



CASEY NEILON

November 16, 2020

To the Board of the Public Employees' Benefits Program

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Very truly yours,


Casey Neilon

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

JUNE 30, 2020 AND 2019

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

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Casey Neilson
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2020 and 2019, and the changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

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

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

Other Matters – Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Casey Neilon

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

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

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

See accompanying notes.

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

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

See accompanying notes.

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

NOTE 1 - Summary of Significant Accounting Policies:

Reporting Entity:

The financial statements of the State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees' Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Retirees' Fund's significant accounting policies applied in the preparation of the accompanying financial statements is presented below.

Basis of Accounting:

The financial statements of the Retirees' Fund have been prepared using the accrual basis of accounting and the economic resources measurement focus. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees' Fund does not receive member contributions. The Retirees' Fund is accounted for as a fiduciary fund that is administered as an irrevocable trust fund.

Method Used to Value Investments:

Investments are reported at fair value, which for the Retirees' Fund is determined by the Retirement Benefits Investment Fund.

Plan Description and Contribution Information:

The State Retirees' Health and Welfare Benefits Fund was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. The Retirees' Fund is a multiple employer cost sharing defined postemployment benefit plan run by the PEBP Board. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to PEBP which administers a group health and life insurance program.

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

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

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

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PUBLIC EMPLOYEES' BENEFITS PROGRAM
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NOTE 1 - Summary of Significant Accounting Policies (continued):

Plan Description and Contribution Information (continued):

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

The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund. Pursuant to NRS 287.0425, the Executive Officer reports information regarding the Retirees' Fund annually to the Governor's Finance Office and the Nevada Legislature. The Retirees' Fund is governed by NRS 287.0436 through NRS 287.04364.

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

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

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

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

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

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

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

Recently Issued Accounting Pronouncements:

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

NOTE 2 – Net OPEB Liability:

Funding Status and Funding Progress

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

Net OPEB Liability of the Retirees' Fund

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

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

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NOTE 2 – Net OPEB Liability (continued):

Actuarial Assumptions

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

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

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

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

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

Discount rate

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

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

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

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

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

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NOTE 2 – Net OPEB Liability (continued):

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

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – Interfund Balances:

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

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

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

NOTE 5 - Retirement Benefits Investment Fund:

The Nevada Legislature established the Retirement Benefits Investment Fund (RBIF) with an effective date of July 1, 2007. The purpose of the Fund is to invest contributions made by participating public entities, as defined by NRS 355.220 to enable such entities to support financing of other post-employment benefits at some time in the future. Per NRS 355.220(2) monies received by the RBIF from participating entities are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the Fund. NRS 355.220(2) requires that any money in the Fund must be invested in the same manner as money in the Public Employees' Retirement System of Nevada (PERS) Investment Fund is invested. The PERS Investment Fund is governed primarily by the "prudent person" standard as set forth in NRS 286.682, which authorizes the Retirement Board to invest PERS' funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account." PERS has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm. In general, the authorized investments include: fixed income, both US comingled and non-US comingled; domestic, international and comingled equity; money market funds; and short-term investments.

RBIF is designed to value participants' shares in the Fund according to the contributions of each entity, and accordingly, earnings (including realized and unrealized gains and losses, interest, and other income) and expenses are allocated to each entity in proportion to the participant's share in the Fund. The financial statements of the RBIF were audited in accordance with auditing standards generally accepted in the United States of America and can be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

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NOTE 6 - Fair Value:

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

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

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

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

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

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

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

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

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

NOTE 7 – Subsequent Events:

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

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

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

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

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

Notes to Schedule:

Plan Changes: None

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

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

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years* (Unaudited)

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

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

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

Notes to Schedule

Valuation Date January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal - Level % of Salary

Asset Valuation Method Market Value of Assets

Retirement Age*** Varies by age and service

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

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

Casey Neilon
Accountants and Advisors

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Casey Neilon

Carson City, Nevada
November 16, 2020



CASEY NEILON

November 16, 2020

To the Board of the Public Employees' Benefits Program

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

Management's estimate of the reserve for loss and loss adjustment expense is based on claims incurred but not reported during the policy period. This was supported by an actuarial opinion, and meets the standards required by generally accepted accounting principles. We evaluated the key factors and assumptions used to develop the reserve for unpaid loss and loss adjustment expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the reserve for loss and loss adjustment expense includes the unused portion of the Health Reimbursement Account (HRA) component of the Consumer Driven Health Plan (CDHP) and the Medicare Exchange.

