

**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, 2008**

**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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Retirement Board

Sue DeFrancesco
Chairman
Charles A. Silvestri
Vice Chairman

Elizabeth Fretwell
Purismo B. Hernandez
David F. Kallas
George W. Stevens
Warren Wish



Executive Staff

Dana K. Bilyeu
Executive Officer

Tina M. Leiss
Operations Officer

Ken Lambert
Investment Officer

December 3, 2008

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, 2008.

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, 2008, 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 2008, the System had 173 participating employers, 106,123 active members, and 38,130 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 111.

Included in the Financial Section of this CAFR, beginning on page 21, 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.

INTRODUCTORY SECTION

Major Initiatives

Legislation

The Nevada Legislature convenes on a biennial basis in odd-numbered years. During the interim between legislative sessions, PERS worked with legislative staff on pension-related issues. Following the 2007 legislative session, the Retirement Board reviewed the System's Official Policies and determined that no changes were necessary as a result of legislative action.

System Governance

During this past 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 governance policies. The review covered more than 100 separate provisions of the governance policies. The compliance review report concluded that the Board and staff are adhering to the spirit and letter of the governance policies. No major exceptions were identified.

This year the Board Chairman appointed a sub-committee to work with staff to review each policy and charter to ensure the policies remain current and relevant. The sub-committee process provides an opportunity for in-depth discussions on individual policies and a framework for Board feedback to staff on draft changes. The sub-committee is scheduled to complete the review of all policies and charters, with appropriate recommendations to the Board, during fiscal year 2009.

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 ensure that all duties are performed within the fiscal year. PERS' performance is measured, in part, by total member and retiree workload. During fiscal year 2008, the System completed approximately 92,500 pieces of work. Of this group, 74,000 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 38,000 benefit recipients monthly. The System completed 7,180 one-fifth of a year purchases for educational employees and 1,466 service credit audits for the Public Employees' Benefits Program (PEBP). The electronic enrollment process was introduced to non-choice public employers for the first time during this fiscal year. This process allows employers to directly enroll new members by submitting a data file which is downloaded into the C*A*R*S*O*N System. Staff will be providing group training for employers during the 2009 fiscal year.

In order to better serve our members and retirees in southern Nevada, a new Las Vegas office was opened in the Summerlin area which is in a location geographically diverse from the System's existing Las Vegas office. The new office was officially opened on January 14, 2008.

PERS continued participation in a benchmarking analysis service in fiscal year 2008. 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 from its peers.

The 4th Annual Liaison Officer Conference was held in Las Vegas on November 15, 2007. The public employer attendees were organized into three groups based on agency type. This grouping provided the opportunity for PERS staff to effectively address the specialized issues related to each employer type. Reviewing the conference attendee surveys completed at the end of the conference revealed 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. Online programs were developed for PERS' service retirement, disability retirement, and purchase of service programs.

The System is migrating the current pension processing system from the Forte product to a Java based system. This migration was necessary due to the announced end of life of the Forte product. The current system came on line in 2001 and has been very successful. The Java migration, which has been underway for approximately nine months, will allow the System to keep the functionality of the current pension processing system, with virtually no interruption to the end users, while migrating to a system that will continue to be supportable. This project is currently on schedule and on budget.

Staff continued to enhance the System's disaster recovery site in fiscal year 2008 through ongoing testing of various System processes. In addition, 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

Annually, the Retirement Board reviews the System's strategic plan for updates, including both additions and deletions. Beginning in 2006, after research in strategic planning within the public pension community, the strategic plan for Nevada PERS was significantly modified to better reflect the core nature of the business of the agency. This new format proved helpful in the fiscal year 2008 revision to the strategic plan which 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. Language was modified in the Internal Assessment and External Assessment sections to include progress updates on legal management and information technology as well as a section on social investing issues. The updated Strategic Plan is available on PERS' website.

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. The Retirement Act 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.

INTRODUCTORY SECTION

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

	<u>2008</u>	<u>2007</u>
Additions	\$558,002,173	\$4,115,846,295
Deductions	<u>(1,061,353,599)</u>	<u>(957,369,949)</u>
Net Additions	<u><u>(\$503,351,426)</u></u>	<u><u>\$3,158,476,346</u></u>

Additions decreased approximately \$3.6 billion from fiscal year 2007, due to decreases in net investment income of \$3.7 billion, offset by increases in contribution revenue of \$123.2 million. Deductions increased by \$104.0 million between 2007 and 2008, due almost exclusively to increases in benefit payouts of \$103.8 million.

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 79. Fiscal year 2008 funding levels are presented on page 34 in the Financial Section of this report. In addition, Required Supplemental Information on page 44 shows ten-year schedules of funding progress. The funded ratio for all members is 76.2% in 2008, a slight decrease from 77.2% in fiscal year 2007.

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 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 26 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 2008 was \$22.0 billion. The portfolio return objective includes a premium over the Consumer Price Index (CPI). This premium has ranged from 3.0% to 4.5% over time. On that basis the total fiscal year 2008 return objective was 9.5%. The System's total return on investments for that same time period was -3.2%, which includes both realized and unrealized gains. Fiscal year 2008 returns were influenced by below average returns from U.S. and international equities and a sharp rise in inflation. While the fiscal year returns were below our long-term assumptions, they were quite competitive versus other large public pension plans, ranking in the top third of all plans for the year. The fund's annualized rate of return is 10.3% since inception (24 years) versus our long-term actuarial funding objective of 8%. The fund is competitive on a risk-adjusted basis, ranking in the top 15% of public funds for that same time frame. The investment section beginning on page 54 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, 2007 (see page 17). This was the eighteenth 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, 2008 (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 54.

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

INTRODUCTORY SECTION

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 2008.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Dana K. Bilyeu', with a long horizontal flourish extending to the left.

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
Purismo 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
Chris Collins	Member	2009
Raymond McAllister	Member	2011

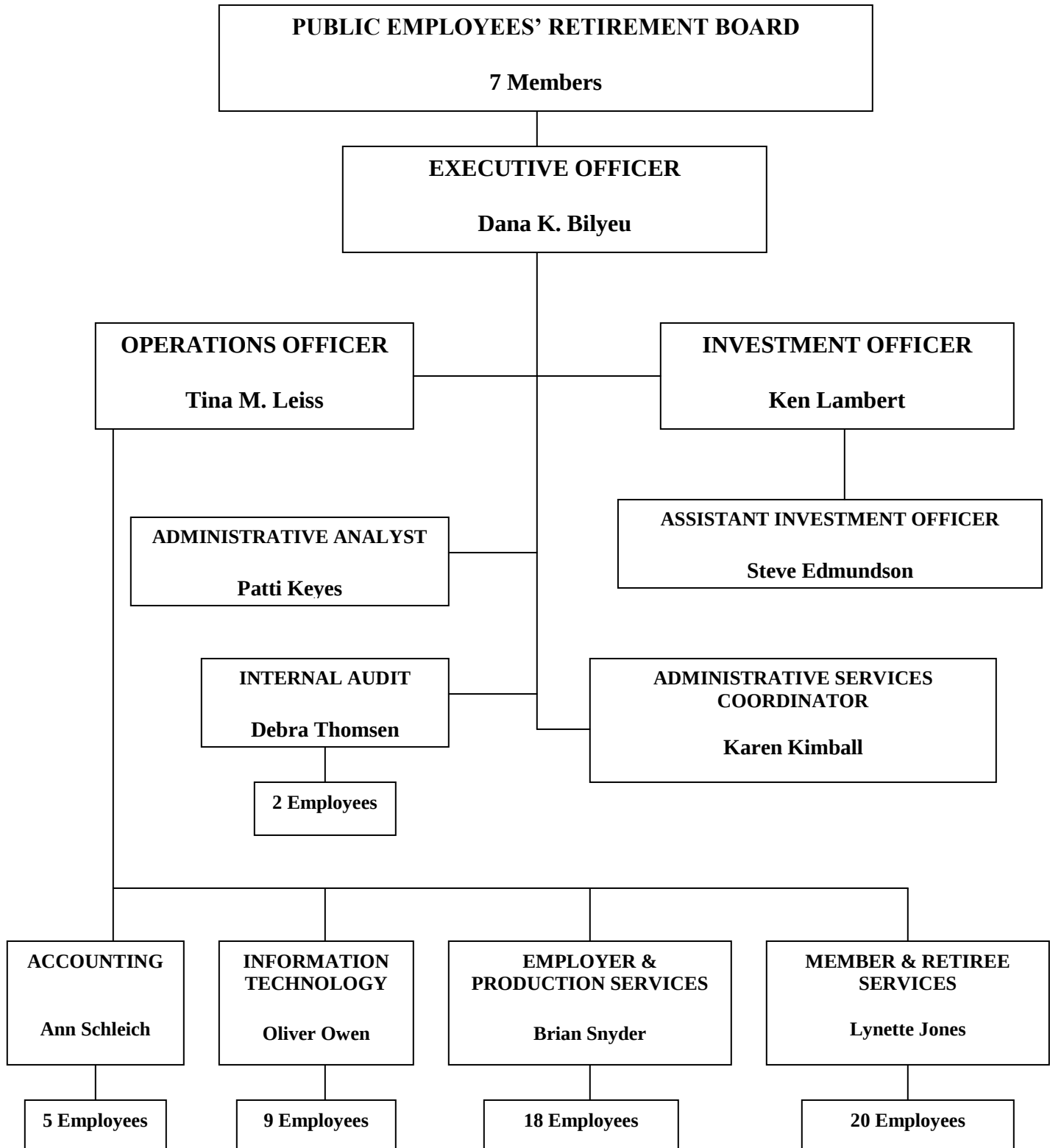
Terms expire on June 30 of year noted.

THE SYSTEM'S ADVISORS

Consulting Actuary – The Segal Company, San Francisco, California
Independent Auditors – Clifton Gunderson LLP, Baltimore, Maryland
Investment Consultant – Callan Associates, Atlanta, Georgia

Note: A list of investment professionals who provide services to PERS can be found on page 54. A schedule of fees and commissions paid to investment professionals can be found beginning on page 69.

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, 2007

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 Award
For Funding and Administration
2008***

Presented to

Public Employees' Retirement System of Nevada

In recognition of meeting professional standards for
plan funding 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)

A handwritten signature in black ink, reading 'Alan H. Winkle'. The signature is written in a cursive, flowing style.

Alan H. Winkle
Program Administrator



FINANCIAL SECTION

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Independent Auditor's Report

Public Employees' Retirement Board
of the State of Nevada
Carson City, Nevada

We have audited the accompanying financial statements of the Public Employees' Retirement System of Nevada (the "System"), a component unit of the State of Nevada as of June 30, 2008, as listed in the table of contents. 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. The comparative totals for the year ended June 30, 2007 which are included for additional analysis were audited by other auditors whose report dated December 10, 2007 expressed an unqualified opinion on such information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the System as of June 30, 2008 and the changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 23 through 26 and the Schedules of Funding Progress and Employer Contributions on pages 44 and 45 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 46 through 51 is for the purpose of additional analysis and is not a required part of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The supplemental information for 2007 was subjected to the auditing procedures applied in the basic financial statements by other auditors whose report dated December 10, 2007 on such information was unqualified, in all material respects, in relation to the basic financial statements taken as a whole.

The Introduction Section on pages 9 through 18, the Investment Section on pages 53 through 72, the Actuarial Section on pages 73 through 90, the Statistical Section on pages 91 through 108 and the Plan Summary on pages 109 through 114 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Clifton Gunderson LLP

Baltimore, Maryland
December 3, 2008

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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, 2008. 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.

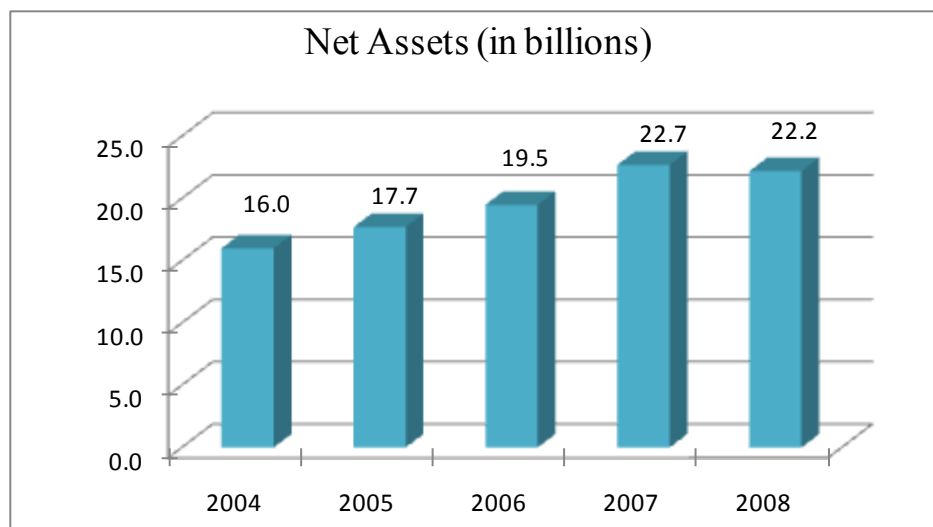
Financial Highlights

Net assets decreased by \$503.4 million or 2.2% to \$22.2 billion as of June 30, 2008.

Total net investment loss was \$743.1 million in fiscal year 2008, a decrease from the \$2.9 billion gain in fiscal year 2007.

Total investments, excluding securities lending collateral, at June 30, 2008, decreased by \$744.0 million or 3.3% to \$22.0 billion.

