State of Nevada
Office of the State Treasurer
Kate Marshall

Nevada Prepaid Tuition Program
Annual Report - Fiscal Year 2013

NVPrepaid.gov

Kate Marshall
State Treasurer

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Chief of Staff

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Chief Deputy Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
NEVADA PREPAID TUITION PROGRAM

February 1, 2014

The Honorable Brian Sandoval
Governor of the State of Nevada
Capitol Building
Carson City, NV 89701

Dear Governor Sandoval:

In accordance with Nevada Revised Statute 353B.170, on behalf of the Board of Trustees of the College Savings Plans of Nevada (Board), I respectfully submit the Nevada Prepaid Tuition Program Annual Report for Fiscal Year 2013.

The Nevada Prepaid Tuition Program, which began in 1998 as the state's first 529 college savings plan under IRS Section 529, continues to offer families a unique opportunity to save for their children's higher education expenses. One of only 12 such programs available in the nation, through the Nevada Prepaid Tuition Program, families pre-purchase college credit hours to be used at a future date, providing a cost effective and affordable way to pay for higher education tuition expenses.

During the fourteenth annual year of enrollment which began on December 1, 2012, and closed on February 28, 2013, 1,145 new families purchased a Nevada Prepaid Tuition Program, bringing the total number of children enrolled to 16,089. This enrollment period continued the trend of record breaking enrollment numbers, producing a 39% increase in new contracts compared to the previous fiscal year.

The Board uses external investment managers to manage the assets in the Higher Education Tuition Trust Fund (Fund). At the conclusion of FY 2013, more than $162.4 million was invested in the program. Through the efforts of the Board and the State Treasurer's Office, the program continues to be self-supporting, requiring no contribution from the State's General Fund. As of June 30, 2013, the funded ratio of the plan, as determined by an outside certified actuary, was 111.6%.

For your information and use, included in this report is the annual independent audit of the Nevada Prepaid Tuition Program and Fund, as required by the Board.

In closing, I wish to restate my commitment to the success of our state's children in achieving a college education. The Nevada Prepaid Tuition Program continues to provide families with a financial tool that can help pave the way to their children's future success. Your support of this worthwhile program is appreciated.

Sincerely,

Kate Marshall
State Treasurer

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

The purpose of the Nevada Prepaid Tuition Program (Program) is to provide a convenient and affordable way for Nevada families to save for college through a system that allows purchasers to lock in the cost of higher education credit hours today to use in the future. The Nevada Prepaid Tuition Program allows parents, grandparents, extended family and friends to purchase a contract for a fixed amount of undergraduate credit hours for a child to use when they graduate high school. The Program offers five tuition plans and three payment options. A purchaser enters into a contract by choosing a plan and a payment option for a specified beneficiary. When the beneficiary enrolls in college, the Program will pay the contract benefits on their behalf directly to the institution. The contract benefits are based on in-state rates at Nevada public colleges, but can be used toward credit hour costs at any accredited public or private institution of higher education, either in-state or out-of-state.

The Program operates under Nevada Revised Statutes (NRS) Chapter 353B, which was adopted by the Nevada Legislature in 1997. The Program is administered by the Office of the State Treasurer under the direction of the Board of Trustees of the College Savings Plans of Nevada (Board). The Board consists of five members:

* State Treasurer - Chair
* Director of the Department of Administration or his/her designee
* Chancellor of the Nevada System of Higher Education (NSHE) or his/her designee
* Two members appointed by the Governor

In accordance with NRS 353B, the Board is required to contract with a certified actuary and a certified public accounting firm to perform an annual actuarial valuation and financial audit, respectively. For FY 2013, the Board contracted with Gabriel Roeder Smith & Company to conduct the actuarial valuation study and with Kafoury, Armstrong & Co. to conduct the annual audit of the accounts and records of the State Treasurer and the Board.

The Program also contracts with professional investment manager(s) to invest assets of the plan. The Board contracted with The Bank of New York Mellon through September 2012, at which time their contract expired. After a competitive selection process, the Board approved a contract with Chicago Equity Partners to manage the fixed income portfolio portion of the Prepaid Tuition Trust Fund, and transitioned the equity portfolios consisting of large, mid, and small cap mutual funds to Vanguard. These new contracts will create a long term cost savings of $1.52 million dollars over the next four fiscal years. Callan continued to perform investment oversight and reporting throughout Fiscal Year 2013. Investments were made in accordance with the Program's Investment Policy Statement approved by the Board.

FINANCIAL STABILITY

The Nevada Prepaid Tuition Program is not supported by the full faith and credit of the State of Nevada, nor is it guaranteed by the State's General Fund. The Board continuously evaluates and takes necessary measures to maintain the financial stability of the Program. To that end, in Fiscal Year 2013, the Board:

- Approved an annual transfer of $1.32 million in funds from the College Savings Trust Fund to increase the actuarial soundness of the Program.

- ♦ Contracted with investment firms (Chicago Equity Partners/Vanguard) to provide professional investment services.

- ♦ Contracted with an investment consultant (Callan) to monitor investments and assist the Board.

- ♦ Expanded marketing and outreach to increase customer awareness and participation.

Those measures helped to make Fiscal Year 2013 a successful one, resulting in:

- ♦ A funded status of 111.6%.
- ♦ A return of 11.36% in the Program's investment portfolio.
- ♦ The number of new contract enrollments increased by 39% over the prior fiscal year.

ENROLLMENT

The Fiscal Year 2013 enrollment period ran from December 1, 2012 to February 28, 2013, with newborns under the age of twelve months allowed to enroll in the program through June 30, 2013. The FY 2013 enrollment proved to be a successful one.

- ♦ There were 1,145 new enrollments, which was an increase of 39% from the prior enrollment year.

- ♦ The 4-year University Plan continued to be the most popular plan choice (61.66% of total accounts).

- ♦ The lump sum payment option (27.07%) constituted almost 1/3 of all contract payment plans.

- ♦ Newborns continue to make up the largest percentage (14.24%) of new enrollees in a single age group.

OBJECTIVES

The financial objectives of the Board have remained consistent:

- ♦ Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations, including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.

- ♦ Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.

- ♦ Establish contract plans and payment options that offer value and affordability for Nevada families.

CONTRACT PRICING

Prices for the Fiscal Year 2013 enrollment period were established taking into consideration four key factors:

- ♦ Future tuition increase assumptions at the Nevada System of Higher Education (NSHE).

- ♦ Assumed rate of return on investments.

- ♦ Methodology of allocating current and future administrative expenses of the Program.

- ♦ Historical utilization of credit hours by participants in the program.

Based on the above factors and the current funded status of the Program, the Board was able to keep the pricing schedules constant from the previous Fiscal Year for the first time in history since the Program opened in 1998. The continued annual transfer of $1.32 million dollars from the College Savings Endowment account into the Nevada Prepaid Tuition Trust Fund coupled with the Programs lower investment management fees, contributed to the pricing decision.

BENEFIT USAGE

The Program's benefits can be used at any eligible educational institution nationwide upon the expected matriculation year of the beneficiary. The number of students using their benefits in the Nevada Prepaid Tuition Program continues to grow each year as early enrollees in the Program begin to reach college age.

- ♦ Roughly 2,460 students used their tuition benefits in FY 2013.

- ♦ Tuition benefits paid out in FY 2013 were $7,298,141.10, an increase of 19% over the prior fiscal year.

- ♦ Approximately 71% of tuition benefits were paid to a Nevada school in FY 2013. This resulted in the Program paying nearly $5.2 million to Nevada System of Higher Education Institutions.

- ♦ As of June 30, 2013, 1,442 students have expended all their benefits to attend college.

Future objectives and strategies will include ongoing evaluation of the factors and assumptions used to set contract prices and the asset allocation of the Trust Fund portfolio to ensure its long-term financial viability.

SUMMARY OF ACTUARIAL VALUATION REPORT

The Board is required by NRS 353B.190 to contract with an independent certified actuary to perform an annual actuarial valuation of the Higher Education Tuition Trust Fund. The Board contracted with Gabriel Roeder Smith & Company (GRS) to perform the valuation for Fiscal Year 2013. The Actuarial Valuation Report prepared by GRS shows significant improvement in the financial position of the Nevada's Higher Education Trust Fund and the Prepaid Tuition Program during Fiscal Year 2013.

The improvements seen during Fiscal Year 2013 include:

- The market value of assets grew by 15%, an increase of $20,662,968 from the prior fiscal year.

- The stabilization reserve (surplus) increased by $13,031,988, or 180% from the prior fiscal year. This increase was primarily due to a strong investment performance and a continued increase in new contract sales.

- The funded ratio, which represents the Program's ability to meet its obligations and payout benefits for all current contracts, increased by 7% from 104.6% in Fiscal Year 2012 to 111.6% in Fiscal Year 2013. The increase in the funded status was attributed to:
    a. A market rate of return of 11.36%, which was significantly higher than the assumed return of 6.75%.
    b. A transfer of $1.32 million from the Nevada College Savings Trust Fund.
    c. Contract pricing that included a small margin

SUMMARY OF VALUATION RESULTS		
Assets	**Fiscal Year 2013**	**Fiscal Year 2012**
Net Market Value of Assets	$162,478,679	$141,815,711
Present Value of Future Contract Payments	$32,192,694	$24,521,512
Total Value of Fund Assets	$194,671,373	$166,337,223
Liabilities		
Present Value of Future Tuition Payments, Refunds, Fees, and Administrative Expenses	$174,398,518	$159,096,356
Surplus	$20,272,855	$7,240,867
Funded Ratio	111.6%	104.6%

As a result of the Board's asset allocation decisions, contract pricing, and policy to transfer $1.32 million annually to the program from other revenue sources, the Program has been able to maintain its surplus and high funded ratio, in contrast to a number of other states' prepaid tuition plans. This is essential since the Program is not supported or backed by the State's general fund.

The full actuarial valuation report is contained in Appendix A.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with the independent auditing firm of Kafoury, Armstrong & Co., which performed the audit on the Higher Education Tuition Trust Fund for Fiscal Year 2013, which ended on June 30, 2013.

For Fiscal Year 2013, the Trust Fund received a favorable unmodified opinion. Points of interest were:

- The Trust Fund continued to be classified as an enterprise fund of the State of Nevada and was included in the State of Nevada's *Comprehensive Annual Financial Report*.

- Total operating revenues increased by $6,009,487(roughly 43%), from the previous fiscal year, for a total of $20,074,498.
- Total assets held were $195,101,658. This was an increase of $6,247,723, or 3.2% from the previous fiscal year.

- There was a decrease of nearly 3.7% in total liabilities, as well as a decline of 3.8% in operating expenses, compared to the previous fiscal year.

- Net assets rose from $2,373,406 to $15,452,883, an increase of roughly 550%. This growth was primarily due to strong investment performance, a return of approximately 11.36%, and continued increases in new contract sales.

- No deficiencies or material weakness in internal control over financial reporting were found or reported.

Higher Education Tuition Trust Fund Net Assets

	2013	2012
Assets		
Current and other assets	$ 194,980,168	$ 188,717,102
Net capital assets	121,490	136,833
Total Assets	195,101,658	188,853,935
Liabilities		
Current liabilities	14,702,204	35,721,346
Noncurrent liabilities	164,946,571	150,759,183
Total Liabilities	179,648,775	186,480,529
Net Assets (Deficit)		
Invested in capital assets	121,490	136,833
Unrestricted	15,331,393	2,236,573
Total Net Assets (Deficit)	$ 15,452,883	$ 2,373,406

The financial statements of the Trust Fund have been prepared in conformance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB).

The full auditor's report is contained in Appendix B.

SUMMARY OF INVESTMENT REPORTS

The Board contracts with a professional investment manager for the investment and management of assets held in the Higher Education Tuition Trust Fund. Previously the Board contracted with one company to manage both the equities and fixed income portfolios. In Fiscal Year 2013, the contract with the previous manager, BNY Mellon expired. After an extensive RFP process, the Board voted to have the equity portfolios transitioned to passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, and to contract with Chicago Equity Partners to manage the fixed income portfolio. The Board also maintained its contract with Callan as its investment consultant. Included in this annual report are the client report from Chicago Equity Partners and the performance review from Callan as of June 30, 2013.

For Fiscal Year 2013, the Board maintained the portfolio's asset allocation of 43% to fixed income and 57% to equities. The equities portion of the portfolio is further allocated to three separate funds: Large Cap, Mid Cap, and Small Cap.

Fund Market Values of Investments			
Target Allocation	Allocation	Fiscal Year 2013	Fiscal Year 2012
Large Cap	45%	$73,956,073	$65,476,045
Mid Cap	8%	$13,106,505	$11,258,578
Small Cap	4%	$6,440,832	$5,526,170
Fixed Income	43%	$68,201,129	$59,191,629
Total	100%	$161,704,540	$141,452,422

.• The market value of assets grew to $161,704,540 in Fiscal Year 2013, which was an increase of $20,252,118, or 14% from the prior fiscal year.

• For the fiscal year ending June 30, 2013, the Program's portfolio had a 11.36% return, which slightly underperformed its blended benchmark of 11.53%, but was still greater than the Program's assumed rate of return of 6.75%.

• The Program's three-year investment return on an annualized basis was 12.69%.

Reports from Chicago Equity Partners and Callan are contained in appendix C.

SUMMARY OF ENROLLMENT STATISTICS

Various statistics are collected from the enrollment forms submitted by purchasers who enrolled children in the Program. This information is provided by purchasers on a strictly voluntary basis. The information has been collected and presented for Fiscal Year 2013 and in comparison to the previous fiscal year. Below are highlights of the information collected for Fiscal Year 2013, enrollment.

- Of the five plan choices offered, the four-year university plan remains the most popular, with 61.66% of purchasers choosing this plan option. The two-year university plan followed with 13.71% popularity. The lump sum payment option was chosen by roughly 27.07% while the five-year and extended monthly installment payment options made up the other 72.93% of contracts purchased. Among new enrollees, 13.2% of the contract holders chose to make a down payment, lowering their monthly payments for the contract they purchased.

- Residents from Clark and Washoe counties remained the top purchasers in Fiscal Year 2013. Residents of Clark County purchased more than half (60.87%) of the contracts, while residents of Washoe County purchased 27.07% of the contracts. Carson continued to be third with 3.06% of the contracts purchased.

- Newborns continued to account for the highest percentage of contracts (14.24%). Beneficiaries in fifth grade and first grade followed at 8.21% and 7.95%, respectively.

- Slightly over 50.00% of the beneficiaries were Caucasian, followed by Asians (13.10%), Hispanics (11.00%), African-Americans (3.06%), and Native Americans (0.79%).

- Parents continued to purchase the largest percentage of contracts (81.92%) for their children, followed by grandparents (12.23%).

- Participants with a bachelor's degree continued to purchase the largest percentage of contracts (27.25%), followed by those with a master's degree (16.77%).

- Purchasers with annual household incomes under $50,000 represented 7.42% of the plans sold. Purchasers with annual household incomes ranging from $50,000 to $79,000 represented 12.66%, and those with an income level of $80,000 or more represented 46.46%.

- Purchasers heard about the program in various ways as noted: Website - 18.78%, Television – 8.12%, Radio – 5.68%, School – 7.6%. "Word of Mouth" – 25.41%

The complete collection of tables and charts are contained in Appendix D.

OUTREACH AND FUTURE DIRECTION

The Nevada State Treasurer's Office continues to offer a broad range of college savings options to help Nevadans prepare for future college costs. Office staff continues to work with public and private schools throughout the state, as well as through various professional groups and community events in disseminating college savings information throughout the State.

A unique promotion offered in the 2013 enrollment period for the Prepaid Tuition Program was a contest that awarded two participants with a Nevada Prepaid Tuition account of one full year at the university or two years at a community college. One northern Nevada winner was recognized during the UNR basketball game held on January 26, 2013, and one southern Nevada winner was announced at the UNLV basketball game on February 20, 2013. The winners were recognized and received their awards during halftime ceremonies at those games.

In Fiscal Year 2013, staff continued to expand outreach efforts by partnering with school districts throughout the state, producing various mailing pieces, and by communicating with Nevadans through numerous media sources. Staff attended roughly 52 events throughout the State during FY 2013. These efforts resulted in an increase of approximately 39% in new enrollees from the prior fiscal year. With the recent upswing in the Nevada economy and the increased outreach efforts in educating families about the importance of saving for college, the potential for future growth in the Nevada Prepaid Tuition Program remains strong.

The Program continues to distribute outreach materials to schools statewide to promote the Program and to explain its compatibility with the Governor Guinn Millennium Scholarship Program and other 529 college savings plans administered by the State Treasurer.

Treasurer Kate Marshall and Board member Ned Martin and his family award the Clavel family at a UNLV game as the Southern Nevada contest winner in 2013.

Treasurer Kate Marshall awards the Williams family at a UNR game as the Northern Nevada contest winner in 2013.

APPENDIX A

ACTUARIAL VALUATION REPORT

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

NEVADA PREPAID TUITION PROGRAM

ACTUARIAL VALUATION REPORT

AS OF JUNE 30, 2013

October 9, 2013

Board of Trustees of the College Savings Plans of Nevada
Office of the State Treasurer
555 E. Washington Ave.
Suite 4600
Las Vegas, NV 89101

Attention: Ms. Sheila A. Salehian, Senior Deputy Treasurer

Re: Nevada Prepaid Tuition Program Actuarial Valuation as of June 30, 2013

Dear Trustees:

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial valuation of the Nevada Prepaid Tuition Program (the "Program") as of June 30, 2013. The purpose of this actuarial valuation is to evaluate the financial status of the program as of June 30, 2013.

This report presents the principal results of the actuarial valuation of the Program including the following:

- A comparison of the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2013, with the value of the assets associated with the program as of that same date;
- An analysis of the factors which caused the deficit/surplus to change since the prior actuarial valuation; and
- A summary of the actuarial assumptions and methods utilized in the actuarial calculations.

This report was prepared at the request of the Program's Board and is intended for use by the Program's Board and those designated or approved by the Program's Board. This report may be provided to parties other than the Program's Board only in its entirety and only with the permission of the Program's Board. This report should not be relied on for any purpose other than the purpose described above.

The valuation results set forth in this report are based upon data and information, furnished by the Program, concerning Program benefits, financial transactions, and beneficiaries of the Program. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Program. Further, the data and information provided is through June 30, 2013, and does not reflect subsequent market changes.

There are currently no Actuarial Standards of Practice that specifically refer to prepaid tuition plans. We have followed the guidance from the Actuarial Standards of Practice on pensions due to its similar nature.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The major actuarial assumptions used in this analysis were adopted by and are the responsibility of the Program and the Program's Board. We have not performed a detailed experience study but have performed some limited analyses on the assumptions. Based on our limited analyses, we believe these assumptions are within a reasonable range and are in compliance with actuarial standards regarding pension calculations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. We have performed an analysis of the sensitivity of certain changes in future assumptions.

We believe that the actuarial methods used in this report are reasonable and appropriate for the purpose for which they have been used. In addition, because it is not possible or practical to consider every possible contingency, we may use summary information, estimates or simplifications of calculations to facilitate the modeling of future events. We may also exclude factors or data that are deemed to be immaterial.