Management's estimate of the Express Scripts (account 1600) and Medicare D (account 1679) accounts receivable is based on average of cash received during the fiscal year and average number of participants. We evaluated the key factors and assumptions used to develop the receivable estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

The disclosure of the unpaid claims liabilities and reserves in Note 7 to the financial statements because these numbers are based on actuarial opinions and estimates and have a material impact on the financials statements. These accruals are estimates which if there were material changes occur to the estimates there could be material changes to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the pension and other post-employment benefits schedules of information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Very truly yours,



Casey Neilon

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM**

JUNE 30, 2020 AND 2019

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
JUNE 30, 2020 AND 2019**

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Casey Neilon
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Public Employees' Benefits Program

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2020 and 2019, and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the activities of the State of Nevada that is attributable to transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Nevada as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other post-employment benefits information on pages 19-20 and 21-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this required information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

Casey Neilon

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

**STATE OF NEVADA
 SELF INSURANCE TRUST FUND
 PUBLIC EMPLOYEES' BENEFITS PROGRAM
 STATEMENTS OF NET POSITION
 JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 159,637,188	\$ 155,908,618
Prepaid insurance	3,202	3,611
Receivables:		
Accounts receivable, net	6,055,621	6,106,065
Intergovernmental receivable	8,911,233	2,419,215
Due from other funds	12,732,822	5,230,821
Due from component units, net	4,567	19,210
Total Current Assets	187,344,633	169,687,540
Capital assets:		
Property and equipment	461,025	466,100
Less: Accumulated depreciation	(435,940)	(411,151)
Total Capital Assets (net of accumulated depreciation)	25,085	54,949
Total Assets	187,369,718	169,742,489
Deferred outflows of resources:		
Pension related amounts	663,273	641,824
OPEB related amounts	69,742	44,268
Total Deferred Outflows of Resources	733,015	686,092
LIABILITIES		
Current liabilities:		
Bank overdraft	3,428,332	3,829,541
Accounts payable	1,409,272	4,274,803
Accrued payroll and related liabilities	98,393	87,285
Due to other funds	20,435	25,334
Unearned revenue	3,489,755	3,662,898
Compensated absences	156,804	163,215
Reserve for losses	89,702,313	94,881,428
Total Current Liabilities	98,305,304	106,924,504
Noncurrent liabilities:		
Compensated absences	38,259	54,490
Net pension obligation	3,833,649	3,547,239
Net OPEB liability	1,301,204	1,417,507
Total Noncurrent Liabilities	5,173,112	5,019,236
Total Liabilities	103,478,416	111,943,740
Deferred inflows of resources:		
Pension related amounts	362,280	257,269
OPEB related amounts	79,050	95,047
Total Deferred Inflows of Resources	441,330	352,316
NET POSITION		
Invested in capital assets	25,085	54,949
Restricted expendable - losses	84,157,902	58,077,576
Total Net Position	\$ 84,182,987	\$ 58,132,525

See accompanying notes.

**STATE OF NEVADA
 SELF INSURANCE TRUST FUND
 PUBLIC EMPLOYEES' BENEFITS PROGRAM
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
OPERATING REVENUES:		
Insurance premiums	\$ 391,121,895	\$ 357,432,206
Other	5,520	1,902
	391,127,415	357,434,108
OPERATING EXPENSES:		
Salaries and benefits	2,793,277	2,910,928
Operating	2,356,630	3,398,726
Claims expense	303,888,916	314,546,591
Depreciation	40,542	42,013
Insurance premiums and contractual obligations	59,748,805	59,318,572
	368,828,170	380,216,830
Operating Income (Loss)	22,299,245	(22,782,722)
NONOPERATING REVENUES (EXPENSES):		
Investment income	1,407,557	1,694,774
Interest income	2,343,660	3,031,971
	3,751,217	4,726,745
CHANGE IN NET POSITION	26,050,462	(18,055,977)
NET POSITION		
Beginning of year	58,132,525	76,188,502
End of year	\$ 84,182,987	\$ 58,132,525

