

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
YEARS ENDED JUNE 30, 2022 AND 2021**



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SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
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INDEPENDENT AUDITORS' REPORT

Board of the Public Employees' Benefits Program
State of Nevada

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada (the Fund), as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada, as of June 30, 2022 and 2021, and the respective 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Reporting Entity

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 net position, and changes in net position 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, 2022 and 2021, and the changes in its net position, and cash flows thereof 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Board of the Public Employees' Benefits Program
State of Nevada
Self Insurance Trust Fund

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of the Public Employees' Benefits Program
State of Nevada
Self Insurance Trust Fund

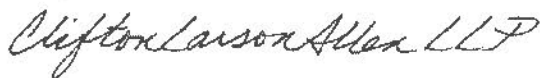
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in pension liability, schedule of the fund's proportionate share of the net OPEB liability, and related ratios and the schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of the Self Insurance Trust Fund, Public Employees' Benefits Program'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 the Self Insurance Trust Fund, Public Employees' Benefits Program'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 Self Insurance Trust Fund, Public Employees' Benefits Program's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
February 22, 2023

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021**

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 140,185,989	\$ 158,708,980
Prepaid Insurance	14	3,519
Receivables		
Accounts Receivables, Net	13,772,307	8,239,150
Intergovernmental Receivable	4,190,641	4,445,275
Due From Other Funds	892,560	854,330
Due From Fiduciary Funds	25,046,900	12,100,467
Due From Component, Units, Net	1,105,541	37,153
Total Current Assets	<u>185,193,952</u>	<u>184,388,874</u>
CAPITAL ASSETS		
Property and Equipment	154,663	268,533
Less Accumulated Depreciation	<u>(144,356)</u>	<u>(257,895)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>10,307</u>	<u>10,638</u>
Total Assets	185,204,259	184,399,512
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Amounts	1,312,782	560,666
OPEB Related Amounts	<u>125,886</u>	<u>162,413</u>
Total Deferred Outflows of Resources	<u>1,438,668</u>	<u>723,079</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Bank Overdraft	3,413,547	2,210,420
Accounts Payable	1,301,408	1,579,157
Accrued Payroll and Related Benefits	102,946	101,608
Due to Other Funds	46,105	54,100
Unearned Revenue	5,435,806	3,483,494
Compensated Absences	158,007	183,415
Reserve for Losses	<u>79,492,071</u>	<u>83,584,731</u>
Total Current Liabilities	<u>89,949,890</u>	<u>91,196,925</u>
NONCURRENT LIABILITIES		
Compensated Absences	70,554	67,169
Net Pension Liability	2,265,928	3,537,451
Net OPEB Liability	<u>1,395,724</u>	<u>1,405,629</u>
Total Noncurrent Liabilities	<u>3,732,206</u>	<u>5,010,249</u>
Total Liabilities	93,682,096	96,207,174
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	1,916,469	216,072
OPEB Related Amounts	<u>56,929</u>	<u>99,825</u>
Total Deferred Inflows of Resources	<u>1,973,398</u>	<u>315,897</u>
NET POSITION		
Investment in Capital Assets	10,307	10,638
Restricted Expendable - Losses	<u>90,977,126</u>	<u>88,586,862</u>
Total Net Position (Restated)	<u>\$ 90,987,433</u>	<u>\$ 88,599,520</u>