This report is not a recommendation to anyone to participate in the Program. GRS makes no representations or warranties to any person participating in or considering participation in the Program. Current and future participants should be aware that the promises of the Program will only be met if the assets of the Program are sufficient to pay its obligations.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Nevada Prepaid Tuition Program as of June 30, 2013.

The term "sound" or "actuarially sound" is not explicitly defined in the actuarial standards. To the extent it is used in this report, it refers to the situation where either:

(1) assets meet or exceed liabilities on the valuation date; or
(2) assets are expected to meet or exceed liabilities at a future date based on the measurements on the valuation date and the expected future revenue based on the Program's funding policy.

David Kausch is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

GRS is independent of the plan sponsor.

Respectfully submitted,

Kenneth G. Alberts

David T. Kausch

Kenneth G. Alberts

David T. Kausch

David T. Kausch, FSA, EA, FCA, MAAA

KGA/DTK:jrs

TABLE OF CONTENTS

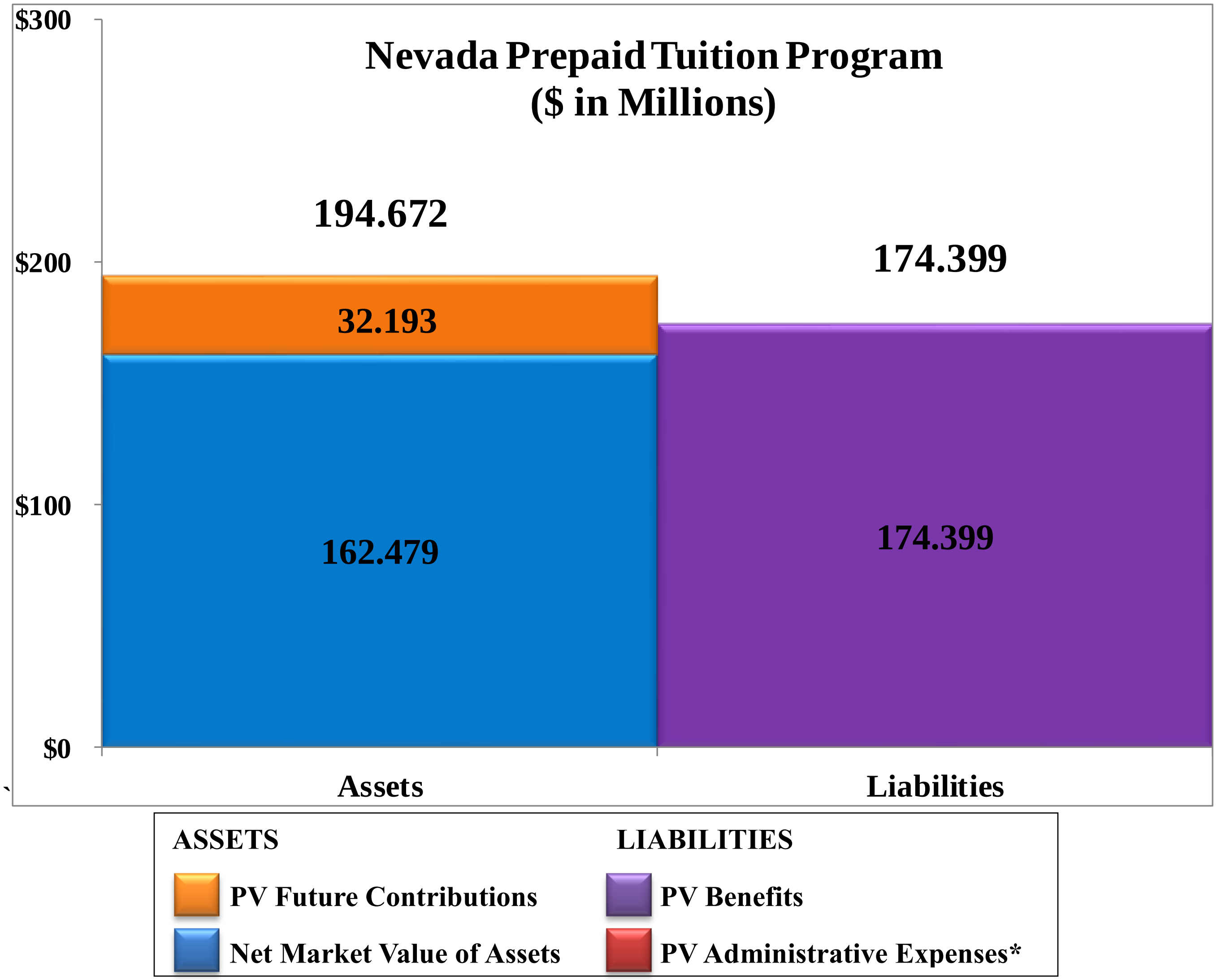
SECTION A
EXECUTIVE SUMMARY

SUMMARY OF RESULTS

Principal Valuation Results

Valuation Date:	June 30, 2013
Membership Summary:	
Counts	
Contract Payments in Progress	3,180
Contract Payments Fully Paid	4,890
Delinquent in Contract Payments	333
Benefit Payments in Progress	2,213
Deferred Benefits	235
Total	**10,851**
Average Years until Expected Enrollment if not yet in Payment Status	7.7
Assets	
• Net Market Value of Assets	$ 162,478,679
• Present Value of Future Contract Payments	$ 32,192,694
Total	$ 194,671,373
• Approximate Return on Assets for Year Ended June 30, 2013	10.50%
Actuarial Liabilities (Present Value of Future Tuition Payments, Refunds, Fees, and Administrative Expenses)	$ 174,398,518
Surplus/(Deficit)	$ 20,272,855
Funded Ratio	111.6%

SUMMARY OF ASSETS AND LIABILITIES AS OF JUNE 30, 2013



**Present Value of Administrative Expenses is shown as zero assuming administrative expenses are paid from the College Savings Endowment Fund.*

FUNDED STATUS AS OF JUNE 30, 2013

	June 30, 2013
Actuarial Present Value of Future Tuition Payments, Fees and Expenses	$174,398,518
Market Value of Assets (Including the Present Value of Installment Contract Receivables)	$194,671,373
Surplus/(Deficit) as of June 30, 2013	$ 20,272,855

GAIN/(LOSS) SUMMARY

		Surplus/(Deficit)
(1.) Value at June 30, 2012	$	7,240,867
Contributions/Miscellaneous Income/Transfers	$	1,320,000
Benefit Payments/Refunds/Admin Expenses	$	-
(2.) Interest on (1.) at Assumed Rate from Previous Valuation	$	532,581
(3.) New Enrollment Group	$	2,520,521
(4.) Projected Value at June 30, 2013 [(1.) + (2.) + (3.)]	$	11,613,969
(5.) Change Due to:		
a. Investment Experience	$	6,241,448
b. Tuition/Fee Inflation and Other Experience		-
c. Change in Discount Rate		-
d. Change in Tuition Increase Assumption		-
e. Plan Experience During Fiscal Year 2013		2,417,438
(6.) Total [(5.)a. + (5.)b. + (5.)c. + (5.)d. + (5.)e.]	$	8,658,886
(7.) Actual Value at June 30, 2013 [(4.) + (6.)]	$	20,272,855

DISCUSSION

Actuarial Valuation

Gabriel, Roeder, Smith & Company ("GRS") has performed an actuarial valuation of the Nevada Prepaid Tuition Program as of June 30, 2013.

The primary purposes of the actuarial valuation are to:

- Determine the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2013, and compare such liabilities with the value of the assets associated with the program as of that same date; and
- analyze the factors which caused the deficit/surplus to change since the prior actuarial valuation.

This report summarizes the results under the current assumptions and also presents the impact of variances in the rate of tuition and fee increases as well as the rate of investment return on assets.

In addition, the report provides summaries of the member data, financial data, plan provisions, and actuarial assumptions and methods.

The actuarial standards do not define the term "sound" or "actuarially sound." For purposes of this report we are defining this term to mean the following:

(1) Assets meet or exceed liabilities on the valuation date; or
(2) assets are expected to meet or exceed liabilities at a future date based on the measurements on the valuation date and the expected future revenue based on the Program's funding policy.

Under this definition, the Program is actuarially sound, based on the actuarial assumptions used in this valuation.

Financial Status of Program

As of June 30, 2013, the present value of all future tuition obligations under contracts outstanding (and including estimated future administrative expenses) at that date is $174.4 million. Fund assets as of June 30, 2013, including the market value of program assets and the present value of installment contract receivables, are $194.7 million.

The difference between the market value of assets of $194.7 million and program obligations of $174.4 million represents a program surplus of $20.3 million. The comparable program surplus as of the last actuarial valuation as of June 30, 2012, was $7.2 million.

Under the approved assumptions, the program is 111.6% funded and is expected to be able to pay benefits on behalf of all current contracts.

Gain/Loss Analysis

The program experienced an improvement in the funded status during the year ending June 30, 2013. This gain was a combination of:

- pricing that includes a small margin;
- $1.3 million contribution from the Nevada College Savings Trust Fund (NCSTF);
- a market rate of return in excess of the expected 6.75%.

We understand that the Transfers from the NCSTF are continuing on an annual basis. However, that additional revenue was not included in the development of the funded status. If we recognized annual contributions from the NCSTF of $1.8 million for each of the next 20 years, then the funded status would be 122.8% (see page G-8).

Benefit Provisions

We understand there were no changes in the Program provisions since the last actuarial valuation as of June 30, 2012.

Repayment from the Trust Fund

We understand that the Board has adopted a policy to repay the NCSTF $5 million once the funded status of the Program reaches 120%. The $5 million will not be adjusted with interest and will be paid over time based on the formula adopted by the Board. This repayment has not been included in the liabilities of the Program or the development of the funded status. The cash flow projections in Section G show that we estimate repayment to begin in 2020 under the valuation assumptions.

SECTION B

PLAN DESCRIPTION

SUMMARY OF PLAN DESCRIPTION EVALUATED JUNE 30, 2013

Purchasing Contracts – Contract holders may purchase contracts during an enrollment period for newborns to 9th graders. These contracts lock in the cost of tuition for the contract holder at the time of purchase. The holder may choose between a variety of school types and credit hours. Contracts available for purchase include the following:

- **University Plans**
  - 4-Year University (120 University Level Credit Hours)
  - 2-Year University (60 University Level Credit Hours)
  - 1-Year University (30 University Level Credit Hours)

- **Community College Plan**
  - 2-Year Community College (60 Community College Credit Hours)

- **University and Community College Plan**
  - 2-Year Community College & 2-Year University (60 Community College and 60 University Credit Hours)

Contract Payments – Contract holders may agree to pay their contracts off in a variety of ways:

- **Lump-Sum Payment** (Full Contract paid in full at time of enrollment to the Program)
- **5-Year Payments*** (60 monthly payments after purchase of contract)
- **Extended Payments*** (Monthly payments after purchase of contract for defined period up to and including the year of high school matriculation)

** Members may also elect monthly payment options with an additional Down Payment made at the time of enrollment to the Program.*

Tuition Payments – When the beneficiary matriculates, the portion of tuition covered by the Program will be dependent on the school of which they attend and the plan they purchase. The program will pay the tuition (also known as registration fees) for all public Universities or Community Colleges in the state. If the beneficiary elects to attend a private or out-of-state University or Community College the Program will pay out the maximum amount that it would have paid to a Nevada school under the matching contract that was purchased.

Refunds – If a contract purchaser elects to withdraw from the plan, the amount refunded will be equal to the sum amount the purchaser has paid to the plan less any fees and/or interest the account has accrued.

SECTION C

VALUATION RESULTS

PRINCIPAL VALUATION RESULTS AS OF JUNE 30, 2013

		2013	2012	
1	Number of Members			
	a. Contract Payments in Progress	3,180	2,678	
	b. Contract Payments Fully Paid	4,890	5,092	
	c. Delinquent in Contract Payments	333	227	
	d. Benefit Payments in Progress	2,213	2,070	
	e. Deferred Benefits	235	203	
	f. Total	10,851	10,270	
	Average Years until Enrollment if Not Yet In Payment Status	7.7	6.7	
2	Assets			
	a. Market Value of Assets (in Trust)	$ 162,478,679	$ 141,815,711	*
	b. PV Future Member Contributions	32,192,694	24,521,512	*
	c. Total Market Value of Assets (MVA)	$ 194,671,373	$ 166,337,223	*
3	Actuarial Results			
	Liabilities - Tuition and Fees	$ 174,398,518	$ 159,096,356	*
	Liabilities - Present Value of Future Administrative Expenses	-	N/A	
	Liabilities Total	$ 174,398,518	$ 159,096,356	*
	Surplus/(Deficit)	$ 20,272,855	$ 7,240,867	*
	Funded Ratio	111.6%	104.6%	*

**Based on Prior Actuary's Report.*

PRINCIPAL VALUATION RESULTS AS OF JUNE 30, 2013 (CONCLUDED)

		After Assumption Changes 2013	2012[#]
1	Assets		
	a. Market Value of Assets (in Trust)	$ 162,478,679	$ 141,815,711
	b. PVFMC* (Short Term)[a]	7,282,815	5,265,613
	c. PVFMC* (Long Term)[b]	24,909,879	19,255,899
	d. Total Market Value of Assets (MVA)	$ 194,671,373	$ 166,337,223
2	Actuarial Present Value of Tuition, Refunds, Fees and Admin Expenses		
	a. Short Term[a]	$ 14,451,947	$ 12,908,621
	b. Long Term[b]	159,946,571	146,187,735
	c. Total	$ 174,398,518	$ 159,096,356
	Surplus/(Deficit)	$ 20,272,855	$ 7,240,867
	Funded Ratio	111.6%	104.6%

[#] *Based on prior Actuary's Report.*

** Present Value of Future Member Contributions.*

[a] *Present value of amounts in following year.*

[b] *Present value of amounts after first year.*

GAIN/(LOSS) SUMMARY

	Present Value of Benefits	PV Future Member Contributions	Market Value of Assets	Surplus/(Deficit)
(1.) Values at June 30, 2012	$ 159,096,356	$ 24,521,512	$ 141,815,711	$ 7,240,867
(2.) Contributions/Miscellaneous Income	$ -	$ (12,395,796)	$ 13,715,796	$ 1,320,000
(3.) Benefit Payments/Refunds/Admin Expenses	$ (8,953,830)	$ -	$ (8,953,830)	$ -
(4.) Interest on (1.), (2.), and (3.) at Assumed Rate from Previous Valuation	$ 10,441,747	$ 1,243,675	$ 9,730,653	$ 532,581
(5.) New Enrollment Group	$ 16,331,286	$ 18,851,807	$ -	$ 2,520,521
(6.) Projected Values at June 30, 2013 [(1.) + (2.) + (3.) + (4.) + (5.)]	$ 176,915,559	$ 32,221,198	$ 156,308,330	$ 11,613,969
(7.) Change Due to:				
a. Investment Experience	$ -	$ -	$ 6,241,448	$ 6,241,448
b. Tuition/Fee Inflation and Other Experience	-	-	-	-
c. Change in Discount Rate	-	-	-	-
d. Change in Tuition Increase Assumption	-	-	-	-
e. Plan Experience*	(2,517,041)	(28,504)	(71,099)	2,417,438
(8.) Total [(5.)a. + (5.)b. + (5.)c. + (5.)d. + (5.)e.]	$ (2,517,041)	$ (28,504)	$ 6,170,349	$ 8,658,886
(9.) Actual Values at June 30, 2013 [(4.) + (6.)]	$ 174,398,518	$ 32,192,694	$ 162,478,679	$ 20,272,855

**Plan Experience on Market Value of Assets reflects the differentiation in Market Value of Assets as provided by the Program.*

SENSITIVITY TESTING RESULTS

The actuarial assumptions regarding future increases in tuition costs and fees and the future rate of investment return were adopted by the Nevada Prepaid Tuition Program. In our opinion, the assumptions prescribed to us are reasonable for the purpose of the measurement. However, no one knows with certainty what the future holds with respect to economic and other contingencies. For example, while it is assumed that the assets of the fund will earn 6.75% each year throughout the life of the contracts, actual returns are expected to vary from year to year. Therefore, we have projected the Program's results under alternative assumptions for future investment income and tuition increases, as follows:

1. Current valuation assumptions approved by the Program's Board (6.75% investment return, 6.0% long-term tuition increases for Universities and Community Colleges)
2. Tuition increases are 100 basis points higher/lower in each future year than assumed in this year's soundness valuation.
3. The investment return is 100 basis points higher/lower in each future year than assumed in this year's soundness valuation.
4. Tuition increases are 100 basis points higher and the investment return is 100 basis points lower in each future year than assumed in this year's soundness valuation.
5. Tuition increases are 100 basis points lower and the investment return is 100 basis points higher in each future year than assumed in this year's soundness valuation.

The summary of impact of each of these scenarios on the principal valuation results is presented on the following page. See Section G for detailed projection results of each scenario.

SENSITIVITY TESTING RESULTS (CONT.)

$ in Millions

	Current Valuation Assumptions (G-1)	Assumed Tuition Increases +100 Basis Points (G-2)	Assumed Tuition Increases -100 Basis Points (G-3)	Assumed Investment Return +100 Basis Points (G-4)	Assumed Investment Return -100 Basis Points (G-5)	Assumed Tuition Increases +100 Basis Points and Investment Return -100 Basis Points (G-6)	Assumed Tuition Increases -100 Basis Points and Investment Return +100 Basis Points (G-7)
Assumed Investment Return	6.75%	6.75%	6.75%	7.75%	5.75%	5.75%	7.75%
Assumed Long-Term Tuition Increases	6.00%	7.00%	5.00%	6.00%	6.00%	7.00%	5.00%
Assets							
a. Market Value of Assets (in Trust)	$162.5	$162.5	$162.5	$162.5	$162.5	$162.5	$162.5
b. PV Future Member Contributions	32.2	32.2	32.2	31.2	33.3	33.3	31.2
c. Total Market Value of Assets (MVA)	$194.7	$194.7	$194.7	$193.7	$195.8	$195.8	$193.7
Actuarial Results							
Liabilities - Tuition and Fees	$174.4	$181.1	$168.2	$163.8	$186.2	$193.7	$158.2
Liabilities - PV of Future Admin. Expenses	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Liabilities Total	$174.4	$181.1	$168.2	$163.8	$186.2	$193.7	$158.2
Surplus/(Deficit)	$ 20.3	$ 13.6	$ 26.5	$ 29.9	$ 9.6	$ 2.1	$ 35.5
Funded Ratio	111.6%	107.5%	115.7%	118.2%	105.2%	101.1%	122.4%
Difference From Results based on Current Assumptions							
Surplus	$ 0.0	$ (6.7)	$ 6.2	$ 9.6	$(10.7)	$(18.2)	$ 15.2
Funded Ratio	0.0%	(4.1)%	4.0%	6.5%	(6.5)%	(10.6)%	10.8%

Numbers may not match schedules in Section G due to rounding.

