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, 2007

Dana K. Bilyeu
Executive Officer

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

Prepared by the PERS' Accounting Division

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MISSION STATEMENT

It is the mission of the Public Employees' Retirement System to:

- Provide public workers and their dependents with a retirement program that provides a reasonable base income for retirement or for periods where a disability has removed a worker's earning capacity.
- Encourage those workers to enter into and remain in government service for such periods of time to give public employers and the people of the State of Nevada the full benefit of their training and experience.

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INTRODUCTORY SECTION

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December 10, 2007

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, 2007.

The financial statements included in this report are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles as promulgated or adopted by the Governmental Accounting Standards Board (GASB). In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2007, and changes in fiduciary net assets for the year then ended.

The System was established by the Nevada Legislature in 1947. By July 1, 1949, the System had approximately 3,000 members and 64 retirees. At the end of fiscal year 2007, the System had 166 participating employers, 103,693 active members, and 35,687 retirees and beneficiaries. The System is comprised of two sub-funds, Regular, consisting of members who are not police or fire employees, and Police and Firefighters (Police/Fire). The Regular sub-fund was established to provide retirement, disability, and survivor benefits for public employees with the exception of those who are police officers or firefighters. The Police/Fire sub-fund was established to segregate accounting for retirement and survivor benefits related to members who are police officers or firefighters. All services provided by staff are performed in order to meet those objectives. For more specific information on plan provisions, please refer to the Plan Summary, beginning on page 107.

Included in the Financial Section of this CAFR, beginning on page 23, is Management's Discussion and Analysis (MD&A). Users of the financial statements are encouraged to review the MD&A, which contains highlights for the year, a statement overview, and a short analysis of the statements comparing the current and previous year.

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

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Las Vegas, NV 89119
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Major Initiatives

Legislation

The Nevada Legislature convenes on a biennial basis in odd-numbered years. During the 2007 legislative session, the Public Employees' Retirement Board (Board) sought only technical legislation changing the title of the statutory administrative assistant position to administrative services coordinator to better reflect the duties of this position.

Approximately fifteen separate pieces of legislation were introduced that could have affected the System. Highlights include the gradual phasing-out of the program to purchase one-fifth of a year of retirement service credit for certain education personnel. No other benefit modifications affecting PERS were approved in the 2007 session.

System Governance

Over the past two years, the System conducted a review of its governance process that encompassed Board and staff relations, fiduciary review, education, and the individual roles played by the Board and staff. During this past fiscal year, the Board completed a self-assessment process with the assistance of executive staff and a consultant. The Board also completed a review of compliance with the charters for the Board, Board chair, vice-chair, and executive officer. The compliance review report prepared by the System's governance consultant showed a high degree of compliance with the charters. This review resulted in minor revisions to the Board and executive officer charters in the area of disaster recovery planning to reflect current industry practices.

Operational Initiatives

Operations of the System are conducted in accordance with the Operational Yearly Plan. This plan is designed to organize all agency functions by department and to insure that all duties are performed within the fiscal year. PERS' performance is measured, in part, by total member and retiree workload. During fiscal year 2007 the System completed approximately 96,000 pieces of work. Of this group, 87,000 were directly related to customer requests, with the remainder relating to back office support. Approximately 92% of all work was performed within the ten working day benchmark.

Benefit payments were made to approximately 33,000 benefit recipients monthly. The System completed 6,454 one-fifth of a year purchases for educational employees and 647 service credit audits for the Public Employees' Benefits Program. The System continued its project to move employers to web based reporting which requires employers to filter their own data before submission to the System. The System continues training employers on this tool. During fiscal year 2007 approximately 140 agencies were reporting wage and contribution information in this manner.

PERS now has a full year of experience with Las Vegas counselors connected to the call center. This project enhanced our service to members and retirees through the reduction in wait time on the telephone and provided better uniformity in service for the northern and southern regions of the state. PERS continued participation in a benchmarking analysis service in fiscal year 2007. The purpose of the analysis was to help PERS understand how our total administrative costs and service levels compare to our peers. The most recently completed report shows that PERS provides a good level of service to the members and beneficiaries at a cost below the median for its peers.

The Third Annual Liaison Officer Conference was held in Reno on November 14, 2006. The conference gave the System an opportunity to provide valuable information about the System to the liaison officers as a group. This conference included break-out sessions tailored to the different roles performed by the liaison officer and payroll personnel. Reviewing the conference attendee surveys completed at the end of the conference reveals 97% of attendees rated the conference good or excellent.

Information Technology

The System continued to work to improve the functionality of the website for our members, retirees, and employers. Significant modifications were made to reduce browsing complexities for members and retirees. PERS' forms were made available online in PDF format to allow members and retirees to type their information directly on the form prior to printing the form. In addition, loading speed of wage and contribution reporting was increased to improve efficiency for employers. PERS maintained its security certification through an information technology security consultant and continues to participate in this security review on an ongoing basis.

Strategic Planning

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. The System annually reviews the Strategic Plan for updates, including both additions and deletions. The revision of the Strategic Plan made during fiscal year 2007 was the first revision after the Board adopted the policy regarding strategic planning and budgeting through the governance initiative.

The revision to the Strategic Plan included the following sections: Introduction, Mission, Philosophy, Core Values, Organization and History, Goals and Objectives, Strategies, Internal Assessment, External Assessment, and Performance and Caseload Indicators. Three of these sections (Introduction, Core Values, and Organization and History) are new to this year's Strategic Plan. The order of the sections was revised to enhance usability and language was modified in the Internal Assessment and External Assessment sections to reflect legislative changes and provide a progress update. The Strategic Plan was made available on the System's website for the first time this fiscal year.

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, to ensure proper financial controls are in place. The System is also required by statute to submit a biennial budget proposal to the Budget Division of the State of Nevada, which must be incorporated with the State Executive Budget and approved by the Nevada Legislature.

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

	2007	2006
Additions	$4,115,846,295	$2,654,665,957
Deductions	(957,369,949)	(859,373,559)
Net Additions	$3,158,476,346	$1,795,292,398

Additions increased approximately $1.5 billion from fiscal year 2006, due mainly to increases in net investment income of $1.4 billion and in contribution revenue of $91.2 million. Deductions increased by $98.0 million between 2006 and 2007, due primarily to an increase of $96.8 million in benefit 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 Legislature.

The actuarial funding method used is the Entry Age Normal Cost Method. This method is used to calculate liabilities using a year-by-year closed amortization period where each amortization period is set at 30 years, in addition to other significant actuarial assumptions detailed beginning on page 75. Funding levels are presented on page 41 in the Financial Section of this report. The funded ratio for all members is 77.2% in 2007, an increase from 74.9% in fiscal year 2006.

Investments

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

The investment portfolio is designed to meet the funding objectives of the System while taking the least possible risk. Investment of the System's assets is governed by the prudent person standard. This standard states that the Board may invest the System's funds in every type of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account.

The System's investment portfolio is well diversified by asset class, investment structure, and individual security. In fact, the System's portfolio currently holds over 8,000 individual securities from 36 different countries. The Board utilizes these portfolio components to maintain strict control of the fund's risk/return profile.

Asset allocation is the most significant factor influencing the risk and return of the investment program. Determination of the fund's long-term asset allocation involves estimating the expected return and risk of major types of investments and blending them into a portfolio which meets the System's risk/return objectives. The System is more conservatively structured than the average large public pension plan.

The fair value of the System's investment assets at the end of fiscal year 2007 was $22.8 billion. The portfolio return objective includes a premium over the Consumer Price Index (CPI). This premium has ranged from 3.0% - 4.5% over time. On that basis the total fiscal year 2007 return objective was 7.2%. The System's total return on investments for that same time period was 15.0%, which includes both realized and unrealized gains. Fiscal year 2007 returns were influenced by above average returns from U.S. and international equities as well as alternative investments. The fund's annualized rate of return is 11.0% since inception (23 years) versus our long-term actuarial funding objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 10% of public funds for that same time frame. The investment section beginning on page 50 addresses specific activity and results in the portfolio.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its comprehensive annual financial report for the fiscal year ended June 30, 2006 (see page 17). This was the seventeenth consecutive year the System has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program requirements and are submitting it to the GFOA for consideration again this year.

PPCC Award

The Public Pension Coordinating Council awarded the Public Pension Standards Award to the System for the fiscal year ended June 30, 2007 (see page 18). The award is designed to commend public employee retirement systems for implementing and maintaining high professional standards. PERS has received the award every year it has been offered.

Professional Services

Professional consultants are hired to perform services essential to the efficient operation of the System. The Report of Independent Auditors, Consultant's Report of Investment Activity, and the actuary's certifications are included in this report. The System's consultants are listed on pages 15 and 50.

Acknowledgements

This report reflects the combined effort of the System's administrative staff. It is intended to provide both complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining the responsible stewardship of assets contributed by the members and their employers.

I would like to express my appreciation to the staff, consultants, Board, and other associates whose efforts ensured the successful operation of the System in 2007.

Respectfully submitted,

Dana K. Bilyeu
Executive Officer

ADMINISTRATIVE PERSONNEL
(Current)
PUBLIC EMPLOYEES' RETIREMENT BOARD

Sue DeFrancesco	Chairman	2009
Charles A. Silvestri	Vice Chairman	2011
Elizabeth Fretwell	Member	2010
Purisimo B. Hernandez	Member	2009
David F. Kallas	Member	2010
George W. Stevens	Member	2011
Warren Wish	Member	2009

Terms expire on June 30 of year noted.

RETIREMENT STAFF

Dana K. Bilyeu	Executive Officer
Tina M. Leiss	Operations Officer
Ken Lambert	Investment Officer
Steve Edmundson	Assistant Investment Officer

Division Supervisors:

Ann Schleich	Accounting
Brian Snyder	Employer & Production Services
Oliver Owen	Information Technology
Debra Thomsen	Internal Audit
Lynette Jones	Member & Retiree Services

LEGAL COUNSEL

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

MEDICAL ADVISOR

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

POLICE AND FIREFIGHTERS' RETIREMENT FUND ADVISORY COMMITTEE

William Loncar	Chairman	2010
Richard Tiran	Vice Chairman	2009
John Chase	Member	2010
Fred Galey	Member	2009
Raymond McAllister	Member	2008

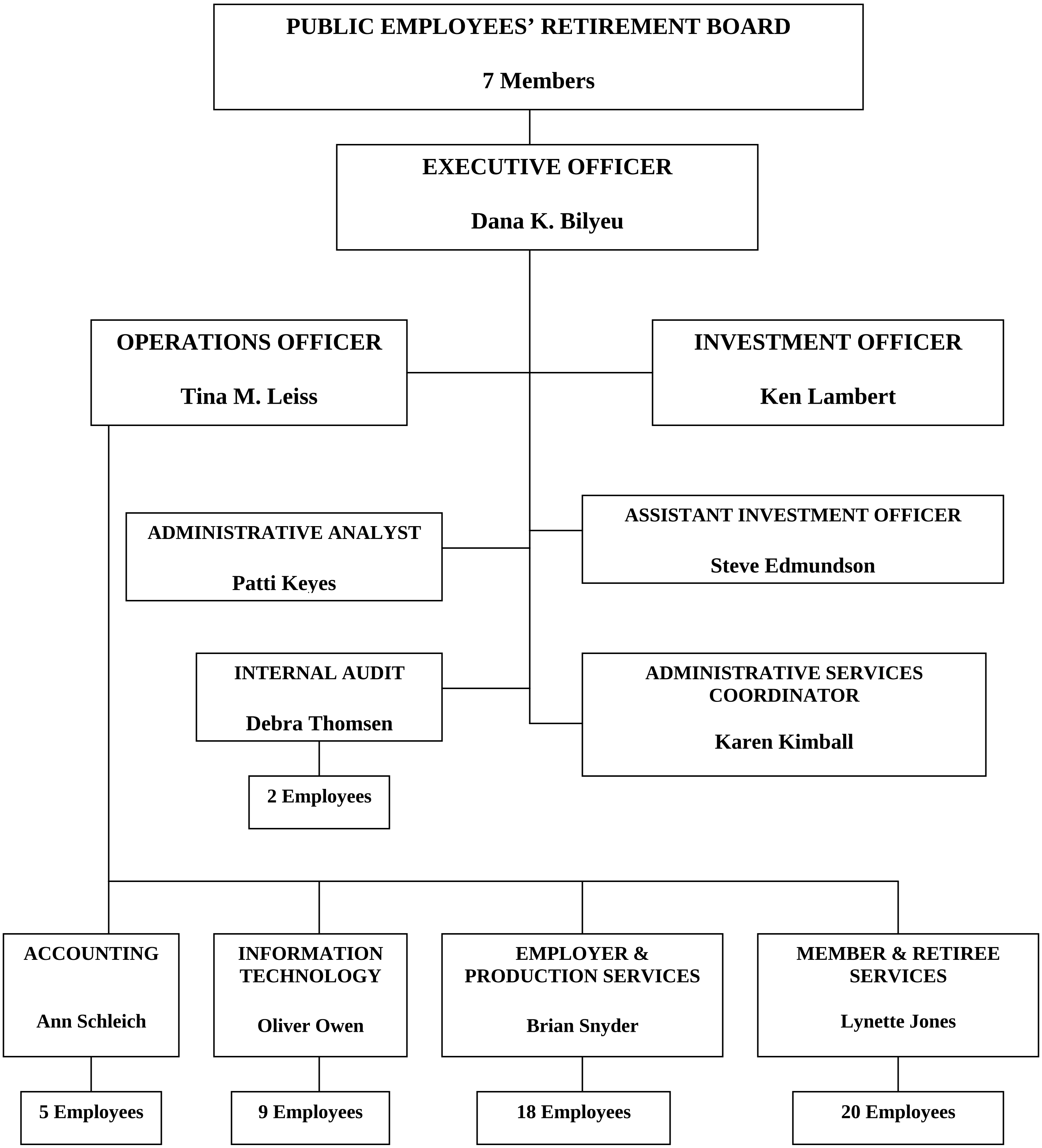
Terms expire on June 30 of year noted.

THE SYSTEM'S ADVISORS

Consulting Actuary – The Segal Company, San Francisco, California
Independent Auditors – PricewaterhouseCoopers LLP, Sacramento, California
Investment Consultant – Callan Associates, Atlanta, Georgia

Note: A list of investment professionals who provide services to PERS can be found on page 50. A schedule of fees and commissions paid to investment professionals can be found beginning on page 65.

ORGANIZATIONAL CHART
(Current)



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees' Retirement System of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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.

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

Public Employees' Retirement System of Nevada

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

FINANCIAL SECTION

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
400 Capitol Mall, Suite 600
Sacramento CA 95814
Telephone (916) 930 8100
Facsimile (916) 930 8450

Report of Independent Auditors

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, 2007, and the changes in fiduciary net assets for the year 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 statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006, and the comparative totals, which are included for additional analysis.

As discussed in Note 2, the financial statements of the System are intended to present the fiduciary net assets and the changes in fiduciary net assets, where applicable, of only that portion of the pension trust funds of the State of Nevada that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Nevada as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis for the year ended June 30, 2007 on pages 23 through 25 is not a required part of the basic financial statements as of and for the year then ended 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 measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 41 though 43 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 other supplementary information included on pages 44 through 48 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. The supplemental information presented in the Investment, Actuarial, Statistical, and Plan Summary sections (pages 50 through 107) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

December 10, 2007

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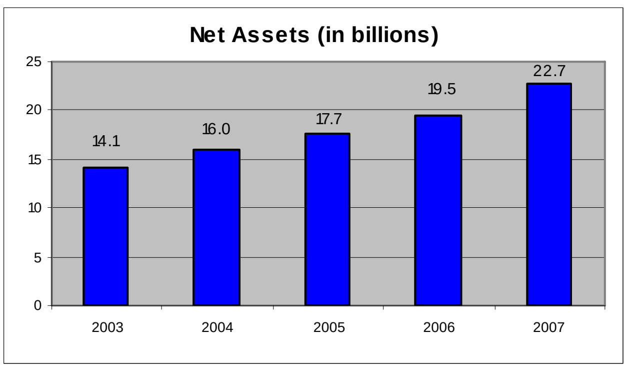
REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the financial performance of PERS provides an overview of the agency's financial activities for the fiscal year ended June 30, 2007. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow the MD&A.

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

Financial Highlights



Net assets increased by $3.2 billion or 16.2% to $22.7 billion as of June 30, 2007.

Total net investment income was $2.9 billion in fiscal year 2007, an increase from $1.6 billion in fiscal year 2006.

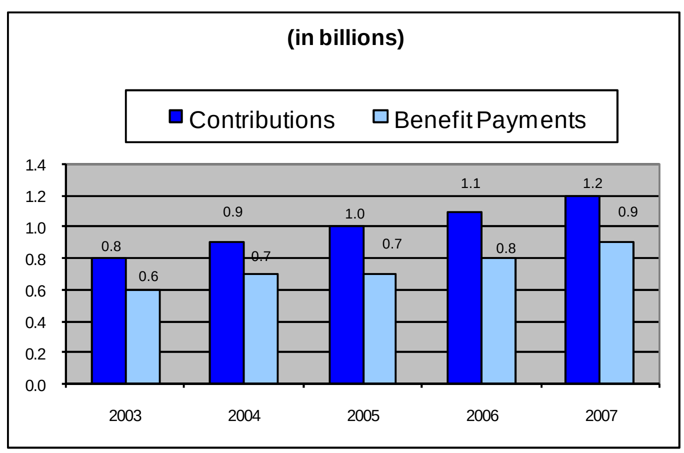
Total investments, excluding securities lending collateral, at June 30, 2007, increased by $3.1 billion or 15.9% to $22.8 billion.