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Insurance Premiums	\$ 359,639,820	\$ 371,045,254
Other	21,183	3,683
Total Operating Revenues	<u>359,661,003</u>	<u>371,048,937</u>
OPERATING EXPENSES		
Salaries and Benefits	2,024,758	2,161,431
Operating	5,082,430	3,073,204
Claims Expense	304,752,973	300,583,601
Depreciation	3,237	14,447
Insurance Premiums and Contractual Obligations	58,244,946	62,625,892
Total Operating Expenses	<u>370,108,344</u>	<u>368,458,575</u>
OPERATING INCOME (LOSS)	(10,447,341)	2,590,362
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental Revenue	16,516,757	9,467,584
Investment Income (Expense)	(4,702,251)	(1,341,413)
Interest Income (Expense)	1,020,748	823,146
Total Nonoperating Revenues	<u>12,835,254</u>	<u>8,949,317</u>
CHANGE IN NET POSITION	2,387,913	11,539,679
Net Position - Beginning of Year	<u>88,599,520</u>	<u>77,059,841</u>
NET POSITION - END OF YEAR	<u><u>\$ 90,987,433</u></u>	<u><u>\$ 88,599,520</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers and Users	\$ 257,500,729	\$ 269,103,073
Receipts From Component Units	97,511,041	99,723,488
Payments to Suppliers, Other Governments and Beneficiaries	(371,959,715)	(373,438,687)
Change in Due From Other Funds Related to Operations	(12,992,658)	629,472
Payments to Employees	(1,669,370)	(2,419,901)
Net Cash Used by Operating Activities	(31,609,973)	(6,402,555)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Grants Received	16,771,391	5,992,614
Net Cash Provided by Noncapital and Financing Activities	16,771,391	5,992,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Interest on Investments	1,017,842	823,146
Net Cash Used by Investing Activities	1,017,842	823,146
Net Decrease in Cash and Cash Equivalents	(13,820,740)	413,205
Cash - Beginning of Year	158,256,356	157,843,151
CASH - END OF YEAR	<u>\$ 144,435,616</u>	<u>\$ 158,256,356</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	\$ (10,447,341)	\$ 2,590,362
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	3,237	14,447
Allowance for Doubtful Accounts	(107,470)	(107,470)
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(6,494,075)	(2,108,645)
(Increase) Decrease in Due From Other Funds	(12,992,658)	629,472
(Increase) Decrease in Prepaid Expenses	3,505	(317)
(Increase) Decrease in Deferred Outflows - Pension	(752,116)	102,608
(Increase) Decrease in Deferred Outflows - OPEB	36,527	(92,671)
Increase (Decrease) in Payables and Accruals	(3,187,967)	(7,106,874)
Increase (Decrease) in Unearned Revenue	1,952,312	(6,261)
Increase (Decrease) in Net Pension Obligation	(1,271,523)	(296,198)
Increase (Decrease) in Net OPEB Liability	(9,905)	104,425
Increase (Decrease) in Deferred Inflows - Pension	1,700,397	(146,208)
Increase (Decrease) in Deferred Inflows - OPEB	(42,896)	20,775
Total Adjustments	(21,162,632)	(8,992,917)
Net Cash Used by Operating Activities	<u>\$ (31,609,973)</u>	<u>\$ (6,402,555)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in Fair Value of Investments	(4,249,627)	452,624

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 (U.S. 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 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, 2022 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.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plan Description (Continued)

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 accounting principles generally accepted in the United States of America. 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.

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.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$3,192,254 and \$2,210,420 as of June 30, 2022 and 2021, 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 position, 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 four 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 \$5,248,361 and \$3,464,250 for the years ended June 30, 2022 and 2021, 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.

The Self Insurance Trust Fund considers \$170,248 and \$170,248 in participant premiums as uncollectible as of June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 were \$-0- and \$-0-, respectively. Capital dispositions for the years ended June 30, 2022 and 2021 were \$116,776 and \$192,491, respectively.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021, 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.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 Nonoperating 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.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating Revenues and Expenses (Continued)

Revenues and expenses are classified as nonoperating 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 nonoperating revenues. Contracts representing nonexchange receipts are treated as nonoperating revenues.

Reinsurance

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

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.

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.

STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 CASH AND DEPOSITS

	2022	2021
Bank Overdraft		
Overdraft Accounts	\$ (3,413,547)	\$ (2,210,420)
Deposits with State Treasurer		
State Treasurer's Investment Pool	\$ 144,435,616	\$ 158,256,356
GASB 31 Adjustment	(4,249,627)	452,624
Total Cash and Deposits with State Treasurer	<u>140,185,989</u>	<u>158,708,980</u>
Total Cash and Deposits	<u>\$ 136,772,442</u>	<u>\$ 156,498,560</u>

The Self Insurance Trust Fund has three checking accounts with Wells Fargo Bank at June 30, 2022 and 2021. These accounts contain \$639,140 and \$1,082,774 (of the total overdraft accounts balances above) in state outstanding checks for the years ended June 30, 2022 and 2021, respectively. Additionally, certain Bank of America and Wells Fargo Bank zero balance accounts were closed in previous fiscal years. These closed accounts contain \$-0- and \$-0- in state outstanding checks as of June 30, 2022 and 2021, 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 presented as a liability on the statement of net position and 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 state 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.

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 Annual Comprehensive Financial Report can be obtained online at <https://controller.nv.gov/FinancialRpts/CAFR/Home/>.