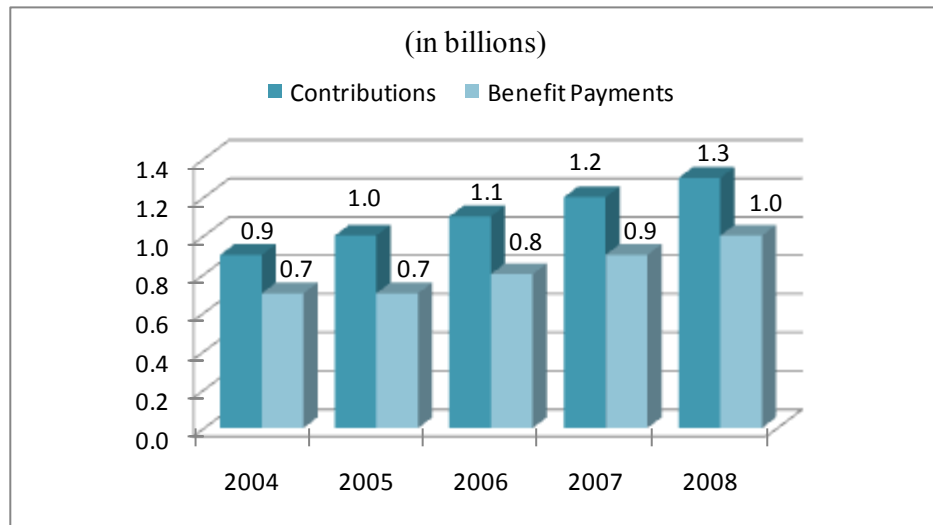
As of June 30, 2008, the most recent actuarial valuation, the System was 76.2% funded, compared to a funding level of 77.2% as of June 30, 2007.



Total contributions for fiscal year 2008 increased by \$123.2 million or 10.5% to \$1.3 billion.

Benefit payments for fiscal year 2008 increased by \$103.8 million or 11.2% to \$1.0 billion.

Refunds of contributions decreased by \$0.6 million or 3.6% to \$16.8 million.



The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. As of June 30, 2008, the Plan held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the Plan's Lehman debt securities will not be known until the bankruptcy proceedings are completed.

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, 2008	As of June 30, 2007	Percentage Change
Cash and cash equivalents	\$ 377,383,481	\$ 404,691,892	(6.7) %
Receivables	187,412,500	195,972,466	(4.4)
Trades pending settlement	197,657,567	302,642,591	(34.7)
Investments, at fair value	22,009,876,310	22,753,829,642	(3.3)
Collateral on loaned securities	2,872,321,923	3,390,654,058	(15.3)
Property and equipment, net	4,600,228	3,095,035	48.6
Other assets	1,676,282	1,358,459	23.4
Total assets	<u>25,650,928,291</u>	<u>27,052,244,143</u>	(5.2)
Accounts payable and other accrued expenses	11,410,243	10,182,700	12.1
Trades pending settlement	569,187,593	950,047,427	(40.1)
Obligations under securities lending activities	<u>2,872,321,923</u>	<u>3,390,654,058</u>	(15.3)
Total liabilities	<u>3,452,919,759</u>	<u>4,350,884,185</u>	(20.6)
Net assets held in trust for pension benefits	<u>\$ 22,198,008,532</u>	<u>\$ 22,701,359,958</u>	(2.2)

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Condensed Statements of Changes in Fiduciary Net Assets

	For the Year Ended June 30, 2008	For the Year Ended June 30, 2007	Percentage Change
Contributions	\$ 1,298,694,332	\$ 1,175,480,739	10.5 %
Net investment income (loss)	(743,073,557)	2,937,087,365	(125.3)
Other income	2,381,398	3,278,191	(27.4)
Total additions	558,002,173	4,115,846,295	(86.4)
Benefit payments	1,033,191,346	929,376,391	11.2
Refunds of contributions	16,822,873	17,444,520	(3.6)
Administrative expenses	8,723,601	8,588,057	1.6
Transfer of contributions	2,615,779	1,960,981	33.4
Total deductions	1,061,353,599	957,369,949	10.9
Net increase (decrease)	(503,351,426)	3,158,476,346	(115.9)
Net assets, beginning of year	22,701,359,958	19,542,883,612	16.2
Net assets, end of year	\$ 22,198,008,532	\$ 22,701,359,958	(2.2)

Although the PERS investment program was unable to generate the 8% actuarial goal for fiscal year 2008, the fund did outperform its market objective and ended this year with approximately \$22.0 billion in investment assets, as compared to fiscal year 2007's \$22.8 billion. After four consecutive years of positive investment returns, due to the weakening economy and severe credit market crisis, PERS posted negative results. Fiscal year to date return hovered near 0% for the majority of the year, but in the last month of the fiscal year the U.S. stock market posted the worst June performance since the Great Depression (78 years).

The State of Nevada as a whole continues to experience steady growth. Contributions have grown along with this trend. Fiscal year 2008 contributions increased 10.5% from the previous year. Other income decreased 27.4% from 2007. Most of this change can be attributed to a decrease in purchases of service between the two years. Withdrawn contribution repayments and purchases of service, by nature, are unpredictable from year to year.

Benefit payments increased 11.2% in 2008 from 2007. This rate of increase is reasonable and consistent with those experienced over the past several years.

The transfer of contributions to the Judicial Retirement System (JRS) increased from 2007 as members continue to transfer from PERS to JRS. During fiscal year 2008, transfers totaling \$2.6 million were made.

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

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

ASSETS	2008	2007
Cash and cash equivalents	\$ 377,383,481	\$ 404,691,892
Receivables:		
Contributions receivable	98,981,950	102,931,882
Trades pending settlement	197,657,567	302,642,591
Accrued investment income	88,430,550	93,040,584
Total receivables	385,070,067	498,615,057
Investments, at fair value:		
Fixed income securities	6,557,248,763	5,671,983,788
Marketable equity securities	9,147,115,146	11,108,979,632
International securities	4,586,140,392	4,513,099,459
Mortgage loans	8,837	10,698
Real estate	1,179,621,748	1,075,034,761
Private equity	539,741,424	384,721,304
Total investments	22,009,876,310	22,753,829,642
Collateral on loaned securities	2,872,321,923	3,390,654,058
Property and equipment, net	4,600,228	3,095,035
Other assets	1,676,282	1,358,459
Total plan assets	25,650,928,291	27,052,244,143
LIABILITIES		
Accounts payable and other accrued expenses	11,410,243	10,182,700
Trades pending settlement	569,187,593	950,047,427
	580,597,836	960,230,127
Obligations under securities lending activities	2,872,321,923	3,390,654,058
Commitments and contingencies (Note 6)		
Total plan liabilities	3,452,919,759	4,350,884,185
Net assets held in trust for pension benefits		
(A schedule of funding progress is presented on page 44)	\$22,198,008,532	\$22,701,359,958

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

FINANCIAL SECTION**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the Year Ended June 30, 2008

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

ADDITIONS	<u>2008</u>	<u>2007</u>
Contributions:		
Employer	\$ 1,167,392,913	\$ 1,046,628,769
Plan members	88,013,888	83,219,638
Repayment and purchase of service	<u>43,287,531</u>	<u>45,632,332</u>
Total contributions	<u>1,298,694,332</u>	<u>1,175,480,739</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	(1,452,221,839)	2,310,325,045
Interest	344,301,544	308,236,020
Dividends	310,551,918	256,800,373
Other investment income	<u>62,429,450</u>	<u>81,758,481</u>
	(734,938,927)	2,957,119,919
Less investment fees and other expenses:	<u>(27,918,718)</u>	<u>(25,531,576)</u>
Net investment income (loss)	<u>(762,857,645)</u>	<u>2,931,588,343</u>
Securities lending income	176,117,382	129,784,535
Less securities lending expense	<u>(156,333,294)</u>	<u>(124,285,513)</u>
Net securities lending income	<u>19,784,088</u>	<u>5,499,022</u>
Total net investment income (loss)	(743,073,557)	2,937,087,365
Other income	<u>2,381,398</u>	<u>3,278,191</u>
Total additions	<u>558,002,173</u>	<u>4,115,846,295</u>
DEDUCTIONS		
Benefit payments:		
Retirement and survivor benefits	979,319,655	880,300,348
Disability	53,836,984	49,038,024
Post-retirement increases	34,707	38,019
Refunds of contributions	16,822,873	17,444,520
Administrative expenses	8,723,601	8,588,057
Transfer of contributions	<u>2,615,779</u>	<u>1,960,981</u>
Total deductions	<u>1,061,353,599</u>	<u>957,369,949</u>
Increase (decrease) in net assets	(503,351,426)	3,158,476,346
Net assets held in trust for pension benefits:		
Beginning of year	<u>22,701,359,958</u>	<u>19,542,883,612</u>
End of year	<u>\$22,198,008,532</u>	<u>\$22,701,359,958</u>

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, 2008, the number of participating public employers is:

State of Nevada and Related Agencies	21
University of Nevada System	2
Schools	41
Counties	16
Cities	19
Hospitals	7
Utility, Irrigation, and Sanitation Districts	17
Special Districts and Agencies	<u>50</u>
	<u>173</u>

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:	<u>2008</u>	<u>2007</u>
Regular employees	31,722	29,670
Police/Fire employees	4,689	4,396
Survivor benefit recipients	<u>1,719</u>	<u>1,621</u>
Total benefit recipients	<u>38,130</u>	<u>35,687</u>
Inactive members:		
Regular employees	10,965	10,394
Police/Fire employees	<u>628</u>	<u>596</u>
Total inactive members	<u>11,593</u>	<u>10,990</u>
Active members:		
Regular employees	93,816	91,757
Police/Fire employees	<u>12,307</u>	<u>11,936</u>
Total active members	<u>106,123</u>	<u>103,693</u>

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, allow 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 3 on page 35 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 MattersFinancial 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.

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.

Assets of the System can legally be used to pay both Regular or Police/Fire beneficiaries.

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. For private equity partnership investments, estimated fair value is determined in good faith by the general partner of the respective investment partnership. In addition, each partnership undergoes an independent audit on an annual basis.

NOTES TO FINANCIAL STATEMENTS

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

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

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, 2008, were \$3.79 for each Regular member and benefit recipient and \$4.11 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, 2007 financial statements. It has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

New Accounting Pronouncement

For the year ended June 30, 2008, the System implemented the provisions of Government Accounting Standards Board Statement No. 50 (GASB 50), *Pension Disclosures – an amendment of GASB Statements No. 25 and 27*. GASB 50 requires disclosures, within the notes to the financial statements, of the funded status of the pension plan and actuarial methods and significant assumptions used in the most recent actuarial valuation.

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.

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).

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

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, 2008 (date of the most recent actuarial valuation), the System's funded status is as follows:

(dollars in millions)

Actuarial Valuation Date 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
2008	\$23,237.7	\$30,495.9	\$7,258.2	76.2%	\$5,194.4	139.7%

See Required Supplementary Information (RSI) on page 44 for a 10-year schedule of funding progress. This schedule indicates how the actuarial values of plan assets have increased or decreased over time, relative to the actuarial accrued liability (AAL) for benefits.

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.

Fiscal year 2008 employer contributions required and contributions made are as follows:

Actuarial Valuation Date June 30	Regular		Police/Fire		Total	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$924,842,900	96%	\$333,828,000	85%	\$1,258,670,900	93%

See Required Supplementary Information (RSI) on page 45 for a 10-year schedule of employer contributions.

NOTES TO FINANCIAL STATEMENTS

Actuarial Information

The funding progress and employer contribution information presented above and in the RSI 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	6/30/2008
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. For further information, see the Summary of Actuarial Assumptions and Methods beginning on page 79.

NOTES TO FINANCIAL STATEMENTS

Rates in effect for fiscal year ended June 30, 2008, were as follows:

<u>Regular Employees</u>	<u>Funding Basis*</u>	<u>Statutory Rate</u>
Employer-pay plan	20.82%	20.50%
Employee/employer plan (matching rate)	10.83	10.50
<u>Police/Fire Employees</u>		
Employer-pay plan	36.97%	33.50%
Employee/employer plan (matching rate)	18.86	17.25

* Based on June 30, 2007 actuarial valuation

For fiscal year 2008 contributions totaling \$1,298,694,332 (\$1,167,392,913 employer and \$131,301,419 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 \$551,652 for the year ended June 30, 2008.

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 Mellon.

A summary of investments as of June 30, 2008, is as follows:

<u>Investment Type</u>	<u>Fair Value at June 30, 2008</u>
Fixed income	
U.S. Government	
Treasuries, notes, bonds	\$ 988,361,130
Treasury inflation protected securities	6,937,197
Agencies	1,159,591,792
Other	<u>11,367,825</u>
subtotal	<u>2,166,257,944</u>
Mortgage-backed	
Government pass-through	1,360,896,312
Corporate pass-through	<u>226,883,083</u>
subtotal	<u>1,587,779,395</u>
Collateralized mortgage obligations	
Government CMOs	122,548,546
Corporate CMOs	<u>150,167,754</u>
subtotal	<u>272,716,300</u>
Corporate	
Corporate bonds	1,030,362,019
Corporate asset backed	182,553,261
Private placements	<u>51,875,776</u>
subtotal	<u>1,264,791,056</u>
Commingled funds	<u>1,104,192,338</u>
Other	<u>51,118,367</u>
Non-U.S. markets	<u>1,357,392,668</u>
Total fixed income	<u>7,804,248,068</u>

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

Equity

U.S.	8,768,978,124	
Non-U.S.	<u>3,691,982,312</u>	
Total equity		<u>12,460,960,436</u>

Other investments

Private markets (Private equity)	<u>544,509,937</u>	
Real estate	<u>1,179,621,748</u>	
Mortgage loans	<u>8,837</u>	
Commingled funds		
U.S. equity	112,855,339	
Money market funds	<u>353,056,593</u>	
subtotal	<u>465,911,932</u>	
Total other investments		<u>2,190,052,454</u>

Total investments **\$22,455,260,958**

Reconciliation to investments on statement of net plan assets:

Total from above \$22,455,260,958

Minus:

Short-term investments	(356,954,098)
Accrued income and other	<u>(88,430,550)</u>

Investments on statement of net plan assets **\$22,009,876,310**

Note: American Depositary 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, 2008, the carrying amount of the System's commercial cash deposits was \$3,753,933 and the commercial bank balance was \$8,346,488. 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, any amount in the cash reserve in excess of this limit 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 envelope limit of \$850,000,000.