As of June 30, 2007, the most recent actuarial valuation, the System was 77.2% funded, compared to a funding level of 74.9% as of June 30, 2006.

Total contributions for fiscal year 2007 increased by $91.2 million or 8.4% to $1.2 billion.

Benefit payments for fiscal year 2007 increased by $96.8 million or 11.6% to $929.4 million.

Refunds of contributions increased by $3.6 million or 25.7% to $17.4 million.



Overview of Financial Statements

The basic financial statements consist of: (1) the Statement of Fiduciary Net Assets, (2) the Statement of Changes in Fiduciary Net Assets, (3) the Notes to the Financial Statements, and (4) the Required Supplementary Information. Other supplementary information is also presented.

The **Statement of Fiduciary Net Assets** includes all of the System's pension trust fund assets, liabilities, and the net assets available at the end of the fiscal year.

The **Statement of Changes in Fiduciary Net Assets** reports additions to and deductions from the pension trust fund during the fiscal year presented. Over time the increase or decrease in net assets serves as a useful indicator of the health of the System's financial position.

The **Notes to the Financial Statements** provide additional information that is required by generally accepted accounting principles.

The **Required Supplementary Information** following the notes to the financial statements consists of schedules and related notes on the funding progress of the defined benefit pension plan, the funding progress broken down between Regular and Police/Fire members, and a short history of contributions from employers.

Other Supplementary Information details administrative expenses, investment expenses, consultant and professional service expenses, in addition to Schedules of Fiduciary Net Assets and Changes in Fiduciary Net Assets broken down between Regular and Police/Fire members.

Financial Analysis

The following are summary comparative statements of the System.

Condensed Statements of Fiduciary Net Assets

	As of June 30, 2007	As of June 30, 2006	Percentage Change
Cash and cash equivalents	$ 404,691,892	$ 327,125,738	23.7 %
Receivables	195,972,466	177,420,919	10.5
Trades pending settlement	302,642,591	323,855,131	(6.6)
Investments, at fair value	22,753,829,642	19,628,603,979	15.9
Collateral on loaned securities	3,390,654,058	1,691,103,869	100.5
Property and equipment, net	3,095,035	3,861,200	(19.8)
Other assets	1,358,459	1,194,797	13.7
Total assets	27,052,244,143	22,153,165,633	22.1
Accounts payable and other accrued expenses	10,182,700	8,908,028	14.3
Trades pending settlement	950,047,427	910,270,124	4.4
Obligations under securities lending activities	3,390,654,058	1,691,103,869	100.5
Total liabilities	4,350,884,185	2,610,282,021	66.7
Net assets held in trust for pension benefits	$ 22,701,359,958	$ 19,542,883,612	16.2 %

Condensed Statements of Changes in Fiduciary Net Assets

	For the Year Ended June 30, 2007	For the Year Ended June 30, 2006	Percentage Change
Contributions	$ 1,175,480,739	$ 1,084,314,390	8.4 %
Investment net income	2,937,087,365	1,567,271,522	87.4
Other income	3,278,191	3,080,045	6.4
Total additions	4,115,846,295	2,654,665,957	55.0
Benefit payments	929,376,391	832,613,060	11.6
Refunds of contributions	17,444,520	13,874,600	25.7
Administrative expenses	8,588,057	8,212,797	4.6
Transfer of contributions	1,960,981	4,673,102	(58.0)
Total deductions	957,369,949	859,373,559	11.4
Net increase	3,158,476,346	1,795,292,398	75.9
Net assets, beginning of year	19,542,883,612	17,747,591,214	10.1
Net assets, end of year	$ 22,701,359,958	$ 19,542,883,612	16.2 %

The increase in net assets held in trust for pension benefits is higher for 2007 than it has been in the past several years. This can be attributed primarily to an overall investment return of 15.0% (8.8% for fiscal year 2006). The strong investment performance was influenced by above average returns from U.S. equities, international equities, and alternative investments, although all asset classes experienced positive results for the year. Since inception (23 years) the fund has generated an 11.0% annualized return, gross of fees.

Contributions increased consistently with prior years. However, this number is influenced to some degree from year to year due to the unpredictability in the number and amount of purchases of service.

Benefit payments continue to increase at a consistent rate from year to year. We expect this to continue as the “baby-boomer” population moves from active employment into retirement.

During fiscal year 2007 transfers of contributions totaling $1,960,981 were made to the Judicial Retirement System (JRS) for members transferring from PERS to JRS. This was largely the result of 2005 legislative action allowing justices of the peace and municipal court judges to participate in JRS on a voluntary, employer-by-employer basis. As is the case with purchases of service, the number of people transferring and the dollar amount associated with such transfers is unpredictable from year to year.

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

ASSETS	2007	2006
Cash and cash equivalents	$ 404,691,892	$ 327,125,738
Receivables:		
Contributions receivable	102,931,882	91,976,780
Trades pending settlement	302,642,591	323,855,131
Accrued investment income	93,040,584	85,444,139
Total receivables	498,615,057	501,276,050
Investments, at fair value:		
Fixed income securities	5,671,983,788	5,272,144,076
Marketable equity securities	11,108,979,632	9,315,464,246
International securities	4,513,099,459	3,744,369,699
Mortgage loans	10,698	12,178
Real estate	1,075,034,761	1,017,351,126
Private equity	384,721,304	279,262,654
Total investments	22,753,829,642	19,628,603,979
Collateral on loaned securities	3,390,654,058	1,691,103,869
Property and equipment, net	3,095,035	3,861,200
Other assets	1,358,459	1,194,797
Total plan assets	27,052,244,143	22,153,165,633
LIABILITIES		
Accounts payable and other accrued expenses	10,182,700	8,908,028
Trades pending settlement	950,047,427	910,270,124
	960,230,127	919,178,152
Obligations under securities lending activities	3,390,654,058	1,691,103,869
Commitments and contingencies (Note 6)		
Total plan liabilities	4,350,884,185	2,610,282,021
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 41)	$22,701,359,958	$19,542,883,612

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2007
(With Comparative Totals For the Year Ended June 30, 2006)

	2007	2006
ADDITIONS		
Contributions:		
Employer	$ 1,046,628,769	$ 966,130,036
Plan members	83,219,638	75,970,321
Repayment and purchase of service	45,632,332	42,214,033
Total contributions	1,175,480,739	1,084,314,390
Investment income		
Net appreciation in fair value of investments	2,310,325,045	1,026,179,811
Interest	308,236,020	269,710,027
Dividends	256,800,373	220,695,082
Other investment income	81,758,481	69,022,827
	2,957,119,919	1,585,607,747
Less investment fees and other expenses:	(25,531,576)	(23,638,860)
Net investment income	2,931,588,343	1,561,968,887
Securities lending income	129,784,535	69,477,763
Less securities lending expense	(124,285,513)	(64,175,128)
Net securities lending income	5,499,022	5,302,635
Total net investment income	2,937,087,365	1,567,271,522
Other income	3,278,191	3,080,045
Total additions	4,115,846,295	2,654,665,957
DEDUCTIONS		
Benefit payments:		
Retirement and survivor benefits	880,300,348	788,277,946
Disability	49,038,024	44,293,551
Post-retirement increases	38,019	41,563
Refunds of contributions	17,444,520	13,874,600
Administrative expenses	8,588,057	8,212,797
Transfer of contributions	1,960,981	4,673,102
Total deductions	957,369,949	859,373,559
Increase in net assets	3,158,476,346	1,795,292,398
Net assets held in trust for pension benefits:		
Beginning of year	19,542,883,612	17,747,591,214
End of year	$22,701,359,958	$19,542,883,612

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Plan Description

History and Purpose

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

Membership

At June 30, 2007, the number of participating public employers is:

State of Nevada and Related Agencies	21
University of Nevada System	2
Schools	36
Counties	16
Cities	19
Hospitals	7
Utility, Irrigation, and Sanitation Districts	18
Special Districts and Agencies	47
	166

Any public employer in the State of Nevada may have its Regular or Police/Fire employees covered by the System. Membership at June 30 is as follows:

Service retirees, disability recipients, and beneficiaries receiving benefits:	2007	2006
Regular employees	29,670	27,556
Police/Fire employees	4,396	4,147
Survivor benefit recipients	1,621	1,559
Total benefit recipients	35,687	33,262
Inactive members:		
Regular employees	10,394	9,730
Police/Fire employees	596	579
Total inactive members	10,990	10,309
Active members:		
Regular employees	91,757	87,020
Police/Fire employees	11,936	11,167
Total active members	103,693	98,187

NOTES TO FINANCIAL STATEMENTS

Benefits

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

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

Post-retirement increases are provided by authority of NRS. See Note to Required Supplementary Information schedules on page 43 for detail.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of accredited Police/Fire service, at age 50 with twenty years of accredited Police/Fire service, or at any age with twenty-five years of accredited Police/Fire service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Member Contributions

The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are cancelled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan.

Termination

Upon termination or partial termination of the System, all accrued benefits that are funded become 100% vested and nonforfeitable.

NOTES TO FINANCIAL STATEMENTS

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

Financial Reporting Entity

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

The System has developed criteria in accordance with standards issued by GASB to determine whether other state agencies, boards, and commissions, which benefit the members of the System, should be included within its financial reporting entity as component units. A component unit is defined as a legally separate organization for which officials of the System are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete.

In accordance with GASB, the following criteria are used when evaluating financial accountability: The ability of the System to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the System. In addition, the System may be financially accountable if an organization is fiscally dependent on the System regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

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

The System is classified as a component unit of the State of Nevada for financial reporting purposes in accordance with the provisions of GASB. Assets of the System can legally be used to pay Regular or Police/Fire beneficiaries.

Basis of Accounting

The System uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Per statute, employee and employer contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Organization

The System is comprised of two sub-funds.

Regular sub-fund – Established to provide retirement, disability, and survivor benefits for public employees with the exception of those who are police officers or firefighters.

Police/Fire sub-fund – Established to segregate accounting for benefits related to members who are police officers or firefighters.

Cash, Cash Equivalents, and Derivatives

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

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The Board adopted a formal written policy on the use of derivatives. The types of derivatives used and limits on their use are defined in the System's Investment Objectives and Policies. The System's Investment Objectives and Policies restrict the use of certain types of derivatives. The use of exotic, highly leveraged structured notes such as inverse floaters, Constant Maturity Treasury (CMT) floaters, range floaters, dual index floaters, and other speculative instruments tied to inappropriate reset provisions is specifically prohibited. The System's derivatives transactions are designed to reduce transaction costs, reduce foreign exchange risk, and manage market risks associated with the underlying securities. They may also reduce the System's exposure to changes in stock prices, interest rates, and currency exchange rates.

Contributions Receivable

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

Investments

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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

Property and Equipment

Property and equipment consists of furniture, equipment, computer hardware, and computer software reported at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line depreciation method over five years.

Administrative Expenses

The funds for administering the System are provided by assessment of an administrative fee for each member and benefit recipient. Monthly fees at June 30, 2007, were $3.02 for each Regular member and benefit recipient and $3.26 for each Police/Fire member and benefit recipient. PERS is required by statute to submit a biennial budget proposal to the Budget Division of the State of Nevada, which must be incorporated with the State Executive Budget and approved by the Nevada Legislature.

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2006 financial statements. It has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

NOTE 3 – Contributions Required and Contributions Made

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

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

The basic funding objective is a level pattern of cost as a percentage of salary throughout an employee's working lifetime. The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary. As of June 30, 2007, the System's unfunded actuarial accrued liability amounted to approximately $6.3 billion. The unfunded actuarial accrued liability is amortized using a year-by-year closed amortization period where each amortization period is set at 30 years. This presumes each year's change in unfunded liability will be fully paid 30 years from inception.

NOTES TO FINANCIAL STATEMENTS

Rates in effect for fiscal year ended June 30, 2007, were as follows:

Regular Employees	Funding Basis*	Statutory Rate
Employer-pay plan	20.44%	19.75%
Employee/employer plan (matching rate)	10.67	10.50
Police/Fire Employees		
Employer-pay plan	33.55%	32.00%
Employee/employer plan (matching rate)	17.22	16.50

* Based on June 30, 2006 actuarial valuation

For fiscal year 2007 contributions totaling $1,175,480,739 ($1,046,628,769 employer and $128,851,970 employee) were made in accordance with statutory rates.

The Public Employees' Retirement Act (Act) requires an adjustment in the statutory contribution rates on July 1st of each odd-numbered year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rate exceeds 0.5% of salary for the Employer-Pay rates or 0.25% of salary for the Employee/Employer rates. Contribution rates are rounded to the nearest 0.25% of covered payroll.

Under the Employer-Pay provisions the contributions made by employers on behalf of employees are not credited to the member's account and are not refunded upon termination. For employees covered by the Employer-Pay provisions average compensation is increased by half the total contribution made by the public employer and may not be less than it would have been if contributions had been made by the member and the employer separately.

JRS was established in 2001 to provide benefits for the retirement, disability, or death of all justices of the Supreme Court and district judges. In fiscal year 2006 justices of the peace and municipal court judges began participating in JRS on a voluntary, employer-by-employer basis. Each participating individual who has service credit in PERS may transfer, at any time, to JRS. At the time of transfer all of the individual's contributions and the related liability to the System for that individual are moved from PERS to JRS.

NOTE 4 – Retirement Fund Contributions of PERS' Employees

Administrative employees of PERS (as a participating employer) are members of the System. All participating public employers make contributions to the System at the same percentage of salary rate for Regular members as required by statute. Actuarially determined contribution requirements for administrative employees of the System are the same as all other employers within the System (see Note 3). Employer contributions for administrative employees were $503,571 for the year ended June 30, 2007.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Deposit and Investment Risk Disclosures

The investments of the System are governed primarily by the "prudent person" standard. The prudent person standard, as set forth by NRS 286.682, authorizes the Board to invest the System's funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account." Additionally, the System has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm.

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

A summary of investments as of June 30, 2007, is as follows:

Investment Type		Fair Value at June 30, 2007	
Fixed income			
U.S. Government			
Treasuries, notes, bonds		$ 966,370,007	
Treasury inflation protected securities		12,825,739	
Agencies		1,094,949,435	
Other		10,667,749	
	subtotal	2,084,812,930	
Mortgage-backed			
Government pass-through		982,123,892	
Corporate pass-through		300,786,452	
	subtotal	1,282,910,344	
Collateralized mortgage obligations			
Government CMOs		120,823,225	
Corporate CMOs		170,112,729	
	subtotal	290,935,954	
Corporate			
Corporate bonds		923,177,373	
Corporate asset backed		255,848,251	
Private placements		102,983,124	
	subtotal	1,282,008,748	
Commingled funds		681,514,549	
Other		36,917,444	
Non-U.S. markets		2,253,167,092	
	Total fixed income		7,912,267,061

Equity		
U.S.	10,708,623,280	
Non-U.S.	2,602,835,603	
Total equity		13,311,458,883
Other investments		
Alternative investments (Private equity)	394,429,809	
Real estate	1,075,736,722	
Mortgage loans	10,698	
Commingled funds		
U.S. equity	247,245,966	
Money market funds	293,242,888	
subtotal	540,488,854	
Total other investments		2,010,666,083
Total investments		**$23,234,392,027**

Reconciliation to investments on statement of net plan assets:	
Total from above	$23,234,392,027
Minus:	
Short term investments	(386,819,840)
Accrued income and other	(93,742,545)
Investments on statement of net plan assets	**$22,753,829,642**

Note: American Depository Receipts (ADR) securities are included in Non-U.S. securities for classification purposes. ADR securities are not included in the Foreign Currency Risk by Investment Type schedule. These securities are traded in U.S. currency and are not considered to have a currency risk.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of its depository financial institution, the System will not be able to recover its deposits.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2007, the carrying amount of the System's commercial cash deposits was $2,404,409 and the commercial bank balance was $7,437,336. Of the bank balance, $100,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining commercial bank balance is, per a depository pledge agreement between the System and the System's commercial bank, collateralized at 102% of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC). These collateral securities are held by the System's agent in the System's name.

Custodial cash is swept nightly from the custodial bank to an overnight short term investment fund held outside the bank. Funds arriving at the bank after the overnight sweep deadline are part of the custodial bank cash reserve and are covered up to the FDIC limit of $100,000. Any amount in the cash reserve in excess of $100,000 is subject to custodial credit risk.

The custodial bank also carries insurance covering destruction of cash or securities on or off premises (including securities or others held in custody) with a per loss limit of $400,000,000.

<u>Credit Risk – Investments</u>

Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the System and *custodial credit risk for investments* is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

System policies provide protection from undue investment credit risk as follows:

- Investment in commercial paper provided it, or the guarantor, is rated A1 and P1 or the equivalent by at least two of the following: Moody's, Standard & Poor's, or Fitch.

- Certificates of deposit, banker's acceptances, and time deposits are only allowed of banks with a minimum of $1.5 billion capitalization which have a quality rating of A or better by at least two of the following: Moody's, Standard & Poor's, or Fitch.

- Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U.S. Treasuries or traditional pass-through mortgages and such collateral is delivered to the System's bank or its correspondent.