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
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NOTE 4 PENSION PLAN

Plan Description.

The Self Insurance Trust Fund contributes to the PERS, a cost sharing, multiemployers, 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, Nevada 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 29.75%, 29.25%, and 29.25% for regular members on all covered payroll for the years ended June 30, 2022, 2021, and 2020, 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 15.50%, 15.25%, and 15.25% for the years ended June 30, 2022, 2021 and 2020, 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, 2022, 2021, and 2020 were \$246,551, \$260,407, and \$267,388, respectively, equal to the required contributions for the year.

Pension Liability

At June 30, 2022 and 2021 the Self Insurance Trust Fund reported a liability of \$2,265,928 and \$3,537,451, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2022 and 2021. The Self Insurance Trust Fund's proportionate share is approximately 0.0245% and 0.0254% as of June 30, 2022 and 2021, respectively.

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NOTE 4 PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2022 and 2021, the total employer pension expense is (\$90,548) and (\$82,105), respectively. Amounts totaling \$260,407 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, 2022. At June 30, 2022 and 2021, the Self Insurance Trust Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 250,996	\$ 15,947	\$ 109,906	\$ 45,677
Change of Assumptions	752,327	-	99,364	-
Net Difference Between Projects and Actual Earnings on Investments	-	1,848,925	-	133,630
Changes in Proportion and Differences Between Actual Contributions and Proportionate Share of Contributions	62,908	51,597	90,989	36,765
System Contributions Subsequent to the Measurement Date	246,551	-	260,407	-
Total	<u>\$ 1,312,782</u>	<u>\$ 1,916,469</u>	<u>\$ 560,666</u>	<u>\$ 216,072</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 Ending June 30</u>	<u>Amount</u>
2023	\$ (253,988)
2024	(249,827)
2025	(259,147)
2026	(277,758)
2027	167,117
2028	23,365
	<u>\$ (850,238)</u>

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NOTE 4 PENSION PLAN (CONTINUED)

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 6.14 years for the measurement period ending June 30, 2021.

<u>Reconciliation of Net Pension Liability</u>	<u>2022</u>	<u>2021</u>
Beginning Net Pension Liability		
Pension Expense	\$ 3,537,451	\$ 3,833,649
Employer Contributions	(76,693)	(82,105)
Net Deferred (Inflows)/Outflows	(260,407)	(264,674)
Ending Net Pension Liability	(934,423)	50,581
	<u>\$ 2,265,928</u>	<u>\$ 3,537,451</u>

Actuarial Assumptions

The Fund's net pension liability was measured as of June 30, 2021 and 2020 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	2.50%
Productivity Pay Increase	0.50%
Projected Salary Increase	Regular: 4.20% to 9.10%, depending on service Rates include inflation and productivity increases
Investment Rate of Return	7.25%
Other Assumptions	Same as those used in the June 30, 2021 funding actuarial valuation

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience study for the period July 1, 2016 through June 30, 2020.

Investment Policy

The following was the Retirement Board's adopted policy target asset allocation as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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, 2021, PERS' long-term inflation assumption was 2.50%.

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NOTE 4 PENSION PLAN (CONTINUED)

Discount Rate and Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the PERS as of June 30, 2021, calculated using the discount rate of 7.25%, 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 (6.25%) or 1 percentage-point higher (8.25%) than the current discount rate.

For the year ended June 30, 2022:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability	\$ 4,511,389	\$ 2,265,928	\$ 413,606

For the year ended June 30, 2021:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Net Pension Liability	\$ 5,517,056	\$ 3,537,451	\$ 1,891,556

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 Annual Comprehensive Financial Report (ACFR) 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.

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.

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NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

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, 2022 and 2021 were \$35,622 and \$37,136, 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, 2022 and 2021, the Fund reported a liability of \$1,395,724 and \$1,405,629, respectively, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2021, 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, 2022 and 2021, respectively, the Fund's proportion was 0.0906% and 0.0938%.

For the years ended June 30, 2022 and 2021, respectively, the Fund recognized OPEB expense of \$119,971 and \$81,719. At June 30, 2022 and 2021, the Fund Reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 90,264	\$ 6,048	\$ 125,277	\$ 28,432
Changes in Experience	-	50,881	-	71,393
Fund Contributions Subsequent to the Measurement Date	35,622	-	37,136	-
	<u>\$ 125,886</u>	<u>\$ 56,929</u>	<u>\$ 162,413</u>	<u>\$ 99,825</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>
2023	\$ 7,231
2024	15,447
2025	10,778
2026	(121)
	<u>\$ 33,335</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 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 6.25% and decreases to 4.50% 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, 2021 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.