SECTION D

FUND ASSETS

STATEMENT OF PLAN ASSETS (AT MARKET VALUE)

Nevada Prepaid Tuition Program
Statement of Plan Net Assets
Year ended June 30, 2013

1. Cash and cash equivalents	$	1,661,599
2. Investments		
a. Fixed income	$	67,102,574
b. Property and equipment		98,768
c. Equity mutual funds		93,503,405
Total investments	$	160,704,747
3. Receivables	$	384,972
4. Liabilities		
a. Accounts payable	$	$259,350
b. Accrued liability		(688)
c. Other liability		13,977
Total liabilities	$	$272,639
5. Net assets = (1) + (2) + (3) - (4)	$	162,478,679

RECONCILIATION OF PLAN ASSETS

Nevada Prepaid Tuition Program

Statement of Changes in Plan Net Assets

Twelve Month Period ended June 30, 2013

1. Value of Assets at Beginning of Year	$	141,815,711
2. Changes During Year		
a. Additions		
(1) Investment Income	$	16,206,029
(2) Contract Payments		12,256,996
(3) Administration Fees		138,800
(4) Transfers from Endowment Account		1,923,290
Total Additions = (1) + (2) + (3) + (4)	$	30,525,115
b. Deductions		
(1) Tuition Payments	$	7,298,141
(2) Refunds		1,655,689
(3) Administration Expenses		603,290
(4) Investment Expenses		233,928
Total Deductions = (1) + (2)	$	9,791,048
Net Increases (Decreases) During Year = a - b	$	20,734,067
3. Value of Assets at End of Year = 1 + 2	$	162,549,778
4. Purchased Interest	$	(62,506)
5. Net Value of Assets at End of Year = 3 + 4	$	162,487,272 *

** Annual audit of assets for Fiscal Year 2013 not yet complete. Total Net Value of Assets may not match page D-1. Difference does not have a material effect on valuation results.*

SECTION E

PARTICIPANT DATA

MEMBER MATRICULATION SUMMARY AS OF JUNE 30, 2013

Projected Enrollment Year	Type of Contract					Total	
	4 Yr. Univ	2 Yr. Univ	1 Yr. Univ	2+2	2 Yr. Comm. Coll		
2001	-	-	-	-	-	**-**	0.00%
2002	7	-	-	1	-	**8**	0.07%
2003	21	-	-	5	2	**28**	0.26%
2004	49	-	-	10	3	**62**	0.57%
2005	69	2	-	6	2	**79**	0.73%
2006	100	1	-	24	7	**132**	1.22%
2007	117	3	-	32	6	**158**	1.46%
2008	150	3	-	29	12	**194**	1.79%
2009	251	7	-	48	10	**316**	2.91%
2010	434	12	-	51	7	**504**	4.64%
2011	451	15	-	64	20	**550**	5.07%
2012	505	19	-	53	29	**606**	5.58%
2013	520	22	1	51	26	**620**	5.71%
2014	554	39	9	59	21	**682**	6.29%
2015	551	34	6	59	40	**690**	6.36%
2016	622	46	13	68	34	**783**	7.22%
2017	557	54	3	78	40	**732**	6.75%
2018	584	42	7	64	40	**737**	6.79%
2019	501	40	8	56	30	**635**	5.85%
2020	331	49	8	59	39	**486**	4.48%
2021	345	49	11	44	43	**492**	4.53%
2022	324	40	14	42	31	**451**	4.16%
2023	249	30	8	39	23	**349**	3.22%
2024	219	36	15	43	21	**334**	3.08%
2025	189	27	9	31	25	**281**	2.59%
2026	167	25	9	19	18	**238**	2.19%
2027	138	23	5	21	9	**196**	1.81%
2028	115	22	5	12	27	**181**	1.67%
2029	112	20	10	11	9	**162**	1.49%
2030	117	14	6	14	14	**165**	1.52%
Total	**8,349**	**674**	**147**	**1,093**	**588**	**10,851**	
	76.94%	6.21%	1.35%	10.07%	5.42%	100.00%	

MEMBER PAYMENT OPTION SUMMARY AS OF JUNE 30, 2013

Contract Payment Type	Type of Contract					Total	
	4 Yr. Univ	2 Yr. Univ	1 Yr. Univ	2+2	2 Yr. Comm. Coll		
Lump Sum	$ 2,874	$ 183	$ 53	$ 258	$ 131	**$ 3,499**	32.25%
5-Year Payments	3,032	203	61	353	208	**3,857**	35.55%
Extended Payments	2,443	288	33	482	249	**3,495**	32.21%
Total	**8,349**	**674**	**147**	**1,093**	**588**	**10,851**	
	76.94%	6.21%	1.35%	10.07%	5.42%	100.00%	

SECTION F

METHODS & ASSUMPTIONS

VALUATION METHODS AND ASSUMPTIONS

Assumed Rate of Return, Net of Investment Fees: 6.75%

Assumed Rate of Tuition Increases:

Year	University	Community College
2014-2015	0%	0%
2015-2016	8%	8%
2016-2017	8%	8%
2017-2018	6%	6%
2018-2019+	6%	6%

Utilization of Credits* – Benefit payments are based on the following schedule in accordance with the type of Contract and the expected Payout Year.

Type of Contract	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year
Four Year Contracts	20%	20%	20%	20%	15%	5%
Two Year Contracts	40%	40%	15%	5%	0%	0%
One Year Contracts	100%	0%	0%	0%	0%	0%

* *Liabilities are modeled assuming two payments per year (one in mid-September, one in mid-February) for beneficiaries who have matriculated.*

Refunds: Accumulated contract payments to plan without interest. Withdrawal rates at the beginning of each year are based on the following schedule in accordance with the type of contract purchased.

Years of Payment Since Purchase	Lump Sum	Five-Year Payments	Extended Payments
1-3	0.50%	3.00%	5.00%
4	0.50%	1.25%	3.50%
5	0.50%	1.20%	2.00%
6+	0.50%	0.50%	0.50%

VALUATION METHODS AND ASSUMPTIONS (CONCLUDED)

Election of Program Changes:	None.
Election of Change of Beneficiary:	None.
Liability Adjustments for Administrative Expenses:	None. Administrative expenses are paid from outside the trust.
Contract Terms:	No changes in contract terms are assumed, once initiated.
Pricing Methodology:	Based on Weighted Average Tuition (WAT) rate increased to assumed year of payment, based on tuition rate increase assumption and discounted to payment date based on net investment return assumption.
Timing of Tuition Payments#:	Once per year at beginning of year.
Timing of Refunds:	At the end of the month the member withdraws from the plan.
Weighted Average Tuition (WAT) for the year as of 6/30/2013:	
○ **4-Year College:**	$5,745.00
○ **2-Year College:**	$2,535.00
Bias Load:	None

Note: Since all the covered in-state 4-year colleges and universities charge the same tuition and all the covered in-state two year colleges charge the same tuition, the WAT is simply the rate of tuition and fees. If the covered colleges and universities begin to charge different rates of tuition in the future, a WAT (averaging) calculation will be performed and a bias load may be necessary.

 # GRS models liabilities assuming two payments per year (one in the fall, one in the winter) for beneficiaries who have matriculated.

SECTION G

PROJECTION RESULTS

Nevada Pre-Paid Tuition Program
Projection Based on June 30, 2013 Valuation Results

Input	
Valuation	
Assumed Rate of Investment Return	6.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	6.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	174,398,518
Present Value of Future Contract Payments	$	32,192,694
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(20,272,855)
Funded Status		111.62%
Year insolvent		Never

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	6.75%	n/a	n/a	162,478,679	14,451,947	-	-	7,282,815	111.6%
2015	6.75%	**0.00%**	**0.00%**	165,792,942	15,143,864	-	-	6,202,683	112.7%
2016	6.75%	**8.00%**	**8.00%**	167,439,254	16,981,425	-	-	5,448,343	113.9%
2017	6.75%	**8.00%**	**8.00%**	166,429,839	18,700,482	-	-	4,571,805	115.5%
2018	6.75%	6.00%	6.00%	162,581,490	18,677,535	-	-	3,562,009	117.6%
2019	6.75%	6.00%	6.00%	157,419,916	18,337,161	-	-	2,431,337	120.1%
2020	6.75%	6.00%	6.00%	151,066,293	18,959,675	43,502	-	2,179,370	123.1%
2021	6.75%	6.00%	6.00%	143,303,854	18,494,382	2,456,694	-	1,873,197	127.0%
2022	6.75%	6.00%	6.00%	132,611,229	17,848,360	2,499,804	-	1,570,677	129.5%
2023	6.75%	6.00%	6.00%	121,517,519	16,861,262	-	-	1,302,682	132.6%
2024	6.75%	6.00%	6.00%	113,111,168	15,170,429	-	-	1,077,407	139.6%
2025	6.75%	6.00%	6.00%	105,701,871	13,792,021	-	-	850,309	148.5%
2026	6.75%	6.00%	6.00%	99,021,470	12,718,446	-	-	638,205	159.8%
2027	6.75%	6.00%	6.00%	92,809,762	11,737,761	-	-	488,272	174.9%
2028	6.75%	6.00%	6.00%	87,065,591	10,547,530	-	-	352,392	195.8%
2029	6.75%	6.00%	6.00%	82,059,209	9,493,768	-	-	234,502	225.3%
2030	6.75%	6.00%	6.00%	77,713,939	8,680,023	-	-	114,891	269.2%
2031	6.75%	6.00%	6.00%	73,816,351	7,978,949	-	-	13,539	341.8%
2032	6.75%	6.00%	6.00%	70,295,880	6,080,848	-	-	-	483.5%
2033	6.75%	6.00%	6.00%	68,549,546	4,435,672	-	-	-	759.2%
2034	6.75%	6.00%	6.00%	68,441,560	3,030,933	-	-	-	1395.8%
2035	6.75%	6.00%	6.00%	69,825,844	1,598,056	-	-	-	3493.4%
2036	6.75%	6.00%	6.00%	72,833,164	427,769	-	-	-	17026.3%

** Beginning of year.*

Nevada Pre-Paid Tuition Program

Projection Based on June 30, 2013 Tuition Increases +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	6.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	6.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	181,074,311
Present Value of Future Contract Payments	$	32,192,694
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(13,597,062)
Funded Status	107.51%	
Year insolvent	Never	

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	6.75%	n/a	n/a	162,478,679	14,451,947	-	-	7,282,815	107.5%
2015	6.75%	**0.00%**	**0.00%**	165,792,942	15,143,864	-	-	6,202,683	108.2%
2016	6.75%	**8.00%**	**8.00%**	167,439,254	16,981,425	-	-	5,448,343	108.9%
2017	6.75%	**8.00%**	**8.00%**	166,429,839	18,700,482	-	-	4,571,805	109.9%
2018	6.75%	7.00%	7.00%	162,581,490	18,851,734	-	-	3,562,009	111.1%
2019	6.75%	7.00%	7.00%	157,233,958	18,682,832	-	-	2,431,337	112.6%
2020	6.75%	7.00%	7.00%	150,498,780	19,498,476	-	-	2,179,370	114.4%
2021	6.75%	7.00%	7.00%	142,169,302	19,198,614	-	-	1,873,197	116.8%
2022	6.75%	7.00%	7.00%	133,270,848	18,702,209	-	-	1,570,677	119.8%
2023	6.75%	7.00%	7.00%	123,978,721	17,834,076	-	-	1,302,682	123.5%
2024	6.75%	7.00%	7.00%	114,700,021	16,196,506	2,276,993	-	1,077,407	128.4%
2025	6.75%	7.00%	7.00%	103,871,944	14,863,582	2,723,007	-	850,309	131.5%
2026	6.75%	7.00%	7.00%	93,017,321	13,836,041	-	-	638,205	134.5%
2027	6.75%	7.00%	7.00%	85,207,301	12,889,757	-	-	488,272	142.9%
2028	6.75%	7.00%	7.00%	77,720,208	11,692,222	-	-	352,392	154.5%
2029	6.75%	7.00%	7.00%	70,861,053	10,623,813	-	-	234,502	170.8%
2030	6.75%	7.00%	7.00%	64,553,584	9,805,686	-	-	114,891	195.1%
2031	6.75%	7.00%	7.00%	58,566,028	9,099,732	-	-	13,539	235.0%
2032	6.75%	7.00%	7.00%	52,819,724	7,000,561	-	-	-	312.6%
2033	6.75%	7.00%	7.00%	48,911,956	5,154,732	-	-	-	462.9%
2034	6.75%	7.00%	7.00%	46,710,837	3,555,502	-	-	-	808.6%
2035	6.75%	7.00%	7.00%	46,068,320	1,892,319	-	-	-	1942.7%
2036	6.75%	7.00%	7.00%	47,157,881	511,316	-	-	-	9222.8%

** Beginning of year.*

Nevada Pre-Paid Tuition Program
Projection Based on June 30, 2013 Tuition Increases -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	6.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	6.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	168,192,614
Present Value of Future Contract Payments	$	32,192,694
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(26,478,759)
Funded Status	115.74%	
Year insolvent	Never	

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	6.75%	n/a	n/a	162,478,679	14,451,947	-	-	7,282,815	115.7%
2015	6.75%	**0.00%**	**0.00%**	165,792,942	15,143,864	-	-	6,202,683	117.2%
2016	6.75%	**8.00%**	**8.00%**	167,439,254	16,981,425	-	-	5,448,343	119.0%
2017	6.75%	**8.00%**	**8.00%**	166,429,839	18,700,482	-	-	4,571,805	121.2%
2018	6.75%	5.00%	5.00%	162,581,490	18,503,336	1,141,736	-	3,562,009	124.2%
2019	6.75%	5.00%	5.00%	156,387,070	17,994,737	3,728,821	-	2,431,337	126.9%
2020	6.75%	5.00%	5.00%	146,348,752	18,430,944	129,444	-	2,179,370	127.9%
2021	6.75%	5.00%	5.00%	138,740,556	17,809,802	-	-	1,873,197	132.8%
2022	6.75%	5.00%	5.00%	131,093,219	17,026,132	-	-	1,570,677	139.1%
2023	6.75%	5.00%	5.00%	123,443,313	15,933,268	-	-	1,302,682	147.3%
2024	6.75%	5.00%	5.00%	116,157,586	14,200,816	-	-	1,077,407	158.0%
2025	6.75%	5.00%	5.00%	109,988,985	12,788,934	-	-	850,309	171.4%
2026	6.75%	5.00%	5.00%	104,668,759	11,682,091	-	-	638,205	188.6%
2027	6.75%	5.00%	5.00%	99,944,552	10,679,534	-	-	488,272	211.8%
2028	6.75%	5.00%	5.00%	95,811,637	9,505,885	-	-	352,392	244.0%
2029	6.75%	5.00%	5.00%	92,507,569	8,475,105	-	-	234,502	289.6%
2030	6.75%	5.00%	5.00%	89,954,986	7,674,836	-	-	114,891	357.7%
2031	6.75%	5.00%	5.00%	87,956,706	6,987,517	-	-	13,539	470.7%
2032	6.75%	5.00%	5.00%	86,449,063	5,274,918	-	-	-	692.0%
2033	6.75%	5.00%	5.00%	86,653,400	3,811,487	-	-	-	1124.7%
2034	6.75%	5.00%	5.00%	88,433,742	2,579,852	-	-	-	2128.1%
2035	6.75%	5.00%	5.00%	91,649,028	1,347,392	-	-	-	5448.6%
2036	6.75%	5.00%	5.00%	96,396,997	357,268	-	-	-	26981.7%

** Beginning of year.*

Nevada Pre-Paid Tuition Program

Projection Based on June 30, 2013 Investment Return +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	7.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	7.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	163,786,720
Present Value of Future Contract Payments	$	31,160,559
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(29,852,518)
Funded Status		118.23%
Year insolvent		Never

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	7.75%	n/a	n/a	162,478,679	14,395,980	-	-	7,248,942	118.2%
2015	7.75%	**0.00%**	**0.00%**	167,369,843	15,085,167	-	-	6,173,833	120.0%
2016	7.75%	**8.00%**	**8.00%**	170,739,044	16,915,680	-	-	5,423,001	122.0%
2017	7.75%	**8.00%**	**8.00%**	171,587,959	18,628,236	1,965,661	-	4,550,541	124.7%
2018	7.75%	6.00%	6.00%	167,599,308	18,605,470	3,034,339	-	3,545,441	126.7%
2019	7.75%	6.00%	6.00%	161,091,574	18,266,494	-	-	2,420,028	128.3%
2020	7.75%	6.00%	6.00%	156,501,605	18,886,613	-	-	2,169,233	132.7%
2021	7.75%	6.00%	6.00%	150,617,502	18,423,116	-	-	1,864,484	138.6%
2022	7.75%	6.00%	6.00%	144,448,433	17,779,589	-	-	1,563,372	146.0%
2023	7.75%	6.00%	6.00%	138,170,213	16,796,297	-	-	1,296,623	155.7%
2024	7.75%	6.00%	6.00%	132,177,506	15,111,980	-	-	1,072,396	168.2%
2025	7.75%	6.00%	6.00%	127,293,611	13,738,886	-	-	846,354	183.9%
2026	7.75%	6.00%	6.00%	123,267,163	12,669,454	-	-	635,237	204.2%
2027	7.75%	6.00%	6.00%	119,853,499	11,692,550	-	-	486,001	231.4%
2028	7.75%	6.00%	6.00%	117,067,088	10,506,908	-	-	350,753	269.3%
2029	7.75%	6.00%	6.00%	115,196,531	9,457,208	-	-	233,411	322.8%
2030	7.75%	6.00%	6.00%	114,185,621	8,646,603	-	-	114,356	402.8%
2031	7.75%	6.00%	6.00%	113,841,510	7,948,235	-	-	13,476	535.4%
2032	7.75%	6.00%	6.00%	114,114,525	6,057,441	-	-	-	795.4%
2033	7.75%	6.00%	6.00%	116,431,508	4,418,598	-	-	-	1303.5%
2034	7.75%	6.00%	6.00%	120,693,910	3,019,267	-	-	-	2481.5%
2035	7.75%	6.00%	6.00%	126,794,428	1,591,905	-	-	-	6380.0%
2036	7.75%	6.00%	6.00%	134,905,719	426,122	-	-	-	31658.9%

** Beginning of year.*

Nevada Pre-Paid Tuition Program
Projection Based on June 30, 2013 Investment Return -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	5.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	5.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	186,196,207
Present Value of Future Contract Payments	$	33,298,469
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(9,580,941)
Funded Status	105.15%	
Year insolvent	Never	