Credit Risk – Investments

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 implicitly guaranteed by the U.S. Government. During 2008 Fannie Mae and Freddie Mac were placed under conservatorship. Such government intervention secures the repayment of debt and guaranteed loans which in turn reduces systemic risk. Under the conservatorship the Federal Housing Finance Agency (FHFA) takes over the assets of and operates these entities with all of the powers of the shareholders, the directors, and the officers and conducts all business including authorizing the payment of valid obligations as outlined in the recently passed Housing and Economic Recovery Act of 2008. It is important to note, however, that the value of agency-issued securities like these fluctuate based on non-credit-related factors, such as interest-rate movements, which could cause future price declines despite government backing.

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. As of June 30, 2008, the Plan held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the Plan's Lehman debt securities will not be known until the bankruptcy proceedings are completed.

Investment Type (millions)	Quality Rating (S&P unless noted)							Totals
	Agency	AAA	AA	A	BBB	BB	Not Rated	
U.S. Government*	\$846.6	\$799.7	\$ -	\$ -	\$0.5	\$ -	\$21.1	\$1,667.9
Mortgage backed securities	1,331.4	233.9	3.7	1.7	0.3	-	16.8	1,587.8
Collateralized mort. obligations	116.8	140.6	2.8	6.0	-	-	6.5	272.7
Corporate bonds	-	256.9	221.1	436.5	334.8	9.4	6.1	1,264.8
Commingled	-	-	-	-	-	-	1,104.2	1,104.2
Other	-	35.5	5.5	7.5	2.6	-	-	51.1
Non-U.S. markets	6.2	597.1	463.2	233.9	56.3	-	0.7	1,357.4
Total fixed income and short-term	\$2,301.0	\$2,063.7	\$696.3	\$685.6	\$394.5	\$9.4	\$1,155.4	\$7,305.9

*Quality Ratings of agency securities have been provided by the System's custodial bank, The Bank of New York Mellon. In addition, the System holds \$498.3 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

NOTES TO FINANCIAL STATEMENTS

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).

The following table shows the fair value of fixed income and short-term securities and the applicable investment maturities as of June 30, 2008.

Investment Type (millions)	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government	\$ 2,166.2	\$ 128.4	\$ 649.2	\$ 436.1	\$ 952.5
Mortgage backed securities	1,587.8	0.3	7.5	43.3	1,536.7
Collateralized mortgage obligations	272.7	6.7	10.8	36.5	218.7
Corporate bonds	1,264.8	11.3	427.0	385.4	441.1
Commingled bonds	1,104.2	-	-	-	1,104.2
Other	51.1	1.3	33.2	7.9	8.7
Non-U.S. markets	1,357.4	2.8	716.2	291.6	346.8
Total fixed income and short-term	\$ 7,804.2	\$ 150.8	\$ 1,843.9	\$ 1,200.8	\$ 4,608.7

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, 2008, is summarized in the following table.

FINANCIAL SECTION

Currency by Investment and Fair Value (millions)

Currency Type	Fixed Income	Equity	Derivatives	Cash
Australian Dollar	\$4.6	\$234.5	\$0.7	\$0.1
British Pound Sterling	81.5	742.6	(4.3)	1.2
Canadian Dollar	25.8	4.8	-	(0.1)
Danish Krone	9.0	36.1	-	0.6
Euro Currency	647.8	1,204.3	(95.0)	(5.0)
Hong Kong Dollar	-	70.8	0.1	0.3
Japanese Yen	403.7	730.3	(1.5)	6.3
Malaysian Ringgit	2.7	-	-	0.1
New Zealand Dollar	-	3.0	0.2	0.3
Norwegian Krone	1.9	40.6	0.4	(0.3)
Polish Zloty	13.2	-	-	(0.2)
Singapore Dollar	1.8	40.7	0.3	0.6
Swedish Krona	8.0	73.0	0.3	0.3
Swiss Franc	4.0	256.6	1.0	(0.5)
Total	\$1,204.0	\$3,437.3	(\$97.8)	\$3.7

Derivatives

Derivatives are periodically employed by the System. Foreign exchange forward contracts are used to hedge currency risk of investments in foreign currencies; exchange traded index futures are utilized to equitize cash; 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.

NOTES TO FINANCIAL STATEMENTS

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.

At June 30, 2008, the weighted average maturities were 4 days for loans outstanding and 31 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. Risk exists if short-term investment vehicles permanently lose value to the extent they fall below the value of loan collateral.

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, 2008, 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 borrower default. Therefore, there were no recoveries of prior period losses.

The fair value of securities loaned at June 30, 2008, is \$2,789,612,700. 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, 2008, 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.

NOTE 6 – Commitments and Contingencies

The System has entered into investment funding commitments related to private markets to fund an additional \$434.7 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.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

1999 to 2008

(dollars in millions)

Actuarial Valuation Date 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
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
2008	23,237.7	30,495.9	7,258.2	76.2	5,194.4	139.7

* Corrected from previous publications.

Actuarial Valuation Date 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
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
2008	5,363.0	1,895.2	123.8	219.4	77.7	70.8

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
1999 to 2008

Actuarial Valuation Date June 30	Regular		Police/Fire		Total	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
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
2008	924,842,900	96	333,828,000	85	1,258,670,900	93

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION**Schedule of Administrative Expenses**

For the Year Ended June 30, 2008

(GAAP Basis)

Personnel services:	Staff payroll and benefits	\$4,467,557	
	Board fees	<u>19,680</u>	
	Total Personnel Services		\$4,487,237
Out-of-state travel:	Staff	8,406	
	Board	4,971	
	Police/Fire committee	<u>2,002</u>	
	Total Out-of-State Travel		15,379
In-state travel:	Staff	48,932	
	Board	20,287	
	Police/Fire committee	<u>1,707</u>	
	Total In-State Travel		70,926
Operating:	Office supplies	28,956	
	Equipment less than \$1,000	6,295	
	Postage and freight	235,262	
	Communications	31,075	
	Printing	272,592	
	Publications and periodicals	3,327	
	Bonds and insurance premiums	9,763	
	Contract services	533,536	
	Vehicle expense	5,057	
	Equipment rental and repair	18,533	
	Building rental	280,832	
	License and fees	1,952	
	Client communication	181,025	
	Dues and registration	21,729	
	Medical expenses	24,904	
	Host expense	776	
	Litigation expense	<u>22,162</u>	
	Total Operating		1,677,776
Equipment and office furniture			27,187
Information technology			2,293,118
Training			61,456
Attorney General allocation		<u>87,318</u>	
Total Expenses			<u>\$8,720,397</u>
Reconciliation to Administrative Expenses on Statement of Changes in Fiduciary Net Assets:			
Total from above			\$8,720,397
Plus: Miscellaneous unbudgeted expenses			<u>3,204</u>
Administrative Expenses on Statement of Changes in Fiduciary Net Assets:			<u>\$8,723,601</u>

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses

For the Year Ended June 30, 2008

(Non-GAAP Budgetary Basis)

Budget vs. Actual

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance Under (Over)</u>
Personnel services	\$4,752,729	\$4,453,694	\$299,035
Out-of-state travel	35,666	15,379	20,287
In-state travel	71,248	70,926	322
Operating	1,672,895	1,677,776	(4,881)
Equipment and office furniture	29,804	29,740	64
Information technology	3,810,019	3,795,759	14,260
Training	67,727	61,456	6,271
Attorney General allocation	86,423	87,318	(895)
Unallocated budgetary authority	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total	<u>\$10,726,511</u>	<u>\$10,192,048</u>	<u>\$534,463</u>

Reconciliation of GAAP Basis Administrative Expenses to Non-GAAP Budgetary Basis

For the Year Ended June 30, 2008

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, 2008.

Administrative Expenses (Non-GAAP Budgetary Basis)	\$10,192,048
Adjustments:	
Accrued payroll	33,543
Depreciation expense	1,951,615
Capitalization of fixed assets & software	<u>(3,456,809)</u>
Administrative Expenses (GAAP Basis)	<u>\$8,720,397</u>

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2008

Investment counselor fees	\$ 19,935,547
Investment consulting fees	321,242
Equity real estate expense	7,463,550
Mortgage loans legal and professional fees	839,181
Securities lending broker rebates and fees	156,333,294
Depreciation expense	(701,961)
Investments monitoring expense	19,258
Custodial banking fees	<u>41,901</u>
Total Investment Expenses	<u><u>\$ 184,252,012</u></u>

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the Year Ended June 30, 2008

Actuary	
The Segal Company	\$ 340,155
Cost Effectiveness Consultant	
Cost Effectiveness Measurement Inc.	35,000
Fiduciary Consultant	
Cortex Applied Research	47,831
Independent Auditors	
Clifton Gunderson LLP	22,000
PricewaterhouseCoopers LLP	113,000
Technology Consultants	
Action Technologies	12,641
Apex Computing Inc.	3,399,822
Coda Financials Inc.	18,092
Cyber Trust	73,212
L.R. Wechsler, LTD	24,777
Sage Abra	2,245
Vizant Software	7,765
Administrative Legal Counsel	
Attorney General's Office	86,423
Woodburn and Wedge	21,682
Medical Consultant	
Dr. G. Bruce Nickles	<u>26,546</u>
Total Payments to Consultants	<u><u>\$ 4,231,191</u></u>

Note: Information on payments made to investment professionals can be found on page 69.

FINANCIAL SECTION**OTHER SUPPLEMENTARY INFORMATION****COMBINING SCHEDULE OF FIDUCIARY NET ASSETS**

June 30, 2008

(With Comparative Totals for June 30, 2007)

	Regular	Police/Fire	Eliminations	Total Pension Trust Fund 2008	Total Pension Trust Fund 2007
ASSETS					
Cash and cash equivalents	\$ 377,383,481	\$ -	\$ -	\$ 377,383,481	\$ 404,691,892
Contributions receivable	98,981,950	-	-	98,981,950	102,931,882
Trades pending settlement	197,657,567	-	-	197,657,567	302,642,591
Accrued investment income	88,430,550	-	-	88,430,550	93,040,584
Investments, at fair value	22,009,876,310	-	-	22,009,876,310	22,753,829,642
Collateral on loaned securities	2,872,321,923	-	-	2,872,321,923	3,390,654,058
Property and equipment, net	4,600,228	-	-	4,600,228	3,095,035
Other assets	1,676,282	-	-	1,676,282	1,358,459
Due from other funds- equity in investments	-	4,393,481,603	(4,393,481,603)	-	-
Total plan assets	25,650,928,291	4,393,481,603	(4,393,481,603)	25,650,928,291	27,052,244,143
LIABILITIES					
Accounts payable and other accrued expenses	11,410,243	-	-	11,410,243	10,182,700
Trades pending settlement	569,187,593	-	-	569,187,593	950,047,427
Due to other funds – equity in investments	4,393,481,603	-	(4,393,481,603)	-	-
Obligations under securities lending activities	2,872,321,923	-	-	2,872,321,923	3,390,654,058
Total plan liabilities	7,846,401,362	-	(4,393,481,603)	3,452,919,759	4,350,884,185
Net assets held in trust for pension benefits	\$ 17,804,526,929	\$ 4,393,481,603	\$ -	\$ 22,198,008,532	\$ 22,701,359,958

OTHER SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended June 30, 2008

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

	Regular	Police/Fire	Total Pension Trust Fund 2008	Total Pension Trust Fund 2007
ADDITIONS				
Contributions:				
Employer	\$ 885,258,334	\$ 282,134,579	\$ 1,167,392,913	\$ 1,046,628,769
Plan members	72,438,115	15,575,773	88,013,888	83,219,638
Repayment and purchase of service	34,662,679	8,624,852	43,287,531	45,632,332
Total contributions	992,359,128	306,335,204	1,298,694,332	1,175,480,739
Investment Income:				
Net appreciation (depreciation) in fair value of investments	(1,452,221,839)	-	(1,452,221,839)	2,310,325,045
Interest	344,301,544	-	344,301,544	308,236,020
Dividends	310,551,918	-	310,551,918	256,800,373
Other investment income	62,429,450	-	62,429,450	81,758,481
	(734,938,927)	-	(734,938,927)	2,957,119,919
Less investment fees and other expense	(27,918,718)	-	(27,918,718)	(25,531,576)
Net investment income (loss)	(762,857,645)	-	(762,857,645)	2,931,588,343
Securities lending income	176,117,382	-	176,117,382	129,784,535
Less securities lending expense	(156,333,294)	-	(156,333,294)	(124,285,513)
Net securities lending income	19,784,088	-	19,784,088	5,499,022
Total net investment income (loss)	(743,073,557)	-	(743,073,557)	2,937,087,365
Other income	1,980,933	400,465	2,381,398	3,278,191
Total additions	251,266,504	306,735,669	558,002,173	4,115,846,295
DEDUCTIONS				
Benefit payments:				
Retirement and survivor benefits	797,682,278	181,637,377	979,319,655	880,300,348
Disability	43,956,025	9,880,959	53,836,984	49,038,024
Post-retirement increases	31,103	3,604	34,707	38,019
Refunds of contributions	12,547,038	4,275,835	16,822,873	17,444,520
Administrative expenses	8,723,601	-	8,723,601	8,588,057
Transfer of contributions	2,615,779	-	2,615,779	1,960,981
Total deductions	865,555,824	195,797,775	1,061,353,599	957,369,949
Increase (decrease) in net assets	(614,289,320)	110,937,894	(503,351,426)	3,158,476,346
Transfers:				
Interfund transfers	13,726	(13,726)	-	-
Transfer of annual investment income	146,013,954	(146,013,954)	-	-
Transfer of administrative fees	1,009,761	(1,009,761)	-	-
Total transfers	147,037,441	(147,037,441)	-	-
Net assets held in trust for pension benefits:				
Beginning of year	18,271,778,808	4,429,581,150	22,701,359,958	19,542,883,612
End of year	\$ 17,804,526,929	\$ 4,393,481,603	\$ 22,198,008,532	\$ 22,701,359,958

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INVESTMENT SECTION

INVESTMENT SECTION

INVESTMENT CONSULTANT

Callan Associates, Inc.