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NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Discount Rate (Continued)

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 (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate.

For the year ended June 30, 2022:

	1% Decrease in Discount Rate 1.16%	Discount Rate 2.16%	1% Increase in Discount Rate 3.16%
Total OPEB Liability	\$ (1,536,372)	\$ (1,386,691)	\$ (1,346,802)
Plan Fiduciary Net Position	(9,033)	(9,033)	(9,033)
Net OPEB Liability	<u>\$ (1,545,405)</u>	<u>\$ (1,395,724)</u>	<u>\$ (1,355,835)</u>

For the year ended June 30, 2021:

	1% Decrease in Discount Rate 1.21%	Discount Rate 2.21%	1% Increase in Discount Rate 3.16%
Total OPEB Liability	\$ (1,677,076)	\$ (1,399,978)	\$ (1,346,802)
Plan Fiduciary Net Position	(5,651)	(5,651)	(5,651)
Net OPEB Liability	<u>\$ (1,682,727)</u>	<u>\$ (1,405,629)</u>	<u>\$ (1,352,453)</u>

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.

For the year ended June 30, 2022:

	1% Decrease in Discount Rate	Health Care Cost	1% Increase in Discount Rate
Total OPEB Liability	\$ 1,282,566	\$ (1,386,691)	\$ (1,490,153)
Plan Fiduciary Net Position	(9,033)	(9,033)	(9,033)
Net OPEB Liability	<u>\$ 1,273,533</u>	<u>\$ (1,395,724)</u>	<u>\$ (1,499,186)</u>

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NOTE 5 OTHER POST EMPLOYMENT RETIREMENT BENEFITS (CONTINUED)

Discount Rate (Continued)

For the year ended June 30, 2021:

	1% Decrease in Discount Rate	Health Care Cost	1% Increase in Discount Rate
Total OPEB Liability	<u>\$ (1,400,818)</u>	<u>\$ (1,399,978)</u>	<u>\$ (1,614,471)</u>
Plan Fiduciary Net Position	<u>(5,651)</u>	<u>(5,651)</u>	<u>(5,651)</u>
Net OPEB Liability	<u><u>\$ (1,406,469)</u></u>	<u><u>\$ (1,405,629)</u></u>	<u><u>\$ (1,620,122)</u></u>

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

**STATE OF NEVADA
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NOTE 6 COMMITMENTS

The Self Insurance Trust Fund is committed to the following contracts or policies after June 30, 2022:

Contractor	Contract Rate	Expiration Date
American Health Holding, Inc.	Varies by Case Volume	6/30/2023
AON Consulting	Hourly Rate	6/30/2022
Claim Technologies (Brown & Brown)	Varies by Audit	6/30/2027
CliftonLarsonAllen	Hourly Rate	12/31/2024
Diversified Dental Services	Per Participant per Month	6/31/2026
Express Scripts	Per Participant per Month Admin Fee, Claims Costs	6/30/2022
HealthSCOPE Benefits (PPO)	Varies by Service	6/30/2022
HealthSCOPE Benefits (TPA)	Varies by Service	6/30/2022
HealthSCOPE Dental	Varies by Service	6/30/2022
Labyrinth Solutions, Inc.	Per Participant Per Month	6/30/2027
Morneau Shepell	Per Participant per Month Fee for Services Rendered	6/30/2027
The Standard Insurance	Varies	6/30/2022
United Healthcare	Varies	6/30/2026
UMR Inc.	Varies by Service	6/30/2028
Segal Company	Hourly Rate	6/30/2027
Health Plan of Nevada	Per Participant Premium by Tier	6/30/2025
Lifeworks	Per Participant per Month Fee for Services Rendered	12/31/2026

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.

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.

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NOTE 7 RISK MANAGEMENT (CONTINUED)

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

	2022	2021
<u>Reserve for Claims Balance</u>		
Beginning Balance	\$ 52,286,000	\$ 51,514,000
Claims and Changes in Estimates	277,858,690	271,862,209
Claims Payments	<u>(279,114,690)</u>	<u>(271,090,209)</u>
Ending Balance Reserve for Claims Balance	51,030,000	52,286,000
 <u>HRA Liability</u>		
Beginning Balance	\$ 31,298,731	\$ 38,188,313
Incurred	34,243,392	31,850,782
Paid	<u>(37,080,052)</u>	<u>(38,740,364)</u>
Ending Balance HRA Liability	<u>28,462,071</u>	<u>31,298,731</u>
 Ending Balance	<u><u>\$ 79,492,071</u></u>	<u><u>\$ 83,584,731</u></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 \$639,140 and \$1,082,774 as of June 30, 2022 and June 30, 2021, 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, 2022 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2022. Management has evaluated subsequent events through February 22, 2023, 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.