See accompanying notes.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 73,055,552	\$ 29,482,963
Receipts for interfund services provided	296,430,133	322,062,620
Receipts from component units	13,822,120	13,588,561
Payments to suppliers, other governments and beneficiaries	(380,396,574)	(349,437,609)
Payments to employees	(2,592,613)	(2,718,441)
Payments for interfund services used	(865,561)	(1,298,678)
	Net Cash Provided by Operating Activities	11,679,416
	(546,943)	11,679,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(10,678)	-
	Net Cash Used by Financing Activities	-
	(10,678)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,286,191	4,199,606
	Net Cash Provided by Investing Activities	4,199,606
	4,286,191	4,199,606
	Net Increase in Cash and Cash Equivalents	15,879,022
	3,728,570	15,879,022
Cash and cash equivalents, July 1	155,908,618	140,029,596
Cash and cash equivalents, June 30	\$ 159,637,188	\$ 155,908,618
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income	\$ 22,299,245	\$ (22,782,722)
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation	40,542	42,013
Allowance for doubtful accounts	3,595	(3,592)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(14,467,501)	3,464,863
(Increase) decrease in prepaid expenses	409	(3,611)
(Increase) decrease in deferred outflows	(46,923)	(74,158)
Increase (decrease) in payables and accruals	(8,462,288)	27,146,263
Increase (decrease) in unearned revenue	(173,143)	3,613,982
Increase (decrease) in net pension obligation	286,410	185,322
Increase (decrease) in net OPEB liability	(116,303)	77,760
Increase (decrease) in deferred inflows	89,014	13,296
	Total Adjustments	34,462,138
	(22,846,188)	34,462,138
Net Cash Provided by Operating Activities	\$ (546,943)	\$ 11,679,416

See accompanying notes.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 - Summary of Significant Accounting Policies:

The financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Self Insurance Trust Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Self Insurance Trust Fund's significant accounting policies applied in the preparation of the accompanying financial statements is presented below.

Plan Description:

The Self Insurance Trust Fund was created in 1983 by the Nevada Legislature to administer group health, life and disability insurance for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. All public employers in the State are eligible to participate in the activities of the Self Insurance Trust Fund and currently, in addition to the State, there were four public employers participating at June 30, 2020 whose employees are covered under the plan. Additionally, all retirees of public employers contracted with PEBP to provide coverage to their employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and 165 public employers within the State of Nevada are billed for retiree subsidies. The Self Insurance Trust Fund provides medical, dental, vision, long-term disability, mental health, substance abuse, and life insurance benefits. The Self Insurance Trust Fund is overseen by the Public Employees' Benefits Program Board. The Board is composed of ten members, nine members appointed by the Governor, and the Director of the Department of Administration or their designee.

The Self Insurance Trust Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and also offers fully insured HMO products. Long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

PEBP has instituted a Consumer Driven Health Plan (CDHP) with Health Savings Account (HSA) and Health Reimbursement Account (HRA) components. The HSA component is designed for eligible active employee's where the HRA component is for retirees and surviving spouses, domestic partners and certain employees enrolled in the CDHP.

PEBP has also implemented an individual market Medicare exchange where retirees eligible for Medicare purchase individual coverage on the private market with an HRA component to reimburse retirees for insurance premiums and other out of pocket expenses.

In fiscal year 2019 PEBP implemented an Exclusive Provider Organization (EPO) plan. The plan is self-insured and employees were eligible to elect this plan as of July 1, 2018.

Reporting Entity:

Governmental accounting and financial reporting principles require that basic financial statements be presented for governmental entities which present financial statements in accordance with generally accepted accounting principles. The accompanying financial statements are not intended to present the combined financial activities of the State of Nevada taken as a whole, but are intended only to present the financial position, results of operations, and cash flows of the Self Insurance Trust Fund.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Fund Accounting:

The operations of the Self Insurance Trust Fund, a proprietary fund (internal service fund), are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The Self Insurance Trust Fund is used to account for the services provided to the employees and retirees of the State of Nevada and other governmental units under the programs administered by management.

Basis of Accounting:

The Self Insurance Trust Fund maintains its accounting records on the accrual basis of accounting as defined by the Governmental Accounting Standards Board ("GASB"). Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred regardless of the timing of cash flows.

The Self Insurance Trust Fund is reported using the economic resources measurement focus. The revenues derived from current operations are generally intended to provide those resources necessary to maintain continued delivery of such services in the future. Net positions greater or lesser than those required to support ongoing operations are moderated by adjustments of future charge rates appropriate to accomplish the long-term cost recovery objectives of the Self Insurance Trust Fund.

Internal Service Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with providing group health, life and disability insurance. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash Equivalents:

For the purpose of presentation in the Self Insurance Trust Fund's financial statements, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they present insignificant risk of changes in value due to changing interest rates.