INVESTMENT COUNSEL

Domestic Equities:

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

International Equities:

Goldman Sachs
Mellon Capital
Quantitative Management Associates

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 Mellon

CALLAN ASSOCIATES^{INC.}

September 30, 2008



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, 2008.

SAN FRANCISCO

NEW YORK

CHICAGO

ATLANTA

DENVER

Following four consecutive years of strong positive returns, fiscal year 2008 was a tumultuous and challenging year for equities worldwide. Oil and commodity prices rose to all time highs, while low consumer confidence, negative job growth, rising inflationary pressures, and a seemingly endless mortgage crisis severely dampened economic growth.

In response to this macroeconomic environment, all major U.S. and non-U.S. equity indices traded in negative territory for the fiscal year. Returns varied widely among economic sectors. Financials declined the most due to continued mortgage defaults and credit concerns, while soaring commodity prices propelled Energy to the top performing sector.

Despite the credit crisis and liquidity crunch, fixed income assets were higher over the fiscal year and outperformed equities. The Federal Reserve cut rates multiple times over the course of the year; the Fed Funds target rate ended the fiscal year at 2.0%, the lowest level in four years.

PERS' asset allocation policy for fiscal year 2008 was: 40% Domestic Equity, 15% International Equity, 30% Domestic Fixed Income, 5% International Fixed Income and 10% Private Markets.

The negative stock market took its toll on the PERS performance. During the fiscal year ending June 30, 2008, the PERS total fund return of -3.2% exceeds the Fund's benchmark (-4.0%), and the average large pension fund, but falls short of the actuarial return assumption of 8.0%. The fund's 5 year return was 8.03% and long-term results remain competitive as performance for the past 24 years (+10.4%) continues to exceed the actuarial return assumption and the Fund's benchmark.

The Fund's conservative and consistent investment strategy has produced attractive risk-adjusted returns over the years. PERS' Sharpe Ratio is better than 77% of other public funds of similar size 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 2008 fiscal year.

Sincerely,

Paul Troup
Executive Vice President

Eileen Kwei, CFA
Vice President

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. Developing a long-term investment strategy and faithfully adhering to that strategy in both strong and poor market environments has been a key element to the fund's historical success.

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 60, demonstrates that the investment portfolio, over the last ten years, has captured the blended real return (inflation) objective in six 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 60, details annualized returns for long-term periods ended June 30, 2008. (Note: Effective CPI dates were corrected from previous publications.) The System achieved the blended market objective for the 1, 3, 5, 10, and 24-year periods and both the real return and actuarial earnings goals for the 5-year and since-inception periods. The System's -3.2% return in fiscal year 2008 was influenced by negative results from the U.S. and international stock markets. Credit market and economic challenges weighed on both U.S. and international stocks, with each market generating returns of -11.7% and -10.9% respectively. After four years of strong returns from equities, a down market cycle (while not pleasant) is not unreasonable based on long-term capital market history. An analysis of asset class results versus the markets is included on pages 66-68.

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, private markets). 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. In addition, the Board employs a disciplined rebalancing policy to take advantage of market volatility and to ensure the portfolio's exposures are consistent with the System's long-term asset targets.

The long-term target allocation for the fund as of June 30, 2008, was 30% U.S. Fixed Income, 40% U.S. Equity, 5% International Fixed Income, 15% International Equity, and 10% Private Markets. The June 30, 2008, actual asset class allocation is shown in Chart 3, page 61.

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 26 different countries.

Chart 4, on pages 62-63, 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, 2008, is included in Chart 5 on page 64. 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. |

INVESTMENT SECTION

- | | | |
|----------------------------|---|--|
| 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. |
| Private Markets | - | 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 65, 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 66-67, compare 1, 3, 5, 10-year, and since-inception returns for each asset class to the corresponding objective for periods ended June 30, 2008.

Chart 11, on page 68, shows Private Markets returns for the fiscal year ended June 30, 2008, compared to since-inception returns using a blended objective.

The U.S. Equity portfolio exceeded its market objective for nearly all annualized time periods, except the 24-year since-inception period. The Board has implemented a portfolio structure that combines active and index management. This structure controls risk versus the index and enables the fund to employ fewer active managers with larger portfolios. This approach keeps costs low and prevents dilution of the active management positions. Currently, four of the six active managers in the program have worked with PERS for over 10 years; this consistency has contributed to competitive results in the past decade.

The International Equity portfolio underperformed the market benchmark for the 1 and 5-year periods and has outperformed for all longer term periods. Quantitative enhanced index management was introduced into the program in fiscal year 2008, and that strategy has yet to contribute to positive results. Long-term expectations are for this management approach to add value to the program.

U.S. Fixed Income has fallen modestly below the market for short and long-term periods. Given the uninspiring long-term results from active managers in investment grade bonds, the Board has begun a shift to 100% index management in fixed income. Currently, the portfolio includes 60% index management and 40% active management. This structure is expected to be shifted further towards index management in the next 18-24 months.

The International Fixed Income portfolio has added value since inception versus the index but has not captured the market for shorter term periods. This portfolio has been restructured to a 100% index management strategy to ensure returns closely track the markets in a low cost manner in the future.

The Private Markets portfolio has 4 ³/₄ 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
Periods Ended June 30

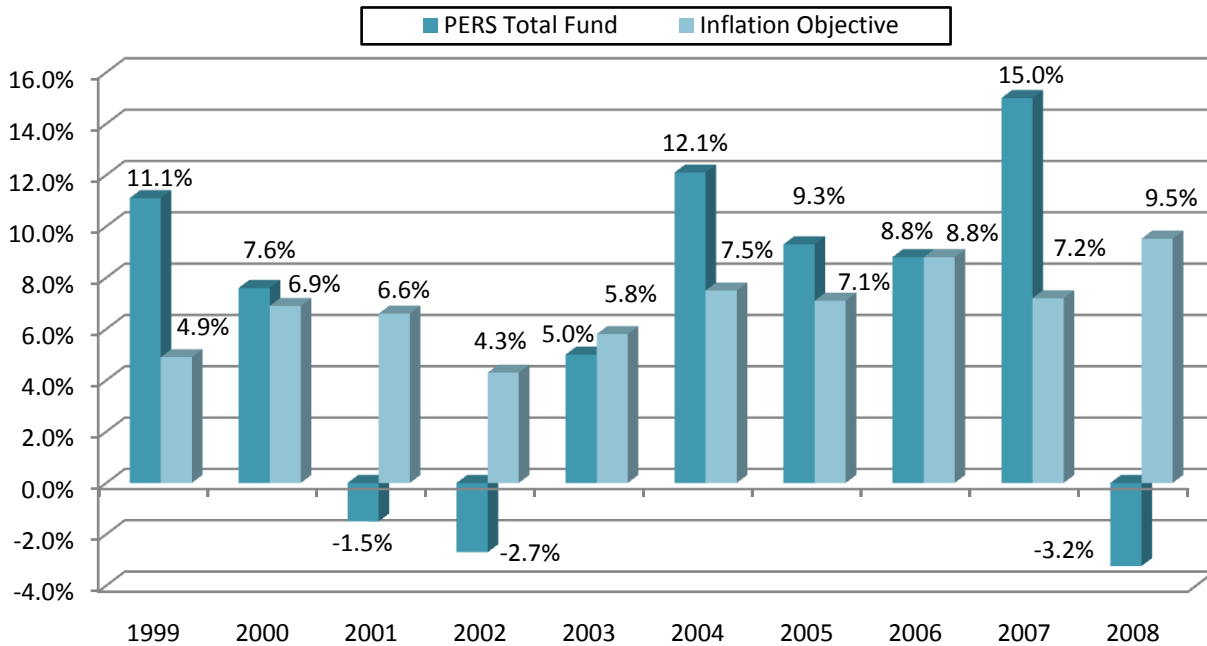
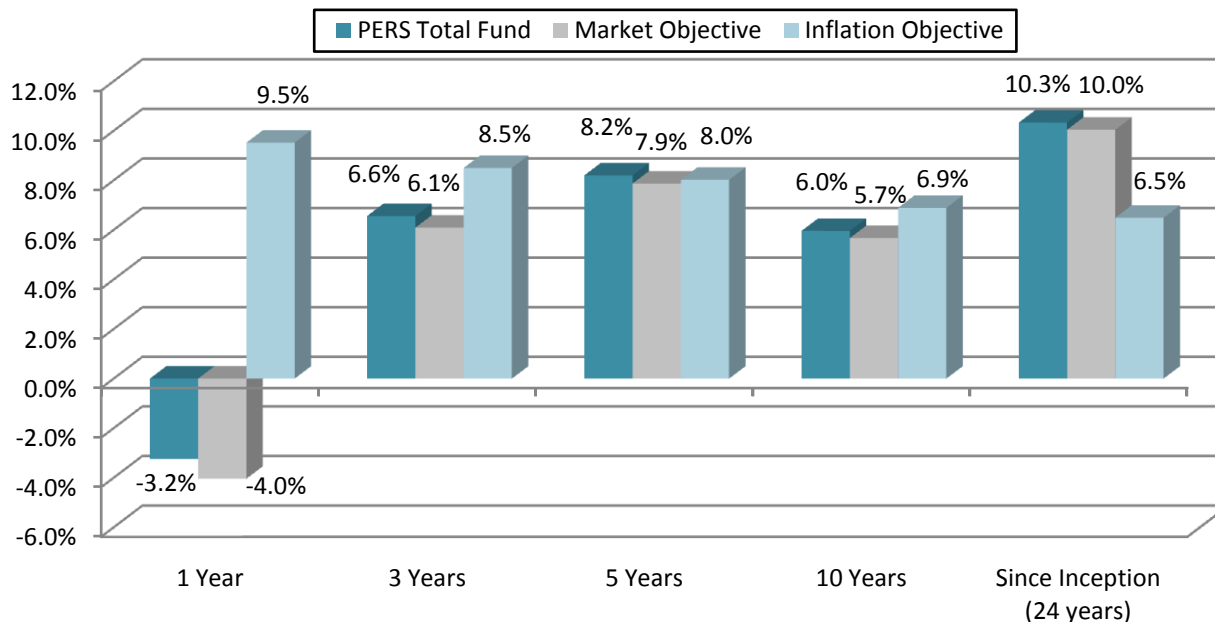


CHART 2

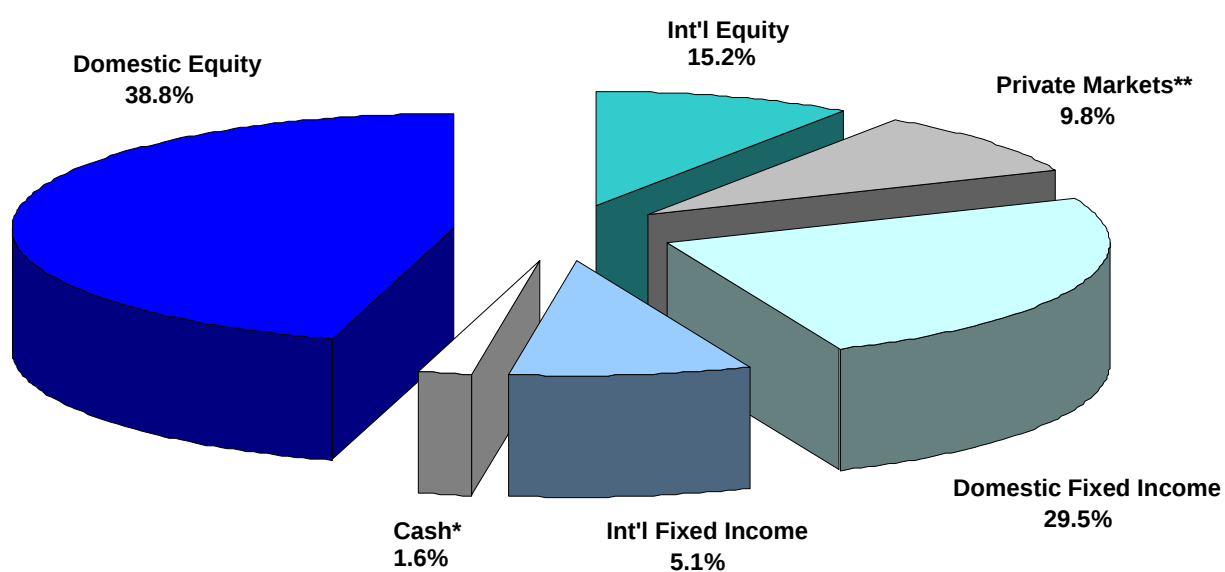
Annualized Total Returns vs. Market Objective and Inflation Objectives *
Periods Ended June 30, 2008



*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, 2008



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

****Includes 2.4% Private Equity, 2.1% REITS, and 5.3% Private Real Estate.**

INVESTMENT SECTION**CHART 4****Fair Value by Investment Type, Category, and Manager
June 30, 2008
(Page 1 of 2)**