- Money market mutual funds that are SEC registered 2(a)–7 and AAA rated by at least two of the following: Moody's, Standard & Poor's, or Fitch and are collateralized with U.S. Treasuries or agency securities or are secured by repurchase agreements and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.

- Bonds, notes of United States corporations, and asset-related instruments which have an investment grade rating by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

- Debt issued in the United States by foreign entities and foreign corporations provided both interest and principal are payable in U.S. dollars and such debt is rated investment grade by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

NOTES TO FINANCIAL STATEMENTS

- To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Outstanding TBA positions with a single broker may not exceed 10% of the manager's portfolio.

Regarding U.S. Government securities, the System carries two types, U.S. Treasury and government sponsored enterprise (GSE or agency) securities. There is no risk or quality rating assigned to the U.S. Treasury securities (such as Government National Mortgage Association and Small Business Administration securities) as these are explicitly guaranteed by the U.S. Government. However, quality ratings have been assigned to the agency securities (such as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities) as these are only implicitly guaranteed by the U.S. Government. Agency securities pose credit risk, but such risk is considered minimal.

Quality Rating (S&P unless noted)

Fixed Income Security Type

(millions)							Not	
	Agency*	AAA	AA	A	BBB	BB	Rated	Totals
U.S. Government	$855.8	$806.0	$0.0	$0.0	$1.3	$0.0	$17.7	$1,680.8
Mortgage backed securities	968.0	293.8	0.0	0.0	0.3	0.0	20.8	1,282.9
Collateralized mort. obligations	114.9	167.5	2.6	0.3	0.0	0.0	5.6	290.9
Corporate bonds	0.0	422.2	169.5	339.0	332.1	0.4	18.8	1,282.0
Commingled	0.0	0.0	0.0	0.0	0.0	0.0	681.5	681.5
Other	0.0	16.9	5.6	9.2	5.2	0.0	0.0	36.9
Non-U.S. markets	0.0	1,051.4	833.3	289.1	75.5	0.0	4.0	2,253.3
Total fixed income	$1,938.7	$2,757.8	$1,011.0	$637.6	$414.4	$0.4	$748.4	$7,508.3

*Quality Ratings of agency securities have been provided by the System's custodial bank, The Bank of New York. In addition, the System holds $404.0 million in Treasury securities which are explicitly guaranteed by the U.S. Government.

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. System policy limits the bond and corporate short-term investments of any of the System's investment portfolio managers to 5% of a single issuer. The manager's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a substantial share of the total portfolio.

In addition, no more than 10% of the System's assets shall be managed on a permanent basis by a single investment firm in active strategies. A single firm may manage up to 20% of the System's assets on a permanent basis in index strategies. No asset manager may oversee more than 20% of the System's assets. The System's assets shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or private equity) managed for PERS.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The System mitigates interest rate risk through portfolio diversification as discussed previously. The System's investment policy and investment portfolio manager mandates permit investment in all securities within the Lehman Aggregate Index benchmark.

If securities purchased are outside the Lehman Aggregate Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

NOTES TO FINANCIAL STATEMENTS

The following table shows the fair value of fixed income securities and the applicable investment maturities as of June 30, 2007.

Fixed Income Security Type (millions)	Fair Value	Investment Maturities (in years) Less than 1	1-5	6-10	More than 10
U.S. Government	$ 2,084.8	$ 230.3	$ 618.3	$ 326.6	$ 909.6
Mortgage backed securities	1,282.9	7.4	8.4	25.2	1,241.9
Collateralized mortgage obligations	290.9	0.0	2.7	18.1	270.1
Corporate bonds	1,282.0	47.1	443.1	256.2	535.6
Commingled bonds	681.5	0.0	0.0	0.0	681.5
Other	36.9	5.0	17.3	6.2	8.4
Non-U.S. markets	2,253.3	146.7	1,042.9	523.5	540.2
Total fixed income	$ 7,912.3	$ 436.5	$ 2,132.7	$ 1,155.8	$ 4,187.3

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System mitigates foreign currency risk through portfolio diversification as discussed previously. Foreign currency deposits and options on foreign currency positions are allowed by System policy for purposes of hedging, including cross currency hedges. Highly speculative positions in currency are not permitted.

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2007, is summarized in the following table.

Currency by Investment and Fair Value (millions)	Fixed Income	Equity	Derivatives	Cash
Australian dollar	$22.0	$150.3	($13.6)	$0.9
British pound sterling	169.7	509.0	(60.6)	2.9
Canadian dollar	48.7	4.6	(11.1)	0.1
Danish krone	12.4	21.3	3.1	1.8
Euro currency	1,094.5	785.6	(66.7)	4.9
Hong Kong dollar	0.0	42.0	0.0	0.1
Japanese yen	703.5	489.9	35.4	1.3
Malaysian ringgit	3.6	0.0	0.0	0.0
Netherlands guilder	0.0	0.6	0.0	0.0
New Zealand dollar	0.0	3.5	0.0	0.2
Norwegian krone	1.7	24.9	0.0	1.0
Polish zloty	29.1	0.0	(4.5)	0.5
Singapore dollar	1.5	23.7	6.1	1.7
Swedish krona	19.8	51.4	30.5	0.7
Swiss franc	6.6	158.0	56.6	(1.2)
Total	$2,113.1	$2,264.8	($24.8)	$14.9

NOTES TO FINANCIAL STATEMENTS

Derivatives

Several principal categories of derivatives are periodically employed by the System. Foreign exchange forward contracts are used to hedge currency risk of investments in foreign currencies; exchange traded fixed income futures and options are used to reduce transaction costs, control portfolio duration, and enhance return; mortgage backed and asset backed securities provide diversification and enhance return. Mortgage and asset backed securities are components of the Lehman Aggregate Index.

Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by the System typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. Counterparty risk, the risk that the “other party” to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMO), mortgage backed securities, and asset backed securities, commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets.

Management believes that it is unlikely that any of the derivatives in the System’s portfolio could have a material adverse effect on the financial condition of the System. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.

Securities Lending

The System maintains a securities lending program by authorization of NRS 286.682, the “prudent person” standard previously described. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies, or instrumentalities. The System has no discretionary authority to sell or pledge collateral received. The maturities of the investments made with cash collateral generally match the maturities of securities loaned. At June 30, 2007, the weighted average maturities were 5 days for loans outstanding and 26 days for collateral/reinvestments. Collateral received for the lending of U.S. securities must equal at least 102% of market value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of market value, plus accrued interest in the case of fixed income securities. In accordance with the System’s Investment Objectives and Policies, the securities lending agent is authorized to invest collateral only in high quality, short-term investment vehicles. 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, 2007, collateral was 103%. In addition, securities loaned may not exceed 33 ⅓% of the total portfolio. Loss indemnification due to borrower default is provided by agents. There were no losses during the period, or any prior period, resulting from default. Therefore, there were no recoveries of prior period losses.

NOTES TO FINANCIAL STATEMENTS

The fair value of securities loaned at June 30, 2007, is $3,307,174,621. Cash collateral received in securities lending arrangements is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2007, the System had collateral, consisting of cash and securities issued by the U.S. Government, its agencies, or instrumentalities, in excess of the market value of investments held by brokers/dealers under a securities lending agreement.

NOTE 6 – Commitments and Contingencies

The System has entered into investment funding commitments related to alternative investments to fund an additional $387.5 million at some future date.

NOTE 7 – Risk Management

The System is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, the System maintains commercial building and contents insurance, vehicle liability and collision/comprehensive insurance, general liability insurance, worker's compensation insurance, and employee fidelity bonds. For coverage included within the State of Nevada's policies (all but worker's compensation and building/contents insurance), the System pays its premium directly to the State. The System's worker's compensation and building/contents insurance are placed with private insurance companies. There have been no reductions of insurance coverage from coverage of the previous year in any of the categories of risk. In addition, there have never been any insurance settlements which exceeded insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
1998 to 2007
(dollars in millions)

June 30	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA To AAL	Annual Covered Payroll	UAAL as a % Of Annual Covered Payroll
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
2003	15,883.0	19,540.7	3,657.7	81.3	3,595.4*	101.7
2004	16,830.3	21,385.4	4,555.1	78.7	3,812.8	119.5
2005	17,886.5	23,608.7	5,772.2	75.8	4,064.0	140.8
2006	19,282.0	25,739.1	6,457.1	74.9	4,366.1	147.9
2007	21,359.0	27,671.6	6,312.6	77.2	4,769.6	132.4

* Corrected from previous publications.

June 30	Unfunded Actuarial Accrued Liability (millions)		Unfunded Actuarial Accrued Liability as % of Payroll		Actuarial Value of Assets as % of Total Actuarial Accrued Liability	
	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
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
2003	2,612.5	1,045.2	85.9	188.2	83.2	73.9
2004	3,306.5	1,248.6	103.3	203.6	80.5	71.7
2005	4,252.0	1,470.2	124.9	222.8	77.3	69.8
2006	4,778.0	1,679.1	131.0	234.0	76.5	68.9
2007	4,615.8	1,696.8	116.0	214.4	78.8	71.1

The accompanying note is an integral part of the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
1998 to 2007

	Regular		Police/Fire		Total	
June 30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
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
2003	630,511,700	89	173,194,600	94	803,706,300	90
2004	650,105,000	100	214,378,000	86	864,483,000	99
2005	696,686,600	100	231,962,000	88	928,648,600	100
2006	795,295,700	97	259,810,300	91	1,055,106,000	96
2007	861,341,761	97	279,177,144	91	1,092,261,101	96

The accompanying note is an integral part of the required supplementary information.

NOTE TO 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		6/30/2007
Actuarial cost method		Entry age normal
Amortization method		Year-by-year closed with each amortization period set at 30 years
Asset valuation method		5-year smoothed market
Actuarial assumptions:		
Investment rate of return (Includes inflation at 3.5%)		8.0%
Projected salary increases:	Regular	4.5% - 9.75%
(Includes inflation at 3.5%)	Police/Fire	6.5% - 14.75%
Assumed payroll growth rates:		
	Regular	6.5%
	Police/Fire	8.0%
Cost of living (post-retirement) increases		2% per year after 3 years of receiving benefits 3% per year after 6 years of receiving benefits 3.5% per year after 9 years of receiving benefits 4% per year after 12 years of receiving benefits 5% per year after 14 years of receiving benefits 3.5% per year compounded following the twenty-fourth anniversary of benefit commencement

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

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

Salary Increases
Rate Payroll
Withdrawal Rates
Disability Incidence
Retirement Rate
Post-Retirement Mortality
Pre-Retirement Mortality

For further information, see the Summary of Actuarial Assumptions and Methods beginning on page 75.

OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses
For the Year Ended June 30, 2007
(GAAP Basis)

Personnel services:	Staff payroll and benefits	$4,240,768	
	Board fees	19,120	
	Total Personnel Services		$4,259,888
Out-of-state travel:	Staff	9,123	
	Board	7,238	
	Police/Fire committee	1,763	
	Total Out-of-State Travel		18,124
In-state travel:	Staff	32,671	
	Board	15,806	
	Police/Fire committee	2,045	
	Total In-State Travel		50,522
Operating:	Office supplies	27,508	
	Equipment less than $1,000	6,396	
	Postage and freight	215,241	
	Communications	36,218	
	Printing	240,052	
	Publications and periodicals	2,138	
	Bonds and insurance premiums	10,361	
	Contract services	522,976	
	Vehicle expense	5,116	
	Equipment rental and repair	21,042	
	Building rental	263,816	
	License and fees	3,508	
	Client communication	152,641	
	Dues and registration	29,609	
	Medical expenses	23,340	
	Host expense	849	
	Litigation expense	12,180	
	Nationwide search	3,705	
	Total Operating		1,576,696
Equipment and office furniture:			28,614
Information technology:			2,519,887
Training:			40,915
Attorney General allocation:			88,234
Total Expenses			$8,582,880

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

Total from above	$8,582,880
Plus: Miscellaneous unbudgeted expenses	5,177
Administrative Expenses on Statement of Changes in Fiduciary Net Assets:	$8,588,057

OTHER SUPPLEMENTARY INFORMATION
Schedule of Administrative Expenses
For the Year Ended June 30, 2007
(Non-GAAP Budgetary Basis)
Budget vs. Actual

	Budget	Actual Expenditures	Variance Under (Over)
Personnel services	$4,468,859	$4,326,975	$141,884
Out-of-state travel	27,695	18,124	9,571
In-state travel	92,917	50,522	42,395
Operating	1,586,572	1,576,696	9,876
Information technology	1,792,232	1,787,321	4,911
Training	50,065	40,915	9,150
Attorney General allocation	56,878	88,234	(31,356)
Unallocated budgetary authority	200,000	0	200,000
Total	$8,275,218	$7,888,787	$386,431

Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis
For the Year Ended June 30, 2007

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, 2007.

Administrative Expenses (Non-GAAP Budgetary Basis)	$7,888,787
Adjustments:	
Accrued payroll	(67,084)
Depreciation expense	1,990,271
Capitalization of fixed assets & software	(1,224,109)
Other `	(4,985)
Administrative Expenses (GAAP Basis)	$8,582,880

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES
For the Year Ended June 30, 2007

Investment counselor fees	$ 17,632,105
Equity real estate/mortgage loan fees	7,251,344
Investment consulting fees	438,001
Depreciation expense	25,561
Custodial banking fees	60,830
Investment monitoring expense	22,688
Securities lending broker rebates and fees	124,285,513
Secured loans legal expenses	101,047
Total Investment Expenses	$ 149,817,089

SCHEDULE OF PAYMENTS TO CONSULTANTS
For the Year Ended June 30, 2007

Actuary	
The Segal Company	$ 333,989
Cost Effectiveness Consultant	
Cost Effectiveness Measurement Inc.	30,000
Fiduciary Consultant	
Cortex Applied Research	48,614
Independent Auditors	
PricewaterhouseCoopers LLP	113,000
Technology Consultants	
Apex Computing Inc.	1,506,806
Coda Financials Inc.	30,190
Cyber Trust	76,483
L.R. Wechsler, LTD	24,780
Administrative Legal Counsel	
Attorney General's Office	88,234
Medical Consultant	
Dr. G. Bruce Nickles	23,340
Total Payments to Consultants	$ 2,275,436

Note: Information on payments made to investment professionals can be found on page 65.

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF FIDUCIARY NET ASSETS

June 30, 2007

(With Comparative Totals for June 30, 2006)

	Regular	Police/Fire	Eliminations	Total Pension Trust Fund 2007	Total Pension Trust Fund 2006
ASSETS					
Cash and cash equivalents	$ 404,691,892	$ -	$ -	$ 404,691,892	$ 327,125,738
Contributions receivable	102,931,882	-	-	102,931,882	91,976,780
Trades pending settlement	302,642,591	-	-	302,642,591	323,855,131
Accrued investment income	93,040,584	-	-	93,040,584	85,444,139
Investments, at fair value	22,753,829,642	-	-	22,753,829,642	19,628,603,979
Collateral on loaned securities	3,390,654,058	-	-	3,390,654,058	1,691,103,869
Property and equipment, net	3,095,035	-	-	3,095,035	3,861,200
Other assets	1,358,459	-	-	1,358,459	1,194,797
Due from other funds- equity in investments	-	4,429,581,150	(4,429,581,150)	-	-
Total plan assets	27,052,244,143	4,429,581,150	(4,429,581,150)	27,052,244,143	22,153,165,633
LIABILITIES					
Accounts payable and other accrued expenses	10,182,700	-	-	10,182,700	8,908,028
Trades pending settlement	950,047,427	-	-	950,047,427	910,270,124
Due to other funds – equity in investments	4,429,581,150	-	(4,429,581,150)	-	-
Obligations under securities lending activities	3,390,654,058	-	-	3,390,654,058	1,691,103,869
Total plan liabilities	8,780,465,335	-	(4,429,581,150)	4,350,884,185	2,610,282,021
Net assets held in trust for pension benefits	$ 18,271,778,808	$ 4,429,581,150	$ -	$ 22,701,359,958	$ 19,542,883,612

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2007

(With Comparative Totals for the Year Ended June 30, 2006)

	Regular	Police/Fire	Total Pension Trust Fund 2007	Total Pension Trust Fund 2006
ADDITIONS				
Contributions:				
Employer	$ 802,512,310	$ 244,116,459	$ 1,046,628,769	$ 966,130,036
Plan members	68,977,138	14,242,500	83,219,638	75,970,321
Repayment and purchase of service	35,703,316	9,929,016	45,632,332	42,214,033
Total contributions	907,192,764	268,287,975	1,175,480,739	1,084,314,390
Investment Income:				
Net appreciation in fair value of investments	2,310,325,045	-	2,310,325,045	1,026,179,811
Interest	308,236,020	-	308,236,020	269,710,027
Dividends	256,800,373	-	256,800,373	220,695,082
Other investment income	81,758,481	-	81,758,481	69,022,827
	2,957,119,919	-	2,957,119,919	1,585,607,747
Less investment fees and other expense	(25,531,576)	-	(25,531,576)	(23,638,860)
Net investment income	2,931,588,343	-	2,931,588,343	1,561,968,887
Securities lending income	129,784,535	-	129,784,535	69,477,763
Less securities lending expense	(124,285,513)	-	(124,285,513)	(64,175,128)
Net securities lending income	5,499,022	-	5,499,022	5,302,635
Total net investment income	2,937,087,365	-	2,937,087,365	1,567,271,522
Other income	2,868,648	409,543	3,278,191	3,080,045
Total additions	3,847,148,777	268,697,518	4,115,846,295	2,654,665,957
DEDUCTIONS				
Benefit payments:				
Retirement and survivor benefits	716,930,305	163,370,043	880,300,348	788,277,946
Disability	39,813,468	9,224,556	49,038,024	44,293,551
Post-retirement increases	33,163	4,856	38,019	41,563
Refunds of contributions	14,045,841	3,398,679	17,444,520	13,874,600
Administrative expenses	8,587,482	575	8,588,057	8,212,797
Transfer of contributions	1,960,981	-	1,960,981	4,673,102
Total deductions	781,371,240	175,998,709	957,369,949	859,373,559
Increase in net assets	3,065,777,537	92,698,809	3,158,476,346	1,795,292,398
Transfers:				
Interfund transfers	(1,833,458)	1,833,458	-	-
Transfer of annual investment income	(569,794,949)	569,794,949	-	-
Transfer of administrative fees	763,766	(763,766)	-	-
Total transfers	(570,864,641)	570,864,641	-	-
Net assets held in trust for pension benefits:				
Beginning of year	15,776,865,912	3,766,017,700	19,542,883,612	17,747,591,214
End of year	$ 18,271,778,808	$ 4,429,581,150	$ 22,701,359,958	$ 19,542,883,612

INVESTMENT SECTION

INVESTMENT CONSULTANT

Callan Associates, Inc.