Receivables:

Insurance premiums due through June 30 but remitted after that date are recorded as receivables or due from other funds, component units or governments in the financial statements.

The third party administrator that processes claims payments on behalf of the Self Insurance Trust Fund has identified overpayments in the amount of \$2,059,472 and \$1,940,931 as of June 30, 2020 and 2019, respectively. Overpayments are followed up on every 30 days until recovery is made. These amounts have not been accrued as a receivable on the statement of net assets, but are recorded as a reduction to claims expense in the period in which recovery is received. Collection attempts cease when the overpayment is greater than 4 years old.

The Self Insurance Trust Fund administers an additional pass-through budget account, the Active Employee Group Insurance Subsidy (AEGIS) budget account. This budget account is utilized for recording the payments made by the state and received by the Self Insurance Trust Fund on behalf of active employees. Agencies contribute a fixed dollar amount per employee into this budget account. However, insurance premiums are earned by the main operating budget account in accordance with the PEBP approved rate for insurance coverage for the plan and tier to which each employee belonged. The difference between cash contributions and revenue recognition resulted in a surplus of contributions over premiums of \$3,196,058 and \$3,122,265 for the years ended June 30, 2020 and 2019, respectively. These amounts were allocated among all state entities that paid the AEGIS subsidy proportionate to their size and were included in the subsequent year's budget.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

Receivables (continued):

The Self Insurance Trust Fund considers \$277,718 and \$274,123 in participant premiums as uncollectible as of June 30, 2020 and 2019, respectively. Pursuant to NRS 353C.220, only accounts that have been approved by the State of Nevada Board of Examiners may be written off. Of the uncollectible premiums listed above, \$0 and \$0 were approved for write-off by the State of Nevada Board of Examiners as of June 30, 2020 and 2019, respectively. The State has a policy in which all uncollectible amounts are remitted to the State Controller's Office for continued collection attempts and are eventually written off. In accordance with this policy, the Self Insurance Trust Fund created an allowance to account for the remaining uncollectible amounts that have been remitted to the State Controller's Office, but not yet been approved by the State of Nevada Board of Examiners for write off.

Property and Equipment:

Fixed assets are capitalized and depreciated using the straight line method of depreciation over the assets' estimated useful lives ranging from three to ten years. Capital acquisitions for the years ended June 30, 2020 and 2019 were \$10,678 and \$0, respectively. Capital dispositions for the years ended June 30, 2020 and 2019 were \$15,753 and \$0, respectively.

Estimated Claims:

The Self Insurance Trust Fund contracted with Aon, a provider of consulting and actuarial services, to estimate its liability for incurred but not reported claims, claims reported but not yet paid and administrative expenses expected to be incurred in conjunction with processing incurred but not reported claims as of June 30, 2020 and 2019, respectively. This liability is estimated by the actuary based on industry trends and claims lag information reported by the third party administrator. Such liabilities are necessarily based on estimates, and, while management believes the amount is adequate, the ultimate liability may be in excess of, or less than, the amounts provided. The methods for making such estimates and for establishing the resulting liability are reviewed on an annual basis and any adjustments are currently reflected in net income from operations.

Included in the estimated claims is the liability for the unused portion of the HRA component of the CDHP and the Medicare exchange. The Fund contracted with HealthSCOPE and Willis Towers Watson, respectively, to administer these programs and the liabilities are provided by each.

Compensated Absences:

A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Annual and sick leave benefits not used as earned accumulate to be carried over to the next year, except that annual leave in excess of 240 hours (30 days) per employee is forfeited each December 31.

Accumulated annual leave and compensatory time are payable upon termination, retirement, or death. Unused sick leave may be partially compensated at that time according to formulas established by the Department of Administration. The Self Insurance Trust Fund reports accrued compensated absences as a liability.

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Post Employment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program (PEBP) and additions to/deductions PEBP's fiduciary net position have been determined on the same basis as they are reported by PEBP. For this purpose, PEBP recognizes benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. Self Insurance Trust Fund has pension and OPEB related deferred outflows that qualify for reporting in this category. Pension and OPEB related deferred outflows of resources are discussed in depth in Note 4 and 5, respectively.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. Self Insurance Trust Fund has pension and OPEB related deferred inflows that qualify for reporting in this category. Pension and OPEB related deferred inflows of resources are discussed in depth in Note 4 and 5, respectively.