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	5.75%	n/a	n/a	162,478,679	14,508,716	-	-	7,317,169	105.1%
2015	5.75%	**0.00%**	**0.00%**	164,216,142	15,203,402	-	-	6,231,941	105.6%
2016	5.75%	**8.00%**	**8.00%**	164,171,250	17,048,112	-	-	5,474,043	106.1%
2017	5.75%	**8.00%**	**8.00%**	161,371,518	18,773,763	-	-	4,593,370	106.7%
2018	5.75%	6.00%	6.00%	155,654,615	18,750,633	-	-	3,578,811	107.6%
2019	5.75%	6.00%	6.00%	148,560,553	18,408,841	-	-	2,442,806	108.6%
2020	5.75%	6.00%	6.00%	140,218,702	19,033,783	-	-	2,189,650	109.8%
2021	5.75%	6.00%	6.00%	130,468,607	18,566,669	-	-	1,882,033	111.5%
2022	5.75%	6.00%	6.00%	120,326,549	17,918,117	-	-	1,578,086	113.5%
2023	5.75%	6.00%	6.00%	109,965,743	16,927,157	-	-	1,308,827	116.1%
2024	5.75%	6.00%	6.00%	99,772,389	15,229,715	-	-	1,082,489	119.4%
2025	5.75%	6.00%	6.00%	90,548,610	13,845,916	-	-	854,320	123.5%
2026	5.75%	6.00%	6.00%	82,016,542	12,768,141	1,642,245	-	641,216	128.8%
2027	5.75%	6.00%	6.00%	72,171,596	11,783,620	3,357,755	-	490,575	132.7%
2028	5.75%	6.00%	6.00%	60,828,242	10,588,735	-	-	354,054	133.9%
2029	5.75%	6.00%	6.00%	53,502,691	9,530,851	-	-	235,608	144.0%
2030	5.75%	6.00%	6.00%	46,749,376	8,713,921	-	-	115,433	159.1%
2031	5.75%	6.00%	6.00%	40,344,564	8,010,104	-	-	13,603	183.9%
2032	5.75%	6.00%	6.00%	34,208,077	6,104,591	-	-	-	232.1%
2033	5.75%	6.00%	6.00%	29,719,437	4,452,991	-	-	-	325.6%
2034	5.75%	6.00%	6.00%	26,719,266	3,042,768	-	-	-	540.5%
2035	5.75%	6.00%	6.00%	25,037,897	1,604,296	-	-	-	1245.4%
2036	5.75%	6.00%	6.00%	24,781,034	429,439	-	-	-	5770.6%

** Beginning of year.*

Nevada Pre-Paid Tuition Program

Projection Based on June 30, 2013 Tuition Increases +100 Basis Points & Investment Return -100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	5.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	5.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	193,692,750
Present Value of Future Contract Payments	$	33,298,469
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(2,084,398)
Funded Status		101.08%
Year insolvent		Never

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	5.75%	n/a	n/a	162,478,679	14,508,716	-	-	7,317,169	101.1%
2015	5.75%	**0.00%**	**0.00%**	164,216,142	15,203,402	-	-	6,231,941	101.2%
2016	5.75%	**8.00%**	**8.00%**	164,171,250	17,048,112	-	-	5,474,043	101.3%
2017	5.75%	**8.00%**	**8.00%**	161,371,518	18,773,763	-	-	4,593,370	101.4%
2018	5.75%	7.00%	7.00%	155,654,615	18,925,512	-	-	3,578,811	101.6%
2019	5.75%	7.00%	7.00%	148,375,618	18,755,861	-	-	2,442,806	101.8%
2020	5.75%	7.00%	7.00%	139,656,160	19,574,688	-	-	2,189,650	102.0%
2021	5.75%	7.00%	7.00%	129,301,712	19,273,650	-	-	1,882,033	102.3%
2022	5.75%	7.00%	7.00%	118,344,925	18,775,299	-	-	1,578,086	102.7%
2023	5.75%	7.00%	7.00%	106,963,705	17,903,770	-	-	1,308,827	103.2%
2024	5.75%	7.00%	7.00%	95,564,966	16,259,799	-	-	1,082,489	103.8%
2025	5.75%	7.00%	7.00%	85,009,946	14,921,661	-	-	854,320	104.6%
2026	5.75%	7.00%	7.00%	75,021,805	13,890,099	-	-	641,216	105.6%
2027	5.75%	7.00%	7.00%	65,324,864	12,940,114	-	-	490,575	106.9%
2028	5.75%	7.00%	7.00%	55,915,656	11,737,896	-	-	354,054	108.8%
2029	5.75%	7.00%	7.00%	47,092,394	10,665,309	-	-	235,608	111.3%
2030	5.75%	7.00%	7.00%	38,770,798	9,843,980	-	-	115,433	115.1%
2031	5.75%	7.00%	7.00%	30,712,181	9,135,262	-	-	13,603	121.3%
2032	5.75%	7.00%	7.00%	22,831,977	7,027,895	197,207	-	-	133.3%
2033	5.75%	7.00%	7.00%	16,504,270	5,174,858	1,516,807	-	-	154.5%
2034	5.75%	7.00%	7.00%	10,376,829	3,569,384	2,846,301	-	-	178.1%
2035	5.75%	7.00%	7.00%	4,188,910	1,899,708	439,684	-	-	175.6%
2036	5.75%	7.00%	7.00%	1,955,865	513,312	-	-	-	381.0%

** Beginning of year.*

Nevada Pre-Paid Tuition Program

Projection Based on June 30, 2013 Tuition Increases -100 Basis Points & Investment Return +100 Basis Points

Input	
Valuation	
Assumed Rate of Investment Return	7.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	7.75%
Annual Contribution from NCSTF	-

Estimated Valuation Results		
Present Value of future tuition and fees	$	158,236,914
Present Value of Future Contract Payments	$	31,160,559
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(35,402,324)
Funded Status		122.37%
Year insolvent		Never

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	7.75%	n/a	n/a	162,478,679	14,395,980	-	-	7,248,942	122.4%
2015	7.75%	**0.00%**	**0.00%**	167,369,843	15,085,167	2,297,517	-	6,173,833	124.6%
2016	7.75%	**8.00%**	**8.00%**	168,263,470	16,915,680	2,702,483	-	5,423,001	125.6%
2017	7.75%	**8.00%**	**8.00%**	166,008,602	18,628,236	-	-	4,550,541	126.8%
2018	7.75%	5.00%	5.00%	163,705,551	18,431,941	-	-	3,545,441	130.8%
2019	7.75%	5.00%	5.00%	160,352,528	17,925,387	-	-	2,420,028	135.7%
2020	7.75%	5.00%	5.00%	156,072,824	18,359,918	-	-	2,169,233	141.6%
2021	7.75%	5.00%	5.00%	150,723,006	17,741,171	-	-	1,864,484	149.4%
2022	7.75%	5.00%	5.00%	145,296,909	16,960,525	-	-	1,563,372	159.4%
2023	7.75%	5.00%	5.00%	139,966,987	15,871,876	-	-	1,296,623	172.3%
2024	7.75%	5.00%	5.00%	135,109,594	14,146,099	-	-	1,072,396	189.3%
2025	7.75%	5.00%	5.00%	131,493,672	12,739,661	-	-	846,354	210.7%
2026	7.75%	5.00%	5.00%	128,869,393	11,637,087	-	-	635,237	238.4%
2027	7.75%	5.00%	5.00%	127,002,277	10,638,397	-	-	486,001	275.7%
2028	7.75%	5.00%	5.00%	125,905,747	9,469,272	-	-	350,753	327.9%
2029	7.75%	5.00%	5.00%	125,838,238	8,442,467	-	-	233,411	402.0%
2030	7.75%	5.00%	5.00%	126,745,444	7,645,286	-	-	114,356	513.1%
2031	7.75%	5.00%	5.00%	128,453,640	6,960,619	-	-	13,476	698.1%
2032	7.75%	5.00%	5.00%	130,923,251	5,254,613	-	-	-	1061.9%
2033	7.75%	5.00%	5.00%	135,407,958	3,796,815	-	-	-	1776.4%
2034	7.75%	5.00%	5.00%	141,811,006	2,569,921	-	-	-	3440.2%
2035	7.75%	5.00%	5.00%	150,032,269	1,342,205	-	-	-	8970.5%
2036	7.75%	5.00%	5.00%	160,213,544	355,893	-	-	-	45017.4%

** Beginning of year.*

Nevada Pre-Paid Tuition Program

Projection Based on June 30, 2013 with 1.8 Million Contribution from NCSTF

Input	
Valuation	
Assumed Rate of Investment Return	6.75%
Geometric Average of Actual Rates of Investment Returns Entered in Column D	6.75%
Annual Contribution from NCSTF	1,800,000

Estimated Valuation Results		
Present Value of future tuition and fees	$	174,398,518
Present Value of Future Contract Payments	$	32,192,694
June 30, 2013 Assets	$	162,478,679
Unfunded Liability	$	(20,272,855)
Funded Status		111.62%
Year insolvent		Never
Adjusted Funded Status #		122.77%

Fiscal Year	Actual Investment Return During Year	Actual Tuition Increase for Universities	Actual Tuition Increase for Comm. Colleges/CC	Market Value of Assets at BOY	Projected Tuition Payments & Refunds (BOY)*	Repayment of Endowment Fund	Additional Transfers from NCSTF (EOY)	Projected Contract Payments (BOY)	Projected Funded Status
2014	6.75%	n/a	n/a	162,478,679	14,451,947	-	1,800,000	7,282,815	111.6%
2015	6.75%	**0.00%**	**0.00%**	167,592,942	15,143,864	-	1,800,000	6,202,683	113.7%
2016	6.75%	**8.00%**	**8.00%**	171,160,754	16,981,425	-	1,800,000	5,448,343	116.1%
2017	6.75%	**8.00%**	**8.00%**	172,202,540	18,700,482	-	1,800,000	4,571,805	119.1%
2018	6.75%	6.00%	6.00%	170,543,848	18,677,535	-	1,800,000	3,562,009	122.9%
2019	6.75%	6.00%	6.00%	167,719,734	18,337,161	2,638,340	1,800,000	2,431,337	127.4%
2020	6.75%	6.00%	6.00%	161,044,920	18,959,675	2,361,660	1,800,000	2,179,370	130.7%
2021	6.75%	6.00%	6.00%	153,281,405	18,494,382	-	1,800,000	1,873,197	135.4%
2022	6.75%	6.00%	6.00%	147,684,785	17,848,360	-	1,800,000	1,570,677	143.6%
2023	6.75%	6.00%	6.00%	142,077,082	16,861,262	-	1,800,000	1,302,682	154.2%
2024	6.75%	6.00%	6.00%	136,858,501	15,170,429	-	1,800,000	1,077,407	168.1%
2025	6.75%	6.00%	6.00%	132,852,149	13,792,021	-	1,800,000	850,309	185.7%
2026	6.75%	6.00%	6.00%	129,804,392	12,718,446	-	1,800,000	638,205	208.6%
2027	6.75%	6.00%	6.00%	127,470,531	11,737,761	-	1,800,000	488,272	239.4%
2028	6.75%	6.00%	6.00%	125,865,962	10,547,530	-	1,800,000	352,392	282.4%
2029	6.75%	6.00%	6.00%	125,278,605	9,493,768	-	1,800,000	234,502	343.5%
2030	6.75%	6.00%	6.00%	125,650,644	8,680,023	-	1,800,000	114,891	435.0%
2031	6.75%	6.00%	6.00%	126,788,784	7,978,949	-	1,800,000	13,539	587.1%
2032	6.75%	6.00%	6.00%	128,643,952	6,080,848	-	1,800,000	-	884.8%
2033	6.75%	6.00%	6.00%	132,636,113	4,435,672	-	1,800,000	-	1469.0%
2034	6.75%	6.00%	6.00%	138,653,971	3,030,933	-	-	-	2827.8%
2035	6.75%	6.00%	6.00%	144,777,592	1,598,056	-	-	-	7243.3%
2036	6.75%	6.00%	6.00%	152,844,155	427,769	-	-	-	35730.6%

** Beginning of year.*

 # Includes PV of contributions from NCSTF for next 20 years (through 2033).

APPENDIX B

INDEPENDENT AUDITOR'S REPORT

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2013

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2013

TABLE OF CONTENTS

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of the
Higher Education Tuition Trust Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust Fund, as of June 30, 2013, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4A-4D, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Comparative Information

We have previously audited the Trust Fund's 2012 financial statements (not presented herein), and we expressed an unmodified audit opinion on the respective financial statements in our report dated February 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 16, 2014, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Trust Fund's internal control over financial reporting and compliance.

Kafoury, Armstrong & Co.

Reno, Nevada
January 16, 2014

State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund
Management's Discussion and Analysis

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal year (FY) ended June 30, 2013.

FINANCIAL HIGHLIGHTS

The Trust Fund's financial position continued to improve in Fiscal Year 2013.

- The Trust Fund's total assets grew by $6,247,723 in FY 2013. This represents a slight increase of 3.3% from the prior year. These assets are used to pay tuition benefits for contracts purchased.

- The Trust Fund's total net position in FY 2013 was $15,452,883. Net position rose by $13,079,477 from the prior year in spite of a 9.7% increase in tuition benefits payable. The growth is primarily due to strong investment performance and continued increases in new contract sales.

- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2013 is 111.6%. This represents a significant increase from the funded status of 104.6% as of June 30, 2012, and continues to be one of the highest funded statuses nationwide for a state prepaid tuition plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements and a Compliance Section.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and liabilities and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

NET POSITION

Net position may serve over time as a useful indicator of financial position. In the case of the Trust Fund, the Trust Fund's position increased considerably, ending with net position of $15,452,883.

The vast majority of the Trust Fund's assets, 82.3%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

	2013	2012
Assets		
Current and other assets	$194,980,168	$188,717,102
Net capital assets	121,490	136,833
Total Assets	195,101,658	188,853,935
Liabilities		
Current liabilities	14,702,204	35,721,346
Noncurrent liabilities	164,946,571	150,759,183
Total Liabilities	179,648,775	186,480,529
Net Position		
Net investment in capital assets	121,490	136,833
Unrestricted	15,331,393	2,236,573
Total Net Position	$ 15,452,883	$ 2,373,406

The Trust Fund's net position grew substantially in FY 2013. The trust fund's net position increased from $2,373,406 in FY 2012 to $15,452,883 in FY 2013, an increase of $13,079,477 or 551.1% over the prior fiscal year. This increase is primarily due to the Plan's strong investment performance in FY13, with a total return of approximately 11.4%.

CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

	2013	2012
Operating Revenues		
Tuition contributions and other revenues	$20,074,498	$14,065,011
Operating Expenses		
Operating expenses before depreciation	25,078,601	26,055,416
Depreciation	15,343	10,112
Total Operating Expenses	25,083,944	26,065,528
Operating Loss	(5,009,446)	(12,000,517)
Nonoperating revenues (expenses) and interest income	16,165,633	8,978,524
Contribution - State of Nevada College Savings Trust	1,923,290	2,094,299
Change in Net Position	13,079,477	(927,694)
Net Position, July 1	2,373,406	3,301,100
Net Position, June 30	$ 15,452,883	$ 2,373,406

Tuition contributions and other revenues in Fiscal Year 2013 increased over 42%, from $14,065,011 in the prior fiscal year to $20,074,498, as a result of a record enrollment year. Enrollments in the Plan have consistently increased the last four fiscal years and rose an average of 38% for each of the last two consecutive fiscal years. New contracts rose from 411 in Fiscal Year 2009 to 1,145 in Fiscal Year 2013. Management believes this increase is attributable to expanded marketing of the Plan and a realization by participants of the value of a prepaid tuition plan in the face of rising tuition costs for public universities. Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be $22,600,303 on an accrued basis. Total operating expenses declined slightly by 3.8%, from $26,065,528 in Fiscal Year 2012 to $25,083,944 in Fiscal Year 2013. This is mainly due to a reduction in administrative expenses resulting from a change in investment managers and a slight decrease in the tuition benefits expense.

The reported operating loss above simply reflects the difference between contributions from new and continuing participants versus contract payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. Due to the age of the Plan, which was created in state law in 1999, the Plan is seeing greater contract payouts as beneficiaries reach college age. On an actuarial basis, the Plan's funding ratio exceeds 111%, thus reflecting that total assets on an actuarial basis exceed total liabilities.

CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2013, amounts to $121,490 (net of accumulated depreciation), which primarily consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS

At the January 20, 2010 meeting of the Board of Trustees of the College Savings Plans of Nevada (the Board), the Board approved a loan from the State of Nevada College Savings Endowment Fund to the Trust in an amount of $5,000,000. This amount is recorded as a portion of noncurrent liabilities. In May 2013, the Board approved a policy that once the Trust Fund reaches a 120.0% funded status, the Trust would provide a payment every fiscal year of half of the total equivalent dollar amount over and above the 120.0% funding level, which would also allow the Trust Fund to continue to build a reserve in case of a market correction. The repayment may also occur under other conditions as approved by the Board.

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The Board has approved an asset allocation for the Plan that is prepared by its investment consultant, Callan, which presently has a target allocation to domestic public equities of 57.0% and domestic fixed income securities of 43.0%. The assumed return for the Plan, based on a general inflation rate of 3.0% and 10-year capital market expectations for these asset classes, is 6.8%. In Fiscal Year 2013, the contract with BNY Mellon as asset manager expired. After an extensive RFP process, the equity portfolios were transitioned to passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard and the fixed income portfolios were moved to Chicago Equity Partners. The total return for the Plan's investment portfolio in Fiscal Year 2013, as calculated by the Plan's investment consultant, was 11.4%, well above the assumed return of 6.8%. The Plan's investments are intended to provide broad exposure to the US equities and investment-grade fixed income markets. Therefore, projected returns are subject to the returns and volatility in the markets.

