excellence in Financial Reporting for each of the fiscal years ended June 30, 1990 through 2001. 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 Achievement Award

The Public Pension Coordinating Council awarded the Public Pension Principles Achievement Award to the Public Employees' Retirement System of Nevada for the fiscal year ended June 30, 2000 (see page 15). The System also received the award for the fiscal years ended June 30, 1993, 1994, 1996, and 1998. In 1994, the Council voted to change the program from an annual to a biennial award. The award is designed to commend public employee retirement systems for implementing and maintaining high professional standards. We believe that we continue to achieve high professional standards in public employee retirement administration and will apply for the award again for 2002.

Qualification for the award is based on compliance with 18 specific principles judged to underlie exemplary retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments, and disclosure. These principles have undergone extensive review by prominent members of the public employee retirement system community and are widely acknowledged to be marks of excellence for retirement systems.

Professional Services

Professional consultants are hired to perform services essential to the efficient operation of the System. The Report of Independent Accountants, Consultant's Report of Investment Activity, and the actuary's certifications are included in this report. The System's consultants are listed on pages 12 and 47.

Acknowledgements

This report reflects the combined effort of the System's administrative staff. It is intended to provide 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 2002.

Respectfully submitted,

GEORGE W. PYNE
Executive Officer

ADMINISTRATIVE PERSONNEL

PUBLIC EMPLOYEES' RETIREMENT BOARD

Charles Silvestri	Chairman	2003
Marvin Leavitt	Vice Chairman	2003
Eldon "Andy" Anderson	Member	2002
Sue DeFrancesco	Member	2005
Earl Greene	Member	2002
Purisimo B. Hernandez	Member	2005
Warren Wish	Member	2005

Terms expire on June 30 of year noted.

RETIREMENT STAFF

George Pyne	Executive Officer
Dana Bilyeu	Operations Officer
Laura B. Wallace	Investment Officer
Ken Lambert	Assistant Investment Officer

Division Supervisors:

Ann Schleich	Accounting
Shirley Moell	Benefits
Paula Darragh	Information Technology
Mary Pistoresi	Internal Audit
Patti Keyes	Membership
Holly Zimmerman	Support Services

LEGAL COUNSEL

Tina Leiss, Deputy Attorney General, Carson City

MEDICAL ADVISOR

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

POLICE AND FIREMEN RETIREMENT FUND ADVISORY COMMITTEE

William Loncar	Chairman	2004
Dean Molburg	Vice Chairman	2002
Fred Galey	Member	2003
Richard Tiran	Member	2003
Raymond McAllister	Member	2002

Terms expire on June 30 of year noted.

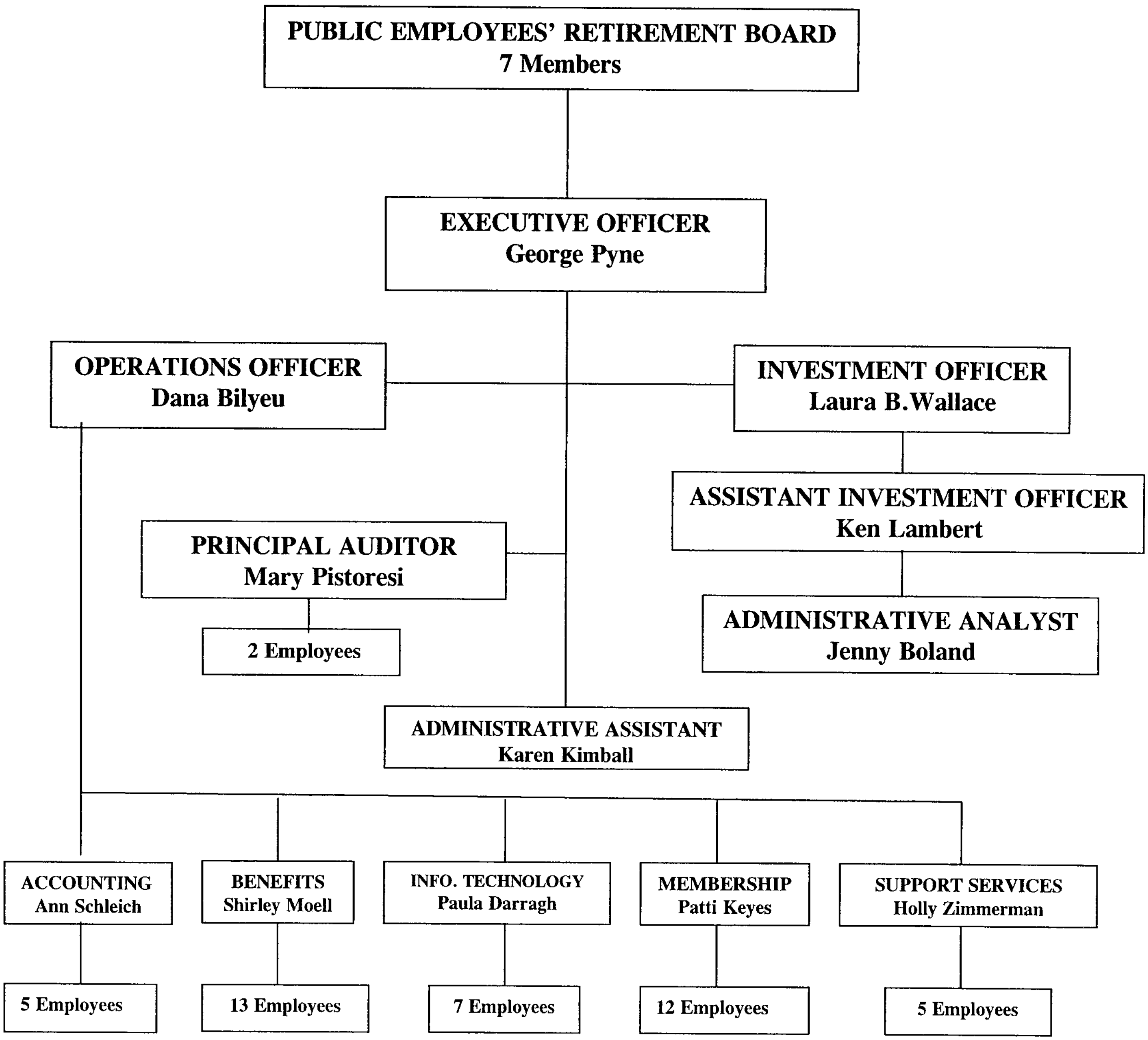
THE SYSTEM'S ADVISORS

Consulting Actuary - The Segal Company, Denver

Independent Accountants - PricewaterhouseCoopers LLP, Sacramento

Note: A list of investment professionals who provide services to the Public Employees' Retirement System of Nevada can be found on page 47. A schedule of fees and commissions paid to investment professionals can be found beginning on page 61.

ORGANIZATIONAL CHART



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, 2001

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 Principles

2000 Achievement Award

Presented to

Public Employees' Retirement System of Nevada

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Michael L. Mory
Chairman

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

FINANCIAL SECTION

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Suite 1200
555 Capitol Mall
Sacramento, CA 95814
Telephone (916) 930 8100
Facsimile (916) 930 8450

Report of Independent Accountants

Public Employees' Retirement Board
of the State of Nevada

In our opinion, the accompanying basic financial statements present fairly, in all material respects, the fiduciary net assets of the Public Employees' Retirement System of Nevada (the "System"), a component unit of the State of Nevada, at June 30, 2002, and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We previously audited and reported on the financial statements of the System as of and for the year ended June 30, 2001, the comparative totals of which are included for additional analysis only.

As discussed in Note 2 to the basic financial statements, the System has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, for the year ended June 30, 2002.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PRICEWATERHOUSECOOPERS

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included on pages 36 through 38 is required under Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The supplemental information included on pages 39 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole, from which it has been derived. The information in the supplementary schedules and supporting schedules as of and for the years ended June 30, 1998 and 1997, was audited by other auditors in connection with their audits of the respective financial statements, whose report dated October 29, 1998, expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP

November 19, 2002

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the financial performance of the Public Employees' Retirement System of Nevada provides an overview of the agency's financial activities for the fiscal year ended June 30, 2002. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. We encourage you to read it in conjunction with the System's financial statements, notes to the financial statements and the Executive Officer's Letter of Transmittal included in the Introduction Section of the System's 2002 Comprehensive Annual Financial Report.

The System is responsible for administering retirement, disability, and survivor benefits for Regular members (consisting of employees within the State of Nevada, school districts, counties, cities, special districts, etc.) as well as Police/Fire members throughout the state.

Financial Highlights

- Net assets decreased by $163.9 million or 1.2% to $13.2 billion as of June 30, 2002.
- Net investment losses increased by $150.9 million or 69.5% to $367.9 million in fiscal year 2002 from a loss of $217.0 million in fiscal year 2001.
- Total investments, excluding securities lending collateral, at June 30, 2002, increased by $119.7 million or .9% to $13.4 billion.
- As of June 30, 2002, the most recent actuarial valuation, the System was 82.4% funded, compared to a funding level of 84.2% as of June 30, 2001.
- Total contributions for fiscal year 2002 increased by $43.3 million or 6.0% to $759.4 million.
- Benefit payments for fiscal year 2002 increased by $55.7 million or 11.7% to $533.0 million.
- Refund of contributions increased by $5.8 million or 57.8% to $15.8 million.

Overview of Financial Statements

This MD&A is intended to serve as an introduction to the System's basic financial statements. The basic financial statements consist of the: 1) Statement of Fiduciary Net Assets; 2) Statement of Changes in Fiduciary Net Assets; 3) Notes to the Financial Statements; 4) Required Supplementary Information; 5) Other Supplementary Information.

The **Statement of Fiduciary Net Assets** reports the pension trust fund assets, liabilities, and the net assets available at the end of the fiscal year, calculated using the following formula: Assets - Liabilities = Net assets held in trust for pension benefits. The Statement of Fiduciary Net Assets reports the financial position of the pension trust fund at one point in time, in this case, June 30, 2002. Over time, the increase or decrease in net assets serves as a useful indicator of the health of the System's financial position.

The **Statement of Changes in Fiduciary Net Assets** reports additions to and deductions from the pension trust fund during the fiscal year. The formula here is: Additions - Deductions = Net Increase (decrease) in net assets. The Statement of Changes in Fiduciary Net Assets reports activity occurring over a specific period of time, in this case, the fiscal year beginning July 1, 2001 and ending June 30, 2002.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information addressed in the notes to the financial statements is described below.

- Note 1 provides a general description of the fund and some of its components such as benefits, vesting, and member contributions. Also included are membership statistics.
- Note 2 provides a summary of significant accounting policies and plan asset matters. It includes narrative on the financial reporting entity, the basis of accounting, how the System is organized, investments, derivatives, new accounting pronouncements and other financial information.
- Note 3 is an explanation of contributions required versus contributions paid and includes a rate chart for both Regular and Police/Fire members.
- Note 4 summarizes retirement contributions made by the administrative staff of the System, as employees of a participating employer.
- Note 5 contains information on investments including investment risk categorization, investing authority and other significant investment information.
- Note 6 includes the commitment amount for the alternative investment portfolio and describes any potential contingencies of the System.
- Note 7 discusses risk management related to the System.

The **Required Supplementary Information** following the notes to the financial statements consist of three schedules and related notes on the funding progress of our 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, and 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.

Summary Comparative Statements of Fiduciary Net Assets

	As of June 30, 2002	As of June 30, 2001	Percentage Change
Cash and cash equivalents	$ 359,692,666	$ 584,038,734	(38.4)%
Receivables	139,163,852	130,632,145	6.5
Investments	13,370,911,143	13,251,253,040	0.9
Collateral on loaned securities	1,436,110,145	1,671,699,467	(14.1)
Property and equipment, net	11,579,413	11,607,310	(0.2)
Other assets	557,183	500,911	11.2
Total Assets	15,318,014,402	15,649,731,607	(2.1)
Accounts payable and other accrued expenses	10,918,684	11,726,203	(6.9)
Trades pending settlement	661,582,097	592,969,292	11.6
Obligations under securities lending activities	1,436,110,145	1,671,699,467	(14.1)
Total Liabilities	2,108,610,926	2,276,394,962	(7.4)
Net Assets	$13,209,403,476	$13,373,336,645	(1.2)%

Summary Comparative Statements of Changes in Fiduciary Net Assets

	For the Year Ended June 30, 2002	For the Year Ended June 30, 2001	Percentage Change
Contributions	$ 759,355,592	$ 716,084,749	6.0%
Investment net loss	(367,856,335)	(217,005,186)	(69.5)
Other income	2,104,359	1,911,127	10.1
Total Additions	393,603,616	500,990,690	(21.4)
Benefit payments	533,012,667	477,319,049	11.7
Refunds of contributions	15,826,195	10,031,413	57.8
Administrative expenses	8,696,239	7,516,022	15.7
Other expenses	1,684	54,450	(96.9)
Total Deductions	557,536,785	494,920,934	12.7
Net Increase (decrease)	(163,933,169)	6,069,756	(2800.8)
Net assets beginning of year	13,373,336,645	13,367,266,889	0.1
Net assets end of year	$ 13,209,403,476	$ 13,373,336,645	(1.2)%

The continued downturn in the investment arena during fiscal year 2002 is the primary reason for the slight overall decrease of 1.2% in net assets and the increase in net investment loss of 69.5% between fiscal years 2001 and 2002. Total investments experienced an increase of .9% due to a shift in assets from cash equivalents into various investment vehicles. The tight investment market environment also caused a small reduction in securities lending activity during fiscal year 2002. The System's total return on investments for the year ended June 30, 2002, was negative 2.7%.