Net Position:

Net position presents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the statement of net position. Net position invested in capital assets are net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Restricted net position results when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. Management determined that the net position at year end should be restricted for future claims payments due to legal restrictions on the use of the funds.

Operating and Non-operating Revenues and Expenses:

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as non-operating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as non-operating revenues. Contracts representing non-exchange receipts are treated as non-operating revenues.

Reinsurance:

The Self Insurance Trust Fund does not carry any reinsurance policies.

Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements (Not Yet Adopted):

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). This statement addresses the identification and presentation of fiduciary activities for accounting and financial reporting purposes. GASB 84 is effective for fiscal years beginning after December 15, 2019. It is not clear at this point how this will impact the financial statements as of June 30, 2020.

NOTE 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code:

The Self Insurance Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

NOTE 3 - Cash and Deposits as of June 30:

	2020	2019
Cash:		
Operating checking account	\$ (3,428,332)	\$ (3,829,541)
Deposits with State Treasurer:		
State Treasurer's Investment Pool	157,843,151	155,522,138
GASB 31 adjustment	1,794,037	386,480
Total Deposits with State Treasurer	159,637,188	155,908,618
Total Cash and Deposits	\$156,208,856	\$152,079,077

The Self Insurance Trust Fund has three checking accounts with Wells Fargo Bank at June 30, 2020 and 2019. These accounts contain \$1,171,735 and \$1,058,501 in stale outstanding checks for the years ended June 30, 2020 and 2019, respectively. Additionally, certain Bank of America and Wells Fargo Bank zero balance accounts were closed in previous fiscal years. These closed accounts contain \$48,637 and \$301,826 in stale outstanding checks as of June 30, 2020 and 2019, respectively. Checks presented for payment from the closed accounts are rejected by the bank, voided, and reissued by the Self Insurance Trust Fund using the controlled disbursement account. The controlled disbursement account is funded only when checks are presented for payment. The negative balance represents outstanding checks issued that have not been presented for payment. In accordance with NRS 353.140, the Self Insurance Trust Fund honors outstanding stale warrants presented for payment within six years from the date of origination. For insurance and collateral purposes, the account is commingled with all of the cash accounts of the State of Nevada. All cash and deposits are recorded at fair value.

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

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NOTE 3 - Cash and Deposits as of June 30 (continued):

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

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

NOTE 4 - Pension Plan:

Plan Description. The Self Insurance Trust Fund contributes to the PERS, a cost sharing, multiple employers, defined benefit plan administered by the Public Employees' Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. A publicly available financial report that includes financial statements and required supplementary information for PERS may be obtained by writing to the Public Employees' Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Plan members' benefits are funded under one of two methods. Under the employer paid contribution plan, the Self Insurance Trust Fund is required to contribute all amounts due under the plan. The rate for those contributions was 29.25%, 28.00% and 28.00% for regular members on all covered payroll for the years ended June 30, 2020, 2019 and 2018, respectively. The second funding mechanism for providing benefits is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan while the Self Insurance Trust Fund is required to match that contribution. The rate for regular employees under this plan was 15.25%, 14.50% and 14.50% for the years ended June 30, 2020, 2019 and 2018, respectively. The contribution requirements of plan members and the Self Insurance Trust Fund are established by NRS Chapter 286. The funding may only be amended through legislation. The Self Insurance Trust Fund's contributions to PERS for the years ended June 30, 2020, 2019, and 2018 were \$270,646, \$241,299, and 226,892, respectively, equal to the required contributions for the year.

Pension Liability. At June 30, 2020 and 2019 the Self Insurance Trust Fund reported a liability of \$3,833,649 and \$3,547,239, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Self Insurance Trust Fund's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2020 and 2019. The Self Insurance Trust Fund's proportionate share is approximately 0.028% and 0.026% as of June 30, 2020 and 2019, respectively.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. As of June 30, 2020 and 2019, the total employer pension expense is \$637,076 and \$387,713, respectively. Amounts totaling \$267,388 resulting from Fund contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. At June 30, 2020 and 2019, the Self Insurance Trust Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 4 - Pension Plan (continued):

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,758	\$ 110,577	\$ 111,125	\$ 164,653
Change of assumptions	156,014	-	186,917	-
Net difference between projected and actual earnings on investments	-	190,710	-	16,888
Changes in proportion and differences between actual contributions and proportionate share of contributions	96,113	60,993	72,852	75,728
System contributions subsequent to the measurement date	267,388	-	270,930	-
Totals	<u>\$ 663,273</u>	<u>\$ 362,280</u>	<u>\$ 641,824</u>	<u>\$ 257,269</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, without regard to the contributions subsequent to the measurement date and changes in proportion and differences between actual contributions and proportionate share of contributions, are expected to be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2021	\$ 10,797
2022	(72,742)
2023	19,984
2024	24,755
2025	14,069
2026	1,622
	<u>\$ (1,515)</u>

The net difference between projected and actual investment earnings on pension plan investments will be recognized over five years, all the other above deferred outflows and deferred inflows will be recognized over the average expected remaining service lives, which was 6.18 years for the measurement period ending June 30, 2019.