INVESTMENT COUNSEL

Domestic Equities:

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

International Equities:

BNY Asset Management
Mellon Capital

Domestic Fixed Income:

Barclays Global Investors
Dodge & Cox
JP Morgan Asset Management
Lehman Brothers
Payden & Rygel
UBS Global Asset Management
Western Asset Management

International Fixed Income:

Payden & Rygel
UBS Global Asset Management

Private Equity:

Pathway Capital Management

Private Real Estate:

Invesco Realty Advisors
BlackRock Realty

Real Estate Investment Trust (REIT) Securities:

AllianceBernstein
Barclays Global Investors
Invesco Realty Advisors

Securities Lending:

The Bank of New York

CALLANASSOCIATES INC

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

November 9, 2007

Dear Reader:

Callan Associates is pleased to report the investment activity for the Public Employees' Retirement System of Nevada (PERS) for the fiscal year ending June 30, 2007.

Fiscal year 2007 was a strong year for equities worldwide. All major U.S. indices ended the year with double digit gains. International equities outpaced US markets for the fifth consecutive year. The dollar decline against most major currencies aided international equity returns.

After seventeen consecutive increases, the Fed paused rate hikes in August, returning the inverted yield curve to its normal shape. The fixed income market ended the year in positive territory. Institutional public real estate continued to deliver strong performance.

PERS' asset allocation policy for fiscal year 2007 remained unchanged: 45 percent Domestic Equity, 10 percent International Equity, 25 percent Domestic Fixed Income, 10 percent International Fixed Income and 10 percent Alternative Investments.

During the fiscal year ending June 30, 2007, the total fund return of 15 percent exceeds the actuarial return assumption of 8 percent. In fact, these results are the best PERS has experienced in nine years. Long-term results remain competitive and performance for the past 23 years continues to be above the actuarial return assumption and the Fund's benchmark.

The Fund's conservative investment strategy has produced remarkably attractive risk-adjusted returns over the years. When compared to other public funds of similar size, PERS' Sharpe ratio ranks in the 8th percentile since inception. Sharpe ratio is a measure that defines the amount of return generated per unit of risk.

We welcome any comments or questions regarding the investment activity of PERS for the 2007 fiscal year.

Sincerely,

Paul Troup
Executive Vice President

Eileen Kwei, CFA
Vice President

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

INVESTMENT REVIEW

Introduction

The investment program is designed to generate an 8% long-term return while minimizing risk. The structure and administration of the portfolio is defined by the prudent person standard. The standard states that the Board may invest the System's funds in every type of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account under similar circumstances. The Board's investment philosophy centers on conservative, consistent, and cost-effective portfolio management.

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

Objective

The investment objective of the System is to:

- Generate an 8% long-term investment return which exceeds the rate of inflation (CPI) by 4.5% by capturing market returns within each asset class.

- Invest so that the short-term volatility of returns will not cause the System to alter its long-term strategy.

- Structure an investment program which is sufficiently uncomplicated to control the ability to consistently meet return and risk objectives.

Chart 1, on page 56, demonstrates that the investment portfolio, over the last ten years, has captured the blended real return (inflation) objective in seven of those years. The objective was CPI + 3.0% until September 30, 2000; CPI + 3.5% from October 1, 2000 through September 30, 2002; CPI + 3.75% from October 1, 2002 through September 30, 2003; and CPI + 4.5% thereafter. Chart 2, on page 56, details annualized returns for long-term periods ended June 30, 2007. (Note: Effective CPI dates were corrected from previous publications.) The System achieved the blended market objective for the 3, 5, 10, and 23-year periods and both the real return and actuarial earnings goals for the 1, 3, 5-year, and since-inception periods. The System's 15.0% return in fiscal year 2007 was driven by U.S. equity, international equity, and alternative investments as those portfolios experienced positive returns of 20.2%, 27.0%, and 16.3% respectively. An analysis of asset class results versus the markets is included on pages 62-64.

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

Asset Allocation

Asset allocation is the most significant factor influencing the risk and return of the investment program. Determination of the fund's long-term asset allocation involves estimating the expected return and risk of major types of investments and blending them into a portfolio which meets the System's risk/return objectives.

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

The long-term target allocation for the fund as of June 30, 2007, was 25% U.S. Fixed Income, 45% U.S. Equity, 10% International Fixed Income, 10% International Equity, and 10% Alternative Investments. The June 30, 2007 actual asset class allocation is shown in Chart 3, page 57.

During fiscal year 2007 the Board amended the System's rebalancing policy. Rebalancing the portfolio to its policy asset allocation targets is necessary as various investment markets perform differently in relation to each other. The rebalancing policy was modified to reduce the frequency of transactions and enhance the value added to the total fund.

Diversification

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

Similar diversification measures are utilized throughout the fund. The System's overall portfolio is well diversified by asset class, investment structure, and individual security. The System's portfolio currently holds over 8,000 individual securities from 36 different countries.

Chart 4, on pages 58-59, shows the market value of the assets under management by investment type, category, and manager. A list of the ten largest Equity and Fixed Income holdings based on fair market value at June 30, 2007, is included in Chart 5 on page 60. A complete list of security holdings is available upon request.

Investment Class Objectives

In order to achieve the total fund objectives, each asset type is assigned return objectives (listed below). Progress toward those benchmarks is closely monitored.

U.S. Equity	-	Produce a total return that captures the Standard & Poor's 500 Common Stock Index over rolling 10-year periods with commensurate volatility.
International Equity	-	Produce a total return that captures the unhedged Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index over rolling 10-year periods with commensurate volatility.

U.S. Fixed Income	-	Produce a total return that captures the Lehman Aggregate Index over rolling 10-year periods with commensurate volatility.
International Fixed Income	-	Produce a total return that captures the Citigroup Non-Dollar Government Bond Index over rolling 10-year periods with commensurate volatility.
Alternative Investments	-	Produce a total return that captures the blended return (based on PERS actual allocation) of: the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index, Wilshire REIT Index, and S&P 500 Index + 4% over rolling 10-year periods with commensurate volatility.

Each of the System's investment managers agrees to a performance benchmark which, when all the benchmarks in an investment class are combined, is expected to produce the class objective.

Investment Performance

The System's investment consultant calculates performance for the total fund, each asset class, and individual investment management firms employed by the Board. Performance calculations are prepared using time-weighted rate of return based on market values. Returns in this report are gross of fees.

Chart 6, shown on page 61, shows a year-by-year comparison of how the total fund and each investment class compared with its corresponding objective.

Charts 7-10, on pages 62-63, compare 1, 3, 5, 10-year, and since-inception returns for each asset class to the corresponding objective for periods ended June 30, 2007.

Chart 11, on page 64, shows alternative investment returns for the fiscal year ended June 30, 2007, compared to since-inception returns using a blended objective.

The total fund outperformed the actuarial investment objective for the fiscal year ending June 30, 2007, generating a total return of 15.0%. Strength in stocks and alternative investments were mainly responsible for the positive results. The blended market index objective generated a 15.2% return for the fiscal year. Performance differences between the total fund and the benchmark are described below.

The U.S. Equity portfolio fell below its objective for the 1-year and since-inception periods. However, it has captured its objective for the 3, 5, and 10-year periods. Many institutional and individual investors have faced challenges in attempting to outperform the U.S. stock market. To better position the System's portfolio versus the market, in fiscal year 2006 the Board increased the allocation to index management, and in fiscal year 2008 the Board will implement a number of changes to enhance performance and return consistency.

The International Equity portfolio underperformed the market benchmark for the 3-year and 5-year periods and has outperformed for all longer term periods. The portfolio will be repositioned in fiscal year 2008 to enhance shorter term results.

U.S. Fixed Income has captured its objective for the 3 and 5-year periods ended June 30, 2007. The portfolio has modestly underperformed for the 10-year and since-inception periods. Given the System's conservative fixed income security policies, little deviation is expected between our portfolio and the index, which is consistent with actual experience in this portfolio.

The International fixed income portfolio did not capture its benchmark for the 1, 3, and 10-year periods. However, it did add value since inception. During fiscal year 2007 two underperforming active managers were terminated. This portfolio will be further restructured in fiscal year 2008 to enhance return consistency and reduce the potential for underperformance in the future.

The Alternative Investment portfolio has 3 ¾ years of performance history as an asset class and has captured its objectives in all time periods.

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

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 1

Individual Fiscal Year Return vs. Inflation Objective

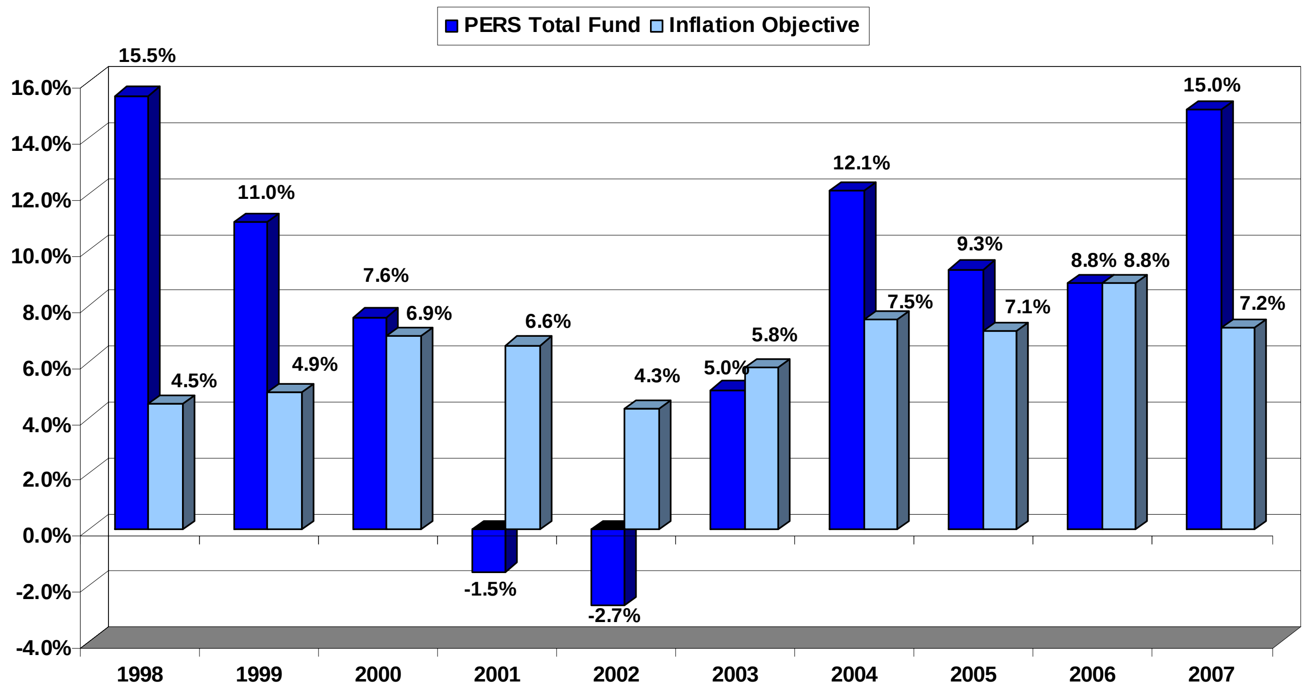
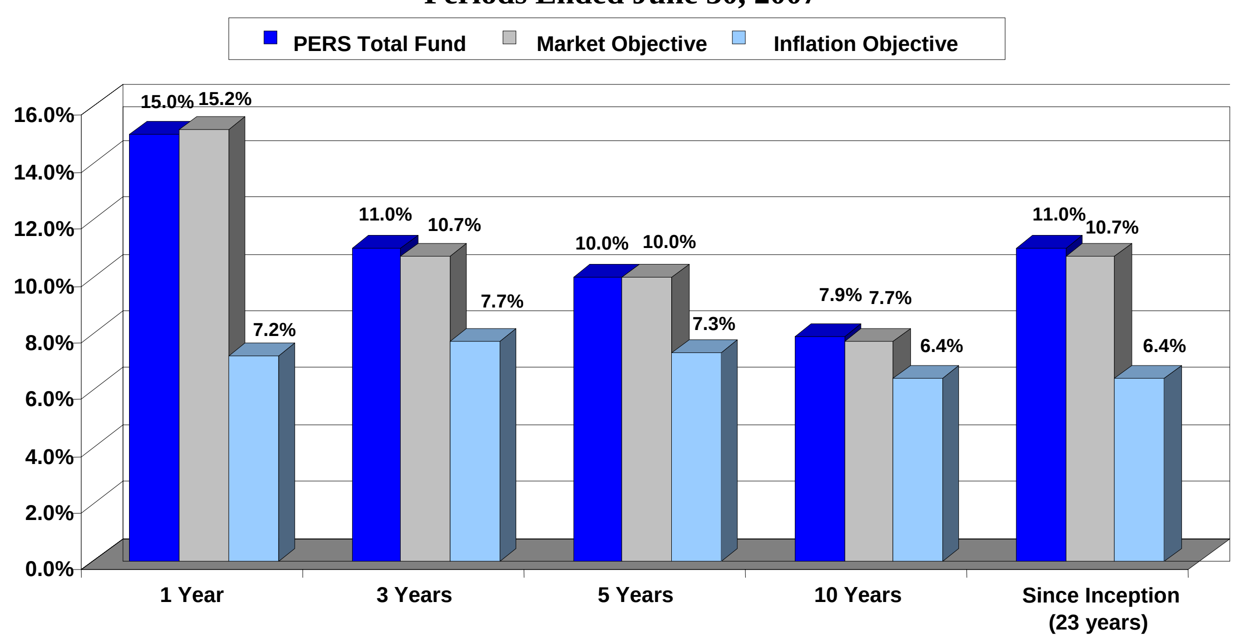


CHART 2

Annualized Total Returns vs. Market Objective and Inflation Objectives *
Periods Ended June 30, 2007



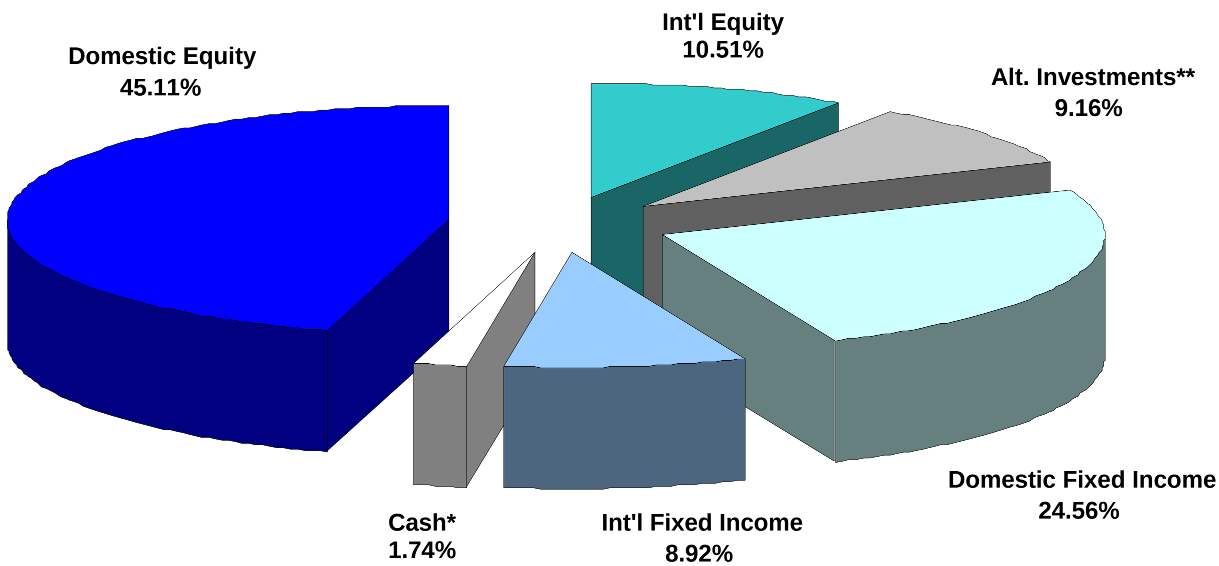
***CPI +3.0% until September 2000, CPI +3.5% from October 1, 2000 through September 30, 2002, CPI + 3.75% from October 1, 2002 through September 30, 2003, and CPI +4.5% thereafter. (Note: Effective CPI dates were corrected from previous publications.)**