	<u>Amount Under Management</u>	<u>Percent of Total Managed</u>
EQUITIES		
<u>Domestic Active Managers</u>		
AllianceBernstein	\$ 580,423,343	
Atlanta Capital Management	591,454,085	
Capital Guardian	410,382,368	
Golden Capital	389,555,310	
J. & W. Seligman	564,273,102	
Loomis, Sayles & Company	<u>552,101,281</u>	
Subtotal	3,088,189,489	13.8 %
<u>Domestic Index Managers</u>		
AllianceBernstein - S&P Citigroup Value	1,395,468,779	
Barclays Global Investors - S&P 500	1,396,337,962	
BlackRock - S&P 500	1,392,712,304	
Mellon Capital - S&P 500	<u>1,402,809,882</u>	
Subtotal	5,587,328,927	25.0
<u>International Active Managers</u>		
Goldman Sachs Assets Mangement	692,310,505	
Quantitative Management Associates	<u>433,119,282</u>	
Subtotal	1,125,429,787	5.0
<u>International Index Manager</u>		
Mellon Capital	<u>2,275,775,438</u>	
Subtotal	2,275,775,438	10.2
<u>Private Equity</u>		
Pathway Capital Management	<u>539,741,424</u>	2.4
<u>REIT Index</u>		
AllianceBernstein	175,025,989	
Barclays Global Investors	111,201,410	
Invesco Realty Advisors	<u>185,369,332</u>	
Subtotal	471,596,731	<u>2.1</u>
Total Equities	<u>\$ 13,088,061,796</u>	<u>58.5</u>

FIXED INCOME

<u>Domestic Active Managers</u>		
Dodge & Cox	768,524,541	
JP Morgan Asset Management	770,442,646	
Western Asset Management	<u>900,455,660</u>	
Subtotal	2,439,422,847	10.9

CHART 4

Fair Value by Investment Type, Category, and Manager

June 30, 2008

(Page 2 of 2)

	<u>Amount Under Management</u>	<u>Percent of Total Managed</u>
FIXED INCOME (continued)		
<u>Domestic Index Managers</u>		
Barclays Global Investors - U.S. Debt Index	1,104,192,338	
Lehman Brothers	863,709,557	
Payden & Rygel - U.S. Bond Index	1,116,489,384	
UBS Global Asset Management - U.S. Bond	1,082,661,495	
Subtotal	<u>4,167,052,774</u>	18.6
<u>International Active Managers</u>		
Payden & Rygel - Global	(143,785)	
Subtotal	<u>(143,785)</u>	0.0*
<u>International Index Managers</u>		
Payden & Rygel	543,111,271	
UBS Global Asset Management	592,740,822	
Subtotal	<u>1,135,852,093</u>	5.1
Total Fixed Income	<u>7,742,183,929</u>	34.6
PRIVATE REAL ESTATE		
BlackRock Realty	596,753,167	
Invesco Realty Advisors	580,126,496	
Invesco Realty Advisors Takeover	2,742,085	
Invesco Realty Advisors - Mortgage Loans	8,837	
Total Real Estate	<u>1,179,630,585</u>	5.3
SHORT-TERM INVESTMENTS		
Cash Equivalents	352,185,521	
Custodial Cash - Bank of New York Mellon	21,444,027	
Total Short-Term Investments	<u>373,629,548</u>	1.6
TOTAL PORTFOLIO	<u><u>\$ 22,383,505,858</u></u>	<u><u>100.0 %</u></u>

Notes: The Statement of Fiduciary Net Assets contains \$3,753,933 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 \$373,629,548 equals investments of \$22,009,876,310.

* Less than 0.1%

CHART 5**LIST OF LARGEST ASSETS HELD****Largest Equity Holdings
June 30, 2008**

<u>Ranking</u>	<u>Name</u>	<u>Fair Value</u>
1	EXXON MOBIL	\$277,697,542
2	GENERAL ELECTRIC	166,190,143
3	MICROSOFT	154,401,581
4	CHEVRON	139,039,936
5	AT&T	138,735,555
6	APPLE	128,865,005
7	SCHLUMBERGER	121,926,497
8	PROCTER & GAMBLE	119,671,708
9	CISCO SYSTEMS	117,179,368
10	GOOGLE	112,838,127

**Largest Fixed Income Holdings
June 30, 2008**

<u>Ranking</u>	<u>Name</u>	<u>Fair Value</u>
1	U.S. TREAS NTS 1.75% MARCH 31, 2010	\$128,199,315
2	FNMA TBA 30YR 5.00% JULY 1, 2034	68,873,319
3	U.S. TREAS NTS 3.25% AUGUST 15, 2008	65,121,875
4	FNMA TBA 30YR SFM 5.00% AUGUST 1, 2034	64,642,500
5	U.S. TREAS NTS 4.75% AUGUST 15, 2017	56,553,321
6	U.S. TREAS NTS 4.25% NOVEMBER 15, 2017	52,971,423
7	U.S. TREAS NTS 3.50% DECEMBER 15, 2009	47,121,734
8	BUNDESREPUBLIK DEUTSCH 4.25 JANUARY 4, 2014	44,782,112
9	JAPAN GOVERNMENT TEN 1.60 MARCH 20, 2016	38,406,265
10	FHLMC TBA 30 YR GOLD SFM 5.50% JULY 1, 2034	37,448,171

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

CHART 6

SUMMARY OF ACTUAL PERFORMANCE VS. OBJECTIVES
(% Returns)

	<u>U.S. EQUITY</u>	<u>INT'L EQUITY</u>	<u>U.S. FIXED INC.</u>	<u>INT'L FIXED INC.</u>	<u>REAL ESTATE</u>	<u>PRIVATE MARKETS*</u>	<u>TOTAL FUND</u>
<u>Fiscal Year 1999</u>							
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
<u>Fiscal Year 2000</u>							
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
<u>Fiscal Year 2001</u>							
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
<u>Fiscal Year 2002</u>							
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
<u>Fiscal Year 2003</u>							
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
<u>Fiscal Year 2004</u>							
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
<u>Fiscal Year 2005</u>							
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
<u>Fiscal Year 2006</u>							
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***
<u>Fiscal Year 2007</u>							
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
<u>Fiscal Year 2008</u>							
Total Return	-11.7	-10.9	6.4	18.4		3.5	-3.2
Objective	-13.1	-10.6	7.1	18.7		-2.5	-4.0

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

Private Markets – 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 Private Markets 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, 2008

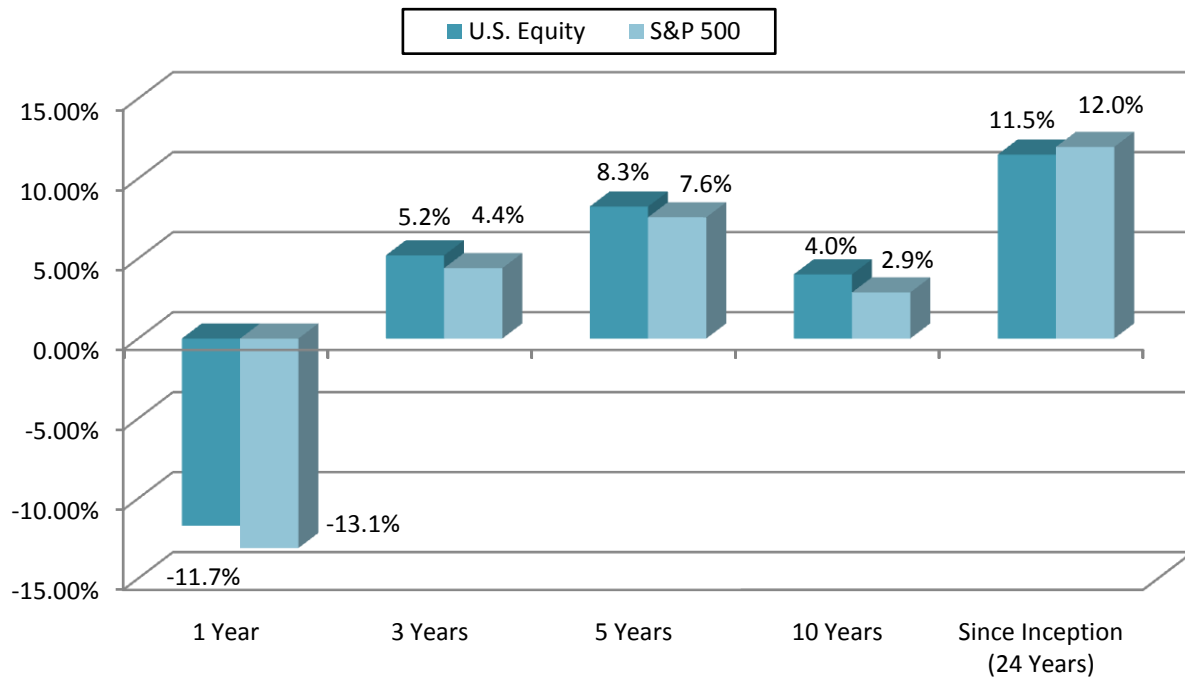
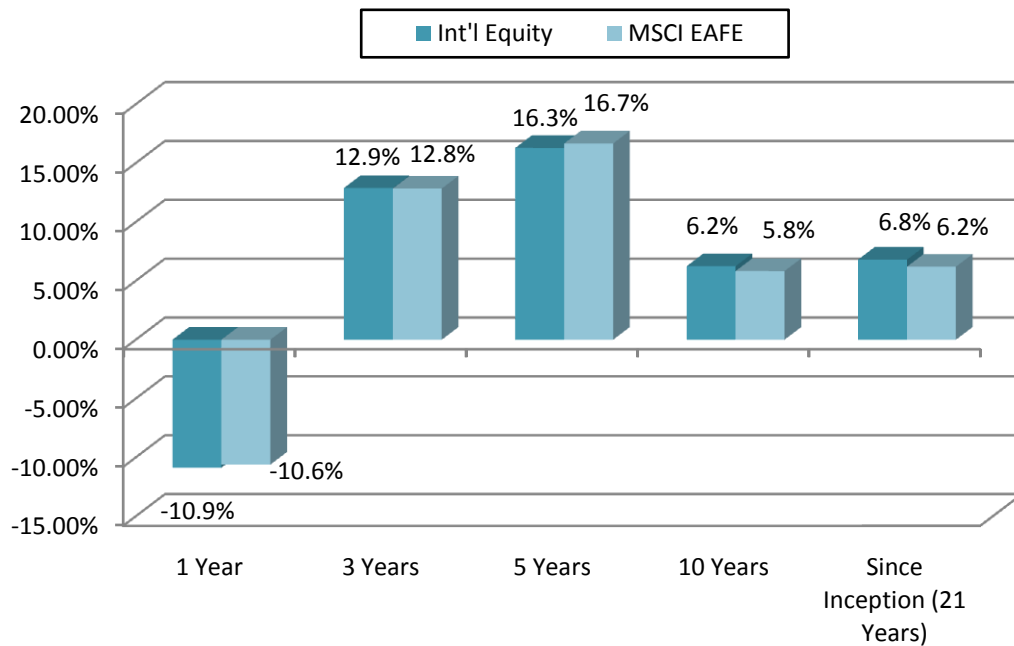


CHART 8

International Equity vs. MSCI EAFE
Periods Ended June 30, 2008



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 9

U.S. Fixed Income vs. Lehman Aggregate
Periods Ended June 30, 2008

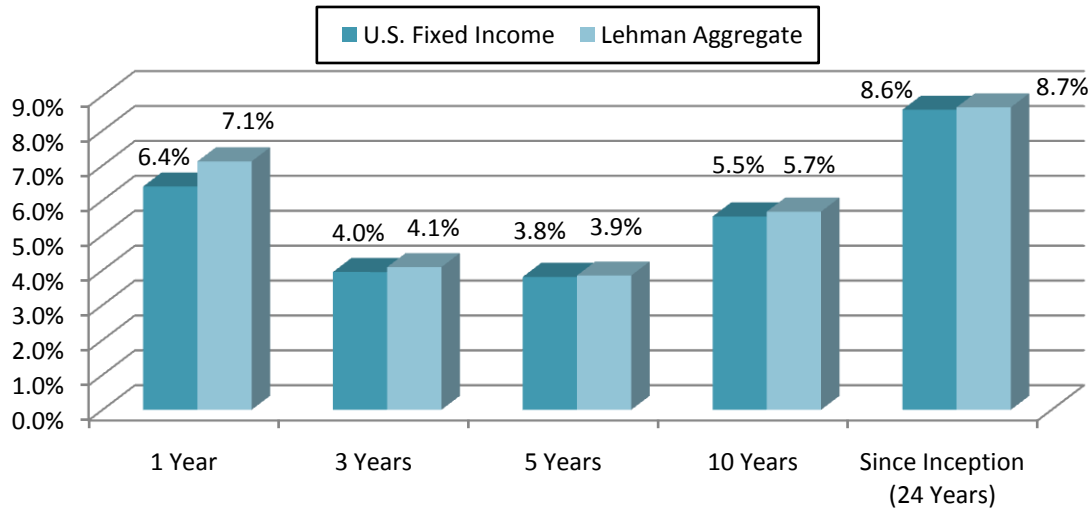
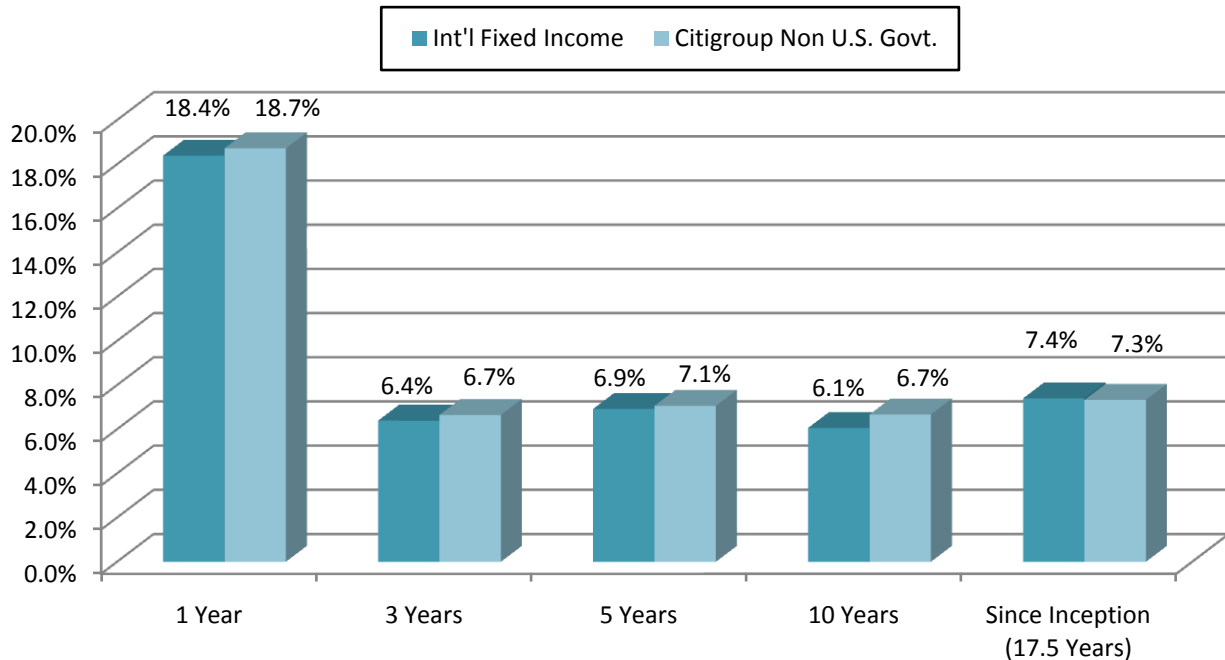