NOTE 10 LITIGATION

Public Employees Benefit Program of the Self Insurance Trust Fund is involved in pending litigation. The outcome of the litigation cannot be predicted at this time.

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REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

	Measurement Dates							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportionate of the Net Pension Liability (Asset)	0.0245%	0.0254%	0.0281%	0.0260%	0.0253%	0.0270%	0.0262%	0.0254%
Proportionate Share of the Net Pension Liability (Asset)	\$ 2,265,928	\$ 3,537,451	\$ 3,833,649	\$ 3,547,239	\$ 3,361,917	\$ 3,633,788	\$ 3,003,622	\$ 2,681,426
Proportionate Share of Covered-Payroll	\$ 1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506	\$ 1,374,657	\$ 1,333,326	\$ 1,344,932	\$ 1,451,686
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	142.12%	230.83%	227.52%	234.99%	244.56%	272.54%	223.33%	184.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.51%	77.04%	76.46%	75.24%	74.42%	72.23%	75.13%	76.31%

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

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REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS***

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 246,551	\$ 260,407	\$ 267,388	\$ 270,930	\$ 241,784	\$ 220,384	\$ 228,943	\$ 281,658
Contributions in Relation to the Contractually Required Contribution	(246,551)	(260,407)	(267,388)	(270,930)	(241,784)	(220,384)	(228,943)	(281,658)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund's Covered-Payroll	\$ 1,629,320	\$ 1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,508	\$ 1,374,657	\$ 1,333,326	\$ 1,344,932
Contributions as a Percentage of Covered Payroll	15.13%	16.33%	17.45%	16.08%	16.02%	16.03%	17.17%	20.94%

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

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REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF THE FUND'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
LAST TEN FISCAL YEARS*

	2021	2020	2019	2018	2017
Proportion of the Net OPEB Liability (Asset)	0.0906%	0.0938%	0.0934%	0.1070%	0.1029%
Proportionate Share of the Net OPEB Liability (Asset) \$	1,395,724	\$ 1,405,629	\$ 1,301,204	\$ 1,417,507	\$ 1,339,747
Proportionate Share of Covered Payroll \$	1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,508	\$ 1,374,657
Proportionate Share of the Net OPEB Liability (Asset) as a					
Percentage of Covered Payroll	87.54%	91.72%	77.22%	93.91%	97.46%
Plan Fiduciary Net Position as a					
Percentage of the Total OPEB Liability	0.02%	0.02%	0.02%	0.12%	0.11%

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

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SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION – PENSION
SCHEDULE OF THE FUND'S CONTRIBUTIONS
LAST TEN FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 35,622	\$ 37,136	\$ 41,705	\$ 44,268	\$ 39,801
Contributions	<u>(35,622)</u>	<u>(37,136)</u>	<u>(41,705)</u>	<u>(44,268)</u>	<u>(39,801)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund's Covered Payroll	\$ 1,629,320	\$ 1,594,419	\$ 1,532,510	\$ 1,684,981	\$ 1,509,506
Contributions as a Percentage of Covered Payroll	2.19%	2.33%	2.72%	2.63%	2.64%

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



**INDEPENDENT AUDITORS' 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**

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 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, 2022, and the related notes to the financial statements, which collectively comprise Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's basic financial statements, and have issued our report thereon dated February 22, 2023.

Report on 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 of the State of Nevada's internal control over financial reporting (internal control) as a basis for designing 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 Program of the State of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

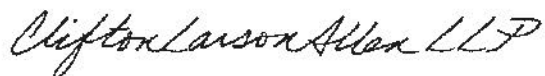
As part of obtaining reasonable assurance about whether the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

The Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's response to the findings identified in our audit and described in the accompanying schedule of findings. The Self Insurance Trust Fund, Public Employees' Benefits Program of the State of Nevada's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Broomfield, Colorado
February 22, 2023

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022 – 001 Cash Over Draft and Claims Amounts

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Through testing of outstanding checks as of June 30, 2022, it was found that the amounts recorded related to cash over drafts (a liability) and claims expenses were recorded twice, which resulted in an overstatement of liabilities and expenses for \$3,192,254.