Contribution refunds were exceptionally high during 2002 due to the privatization of one of our member agencies. We are not aware of any other currently known facts, conditions, or decisions that are expected to have a significant effect on financial position.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2002
(With Comparative Totals for June 30, 2001)

ASSETS	2002	2001
Cash and cash equivalents	$ 359,692,666	$ 584,038,734
Receivables:		
Contributions receivable	55,290,930	59,403,641
Accrued investment income	83,872,922	71,228,504
Total Receivables	139,163,852	130,632,145
Investments, at fair value:		
Fixed income securities	5,006,995,300	4,402,669,566
Marketable equity securities	4,155,258,627	4,592,780,050
International securities	2,385,727,480	2,166,606,495
Mutual funds	507,866,631	574,017,591
Mortgage loans	3,540,771	6,271,805
Real estate	1,177,947,422	1,360,230,723
Alternative investments	133,574,912	148,676,810
Total Investments	13,370,911,143	13,251,253,040
Collateral on loaned securities	1,436,110,145	1,671,699,467
Property and equipment, net	11,579,413	11,607,310
Other assets	557,183	500,911
Total Plan Assets	15,318,014,402	15,649,731,607
LIABILITIES		
Accounts payable and other accrued expenses	10,918,684	11,726,203
Trades pending settlement	661,582,097	592,969,292
	672,500,781	604,695,495
Obligations under securities lending activities	1,436,110,145	1,671,699,467
Commitments and contingencies (Note 6)		
Total Plan Liabilities	2,108,610,926	2,276,394,962
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 36)	$ 13,209,403,476	$ 13,373,336,645

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2002
(With Comparative Totals For the Year Ended June 30, 2001)

ADDITIONS	2002	2001
Contributions:		
Employer	$ 680,730,753	$ 656,051,791
Plan members	53,922,159	49,371,413
Repayment and purchase of service	24,702,680	10,661,545
Total Contributions	759,355,592	716,084,749
Investment (Loss) Income:		
Net depreciation in fair value of investments	(840,939,305)	(746,374,074)
Interest	307,532,073	355,666,028
Dividends	89,110,971	76,479,329
Other investment income	93,129,707	112,589,030
Securities lending income	49,687,972	117,526,789
	(301,478,582)	(84,112,898)
Less investment expense:		
Cost of securities lending	(43,280,076)	(109,956,022)
Other	(23,097,677)	(22,936,266)
	(66,377,753)	(132,892,288)
Net Investment Loss	(367,856,335)	(217,005,186)
Other Income	2,104,359	1,911,127
Total Additions	393,603,616	500,990,690
DEDUCTIONS		
Benefit payments:		
Retirement and survivor benefits	503,793,108	452,567,005
Disability	29,156,180	24,682,845
Post-retirement increases	63,379	69,199
Refunds of contributions	15,826,195	10,031,413
Administrative expenses	8,696,239	7,516,022
Other expenses	1,684	54,450
Total Deductions	557,536,785	494,920,934
Decrease in Net Assets	(163,933,169)	6,069,756
Net assets held in trust for pension benefits:		
Beginning of year	13,373,336,645	13,367,266,889
End of year	$ 13,209,403,476	$ 13,373,336,645

The accompanying notes are an integral part of these financial statements

NOTE 1 - Plan Description

History and Purpose

The Public Employees' Retirement System of Nevada is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered by the State of Nevada to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability.

Membership

At June 30, 2002, the number of participating local government employers is:

State of Nevada and Related Agencies	18
University of Nevada System	2
Schools	27
Counties	16
Cities	19
Hospitals	7
Utility, Irrigation, and Sanitation Districts	18
Special Districts and Agencies	45
	152

Any local government employer in the State of Nevada may have its Regular, Police, and Fire employees covered by the System. Membership at June 30, 2002 and 2001 is as follows:

Service retirees, disability recipients, and beneficiaries receiving benefits:	2002	2001
Regular employees	21,098	19,919
Police/Fire employees	3,153	2,925
Survivor benefit recipients	1,284	1,233
Total Benefit Recipients	25,535	24,077
Inactive members:		
Regular employees	6,480	5,887
Police/Fire employees	485	389
Total Inactive Members	6,965	6,276
Active members:		
Regular employees	75,518	73,307
Police/Fire employees	9,706	9,583
Total Active Members	85,224	82,890

Benefits

Benefits, as required by Nevada Revised Statute (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for Regular members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her life and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of the NRS. See Notes to Required Supplementary Information schedules on page 38 for detail.

Vesting

Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service, or at any age with 30 years of service. Police/Fire members are eligible for retirement at age 65 with 5 years of accredited police or fire service, at age 55 with 10 years of accredited police or fire service, at age 50 with 20 years of accredited police or fire service, or at any age with 25 years of accredited service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who retired on or after July 1, 1977, or is an active member whose effective date of membership is before July 1, 1985, is entitled to a benefit of up to 90% of average compensation with 36 or more years of service. Both Regular and Police/Fire members become fully vested as to benefits upon completion of 5 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 contribution only. Under the matching Employee and 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 back 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.

NOTE 2 - Summary of Significant Accounting Policies and Plan Asset Matters

Financial Reporting Entity

The Public Employees' Retirement Board (Retirement Board) is the governing body of the System with responsibility for administration and management. This autonomous, seven-member Retirement Board is appointed by the Governor of the State of Nevada.

The System has developed criteria in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. These criteria will be used 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 Statement No. 14, the following criteria are used when evaluating financial accountability: The ability of the System to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the System. In addition, the System may be financially accountable if an organization is fiscally dependent on the System regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The System has no relationship with another entity that meets the above criteria, and so has not included any other entity as a component unit of its financial reporting entity.

The System is classified as a component unit of the State of Nevada for financial reporting purposes, in accordance with the provisions of GASB Statement No. 14. Assets of the System can legally be used to pay Regular or Police/Fire beneficiaries.

Basis of Accounting

The System's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

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.

Cash and Cash Equivalents

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

Contributions Receivable

No allowance for doubtful accounts has been established since the System anticipates no material collection loss with respect to these receivables.

Investments

The Regular sub-fund and the Police/Fire sub-fund are accounted for separately, based upon actual funds contributed and an allocation of the combined investment earnings. Individual investments are not specifically identified as belonging to either the Regular sub-fund or the Police/Fire sub-fund.

Plan investments are reported at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on estimated current values and Member, Appraisal Institute (MAI) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

There is no concentration of 5% or more of the plan's net investments in securities of a single organization (other than those issued by the U.S. Government).

Investment income is recognized as earned. Net appreciation (depreciation) is determined by calculating the change in fair value of investments between the beginning of the fiscal year and the end of the fiscal year, less purchases of investments at cost, plus sales of investments at fair value.

There are certain market risks, credit risks, foreign exchange currency risks, or event risks which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

Derivatives

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. The Retirement Board adopted a formal written policy on the use of derivatives. The types of derivatives used and limits on their use are defined in the System's Investment Objectives and Policies. The System's Investment Objectives and Policies restrict the use of certain types of derivatives. The use of exotic, highly leveraged structured notes such as inverse floaters, Constant Maturity Treasury (CMT) floaters, range floaters, dual index floaters, and other speculative instruments tied to inappropriate reset provisions is specifically prohibited. The System's derivatives transactions are designed to stabilize investment cash flows, to reduce foreign exchange risk, to enhance return on investment of cash, and to 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.

The principal categories of derivatives employed and their uses during the year were as follows:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investments in foreign currencies
Exchange traded fixed income futures and options	Reduce transaction costs, control portfolio duration, enhance return
Mortgage backed securities	Diversification, enhance return (component of Lehman Aggregate Index)
Asset backed securities	Diversification, enhance return (component of 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 back 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 offset 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.

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 5 years.

Comparative Data

Comparative data shown for the prior year has been extracted from the June 30, 2001 financial statements. It has been presented to facilitate financial analysis, but is not considered full disclosure of transactions for that year.

Administrative Expenses

The funds for administering the System are provided by assessment of an administrative fee for each member and benefit recipient. Monthly fees for fiscal year 2002 were $4.80 for each Regular member and benefit recipient and $4.90 for each police/fire member and benefit recipient. PERS is required by statute to submit a biennial budget proposal to the Budget Division of the State of Nevada, which must be incorporated with the State Executive Budget and approved by the Nevada State Legislature.

Financial Statement Presentation

Certain reclassifications have been made to the 2001 presentation to conform to the 2002 presentation.

New Accounting Pronouncement

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement No. 34 provides a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis, government-wide and fund financial statements, notes to the financial statements, and required supplementary information.

The System adopted GASB Statement No. 34 for the year ending June 30, 2002, which required the System to present Management's Discussion and Analysis (MD&A) as required supplementary information preceding the basic financial statements as well as changes to the presentation of its basic financial statements:

- The statement of net assets, formerly referred to as the statement of plan net assets is now referred to as the statement of fiduciary net assets.
- The statement of changes in net assets, formerly referred to as the statement of changes in plan net assets, is now referred to as the statement of changes in fiduciary net assets.

The adoption of GASB Statement No. 34 did not have an impact on the net assets of the System.

NOTE 3 – Contributions Required and Contributions Made

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime, in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada State Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

Level pattern of cost as a percentage of salary contribution rates, as determined by the actuary, were calculated using the "entry age normal" cost method. As of June 30, 2002, the System's unfunded accrued liability amounted to approximately $3.2 billion. The unfunded accrued liability is being amortized over a period of 22 years from July 1, 2002.

Rates in effect for fiscal year ended June 30, 2002, were as follows:

Regular Employees	Funding Basis	GASB Disclosure Basis	Statutory Rate
Employer-pay plan	18.96%	19.45%	18.75%
Employee/employer plan	9.91	10.16	9.75
Police/Fire Employees			
Employer-pay plan	28.45%	29.70%	28.50%
Employee/employer plan	14.68	15.30	14.75

For fiscal year 2002, contributions totaling $759,355,592 ($680,730,753 employer and $78,624,839 employee) were made in accordance with statutory rates.

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates at the beginning of each odd-numbered fiscal 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 0.5% of salary for the Employer-Pay rates, or of 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.

Actuarially required and statutory employee and employer contribution rates, as a percentage of covered payroll, for Regular and Police/Fire members based on the June 30, 2002 actuarial valuation, and effective beginning July 1, 2002, are as follows:

Regular Employees	Funding Basis	GASB Disclosure Basis	Statutory Rate
Employer-Pay plan	20.32%	20.91%	18.75%
Employee/employer plan	10.59	10.89	9.75
Police/Fire Employees			
Employer-Pay plan	28.81%	30.13%	28.50%
Employee/employer plan	14.79	15.45	14.75

NOTE 4 – Retirement Fund Contributions of PERS' Employees

Administrative employees of the System (as a participating employer) are members of the System. All participating public employers make contributions to the System at the same percentage of salary rate for Regular members as required by statute. Actuarially determined contribution requirements for administrative employees of the System are the same as all other employers within the System (See Note 3). Employer contributions for administrative employees were $389,192 and $319,482 for the years ended June 30, 2002 and June 30, 2001 respectively.

NOTE 5 – Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

At June 30, 2002, the carrying amount of the System's cash deposits was $12,350,509 and the bank balance was $9,361,177. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balance is fully collateralized with securities held by the System's agent in the System's name.

The cash and cash equivalent balances as of June 30, 2002 are:

	Fair Value
Cash equivalents	
Pooled mutual funds	$ 202,371,616
Commercial paper	79,835,826
U.S. Treasury portfolio	65,134,715
Total cash equivalents	347,342,157
Cash - Investments	7,591,023
Cash – Administrative	4,759,486
Total cash and cash equivalents	$ 359,692,666

Cash equivalents fall under risk Category 1 as described below, except pooled mutual funds, which are not required to be categorized.

Investments

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 Retirement Board to invest the System's funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account."

The majority of the System's investments are held by the Depository Trust Company (DTC) in DTC's nominee name, and trading is conducted through the DTC's book-entry system. The holder of record for the System is The Bank of New York.

The Governmental Accounting Standards Board (GASB) Statement No. 3 requires that investments be categorized to give an indication of the level of credit risk. The three categories of credit risk are:

Category 1 – Investments which are insured or registered, or for which the securities are held by the State or its agent in the System's name.

Category 2 – Investments which are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the System's name.

Category 3 – Investments which are uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent, but not in the System's name.

All investments of the System meet the criteria of Category 1, except for investments unclassified as to risk. Investments in mutual funds, mortgage loans, real estate, and alternative investments, by their nature, are not required to be categorized and therefore are unclassified as to risk.

A summary of investments as of June 30, 2002 is as follows:

	Fair Value
Category 1:	
Fixed income securities	$ 4,255,900,054
Marketable equity securities	3,639,273,860
International securities	2,253,233,891
Securities lending collateral*	1,436,110,145
Total	11,584,517,950
Category 2:	-
Category 3:	-
Unclassified as to risk:	
Mutual funds	507,866,631
Mortgage loans	3,540,771
Real estate	1,177,947,422
Alternative investments**	133,574,912
Investments held by broker-dealers under securities loans:	
Fixed income securities	751,095,246
Marketable equity securities	515,984,766
International securities	132,493,589
Total	3,222,503,337
Total Investments	$ 14,807,021,287

*Securities lending collateral also includes $8,652,882 in securities, making total securities lending collateral $1,444,763,027

**Alternative investments consist of ownership in funds using the following investment strategies: venture capital, acquisitions, industry consolidations, subordinated debt investments and special situations.

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 is made up of cash, cash equivalents, corporate fixed income securities, and U.S. Treasury Obligations. The System has no discretionary authority to sell or pledge collateral received or securities loaned. The maturities of the investments made with cash collateral generally match the maturities of securities loaned. At June 30, 2002, the weighted average maturities are 2 days for loans outstanding and 17 days for collateral/reinvestments. Collateral received must equal at least 102% of the market value of the underlying security and is marked to market daily. In accordance with the System's Investment Objectives and Policies, the securities lending agent is authorized to invest collateral only in high quality, short-term investment vehicles. The System has no credit risk exposure to borrowers, because the amount the System owes the borrowers exceeds the amount the borrowers owe the System. As of June 30, 2002, collateral was 103%. In addition, securities loaned may not exceed 33-1/3% of the total portfolio. Full loss indemnification is provided by agents. There were no losses during the period, nor any prior period, resulting from default. Therefore, there were no recoveries of prior period losses.

The fair value of securities loaned at June 30, 2002 is $1,399,573,601. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability as required under GASB 28. At June 30, 2002, the System has collateral, consisting of cash and fixed income and equity securities, in excess of the market value of investments held by brokers/dealers under a securities lending agreement.

NOTE 6 -Commitments and Contingencies

The System has entered into investment funding commitments as of June 30, 2002. For alternative investments, the System has committed to fund an additional $361.7 million at some future date.

The System is a defendant in litigation involving individual benefit payments and participant eligibility issues arising from its normal activities. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as a result of the ultimate outcome of these matters.