CHART 10

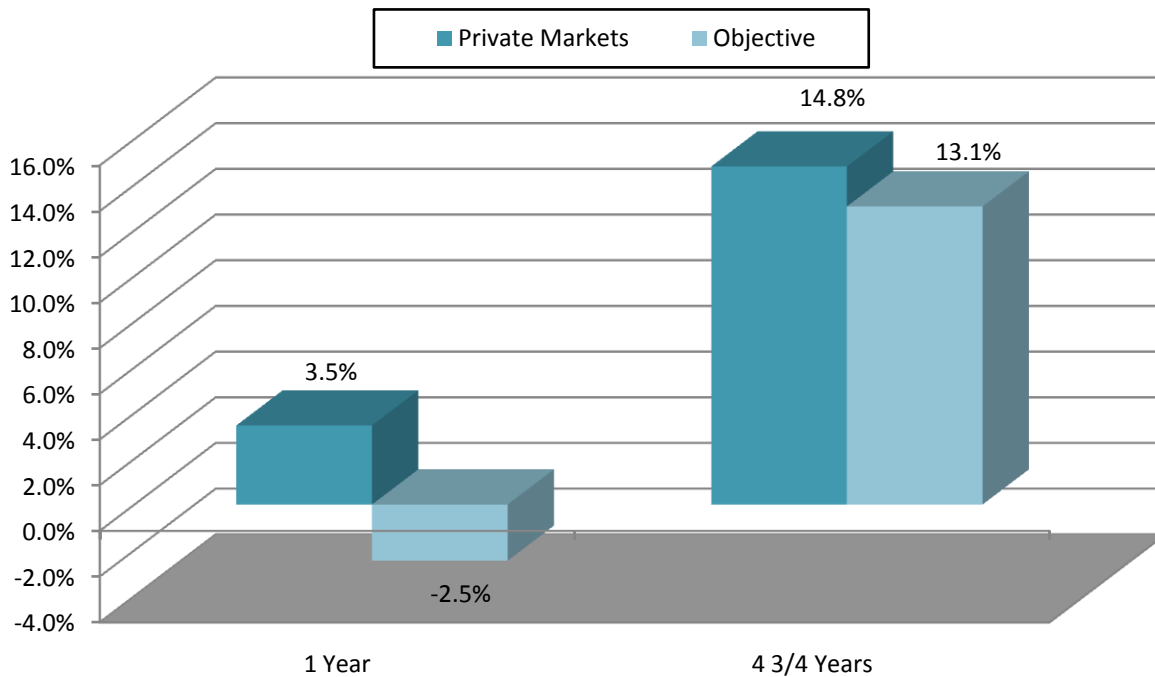
International Fixed Income vs. Citigroup Non U.S. Govt.
Periods Ended June 30, 2008



INVESTMENT PERFORMANCE VS. OBJECTIVE

CHART 11

Private Markets vs. Blended Objective*
Periods Ended June 30, 2008



* Blended Objective as of March 1, 2007:

49.5% NCREIF -0.75%
33.5% Wilshire REIT float adjusted
17.0% 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, 2008

(Page 1 of 4)

<u>Name/Firm</u>	<u>Amount Under Management at June 30, 2008</u>	<u>Fees Incurred</u>	<u>Investment Mandate</u>
Investment Management Fees			
<u>Domestic and International Equity Managers</u>			
AllianceBernstein S&P 500	\$ 1,399,506,090	\$ 308,658	U.S. Index
AllianceBernstein Value	-	61,691	U.S. Index
Barclays Global Investors S&P 500	1,397,246,464	302,343	U.S. Index
BlackRock S&P 500	1,392,054,565	184,916	U.S. Index
Mellon Capital	1,403,670,711	186,047	U.S. Index
AllianceBernstein Growth	585,218,106	1,207,750	U.S. Active
Atlanta Capital Management	595,930,712	1,262,230	U.S. Active
Capital Guardian	412,362,456	1,122,446	U.S. Active
Golden Capital	390,945,758	175,797	U.S. Active
J. & W. Seligman	565,003,963	1,325,708	U.S. Active
Loomis, Sayles & Company	561,060,456	1,345,691	U.S. Active
Voyageur Asset Management		52,432	U.S. Active
BNY Asset Management		58,096	Int'l Index
Mellon Capital	2,282,027,318	470,634	Int'l Index
Goldman Sachs Asset Management	699,920,333	1,991,453	Int'l Active
Quantitative Management Associates	433,545,955	870,753	Int'l Active
<u>Domestic and International Fixed Income Managers</u>			
Barclays Global Investors	1,104,192,621	245,753	U.S. Index
Lehman Brothers	834,509,409	277,360	U.S. Index
Payden & Rygel	1,099,815,520	364,578	U.S. Index
UBS Global Asset Management	1,090,320,076	284,279	U.S. Index
Dodge & Cox	803,497,893	1,073,128	U.S. Active
JP Morgan Asset Management	823,101,212	764,577	U.S. Active
Payden & Rygel		809,513	U.S. Active
Western Asset Management	792,507,099	1,372,266	U.S. Active
Payden & Rygel	539,562,881	297,664	Int'l Index
UBS Global Asset Management	591,072,819	308,618	Int'l Index
UBS Global Asset Management	-	409,310	Int'l Active

INVESTMENT SECTION

CHART 12**SCHEDULE OF FEES AND COMMISSIONS**

For Year Ended June 30, 2008

(Page 2 of 4)

<u>Name/Firm</u>	<u>Amount Under Management at June 30, 2008</u>	<u>Fees Incurred</u>	<u>Investment Mandate</u>
Investment Management Fees (continued)			
<u>Private Equity Manager</u>			
Pathway Capital Management	\$ 544,509,937	\$ 2,473,618	
<u>Private Real Estate Managers</u>			
BlackRock Realty	596,753,231	3,635,180	
Invesco Realty Advisors	582,868,581	3,828,370	
<u>Real Estate Investment Trust (REIT) Managers</u>			
AllianceBernstein	175,384,411	53,773	Index
Barclays Global Investors	111,201,410	125,114	Index
Invesco Realty Advisors	185,528,712	<u>149,352</u>	Index
Subtotal investment management fees		<u>27,399,098</u>	
Investment Service Fees			
<u>Investment Consultants</u>			
Callan Associates		<u>321,242</u>	
Subtotal investment service fees		<u>321,242</u>	
Subtotal investment management fees and service fees		<u>27,720,340</u>	

CHART 12

SCHEDULE OF FEES AND COMMISSIONS

For Year Ended June 30, 2008

(Page 3 of 4)

	<u>Number of Shares Traded</u>	<u>Commission Paid</u>	<u>Commission Per Share</u> <u>(rounded)</u>
Broker Commissions			
ABN AMRO Securities	17,640	\$ 353	\$ 0.02
Arnhold and Bleichroeder	75,020	750	0.01
Baird, Robert W. & Company	232,334	9,941	0.04
Bank of America Securities	1,870,200	45,516	0.02
Baypoint Trading	29,810	596	0.02
Bear Stearns & Company	13,248,971	89,695	0.01
Blair William & Company	285,920	11,437	0.04
BMO Nesbitt Burns Corporation	32,500	1,138	0.04
BNY Convergenx Exec Solutions	14,300	502	0.04
Bridge Trading Company	13,800	552	0.04
Brown Brothers Harriman & Company	82,900	3,731	0.05
Cantor, Fitzgerald & Company	966,322	29,221	0.03
Capital Institutional Services	7,805,730	119,153	0.02
Chapdelaine Institutional	387,672	11,630	0.03
CIBC World Markets Corporation Merrill Lynch	517,176	19,283	0.04
Citation Group/BCC Clrg-Merrill Lynch	1,305,025	20,945	0.02
Citigroup Global Markets	11,385,083	267,184	0.02
Cowen & Company	230,495	9,200	0.04
Credit Research Trading	16,400	328	0.02
Credit Suisse First Boston	61,904,170	435,332	0.01
Davenport & Company	30,000	1,350	0.05
Deutsche Banc/Alex Brown	54,275,920	418,524	0.01
Direct Trading Institutional	258,400	2,390	0.01
Donaldson & Company	40,000	1,800	0.05
Edwards, A.G. & Sons	261,700	11,777	0.05
Friedman, Billings & Ramsey	39,110	1,442	0.04
Goldman Sachs & Company	7,444,020	108,900	0.01
Guzman & Company	6,743	67	0.01
Heflin & Company	422,900	14,802	0.04
Instinet Corporation	38,353,748	111,473	0.00*
Investment Technology Group	35,392,100	191,710	0.01
ISI Group	1,331,670	55,953	0.04
J P Morgan Securities	26,062,001	351,100	0.01
Jefferies & Company	8,899,189	151,562	0.02
JMP Securities	9,100	319	0.04
JonesTrading Institutional Services	142,200	3,103	0.02
JP Morgan Securities	12,218,646	44,738	0.00*
Keefe Bruyette & Woods	71,548	2,841	0.04
Keybank Capital Markets	45,000	1,800	0.04
Knight Securities	254,087	8,488	0.03
Labranche Financial Services	4,300	86	0.02

CHART 12
SCHEDULE OF FEES AND COMMISSIONS

For Year Ended June 30, 2008

(Page 4 of 4)

	<u>Number of Shares</u>	<u>Commission Paid</u>	<u>Commission Per Share (rounded)</u>
Broker Commissions			
Leerink Swann and Company	213,840	\$ 7,604	\$ 0.04
Lehman Brothers	66,784,239	454,917	0.01
Liquidnet Inc./Westminster	3,546,203	82,055	0.02
Merrill Lynch Pierce Fenner	10,234,229	167,797	0.02
Morgan Keegan & Company	257,000	11,565	0.05
Morgan Stanley & Company	39,732,728	260,396	0.01
Natexis Bleichroeder New York	62,387	448	0.01
National Financial Services Corporation	15,669	627	0.04
NBC Clearing Services	4,600	161	0.04
Nomura Securities International	4,875,219	18,261	0.00*
Oppenheimer and Company	360,600	14,424	0.04
Pacific Crest Securities	71,600	2,738	0.04
Pershing & Company/Credit Suisse Europe	74,071	835	0.01
Pipeline Trading Systems	601,598	13,113	0.02
Piper Jaffray & Company	615,175	23,579	0.04
Raymond, James & Associates	110,000	4,400	0.04
RBC Capital Markets Corporation	184,335	6,795	0.04
RBC/Dain Rauscher	106,025	4,121	0.04
Sandler O'Neill & Partners	60,000	2,700	0.05
Sanford C. Bernstein & Company	1,110,399	29,686	0.03
Scotia Capital (USA)	80,000	2,800	0.04
SG Americas Securities	105,368	130	0.00*
Simmons & Company	149,000	6,705	0.05
Societe Generale London Branch	387,102	132	0.00*
Soleil Securities Corporation	163,900	8,195	0.05
Spear, Leeds & Kellogg/Prime	9,600	192	0.02
State Street Global Markets	300	11	0.04
Stifel Nicolaus & Company	523,417	20,937	0.04
The Benchmark Company	53,800	1,614	0.03
Thomas Weisel Partners	323,291	6,175	0.02
UBS Securities	19,708,973	178,279	0.01
Wachovia Securities	619,492	18,258	0.03
Wedbush Morgan Securities	125,000	5,000	0.04
Weeden & Company	909,294	22,878	0.03
Subtotal commissions		<u>3,938,240</u>	
Total fees and commissions		<u>\$ 31,658,580</u>	

* Commission is less than one cent per share.



ACTUARIAL SECTION

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THE SEGAL COMPANY
5670 Greenwood Plaza Blvd., Suite 425 Greenwood Village, CO 80111-2499
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November 20, 2008

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, 2008**

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, 2008, 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, 2008, the funded ratio is 77.7% for regular employees and 70.8% 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.

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, D.C.

Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

ACTUARIAL SECTION

Public Employees' Retirement Board

November 20, 2008

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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. Also, for GASB reporting purposes only, the unfunded accrued liability is amortized over an open (non-declining) amortization period of 30 years.