Criteria: Amounts should be recorded in accordance with generally accepted accounting standards.

Context: During testing of liabilities, it was found that amounts were incorrect for liabilities and claims expenses as a journal entry was recorded twice.

Effect: As a result of this issue, the following adjustment was required to be posted Public Employees Benefit Program:

- Self-Insurance Trust Fund – An adjustment to decrease cash over draft liabilities and claims expenses by an amount of \$3,192,254.

Cause: Accrual entries for liabilities and claims expense were not recorded correctly.

Repeat Finding: This is a not repeat finding.

Recommendation: We recommend the Public Employees Benefit Program increase its review of accrual entries recorded at the end of the fiscal year.

Views of responsible officials and planned corrective actions: The Public Employees Benefit Program agrees with the finding and has adjusted liabilities and claims expenses accordingly. Public Employees Benefit Program will improve for yearend accrual entries.

Responsible Official: Cari Eaton, CFO

**STATE OF NEVADA
SELF INSURANCE TRUST FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Section III – Prior Year Financial Statement Findings

2021 – 001 Claims Expenses

Condition: Expenses and liabilities related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Recommendation: We recommend the Public Employees' Benefits Program increase its review of accrual entries recorded at the end of the fiscal year.

Current Year Status: Through work performed during fiscal year 2022, prior year material weakness appears to have been resolved.

2021 – 002 Accounts Receivable

Condition: Premium revenue and related receivables related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Recommendation: We recommend the Public Employees' Benefits Program increase its review of accrual entries recorded at the end of the fiscal year.

Current Year Status: Through work performed during fiscal year 2022, prior year material weakness appears to have been resolved.

2021 – 003 Prior Period Restatement

Condition: Premium revenue and related receivables related to accrual entries at the end of the fiscal year recorded for claims were not recorded correctly.

Recommendation: We recommend the Public Employees' Benefits Program increase its review of accrual entries recorded at the end of the fiscal year.

Current Year Status: Through work performed during fiscal year 2022, prior year material weakness appears to have been resolved.



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

JUNE 30, 2022 AND 2021



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

Board of the Public Employees' Benefits Program
State of Nevada

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada (the Fund), as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada, as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

Reporting Entity

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 Fund. They do not purport to, and do not, present fairly the financial position of the state of Nevada, as of June 30, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's ability to continue as a going concern for a reasonable period of time.

Board of the Public Employees' Benefits Program
State of Nevada

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

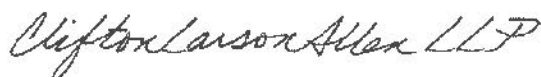
Required Supplementary Information

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023 on our consideration of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program'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 the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program'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's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
February 22, 2023

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
ASSETS		
Cash with Treasurer	\$ 3,491,998	\$ 2,118,781
Intergovernmental Receivable	20,584	6,716
Due From Other Funds	107,288	7,142
Due From Component, Units, Net	1,334,319	-
Total Assets	<u>4,954,189</u>	<u>2,132,639</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Other Funds	<u>25,046,900</u>	<u>12,100,467</u>
Total Liabilities	<u>25,046,900</u>	<u>12,100,467</u>
NET POSITION		
Net Position Restricted for Other Postemployment Benefits	<u>\$ (20,092,711)</u>	<u>\$ (9,967,828)</u>

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Contributions		
Employer Contributions	\$ 39,621,208	\$ 39,563,787
Investment Income		
Interest and Dividends	19,046	34,923
Net Appreciation in Fair Value of Investments	(111,936)	273,081
Investment Expense	<u>-</u>	<u>(453)</u>
Total Net Investment Income	<u>(92,890)</u>	<u>307,551</u>
Total Additions	39,528,318	39,871,338
Deductions		
Benefit Payments	<u>49,653,201</u>	<u>44,187,551</u>
Total Deductions	<u>49,653,201</u>	<u>44,187,551</u>
CHANGE IN NET POSITION	(10,124,883)	(4,316,213)
Net Position - Beginning of Year	<u>(9,967,828)</u>	<u>(5,651,615)</u>
NET POSITION - END OF YEAR	<u><u>\$ (20,092,711)</u></u>	<u><u>\$ (9,967,828)</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 (U.S. 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:

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plan Description and Contribution Information (Continued)

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 15 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.