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 insurance), the System pays its premium directly to the State. The System's worker's compensation insurance is placed with a private insurance company. There have been no reductions of insurance coverage from coverage of the previous year in any of the categories of risk. In addition, there have never been any insurance settlements which exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
1997 TO 2002
(dollars in millions)

Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of Assets to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
1997	$ 8,339.2	$11,027.7	$2,688.5	75.6%	$2,363.1	113.8%
1998	9,597.0	12,271.4	2,674.4	78.2	2,556.6	104.6
1999	11,104.5	13,462.9	2,358.4	82.5	2,682.1	87.9
2000	12,662.1	14,951.9	2,289.8	84.7	2,967.7	77.2
2001	14,031.1	16,664.2	2,633.1	84.2	3,168.9	83.1
2002	15,052.3	18,259.9	3,207.6	82.4	3,417.6	93.9

UNFUNDED ACTUARIAL ACCRUED LIABILITY and FUNDING RATIOS
REGULAR and POLICE/FIRE MEMBERS
1997 to 2002

	Unfunded Actuarial Accrued Liability (millions)		Unfunded Actuarial Accrued Liability as % of Payroll		Assets as % of Total Actuarial Accrued Liability	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
1997	$2,000.6	$687.9	99.3%	196.9%	77.6%	67.4%
1998	1,969.4	705.0	90.3	188.1	80.1	70.2
1999	1,776.9	581.5	77.5	149.5	83.7	77.1
2000	1,708.9	580.9	67.7	131.5	85.9	79.5
2001	1,954.4	678.7	72.8	140.0	85.5	78.9
2002	2,433.8	773.7	84.6	143.3	83.5	78.1

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
1997 to 2002

	Regular		Police/Fire		Total	
Year ended June 30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1997	$344,387,800	100%	$86,722,900	100%	$431,110,700	100%
1998	423,607,600	95	114,390,100	92	537,997,700	94
1999	462,040,200	96	127,193,800	91	589,234,000	95
2000	496,794,400	96	129,349,400	99	626,143,800	97
2001	514,992,000	100	140,428,200	100	655,420,200	100
2002	550,513,000	96	158,694,400	96	709,207,400	96

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Information

The funding progress and employer contribution information presented in the Required Supplementary Information schedules were determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation for the System follows:

Valuation date	6/30/02
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return (Includes inflation at 4.5%)	8.0%
Projected salary increases (Includes inflation at 5%)	Age related 4.5% - 12.9%
Cost of living (post-retirement) increases	2% after 3 years of receiving benefits 3% after 6 years of receiving benefits 3.5% after 9 years of receiving benefits 4% after 12 years of receiving benefits 5% after 14 years of receiving benefits

Trends can be affected by investment experience (favorable or unfavorable), salary experience, changes in demographic characteristics of employees as well as the distribution of employees under employer-pay and employee/employer contribution provisions. Other factors include retirement experience. For example, the number of service retirements could be greater or less than expected for those with shorter or longer service. Changes in benefit provisions and in actuarial methods and assumptions can also affect trends.

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

For the Year Ended June 30, 2002

(GAAP Basis)

Personnel Services:		
Staff Payroll and Benefits	$3,391,283	
Retirement Board Fees	16,640	
Total Personnel Services		$3,407,923
Out-of-State Travel:		
Staff	16,644	
Retirement Board	7,869	
Police/Fire Committee	3,916	
Total Out-of-State Travel		28,429
In-State Travel:		
Staff	23,702	
Retirement Board	11,877	
Police/Fire Committee	1,649	
Total In-State Travel		37,228
Operating:		
Office Supplies	36,793	
Postage and Freight	156,430	
Communications	39,991	
Printing	176,634	
Publications and Periodicals	1,809	
Bonds and Insurance Premiums	8,832	
Contract Services	662,346	
Vehicle Expense	811	
Equipment Rental and Repair	40,016	
Building Rental	178,168	
License and Fees	1,472	
Dues and Registration	20,239	
Medical Expenses	18,400	
Host Expense	1,397	
Litigation Expense	395	
Nationwide Search	3,932	
Total Operating		1,347,665
Equipment and Office Furniture	16,555	
Depreciation	34,983	
		51,538
Information Technology	210,307	
Depreciation	3,546,365	
		3,756,672
Training		14,936
Purchasing Assessment		478
Attorney General Allocation		51,370
TOTAL EXPENSES		$8,696,239

OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses
For the Year Ended June 30, 2002
(Non-GAAP Budgetary Basis)
Budget vs. Actual

	Original Budget	Amendments to Budget	Amended Budget	Actual Expenditures	Variance Under (Over)
Personnel Services	$3,457,612		$3,457,612	$3,305,332	$152,280
Out-of-State Travel	38,547		38,547	28,429	10,118
In-State Travel	52,162		52,162	37,228	14,934
Operating	2,064,511		2,064,511	2,085,554	(21,043)
Equipment and Office Furniture	46,550		46,550	42,838	3,712
Information Technology – Operating	896,345	1,223,632	2,119,977	2,119,937	40
Information Technology – Special Project	878,755		878,755	878,755	0
Training	15,597		15,597	14,936	661
Purchasing Assessment	2,780		2,780	1,371	1,409
Attorney General Allocation	51,370		51,370	51,370	0
Unallocated Budgetary Authority	200,000		200,000	-	200,000
Total	$7,704,229	$1,223,632	$8,927,861	$8,565,750	$362,111

Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis
For the Year Ended June 30, 2002

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, 2002.

Administrative Expenses (Non-GAAP Budgetary Basis)	$8,565,750
Adjustments:	
Accrued payroll	102,592
Depreciation expense	3,581,348
Capitalization of system project	(3,553,451)
Administrative Expenses (GAAP Basis)	$8,696,239

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2002

Investment Counselor Fees	$ 14,621,496
Mortgage Loans Legal and Professional Fees	130,603
Investment Consulting Fees	412,702
Depreciation Expense	25,561
Equity Real Estate Expense	7,901,207
Custodial Banking Fees	0
Investment Monitoring Expense	6,108
Securities Lending Broker Rebates and Fees	43,280,076
Total Investment Expenses	$66,377,753

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the Year Ended June 30, 2002

Actuary	
The Segal Company	$ 251,744
Independent Accountants	
PricewaterhouseCoopers LLP	85,250
Technology Consultants	
Advance Total Imaging	411,076
Covansys	3,383,305
(formerly Complete Business Solutions, Inc. (CBSI))	
(formerly Claremont Technology Group, Inc.)	
L.R. Wechsler, Ltd.	79,785
Administrative Legal Counsel	
State Attorney General	59,693
Medical Consultant	
Dr. G. Bruce Nickles	18,375
	$4,289,228

Note: Information on payments made to investment professionals can be found on page 61.

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
June 30, 2002
(With Comparative Totals for June 30, 2001)

	Regular	Police/Fire	Eliminations	Total Pension Trust Fund 2002	(Memorandum Only) 2001
ASSETS					
Cash and cash equivalents	$359,692,666	$ -	$ -	$ 359,692,666	$ 584,038,734
Contributions receivable	55,290,930	-	-	55,290,930	59,403,641
Accrued investment income	83,872,922	-	-	83,872,922	71,228,504
Investments	13,370,911,143	-	-	13,370,911,143	13,251,253,040
Collateral on loaned securities	1,436,110,145	-	-	1,436,110,145	1,671,699,467
Property and equipment, net	11,579,413	-	-	11,579,413	11,607,310
Other assets	557,183	-	-	557,183	500,911
Due from other funds- equity in investments		2,430,041,919	(2,430,041,919)	-	-
Total Plan Assets	15,318,014,402	2,430,041,919	(2,430,041,919)	15,318,014,402	15,649,731,607
LIABILITIES					
Accounts payable and other accrued expenses	10,918,684	-	-	10,918,684	11,726,203
Trades pending settlement	661,582,097	-	-	661,582,097	592,969,292
Due to other funds – equity in investments	2,430,041,919	-	(2,430,041,919)	-	-
Obligations under securities lending activities	1,436,110,145	-	-	1,436,110,145	1,671,699,467
Total Plan Liabilities	4,538,652,845	-	(2,430,041,919)	2,108,610,926	2,276,394,962
Net assets held in trust for pension benefits	$10,779,361,557	$ 2,430,041,919	$ -	$13,209,403,476	$13,373,336,645

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2002

(With Comparative Totals for the Year Ended June 30, 2001)

	Regular	Police/Fire	Total Pension Trust Fund 2002	(Memorandum Only) 2001
ADDITIONS				
Contributions:				
Employer	$ 528,751,451	$ 151,979,302	680,730,753	656,051,791
Plan members	44,191,908	9,730,251	53,922,159	49,447,804
Repayment and purchase of service	20,290,210	4,412,470	24,702,680	10,585,154
Total Contributions	593,233,569	166,122,023	759,355,592	716,084,749
Investment (Loss) Income:				
Net depreciation in fair value of investments	(840,939,305)	-	(840,939,305)	(746,374,074)
Interest	307,532,073	-	307,532,073	355,666,028
Dividends	89,110,971	-	89,110,971	76,479,329
Other investment income	93,129,707	-	93,129,707	112,589,030
Securities lending income	49,687,972	-	49,687,972	117,526,789
	(301,478,582)	-	(301,478,582)	(84,112,898)
Less investment expense:				
Cost of securities lending	(43,280,076)	-	(43,280,076)	(109,956,022)
Other	(23,097,677)	-	(23,097,677)	(22,936,266)
	(66,377,753)	-	(66,377,753)	(132,892,288)
Net Investment Loss	(367,856,335)	-	(367,856,335)	(217,005,186)
Other Income	1,958,639	145,720	2,104,359	1,911,127
Total Additions	227,335,873	166,267,743	393,603,616	500,990,690
DEDUCTIONS				
Benefit payments:				
Retirement and survivor benefits	415,508,147	88,284,961	503,793,108	452,567,005
Disability	22,621,743	6,534,437	29,156,180	24,682,845
Post-retirement increases	53,701	9,678	63,379	69,199
Refund of contributions	13,427,143	2,399,052	15,826,195	10,031,413
Administrative expenses	8,696,239	-	8,696,239	7,516,022
Other expenses	1,684	-	1,684	54,450
Total Deductions	460,308,657	97,228,128	557,536,785	494,920,934
(Decrease) Increase in Net Assets	(232,972,784)	69,039,615	(163,933,169)	6,069,756
Transfers:				
Interfund transfers	(2,023,152)	2,023,152	-	-
Transfer of annual investment income	67,207,352	(67,207,352)	-	-
Transfer of administrative fees	992,446	(992,446)	-	-
Total Transfers	66,176,646	(66,176,646)	-	-
Net assets held in trust for pension benefits:				
Beginning of year	10,946,157,695	2,427,178,950	13,373,336,645	13,367,266,889
End of year	$ 10,779,361,557	$ 2,430,041,919	$ 13,209,403,476	$ 13,373,336,645

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

INVESTMENT SECTION

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

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INVESTMENT CONSULTANT

Callan Associates

INVESTMENT COUNSEL

Domestic Equities:

Alliance Capital Management
Atlanta Capital Management
Barclays Global Investors
J & W Seligman
Loomis, Sayles & Company

International Equities:

BNY Asset Management
GE Asset Management
Putnam Investments

Alternative Investments:

Pathway Capital Management

Domestic Fixed Income Securities:

Bradford & Marzec
Criterion Investment Management
Lincoln Capital Management
Mellon Bond Associates
Payden & Rygel
State Street Research and Management

International Fixed Income Securities:

Julius Baer Investment Management
Rogge Global Partners
UBS Global Asset Management

Real Estate:

Invesco Realty Advisors
L & B Realty Advisors
PMRealty Advisors
SSR Realty Advisors

Securities Lending:

The Bank of New York

CALLAN ASSOCIATES INC.

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

September 17, 2002

Dear Reader:

Callan Associates is pleased to report on the investment activity for the Public Employees' Retirement System of Nevada (PERS) for the fiscal year ending June 30, 2002.

Fiscal year 2002 was another difficult year for the equity markets. Both the domestic and international equity allocations suffered losses for the fiscal year. The other three asset classes: domestic fixed income, international fixed income, and real estate had positive returns. For the fiscal year, PERS maintained an asset allocation of 35 percent domestic equity, 10 percent international equity, 35 percent domestic fixed income, 10 percent international fixed income and 10 percent real estate.

For the fiscal year, the total fund return of –2.7 percent falls below the actuarial return assumption of 8.0 percent. Nevertheless, the total fund return was in line with expectations based on the market environment. Compared to other public pension plans tracked by Callan, PERS ranked in the top quartile, well ahead of the median public fund result of –5.2 percent. Longer-term results remain above the actuarial return assumption, with a 10-year annualized return of 8.8 percent.

On an adjusted asset allocation basis, the PERS total fund ranked in the 94th percentile against the Callan Public Plan Sponsor Database for the fiscal year. Over the longer time period (10 years) PERS has outperformed 72 percent of the public plans on an adjusted asset allocation basis. Asset allocation adjusted performance focuses on the impact of manager structure and value added by giving all funds the same asset mix as PERS.

During fiscal year 2002 the Board continued fine-tuning the domestic fixed income portfolio, adding index fund capacity and engaging a new active manager. Two fixed income managers were dropped for performance and organizational reasons.

We welcome any comments or questions regarding the investment activity of PERS for the 2002 fiscal year.

Paul V. Troup

Paul V. Troup
Executive Vice President

Ruthann C. Moomy

Ruthann C. Moomy
Senior Vice President

PVT/eca

6 CONCOURSE PARKWAY, SUITE 2900, ATLANTA, GEORGIA 30328, TELEPHONE 770-804-5585 FACSIMILE 770-804-5586

INVESTMENT REVIEW

Introduction

The investment program is designed to generate earnings to fund the System's benefits while minimizing investment risk. The structure and administration of the portfolio is defined by the prudent person standard. The standard states that the Retirement Board may invest the System's funds in every type of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account under similar circumstances. By establishing a well-diversified investment portfolio at the asset class, management, and security level, the System has strengthened control over the fund's risk and return parameters. Through the prudent person standard, the Board has established Investment Objectives and Policies that recognize future funding requirements based on membership demographics.

The System's Investment Objectives and Policies detail the fund's long-term investment goals, management responsibilities, return/risk expectations, and monitoring requirements. These policies are subject to change at any time by the Retirement Board and are reviewed thoroughly at least annually to ensure that they continue to reflect the System's expectations.

Objective

The investment objective of the System is to:

- Generate 8% by producing a long-term total return from investments which exceeds the rate of inflation (CPI) by 3.5% by capturing market returns within each asset class;
- Invest so 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; and
- Maintain a program which operates in compliance with the investment components of the Public Pension Principles (criteria developed by the Public Pension Coordinating Council that are widely acknowledged to be marks of excellence for retirement systems).