The most recent actuarial valuation prepared as of June 30, 2008, is based on the following major elements:

- Current benefit provisions (as specified in the Public Employees' Retirement Act).
- Membership data as of June 30, 2008, obtained from electronic files provided by the Retirement System. Membership data contained on the electronic files is examined and tested for reasonableness, but is not audited by the actuary.
- Assets as of June 30, 2008 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, 2008 (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 Public Employees' Retirement 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

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List of Supporting Schedules

The following schedules and summaries, prepared by Segal, are included within this Actuarial Section:

- Summary of Actuarial Assumptions and Methods
- Schedule 1 – Retirement System Membership
- Schedule 2 – Active Member Valuation Data
- Schedule 3 – Pay Status Participants Added to and Removed from the Rolls
- Schedule 4 – Solvency Test
- Schedule 5 – Analysis of Actuarial Experience
- Actuarial Valuation Statement (GASB disclosure basis)

The Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1 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 June 30, 2008 valuation were not within the ranges noted above for Employer-Pay regular employees and all police/fire employees, and this valuation year is an even number year, a change in the statutory rates was required for fiscal years July 1, 2009 through June 30, 2011, as follows:

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
Employer-Pay		
Statutory Rate for Fiscal Years		
July 1, 2007 through June 30, 2009	20.50 %	33.50 %
Actuarial Determined Contribution		
Rate per June 30, 2008 Actuarial Valuation	21.54 %	37.06 %
Statutory Rate for Fiscal Years		
July 1, 2009 through June 30, 2011	21.50 %	37.00 %

ACTUARIAL SECTION

Public Employees' Retirement Board
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Employee/Employer	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
Statutory Rate for Fiscal Years July 1, 2007 through June 30, 2009	21.00 %	34.50 %
Actuarial Determined Contribution Rate per June 30, 2008 Actuarial Valuation	22.42 %	37.83 %
Statutory Rate for Fiscal Years July 1, 2009 through June 30, 2011	22.50 %	38.00 %

A summary of the GASB disclosure rates are as follows:

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
Employer-Pay	21.98%	39.27%
Employee/Employer	22.86%	40.04%

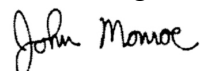
The actuarial calculations prepared for disclosure requirements under GASB as well as for actual funding purposes were made in accordance with generally accepted actuarial principles and practices. The information supplied in this letter is based on the current provisions of the Public Employees' Retirement Act and on the actuarial assumptions and methods adopted by the Public Employees' Retirement Board. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Brad Ramirez, FSA, MAAA, EA
Consulting Actuary



John Monroe, ASA, MAAA
Vice President and Associate Actuary



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

CZI/hy
Enclosures

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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in the June 30, 2008 actuarial valuation were adopted by the Public Employees' Retirement Board and were based on the results of the experience review completed in 2007.

Economic Assumptions

The economic assumptions for the 2008 actuarial valuation were:

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%

Rate Payroll - Based on actual contributions for the prior year with an increase of 3.00% for regular employees and 5.00% for police/fire employees.

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

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

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

*Includes inflation at 3.5% per year.

ACTUARIAL SECTION

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 retirement age for inactive vested members is equal to their earliest unreduced retirement age.

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.

ACTUARIAL SECTION

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				
Age	Mortality Rates		Expected Years of Life Remaining	
	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				
Age	Mortality Rates		Expected Years of Life Remaining	
	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 an open (non-declining) amortization period of 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. Various assumptions were revised pursuant to the actuarial experience study completed and approved by the Board in October, 2007.

SCHEDULE 1
**RETIREMENT SYSTEM MEMBERSHIP
1999 to 2008**

<u>June 30</u>	<u>Active Members</u>	<u>Inactive Members</u>	<u>Retired and Disabled Members</u>	<u>Beneficiaries & Survivors</u>	<u>Total Membership</u>
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
2008	106,123	11,593	33,479	4,651	155,846

SCHEDULE 2
**ACTIVE MEMBER VALUATION DATA
1999 to 2008**

<u>June 30</u>	<u>Number of Active Members</u>		<u>Annual Payroll (millions)</u>		<u>Annual Average Salary</u>		<u>Percent Increase Average Salary</u>	
	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>
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
2008	93,816	12,307	4,330.5	863.9	46,159	70,194	6.5	5.8

SCHEDULE 3

PAY STATUS PARTICIPANTS ADDED TO AND REMOVED FROM THE ROLLS
1999 to 2008

RETIREES AND BENEFICIARIES

	<u>Added to Rols</u>			<u>Removed from Rols</u>		<u>Rolls at End of Year</u>		% Increase in Annual Allowances*	Average Annual Allowances*
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*		
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
2008	31,923	3,118	98,180,394	(875)	(18,596,824)	34,166	1,010,049,395	11.4	29,563

DISABILITY RECIPIENTS

	<u>Added to Rols</u>			<u>Removed from Rols</u>		<u>Rolls at End of Year</u>		% Increase in Annual Allowances*	Average Annual Allowances*
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*		
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
2008	2,143	223	5,162,630	(121)	(2,175,505)	2,245	44,738,669	9.7	19,928

SURVIVOR ANNUITANTS

	<u>Added to Rols</u>			<u>Removed from Rols</u>		<u>Rolls at End of Year</u>		% Increase in Annual Allowances*	Average Annual Allowances*
June 30	Beginning Balance	Number	Annual Allowances*	Number	Annual Allowances*	Number	Annual Allowances*		
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
2008	1,621	161	1,905,857	(63)	(512,942)	1,719	22,920,123	9.4	13,333

*Data unavailable for 1999 – 2000.

SCHEDULE 4
**SOLVENCY TEST
(millions)**
1999 to 2008

Actuarial Accrued Liabilities							
June 30	Active Member Contributions (1)	Retirees and Beneficiaries Inactive and Pay- Status Members* (2)	Active Members Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets		
					(1)	(2)	(3)
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
2008	574.8	14,258.6	15,662.5	23,237.7	100	100	53.7

* Includes liability for post-retirement benefit increases

SCHEDULE 5

ANALYSIS OF ACTUARIAL EXPERIENCE

Gains and Losses in Actuarial Accrued Liabilities (AAL) During Year Ended June 30, 2008
Resulting from Differences Between Assumed Experience and Actual Experience
(Dollar Amounts in Millions)

Type of Activity	Gain (or Loss) For Year			
	Regular		Police/Fire	
	Amount	As Pct of AAL	Amount	As Pct of AAL
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.	(\$115.3)	(0.48%)	\$15.2	0.23%
Disability Retirements. If disability claims are less than assumed, there is a gain. If there are more claims, there is a loss.	(10.8)	(0.05%)	0.7	0.01%
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.	4.4	0.02%	(6.6)	(0.10%)
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.	28.9	0.12%	1.7	0.03%
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If there are greater increases, there is a loss.	(303.8)	(1.27%)	(56.2)	(0.87%)
Active New Entrants. Cost due to new hires.	(45.3)	(0.19%)	(6.4)	(0.10%)
Active Rehires. Some new active members have past service credits reinstated, thereby increasing costs due to the unanticipated liabilities.	(71.0)	(0.30%)	(8.5)	(0.13%)
Inactive and Retiree Showups. Persons in inactive or pay status who are added to the valuation data during the year.	(11.2)	(0.05%)	(3.3)	(0.05%)
Other. Miscellaneous gains and losses result from data changes and adjustments, timing of financial transactions, and other miscellaneous impacts on the valuation results.	(35.1)	(0.15%)	(31.6)	(0.49%)
Total Liability Experience Gain (Loss) During Year.	(559.2)	(2.35%)	(95.0)	(1.47%)

SCHEDULE 5

ANALYSIS OF ACTUARIAL EXPERIENCE (continued)

**Gains and Losses in Actuarial Accrued Liabilities (AAL) During Year Ended June 30, 2008
Resulting from Differences Between Assumed Experience and Actual Experience
(Dollar Amounts in Millions)**

Type of Activity	Gain (or Loss) For Year			
	Regular		Police/Fire	
	Amount	As Pet of AAL	Amount	As Pet of AAL
Investment Income. If there is a greater investment income than assumed, there is a gain. If there is less income, there is a loss.	(53.9)	(0.22%)	(15.2)	(0.23%)
Total Experience Gain (Loss) During the Year.	(613.1)	(2.57%)	(110.2)	(1.70%)

June 30, 2008

Actuarial Valuation Statement
(GASB Disclosure Basis)

Normal Cost	Regular Employees	Police/Fire Employees	Total
Employer normal cost*	\$ 708,417,558	\$ 254,581,841	\$ 962,999,399
Employee contributions	83,076,286	17,820,654	100,896,940
Total Normal Cost	\$ 791,493,844	\$ 272,402,495	\$ 1,063,896,339
Actuarial Accrued Liability			
Active members	\$ 12,426,496,332	\$ 3,810,797,839	\$ 16,237,294,171
Inactive members	660,449,732	36,726,655	697,176,387
Pensioners, beneficiaries and disabled	10,664,940,568	2,606,326,832	13,271,267,400
Survivors	249,153,873	40,998,572	290,152,445
Total Actuarial Accrued Liability	\$ 24,001,040,505	\$ 6,494,849,898	\$ 30,495,890,403
Assets at Actuarial Value	\$ 18,638,027,923	\$ 4,599,623,681	\$ 23,237,651,604
Total Unfunded Actuarial Accrued Liability	\$ 5,363,012,582	\$ 1,895,226,217	\$ 7,258,238,799
Payment to amortize unfunded actuarial accrued liability over 30 years, based on level percentage of payroll amortization	\$ 261,127,752	\$ 92,279,508	\$ 353,407,260
Employer-Pay Rate Payroll	\$ 4,083,925,978	\$ 835,482,824	\$ 4,919,408,802
Employee/Employer Rate Payroll	710,583,414	94,809,053	805,392,467
Total Rate Payroll	\$ 4,794,509,392	\$ 930,291,877	\$ 5,724,801,269

* See cost-sharing mechanisms in NRS 286.410 and NRS 286.421

June 30, 2008**Actuarial Valuation Statement (continued)**
(GASB Disclosure Basis)

	<u>Regular Employees</u>	<u>Police/Fire Employees</u>
Calculated Contribution Rates (as percentage of rate payroll):		
Employer-Pay, statutory rate	20.50%	33.50%
Employer-Pay, total rate	<u>21.98%</u>	<u>39.27%</u>
Employer normal cost.....	16.38%	29.20%
Amortization percentage.....	5.45%	9.92%
Administrative expenses.....	<u>0.15%</u>	<u>0.15%</u>
Employee/Employer, statutory rate	21.00%	34.50%
Employee/Employer, total rate	<u>22.86%</u>	<u>40.04%</u>
Employee contribution rate.....	10.50%	17.25%
Employer normal cost.....	6.76%	12.72%
Amortization percentage.....	5.45%	9.92%
Administrative expenses.....	<u>0.15%</u>	<u>0.15%</u>

The Public Employees' Retirement System of the State of Nevada is funded on an actuarial reserve basis. Participating employers are making contributions to the Retirement System based on the results of actuarial valuations and the statutory funding provisions of the Public Employees' Retirement Act.

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

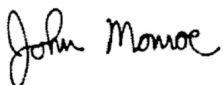
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.



Brad Ramirez, FSA, MAAA, EA
Consulting Actuary



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



John Monroe, ASA, MAAA
Vice President and Associate Actuary



STATISTICAL SECTION

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Plan Membership

Active membership in PERS for fiscal year 2008 increased by 2,430 or 2.3%. This represents a slowing of active member growth trends back to fiscal year 2003 levels, after steady increases in growth ranging from 3.3% to 5.6% from 2004 through 2007. The number of benefit recipients (excluding survivors and beneficiaries) increased by 2,217 or 7.1%. 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 decreased slightly between 2007 and 2008.

Net Assets vs. Liabilities

As exhibited in Schedule 1 of this section, there have been two years, 2002 and 2008, in which the change in net assets for the year was negative. The 2002 result may largely be attributed to the World Trade Center event of 9/11/01. The 2008 change in net assets was mainly the result of a challenging investment year in which the System experienced a 3.2% loss.

The ten-year history of the funded ratio (Actuarial Value of Assets to Actuarial Accrued Liability) appears on the Schedule of Funding Progress (page 44) 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.