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

CHART 3

ASSET MIX

JUNE 30, 2007



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

****Includes 1.66% Private Equity, 2.86% REITS, and 4.64% Private Real Estate.**

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2007
(Page 1 of 2)

	Amount Under Management		Percent of Total Managed
EQUITIES			
Domestic Active Managers			
AllianceBernstein	$ 398,361,736		
Atlanta Capital Management	443,147,687		
Capital Guardian	434,253,409		
Loomis, Sayles & Company	624,761,767		
J. & W. Seligman	613,885,459		
Voyageur Asset Management	419,422,090		
Subtotal	2,933,832,148		12.67 %
Domestic Index Managers			
AllianceBernstein - S&P Citigroup Value	629,916,401		
AllianceBernstein - S&P 500	1,712,269,562		
Barclays Global Investors - S&P 500	1,728,441,365		
Mellon Capital - S&P 500	1,727,215,319		
BlackRock - S&P 500	1,714,739,965		
Subtotal	7,512,582,612		32.44
International Index Manager			
BNY Asset Management	1,211,219,286		
Mellon Capital	1,221,896,577		
Subtotal	2,433,115,863		10.51
Private Equity			
Pathway Capital Management	384,721,304		1.66
REIT Index			
AllianceBernstein	224,482,973		
Barclays Global Investors	219,157,852		
Invesco Realty Advisors	218,924,047		
Subtotal	662,564,872		2.86
Total Equities		$ 13,926,816,799	60.14
FIXED INCOME			
Domestic Active Managers			
Dodge & Cox	663,178,600		
JP Morgan Asset Management	624,278,597		
Payden & Rygel - U.S. Bond	778,284,408		
Western Asset Management	845,238,195		
Subtotal	2,910,979,800		12.57

CHART 4

Fair Value by Investment Type, Category, and Manager
June 30, 2007
(Page 2 of 2)

	Amount Under Management		Percent of Total Managed
FIXED INCOME (continued)			
Domestic Index Managers			
Barclays Global Investors - U.S. Debt Index	681,514,549		
Lehman Brothers	729,123,210		
Payden & Rygel - U.S. Bond Index	706,554,761		
UBS Global Asset Management - U.S. Bond	659,659,875		
Subtotal	2,776,852,395		11.99
International Active Managers			
UBS Global Asset Management	614,845,072		
Subtotal	614,845,072		2.66
International Index Managers			
Payden & Rygel	718,748,051		
UBS Global Asset Management	730,542,066		
Subtotal	1,449,290,117		6.26
Total Fixed Income		7,751,967,384	33.48
PRIVATE REAL ESTATE			
BlackRock Realty	494,643,465		
Invesco Realty Advisors	578,141,446		
Invesco Realty Advisors Takeover	2,249,850		
Invesco Realty Advisors - Mortgage Loans	10,698		
Total Real Estate		1,075,045,459	4.64
SHORT-TERM INVESTMENTS			
Cash Equivalents	377,111,334		
Custodial Cash - Bank of New York	25,176,149		
Total Short-Term Investments		402,287,483	1.74
TOTAL PORTFOLIO		**$ 23,156,117,125**	**100.00** %

Notes: The Statement of Fiduciary Net Assets contains $2,404,409 in administrative cash, which does not appear on this schedule. Total Portfolio less short term investments (classified on the Statement of Fiduciary Net Assets as cash equivalents) of $402,287,483 equals investments of $22,753,829,642.

CHART 5

LIST OF LARGEST ASSETS HELD

Largest Equity Holdings
June 30, 2007

Ranking	Name	Fair Value
1	GENERAL ELECTRIC	$290,872,992
2	EXXON MOBIL	273,390,336
3	AT&T	191,322,678
4	MICROSOFT	176,547,167
5	CITIGROUP	173,466,575
6	BANK OF AMERICA	160,270,562
7	JP MORGAN CHASE	146,208,437
8	CISCO SYSTEMS	143,895,269
9	PROCTER & GAMBLE	133,125,882
10	CHEVRON	123,259,715

Largest Fixed Income Holdings
June 30, 2007

Ranking	Name	Fair Value
1	FNMA TBA 30YR 5.00% JULY 1, 2034	$108,538,873
2	U. S. TREAS NTS 4.75% MAY 31, 2012	82,228,230
3	FNMA TBA 30YR 5.50% JULY 1, 2037	60,989,819
4	FNMA TBA 30YR 6.00% JULY 1, 2034	58,516,022
5	FNMA TBA 15YR SFM 5.50% JULY 1, 2019	53,670,119
6	U. S. TREAS NTS 4.625% NOVEMBER 15, 2016	49,949,938
7	U. S. TREAS NTS 2.75% AUGUST 15, 2007	49,871,000
8	JAPAN GOVERNMENT TWO 0.7 OCTOBER 15, 2008	49,196,429
9	U. S. TREAS NTS 4.625% DECEMBER 31, 2011	49,138,080
10	JAPAN GOVERNMENT TEN 1.2 JUNE 20, 2011	44,550,809

Note: A complete list of the portfolio's holdings can be obtained upon request.

CHART 6

SUMMARY OF ACTUAL PERFORMANCE VS. OBJECTIVES
(% Returns)

	U.S. EQUITY	INT'L EQUITY	U.S. FIXED INC.	INT'L FIXED INC.	REAL ESTATE	ALT INVEST*	TOTAL FUND
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
Fiscal Year 2003							
Total Return	(1.2)	(7.2)	10.1	18.3	4.6		5.0
Objective	(0.3)	(6.5)	10.4	17.9	7.6		5.8
Fiscal Year 2004							
Total Return	19.2	30.9	0.6	7.7		8.7%	12.1
Objective	19.1	32.4	0.3	7.6		10.5	7.5
Fiscal Year 2005							
Total Return	7.1	12.9	6.7	7.7		22.2	9.3
Objective	6.3	13.7	6.8	7.8		21.3	7.1
Fiscal Year 2006							
Total Return	9.7	27.1	(0.5)	0.2		20.8	8.8
Objective	8.6	26.6	(0.8)	(0.0)**		19.3	8.8***
Fiscal Year 2007							
Total Return	20.2	27.0	6.1	1.5		16.3	15.0
Objective	20.6	27.0	6.1	2.2		16.2	7.2

Objectives

U.S. Equity – S & P 500
Int'l Equity – MSCI-EAFE
U.S. Fixed Income – Lehman Aggregate
Int'l Fixed Income – Citigroup Non U.S. Govt.
Real Estate – NCREIF
Alternative Investments – Portfolio weighted blend of NCREIF, Wilshire REIT, and S & P 500 + 4%

Total Fund:
- Until September 30, 2000 – CPI +3%
- October 1, 2000 – September 30, 2002 – CPI + 3.5%
- October 1, 2002 – September 30, 2003 – CPI + 3.75%
- October 1, 2003 thereafter – CPI + 4.5%

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

* Real Estate was combined with Private Equity and REITs in September 2003. Fiscal Year 2004 Alternative Investments return represents performance from October 1, 2003 through June 30, 2004.

** objective = (0.01)

*** corrected from previous publication.

INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 7

U.S. Equity vs. S&P 500
Periods Ended June 30, 2007

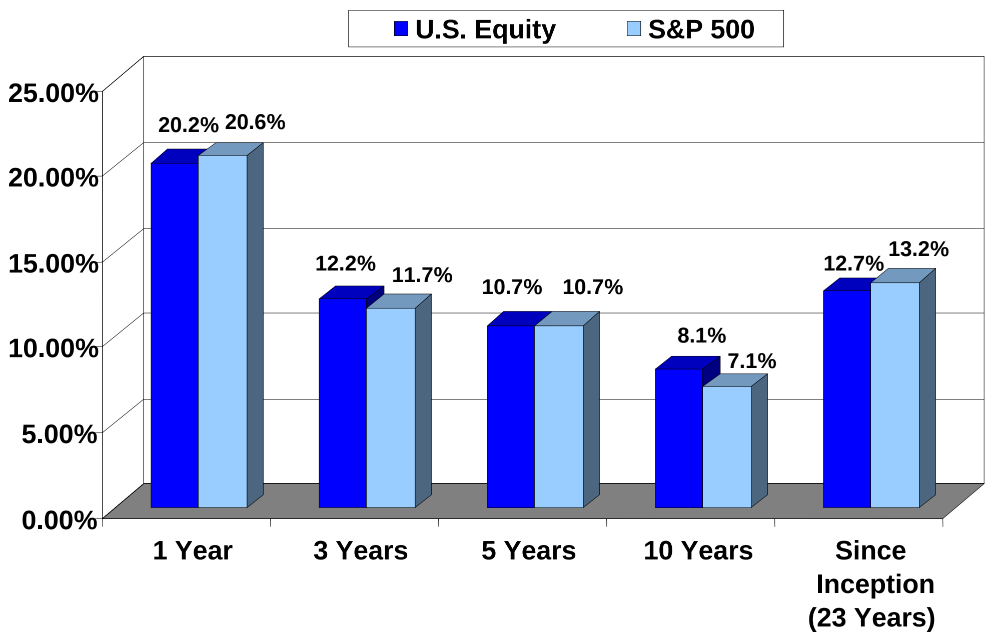
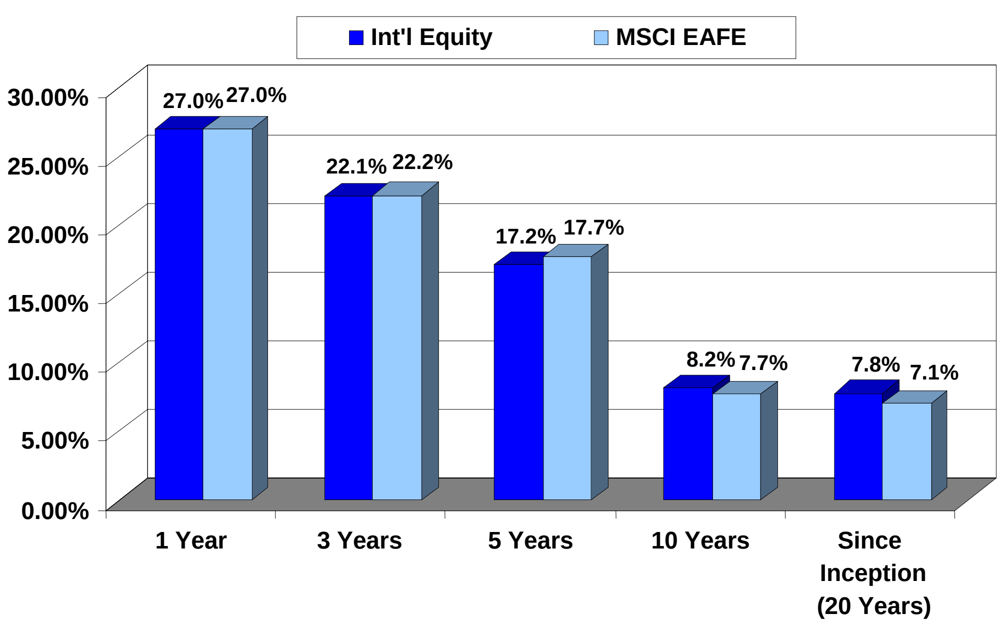


CHART 8

International Equity vs. MSCI EAFE
Periods Ended June 30, 2007



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 9

U.S. Fixed Income vs. Lehman Aggregate
Periods Ended June 30, 2007

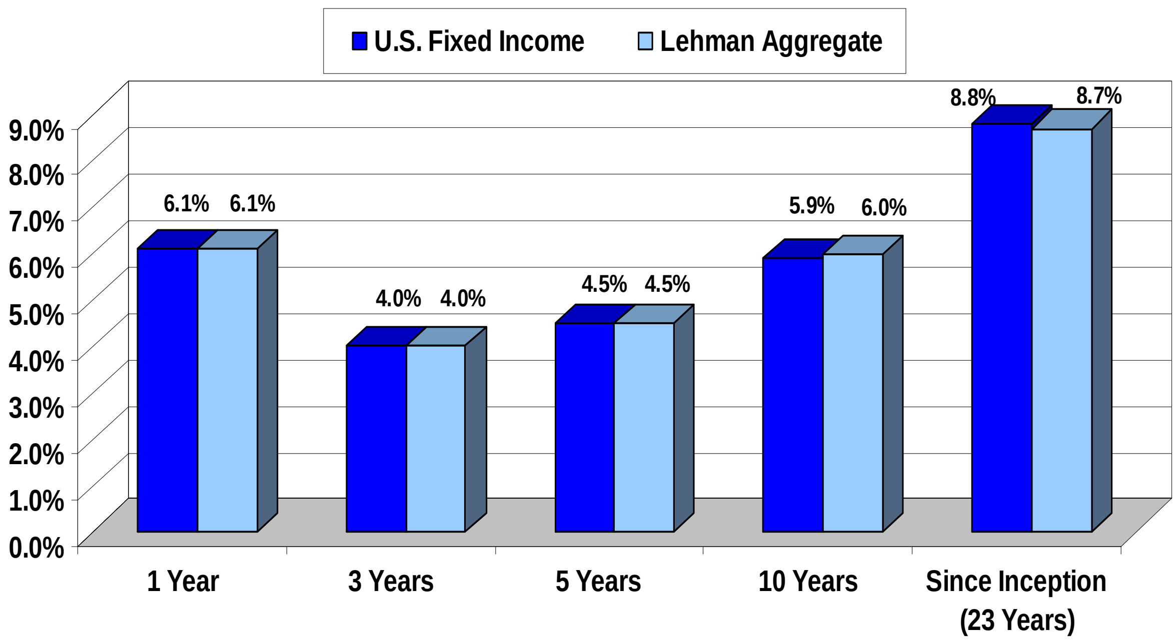
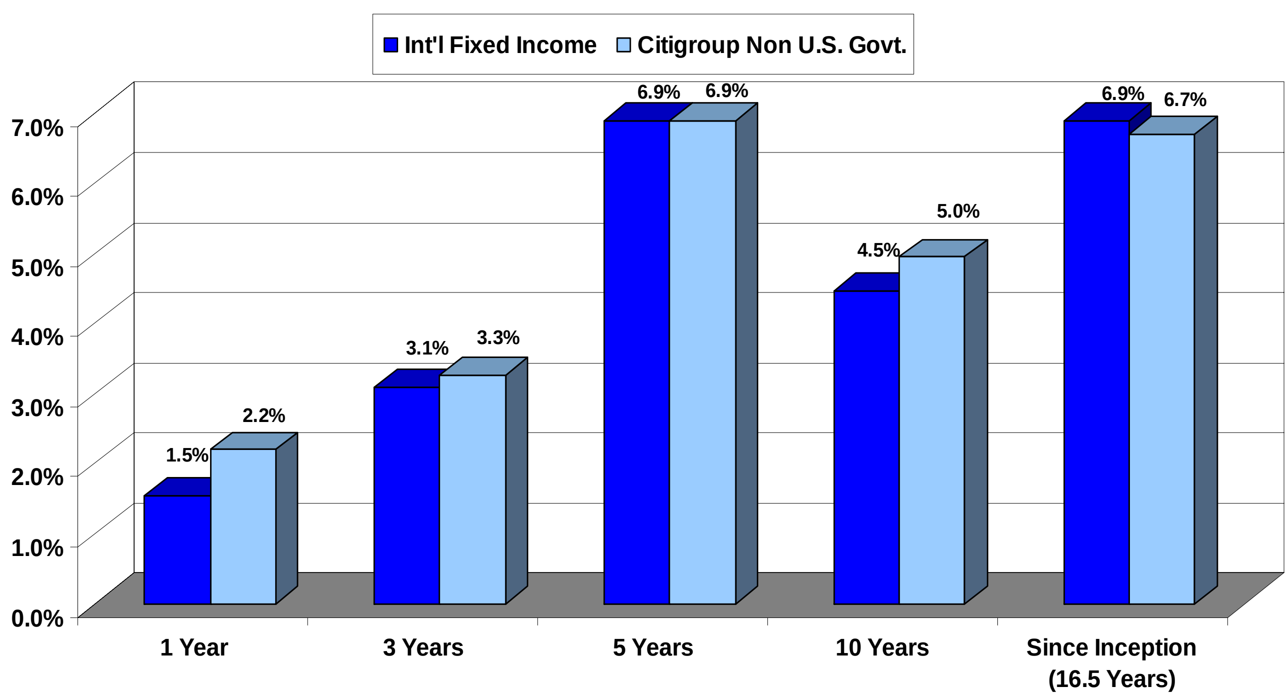