Chart 1, on page 52 demonstrates that the investment portfolio, over the last 10 years has, in all but 3 years, achieved the 3.0% / 3.5% real return objective (prior to fiscal year 2001, the total fund objective was CPI +3.0%). Chart 2, on page 52, details annualized returns for long-term periods ended June 30, 2002. The System has achieved the blended market objective, the 8% actuarial earnings goal and the CPI (Consumer Price Index) plus 3.0 / 3.5% objective for the 10-year and 18-year periods. Shorter term results were influenced by negative returns in fiscal year 2002 from the U.S. stock market, -18%, and the non-U.S. stock market, -9.5%. Due to the portfolio's diversification strategy, we were able to take advantage of positive results from U.S. bonds, non-U.S. bonds, and real estate and weather this environment with a modestly negative return, -2.7%, outperforming 84% of other public pension funds. An analysis of asset class results versus the market is included on pages 58–60.

Note: Inception on Chart 2 refers to July 1, 1984, the date the System began calculating total return versus the annual yield. For all other charts, inception refers to the point at which the System began including that particular investment vehicle in the portfolio.

Asset Allocation

Determination of long-term asset allocation for the fund involves estimating returns and risk associated with the major types of investments and blending them into a portfolio which meets the risk/return comfort level of the Board. This blend of asset types is designed to provide protection against large fluctuations in portfolio returns and to stabilize overall investment earnings.

The long-term target allocation for the fund is 35% U.S. Bonds, 35% U.S. Stock, 10% International Bonds, 10% International Stock and 10% Real Estate. The June 30, 2002 asset class allocation is shown in Chart 3, page 53.

Diversification

In addition to the asset allocation decision, the Board must also determine what investment categories and styles of management will make up the portfolio, and which managers will oversee each investment type. By blending categories (e.g. domestic versus international), styles (e.g. active versus indexed), managers (e.g. different asset selection processes), and assets, the diversity of the fund is enhanced. Not all categories, styles, managers, and assets react to movements in the investment markets in the same manner. Therefore, one manager whose investment style is not favored by the markets should be offset by a manager whose style is doing well. The System maintains a well diversified portfolio. Chart 4, on pages 54 and 55, shows the market value of the assets under management by investment type, category and manager. A detail of the fund's 10 largest equity and fixed income holdings based on fair market value at June 30, 2002 is included in Chart 5 on page 56. 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. Progress toward those benchmarks is closely monitored. Return objectives are listed below:

U.S. Stock	-	Produce a total return that captures the Standard and Poor's 500 Common Stock Index (net of fees) over rolling 10-year periods with commensurate volatility.
International Stock	-	Produce a total return that captures the unhedged Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index (net of fees) over rolling 10-year periods with commensurate volatility.
U.S. Bonds	-	Produce a total return that captures the Lehman Aggregate Index (net of fees) over rolling 10-year periods with commensurate volatility.
International Bonds	-	Produce a total return that captures the unhedged Salomon Bros. Non-Dollar Government Bond Index (net of fees) over rolling 10-year periods with commensurate volatility.
Real Estate	-	1) Produce a total return that captures the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index (net of fees) over rolling 10-year periods with commensurate volatility. 2) Produce an income return that exceeds two-thirds of total return over rolling 5-year periods.

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

Our investment consultant calculates performance for the total fund, each asset class and individual investment management firms employed by the Board. By policy, the System requires performance be calculated and presented in accordance with Association for Investment Management and Research guidelines. Performance calculations are prepared using time-weighted rate of return based on market values. Returns in this report are gross of fees.

Chart 6, shown on page 57, shows a year by year comparison of how the total fund and each investment class compared with its corresponding objective.

Charts 7-11 on pages 58-60, compare 1, 5, 10-year and since-inception returns for each asset class to its corresponding objective for periods ended June 30, 2002.

U.S. stock portfolio returns captured the objective for 1, 5, and 10-year periods. Since inception, the portfolio return trails that of the S & P 500. This is significantly due to past substandard performance from active management. The Board's actions (including structure changes, manager terminations and enhanced underwriting of new hires) in the last 10 years have significantly improved domestic equity performance. International stock outperformed its market benchmark in all annualized time periods.

U.S. bonds met the performance objective since inception, yet trailed in all other time periods. In fiscal year 2002, the Board reviewed the domestic fixed income portfolio. As a result, the allocation to the Lehman Aggregate Index was increased to 50% of the portfolio. Two new index managers were subsequently retained. To address individual active management concerns, three active core managers were terminated and, given the reduced allocations, replaced by a new firm in fiscal year 2003.

International fixed income captured its objective for 1, 10-year, and inception to date periods. These results are dominated by the performance of an individual manager. We anticipate additional structure and management research in this portfolio in fiscal year 2003.

Real estate met the performance objective for the inception to date period and underperformed for the 1, 5 and 10-year periods. We believe the results are influenced by market factors and active management. The 10-year performance is largely driven by results in the most recent five years. For this period, the performance is significantly due to a lackof exposure to high growth sectors of the market. Coincident with the economic slowdown, our managers expect additional write downs of market value in those same sectors such that our portfolio may regain its competitive position. We are planning additional market and management research in real estate in the coming year.

This report has been prepared in conjunction with our investment consultant, Callan Associates.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 1

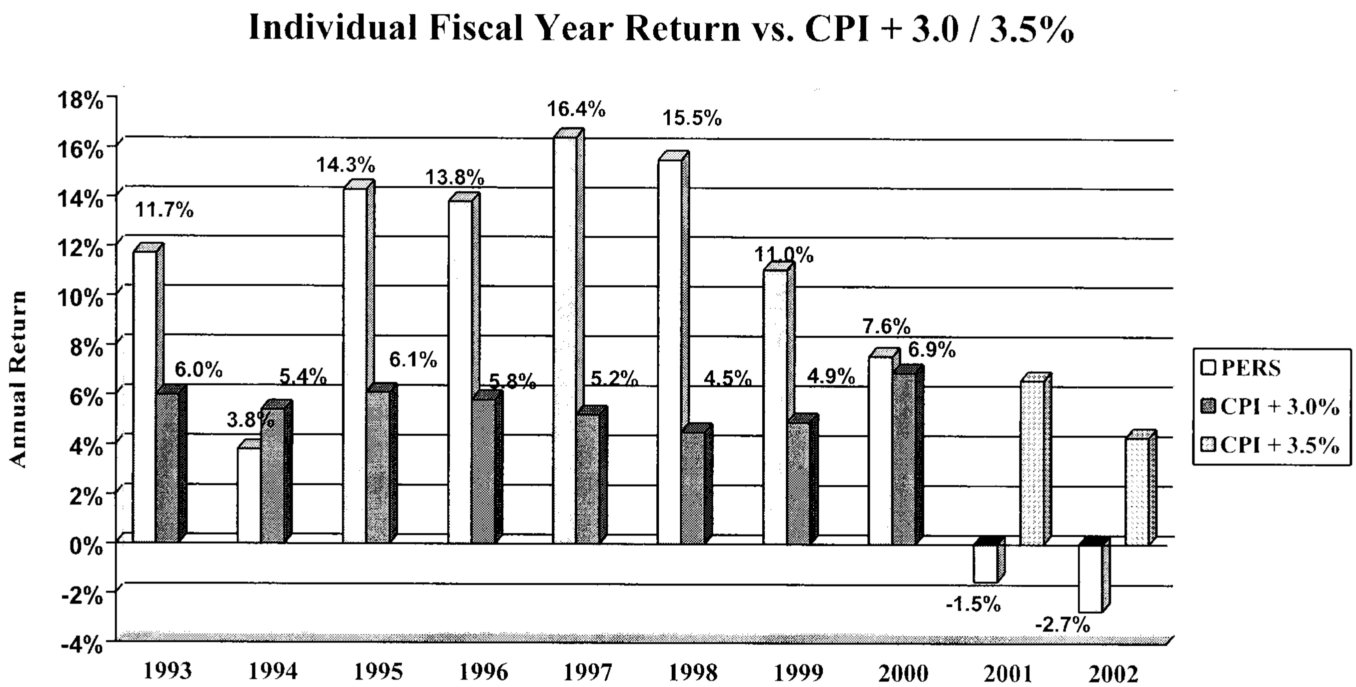


CHART 2

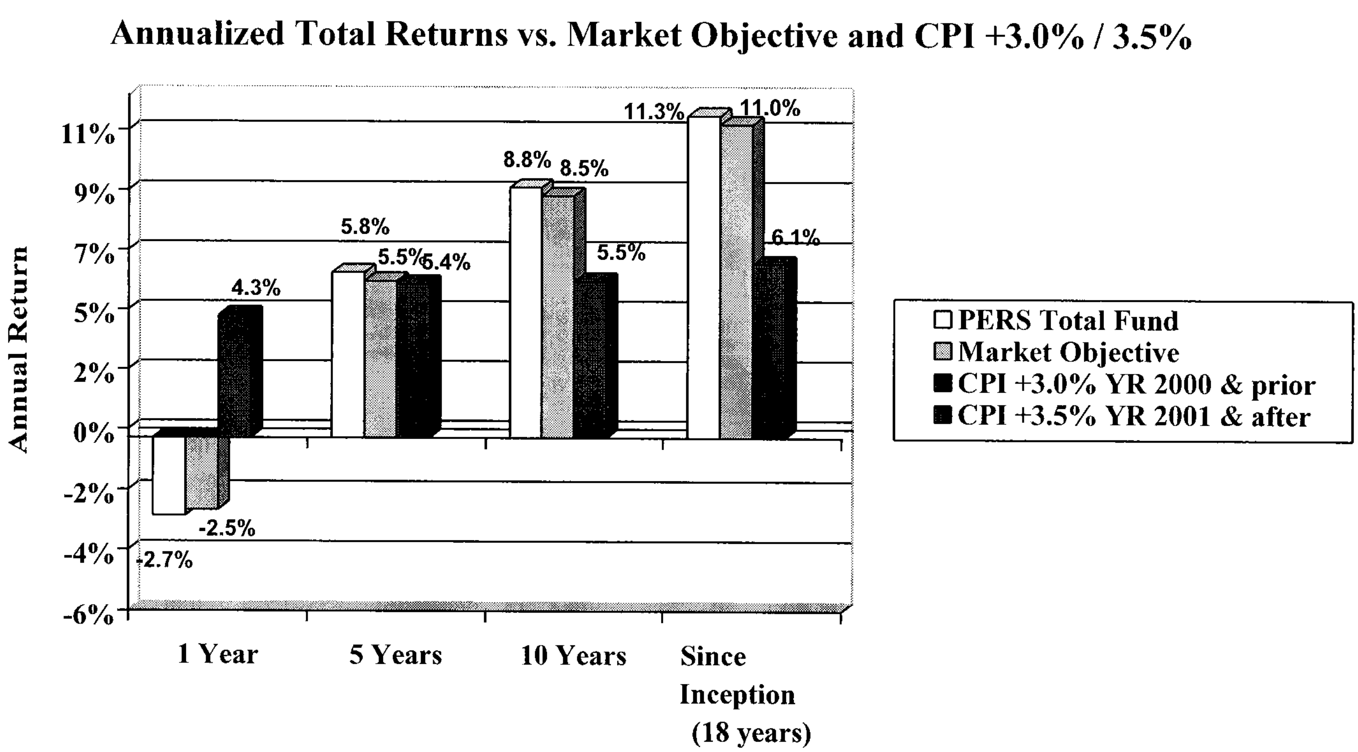
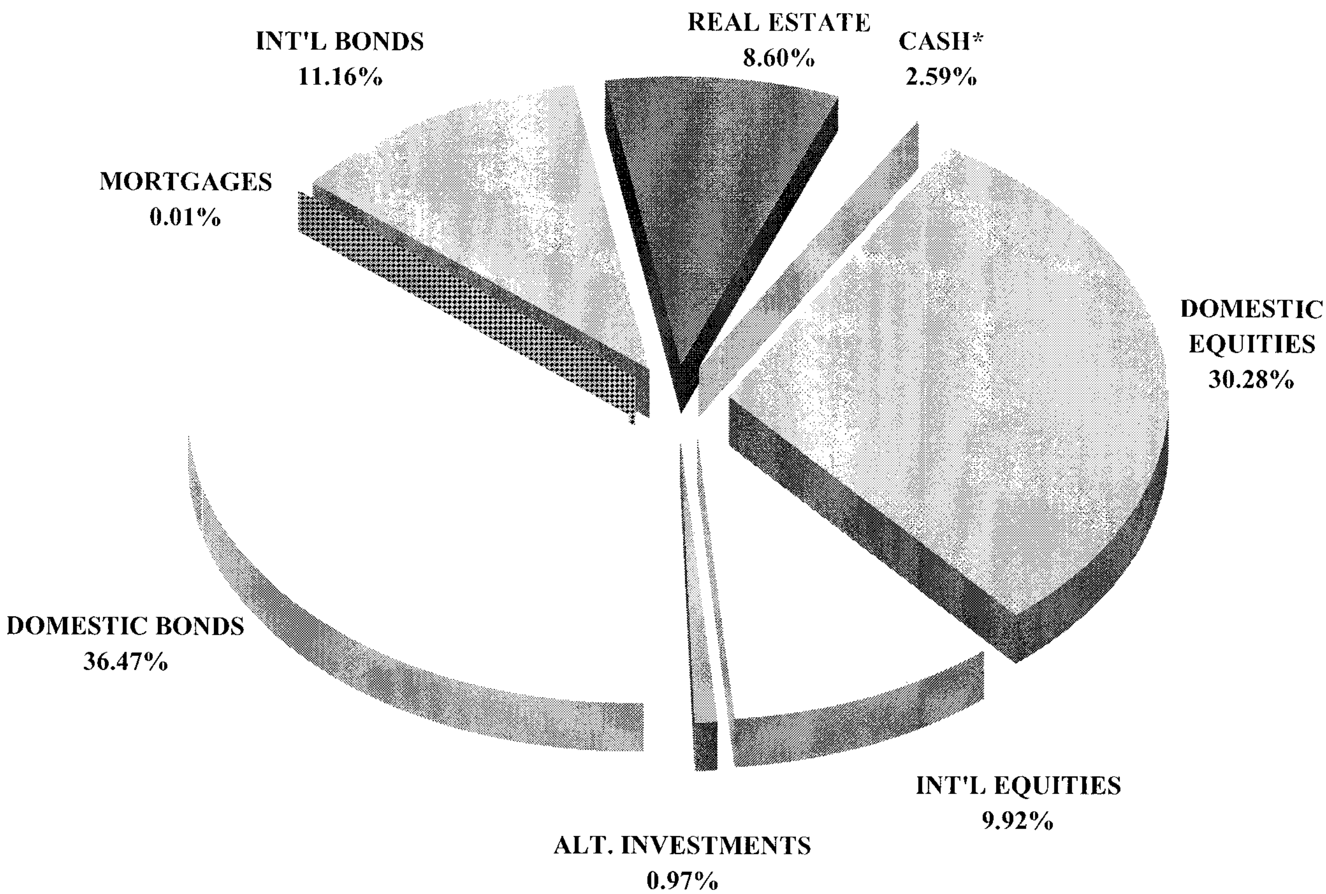