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

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Additions				
Employer contributions	\$ 557.4	\$ 604.9	\$ 656.1	\$ 680.7
Plan member contributions	45.1	48.4	49.4	53.9
Repayment and purchase of service	6.8	8.5	10.6	24.7
Investment income (net of expenses)	1,172.0	917.0	(217.0)	(367.8)
Other income	1.9	2.2	1.9	2.1
Total additions to plan net assets	<u>1,783.2</u>	<u>1,581.0</u>	<u>501.0</u>	<u>393.6</u>
Deductions				
Benefit payments	374.2	421.2	477.3	533.0
Refunds	11.3	16.4	10.0	15.8
Administrative expenses	4.2	6.4 ^d	7.5 ^d	8.7 ^d
Other expenses	0.1	0.7	0.1	-
Total deductions from plan net assets	<u>389.8</u>	<u>444.7</u>	<u>494.9</u>	<u>557.5</u>
Change in net assets	<u>\$ 1,393.4</u>	<u>\$ 1,136.3</u>	<u>\$ 6.1</u>	<u>\$ (163.9)</u>

^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					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 724.0	\$ 808.3 ^a	\$ 875.5	\$ 966.1 ^a	\$ 1,046.6	\$ 1,167.4 ^a
55.4	61.1	66.9	76.0	83.2	88.0
29.4	43.4	63.7	42.2	45.6	43.3
672.9	1,700.8	1,491.3	1,567.3	2,937.1	(743.1)
2.1	2.1	3.3	3.1	3.3	2.4
1,483.8	2,615.7	2,500.7	2,654.7	4,115.8	558.0
591.8	657.6	739.8	832.6	929.4	\$ 1,033.3
11.1	12.1	14.5	13.9	17.4	16.8
9.6 ^{bd}	9.8 ^d	9.0	8.2	8.6	8.7
6.7 ^c	-	-	4.7 ^c	2.0 ^c	2.6 ^c
619.2	679.5	763.3	859.4	957.4	1,061.4
<u>\$ 864.6</u>	<u>\$ 1,936.2</u>	<u>\$ 1,737.4</u>	<u>\$ 1,795.3</u>	<u>\$ 3,158.5</u>	<u>(503.4)</u>

STATISTICAL SECTION**SCHEDULE 2****Benefit and Refund Deductions from Net Assets**

(millions)

	Regular Retired Members			
	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Benefits				
Retirement and survivor	\$ 296.6	\$ 334.0	\$ 373.7	\$ 415.5
Disability	11.3	13.2	19.0	22.6
Post-retirement increases	0.1	0.1	0.1	0.1
Total benefits	<u>\$ 308.0</u>	<u>\$ 347.3</u>	<u>\$ 392.8</u>	<u>\$ 438.2</u>
Total refunds	<u>\$ 8.7</u>	<u>\$ 13.6</u>	<u>\$ 7.6</u>	<u>\$ 13.4</u>

	Police/Fire Retired Members			
	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Benefits				
Retirement and survivor	\$ 62.1	\$ 69.4	\$ 78.9	\$ 88.3
Disability	4.1	4.5	5.6	6.5
Total benefits	<u>\$ 66.2</u>	<u>\$ 73.9</u>	<u>\$ 84.5</u>	<u>\$ 94.8</u>
Total refunds	<u>\$ 2.6</u>	<u>\$ 2.8</u>	<u>\$ 2.4</u>	<u>\$ 2.4</u>

	Total Retired Members			
	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Benefits				
Retirement and survivor	\$ 358.7	\$ 403.4	\$ 452.6	\$ 503.8
Disability	15.4	17.7	24.6	29.1
Post-retirement increases	0.1	0.1	0.1	0.1
Total benefits	<u>\$ 374.2</u>	<u>\$ 421.2</u>	<u>\$ 477.3</u>	<u>\$ 533.0</u>
Total refunds	<u>\$ 11.3</u>	<u>\$ 16.4</u>	<u>\$ 10.0</u>	<u>\$ 15.8</u>

Notes: Both Regular and Police/Fire retired members received post-retirement increases each year. However, in all years for Police/Fire members, and in some years for Regular members, the amounts were immaterial for purposes of this schedule.

Information is from internal System records.

**Regular Retired Members
Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 460.2	\$ 509.5	\$ 574.1	\$ 644.5	\$ 716.9	\$ 797.7
24.7	27.8	31.0	35.5	39.8	44.0
0.1	-	-	-	0.1	-
<u>\$ 485.0</u>	<u>\$ 537.3</u>	<u>\$ 605.1</u>	<u>\$ 680.0</u>	<u>\$ 756.8</u>	<u>\$ 841.7</u>
<u>\$ 8.7</u>	<u>\$ 9.1</u>	<u>\$ 11.1</u>	<u>\$ 11.2</u>	<u>\$ 14.0</u>	<u>\$ 12.5</u>

**Police/Fire Retired Members
Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 99.7	\$ 112.6	\$ 126.6	\$ 143.7	\$ 163.4	\$ 181.6
7.1	7.6	8.1	8.8	9.2	9.9
<u>\$ 106.8</u>	<u>\$ 120.2</u>	<u>\$ 134.7</u>	<u>\$ 152.5</u>	<u>\$ 172.6</u>	<u>\$ 191.5</u>
<u>\$ 2.4</u>	<u>\$ 3.0</u>	<u>\$ 3.4</u>	<u>\$ 2.7</u>	<u>\$ 3.4</u>	<u>\$ 4.3</u>

**Total Retired Members
Fiscal Year**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 559.9	\$ 622.1	\$ 700.7	\$ 788.2	\$ 880.3	\$ 979.3
31.8	35.4	39.1	44.3	49.0	53.9
0.1	0.1	-	-	0.1	-
<u>\$ 591.8</u>	<u>\$ 657.6</u>	<u>\$ 739.8</u>	<u>\$ 832.5</u>	<u>\$ 929.4</u>	<u>\$ 1,033.2</u>
<u>\$ 11.1</u>	<u>\$ 12.1</u>	<u>\$ 14.5</u>	<u>\$ 13.9</u>	<u>\$ 17.4</u>	<u>\$ 16.8</u>

STATISTICAL SECTION**SCHEDULE 3****RETIRED MEMBERS BY TYPE OF BENEFIT****As of June 30, 2008****(Page 1 of 2)****Regular Retired Members**

<u>Amount of Monthly Benefit</u>	<u>Number of Retired Members</u>	<u>Type of Retirement</u>			
		<u>Service</u>	<u>Beneficiary</u>	<u>Disability</u>	<u>Survivor</u>
Less than \$250	584	514	57	8	5
\$250 - \$499	2,825	1,828	276	209	512
\$500 - \$749	3,202	2,201	345	256	400
\$750 - \$999	2,993	2,312	307	255	119
\$1,000 - \$1,249	2,745	2,224	266	179	76
\$1,250 - \$1,499	2,750	2,253	243	180	74
\$1,500 - \$1,749	1,588	1,278	141	122	47
\$1,750 - \$1,999	1,831	1,465	161	149	56
\$2,000 - \$2,249	1,567	1,285	122	125	35
\$2,250 - \$2,499	1,405	1,190	101	75	39
\$2,500 - \$2,749	1,183	980	83	85	35
\$2,750 - \$2,999	1,145	987	66	68	24
\$3,000 - \$3,249	1,076	944	62	46	24
\$3,250 - \$3,499	1,079	971	42	39	27
\$3,500 - \$3,749	1,135	1,047	52	21	15
\$3,750 - \$3,999	1,181	1,114	30	29	8
\$4,000 - \$4,249	1,095	1,051	22	14	8
\$4,250 - \$4,499	832	797	24	7	4
\$4,500 - \$4,749	601	572	15	10	4
\$4,750 - \$4,999	444	416	9	14	5
\$5,000 - \$5,249	316	304	6	5	1
\$5,250 - \$5,499	317	309	3	3	2
\$5,500 - \$5,749	251	244	4	1	2
\$5,750 - \$5,999	219	214	3	2	0
\$6,000 & Over	884	865	12	3	4
Total	33,248	27,365	2,452	1,905	1,526

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

SCHEDULE 3

RETIRED MEMBERS BY TYPE OF BENEFIT

As of June 30, 2008

(Page 2 of 2)

Police/Fire Retired Members

<u>Amount of Monthly Benefit</u>	<u>Number of Retired Members</u>	<u>Type of Retirement</u>			
		<u>Service</u>	<u>Beneficiary</u>	<u>Disability</u>	<u>Survivor</u>
Less than \$250	12	10	2	0	0
\$250 - \$499	157	49	31	9	68
\$500 - \$749	242	112	64	22	44
\$750 - \$999	236	148	37	36	15
\$1,000 - \$1,249	224	140	43	29	12
\$1,250 - \$1,499	288	176	65	40	7
\$1,500 - \$1,749	156	106	36	13	1
\$1,750 - \$1,999	203	137	37	28	1
\$2,000 - \$2,249	203	141	28	27	7
\$2,250 - \$2,499	220	169	30	19	2
\$2,500 - \$2,749	237	179	24	30	4
\$2,750 - \$2,999	192	158	18	10	6
\$3,000 - \$3,249	208	170	12	19	7
\$3,250 - \$3,499	198	169	9	14	6
\$3,500 - \$3,749	179	154	12	11	2
\$3,750 - \$3,999	190	174	7	7	2
\$4,000 - \$4,249	181	168	7	6	0
\$4,250 - \$4,499	168	156	4	4	4
\$4,500 - \$4,749	148	139	3	5	1
\$4,750 - \$4,999	127	123	1	3	0
\$5,000 - \$5,249	145	138	2	2	3
\$5,250 - \$5,499	129	126	1	1	1
\$5,500 - \$5,749	100	98	0	2	0
\$5,750 - \$5,999	88	85	2	1	0
\$6,000 & Over	651	644	5	2	0
Total	4,882	3,869	480	340	193

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

SCHEDULE 4

AVERAGE BENEFIT PAYMENTS
(Page 1 of 2)

<u>June 30</u>		<u>Regular Members</u>	<u>Police/Fire Members</u>
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
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

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)

<u>June 30</u>		<u>Regular Members</u>	<u>Police/Fire Members</u>
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
2008	Average monthly benefit	\$2,306	\$3,740
	Average monthly compensation at retirement	\$5,054	\$7,458
	Number of new retirees	2,710	345
	Average years of service at retirement	19.04	22.30
	Average age at retirement	60	55

SCHEDULE 5
Number of Active Members Per Retiree

	<u>Number of Active Members</u>		<u>Number of Retired Members*</u>		<u>Active Members per Retiree</u>	
<u>June 30</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>
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
2008	93,816	12,307	29,270	4,209	3.2	2.9

* Excluding survivors and beneficiaries

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

SCHEDULE 6

CONTRIBUTION RATE HISTORY

<u>June 30</u>	<u>Funding Basis Contribution Rates^a</u>		<u>GASB Disclosure Contribution Rates^a</u>		<u>Statutory Contribution Rates^b</u>	
	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>
Employer Pay Plan						
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
2008	20.82	36.97	21.30	39.36	20.50	33.50
Employee/ Employer Plan						
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
2008	10.83	18.86	11.07	20.01	10.50	17.25

^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 3)

State of Nevada and Related Agencies

Board of Examiners for Alcohol & Drug Abuse Counselors
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 Las Vegas
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 Charter School
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 Connections Academy
Nevada State High School
Nevada Virtual Academy
Nye County School District
Odyssey Charter School
Pershing County School District
Rainbow Dreams Academy
Rainshadow 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
Westcare Charter School
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

SCHEDULE 7
Participating Employers
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Cities (Continued)

City of Carson
 City of Elko
 City of Ely
 City of Fallon
 City of Fernley
 City of Henderson
 City of Las Vegas
 City of Lovelock
 City of Mesquite
 City of North Las Vegas
 City of Reno
 City of Sparks
 City of Wells
 City of West Wendover
 City of Winnemucca
 City of Yerington

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
 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
 Douglas County Mosquito District
 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
 Incline Village Visitor's/Convention Bureau
 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
 Rye Patch Volunteer Fire Department
 Sierra Fire Protection District
 Southern Nevada Workforce Investment Board
 Stagecoach General Improvement District

SCHEDULE 7
Participating Employers
(Page 3 of 3)

Special Districts and Agencies (Continued)

Sun Valley General Improvement District

Tahoe-Douglas District

Tahoe-Douglas Fire Protection District

White Pine County Tourism and Recreation Board

Winnemucca Rural Volunteer Fire

Winnemucca Volunteer Fire Department

**SCHEDULE 8
PRINCIPAL PARTICIPATING EMPLOYERS**

1999			
<u>Participating Agencies</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Clark County School District	19,886	1	25.75%
State of Nevada	12,019	2	15.56
Washoe County School District	5,595	3	7.24
Clark County	5,330	4	6.90
Las Vegas Metropolitan Police Department	3,051	5	3.95
University Medical Center of Southern Nevada	2,749	6	3.56
Washoe County	2,522	7	3.26
City of Las Vegas	2,457	8	3.18
University of Nevada Reno	1,873	9	2.42
Department of Transportation	1,509	10	1.95
Subtotal	56,991		73.77%
All other	20,261		26.23%
Total 1999 (141 Agencies)	77,252		100.00%
2008			
<u>Participating Agencies</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Clark County School District	32,719	1	30.83%
State of Nevada	15,252	2	14.37
Clark County	7,579	3	7.14
Washoe County School District	7,291	4	6.87
Las Vegas Metropolitan Police Department	5,042	5	4.75
University Medical Center of Southern Nevada	3,582	6	3.38
City of Las Vegas	2,926	7	2.76
Washoe County	2,865	8	2.70
University of Nevada Reno	2,191	9	2.06
City of Henderson	2,116	10	2.00
Subtotal	81,563		76.86%
All other ^a	24,560		23.14%
Total 2008 (173 Agencies)	106,123		100.00%

^a In 2008 "All other" consisted of:

<u>Agency Type</u>	<u>Number of Agencies</u>	<u>Covered Employees</u>
State of Nevada and Related Agencies	20	2,183
University of Nevada System	1	2,045
Schools	39	7,072
Counties	14	2,977
Cities	17	5,664
Hospitals	6	686
Utility, Irrigation, and Sanitation Districts	17	764
Special Districts and Agencies	49	3,169
Subtotal	163	24,560
Largest Ten Participating Employers	10	81,563
Total	173	106,123

SCHEDULE 9

Average Age and Service Statistics for Members*

	<u>1999</u>	<u>2008</u>
Regular members:		
Average age	43.9	45.1
Average years of service	8.3	8.4
Police/Fire members:		
Average age	39.3	39.3
Average years of service	9.6	9.8

SCHEDULE 10

Average Salaries for Members*

	<u>Regular</u>	<u>Increase</u>	<u>Police/Fire</u>	<u>Increase</u>
June 30, 1999	\$33,397		\$45,283	
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
2008	46,159	6.5	70,194	5.8
Annual increase 1999 – 2008		3.7 %		5.0 %
Fiscal Year 2008 All Urban Consumer Price Index (CPI)			5.02%	

* Information provided by The Segal Company



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, 2008, were \$3.79 for each Regular member and benefit recipient and \$4.11 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, 2008, were 20.50% for Regular members and 33.50% for Police/Fire members.

Employee/Employer Contribution Plan

Under this plan, through June 30, 2008, the Regular member and the employer each contributed 10.5% of compensation to the System. Police/Fire members and their employers each contributed 17.25% 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.

PLAN SUMMARY

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.