In addition to investment returns, on July 26, 2012 the Board approved a 10-year financial plan that included the annual transfer of $1.82 million to the Trust Fund from the College Savings Endowment Fund starting in Fiscal Year 2014. This represents a supplemental source of funding to the Plan in addition to future investment gains. The College Savings Endowment Fund also transfers funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Plan.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF NET POSITION
JUNE 30, 2013
(WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2012)

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,668,443	$ 13,600,879
Accounts receivable	575	-
Investment income receivable	442,188	411,874
Due from State of Nevada	70,290	137,295
Tuition contributions receivable	7,282,815	5,440,426
Investments	160,605,978	143,244,996
Trades pending settlement	-	6,800,546
Total Current Assets	170,070,289	169,636,016
Noncurrent Assets		
Capital Assets, Net	121,490	136,833
Other Noncurrent Assets:		
Tuition contributions receivable	24,909,879	19,081,086
Total Noncurrent Assets	25,031,369	19,217,919
Total Assets	195,101,658	188,853,935
LIABILITIES		
Current Liabilities:		
Accounts payable	131,636	422,747
Accrued salaries and benefits	19,722	25,056
Due to State of Nevada	65,987	33,220
Due to other governments	32,912	47,505
Trades pending settlement	-	21,855,645
Tuition benefits payable	14,451,947	13,337,173
Total Current Liabilities	14,702,204	35,721,346
Noncurrent Liabilities:		
Advance from State of Nevada General Fund - College Savings Endowment Account	5,000,000	5,000,000
Tuition benefits payable	159,946,571	145,759,183
Total Noncurrent Liabilities	164,946,571	150,759,183
Total Liabilities	179,648,775	186,480,529
NET POSITION		
Net investment in capital assets	121,490	136,833
Unrestricted	15,331,393	2,236,573
Total Net Position	$ 15,452,883	$ 2,373,406

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
OPERATING REVENUES		
Charges for sales and services	$ 138,800	$ 101,650
Tuition contributions	19,935,698	13,963,361
Total Operating Revenues	20,074,498	14,065,011
OPERATING EXPENSES		
Personnel costs	153,887	159,606
Contract and other administrative services	658,722	1,015,156
Tuition benefits expense	22,600,303	23,253,941
Refunds	1,655,689	1,626,713
Depreciation	15,343	10,112
Total Operating Expenses	25,083,944	26,065,528
OPERATING LOSS	(5,009,446)	(12,000,517)
NONOPERATING REVENUES		
Interest, dividends and other investment income	3,472,790	3,007,292
Net increase in fair value of investments	12,692,843	5,971,232
Contribution from the State of Nevada General Fund - College Savings Endowment Account	1,923,290	2,094,299
Total Nonoperating Revenues	18,088,923	11,072,823
CHANGE IN NET POSITION	13,079,477	(927,694)
NET POSITION, JULY 1	2,373,406	3,301,100
NET POSITION, JUNE 30	$ 15,452,883	$ 2,373,406

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for sales and services	$ 138,225	$ 101,650
Tuition contributions received	12,264,516	9,191,685
Payments to suppliers for good and services	(864,654)	(356,786)
Payments to employees	(159,221)	(158,539)
Payments for tuition benefits	(7,298,141)	(6,132,880)
Payments of refunds	(1,655,689)	(1,626,713)
Net Cash Provided (Used) by Operating Activities	2,425,036	1,018,417
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	1,923,290	2,094,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales or maturities of investments	264,705,566	192,988,060
Purchase of investments	(284,428,804)	(192,914,677)
Interest, dividends and other investment income received	3,442,476	3,081,640
Purchases of capital assets	-	(146,579)
Net Cash Provided (Used) by Investing Activities	(16,280,762)	3,008,444
Net Increase (Decrease) in Cash and Cash Equivalents	(11,932,436)	6,121,160
Cash and Cash Equivalents, July 1	13,600,879	7,479,719
Cash and Cash equivalents, June 30	$ 1,668,443	$ 13,600,879
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	$ (5,009,446)	$ (12,000,517)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	15,343	10,112
Change in assets and liabilities:		
(Increase) decrease in due from State of Nevada	67,005	526,843
(Increase) decrease in accounts receivable	(575)	-
(Increase) decrease in tuition contributions receivable	(7,671,182)	(4,771,676)
Increase (decrease) in accounts payable and accrued liabilities	(296,445)	90,838
Increase (decrease) in due to State of Nevada	32,767	38,087
Increase (decrease) in due to other governments	(14,593)	3,669
Increase (decrease) in tuition benefits payable	15,302,162	17,121,061
Total Adjustments	7,434,482	13,018,934
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 2,425,036	$ 1,018,417
NONCASH INVESTING ACTIVITIES		
Net increase in fair value of investments	$ 12,692,843	$ 5,971,232

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (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.

Reporting Entity:

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, *Prepayment of Tuition at Institutions of Higher Learning*, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board of Trustees (the Board).

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college.

The Trust Fund completed its fifteenth enrollment period on February 28, 2013 with 1,145 new enrollments. The Trust Fund also had 280 cancellations and 291 contracts completing benefits for a total enrollment of 11,090 at June 30, 2013.

Measurement Focus and Basis of Accounting:

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's *Comprehensive Annual Financial Report.* The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (3 months or less) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash and investments pooled with the State Treasurer, and money market mutual funds.

Custodian and Transfer Agent:

Wells Fargo Bank is the custodian and transfer agent for certain Trust Fund investments.

Investment Valuation and Income Recognition:

Investments are reported at fair value as determined by quoted market prices. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable:

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

Capital Assets:

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years.

Tuition Benefits Payable:

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES AND ADMINISTRATIVE CODE

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

NOTE 3 – CASH AND INVESTMENTS

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- "AAA" rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States;
- "A-1", "P-1", "F-1" or better rated commercial paper;
- "AAA" rated commercial mortgage-backed securities;
- "AAA" rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans;
- "A" rated money-market mutual funds that meet the criteria set forth in statute;
- Common or preferred stock of corporations that have a total market value of not less than $50,000,000; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2013 the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

		Maturities, in Years			
	Fair Value	Less Than 1	1-5	6-10	Greater Than 10
Investments:					
Corporate notes	$ 2,660,852	$ 105,959	$ 1,301,433	$ 210,632	$ 1,042,828
U.S. Agencies	40,388,655	2,831,095	11,911,285	8,577,326	17,068,950
U.S. Treasury notes	24,053,066	1,275,499	10,087,243	8,686,189	4,004,135
Cash equivalents:					
Money market mutual funds	719,225	719,225	-	-	-
	$67,821,799	$ 4,931,778	$23,299,961	$17,474,147	$ 22,115,913

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds representing cash and cash equivalents) as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value):

		Credit Quality Ratings		
	Fair Value	AAA	AA	A
Investments:				
Corporate notes	$ 2,660,852	$ -	$ 617,785	$ 2,043,067
U.S. Agencies	39,818,394	-	39,818,394	-
Cash equivalents:				
Money market mutual funds	719,225	719,225	-	-
	$ 43,198,471	$ 719,225	$ 40,436,179	$ 2,043,067

The ratings presented above may have differed if an equivalent national rating organization was utilized.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2013, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal National Mortgage Association – U.S. Agency Coupon Security	$ 8,153,191	5.08%
Federal National Mortgage Association – Asset-Backed Mortgage Security	18,654,821	11.62%

Other Risk:

The Trust Fund invests in various equity mutual funds, including at June 30, 2013 when equity mutual funds comprised approximately 58.22% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Pooled Cash and Investments:

Of the $1,668,443 cash and cash equivalents at June 30, 2013, $949,218 represents the Trust Fund's investment in the State of Nevada's external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund's participation percentage in the investment pool.

Custodial Credit Risk: The State Treasurer minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS 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 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% pledged collateral for all public deposits.

Interest Rate Risk: The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period. (Rolling 90 day T-Bill).

As of June 30, 2013, the Trust Fund's investments held in the external investment pool are categorized as follows:

	Percentage Based on Fair Value	Maturities, in Years		
		Less Than 1	1-5	6-10
Investments:				
U.S. Treasury obligations	16.96%	9.13%	7.83%	0.00%
U.S. Agencies	48.77%	47.61%	0.70%	0.46%
Asset-backed securities	14.26%	6.69%	0.85%	6.72%
Corporate bonds and notes	11.30%	3.01%	8.29%	0.00%
Municipal Bonds	8.71%	1.39%	6.54%	0.78%
Collateralized mortgage obligations	<0.01%	0.00%	0.00%	<0.01%
	100.00%			

Credit Risk: The State Treasurer's investment policy addresses credit risks. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Banker's Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

The State's investments held in the external investment pool as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and categorized as follows:

	AAA	AA	A	Unrated
Investments:				
U.S. agencies	0.00%	1.44%	97.59%	0.97%
Asset-backed securities	0.00%	53.08%	46.92%	0.00%
Corporate bonds and notes	3.17%	36.03%	53.17%	7.63%
Municipal bonds	0.00%	100.00%	0.00%	0.00%
Collateralized mortgage obligations	100.00%	0.00%	0.00%	0.00%

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2013, the following investments exceeded 5% of the State of Nevada's investments in the external investment pool:

Federal Home Loan Bank	46.55%
Small Business Administration	7.57%

Securities Lending: NRS 355.155 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of the market value of the underlying securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2013.

NOTE 4 – CAPITAL ASSETS

The following schedule summaries the changes in capital assets for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets				
Computer equipment	$ 161,874	$ -	$ -	$ 161,874
Less: Accumulated Depreciation	(25,041)	(15,343)	-	(40,384)
Capital Assets, Net	$ 136,833	$ (15,343)	$ -	$ 121,490

NOTE 5 – NONCURRENT LIABILITIES

Tuition Benefits Payable:

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

APV of the Future Tuition Obligation	$ 174,398,518
Net Position Available	$ 189,851,401
Net Position as a Percentage of Tuition Benefits Obligation	108.86%

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 6.75% per year, which is the same as the prior year assumption.

- Tuition Growth Assumptions:

	Universities	Community Colleges
2014-15	0.00%	0.00%
2015-16	8.00%	8.00%
2016-17	8.00%	8.00%
2017-18	6.00%	6.00%
2018-19 and later	6.00%	6.00%

Advance from the State of Nevada General Fund – College Savings Endowment Account:

Noncurrent liabilities include an advance from the State of Nevada's General Fund – College Savings Endowment Account. On May 29, 2013 the Board approved a loan repayment policy. This policy requires payments in increments determined by the State Treasurer at the time the annual actuarial evaluation, approved by the Board at the end of each fiscal year, determines that the best estimate percentage of reserve of the Trust Fund is estimated to meet or exceed 120%. The payments are to equal half of the equivalent dollar amount of funding over 120%.

Changes in the Trust Fund's noncurrent liabilities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Tuition benefits payable	$159,096,356	$22,600,303	$(7,298,141)	$174,398,518	$14,451,947
Advance from State of Nevada General Fund – College Savings Endowment Account	5,000,000	-	-	5,000,000	-
	$164,096,356	$22,600,303	$(7,298,141)	$179,398,518	$14,451,947

NOTE 6 – TUITION CONTRIBUTIONS AND TUITION BENEFITS EXPENSE

The tuition contributions of $19,935,698 and the tuition benefits expense of $22,600,303 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions and benefit expenses for the year ended June 30, 2013 as determined by the actuarial valuation and adjusted by the actual activity for the fiscal year.

NOTE 7 – PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan: The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2013.

Other Post Employment Benefits (OPEB): The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2013.

NOTE 8 – RISK MANAGEMENT

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of the
Higher Education Tuition Trust Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated January 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund'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 to those charged by governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund's basic financial statements are free of 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 determination of financial statement amounts. 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 Trust Fund'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 Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kafoury, Armstrong & Co.

Reno, Nevada
January 16, 2014

APPENDIX C

CHICAGO EQUITY PARTNERS REPORT
AND
CALLAN PERFORMANCE REVIEW

State Of Nevada- Higher Education Pre- Paid Tuition Program

Q2 2013

CHICAGO EQUITY PARTNERS

Table of Contents

CHICAGO EQUITY PARTNERS

Introduction to Chicago Equity Partners

Experience

- 24 year history of institutionally-focused investment management across equities and fixed income
- Total of 42 employees with an average professional-level tenure at Chicago Equity Partners of 15 years
- Approximately $10.1 billion in assets under management for more than 100 institutional clients around the world

Discipline

- Focus on clearly-defined and process-oriented strategies which are repeatable and scalable
- Deliberate approach to taking investment risks for which we believe we will be appropriately compensated
- Long-standing commitment to continued innovation in our investment approach

Partnership

- Entire business platform built around delivering targeted solutions for sophisticated investors: We work with our clients to meet their investment objectives
- Exceptional level of client service
- Robust operational platform following industry best practices is the cornerstone of our long-term stability

CHICAGO EQUITY PARTNERS

Clients are our Top Priority

Corporations

- AAA Allied Group, Inc.
- Advocate Health Care
- Allina Health System
- Blue Cross/Blue Shield of MA
- BryanLGH Health System
- CHS Insurance, Ltd.
- DTE Energy
- HealthPartners Insurance Company
- Health Providers Insurance Reciprocal, RCG
- John Bean Technologies Corporation
- Marriott International, Inc.
- National Basketball Association
- Navistar, Inc.
- NorthShore University HealthSystem
- Rush University Medical Center
- Schnuck Markets
- Shell Oil Company
- The Sherwin Williams Company
- ThedaCare Operating Fund
- Union Carbide Employees' Pension Plan
- United Technologies Corporation
- University Hospitals Health System
- Walgreen Company
- The Wooster Brush Company

Endowments & Foundations

- Archdiocese of Hartford
- The Batchelor Foundation
- Bush Foundation
- Catholic Theological Union
- Catholic Umbrella Pool
- Children's Care Foundation
- DePaul University
- Diocese of Joliet
- Diocese of Palm Beach
- Diocese of Saginaw
- Dominican Sisters of Kenosha
- Elks National Foundation
- E. Rhodes & Leona B. Carpenter Foundation
- Friends Fiduciary Corporation
- Geneva Foundation of Presbyterian Homes
- Gottlieb Memorial Foundation
- The Hall-Perrine Foundation
- Iowa Board of Regents
- LaRabida Children's Hospital
- Lloyd A. Fry Foundation
- Mennonite Education Agency
- Michigan Catholic Conference
- Misericordia Home Endowment
- Moose Foundation
- Northwest Women's Religious Investment Trust
- Oklahoma Medical Research Foundation
- Purdue University
- The Regents of the University of Colorado
- Rosalind Franklin University of Medicine and Science
- The Rotary Foundation
- Sisters of St. Casimir
- Sisters of Saint Dominic
- Sisters of Saint Francis of Assisi
- Society of the Divine Savior
- SSM International Finance
- St. Mary's College of California
- St. Procopius Abbey
- Wallace H. Coulter Foundation

Public Funds

- Association of Washington Cities
- BETA Healthcare Group
- California State Teachers' Retirement System
- The Chicago Housing Authority
- City of Miami General Employees' and Sanitation Employees' Retirement Trust
- City of Springfield Police Pension Fund
- Commonwealth of Massachusetts Deferred Compensation Plan
- Cook County Employees' Annuity and Benefit Fund
- Firemen's Annuity and Benefit Fund of Chicago
- Illinois State Board of Investment
- Intergovernmental Risk Management Agency
- Knox County Retirement System
- Lake Forest Police Pension Fund
- Los Angeles Fire & Police Pension System
- Nevada Higher Education Pre-paid Tuition Program
- New Orleans (LA) Sewerage & Water Board Pension
- Park Employees' Annuity & Benefit Fund of Chicago
- Puerto Rico Government Employees and Judiciary Retirement Systems
- Puerto Rico Government Teachers Retirement System
- Public School Retirement System of the City of St. Louis
- Retirement Plan for CTA Employees
- State Universities Retirement System of Illinois
- WorkSafeNB

Taft-Hartley

- Bakery Drivers & Salesman Local 194 & Industry Pension Fund
- Central Illinois Laborers' Pension and Annuity Funds
- Chicago Area I.B. Of T. Benefit Trust Funds
- Chicago Regional Council of Carpenters Millmen Pension Fund
- Construction Industry and Laborers' Health and Welfare Fund
- Des Moines Iron Workers Local 67
- District #9 I.A.M.A.W. Pension Trust
- I.B.E.W. Local #728 Pension Trust Fund
- I.B.E.W. Local #9 and Outside Contractors Pension Fund
- Midwest Operating Engineers' Welfare Fund
- MILA - Managed Health Care Trust Fund
- North Central Illinois Laborers Health & Welfare Fund
- Northwestern Ohio Plumbers and Pipefitters Pension Plan
- NYC Local 237 International Brotherhood of Teamsters
- Painters and Allied Trades District Council #35 Trust Funds
- Sheet Metal Workers Local #98 Pension Fund
- Teamsters Local #705 Pension and Health & Welfare Funds
- Uniformed Firefighter's Association (NYC)

Mutual Funds / Subadvisory

- Bank of Hawaii
- First Midwest Bank
- Managers' Investment Group LLC
- Northern Lights Variable Trust

The above client list is a representative sample of clients with assets of $5,000,000 or greater under management who have given us permission to use their name by Chicago Equity Partners as of June 30, 2013. It is not known whether the listed clients approve or disapprove of Chicago Equity Partners or the advisory services provided.

CEP Fixed Income Team

CEP's Fixed Income team, led by Chief Investment Officer-Fixed Income, Michael Millhouse, CFA, employs an accomplished team of industry leading investment professionals who have spent an average of 8 years working together.

DEDICATED FIXED INCOME TEAM

- Portfolio construction
- Risk control

	Years with Firm	Years in Industry
Michael J. Millhouse, CFA CIO- Fixed Income	9	36
Curt Mitchell, CFA Partner, Managing Director	9	27
Michael Budd Managing Director	24	33
Paul M. LaCoursiere, CFA Managing Director	1	13
Christopher Ashbee, CFA, FRM Director	3	10
Tina Krauskopf Director, Trading	7	32
Kenny Kwan Associate	3	23
AVERAGE	**8**	**25**

QUANTITATIVE RESEARCH TEAM

- Model research and development
- Study academic and industry trends

	Years with Firm	Years in Industry
Keith Gustafson, CFA Partner, Managing Director	16	23
Patricia Halper, CFA Partner, Managing Director	15	16
George Gao, CFA Director	8	19
Abhay Munot Associate	1	2
AVERAGE	**10**	**15**

FUNDAMENTAL TEAM

- Company specific analysis
- Sector specific analysis

	Years with Firm	Years in Industry
Robert H. Kramer, CFA, CPA Founder, Managing Director	24	26
Michael Lawrence, CFA Director	15	24
Martin Morris, CFA Director	19	19
William Murray, CFA Director	19	22
James Palermo, CFA Director	21	29
AVERAGE	**20**	**24**

June 30, 2013

CHICAGO EQUITY PARTNERS

Investment Philosophy

OUR CORE BELIEFS

We believe the role of fixed income is to provide income, stability, and to reduce overall portfolio risk.

- Risk control is the essence of fixed income management
- Build diversified portfolios with an income advantage to produce consistent returns
- Excess returns are available in the high-quality, non-Treasury sectors
- Independent research focusing on sector allocation and security selection is critical to portfolio construction
- Disciplined decision making in core competencies is vital to positive portfolio returns
- Construct portfolios for each client customized to their specific needs

CHICAGO EQUITY PARTNERS

Fixed Income Investment Process

We combine multiple strategies in areas where we have repeatedly demonstrated skill to produce consistent excess returns.

- Market conditions analysis
- Yield curve forecasts corporate profits
- Credit, mortgage and agency return patterns differ
- Establish credit and quality

- Credit cycle analysis
- Identify extreme environments
- Benefit from return to normal
- Duration + / - 10% of index

- Model based on fundamental inputs
- Industry analysts provide insight
- Early warning sign of trouble

- Emphasize non-Treasuries
- Use lower quality opportunistically
- Controlled duration
- Consistent returns with limited risk

Implementation and Review

- Minimize unintended risk
- Overlay excess return strategies
- Electronic trading/pre-trade compliance
- Risk management / scenario analyses
- Performance attribution/timely feedback
- Qualitative overlay/experienced team

CHICAGO EQUITY PARTNERS

Investment mandate : Permissible Investments

PERMISSIBLE INVESTMENTS

Security Type	Maximum Allocation*	Minimum Credit Quality **	Other Purchase Restrictions	NRS 353B.160.2 Reference
FIXED INCOME SECURITIES				
US Treasury bonds, notes or other obligations	N/A	None	None, may include TIPS	(d)
US Agency securities				
Bonds, notes, and debentures	N/A	None	May only be issued by FFCB, FHLB, FHLMC, GNMA or FNMA. May include zero coupon or discounted securities.	(e)
US Agency mortgage-backed securities (MBS)	N/A	None	May only be issued by FHLMC, GNMA or FNMA	(e)
US Agency collateralized mortgage obligations (CMO's)	N/A	"AAA" by at least two NRSRO's	May only be issued by FHLMC, GNMA or FNMA. IO's, PO's and CDO's are prohibited.	(g)
Municipal bonds, notes or other obligations	N/A	None	Only issued by State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada.	(a)
Corporate Bonds	50%	"A" by at least two NRSRO's	Only issued by or existing under US law, including US subsidiaries of foreign corporations Convertible issues, structured notes and surplus notes are prohibited. Up to 10% of Yankee corporates Up to 5% of 144(a) securities	(b)
Commercial Paper	N/A	Top tier (min. A-1, P-1, F-1) by two NRSRO's	Only issued by or existing under US law, including US subsidiaries of foreign corporations	(c)
Non-Agency Commercial Mortgage-Backed Securities (CMBS)	10%	"AAA" by at least two NRSRO's	None	(h)
Asset-backed Securities (ABS)	5%	"AAA" by at least two NRSRO's	Only ABS financing credit cards, auto, manufactured housing, student loans	(h)
Money-market Mutual Funds	20% of Trust Fund assets	"A" by at least two NRSRO's	Must be registered with SEC May only invest in securities issued by US Treasury or US Agencies or repurchase agreements collateralized by the same	(i)

NOTE: For non-US Treasury and non-Agency securities, the maximum allocation per issuer is 3%.