<u>Reconciliation of Net Pension Liability</u>	<u>2020</u>	<u>2019</u>
Beginning net pension liability	\$ 3,547,239	\$ 3,361,917
Pension expense	637,076	387,713
Employer contributions	(270,646)	(241,299)
Net deferred (inflows)/outflows	(80,020)	38,908
Ending net pension liabilities	<u>\$ 3,833,649</u>	<u>\$ 3,547,239</u>

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 SELF INSURANCE TRUST FUND
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020 AND 2019**

NOTE 4 - Pension Plan (continued):

Actuarial Assumptions. The Fund's net pension liability was measured as of June 30, 2019 and 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Productivity pay increase	0.50%
Projected salary increase	Regular: 4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Investment rate of return	7.50%
Other assumptions	Same as those used in the June 30, 2019 funding actuarial valuation

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016.

Investment Policy. The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2019:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
U.S. stocks	42%	5.50%
International stocks	18%	5.50%
U.S. bonds	28%	0.75%
Private markets	12%	6.65%

*As of June 30, 2019, PERS' long-term inflation assumption was 2.75%.

Discount Rate and Pension Liability Discount Rate Sensitivity. The following presents the net pension liability of the PERS as of June 30, 2019, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.50%) than the current discount rate:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability \$	\$ 5,935,939	\$ 3,833,649	\$ 2,086,109

Pension Plan Fiduciary Net Position. Additional information supporting the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the PERS Comprehensive Annual Financial Report (CAFR) available on the PERS website at www.nvpers.org under Quick Links – Publications.

NOTE 5 – Other Post Employment Retirement Benefits:

Plan Description. Employees of the State, who meet the eligibility requirements for retirement, have the option upon retirement to continue group insurance pursuant to NAC 287.530. NRS 287.046 requires the State to pay an amount toward the cost of the premiums for most persons retired from state service. Retirees assume any portion of the premium not covered by the State. The State allocates funds for payment of post retirement insurance benefits as a percentage of budgeted payrolls to all State agencies.

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NOTE 5 – Other Post Employment Retirement Benefits (continued):

The cost of the employer contribution is recognized in the year the costs are charged. No unused funds are carried forward to the next fiscal year.

The Public Employees Benefit Program administers these benefits as a multiple employer cost sharing plan. The State Retirees' Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries.

Benefits. The Public Employees Benefit Program provides medical, dental, vision, mental health and substance abuse and also offers fully insured HMO products. Long-term disability and life insurance benefits are fully insured by outside carriers.

Contributions. Per NRS 287 contribution requirements of the participating entities and covered employees are established and may be amended by the PEBP Board. The Fund's contractually required contribution for the years ended June 30, 2020 and 2019 were \$41,705 and \$44,268, respectively, actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2020 and 2019, the Fund reported a liability of \$1,301,204 and \$1,417,507, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of January 1, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The Fund's proportion of the collective net OPEB liability was based on a projection of the Fund's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. For the year ended June 30, 2020 and 2019, respectively, the Fund's proportion was 0.0934% and 0.1070%.

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

	<u>2020</u>	<u>2019</u>
Total OPEB liability	\$1,301,420	\$ 1,419,217
Plan fiduciary net position	(216)	(1,710)
Net OPEB liability	<u>\$1,301,204</u>	<u>\$ 1,417,507</u>

For the years ended June 30, 2020 and 2019, respectively, the Fund recognized OPEB expense of (\$122,109) and \$131,880. At June 30, 2020 and 2019, the Fund Reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	<u>2020</u>		<u>2019</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Resources
Changes of assumptions	\$ 28,037	\$ 55,581	\$ -	\$ 94,871
Net difference between projected and actual earnings on OPEB plan investments	-	23,469	-	176
Fund contributions subsequent to the measurement date	41,705	-	44,268	-
	<u>\$ 69,742</u>	<u>\$ 79,050</u>	<u>\$ 44,268</u>	<u>\$ 95,047</u>