CHART 10

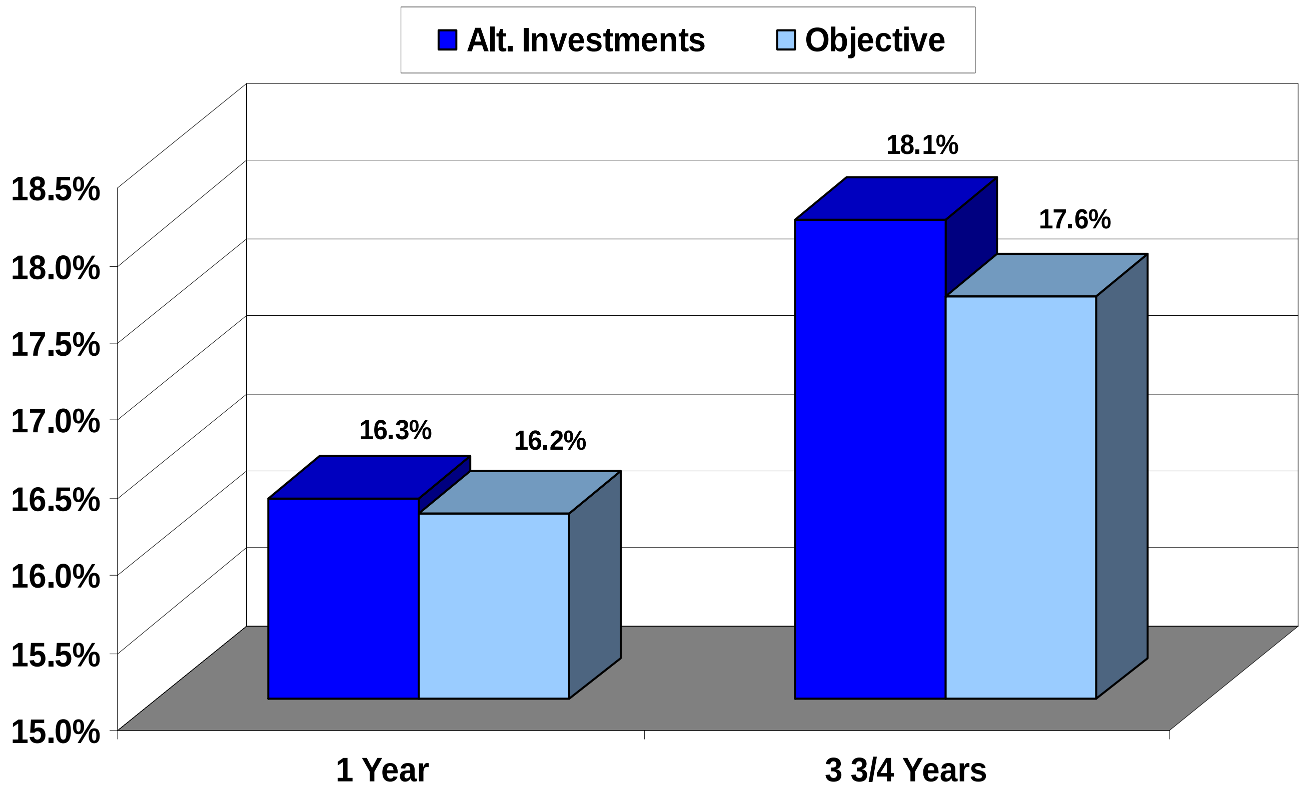
International Fixed Income vs. Citigroup Non U.S. Govt.
Periods Ended June 30, 2007



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 11

Alternative Investments vs. Blended Objective*
Periods Ended June 30, 2007



* Blended Objective as of April 1, 2005:

55.3% NCREIF Total Property Index
32.5% Wilshire REIT float adjusted
12.2% S & P 500 + 4.0%

Target adjusted quarterly, based on beginning market values.

CHART 12

SCHEDULE OF FEES AND COMMISSIONS

For Year Ended June 30, 2007
(Page 1 of 4)

Name/Firm	Amount Under Management at June 30, 2007	Fees Incurred
Investment Management Fees		
Domestic and International Equity Managers		
AllianceBernstein S&P 500	$ 1,714,061,770	$ 303,391
AllianceBernstein Value	631,915,061	175,110
Barclays Global Investors	1,728,113,981	331,130
Mellon Capital	1,727,366,941	187,294
BlackRock S&P 500	1,714,890,024	185,885
AllianceBernstein Growth	402,531,233	845,834
Atlanta Capital Management	449,988,797	934,378
Capital Guardian	448,858,882	1,049,280
J. & W. Seligman	614,053,021	1,212,061
Loomis, Sayles & Company	634,046,489	1,258,227
Voyageur Asset Management	422,029,805	918,333
BNY Asset Management	1,217,319,809	893,596
Mellon Capital	1,226,216,781	331,157
Domestic and International Fixed Income Managers		
Barclays Global Investors	681,514,549	204,153
Lehman Brothers	669,450,739	248,644
Payden & Rygel	666,536,142	248,581
UBS Global Asset Management	670,194,356	218,376
Dodge & Cox	675,895,942	902,265
JP Morgan Asset Management	662,658,307	748,027
Payden & Rygel	648,210,953	740,231
Western Asset Management	680,409,041	1,133,568
Payden & Rygel	735,418,888	373,062
UBS Global Asset Management	732,338,895	349,516
Julius Baer Investment Management	0	386,528
Rogge Capital Partners	0	268,499
UBS Global Asset Management	615,833,849	776,942

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2007
(Page 2 of 4)

Name/Firm	Amount Under Management at June 30, 2007	Fees Incurred
Investment Management Fees (continued)		
Private Equity Manager		
Pathway Capital Management	$ 394,429,809	$ 1,960,474
Private Real Estate Managers		
Invesco Realty Advisors	581,093,258	4,083,337
BlackRock Realty	494,643,465	3,168,007
Real Estate Investment Trust (REIT) Managers		
AllianceBernstein	223,628,738	74,221
Barclays Global Investors	219,157,852	207,140
Invesco Realty Advisors	218,941,392	167,235
Subtotal investment management fees		24,884,482
Investment Service Fees		
Investment Consultants		
Callan Associates		438,001
Subtotal investment service fees		438,001

CHART 12

SCHEDULE OF FEES and COMMISSIONS
For Year Ended June 30, 2007
(Page 3 of 4)

Broker Commissions	Number of Shares Traded	Commission Paid	Commission Per Share (rounded)
Able Noser Corporation	325,300	$ 12,658	$ 0.04
ABN AMRO	1,708,040	25,621	0.02
ADP Clearing and Outsourcing	176,000	6,842	0.04
Arnhold and Bleichroder	800,500	17,470	0.02
Avondale Partners	85,850	3,434	0.04
Baird, Robert W. & Company	224,475	10,237	0.05
Bank of America Securities	3,987,691	62,838	0.02
Baypoint Trading	7,600	228	0.03
Bear Stearns & Company	2,404,538	87,296	0.04
Blair William & Company	1,012,453	41,087	0.04
BMO Nesbitt Burns Corporation	4,800	192	0.04
BNY Brokerage	344,199	14,177	0.04
Brown Brothers Harriman & Company	126,350	5,686	0.05
B-Trade Services	321,045	6,421	0.02
Buckingham Research Group	68,400	3,420	0.05
Cantor, Fitzgerald & Company	357,753	10,353	0.03
Capital Institutional Services	1,460,870	47,552	0.03
Chapdelaine Institutional	177,155	6,049	0.03
CIBC World Markets Corporation	103,830	4,511	0.04
Citigroup Global Markets	8,894,443	185,468	0.02
CLSA Guernsey Limited	1,179,394	7,894	0.01
Cowen & Company	132,218	4,897	0.04
Credit Suisse First Boston	4,992,171	73,046	0.01
Davenport & Company	31,000	1,550	0.05
Davis, Mendel & Regenstein	150,050	7,448	0.05
Deutsche Banc/Alex Brown	2,276,650	39,565	0.02
Direct Trading Institutional	30,000	300	0.01
Donaldson & Company	148,200	6,669	0.05
Edwards, A.G. & Sons	831,950	37,438	0.05
Fox-Pitt Kelton	26,700	935	0.04
Friedman, Billings & Ramsey	50,650	1,928	0.04
Futuretrade Securities	30,000	300	0.01
Goldman Sachs & Company	6,099,356	78,570	0.01
Heflin & Company	155,600	5,446	0.04
Imperial Capital	151,280	5,295	0.04
Instinet Corporation	383,401	14,463	0.04
Investment Technology Group	4,903,817	64,243	0.01
ISI Group	522,830	22,777	0.04
ITG, Inc.	14,714	294	0.02
Ivy Securities	24,900	1,121	0.05
J P Morgan Securities	8,489,294	115,510	0.01
Jefferies & Company	694,250	24,135	0.03
JMP Securities	6,300	221	0.04
JonesTrading Institutional Services	20,000	700	0.04
Keefe Bruyette & Woods	258,300	11,882	0.05
Knight Securities	205,517	6,167	0.03

CHART 12

SCHEDULE OF FEES and COMMISSIONS

For Year Ended June 30, 2007
(Page 4 of 4)

	Number of Shares	Commission Paid	Commission Per Share (rounded)
Broker Commissions			
Leerink Swann and Company	13,550	$ 542	$ 0.04
Lehman Brothers	9,571,047	156,866	0.02
Liquidnet	2,330,105	69,083	0.03
Lynch Jones & Ryan	50,000	1,900	0.04
Merrill Lynch Pierce Fenner	6,374,004	173,642	0.03
Midwest Research Securities	46,075	1,749	0.04
Miletus Trading	15,750	439	0.03
Morgan Keegan & Company	336,000	15,120	0.05
Morgan Stanley & Company	2,907,122	79,099	0.03
M.R. Beal & Company	130,000	4,940	0.04
Neuberger & Berman	36,025	1,441	0.04
Nyfix Transaction Services #2	110,020	2,658	0.02
Oppenheimer and Company	13,000	455	0.04
Pacific Crest Securities	6,725	135	0.02
Pershing & Company	52,000	175	0.00*
Pipeline Trading Systems	384,167	14,661	0.04
Piper Jaffray & Company	832,475	31,592	0.04
Prudential Equity Group	1,047,720	42,585	0.04
Raymond, James & Associates	160,426	6,398	0.04
RBC Capital Markets Corporation	153,000	7,366	0.05
RBC Dominion Securities Corporation	285,500	14,275	0.05
Ryan & Beck Company	105,000	3,990	0.04
S.G. Cowen & Company	185,260	7,566	0.04
Sandler O'Neill & Partners	15,800	686	0.04
Sanford C. Bernstein & Company	588,951	13,487	0.02
SG Americas Securities	3,831,713	60,384	0.02
Sidoti & Company	83,000	3,385	0.04
Soleil Securities Corporation	143,500	6,458	0.05
State Street Brokerage Service	69,984	1,498	0.02
State Street Global Markets	1,400	49	0.04
Stiffel Nicholaus & Company	231,456	10,271	0.04
Suntrust Capital Markets	81,800	3,621	0.04
Thinkequity Partners	800	16	0.02
Thomas Weisel Partners	425,372	15,026	0.04
UBS Securities	3,715,003	64,021	0.02
Veritas Securities	172,000	6,536	0.04
Wachovia Securities Capital Market	827,109	35,104	0.04
Weeden & Company	791,707	15,821	0.02
Subtotal commissions		1,957,374	
Total fees and commissions		$ 27,279,857	

* Commission is less than one cent per share.

ACTUARIAL SECTION

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SEGAL

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
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November 13, 2007

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, 2007**

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, 2007, and that such valuation is accurate and fairly presents the actual position of the Public Employees' Retirement System of Nevada.

The unfunded actuarial accrued liability is being amortized by level percentage-of-payroll payments over a year-by-year closed amortization period where each amortization period will be set at 30 years. As of June 30, 2007, the funded ratio is 78.8% for regular employees and 71.1% for police/fire employees.

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

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

For GASB 25 reporting purposes only, the unfunded actuarial accrued liability payments are assumed to increase in direct proportion to assumed payroll growth rates of 5.0% per year for both regular and police/fire employees. This payroll growth rate is based on a 3.5% per year inflation assumption.

Public Employees' Retirement Board
November 13, 2007
Page 2

The most recent actuarial valuation prepared as of June 30, 2007, is based on the following major elements:

- Current benefit provisions as specified in the Act.

- Membership data as of June 30, 2007, obtained from electronic files provided by the 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, 2007, obtained from the System's unaudited financial statements.

- Trend schedules for financial and actuarial sections of the Comprehensive Annual Financial Report (CAFR) as of June 30, 2007 (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 Board.

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

List of Trend Schedules

The following schedules, prepared by Segal, are included in the Financial Section of this report:

- Schedule of Funding Progress

- Unfunded Actuarial Accrued Liability and Funding Ratios

- Schedule of Employer Contributions

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 – System Membership

- Schedule 2 – Active Member Valuation Data

- Schedule 3 – Pay Status Participants Added to and Removed from the Rolls

- Schedule 4 – Solvency Test

Public Employees' Retirement Board
November 13, 2007
Page 3

- Schedule 5 – Analysis of Actuarial Experience
- Actuarial Valuation Statement (GASB disclosure basis)

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

Since the actuarially determined rates from the July 1, 2006 valuation met the parameters noted above for Employer-Pay regular employees and all police/fire employees, a change in the statutory rates was required for fiscal years July 1, 2007 through June 30, 2009, as follows:

	Regular Employees	Police/Fire Employees
Employer-Pay		
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	19.75 %	32.00 %
Actuarial Determined Contribution Rate per July 1, 2006 Actuarial Valuation	20.44 %	33.55 %
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	20.50 %	33.50 %
Employee/Employer		
Statutory Rate for Fiscal Years July 1, 2005 through June 30, 2007	21.00 %	33.00 %
Actuarial Determined Contribution Rate per July 1, 2006 Actuarial Valuation	21.33 %	34.43 %
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	21.00 %	34.50 %

Public Employees' Retirement Board
November 13, 2007
Page 4

Following is a summary of the GASB disclosure rates per the June 30, 2007 actuarial valuation:

	Regular Employees	Police/Fire Employees
Employer-Pay	21.30%	39.36%
Employee/Employer	22.14%	40.11%

The actuarial calculations prepared for disclosure requirements under GASB as well as for actual funding purposes were made by qualified actuaries in accordance with generally accepted actuarial principles and procedures, based on the current provisions of the Act and on the actuarial assumptions and methods adopted by the Board.

Sincerely,

Mike Moehle

Michael Moehle, FSA, MAAA, EA, FCA
Vice President and Consulting Actuary

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

CZI/gxk
Enclosures

4030258v1/01068.001

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

Economic Assumptions

The economic assumptions for the 2007 actuarial valuation.

Investment return* - 8.0% per year.

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

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

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

Payroll growth* (Funding) - 6.5% per year for regular and 8.0% per year for police/fire employees.

Payroll growth* (GASB disclosure) - 5.0% per year for both regular and police/fire employees.

Post-retirement - 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.
3.5% per year compounded following the twenty-fourth anniversary of benefit commencement.

*Includes inflation at 3.5% per year.

Non-Economic Assumptions

The assumed retirement rates, which project the percentage of eligible employees who will retire, are shown below:

Regular Employees				
Years of Service				
Age	5 – 19	20 – 24	25 – 29	30 or more
45 – 49	--	1%	8%	--
50 – 54	2%	2%	10%	25%
55 – 59	4%	7%	15%	30%
60 – 61	13%	20%	25%	30%
62 – 64	15%	20%	25%	30%
65 – 69	22%	25%	30%	30%
70 & older	100%	100%	100%	100%

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

The assumed withdrawal rates are shown below:

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

Withdrawal rates end when retirement rates commence.

The assumed disability rates are shown below for selected ages:

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

No disability rates are assumed after age 65.

Mortality table - For non-disabled male regular members it is the RP 2000 Combined Healthy Table. For non-disabled female regular members and all non-disabled police/fire members it is the RP 2000 Combined Healthy Table set forward one year. The schedules below show the assumed mortality rates and projected life expectancies for selected ages:

Regular Members				
	Mortality Rates		Expected Years Of Life Remaining	
Age	Males	Females	Males	Females
40	0.11%	0.08%	39.8	41.7
50	0.21%	0.19%	30.3	32.1
60	0.67%	0.58%	21.2	23.0
70	2.22%	1.86%	13.4	15.0
80	6.44%	5.08%	7.3	8.6

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

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

Asset Valuation Method

The actuarial value of assets is equal to the prior year's actuarial value of assets plus contributions, less benefit payments and expenses, an adjustment for net transfers, plus expected investment return, and 20% of each of the previous five years' gain/(loss) due to investment return greater/(less) than expected. The actuarial value of assets is further limited to not less than 80% or greater than 120% of the market value of assets.

Actuarial Funding Method

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

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

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

Amortization of the Unfunded Actuarial Accrued Liability

The unfunded actuarial accrued liability is amortized over a year-by-year closed amortization period where each amortization period for each year will be set at 30 years. For GASB disclosure the unfunded accrued liability is amortized over 30 years.