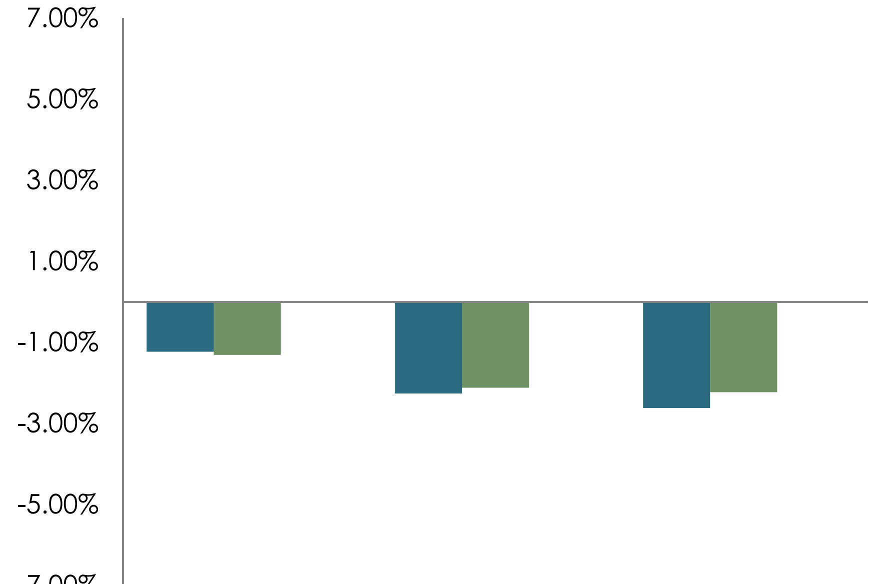
* When allocation limits or maximum allowances are referenced above, these apply to the total book value of fixed income securities unless otherwise noted.

** Currently, the State of Nevada accepts ratings from only Moody's, Standard & Poor's and Fitch.

Portfolio Performance

Portfolio market value: $68,206,953

***Annualized Returns for periods ending 6/30/13**



	MTD	QTD	Since Inception
Portfolio	-1.23%	-2.26%	-2.62%
Benchmark	-1.31%	-2.12%	-2.23%
Excess	0.08%	-0.14%	-0.39%

State of Nevada- Higher Education Pre-Paid Tuition Program
Barclays Aggregate A or Better

Performance results are gross of fees. Periods over one year are annualized.
Performance start date: December 31, 2012
*Time weighted and year-to-date returns for periods ending June 30, 2013

CHICAGO EQUITY PARTNERS

Investment Strategy and Portfolio Positioning

We remain defensive on credit

- Uncertainty remains over the sustainability of an economic recovery without continued government support.
- Given the recent history of market volatility, we will take advantage of opportunities as they present themselves.
- Longer term, we remain defensive on the performance of risk assets, including credit.

Corporate holdings are focused on defensive industries

- High quality industrials and utilities have been emphasized.
- Underweights include banks and lower quality issues.
- Recent LBO and shareholder enhancement initiatives have led to concerns about negative event risk.

Government agency debentures and mortgages provide income and stability

- Agency Debentures and Agency mortgages are overweighted to increase portfolio yield.

Duration / Yield Curve

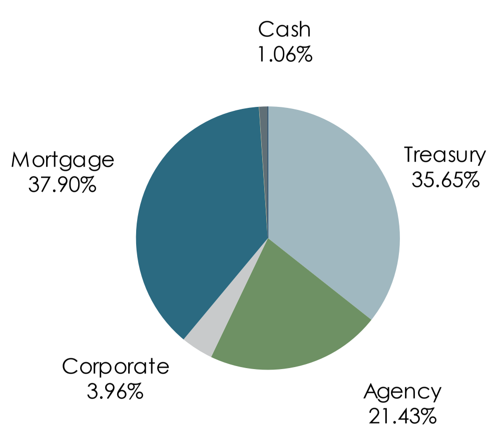
- Portfolio duration and maturity distributions are similar to benchmark levels.
- Declining inflation expectations suggest limited additional increases in interest rates.

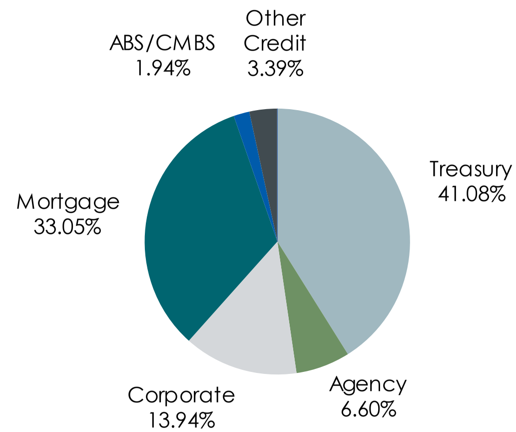
Post financial crisis economies are characterized by lower trend growth and low interest rates.

CHICAGO EQUITY PARTNERS

Portfolio Characteristics as of June 30, 2013

State of Nevada- Higher Education Pre-Paid Tuition Program	Barclays Aggregate A or Better	Exposure





Sector	+/-
Treasury	-5.43%
Agency	14.83%
Corporate	-9.98%
Mortgage	4.85%
ABS/CMBS	-1.94%
Other Credit	-3.39%
Cash	1.06%

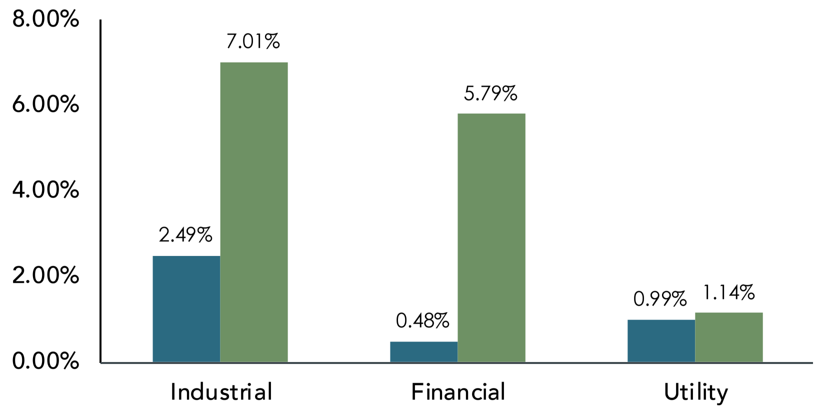
	State of Nevada- Higher Education Pre-Paid Tuition Program	Barclays Aggregate A or Better	Exposure
Yield-to-Maturity	1.92%	2.05%	Similar
Duration	4.88	4.91	+ / - 10%
Non-Treasury Sectors	64.35%	58.92%	Overweight
Average Quality	Aaa	Aa1	Similar
Number Of Issues	87	5,564	Well-diversified

Other Credit category includes Local Authorities, Sovereigns, and Supranationals.

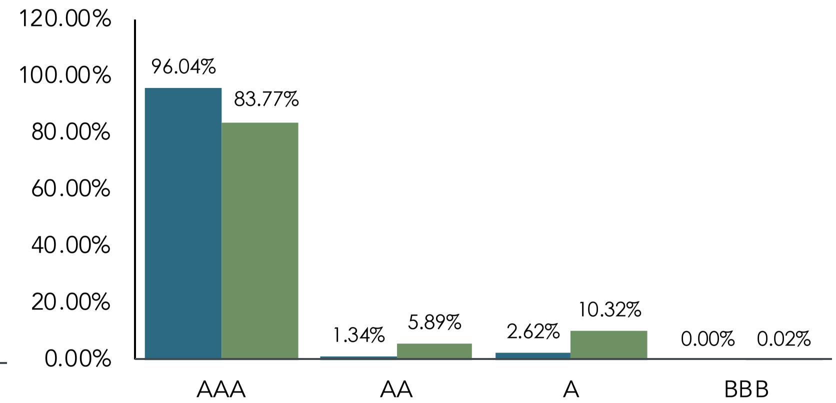
CHICAGO EQUITY PARTNERS

Portfolio Characteristics as of June 30, 2013

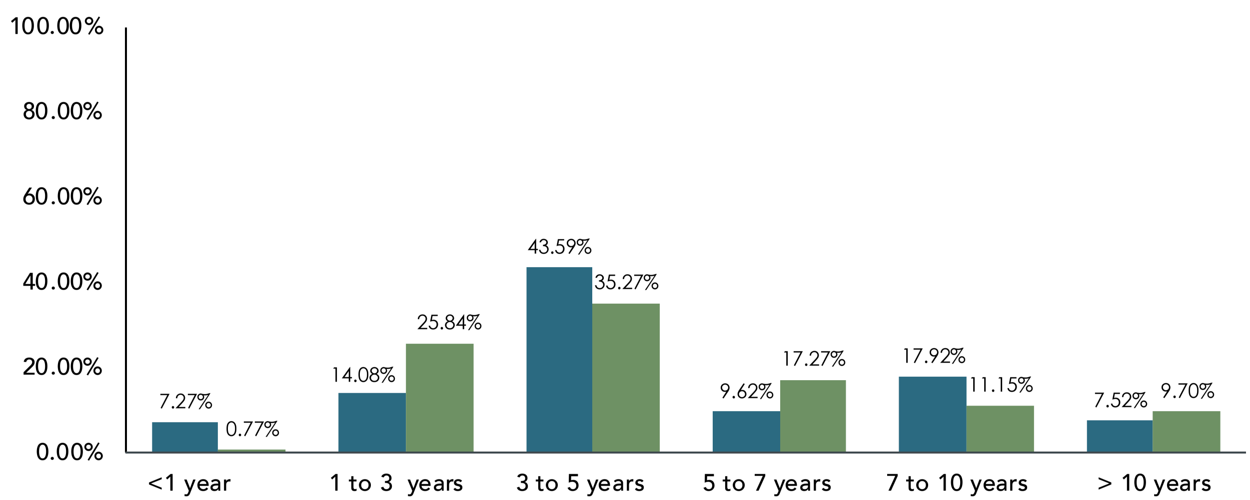
Corporate Distribution



Quality Distribution*



Maturity Distribution



State of Nevada- Higher Education Pre-Paid Tuition Program

Barclays Aggregate A or Better

*U.S. Government and Agency securities are currently classified as AAA.

CHICAGO EQUITY PARTNERS

Bond Market Review and Outlook

Fundamentals
- Real GDP growth remains at or near stall speed.
- Inflation expectations have declined.
- Growth in earnings and revenue continue to be weak.
- Europe remains in recession and emerging markets are feeling the effects of soft demand from developed markets.

Policy
- The markets are anticipating a near-term reduction and possible completion of Quantitative Easing.
- Fiscal policy will continue to affect government spending levels and GDP growth.

Valuations
- In spite of the recent increase in spreads, corporate bonds remain unattractive on a historical basis.
- High beta sectors including high yield, emerging markets and brokerage names have underperformed.

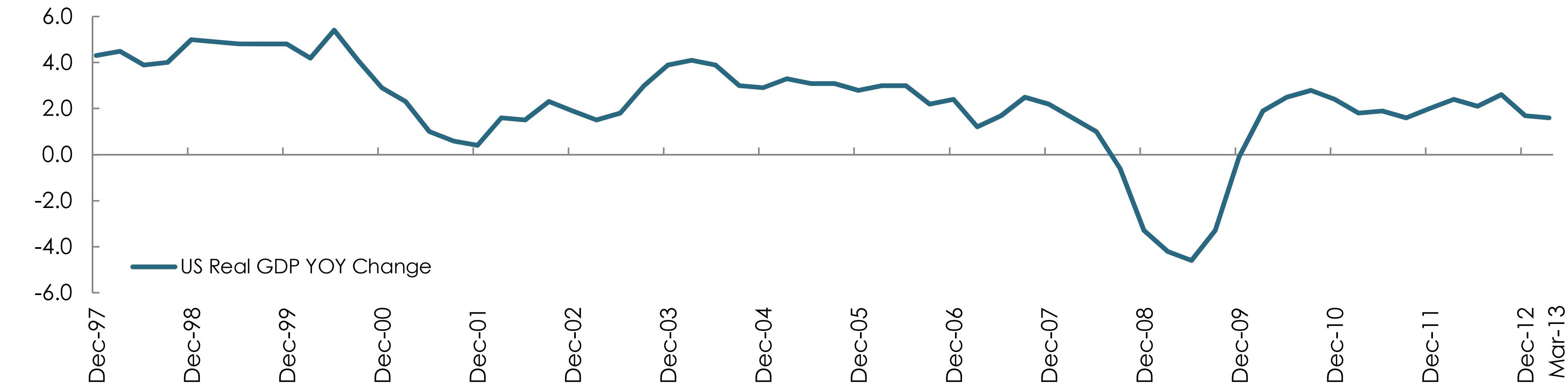
Technicals
- Sentiment has become more cautious.
- A reduction in Central Bank stimulus is likely to result in further risk aversion.

Rates
- Real interest rates have increased dramatically, offsetting the impact of Quantitative Easing.
- Higher borrowing costs put the recovery in housing and labor markets at risk.

Valuations are well ahead of fundamentals at this point in the post financial crisis.