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NOTE 5 – Other Post Employment Retirement Benefits (continued):

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ (25,987)
2022	(21,590)
2023	(4,396)
2024	960
	<u>\$ (51,013)</u>

Actuarial Assumptions. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates were based on the Headcount-weighted RP-2014 Employee table projected to 2020 with Scale MP-2016 for pre-retirement participants, Headcount-weighted RP-2014 Healthy Annuitant table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries for post-retirement participants and Headcount-weighted RP-2014 Disabled Retiree table, set forward four years for disabled participants.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018. As a result of the 2018 actuarial experience study, the expectation of life after disability was adjusted in the January 1, 2018 actuarial valuation to more closely reflect actual experience.

Discount rate. The discount rate basis under GASB 75 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate.

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

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NOTE 5 – Other Post Employment Retirement Benefits (continued):

	1% Decrease in Discount Rate 2.51%	Discount Rate 3.51%	1% Increase in Discount Rate 4.51%
Total OPEB Liability	\$ 1,434,897	\$ 1,301,420	\$ 1,185,615
Plan Fiduciary Net Position	(216)	(216)	(216)
Net OPEB Liability	\$ 1,434,681	\$ 1,301,204	\$ 1,185,399

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the Retirees' Fund, as well as what the Retirees' Fund liability would be if it were using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Health Care Cost	Health Care Cost	1% Increase in
Total OPEB Liability	\$ 1,207,454	\$ 1,301,420	\$ 1,413,042
Plan Fiduciary Net Position	(216)	(216)	(216)
Net OPEB Liability	\$ 1,207,238	\$ 1,301,204	\$ 1,412,826

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

NOTE 6 - Commitments:

The Self Insurance Trust Fund is committed to the following contracts or policies after June 30, 2020:

Contractor	Contract Rate	Expiration Date
American Health Holding, Inc.	Varies by case volume	6/30/23
Aon Hewitt	Hourly rate	6/30/22
Casey Neilon, Inc.	Hourly rate	12/31/21
Diversified Dental Services	Per participant per month	6/30/21
Express Scripts	Per participant per month admin fee, claims costs	6/30/22
Health Claim Auditors	Based on a per audit fee for each quarterly audit	9/30/22
Health Plan of Nevada (HMO)	Varies by tier	6/30/21
HealthSCOPE Benefits (FSA)	Varies by service	6/30/22
HealthSCOPE Benefits (PPO)	Varies by service	6/30/22
HealthSCOPE Benefits (TPA)	Varies by service	6/30/22
HealthSCOPE Dental	Varies by service	6/30/22
Hometown Health Providers (PPO)	Varies by tier	6/30/21
KPS3	Monthly fee	6/30/21
Morneau Shepell	Per participant per month fee for services rendered	12/31/23
The Standard Insurance	Varies	6/30/22
Towers Watson	Per HRA Account per month	6/30/25
UNUM	Varies by type of insurance selected by participant	6/30/20

The above contracts include varying termination provisions that allow termination without cause with notice required between 30 and 180 days prior to the date of termination.

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NOTE 7 - Risk Management:

Estimated Claims Liabilities:

The management of the Self Insurance Trust Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported and the unused portion of the HRA liability. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Typically, after consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

Unpaid Claims Liabilities:

As discussed above, management established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following presents changes in those aggregate liabilities for the Self Insurance Trust Fund during the past two years.

Unpaid Claims Liabilities:

	<u>2020</u>	<u>2019</u>
<u>Reserve for claims balance</u>		
Beginning balance	\$ 58,790,000	\$ 37,568,000
Claims and changes in estimates	258,939,546	274,535,662
Claims payments	(266,215,546)	(253,313,662)
Ending balance reserve for claims balance	<u>\$ 51,514,000</u>	<u>\$ 58,790,000</u>
 <u>HRA Liability</u>		
Beginning balance	\$ 36,091,428	\$ 34,115,258
Incurred	44,596,089	42,537,462
Paid	(42,499,204)	(40,561,292)
Ending balance HRA liability	<u>\$ 38,188,313</u>	<u>\$ 36,091,428</u>
 Ending Balance	<u>\$ 89,702,313</u>	<u>\$ 94,881,428</u>

These unpaid claims liabilities are all for the self-funded medical, dental, vision and prescription drug benefits and the CDHP and Medicare exchange HRAs.