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, 2022 and 2021, 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 OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Plan Description and Contribution Information (Continued)

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

Active Plan Members*	10,183
Inactive Plan Members or Beneficiaries Currently Receiving Benefit**	13,900
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	<u>2,280</u>
Total Plan Members	<u><u>26,363</u></u>

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

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

State participating employers consisted of the following as of the actuarial valuation date:

Total Participating Employers	<u><u>24</u></u>
-------------------------------	------------------

The Retirees' Fund is governed by the Public Employees Benefits Program Board of Trustees which consists of 10 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.

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021, were as follows:

	2022 <u>(in thousands)</u>	2021 <u>(in thousands)</u>
Total OPEB Liability	\$ (1,540,183)	\$ (1,498,059)
Plan Fiduciary Net Position	<u>(9,968)</u>	<u>(5,651)</u>
Net OPEB Liability	<u>\$ (1,550,151)</u>	<u>\$ (1,503,710)</u>
Plan Fiduciary Net Position as a Percentage of Total		
OPEB Liability	0%	0%
OPEB Expense	\$ 76,323	\$ 85,777

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 NET OPEB LIABILITY (CONTINUED)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.75%
Discount Rate	2.16%, Based on Bond Buyer General Obligation 20-Bond Municipal Bond Index
Healthcare Cost Trend Rates	For medical prescription drug benefits the current amount is 6.25% and decreases to 4.50% long-term trend rate after eleven 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

Healthy Mortality Officers: Pub-2010 Public Retirement Plans Safety Mortality Table weighted by Headcount, projected by MP-2019 Civilians: Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount, projected by MP-2019

Disabled Mortality Officers: Pub-2010 Public Retirement Plans Safety Disabled Mortality Table weighted by Headcount, projected by MP-2019 Civilians: Pub-2010 Public Retirement Plans General Disabled Mortality Table weighted by Headcount, projected by MP-2019

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2020.

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 2.21%.

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, 2022 and 2021 are 2.16% and 2.21%, respectively.

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 NET OPEB LIABILITY (CONTINUED)

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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%) (in thousands)	Discount Rate (2.21%) (in thousands)	1% Increase (3.21%) (in thousands)
Total OPEB Liability (Ending)	\$ (1,695,388)	\$ (1,540,183)	\$ (1,370,270)
Plan Fiduciary Net Position (Ending)	(9,968)	(9,968)	(9,968)
Net OPEB Liability (Ending)	<u>\$ (1,705,356)</u>	<u>\$ (1,550,151)</u>	<u>\$ (1,380,238)</u>

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% Increase (in thousands)
Total OPEB Liability (Ending)	\$ (1,415,313)	\$ (1,540,183)	\$ (1,644,385)
Plan Fiduciary Net Position (Ending)	(9,968)	(9,968)	(9,968)
Net OPEB Liability (Ending)	<u>\$ (1,425,281)</u>	<u>\$ (1,550,151)</u>	<u>\$ (1,654,353)</u>

NOTE 3 CASH AND DEPOSITS WITH THE STATE TREASURER

	2022	2021
Cash		
Deposits with State Treasurer:		
State Treasurer's Investment Pool	\$ 3,597,890	\$ 2,112,737
GASB 31 Adjustment	(105,892)	6,044
Total Cash and Deposits	<u>\$ 3,491,998</u>	<u>\$ 2,118,781</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.

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JUNE 30, 2022 AND 2021

NOTE 3 CASH AND DEPOSITS WITH THE STATE TREASURER (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 Annual Comprehensive Financial Report can be obtained online at <https://controller.nv.gov/FinancialRpts/CAFR/Home/>.

NOTE 4 INTERFUND BALANCES

Interfund balances at June 30, 2022 and 2021 consisted of the following:

	2022	2021
Due to Fiduciary Fund From:		
General Funds	\$ 102,744	\$ 7,142
Internal Service Funds	4,544	-
Total Due to Fiduciary Fund From Other Funds	<u>\$ 107,288</u>	<u>\$ 7,142</u>
Due to Fiduciary Fund From:		
All Others	\$ 1,334,319	\$ -
Total Due to Fiduciary Fund From Component Units	<u>\$ 1,334,319</u>	<u>\$ -</u>
Due From Fiduciary Fund:		
Internal Service Funds	\$ 25,046,900	\$ 12,100,467
Total Due to Internal Service Funds From Fiduciary Fund	<u>\$ 25,046,900</u>	<u>\$ 12,100,467</u>

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.