CHART 3

ASSET MIX

JUNE 30, 2002



*Includes cash held by investment managers

CHART 4

Fair Value by Investment Type, Category and Manager
June 30, 2002
(Page 1 of 2)

	Amount Under Management		Percent of Total Managed
EQUITIES			
Domestic Active Managers			
Alliance Growth	$ 471,082,488		
Atlanta Capital	467,345,853		
Loomis, Sayles	323,782,928		
J & W Seligman	325,473,234		
Subtotal	1,587,684,503		11.57%
Domestic Index Managers			
Alliance – S & P Barra Value	341,106,047		
Alliance – S & P 500	1,154,567,438		
Barclays – S & P 500	1,071,900,638		
Subtotal	2,567,574,123		18.71%
International Active Managers			
Putnam	338,546,301		
GE Asset Management	331,861,286		
Subtotal	670,407,587		4.88%
International Index Manager			
BNY Asset Management	691,539,614		5.04%
Alternative Investments			
Pathway Capital	133,574,912		0.97%
Total Equities		$ 5,650,780,739	41.17%
FIXED INCOME			
Domestic Active Managers			
Bradford & Marzec	553,502,869		
Payden & Rygel	1,019,738,753		
State Street Research	838,296,709		
Subtotal	2,411,538,331		17.57%

CHART 4

Fair Value by Investment Type, Category and Manager

June 30, 2002

(Page 2 of 2)

	Amount Under Management		Percent of Total Managed
Domestic Index Manager			
Criterion Investment Management	797,174,025		
Lincoln Capital	1,395,351,181		
Mellon Bond	402,931,763		
Subtotal	2,595,456,969		18.90%
International Active Managers			
Bradford & Marzec	101,512,262		
UBS Global Asset Management	507,866,631		
Julius Baer Investment Management	475,695,602		
Payden & Rygel	14,340,744		
Rogge Global Partners	432,231,671		
Subtotal	1,531,646,910		11.16%
Mortgage Loans			
PMRealty	732,765		.01%
Total Fixed Income		$ 6,539,374,975	47.64%
REAL ESTATE			
Invesco Realty	499,875,951		
L & B Realty	302,913,120		
SSR Realty Advisors	115,160,184		
PMRealty	262,806,173		
Total Real Estate		$ 1,180,755,428	8.60%
SHORT-TERM INVESTMENTS			
Cash Equivalents	347,342,157		
Custodial Cash - Bank of New York	7,591,023		
Total Short-Term Investments		$ 354,933,180	2.59%
TOTAL PORTFOLIO		**$13,725,844,322**	**100.00%**

Note: The Statement of Fiduciary Net Assets contains $4,759,486 in administrative cash, which does not appear on this schedule. Total Portfolio less short term investments of $354,933,180 equals investments of $13,370,911,142 (rounded).

CHART 5

LIST OF LARGEST ASSETS HELD

Largest Equity Holdings
June 30, 2002

Ranking	Shares	Name	Fair Value
1	1,910,999	MICROSOFT CORP.	$ 104,531,645
2	2,498,511	EXXON MOBIL CORP.	102,239,070
3	2,515,158	CITIGROUP INC.	97,462,373
4	3,333,436	GENERAL ELECTRIC CO.	96,836,316
5	2,632,476	PFIZER INC.	92,136,660
6	1,202,683	AMERICAN INTERNATIONAL	82,059,061
7	1,363,406	WAL MART STORES INC	75,000,964
8	888,056	FANNIE MAE	65,494,130
9	1,130,779	JOHNSON & JOHNSON	59,094,511
10	622,776	CHEVRON TEXACO CORP	55,115,676

Largest Fixed Income Holdings
June 30, 2002

Ranking	Units	Name	Fair Value
1	103,461,000	FNMA TBA 30 YR SFM 7.00% DUE 07/01/32	$ 107,147,315
2	88,900,000	BUNDESREPUBLIK 6.0% DUE 01/05/06	92,372,931
3	87,755,000	GNMA 1 TBA 30 YR SFM 6.50% DUE 07/01/32	89,510,100
4	87,585,000	FNMA TBA 30 YR SFM 6.50% DUE 07/01/32	89,282,397
5	65,565,000	FNMA TBA 30 YR SFM 6.50% DUE 08/01/32	66,548,475
6	55,485,000	FNMA TBA 30 YR SFM 7.50% DUE 07/01/32	58,224,849
7	55,210,000	U S TREASURY NOTES 2.75% DUE 09/30/03	55,555,063
8	49,415,000	U S TREASURY NOTES 7.0% DUE 07/15/06	55,190,378
9	50,730,000	FNMA TBA 15 YR SFM 6.0% DUE 07/01/17	51,728,874
10	468,595,000	SWEDEN (KINGDOM OF) 5.0% DUE 01/15/04	51,088,617

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. STOCKS	INT'L STOCKS	U.S. BONDS	INT'L BONDS	REAL ESTATE	TOTAL FUND
Fiscal Year 1993						
Total Return	12.2	18.8	11.7	14.0	(2.1)	11.7
Objective	13.6	20.3	11.8	9.8	(3.6)	6.0
Fiscal Year 1994						
Total Return	3.2	19.2	(0.1)	1.0	9.0	3.8
Objective	1.4	17.0	(1.3)	9.5	4.1	5.4
Fiscal Year 1995						
Total Return	23.8	3.9	10.8	14.2	8.6	14.3
Objective	26.1	1.7	12.5	22.7	8.1	6.1
Fiscal Year 1996						
Total Return	26.9	12.6	5.1	12.4	9.6	13.8
Objective	26.0	13.3	5.0	(1.7)	9.6	5.8
Fiscal Year 1997						
Total Return	33.2	14.9	8.0	6.2	9.9	16.4
Objective	34.7	12.8	8.2	2.2	11.5	5.2
Fiscal Year 1998						
Total Return	29.3	6.7	10.4	1.7	11.0	15.5
Objective	30.2	6.1	10.5	0.9	18.0	4.5
Fiscal Year 1999						
Total Return	23.1	9.6	2.9	3.2	12.0	11.0
Objective	22.8	7.6	3.2	4.9	12.6	4.9
Fiscal Year 2000						
Total Return	9.3	22.3	4.2	(1.2)	10.5	7.6
Objective	7.2	17.2	4.6	2.4	10.9	6.9
Fiscal Year 2001						
Total Return	(9.1)	(23.6)	11.3	(7.8)	10.0	(1.5)
Objective	(14.8)	(23.6)	11.2	(7.4)	11.2	6.6
Fiscal Year 2002						
Total Return	(17.5)	(9.4)	8.3	15.9	3.9	(2.7)
Objective	(18.0)	(9.5)	8.6	15.7	5.6	4.3

Objectives: U.S. Equity (S & P 500), Intl. Equity (MSCI EAFE), U.S. Fixed Income (Lehman Aggregate), Int'l. Fixed Income (Salomon Non U.S. Govt.), Real Estate (NCREIF), Total Fund (CPI + 3.0/3.5%). Through FY2000, objective was CPI +3.0%. Beginning in FY2001, objective is CPI +3.5%. Data for prior periods has been corrected and restated from previous reports.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 7

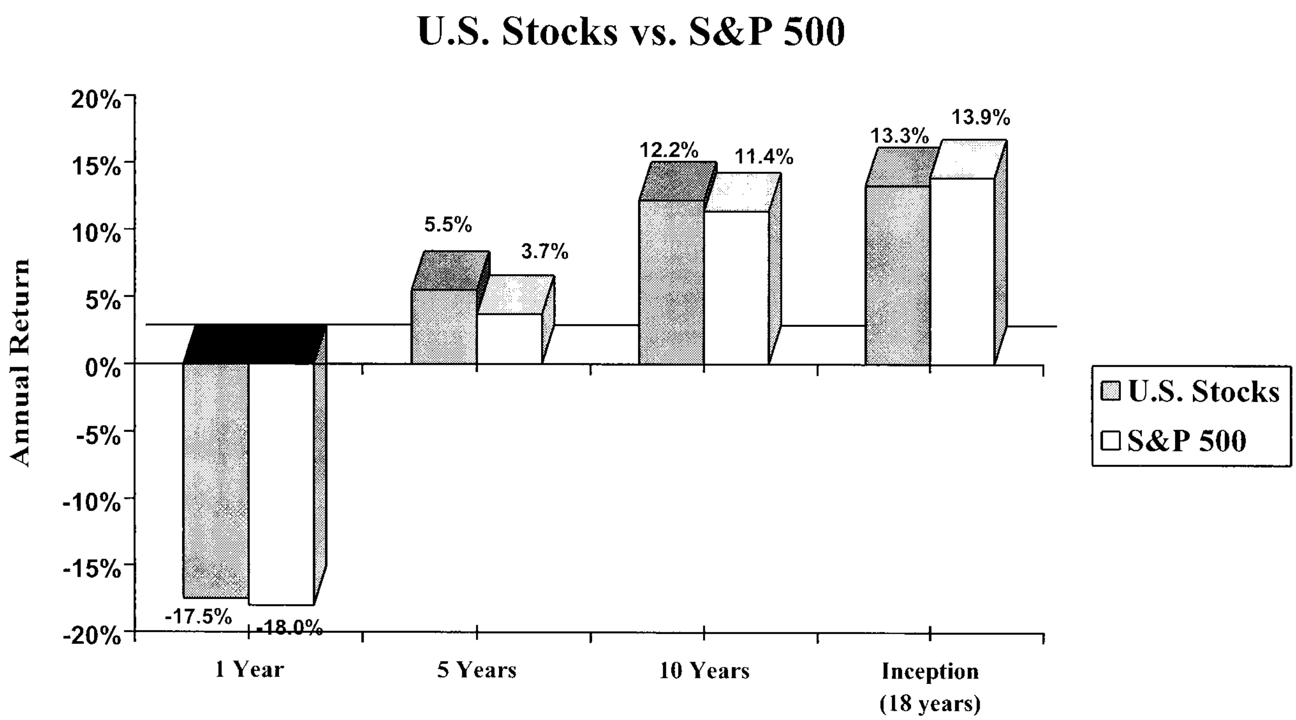
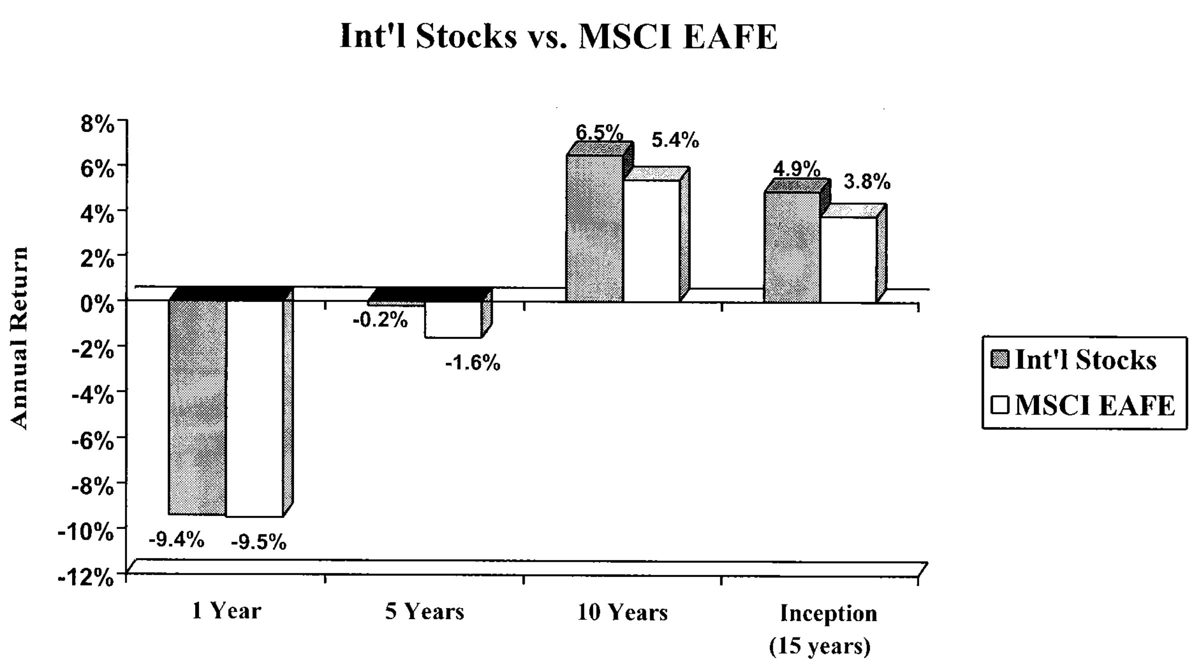