NOTE 8 – Contingencies:

Contingent Liabilities

In accordance with NRS 353.140, the Self Insurance Trust Fund honors outstanding stale warrants presented for payment within six years from the date of origination. Management has estimated the total amount of outstanding stale warrants less than six years old to be \$1,220,373 and \$1,360,327 as of June 30, 2020 and June 30, 2019, respectively. Management has assessed that it is not probable that these warrants will be presented for payment during the statutory time frame. However these warrants will continue to be recorded as a liability as after the statutory six year period the funds will be turned over to the Nevada State Treasurer as unclaimed property.

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NOTE 9 – Subsequent Events:

Management has evaluated the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2020. Management has evaluated subsequent events through November 13, 2020, the date which the financial statements were available to be issued.

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

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 REQUIRED SUPPLEMENTARY INFORMATION - PENSION
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SCHEDULE OF CHANGES IN NET PENSION LIABILITY
 (Last Ten Fiscal Years*)

	Measurement Dates					
	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.0281%	0.0260%	0.0253%	0.0270%	0.0262%	0.0254%
Proportion share of the net pension liability (asset)	\$ 3,833,649	\$ 3,547,239	\$ 3,361,917	\$ 3,633,788	\$ 3,003,622	\$ 2,681,426
Proportion share of covered-employee payroll	\$ 1,907,119	\$ 1,692,314	\$ 1,578,012	\$ 1,641,897	\$ 1,507,312	\$ 1,451,686
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	201.02%	209.61%	213.05%	221.32%	199.27%	184.71%
Plan fiduciary net position as a percentage of the total pension liability	76.46%	75.24%	74.42%	72.23%	75.13%	76.31%

*Only six years of information is available due to reporting changes related to the implementation of GASB 68 implementation effective fiscal year 2015.

**STATE OF NEVADA
 SELF INSURANCE TRUST FUND
 PUBLIC EMPLOYEES' BENEFITS FUND
 REQUIRED SUPPLEMENTARY INFORMATION - PENSION
 JUNE 30, 2020 AND 2019**

SCHEDULE OF CONTRIBUTIONS
 (Last Ten Fiscal Years*)

	Measurement Dates					
	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 267,388	\$ 270,930	\$ 241,784	\$ 220,384	\$ 228,943	\$ 281,658
Contributions in relation to those contractually required	(267,388)	(270,930)	(226,892)	(220,384)	(228,943)	(281,658)
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's covered-employee payroll	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506	\$ 1,374,657	\$ 1,333,326	\$ 1,344,932
Contributions as a percentage of covered-employee payroll	17.45%	16.08%	16.02%	16.03%	17.17%	20.94%

*Only six years of information is available due to reporting changes related to the implementation of GASB 68 implementation effective fiscal year 2015.

**STATE OF NEVADA
 SELF INSURANCE TRUST FUND
 PUBLIC EMPLOYEES' BENEFITS FUND
 REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 JUNE 30, 2020 AND 2019**

**SCHEDULE OF THE FUND'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 (Last Ten Fiscal Years*)**

	Measurement Date		
	2019	2018	2017
Proportion of the Net OPEB Liability (Asset)	9.3400%	0.1070%	0.1029%
Proportionate share of the Net OPEB Liability (Asset)	\$ 1,301,204	\$ 1,417,507	\$ 1,339,747
Proportionate share of covered payroll	\$ 1,911,007	\$ 2,023,909	\$ 1,712,899
Proportionate Share of the Net OPEB Liability (Asset) as a percentage of covered payroll	68.09%	70.04%	78.22%
Plan Fiduciary Net Position as a percentage of the total Net OPEB Liability	0.02%	0.12%	0.11%

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

**STATE OF NEVADA
 SELF INSURANCE TRUST FUND
 PUBLIC EMPLOYEES' BENEFITS FUND
 REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 JUNE 30, 2020 AND 2019**

**SCHEDULE OF THE FUND CONTRIBUTIONS
 (Last Ten Fiscal Years*)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 41,705	\$ 44,268	\$ 39,801
Contributions	<u>41,705</u>	<u>44,268</u>	<u>39,801</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's covered payroll	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506
Contributions as a percentage of covered payroll	2.72%	2.63%	2.64%

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

Casey Neilon
Accountants and Advisors

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

To the Board of the
Public Employees’ Benefits Program

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Casey Neilon

Carson City, Nevada
November 16, 2020