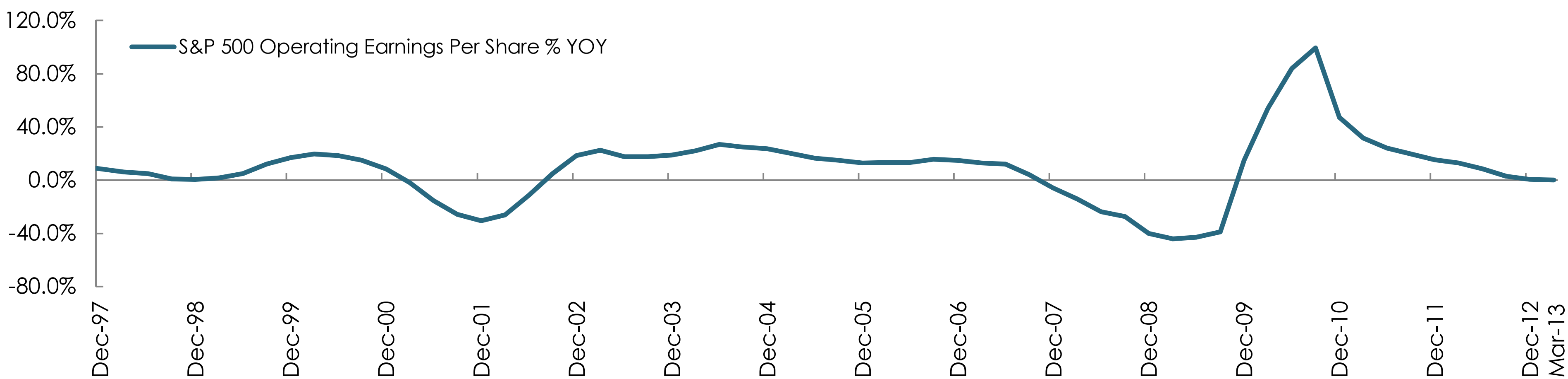
Growth and Earnings

Economic Growth Remains Weak and Forecasts Have Fallen



Source: Bloomberg

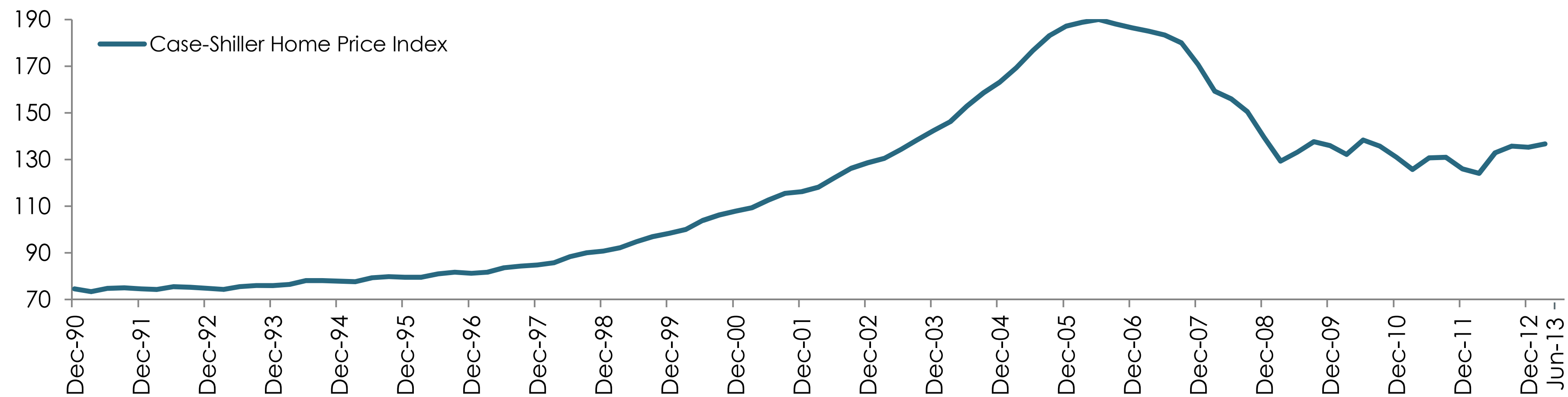
Earnings Growth Has Stalled



Source: Bloomberg, Standard & Poors, 12-month trailing data

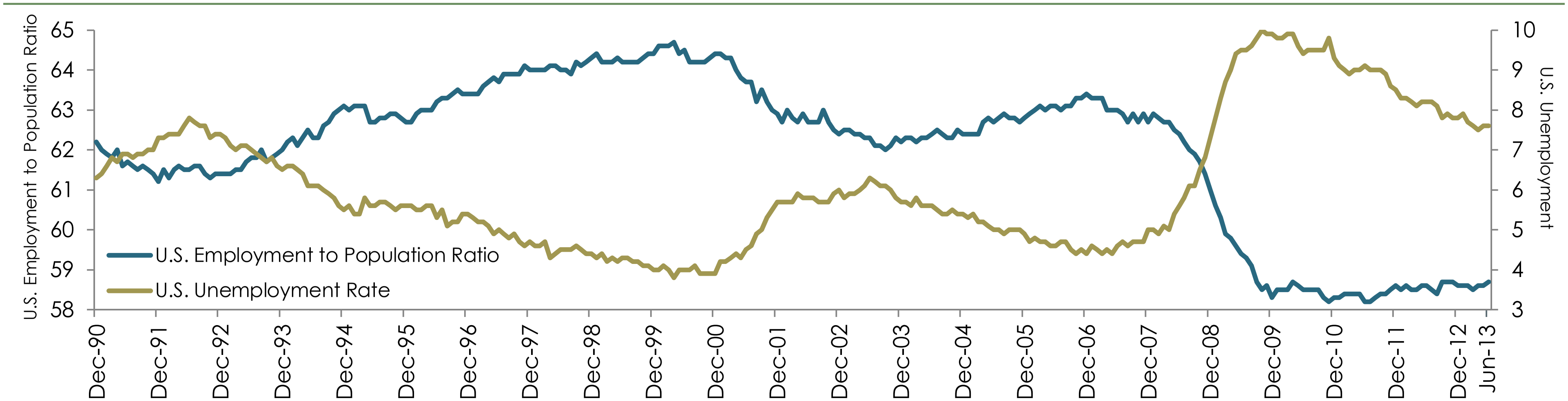
Housing and Labor

Housing Prices Have Stabilized…



Source: Bloomberg

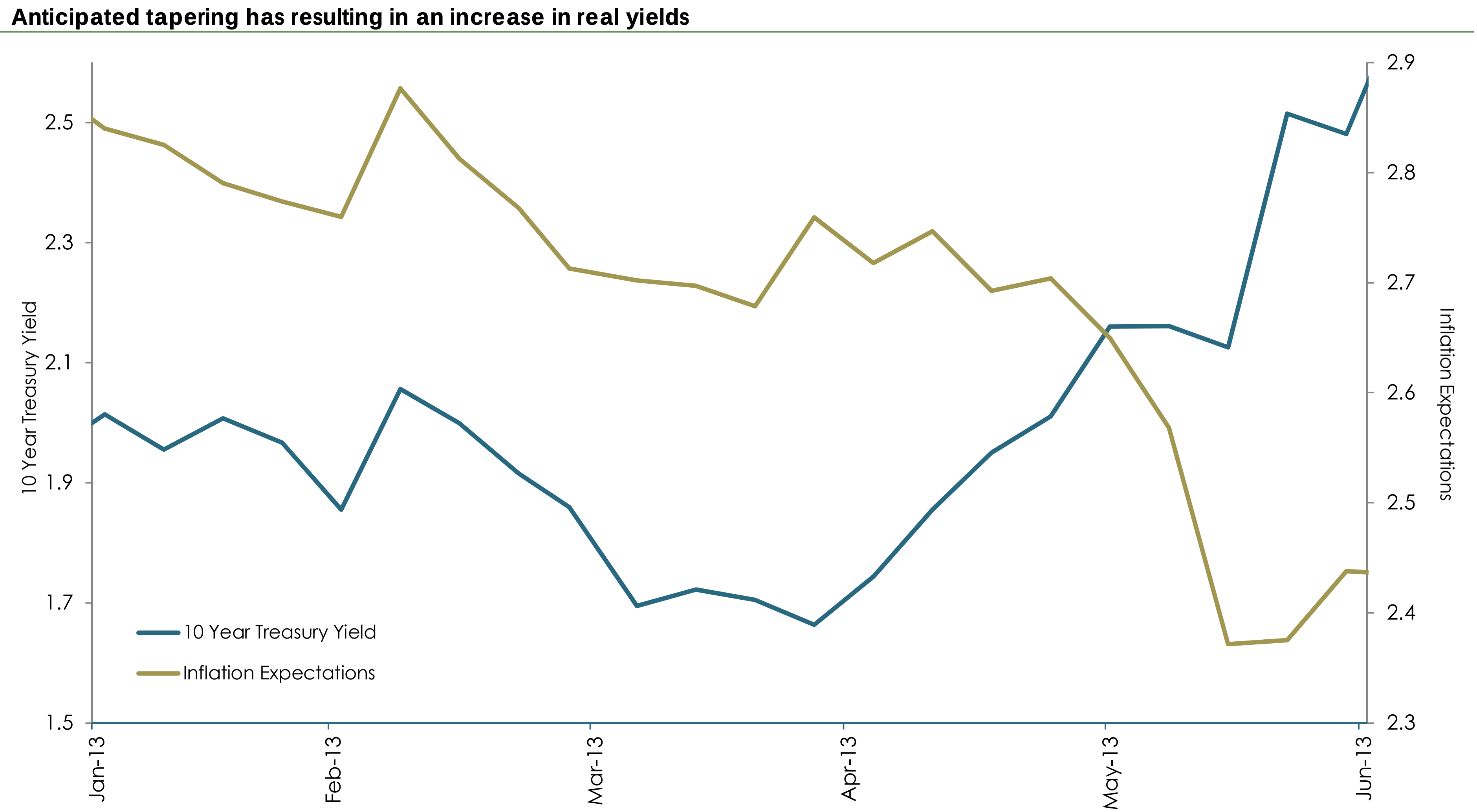
But Labor Markets Remain Sluggish



Source: Bloomberg

CHICAGO EQUITY PARTNERS

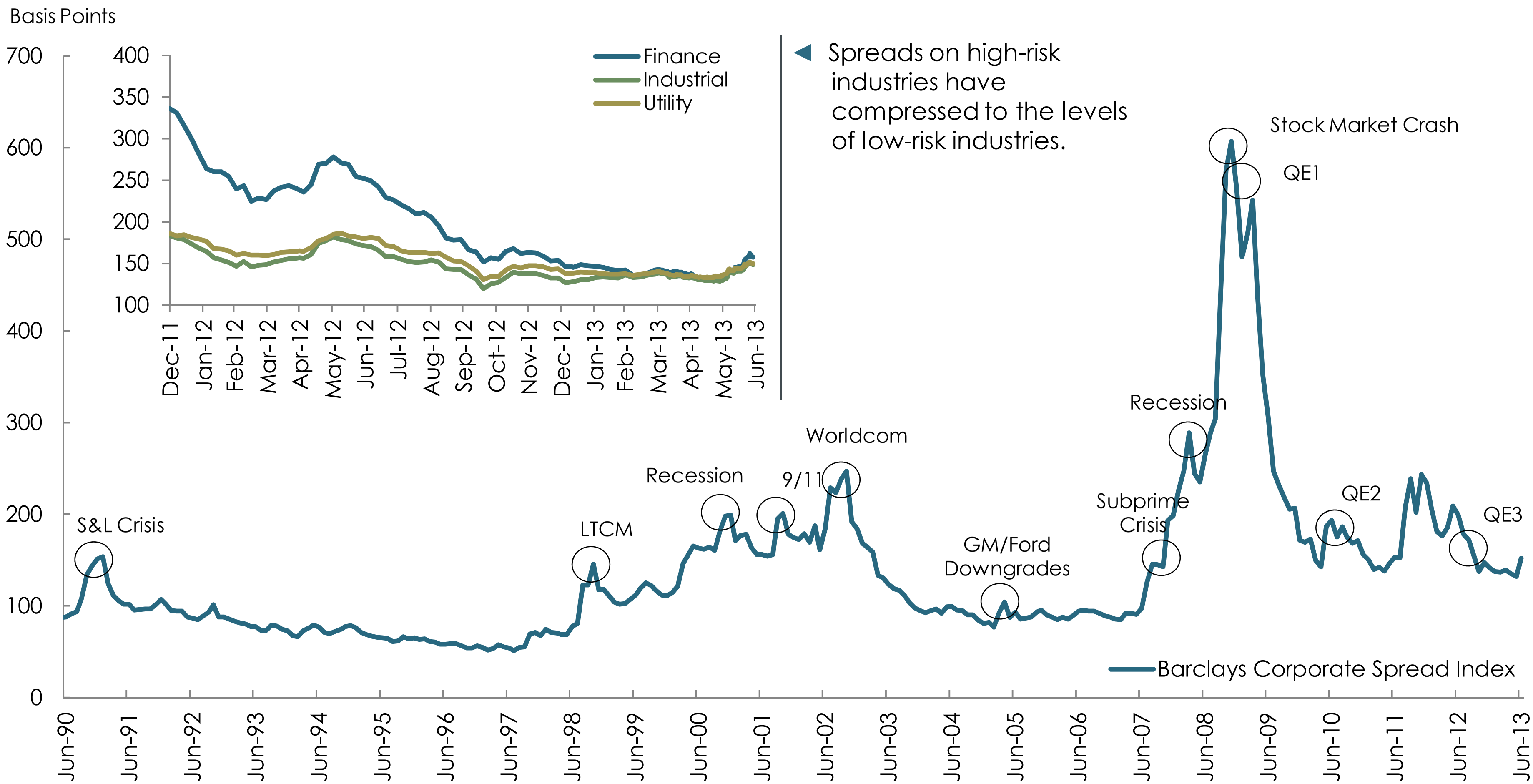
Anticipated tapering has resulting in an increase in real yields



Source: Barclays Capital, Bloomberg

Corporate Spreads

Corporate Spreads do not Adequately Compensate Investors for Global Risks

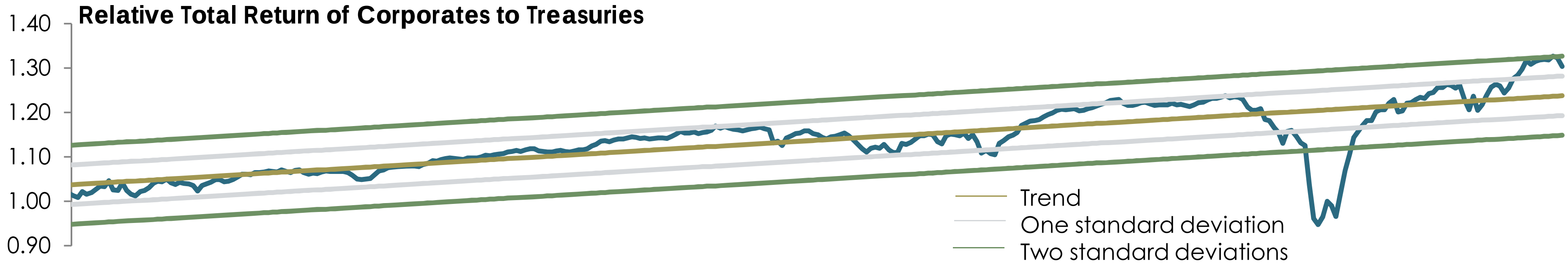


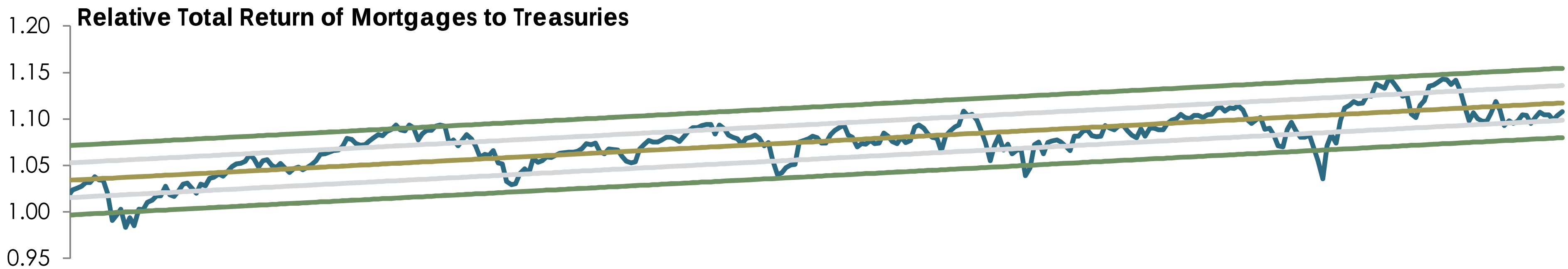
- Spreads on high-risk industries have compressed to the levels of low-risk industries.

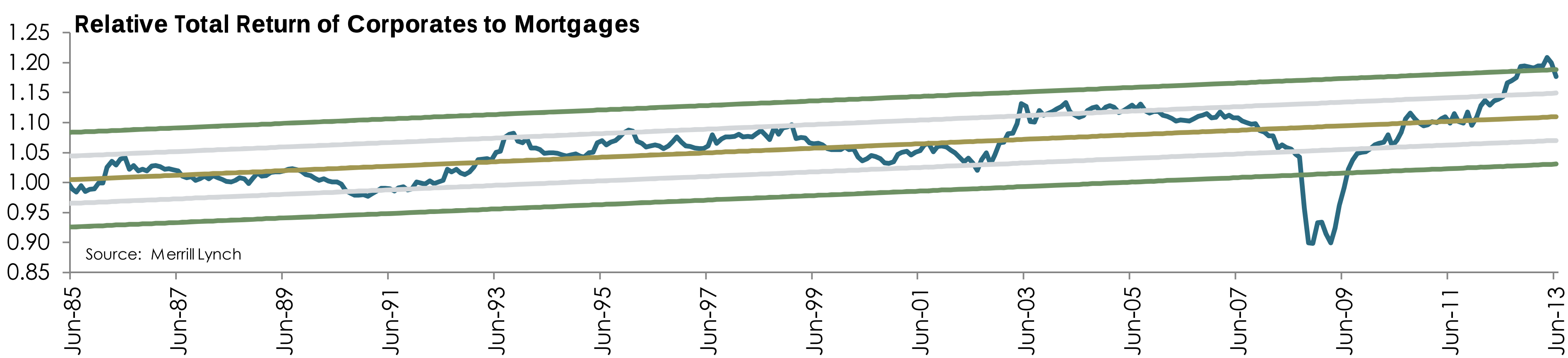
Source: Barclays

CHICAGO EQUITY PARTNERS

Sector Valuations

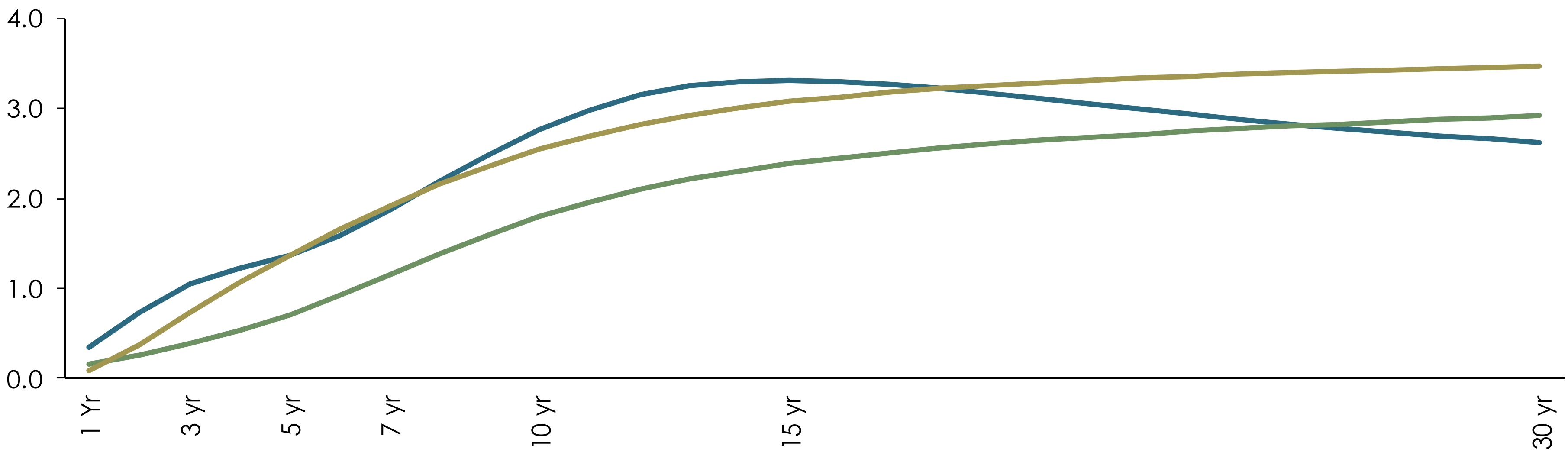






Interest Rates

Treasury Curve



	1 Year	3 Year	5 Year	10 Year	30 Year
12/31/08	0.35	1.06	1.36	2.77	2.63
12/31/12	0.16	0.38	0.71	1.80	2.92
6/30/13	0.09	0.73	1.37	2.55	3.47

Source: Bloomberg

Contact Information

Today's Presenters

Chicago Equity Partners
180 N. LaSalle Street, Suite 3800
Chicago, Illinois

Patrick Lynch
President
p: 312.629.8200
e: plynch@chicagoequity.com

Updated 7.12.13

Callan

August 2013

Nevada State Treasurer's Office

Second Quarter 2013 – Performance Review

Gordon Weightman, CFA
Vice President

Janet Becker-Wold, CFA
Senior Vice President

Executive Summary

Quarter Ended June 30, 2013

- This is the second full quarter of performance for the Program's current U.S. equity and fixed income managers.
- During the fourth quarter of 2012, the U.S. equity and U.S. investment grade fixed income portfolios transitioned investment managers.
  - The U.S. equity portfolios were managed by Mellon Capital Management and transitioned to passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard on 12/11/12.
  - The U.S. fixed income portfolio moved from Standish to Chicago Equity on 12/3/2012.
- In the quarter, the Total Fund returned 0.5%, 0.1% behind the benchmark.
  - For the last 5-years ended June 30, 2013, the Total Fund returned 7.9% per annum, 0.4% ahead of the benchmark.
- The U.S. equity composite returned 2.7% this quarter, which was 1 basis point behind the policy weighted benchmark.
- The U.S. fixed income portfolio returned -2.3% this quarter trailing its benchmark by 16 basis points.

Asset Distribution & Actual Allocation vs. Benchmark Target

	June 30, 2013					March 31, 2013		
	Market Value	Percent	Target	Net New Inv.	Inv. Return	Market Value	Percent	Target
Domestic Equity	**$93,503,411**	**57.82%**	**57.00%**	**$(6,369,000)**	**$2,336,791**	**$97,535,620**	**62.42%**	**57.00%**
Vanguard Institutional Index Fund	73,956,073	45.74%	45.00%	(5,031,510)	2,022,340	76,965,244	49.26%	45.00%
Vanguard S&P Mid Cap Index Fund	13,106,505	8.11%	8.00%	(891,660)	96,331	13,901,834	8.90%	8.00%
Vanguard S&P Sm Cap Index Fund	6,440,832	3.98%	4.00%	(445,830)	218,120	6,668,542	4.27%	4.00%
Domestic Fixed Income	**$68,201,129**	**42.18%**	**43.00%**	**$11,114,858**	**$(1,630,879)**	**$58,717,151**	**37.58%**	**43.00%**
Chicago Equity Core Fixed Income	68,201,129	42.18%	43.00%	11,114,858	(1,630,879)	58,717,151	37.58%	43.00%
Total Fund	**$161,704,540**	**100.0%**	**100.0%**	**$4,745,858**	**$705,911**	**$156,252,771**	**100.0%**	**100.0%**

- The market value of total assets rose $5.4M (investment gain of $4.7M plus net inflows of $0.7M).