Changes in Actuarial Assumptions and Methods Since the Previous Year

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

- Salary Increases
- Rate Payroll
- Withdrawal Rates
- Disability Incidence
- Retirement Rate
- Post-Retirement Mortality
- Pre-Retirement Mortality

SCHEDULE 1

SYSTEM MEMBERSHIP
1998 to 2007

June 30	Active Members	Inactive Members	Retired and Disabled Members	Beneficiaries & Survivors	Total Membership
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
2003	87,327	7,687	23,371	3,669	122,054
2004	90,242	7,829	24,938	3,830	126,839
2005	93,995	9,182	26,962	4,037	134,176
2006	98,187	10,309	29,025	4,237	141,758
2007	103,693	10,990	31,262	4,425	150,370

SCHEDULE 2

ACTIVE MEMBER VALUATION DATA
1998 to 2007

	Number of Active Members		Annual Payroll (millions)		Annual Average Salary		Percent Increase Average Salary	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
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
2003	77,569	9,758	3,040.1	555.3	39,193	56,907	2.9	2.3
2004	79,848	10,394	3,199.5	613.3	40,069	59,008	2.2	3.7
2005	83,224	10,771	3,404.0	660.0	40,901	61,277	2.1	3.8
2006	87,020	11,167	3,648.6	717.5	41,929	64,250	2.5	4.9
2007	91,757	11,936	3,978.1	791.5	43,355	66,316	3.4	3.2

SCHEDULE 3

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS
1998 to 2007

RETIREES AND BENEFICIARIES

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*	% Increase in Annual Allowances*	Average Annual Allowances*
1998	16,749	1,487		(559)		17,677			
1999	17,677	1,512		(466)		18,723			
2000	18,723	2,068		(618)		20,173			
2001	20,173	1,979	$51,390,672	(663)	($10,102,608)	21,489	$463,388,796	13.0%	$21,564
2002	21,489	2,017	52,934,066	(707)	(11,901,499)	22,799	515,044,612	11.2	22,591
2003	22,799	2,028	54,693,801	(702)	(12,333,157)	24,125	572,093,340	11.1	23,714
2004	24,125	2,283	62,097,018	(742)	(13,656,840)	25,666	636,595,582	11.3	24,803
2005	25,666	2,727	81,174,174	(732)	(14,848,050)	27,661	722,702,905	13.5	26,127
2006	27,661	2,762	81,562,280	(710)	(14,789,407)	29,713	810,259,691	12.1	27,270
2007	29,713	3,005	91,153,219	(795)	(17,445,492)	31,923	906,337,590	11.9	28,391

DISABILITY RECIPIENTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*	% Increase in Annual Allowances*	Average Annual Allowances*
1998	950	138		(51)		1,037			
1999	1,037	158		(66)		1,129			
2000	1,129	176		(56)		1,249			
2001	1,249	168	$2,842,560	(62)	($759,498)	1,355	$21,105,480	13.7%	$15,576
2002	1,355	181	2,934,072	(84)	(1,322,553)	1,452	23,155,128	9.7	15,947
2003	1,452	183	3,052,989	(55)	(753,234)	1,580	26,061,629	12.6	16,495
2004	1,580	198	3,185,565	(85)	(1,378,530)	1,693	28,502,933	9.4	16,836
2005	1,693	222	4,593,174	(75)	(1,310,668)	1,840	32,537,424	14.2	17,683
2006	1,840	237	4,610,636	(87)	(1,478,451)	1,990	36,475,093	12.1	18,329
2007	1,990	243	5,357,238	(90)	(1,905,849)	2,143	40,799,325	11.9	19,038

SURVIVOR ANNUITANTS

		Added to Rolls		Removed from Rolls		Rolls at End of Year			
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*	% Increase in Annual Allowances*	Average Annual Allowances*
1998	1,078	90		(46)		1,122			
1999	1,122	102		(54)		1,170			
2000	1,170	121		(78)		1,213			
2001	1,213	115	$1,253,040	(95)	($544,920)	1,233	$12,295,476	9.1%	$9,972
2002	1,233	121	1,244,727	(70)	(720,090)	1,284	13,208,347	7.4	10,287
2003	1,284	121	1,406,944	(70)	(548,713)	1,335	14,487,802	9.7	10,852
2004	1,335	136	1,616,992	(62)	(469,614)	1,409	16,063,816	10.9	11,401
2005	1,409	118	1,605,532	(29)	(369,222)	1,498	17,755,952	10.5	11,853
2006	1,498	147	1,673,808	(86)	(651,337)	1,559	19,303,127	8.7	12,382
2007	1,559	148	1,896,176	(86)	(792,804)	1,621	20,944,150	8.5	12,921

*Data unavailable for 1998 – 2000.

SCHEDULE 4

SOLVENCY TEST
(millions)

1998 to 2007

June 30	Actuarial Accrued Liabilities: Active Member Contributions (1)	Actuarial Accrued Liabilities: Retirees and Beneficiaries Inactive and Pay-Status Members* (2)	Actuarial Accrued Liabilities: Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
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
2003	368.3	8,291.2	10,881.2	15,883.0	100	100	66.3
2004	403.4	9,312.1	11,669.9	16,830.3	100	100	61.0
2005	448.7	10,663.4	12,496.6	17,886.5	100	100	54.2
2006	483.3	11,852.6	13,403.2	19,282.0	100	100	51.8
2007	521.5	12,717.0	14,433.1	21,359.0	100	100	56.3

* Includes liability for post-retirement benefit increases

SCHEDULE 5

ANALYSIS OF ACTUARIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities During Year Ended June 30, 2007 Resulting from Differences Between Assumed Experience and Actual Experience (Dollar Amounts in Millions)

	Gain (or Loss) For Year	
Type of Activity	**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 retirements occur at younger ages with higher average pay, there is a loss.	($37.5)	$11.5
Disability Retirements. If disability claims are less than assumed, there is a gain. If there are more claims, there is a loss.	(18.8)	(1.7)
Pre- and Post-Retirement Deaths. If retirees live longer than assumed, there is a loss. If retirees live shorter than assumed, there is a gain.	(78.2)	(28.8)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If less liabilities are released, there is a loss.	(84.0)	(40.5)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If there are greater increases, there is a loss.	(262.3)	(24.2)
Investment Income. If there is a greater investment income than assumed, there is a gain. If there is less income, there is a loss.	253.1	61.6
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.	(149.6)	(16.6)
Other. Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results.	(16.7)	9.4
Total Experience Gain (or Loss) During Year.	**(394.0)**	**(29.3)**

June 30, 2007

Actuarial Valuation Statement
(GASB Disclosure Basis)

Normal Cost	Regular Employees	Police/Fire Employees	Total
Employer normal cost	$ 657,325,805	$ 232,673,331	$ 889,999,136
Employee contributions	75,756,366	16,620,237	92,376,603
Total Normal Cost	**$ 733,082,171**	**$ 249,293,568**	**$ 982,375,739**
Actuarial Accrued Liability			
Active members	$ 11,479,510,555	$ 3,475,099,563	$ 14,954,610,118
Inactive members	551,504,328	31,167,703	582,672,031
Pensioners, beneficiaries, and disabled	9,549,265,947	2,321,317,565	11,870,583,512
Survivors	224,707,147	39,020,558	263,727,705
Total Actuarial Accrued Liability	**$ 21,804,987,977**	**$ 5,866,605,389**	**$ 27,671,593,366**
Assets at Actuarial Value	**$ 17,189,181,473**	**$ 4,169,845,412**	**$ 21,359,026,885**
Total Unfunded Actuarial Accrued Liability	**$ 4,615,806,504**	**$ 1,696,759,977**	**$ 6,312,566,481**
Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization	**$ 224,745,916**	**$ 82,616,088**	**$ 307,362,004**
Employer-Pay Rate Payroll	$ 3,825,525,201	$ 754,273,928	$ 4,579,799,129
Employee/Employer Rate Payroll	676,632,878	90,634,091	767,266,969
Total Rate Payroll	**$ 4,502,158,079**	**$ 844,908,019**	**$ 5,347,066,098**

June 30, 2007

Actuarial Valuation Statement (continued)
(GASB Disclosure Basis)

	Regular Employees	Police/Fire Employees
Calculated Contribution Rates (as percentage of rate payroll):		
Employer-Pay, statutory rate	**20.50%**	**33.50%**
Employer-Pay, total rate	**21.30%**	**39.36%**
Employer normal cost	16.16%	29.43%
Amortization percentage	4.99%	9.78%
Administrative expenses	0.15%	0.15%
Employee/Employer, statutory rate	**21.00%**	**34.50%**
Employee/Employer, total rate	**22.14%**	**40.11%**
Employee contribution rate	10.50%	17.25%
Employer normal cost	6.50%	12.93%
Amortization percentage	4.99%	9.78%
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 Act and on the actuarial assumptions and methods recommended to the Board and as required under GASB. A comparison of the funding contribution rates, the GASB disclosure contribution rates, and the statutory contribution rates can be found on page 99 of the Statistical Section of this report.

PERS is funded on an actuarial reserve basis. Participating employers are making contributions to the System based on the results of actuarial valuations and the statutory funding provisions of the Act.

Mike Moehle

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STATISTICAL SECTION

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Plan Membership

Active membership in PERS for fiscal year 2007 increased by 5,506 or 5.6%. This is consistent with the growth trends we have seen in the past four fiscal years as Nevada continues to be one of the fastest growing states in the nation. The number of benefit recipients increased by 2,425 or 7.3%. Again, this is consistent with retiree growth trends we have seen in the past several years and can largely be attributed to the retirements of the first portion of the “baby boom” generation. We expect to see consistent growth in the number of retired members over the following years. Active and retired membership data, broken down between Regular and Police/Fire members, along with statistics on the number of active members per retiree can be found in Schedule 5 of this section. The number of active members per retiree held steady between 2006 and 2007.

Net Assets vs. Liabilities

As exhibited in Schedule 1 of this section, there has only been one year, 2002, in which the change in net assets for the year was negative. This may largely be attributed to the World Trade Center event of 9/11/01. Over the past ten years net assets increased an average of $1.4 billion per year. The ratio of total deductions to total additions has held steady in the 23-32% range over the past four years. The System experienced an investment return of 15% for fiscal year 2007, further bolstering its strength.

The ten year history of the funded ratio (Actuarial Value of Assets to Actuarial Accrued Liability) appears on the Schedule of Funding Progress (page 41) in the Financial Section of this report. Some possible causes of fluctuations in this ratio are strong or weak investment returns, the smoothing of actuarial gains and losses over five-year periods (see Actuarial Section, Asset Valuation Method narrative for further information on smoothing), and changes in the method of amortizing of the Unfunded Actuarial Accrued Liability (such a change occurred effective July 1, 2004).

Fluctuations in the funded ratio are to be expected depending on financial and world events, and the existence of unfunded actuarial accrued liabilities is not necessarily an indicator of financial problems. However, the funding ratio is consistently and closely monitored and controlled to the best of the System’s ability.

SCHEDULE 1
Changes in Net Assets
Last Ten Fiscal Years
(millions)

	Fiscal Year			
	1998	**1999**	**2000**	**2001**
Additions				
Employer contributions	$ 508.1[a]	$ 557.4	$ 604.9	$ 656.1
Plan member contributions	43.1	45.1	48.4	49.4
Repayment and purchase of service	6.0	6.8	8.5	10.6
Investment income (net of expenses)	1,435.2	1,172.0	917.0	(217.0)
Other income	1.9	1.9	2.2	1.9
Total additions to plan net assets	1,994.3	1,783.2	1,581.0	501.0
Deductions				
Benefit payments	336.1	374.2	421.2	477.3
Refunds	13.5	11.3	16.4	10.0
Administrative expenses	4.0	4.2	6.4[d]	7.5[d]
Other expenses		0.1	0.7	0.1
Total deductions from plan net assets	353.6	389.8	444.7	494.9
Change in net assets	**$ 1,640.7**	**$ 1,393.4**	**$ 1,136.3**	**$ 6.1**

[a] Contribution rates increased from previous period.

[b] Began combining Administrative and Other expenses into one line item (exclusive of transfers of contributions) due to immateriality.

[c] Transfers of contributions from the System to JRS for members moving from one retirement system to the other.

[d] Computer system replacement project.

Information is from internal System records.

Fiscal Year

2002	2003	2004	2005	2006	2007
$ 680.7	$ 724.0	$ 808.3[a]	$ 875.5	$ 966.1[a]	$ 1,046.6
53.9	55.4	61.1	66.9	76.0	83.2
24.7	29.4	43.4	63.7	42.2	45.6
(367.8)	672.9	1,700.8	1,491.3	1,567.3	2,937.1
2.1	2.1	2.1	3.3	3.1	3.3
393.6	1,483.8	2,615.7	2,500.7	2,654.7	4,115.8
533.0	591.8	657.6	739.8	832.6	929.4
15.8	11.1	12.1	14.5	13.9	17.4
8.7[d]	9.6[bd]	9.8[d]	9.0	8.2	8.6
	6.7[c]			4.7[c]	2.0[c]
557.5	619.2	679.5	763.3	859.4	957.4
$ (163.9)	**$ 864.6**	**$ 1,936.2**	**$ 1,737.4**	**$ 1,795.3**	**$ 3,158.5**

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

Regular Retired Members
Fiscal Year

	1998	1999	2000	2001
Benefits				
Retirement and survivor	$ 266.6	$ 296.6	$ 334.0	$ 373.7
Disability	10.2	11.3	13.2	19.0
Post-retirement increases	0.1	0.1	0.1	0.1
Total benefits	$ 276.9	$ 308.0	$ 347.3	$ 392.8
Total refunds	$ 11.5	$ 8.7	$ 13.6	$ 7.6

Police/Fire Retired Members
Fiscal Year

	1998	1999	2000	2001
Benefits				
Retirement and survivor	$ 55.7	$ 62.1	$ 69.4	$ 78.9
Disability	3.5	4.1	4.5	5.6
Total benefits	$ 59.2	$ 66.2	$ 73.9	$ 84.5
Total refunds	$ 2.0	$ 2.6	$ 2.8	$ 2.4

Total Retired Members
Fiscal Year

	1998	1999	2000	2001
Benefits				
Retirement and survivor	$ 322.3	$ 358.7	$ 403.4	$ 452.6
Disability	13.7	15.4	17.7	24.6
Post-retirement increases	0.1	0.1	0.1	0.1
Total benefits	**$** 336.1	$ 374.2	$ 421.2	$ 477.3
Total refunds	**$** 13.5	$ 11.3	$ 16.4	$ 10.0

Information is from internal System records.
Note: Police/Fire retired members received post-retirement increases each year. However, the amounts were immaterial for purposes of this schedule.

Regular Retired Members
Fiscal Year

2002	2003	2004	2005	2006	2007
$ 415.5	$ 460.2	$ 509.5	$ 574.1	$ 644.5	$ 716.9
22.6	24.7	27.8	31.0	35.5	39.8
0.1	0.1	0.0	0.0	0.0	0.1
$ 438.2	$ 485.0	$ 537.3	$ 605.1	$ 680.0	$ 756.8
$ 13.4	$ 8.7	$ 9.1	$ 11.1	$ 11.2	$ 14.0

Police/Fire Retired Members
Fiscal Year

2002	2003	2004	2005	2006	2007
$ 88.3	$ 99.7	$ 112.6	$ 126.6	$ 143.7	$ 163.4
6.5	7.1	7.6	8.1	8.8	9.2
$ 94.8	$ 106.8	$ 120.2	$ 134.7	$ 152.5	$ 172.6
$ 2.4	$ 2.4	$ 3.0	$ 3.4	$ 2.7	$ 3.4

Total Retired Members
Fiscal Year

2002	2003	2004	2005	2006	2007
$ 503.8	$ 559.9	$ 622.1	$ 700.7	$ 788.2	$ 880.3
29.1	31.8	35.4	39.1	44.3	49.0
0.1	0.1	0.1	0.0	0.0	0.1
$ 533.0	$ 591.8	$ 657.6	$ 739.8	$ 832.5	$ 929.4
$ 15.8	$ 11.1	$ 12.1	$ 14.5	$ 13.9	$ 17.4

SCHEDULE 3

RETIRED MEMBERS BY TYPE OF BENEFIT
As of June 30, 2007
(Page 1 of 2)

Regular Retired Members

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement			
		Service	Beneficiary	Disability	Survivor
Less than $250	583	508	60	10	5
$250 - $499	2,790	1,802	277	215	496
$500 - $749	3,115	2,140	337	256	382
$750 - $999	2,925	2,267	319	232	107
$1,000 - $1,249	2,668	2,160	261	180	67
$1,250 - $1,499	2,592	2,088	241	186	77
$1,500 - $1,749	1,468	1,189	123	119	37
$1,750 - $1,999	1,706	1,354	158	142	52
$2,000 - $2,249	1,490	1,226	116	117	31
$2,250 - $2,499	1,275	1,088	87	68	32
$2,500 - $2,749	1,147	948	81	79	39
$2,750 - $2,999	1,070	931	59	56	24
$3,000 - $3,249	972	864	45	42	21
$3,250 - $3,499	1,090	994	47	30	19
$3,500 - $3,749	1,087	1,011	45	16	15
$3,750 - $3,999	1,128	1,065	24	30	9
$4,000 - $4,249	963	937	18	3	5
$4,250 - $4,499	596	565	20	8	3
$4,500 - $4,749	491	460	15	11	5
$4,750 - $4,999	325	313	4	7	1
$5,000 - $5,249	274	266	5	3	0
$5,250 - $5,499	292	282	4	3	3
$5,500 - $5,749	200	196	2	2	0
$5,750 - $5,999	194	191	1	1	1
$6,000 & Over	663	651	8	1	3
Total	31,104	25,496	2,357	1,817	1,434

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

SCHEDULE 3

RETIRED MEMBERS BY TYPE OF BENEFIT
As of June 30, 2007
(Page 2 of 2)

Police/Fire Retired Members

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement			
		Service	Beneficiary	Disability	Survivor
Less than $250	12	10	2	0	0
$250 - $499	167	54	31	10	72
$500 - $749	224	109	58	23	34
$750 - $999	248	150	44	34	20
$1,000 - $1,249	225	145	39	32	9
$1,250 - $1,499	286	170	70	38	8
$1,500 - $1,749	144	101	28	15	0
$1,750 - $1,999	200	135	31	32	2
$2,000 - $2,249	208	147	33	22	6
$2,250 - $2,499	222	174	14	30	4
$2,500 - $2,749	214	170	23	18	3
$2,750 - $2,999	187	153	14	13	7
$3,000 - $3,249	205	176	10	14	5
$3,250 - $3,499	187	157	13	12	5
$3,500 - $3,749	179	156	11	10	2
$3,750 - $3,999	184	170	8	4	2
$4,000 - $4,249	157	149	3	3	2
$4,250 - $4,499	151	143	2	4	2
$4,500 - $4,749	131	125	4	2	0
$4,750 - $4,999	132	126	1	3	2
$5,000 - $5,249	144	139	1	2	2
$5,250 - $5,499	94	93	1	0	0
$5,500 - $5,749	92	90	0	2	0
$5,750 - $5,999	73	69	3	1	0
$6,000 & Over	517	512	3	2	0
Total	4,583	3,623	447	326	187

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

SCHEDULE 4

AVERAGE BENEFIT PAYMENTS
(Page 1 of 2)

June 30		Regular Members	Police/Fire Members
1998	Average monthly benefit	$1,466	$2,229
	Average monthly compensation at retirement	$3,512	$4,915
	Number of new retirees	1,258	201
	Average years of service at retirement	18.67	21.43
	Average age at retirement	58	54
1999	Average monthly benefit	$1,540	$2,333
	Average monthly compensation at retirement	$3,743	$5,052
	Number of new retirees	1,404	188
	Average years of service at retirement	19.30	20.27
	Average age at retirement	58	53
2000	Average monthly benefit	$1,626	$2,445
	Average monthly compensation at retirement	$4,023	$5,341
	Number of new retirees	1,791	234
	Average years of service at retirement	19.27	21.44
	Average age at retirement	59	54
2001	Average monthly benefit	$1,719	$2,583
	Average monthly compensation at retirement	$4,091	$5,548
	Number of new retirees	1,741	236
	Average years of service at retirement	18.96	21.24
	Average age at retirement	59	54
2002	Average monthly benefit	$1,799	$2,664
	Average monthly compensation at retirement	$4,143	$5,637
	Number of new retirees	1,582	220
	Average years of service at retirement	19.40	21.64
	Average age at retirement	58	53

Number of new retirees excludes survivors and beneficiaries.