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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 U.S. comingled and non-U.S. 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.

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 accounting principles generally accepted in the United States of America. 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.

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NOTE 6 FAIR VALUE (CONTINUED)

The following table presents fair value measurements as of June 30, 2022:

	Level 1
U.S. Treasury Securities and Equities	\$ -
Total Investments	\$ -

The following table presents fair value measurements as of June 30, 2021:

	Level 1
U.S. Treasury Securities and Equities	\$ -
Total Investments	\$ -

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, 2022 to determine the need for any adjustments to and disclosure within the financial statements for the year ended June 30, 2022. Management has evaluated subsequent events through February 22, 2023, the date which the financial statements were available to be issued.

NOTE 8 RISKS AND UNCERTAINTIES

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.

NOTE 9 LITIGATION

Public Employees Benefit Program of the State Retirees' Health & Welfare Fund is involved in pending litigation. The outcome of the litigation cannot be predicted at this time.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS* (UNAUDITED)

	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 55,710	\$ 53,039	\$ 51,349	\$ 51,882	\$ 59,309	\$ 49,794
Interest Cost	33,853	49,915	52,488	47,795	39,469	45,351
Changes of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experiences	(2,313)	(72,984)	(31,485)	-	-	-
Changes of Assumptions	(938)	124,245	37,971	(36,851)	(102,300)	123,519
Gross Benefit Payments	(44,188)	(49,969)	(42,490)	(39,710)	(38,069)	(35,932)
Net Change in Total OPEB Liability	42,124	104,246	67,833	23,116	(41,591)	182,742
Total OPEB Liability - Beginning of Year	1,498,059	1,393,813	1,325,980	1,302,864	1,344,455	1,161,713
Total OPEB Liability - End of Year	<u>\$ 1,540,183</u>	<u>\$ 1,498,059</u>	<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	\$ 39,584	\$ 43,882	\$ 40,943	\$ 39,669	\$ 38,049	\$ 32,213
Contributions - Member	-	-	-	-	-	-
Net Investment Income	308	205	181	162	164	55
Gross Benefit Payments	(44,188)	(49,969)	(42,490)	(39,710)	(38,069)	(35,932)
Administrative Expenses	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(4,316)	(5,862)	(1,366)	121	144	(3,664)
Plan Fiduciary Net Position - Beginning of Year	(5,651)	231	1,597	(8,516)	(8,660)	(4,996)
Plan Fiduciary Net Position - End of Year	<u>\$ (9,967)</u>	<u>\$ (5,651)</u>	<u>\$ 231</u>	<u>\$ (8,395)</u>	<u>\$ (8,516)</u>	<u>\$ (8,660)</u>
Total Net OPEB Liability	<u>\$ 1,550,150</u>	<u>\$ 1,503,710</u>	<u>\$ 1,393,582</u>	<u>\$ 1,334,375</u>	<u>\$ 1,311,380</u>	<u>\$ 1,353,115</u>
Net Position as a Percentage of OPEB Liability	0%	0%	0%	0%	0%	0%
Covered Employee Payroll	\$ 2,090,282	\$ 2,046,678	\$ 1,991,456	\$ 1,890,946	\$ 1,663,856	\$ 1,627,517
Net OPEB Liability as a Percentage of Payroll	74%	73%	70%	70%	78%	83%

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

Plan Change: None

Assumption Change: The valuation reflects a change of assumption in that the discount rate used at June 30, 2020 was 3.51% , the discount rate used at June 30, 2021 was 2.21%, and the discount rate used at June 30, 2022 was 2.16%.

**STATE OF NEVADA
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS* (UNAUDITED)**

	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	N/A	N/A	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	N/A	N/A
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll**	\$ 2,090,282	\$ 2,046,678	\$ 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	N/A	N/A

*Only six 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, 2020

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 Pub-2010 Public Retirement Plans Mortality Table weighted by Headcount,

*** Weighted average retirement age based on January 1, 2020 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report.



**INDEPENDENT AUDITORS' 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**

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 State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada (the Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's basic financial statements, and have issued our report thereon dated February 22, 2023.

Report on 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 of the State of Nevada's internal control over financial reporting (internal control) as a basis for designing 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 State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada'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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Broomfield, Colorado
February 22, 2023



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