CHART 8



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 9

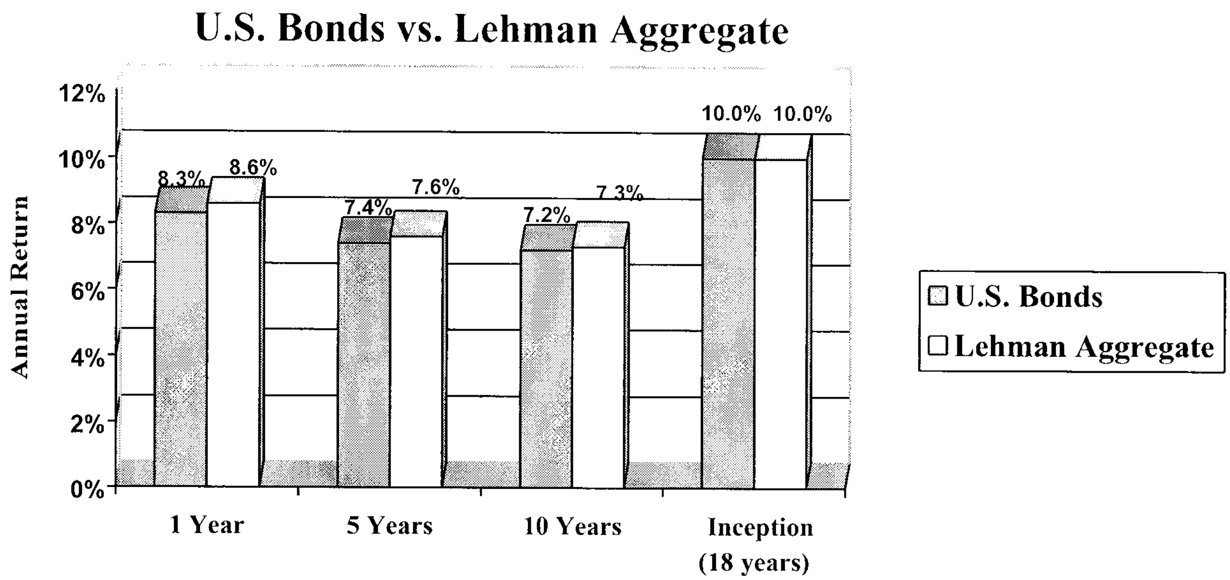
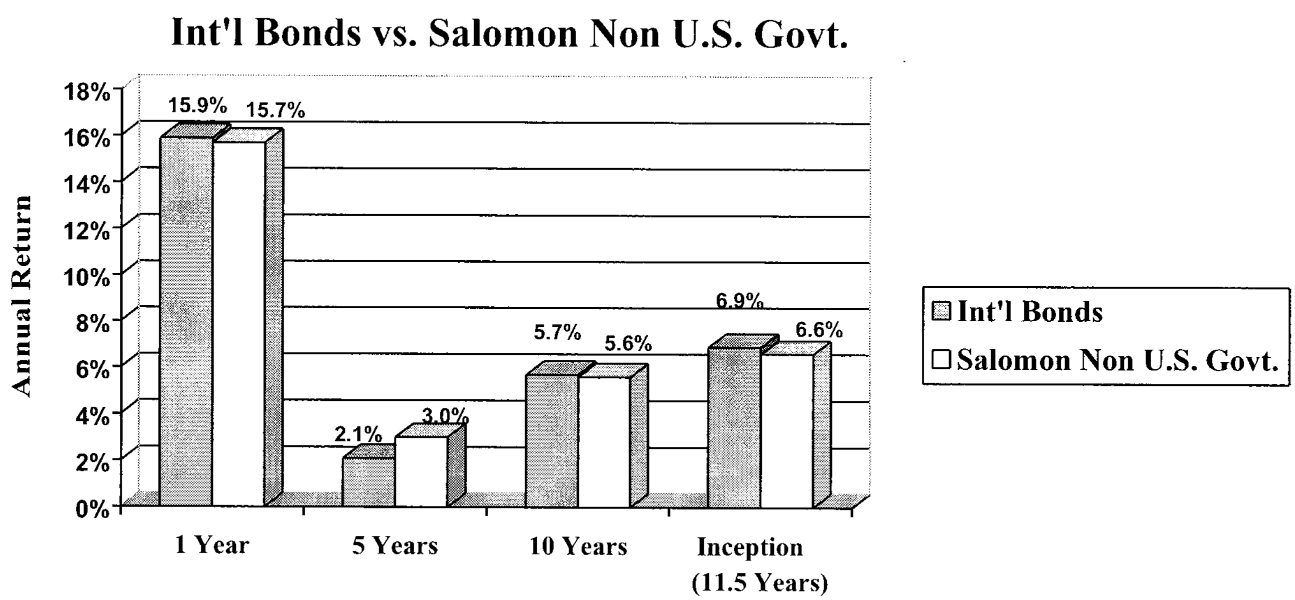


CHART 10



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 11

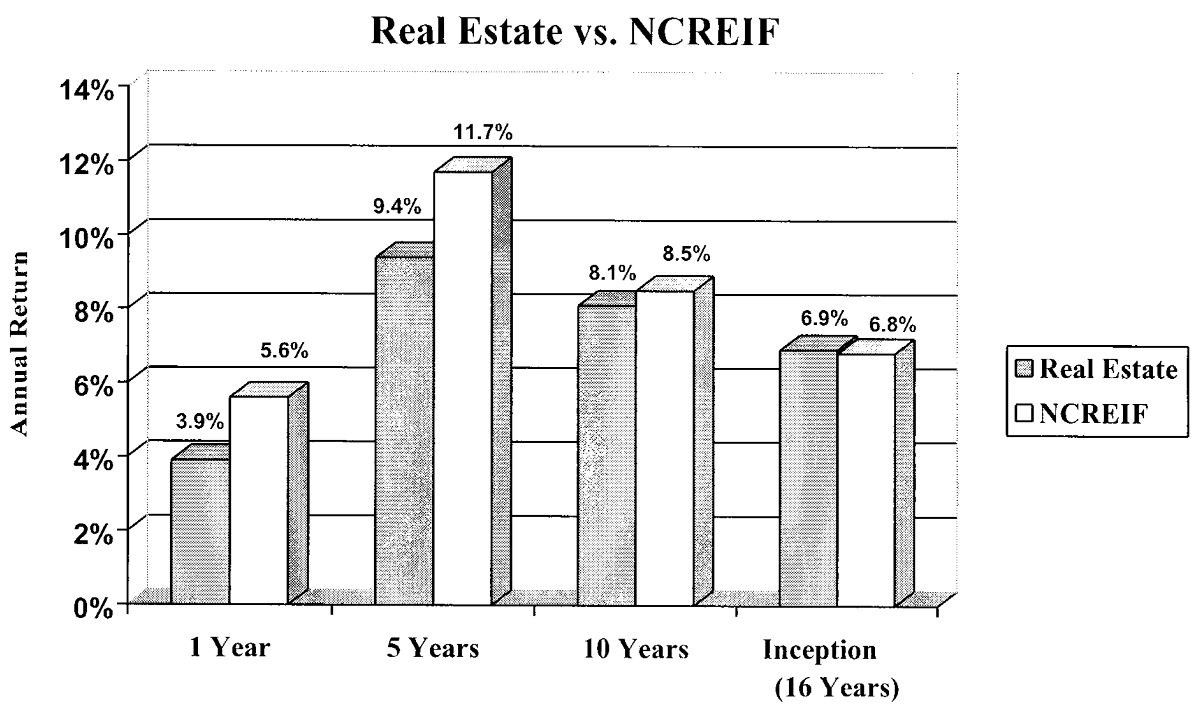


CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2002
(Page 1 of 3)

Name/Firm	Amount Under Management at June 30, 2002	Fees Paid
Investment Management Fees		
Domestic and International Equities Managers		
Alliance Capital	$1,908,211,320	$ 1,489,632
Atlanta Capital	474,581,657	1,142,721
BNY Asset Management	695,269,988	593,442
Barclays Global Investors	1,072,274,184	238,749
GE Asset Management	345,601,668	1,152,742
J & W Seligman	326,007,774	826,518
Loomis, Sayles & Company	332,423,971	810,246
Putnam Investments	340,683,741	1,174,657
Alternative Investment Manager		
Pathway	133,574,912	798,765
Domestic and International Fixed Securities Managers		
Julius Baer	480,945,392	786,172
Bradford & Marzec	638,335,207	709,428
Criterion Investments	798,955,695	728,962
Dresdner RCM	0	323,985
Lincoln Capital	1,199,605,286	384,748
Mellon Bond	405,113,868	9,208
Patterson Capital	0	382,911
Payden & Rygel	859,031,127	741,683
Rogge Global	496,278,284	788,364
State Street Research	854,660,013	723,700
UBS Global Asset Management	507,866,631	814,864
Equity Real Estate Managers		
Invesco Realty	499,875,951	3,394,330
L & B Realty	302,913,120	1,957,233
PMRealty	263,380,327	1,980,498
SSR Realty	115,160,184	571,634
Sub-total management fees		22,525,192
Investment Services Fees		
Investment Consultants		
Callan Associates		412,702
Sub-total services fees		412,702

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2002
(Page 2 of 3)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share
ABN AMRO Securities	188,800	$ 9,440	$ 0.05
A.G. Edwards & Sons, Inc.	951,400	47,601	0.05
Arnhold & S Bleischroeder Inc.	41,180	2,751	0.07
B-Trade Services LLC	598,738	16,969	0.03
Baird Robert W. & Co.	100,000	5,000	0.05
Bank of America Securities LLC	688,755	33,935	0.05
Bear Stearns & Co. Inc.	1,153,900	57,695	0.05
Bear Stearns Securities Corp	642,600	24,348	0.04
Bernstein Sanford C. & Co	2,362,450	116,140	0.05
BHC Securities	40,000	2,000	0.05
Bhirud Associates	5,700	285	0.05
Blaylock & Partners, LP	231	9	0.04
Boston Institutional Services Inc.	25,000	1,250	0.05
Broadcort Capital Corp.	123,600	6,180	0.05
Cantor, Fitzgerald & Co., Inc.	62,275	3,011	0.05
Capital Institutional Services, Inc.	93,300	4,665	0.05
Cathay Financial Corp	4,541	182	0.04
Charles Schwab & Co.	37,403	837	0.02
CIBC World Markets Corp	6,000	300	0.05
Citation Group Chase NYC	778,460	38,923	0.05
Credit Suisse First Boston	2,676,716	114,067	0.04
Criox Securities BBC Clearing	178,100	7,842	0.04
Davis, Mendel, Regenstein	386,700	19,335	0.05
Dean Witter, Reynolds, Inc.	42,300	2,115	0.05
Deutsche Banc, Alex Brown	2,536,294	88,549	0.03
Dresdner Securities (USA) Inc.	172,549	12,078	0.07
ESI Securities Company	52,100	1,373	0.03
Ewing Capital Inc.	29,100	1,455	0.05
Factset Data Systems, Inc.	143,400	7,170	0.04
First Albany Corporation	40,000	2,000	0.05
FiServ Securities	10,000	500	0.05
Fox-Pitt Kelton Inc.	219,800	10,990	0.05
Friedman, Billings, Ramsey	10,000	500	0.05
Gerard, Klauer, Mattison & Co.	35,000	1,750	0.05
Goldman, Sachs & Co.	4,470,173	135,443	0.03
Griswold Co.	30,000	900	0.03
Gruntal & Company LLC	15,100	755	0.05
Guzman & Company	27,524	661	0.02
Instinet Corporation	156,969	3,157	0.02
Investment Technology Group	3,207,172	32,024	0.01
ISI Group, Inc.	258,900	12,945	0.05
J P Morgan Invt Mgmt, New York	1,032,700	51,890	0.05
J P Morgan Securities	41,000	2,000	0.05
Jackson Securities Inc.	40,000	2,000	0.05

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2002
(Page 3 of 3)

Broker Commissions	Number of Shares	Commission Paid	Commission Per Share
Jefferies & Company, Inc.	657,975	$ 33,227	$ 0.05
Jones & Associates	15,085	403	0.03
Keefe Bruyette & Woods, Inc.	469,000	23,450	0.05
King, CL & Associates	113,200	5,660	0.05
Knight Securities	12,600	630	0.05
Legg Mason Wood Walker, Inc.	239,620	11,981	0.05
Lehman Brothers Inc. USA	2,956,505	149,249	0.05
Liquidnet, Inc.	1,115,245	40,472	0.04
Lynch Jones & Ryan Inc.	85,900	4,295	0.05
Magna Securities Corporation	76,862	3,840	0.05
May Davis Group	100,000	5,000	0.05
McDonald Investments Inc.	10,100	505	0.05
Merrill Lynch Pierce Fenner	5,113,344	234,712	0.05
Morgan Stanley Dean Witter	2,410,517	80,643	0.03
Needham & Co.	10,000	500	0.05
Neuberger & Berman	1,089,732	52,126	0.05
Nutmeg Securities	862	34	0.04
Pacific American Securities	22,606	464	0.02
Pershing & Company	112,500	5,625	0.05
Prudential Securities	1,144,081	57,211	0.05
Robertson Stephens Inc.	126,300	6,315	0.05
SBK-Brooks Investment Corp.	456	18	0.04
Salomon Smith Barney Inc.	2,268,595	112,761	0.05
Simmons & Co, International	110,600	5,530	0.05
Soundview Technology Group	36,600	1,830	0.05
Spear, Leeds & Kellogg	6,933	192	0.03
Standard & Poor's Sec. Inc.	90,100	4,505	0.05
Suntrust Capital	725,350	36,267	0.05
Thomas, Weisel Partners	6,863	169	0.02
UBS Painewebber Inc.	2,343,550	110,208	0.05
US Bancorp Investments	194,500	9,725	0.05
US Clearing Institutional Trad	271,100	8,696	0.03
Utendahil Capital Partners	75,091	3,671	0.05
Veritas Securities	223,500	6,963	0.03
Wachovia Securities, Inc.	256,900	12,845	0.05
Wedbush Morgan Securitites, Inc.	108,200	3,246	0.03
Wedbush Noble Cooke	295,000	14,750	0.05
Weeden & Co.	204,500	10,456	0.05
Wellington H.G. & Co.	239,000	11,950	0.05
Williams Capital Group, LP	58,000	2,900	0.05
Sub-total Commissions		1,956,044	
Total Fees and Commissions		$24,893,938	

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

ACTUARIAL SECTION

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

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SEGAL

THE SEGAL COMPANY
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November 15, 2002

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, 2002

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, 2002 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 period of 22 years from July 1, 2002. As of June 30, 2002, the System is meeting its funding objectives. As of this date, the funded ratio is 82.4%.

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.

The actuarial calculations performed solely for the GASB Disclosure were made by qualified actuaries in accordance with generally accepted actuarial principles and procedures, based on the current provisions of the Public Employees' Retirement Act and on the actuarial assumptions and methods adopted by the Public Employees' Retirement Board and as required under GASB No. 25.

Actual Funding

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 7.0% per year for police and firefighters. These payroll growth rates are based on a 5.0% per year inflation assumption.

GASB 25 Disclosure

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 5.0% per year inflation assumption.

Basic Elements

The most recent actuarial valuation prepared as of June 30, 2002 is based on the following major elements:

- **Current benefit provisions** (as specified in the Public Employees' Retirement Act).
- **Membership data as of June 30, 2002** (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, 2002** (obtained from the System's unaudited financial statements).
- **Trend schedules for financial and actuarial sections of the CAFR as of June 30, 2002** (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 Retirement Board.**

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date. (See the Plan Summary section of this Annual Financial Report for a summary of current benefit and contribution provisions.)

List of 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 Financial Experience
- Actuarial Valuation Statement (GASB Disclosure Basis)

Summary of Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the June 30, 2002 actuarial valuation were adopted by the Retirement Board and were based on the results of the experience review completed in 1999.

Economic Assumptions

The economic assumptions for the 2002 actuarial valuation.