Average monthly benefit and number of new retirees is from The Segal Company, the System's actuarial firm. Other data is from internal System records.

SCHEDULE 4

AVERAGE BENEFIT PAYMENTS
(Page 2 of 2)

June 30		Regular Members	Police/Fire Members
2003	Average monthly benefit	$1,879	$2,862
	Average monthly compensation at retirement	$4,238	$5,931
	Number of new retirees	1,731	283
	Average years of service at retirement	19.32	21.78
	Average age at retirement	59	54
2004	Average monthly benefit	$1,961	$3,014
	Average monthly compensation at retirement	$4,356	$6,189
	Number of new retirees	1,981	262
	Average years of service at retirement	18.73	21.65
	Average age at retirement	59	54
2005	Average monthly benefit	$2,062	$3,184
	Average monthly compensation at retirement	$4,600	$6,578
	Number of new retirees	2,446	279
	Average years of service at retirement	19.14	21.77
	Average age at retirement	59	55
2006	Average monthly benefit	$2,136	$3,387
	Average monthly compensation at retirement	$4,643	$7,153
	Number of new retirees	2,445	328
	Average years of service at retirement	18.51	22.33
	Average age at retirement	60	55
2007	Average monthly benefit	$2,216	$3,549
	Average monthly compensation at retirement	$4,800	$7,421
	Number of new retirees	2,678	299
	Average years of service at retirement	18.93	22.55
	Average age at retirement	60	55

SCHEDULE 5

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
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
2003	77,569	9,758	20,330	3,041	3.8	3.2
2004	79,848	10,394	21,707	3,231	3.7	3.2
2005	83,224	10,771	23,520	3,442	3.5	3.1
2006	87,020	11,167	25,296	3,729	3.4	3.0
2007	91,757	11,936	27,313	3,949	3.4	3.0

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

SCHEDULE 6

CONTRIBUTION RATE HISTORY

	Funding Basis Contribution Rates[a]		GASB Disclosure Contribution Rates[a]		Statutory Contribution Rates[b]	
June 30	Regular	Police/ Fire	Regular	Police/ Fire	Regular	Police/ Fire
Employer Pay Plan						
1998	18.45%	27.95%	19.62%	30.94%	18.75%	28.50%
1999	18.55	28.40	19.59	31.25	18.75	28.50
2000	18.92	27.58	19.45	28.88	18.75	28.50
2001	18.29	27.14	18.75	28.33	18.75	28.50
2002	18.96	28.45	19.45	29.70	18.75	28.50
2003	20.32	28.81	20.91	30.13	18.75	28.50
2004	20.07	32.60	20.66	35.00	20.25	28.50
2005	19.70	32.12	20.46	34.98	20.25	28.50
2006	20.44	33.24	21.24	36.15	19.75	32.00
2007	20.44	33.55	21.15	36.37	19.75	32.00
Employee/ Employer Plan						
1998	9.86%	14.61%	10.45%	16.10%	10.00%	14.75%
1999	9.73	14.61	10.25	16.03	10.00	14.75
2000	9.87	14.22	10.14	14.87	9.75	14.75
2001	9.56	14.00	9.79	14.60	9.75	14.75
2002	9.91	14.68	10.16	15.30	9.75	14.75
2003	10.59	14.79	10.89	15.45	9.75	14.75
2004	10.51	16.68	10.81	17.88	10.50	14.75
2005	10.31	16.44	10.69	17.87	10.50	14.75
2006	10.68	17.08	11.08	18.53	10.50	16.50
2007	10.67	17.22	11.02	18.63	10.50	16.50

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

[b] Statutory contribution rates are calculated (see Actuarial Section of this report for calculation parameters) and effective July 1st of each odd-numbered year.

SCHEDULE 7
Participating Employers
(Page 1 of 2)

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

Schools
Academy for Career Education
Andre Agassi College Preparatory Academy
Bailey Charter Elementary School
Carson City School District
Carson Montessori School
Churchill County School District
Clark County School District
Coral Academy of Science Charter School
Douglas County School District
Elko County School District
Esmeralda County School District
Eureka County School District
Explore Knowledge Charter School
High Desert Montessori School
Humboldt County School District
ICDA Charter High School
Innovations International Charter School of Nevada
Keystone Academy Charter School
Lander County School District
Lincoln County School District
Lyon County School District
Mariposa Academy of Language and Learning
Mineral County School District
Nevada State High School
Nye County School District
Odyssey Charter School
Pershing County School District
Rainshadow Community Charter School
Sierra Crest Academy
Sierra Nevada Academy
Silver State High School
Storey County School District
Team A Washoe Charter School
Washoe County School District
White Pine County School District
100 Academy of Excellence

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

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

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

SCHEDULE 7
Participating Employers
(Page 2 of 2)

Cities (Continued)
City of Henderson
City of Las Vegas
City of Lovelock
City of Mesquite
City of North Las Vegas
City of Reno
City of Sparks
City of Wells
City of West Wendover
City of Winnemucca
City of Yerington

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

Utility, Irrigation, and Sanitation Districts
Alamo Sewer & Water General Improvement District
Beatty Water and Sanitation District
CC Communications
Clark County Water Reclamation District
Douglas County Sewer and Water District
Lander County Sewer and Water District
Lincoln County Power District
Lovelock Meadows Water District
McGill-Ruth Consolidated Sewer and Water District
Minden-Gardnerville Sanitation District
Moapa Valley Water District
Overton Power District
Pershing County Water Conservation District
Truckee-Carson Irrigation District
Truckee Meadows Water Authority
Virgin Valley Water District
Washoe County Water District
Walker River Irrigation District

Special Districts and Agencies
Airport Authority of Washoe County
Austin Volunteer Fire Department
Battle Mountain Volunteer Fire Department
Canyon General Improvement District
Central Dispatch Administrative Authority
Churchill County Volunteer Fire Department
Churchill Mosquito Abatement District
City of Wells Volunteer Fire Department
Clark County Health Department
Clark County Housing Authority
Conservation District of Southern Nevada
East Fork Swimming Pool District
Elko County Agricultural Association
Elko Convention and Visitors Authority
Gardnerville Ranchos General Improvement District
Gerlach General Improvement District
Grass Valley Volunteer Fire Department
Henderson District Public Libraries
Indian Hills Improvement District
Kingsbury General Improvement District
Las Vegas Convention/Visitors Authority
Las Vegas Housing Authority
Las Vegas Metropolitan Police Department
Las Vegas/Clark County Library District
Lovelock Volunteer Fire Department
Mineral County Housing Authority
Nevada Association of Counties
Nevada Tahoe Conservation District
North Lake Tahoe Fire Protection District
North Las Vegas Housing Authority
Palomino Valley General Improvement District
Pershing County Volunteer Fire Department
Regional Planning Agency of Washoe County
Regional Transportation Commission
Reno Housing Authority
Reno/Sparks Convention and Visitors Authority
Round Hill General Improvement District
RTC of Southern Nevada
Sierra Fire Protection District
Southern Nevada Workforce Investment Board
Stagecoach General Improvement District
Sun Valley General Improvement District
Tahoe-Douglas District
Tahoe-Douglas Fire Protection District
White Pine County Tourism and Recreation
Winnemucca Rural Volunteer Fire
Winnemucca Volunteer Fire Department

SCHEDULE 8
PRINCIPAL PARTICIPATING EMPLOYERS

Participating Agencies	1998 Covered Employees	Rank	Percentage of Total System
Clark County School District	18,118	1	24.25%
State of Nevada	11,929	2	15.97
Washoe County School District	5,741	3	7.69
Clark County	4,981	4	6.67
Las Vegas Metropolitan Police Department	2,666	5	3.57
University Medical Center of Southern Nevada	2,661	6	3.56
Washoe County	2,596	7	3.48
City of Las Vegas	2,295	8	3.07
University of Nevada Reno	1,820	9	2.44
Department of Transportation	1,530	10	2.05
Subtotal	54,337		72.75%
All other	20,356		27.25%
Total 1998 (138 Agencies)	74,693		100.00%

Participating Agencies	2007 Covered Employees	Rank	Percentage of Total System
Clark County School District	31,447	1	30.33%
State of Nevada	15,307	2	14.76
Clark County	7,429	3	7.16
Washoe County School District	7,279	4	7.02
Las Vegas Metropolitan Police Department	4,853	5	4.68
University Medical Center of Southern Nevada	3,778	6	3.64
Washoe County	2,936	7	2.83
City of Las Vegas	2,921	8	2.82
University of Nevada Reno	2,180	9	2.10
City of Henderson	2,018	10	1.95
Subtotal	80,148		77.29%
All other[a]	23,545		22.71%
Total 2007 (166 Agencies)	103,693		100.00%

[a] In 2007 "All other" consisted of:

Agency Type	Number of Agencies	Covered Employees
State of Nevada and Related Agencies	20	2,173
University of Nevada System	1	1,970
Schools	34	6,957
Counties	14	2,870
Cities	17	5,472
Hospitals	6	647
Utility, Irrigation, and Sanitation Districts	18	742
Special Districts and Agencies	46	2,714
Subtotal	156	23,545
Largest Ten Participating Employers	10	80,148
Total	166	103,693

SCHEDULE 9

Average Age and Service Statistics for Members*

	1998	2007
Regular members:		
Average age	43.7	45.0
Average years of service	8.2	8.3
Police/Fire members:		
Average age	39.2	39.3
Average years of service	9.5	9.7

SCHEDULE 10
Average Salaries for Members*

	Regular	Increase	Police/Fire	Increase
June 30, 1998	$32,714		$44,987	
1999	33,397	2.1 %	45,283	0.7 %
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
2003	39,193	2.9	56,907	2.3
2004	40,069	2.2	59,008	3.7
2005	40,901	2.1	61,277	3.8
2006	41,929	2.5	64,250	4.9
2007	43,355	3.4	66,316	3.2
Annual increase 1998 – 2007		3.2 %		4.4 %

Fiscal Year 2007 All Urban Consumer Price Index (CPI) 2.7%

* Information provided by The Segal Company

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PLAN SUMMARY

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Administration

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

The governing authority of the System is a 7-member board appointed by the Governor. Day-to-day operations are managed by the Executive Officer. Operating funds are provided by transfer of an administrative fee assigned to each member and benefit recipient. Monthly fees at June 30, 2007, were $3.02 for each Regular member and benefit recipient and $3.26 for each Police/Fire member and benefit recipient.

Membership

An employee of a participating public employer is required to be a member of the System from the first day of service if he or she is employed in a position which is normally considered to be half-time or more according to the full-time work schedule established by the public employer. Persons employed in an approved police or fire position are covered under the Police/Fire sub-fund. Persons who are not police or fire employees are covered under the Regular sub-fund. Membership is canceled upon refund, retirement, or death. Membership is not canceled automatically upon termination of employment. A member must apply for a refund, distribution, or retirement to cancel membership.

Types of Contribution Plans

All pay that meets the definition of compensation as defined in NRS 286.025(2) is subject to retirement contribution. New hires (in agencies which did not elect the Employer-Pay Contribution plan (EPC) prior to July 1, 1983) have the option of selecting the Employer-Pay Contribution plan or the Employee/Employer Contribution plan. Each plan is described below.

Employer-Pay Contribution Plan (EPC)

Under EPC contributions are paid on the employee's behalf by their public employer. EPC contributions are not deposited to the individual member's account and are not available for refund upon termination of employment. The EPC contribution rates, through June 30, 2007, were 19.75% for Regular members and 32.0% for Police/Fire members.

Employee/Employer Contribution Plan

Under this plan, through June 30, 2007, the Regular member and the employer each contributed 10.5% of compensation to the System. Police/Fire members and their employers each contributed 16.5% of compensation. Employee contributions made under this plan are refundable upon termination of employment. Employer contributions are not refundable.

Public employees, other than school employees, earn service credit for years, months, and days actually worked. School employees, who are not regular 12-month employees, receive service credit on the basis of a full year if they work full-time for the entire school year. For these same school employees, service for a part of the school year is credited on a ratio of one and one-third days for each day worked.

PLAN SUMMARY

Service

Purchase of Service

Members with five years of creditable service may purchase up to five years of service credit. The member must pay the full actuarial cost associated with age and average compensation at the time of purchase.

Refund of Contributions

Members who have contributed under the Employee/Employer Contribution plan may withdraw employee contributions if terminating all employment for which contribution is required or if employed in a position ineligible for membership for at least 90 days. A refund cancels all rights of membership.

Repayment of Refunded Contributions

Members who receive a refund of employee contributions and later return to work and re-establish active membership for a period of at least six months may repay the refunded contributions and restore service credit. Repayment, including interest at the actuarially determined rate, may be in the form of a lump-sum payment or by monthly installments. Service will not be restored until repayment is complete.

Benefits

Service Retirement Vesting

Contributing members of the System earn the right to receive a retirement benefit after five years of service.

Service Retirement

Requirements for Regular members to retire with an unreduced benefit – age 65 with five years of service, **or** age 60 with ten years of service, **or** any age with thirty years of service.

Requirements for Police/Fire members to retire with an unreduced benefit – age 65 with five years of service, **or** age 55 with ten years of Police/Fire service, **or** age 50 with twenty years of Police/Fire service, **or** at any age with twenty-five years of Police/Fire service.

Early Retirement Penalty

Members with the years of service necessary to receive a retirement benefit but who have not reached the age for an unreduced benefit may retire at any age with the benefit reduced by 4% for each full year that they retire early.

Important Factors for Determining Retirement Benefits

Benefit amounts are based on three factors:

1. Average compensation – defined as the average of 36 highest consecutive months of compensation.
2. Service credit – years, months, and days worked.
3. Selection of retirement plan – prospective retirees may elect one of seven retirement options.

Option 1 – (the unmodified plan) for Regular members – Pays the full monthly benefit earned but provides no income protection for beneficiary after death.

Option 1 – (the unmodified plan) for Police/Fire members – Pays the full monthly benefit earned for the retiree's lifetime. A person who was the spouse at time of retirement shall be entitled, at the time of the retired employee's death or upon the attainment of age 50; whichever is later, to a benefit of 50% of the deceased retired employee's benefit earned at the time of his/her death in an eligible police/fire position.

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

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

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

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

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

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

Post-Retirement Benefit Increases

Retirees are eligible for annual benefit increases if they began receiving benefits at least three years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in each of the fourth, fifth, and sixth years; increase to 3% in years seven, eight, and nine; 3.5% in years ten, eleven, and twelve; 4% for years thirteen and fourteen; and 5% in year fifteen and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three year average of the Consumer Price Index (All Items).

Benefit Formula

The formula used for calculating retirement benefits is as follows:

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

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

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

Disability Retirement

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

Survivor Benefits

Eligibility

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

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

Eligible survivors:

1. Spouse
2. Each unmarried dependent child under age 18, or up to age 23 if a full-time student.
2. Dependent parents, provided there are no other eligible survivors at the time of member's death.
4. If the member is unmarried at the time of death, any single designated survivor beneficiary.

Amount of Survivor Benefits

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

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

A member is able to designate one survivor beneficiary to receive benefits (as described above) to be paid if the member is unmarried at the time of death. Beginning January 1, 2004, a member may designate additional payees to receive direct payment of a portion of the survivor beneficiary benefit.