Investment return* - 8.0% per year.

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

Age	Rate
20	12.90%
25	9.44
30	7.50
35	6.60
40	6.03
45	5.77
50	5.59
55	5.40
60	5.26
65	4.50

Payroll growth* * (Funding) - 6.5% per year for Regular employees and 7.0% per year for Police/Fire employees.

Payroll growth* * (GASB disclosure) - 5.0% per year for both Regular and Police/Fire employees.

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

* Includes inflation at 4.5% per year.

* * Includes inflation at 5.0% per year.

Non-Economic Assumptions

The assumed retirement rates, which project the percentage of eligible employees who will retire at each age, are shown below for selected ages:

	Regular Years of Service		Police/Fire Years of Service	
Age	Less than 30	30 or more	Less than 20	20 or more
50	4%	25%	6%	20%
52	4	25	6	20
55	5	30	20	20
57	5	30	20	20
60	30	30	20	20
62	25	25	25	25
65	30	30	100	100
67	30	30		
70	100	100		

The assumed rates of withdrawal and disability are shown below for selected ages:

Withdrawal Rates (First Five Years of Service)

Service	Regular	Police/ Fire
0	16%	13%
1	12	9
2	9	6
3	7	4
4	6	3

	Withdrawal Rates (After Five Years of Service)		Disability Rates	
Age	Regular	Police/ Fire	Regular	Police/ Fire
22	14.50%	5.90%	0.03%	0.05%
27	10.50	4.55	0.03	0.05
32	7.65	3.65	0.05	0.06
37	6.05	3.25	0.07	0.09
42	4.60	2.90	0.14	0.37
47	4.15	3.15	0.25	0.53
52	--	--	0.44	0.66
57	--	--	0.85	0.96
62	--	--	0.20	1.40

Mortality table - 1983 Group Annuity Mortality Table. The assumed mortality rates and projected life expectancies are shown below for selected ages:

	Mortality Rates		Expected Years of Life Remaining	
Age	Males	Females	Males	Females
40	0.12%	0.07%	38.0	44.0
50	0.39	0.16	28.7	34.4
60	0.92	0.42	20.1	25.2
70	2.75	1.24	12.7	16.6
80	7.41	4.29	7.1	9.7

Asset Valuation method

Assets are valued at actuarial value. The asset valuation method is as follows:

The actuarial value of assets is equal to the prior year's actuarial value of assets plus:

1) Net new money (contributions minus benefit payments and administrative expenses)
2) Expected investment return
3) 20% of each of the previous five years' gain/(losses) due to investment return greater/(less) than expected.

The actuarial value of assets is further limited to be not less than 80% or greater than 120% of market value.

Total net investment income or loss is allocated to Regular and Police/Fire sub-funds based on the net assets held in trust for pension benefits for each of the two sub-funds.

Actuarial Funding Method

The actuarial cost or funding method used in the 2002 actuarial valuation is the Entry Age Normal Cost Method. Under this method, the total calculated employer contribution rate consists of the normal cost, the administrative expense allowance, plus the payment required to amortize the unfunded actuarial accrued liability over the established amortization period.

The normal cost rate is the level percentage-of-salary contribution required each year to accumulate over each covered employee's projected working lifetime the reserves needed to meet the cost of earned benefits. The normal cost is determined as if the current benefit accrual rate had always been in effect.

The total actuarial accrued liability under the Entry Age Normal Cost Method represents the amount that would have been accumulated as of the valuation date if contributions sufficient to meet the normal costs had been made each year in the past. The unfunded actuarial accrued liability is the amount obtained by subtracting valuation assets from the total actuarial accrued liability.

Actuarial gains and losses under the Entry Age Normal Cost Method resulting from differences between actual and assumed experience are recognized immediately in the actuarial accrued liability.

Schedules showing changes in the number and characteristics of System members and benefit recipients for periods from 1997 through 2002 are included in the Actuarial and Statistical Sections of this Comprehensive Annual Financial Report.

Schedules within the Actuarial Section, effective for the year commencing July 1, 1997, illustrate calculations for disclosure under GASB. The assumptions are identical to those used for funding, except for the payroll growth assumption referenced above.

There have been no recent changes in the nature of the plan, actuarial assumptions, or actuarial methods. In addition, there has been no change in the actuarial firm preparing the System's valuation. There has been no other specific assumption, which had a material impact on the valuation results.

See the Financial Section, pages 31 and 32 for schedules detailing the Calculated and Statutory Contribution Rates as of June 30, 2002, and July 1, 2002. Calculated rates are shown for funding purposes as well as for GASB disclosure purposes.

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates at the beginning of each odd-numbered fiscal 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 0.5% 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.

SCHEDULE 1

RETIREMENT SYSTEM MEMBERSHIP
1997 to 2002

June 30	Active Members	Inactive Members	Retired and Disabled Members	Beneficiaries & Survivors	Total Membership
1997	70,726	3,934	16,036	2,741	93,437
1998	74,693	4,511	16,993	2,843	99,040
1999	77,252	5,212	18,038	2,984	103,486
2000	80,834	5,592	19,482	3,153	109,061
2001	82,890	6,276	20,827	3,250	113,243
2002	85,224	6,965	22,011	3,524	117,724

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA

SCHEDULE 2

ACTIVE MEMBER VALUATION DATA
1997 to 2002

	Number of Active Members		Annual Payroll (millions)		Annual Average Salary		Percent Increase in Average Salary	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
1997	62,636	8,090	$2,013.7	$349.4	$32,149	$43,194	2.3%	2.5%
1998	66,374	8,319	2,181.3	374.9	32,714	44,987	1.8	4.2
1999	68,661	8,591	2,293.1	389.0	33,397	45,283	2.1	0.7
2000	71,793	9,041	2,526.0	441.7	35,185	48,857	5.4	7.9
2001	73,307	9,583	2,684.1	484.8	36,615	50,587	4.1	3.5
2002	75,518	9,706	2,877.7	539.9	38,106	55,628	4.1	10.0

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA

SCHEDULE 3

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS 1997 to 2002

RETIREES and BENEFICIARIES

		Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase	Average
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	in Annual Allowances	Annual Allowances
1997	15,673	1,566	$32,380,036	(490)	$ (6,178,301)	16,749	$293,040,504	12.82%	$17,496
1998	16,749	1,487	32,412,527	(559)	(7,430,211)	17,677	326,034,588	11.26	18,444
1999	17,677	1,512	33,750,839	(466)	(6,343,166)	18,723	353,640,024	8.47	18,888
2000	18,723	2,068	48,738,624	(618)	(9,229,879)	20,173	410,076,744	15.96	20,328
2001	20,173	1,979	51,390,672	(663)	(10,102,608)	21,489	463,388,796	13.00	21,564
2002	21,489	2,017	52,934,066	(707)	(11,901,499)	22,799	515,044,612	11.15	22,591

DISABILITY RECIPIENTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase	Average
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	in Annual Allowances	Annual Allowances
1997	892	125	$2,196,000	(67)	$ (594,080)	950	$ 9,940,800	13.39%	$10,464
1998	950	138	2,498,904	(51)	(490,586)	1,037	11,772,024	18.42	11,352
1999	1,037	158	3,168,216	(66)	(796,614)	1,129	16,081,476	36.61	14,244
2000	1,129	176	2,838,528	(56)	(756,235)	1,249	18,570,132	15.48	14,868
2001	1,249	168	2,842,560	(62)	(759,498)	1,355	21,105,480	13.65	15,576
2002	1,355	181	2,934,072	(84)	(1,322,553)	1,452	23,155,128	9.71	15,947

SURVIVOR ANNUITANTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase	Average
June 30	Beginning Balance	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	in Annual Allowances	Annual Allowances
1997	1,018	96	$ 739,904	(36)	$(172,228)	1,078	$ 8,524,824	7.86%	$ 7,908
1998	1,078	90	718,922	(46)	(228,083)	1,122	9,195,912	7.87	8,196
1999	1,122	102	841,023	(54)	(276,374)	1,170	9,898,200	7.64	8,460
2000	1,170	121	962,676	(78)	(459,838)	1,213	11,266,344	13.82	9,288
2001	1,213	115	1,253,040	(95)	(544,920)	1,233	12,295,476	9.13	9,972
2002	1,233	121	1,244,727	(70)	(720,090)	1,284	13,208,347	7.42	10,287

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA

SCHEDULE 4

SOLVENCY TEST
1997 to 2002
(millions)

	Actuarial Accrued Liabilities						
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	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
1997	$237.4	$4,197.9	$6,592.4	$8,339.2	100%	100%	59.2%
1998	266.2	4,723.5	7,281.7	9,597.0	100	100	63.3
1999	272.3	5,338.0	7,852.6	11,104.5	100	100	70.0
2000	295.6	6,064.9	8,591.3	12,662.1	100	100	73.3
2001	325.4	6,811.0	9,527.8	14,031.1	100	100	72.4
2002	352.1	7,559.7	10,348.1	15,052.3	100	100	69.0

* Includes liability for post-retirement benefit increases.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA
SCHEDULE 5

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2002
Resulting from Differences Between Assumed Experience and Actual Experience
(millions)

Type of Activity	Gain (or Loss) For Year	
	Regular	**Police/Fire**
Age and Service Retirements. If members retire at older ages or with lower final average pay than assumed, there is a gain. If younger ages or higher average pays, there is a loss.	($50.6)	($5.7)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, there is a loss.	(8.8)	(0.7)
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	7.7	0.8
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, there is a loss.	9.5	(10.8)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, there is a loss.	(3.9)	(13.6)
Contribution Income. If more contributions are received than the calculated actuarial cost, there is a gain. If less, there is a loss.	(23.3)	7.8
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, there is a loss.	(259.9)	(46.9)
Death After Retirement. If retirees live longer than assumed, there is a loss. If not as long, there is a gain.	3.0	(5.1)
Inactive Vesteds. If inactive vesteds commence benefits sooner than projected, there is a loss. If later, there is a gain	(1.6)	(0.5)
Inactive Showups. Persons in pay status who are added due to delayed reporting. These are primarily students who had benefits reinstated.	(13.6)	(7.4)
Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	(8.0)	4.5
Total Experience Gain (or Loss) During Year	**$(349.5)**	**$(77.6)**
Active New Entrants/Rehires. Unanticipated cost due to new hires and rehires. Some new active members have past service credits reinstated, thereby increasing costs due to the unanticipated liabilities.	(62.5)	(2.0)
Net Gain (or Loss) During Year	**$(412.0)**	**$(79.6)**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA

June 30, 2002

Actuarial Valuation Statement
GASB Disclosure Basis
(Page 1 of 2)

	Regular Employees	Police/Fire Employees	Total
Normal Cost			
Employer normal cost	$ 470,653,200	$ 122,881,500	$ 593,534,700
Employee contributions	49,065,400	9,040,200	58,105,600
Total Normal Cost	**$ 519,718,600**	**$ 131,921,700**	**$ 651,640,300**
Actuarial Accrued Liability			
Active members	$ 8,557,842,400	$ 2,142,345,500	$ 10,700,187,900
Inactive members	261,968,100	25,293,800	287,261,900
Pensioners, beneficiaries and disabled	5,767,531,300	1,343,072,200	7,110,603,500
Survivors	135,535,700	26,268,800	161,804,500
Total Actuarial Accrued Liability	**$14,722,877,500**	**$3,536,980,300**	**$18,259,857,800**
Assets at Actuarial Value	**$12,289,047,600**	**$2,763,283,900**	**$15,052,331,500**
Total Unfunded Actuarial Accrued Liability	**$ 2,433,829,900**	**$ 773,696,400**	**$ 3,207,526,300**
Payment to amortize unfunded actuarial accrued liability over 22 years from July 1, 2002, based on level percentage of payroll amortization	**$ 146,357,600**	**$ 46,526,000**	**$ 192,883,600**
Employer-Pay Annualized Payroll	2,713,533,400	524,075,400	3,237,608,800
Employee/Employer Rate Payroll	475,912,900	69,266,200	545,179,100
Total Rate Payroll	**$ 3,189,446,300**	**$ 593,341,600**	**$ 3,782,787,900**

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF NEVADA

June 30, 2002

Actuarial Valuation Statement
GASB Disclosure Basis
(Page 2 of 2)

	Regular Employees	Police/Fire Employees
Calculated Contribution Rates (as percentage of rate payroll):		
Employer-Pay, statutory rate	**18.75%**	**28.50%**
Employer-Pay, total rate	**20.91%**	**30.13%**
Employer normal cost	16.17	22.14
Amortization percentage	4.59	7.84
Administrative expenses	0.15	0.15
Employee/Employer, statutory rate	**19.50%**	**29.50%**
Employee/Employer, total rate	**21.77%**	**30.89%**
Employee contribution rate	9.75	14.75
Employer normal cost	7.28	8.15
Amortization percentage	4.59	7.84
Administrative expenses	0.15	0.15

The actuarial calculations performed solely for the GASB Disclosure were made by qualified actuaries in accordance with generally accepted actuarial principles and procedures, based on the current provisions of the Public Employees' Retirement Act and on the actuarial assumptions and methods recommended to the Public Employees' Retirement Board and as required under GASB Statement No. 25. A comparison of the funding contribution rates and the GASB disclosure contribution rates can be found in the Financial Section, page 32.

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.

John J. Garrett, ASA, MAAA
Vice President and Consulting Actuary
The Segal Company

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

STATISTICAL SECTION

PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM OF
NEVADA

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SCHEDULE 1

Revenues by Source

June 30	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Net Investment Income (Loss)	Other Income	Total
1997	$44,439,577	$473,205,382	20.0%	$1,277,705,455	$1,826,976	$1,797,177,390
1998	49,165,085	508,112,263	19.9	1,435,177,706	1,854,894	1,994,309,948
1999	51,889,904	557,544,587	20.8	1,171,826,290	1,935,820	1,783,196,601
2000	56,842,969	604,926,098	20.4	916,992,809	2,162,002	1,580,923,878
2001	60,032,958	656,051,791	20.7	(217,005,186)	1,911,127	500,990,690
2002	78,624,839	680,730,753	19.9	(367,856,335)	2,104,359	393,603,616

SCHEDULE 2

Expenses by Type

June 30	Benefit Payments	Refunds to Members	Administrative/Other Expenses	Total
1997	$300,110,953	$8,931,024	$3,180,949	$312,222,926
1998	336,059,778	13,537,992	3,983,810	353,581,580
1999	374,252,647	11,315,902	4,250,065	389,818,614
2000	421,171,517	16,362,173	7,065,980	444,599,670
2001	477,319,049	10,031,413	7,570,472	494,920,934
2002	533,012,667	15,826,195	8,697,923	557,536,785

SCHEDULE 3

Benefit Expenses by Type – Regular Members

June 30	Service & Survivor	Disability	Post Retirement Increases*	Total
1997	$239,103,499	$8,844,585	$96,671	$248,044,755
1998	266,544,084	10,130,936	83,686	276,758,706
1999	296,653,150	11,324,548	63,680	308,041,378
2000	333,992,290	13,154,759	63,666	347,210,715
2001	373,685,416	19,039,793	59,521	392,784,730
2002	415,508,147	22,621,743	53,701	438,183,591

*Legislative appropriation

SCHEDULE 4

Benefit Expenses by Type – Police/Fire Members

June 30	Service & Survivor	Disability	Post Retirement Increases*	Total
1997	$48,860,430	$3,194,006	$11,762	$52,066,198
1998	55,745,418	3,544,464	11,190	59,301,072
1999	62,142,558	4,058,152	10,559	66,211,269
2000	69,446,322	4,504,802	9,678	73,960,802
2001	78,881,589	5,643,052	9,678	84,534,319
2002	88,284,961	6,534,437	9,678	94,829,076

*Legislative appropriation

SCHEDULE 5

Benefit Recipients by Type of Benefit – Regular Members

June 30	Service	Beneficiary	Disability	Survivor	Total
1997	13,264	1,446	769	950	16,429
1998	13,984	1,508	838	969	17,299
1999	14,821	1,585	908	1,016	18,330
2000	15,984	1,681	1,013	1,062	19,740
2001	17,081	1,748	1,090	1,075	20,994
2002	18,014	1,907	1,177	1,123	22,221

SCHEDULE 6

Benefit Recipients by Type of Benefit – Police/Fire Members

June 30	Service	Beneficiary	Disability	Survivor	Total
1997	1,822	217	181	128	2,348
1998	1,972	213	199	153	2,537
1999	2,088	229	221	154	2,692
2000	2,249	259	236	151	2,895
2001	2,391	269	265	158	3,083
2002	2,545	333	275	161	3,314

SCHEDULE 7

Number of Active Members Per Retiree

June 30	Number of Active Members: Regular	Number of Active Members: Police/ Fire	Number of Retired Members*: Regular	Number of Retired Members*: Police/ Fire	Active Members per Retiree: Regular	Active Members per Retiree: Police/ Fire
1997	62,636	8,090	14,033	2,003	4.5	4.0
1998	66,374	8,319	14,822	2,171	4.5	3.8
1999	68,661	8,591	15,729	2,309	4.4	3.7
2000	71,793	9,041	16,997	2,485	4.2	3.6
2001	73,307	9,583	18,171	2,656	4.0	3.6
2002	75,518	9,706	19,191	2,820	3.9	3.4

*Excluding survivors and beneficiaries

SCHEDULE 8

Average Monthly Benefit – Regular Members*

June 30	Number of New Retirees	Average Monthly Benefit	Average Age at Retirement	Average Years' Service at Retirement
1997	1,683	$1,399	59	20.30
1998	1,258	1,466	59	18.67
1999	1,404	1,540	59	19.30
2000	1,791	1,626	59	19.27
2001	1,741	1,719	59	18.96
2002	1,582	1,799	58	19.40

*Excluding survivors and beneficiaries

SCHEDULE 9

Average Monthly Benefit – Police/Fire Members*

June 30	Number of New Retirees	Average Monthly Benefit	Average Age at Retirement	Average Years' Service at Retirement
1997	199	$2,129	54	21.70
1998	201	2,229	54	21.43
1999	188	2,333	53	20.27
2000	234	2,445	54	21.44
2001	236	2,583	54	21.24
2002	220	2,664	53	21.64

*Excluding survivors and beneficiaries

SCHEDULE 10

Average Monthly Compensation at Retirement

June 30	Regular	Police/Fire
1997	$3,649	$4,927
1998	3,512	4,915
1999	3,743	5,052
2000	4,023	5,341
2001	4,091	5,548
2002	4,143	5,637

SCHEDULE 11
Participating Employers
(Page 1 of 2)

State of Nevada and Related Agencies
Cosmetology Board
Department of Transportation
Legislative Counsel Bureau
Liquid Petroleum Gas Board
Nevada Board of Veterinary Medical Examiners
Nevada Rural Housing Authority
Public Employees' Retirement System
State Board of Accountancy
State Board of Architecture
State Board of Chiropractic Examiners
State Board of Dental Examiners
State Board of Examiners for Alcohol and Drug Abuse Counselors
State Board of Examiners for Social Workers
State Board of Medical Examiners
State Board of Nursing
State Board of Optometry
State Board of Pharmacy
State Personnel

Schools
Andre Agassi College Preparatory Academy
Bailey Charter Elementary School
Carson City School District
Churchill County School District
Clark County School District
Coral Academy of Science Charter School
Douglas County School District
Elko County School District
Esmeralda County School District
Eureka County School District
Gateways to Success Charter School
Humboldt County School District
ICDA Charter High School
Keystone Academy Charter School
Lander County School District
Lincoln County School District
Lyon County School District
Mineral County School District
Nevada Leadership Academy
Nye County School District
Odyssey Charter School
Odyssey Secondary School
Pershing County School District
Sierra Nevada Academy
Storey County School District
Washoe County School District
White Pine County School District

University of Nevada System
University of Nevada, Las Vegas
University of Nevada, Reno

Counties
Churchill County
Clark County
Douglas County
Elko County
Esmeralda County
Eureka County
Humboldt County
Lander County
Lincoln County
Lyon County
Mineral County
Nye County
Pershing County
Storey County
Washoe County
White Pine County

Cities
City of Boulder
City of Caliente
City of Carlin
City of Carson
City of Elko
City of Ely
City of Fallon
City of Fernley
City of Henderson
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

SCHEDULE 11
Participating Employers
(Page 2 of 2)

Hospitals
Battle Mountain General Hospital
Grover C. Dils Medical Center
Humboldt General Hospital
Mount Grant General Hospital
Pershing General Hospital
University Medical Center of So. Nevada
William Bee Ririe Hospital

Utility, Irrigation and Sanitation Districts
Beatty Water and Sanitation District
CC Communications
Clark County Sanitation District
Douglas County Sewer District
Fernley Town Utilities
Lander County Sewer and Water #2
Lincoln County Power District
Lovelock Meadows Water District
McGill-Ruth Consolidated Sewer and Water General Improvement District
Minden-Gardnerville Sanitation District
Moapa Valley Water District
Overton Power District #3
Pershing County Water Conservation District
Truckee-Carson Irrigation District
Truckee Meadows Water Authority
Virgin Valley Water District
Walker River Irrigation District
Washoe County Water 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 Firemen
Churchill Mosquito Abatement District
City of Wells Volunteer Fire Department
Clark County Health Department
Clark County Housing Authority
Conservation District of Southern Nevada
East Fork Swimming Pool District
Elko Convention and Visitors Authority
Elko County Agricultural Association
Elko Volunteer Fire Department
Gardnerville Ranchos General Improvement District
Henderson District Public Libraries
Indian Hills Improvement District
Kingsbury General Improvement District
Lander County Fair and Recreation Board
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
North Lake Tahoe Fire Protection District
North Las Vegas Housing Authority
Palomino Valley General Improvement District
Pershing Volunteer Fire Department
Redevelopment Agency of Sparks
Regional Planning Agency of Washoe County
Regional Transportation Commission
Reno Housing Authority
Reno/Sparks Convention and Visitors Authority
Round Hill General Improvement District
Southern Nevada Workforce Investment Board
Stagecoach General Improvement
Sun Valley General Improvement District formerly Sun Valley Water and Sanitation
Tahoe-Douglas District
Tahoe-Douglas Fire Protection District
White Pine County Tourism and Recreation Board
Winnemucca Rural Volunteer Fire District
Winnemucca Volunteer Firemen

SCHEDULE 12

Active Members of the System by Employer Type

June 30, 1997	Regular	Police/ Fire	Total	% of Total
State and University	14,588	2,488	17,076	24%
Schools	28,248	83	28,331	40
Counties/Related Agencies	10,799	3,331	14,130	20
Cities	4,934	2,117	7,051	10
Miscellaneous	4,067	71	4,138	6
Totals	62,636	8,090	70,726	100%
June 30, 2002				
State of Nevada and Related Agencies	12,439	2,626	15,065	18%
University of Nevada System	3,402	37	3,439	4
Schools	35,944	124	36,068	42
Counties	9,414	1,736	11,150	13
Cities	5,953	2,569	8,522	10
Hospitals	4,011	0	4,011	5
Utility, Irrigation, and Sanitation Districts	664	0	664	1
Special Districts and Agencies	3,691	2,614	6,305	7
Totals	75,518	9,706	85,224	100%

SCHEDULE 13

Average Age and Service Statistics for the System's Members

	1997	2002
Regular members:		
Average age	43.6	44.6
Average years of service	8.3	8.5
Police/Fire members:		
Average age	39.2	39.8
Average years of service	9.3	9.9

SCHEDULE 14

Average Salaries for the System's Members

	Regular	Increase	Police/Fire	Increase
June 30, 1997	$ 32,149	2.3 %	$ 43,194	2.5 %
1998	32,714	1.8	44,987	4.2
1999	33,397	2.1	45,283	.7
2000	35,185	5.4	48,857	7.9
2001	36,615	4.1	50,587	3.5
2002	38,106	4.1	55,628	10.0
Annual increase 1997 - 2002		3.5%		5.2%
Fiscal Year 2002 Consumer Price Index (CPI)		0.75%		

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
of NEVADA

PLAN SUMMARY

PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM OF
NEVADA

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Administration

The Public Employees' Retirement System provides retirement, disability, and death benefits to long-term public employees. The System includes the employees of Nevada counties, cities, schools, state government, and miscellaneous public employers.

The governing authority of the System is a 7-member board appointed by the Governor. Day-to-day operations are managed by the Executive Officer. Operating funds are provided by transfer of an administrative fee assigned to each member and benefit recipient. Monthly fees for fiscal year 2002 were $4.80 for Regular members and benefit recipients and $4.90 for Police/Fire members and benefit recipients.

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 earned, with the exception of overtime, terminal leave, and earnings from secondary employment, 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, 2002, were 18.75% for Regular members and 28.5% for Police/Fire members.

Employee/Employer Contribution Plan

Under this plan, through June 30, 2002, the Regular member and the employer each contributed 9.75% of compensation to the System. Police/Fire members and their employers each contribute 14.75% 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.

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 the installment agreement is paid in full.

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 - age 65 with five years of service, or age 60 with 10 years of service, or at any age with 30 years of service.

Requirements for Police/Fire members - age 65 with five years of service, or age 55 with 10 years of police/fire service, or age 50 with 20 years of police/fire service, or at any age with 25 years of service.

Requirements for an Unreduced Benefit

Members with at least 5 years of service are eligible to receive an unreduced retirement benefit at age 65 or older. Regular members with 10 or more years of service credit can receive an unreduced benefit at age 60 or older. Police/Fire members with 10 or more years of Police/Fire service credit can receive an unreduced benefit at age 55 or older. Police/Fire members with 20 or more years of Police/Fire service credit can retire at age 50 or older and receive an unreduced benefit. Regular members with 30 or more years of service can retire at any age without penalty. Police/Fire members with 25 or more years of service can retire at any age without penalty.

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. If the retired employee was married to the same spouse at the time of retirement and at the time of death, the spouse is eligible to receive a benefit equal to 50% of the retired employee's benefit earned in police/fire service upon attainment of age 50.

Option 2 – Provides an actuarially reduced lifetime benefit. After death, the same benefit continues for the lifetime of beneficiary.

Option 3 – Provides an actuarially reduced lifetime benefit. After death, 50% of the benefit continues for the lifetime of the beneficiary.

Option 4 – Provides an actuarially reduced lifetime benefit. After retiree's death and upon beneficiary reaching age 60, the same benefit continues for the lifetime of the beneficiary.

Option 5 – Provides an actuarially reduced lifetime benefit to retiree. After retiree's death and upon beneficiary reaching age 60, 50% of the benefit continues for the lifetime of the beneficiary.

Option 6 – Provides an actuarially reduced lifetime benefit to retiree. Upon death of the retiree, this option provides to the beneficiary a specific sum per month, which cannot exceed the monthly benefit paid to retiree.

Option 7 – Provides an actuarially reduced lifetime benefit to retiree. The option provides to the beneficiary, upon retiree's death and the beneficiary reaching age 60, a specific sum per month, which cannot exceed the monthly benefit paid to retiree.

Post-Retirement Benefit Increases

Retirees are eligible for annual benefit increases if they began receiving benefits at least 3 years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. See the Actuarial Section, page 69 for a schedule of post-retirement increases.

Benefit Formula

The formula used for calculating retirement benefits is as follows:

- Total Service Credit Earned before July 1, 2001 X 2.5% = Service Time Factor
- Total Service Credit Earned on and after July 1, 2001 X 2.67% = Service Time Factor
- Total Service Time Factors X Average Monthly Compensation (36 Highest Consecutive Months of Salary) = Unmodified benefit (Option 1).

Maximum benefits are 90% of average compensation for individuals who became members before July 1, 1985, and 75% of average compensation for individuals who became members after June 30, 1985.

Actuarial reductions are based on the member's age and the beneficiary's age at the time of retirement, determined from tables supplied by the System's actuary.

Disability Retirement

Members with five or more years of service who become totally unable to perform their current or any comparable job because of an injury or mental or physical illness of a permanent nature, are eligible to apply for disability retirement. The application must be filed with the System prior to termination of employment. Disability retirement benefits are calculated in the same manner as service retirement without reduction for age.

Survivor Benefits

Eligibility

Eligible survivors of a member who dies prior to retirement are entitled to a benefit if:

1. The member had two years of service in the two and one half years immediately preceding death; or
2. The member had more than 10 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.
3. Dependent parents, provided there are no other eligible survivors at the time of member's death.

Amount of Survivor Benefits

Generally, if a member dies with less than 10 years of service, the spouse would receive $450 per month and each dependent child $400 per month. The spouse would receive survivor benefits for his or her lifetime. Each unmarried dependent child would receive monthly benefits until age 18 or 23 if he or she is a full-time student.

If a member dies with more than 10 years service credit, the spouse is entitled to a lifetime benefit. The amount of the benefit is based on the member's age, years of service, and average compensation at the time of death. A child would receive the same benefits as previously described.