Asset Class	$000s Actual	Percent Actual	Percent Target	Percent Difference	$000s Difference
Domestic Equities	93,503	57.8%	57.0%	0.8%	1,332
Domestic Fixed Income	68,201	42.2%	43.0%	(0.8%)	(1,332)
Total	161,705	100.0%	100.0%		

- In relation to respective targets, equity was overweight by 0.8% and fixed income was underweight by 0.8%.

Asset allocation excludes cash.

Investment Returns

Quarter Ended June 30, 2013

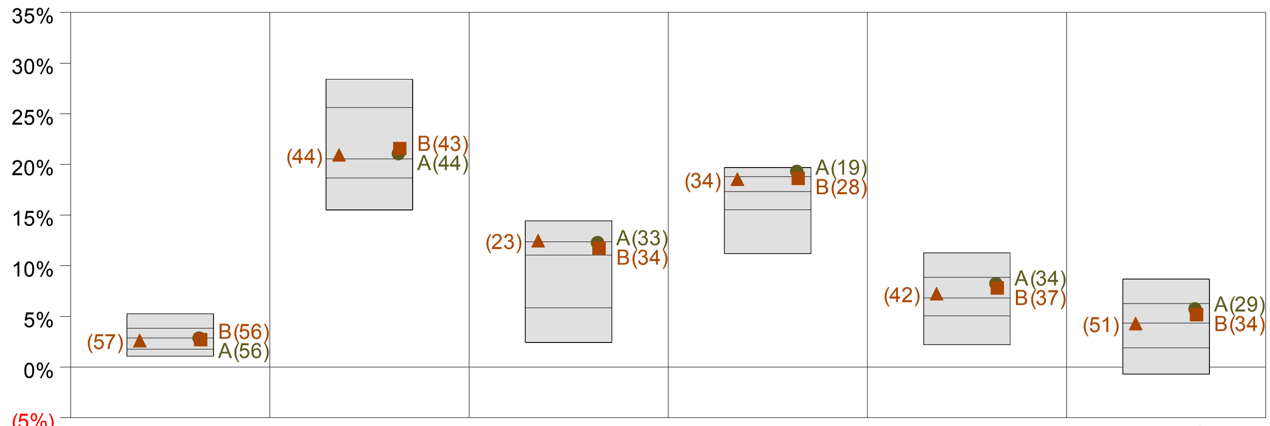
	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 5-1/2 Years
Domestic Equity	**2.70%**	**20.92%**	**19.16%**	**8.11%**	**5.61%**
- Domestic Equity Benchmark (1)	2.71%	21.57%	18.62%	7.80%	5.17%
Excess Return	**(0.01%)**	**(0.65%)**	**0.54%**	**0.31%**	**0.44%**
Vanguard Institutional Index Fund	2.91%	-	-	-	-
- S&P 500 Index	2.91%	20.60%	18.45%	7.01%	3.93%
Excess Return	**0.00%**	**-**	**-**	**-**	**-**
Vanguard S&P Mid Cap 400 Index	0.99%	-	-	-	-
- S&P Mid Cap 400 Index	1.00%	25.18%	19.45%	8.91%	7.29%
Excess Return	**(0.01%)**	**-**	**-**	**-**	**-**
Vanguard S&P Small Cap 600 Index	3.90%	-	-	-	-
- S&P 600 Small Cap Index	3.92%	25.18%	20.27%	9.94%	7.55%
Excess Return	**(0.02%)**	**-**	**-**	**-**	**-**
Domestic Fixed Income	**(2.29%)**	**(1.03%)**	**3.58%**	**5.21%**	**4.93%**
- Fixed Income Benchmark (2)	(2.13%)	(0.97%)	3.19%	5.00%	4.74%
Excess Return	**(0.16%)**	**(0.07%)**	**0.38%**	**0.21%**	**0.19%**
Chicago Equity	(2.29%)	-	-	-	-
- Barclays Aggregate ex Baa	(2.13%)	(0.97%)	3.19%	4.86%	4.65%
Excess Return	**(0.16%)**	**-**	**-**	**-**	**-**
Total Fund	**0.50%**	**11.36%**	**12.69%**	**7.85%**	**6.29%**
- Total Fund Benchmark*	0.63%	11.53%	12.24%	7.48%	5.86%
Excess Return	**(0.14%)**	**(0.17%)**	**0.45%**	**0.37%**	**0.43%**

*Current Quarter Target = 45% S&P 500, 43% BC Agg ex Baa, 8% S&P 400 and 4% S&P 600
(1) 79% S&P 500, 14% S&P 400, 7% S&P 600 from 10/1/11 forward. 60% S&P 500, 20% S&P 400 and 20% S&P 600 prior.
(2) Inception through June 2010: BC U.S. Aggregate Bond Index; July 2010 to present: BC U.S. Aggregate A or Better Index.

U.S. Equity Returns

Quarter Ended June 30, 2013

Performance vs CAI All Cap: Broad (Gross)



		Last Quarter	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-1/2 Years
10th Percentile		5.26	28.41	14.44	19.69	11.28	8.68
25th Percentile		3.85	25.63	12.36	18.79	8.85	6.27
Median		2.87	20.54	11.05	17.32	6.82	4.34
75th Percentile		1.78	18.66	5.83	15.53	5.05	1.89
90th Percentile		1.07	15.50	2.42	11.20	2.22	(0.69)
Domestic Equity Composite	● A	2.70	20.92	12.12	19.16	8.11	5.61
Domestic Equity Benchmark	■ B	2.71	21.57	11.74	18.62	7.80	5.17
S&P:Super Comp 1500	▲	2.63	20.94	12.49	18.54	7.24	4.30

- In the quarter, the domestic equity composite beat the broad market benchmark and slightly trailed the domestic equity benchmark. The composite ranks better than median for periods of one year of longer.

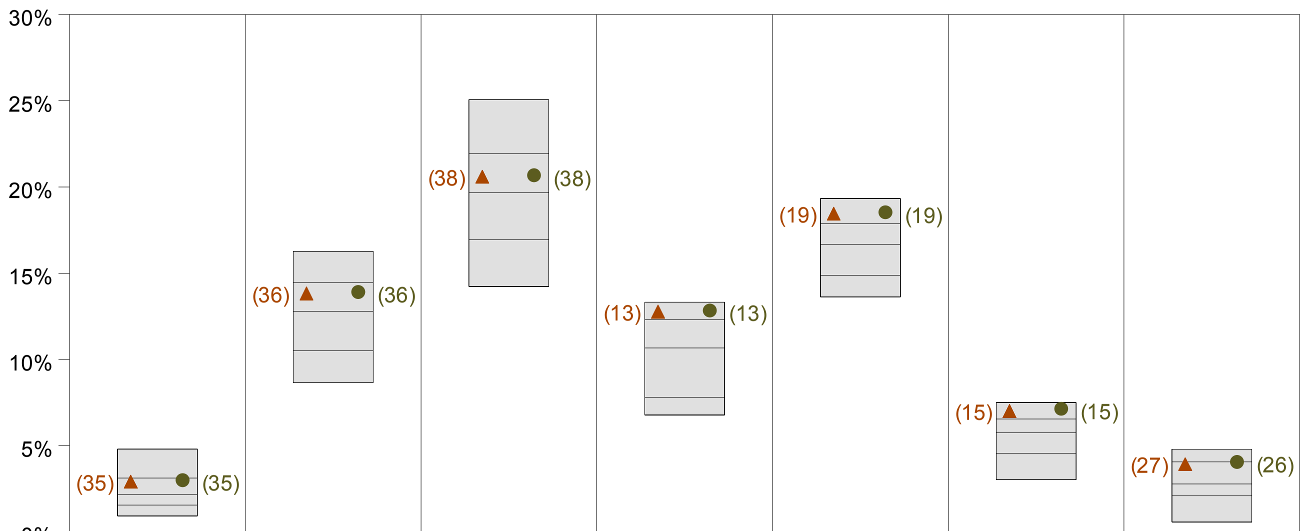
Index Defenition

The Domestic Equity Benchmark consists of 60% S&P 500, 20% S&P 400, 20% S&P 600 through September 30,2011 and 79% S&P 500, 14% S&P 400, 7% S&P 600 thereafter.

Large Cap Equity Returns

Quarter Ended June 30, 2013

Performance vs CAI MF - Core Equity Style (Net)



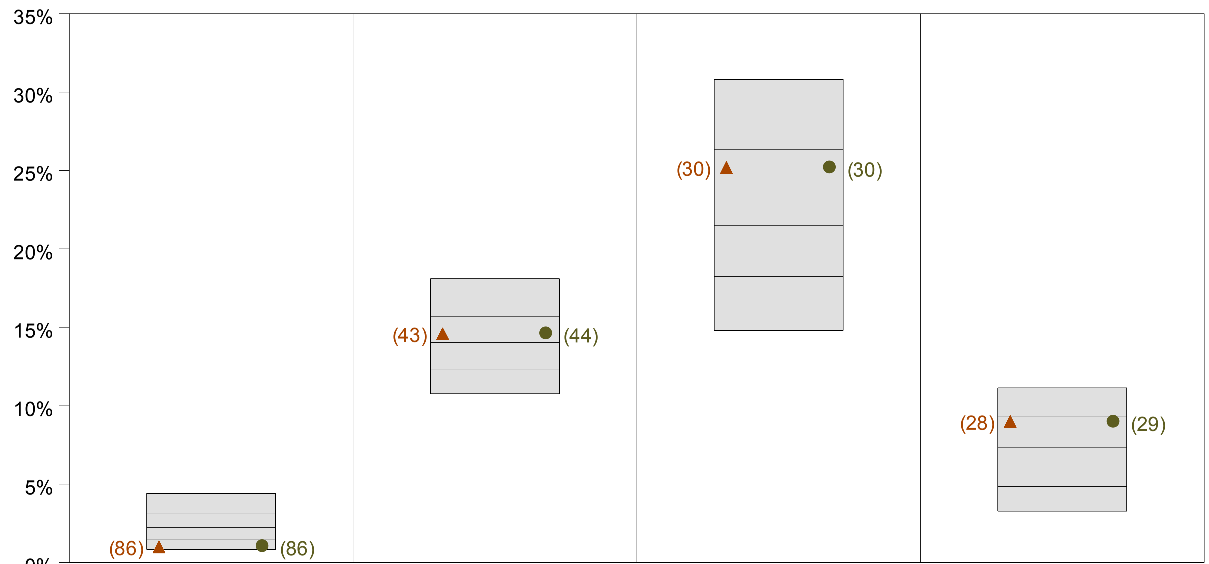
	Last Quarter	Last 2 Quarters	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 5-1/2 Years
10th Percentile	4.79	16.27	25.07	13.32	19.33	7.49	4.79
25th Percentile	3.12	14.46	21.94	12.31	17.87	6.55	4.05
Median	2.17	12.79	19.67	10.66	16.67	5.75	2.78
75th Percentile	1.55	10.51	16.95	7.80	14.88	4.55	2.09
90th Percentile	0.92	8.65	14.23	6.78	13.62	3.03	0.57
Vanguard Institutional Index Fund ●	2.91	13.82	20.57	12.75	18.43	7.04	3.95
S&P 500 Index ▲	2.91	13.82	20.60	12.77	18.45	7.01	3.93

- This is the second full quarter of performance for the Vanguard S&P 500 mutual fund in the Program. Longer performance history reflects the mutual fund in which the Program is now invested.

Mid Cap Equity Returns

Quarter Ended June 30, 2013

Performance vs CAI MF - Mid Cap Broad Style (Net)



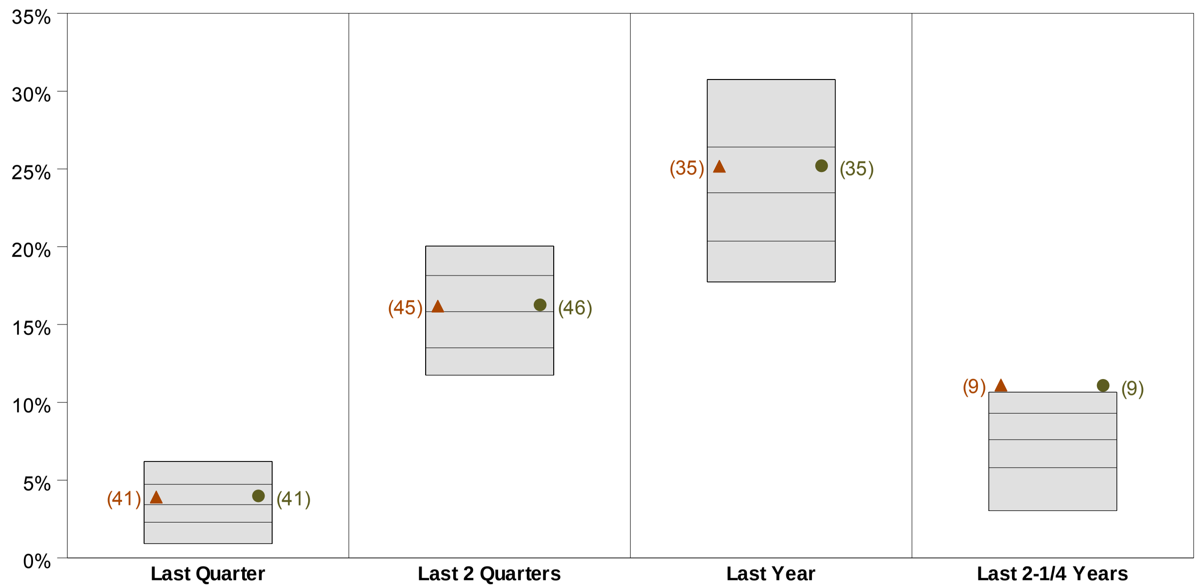
	Last Quarter	Last 2 Quarters	Last Year	Last 2-1/4 Years
10th Percentile	4.41	18.10	30.82	11.14
25th Percentile	3.16	15.67	26.32	9.34
Median	2.24	14.04	21.50	7.32
75th Percentile	1.45	12.34	18.23	4.86
90th Percentile	0.83	10.76	14.79	3.28
Vanguard S&P Mid Cap 400 Index ●	0.99	14.56	25.13	8.92
S&P Mid Cap 400 Index ▲	1.00	14.59	25.18	8.99

- This is the second full quarter of performance for the Vanguard S&P 400 mutual fund in the Program. Longer performance history reflects the mutual fund in which the Program is now invested.

Small Cap Equity Returns

Quarter Ended June 30, 2013

Performance vs CAI MF - Small Cap Broad Style (Net)



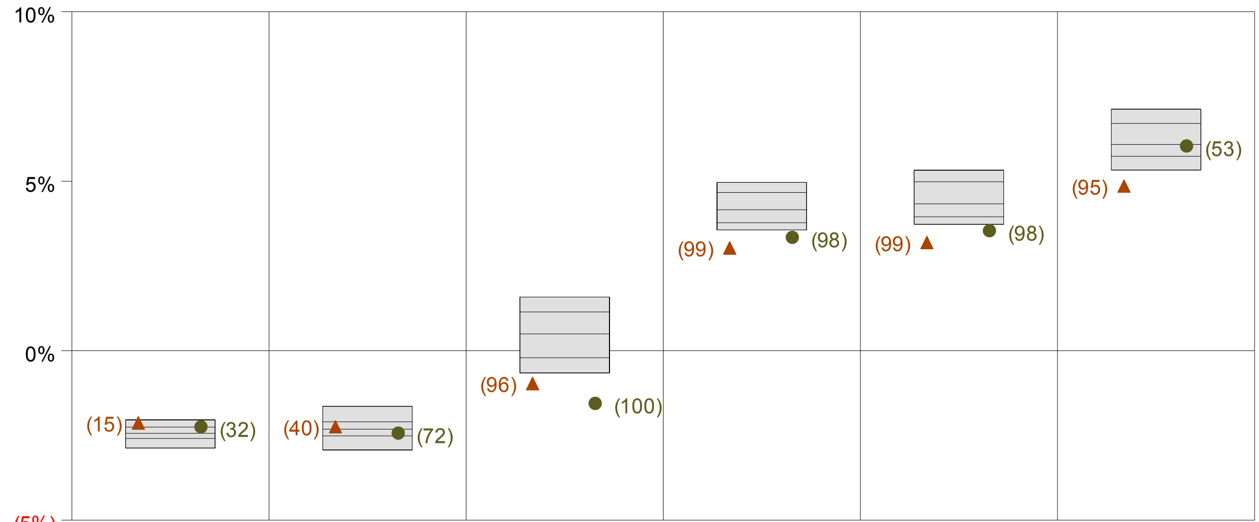
	Last Quarter	Last 2 Quarters	Last Year	Last 2-1/4 Years
10th Percentile	6.20	20.05	30.75	10.65
25th Percentile	4.73	18.15	26.40	9.30
Median	3.43	15.83	23.47	7.60
75th Percentile	2.29	13.51	20.36	5.80
90th Percentile	0.92	11.75	17.74	3.03
Vanguard S&P Small Cap 600 Index ●	3.90	16.17	25.13	11.00
S&P 600 Small Cap Index ▲	3.92	16.19	25.18	11.11

- This is the second full quarter of performance for the Vanguard S&P 600 mutual fund in the Program. Longer performance history reflects the mutual fund in which the Program is now invested.

Fixed Income Returns

Quarter Ended June 30, 2013

Performance vs CAI Core Bond Fixed-Inc Style (Gross)



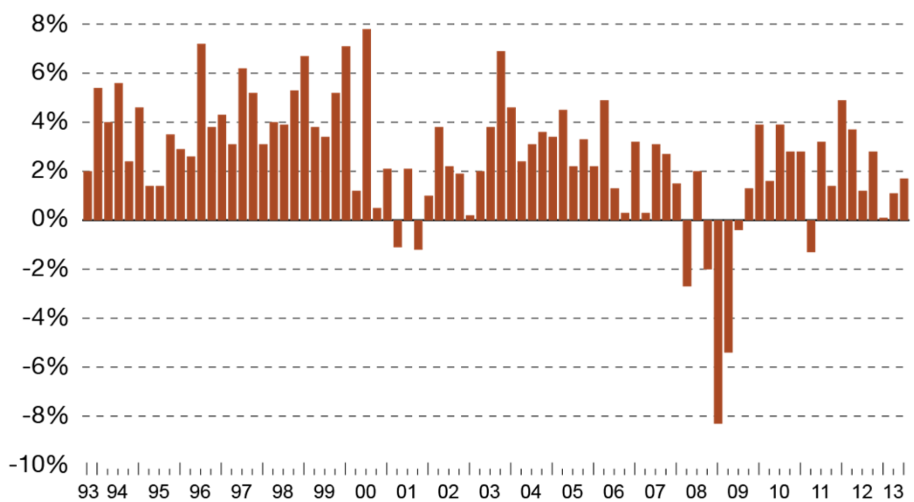
	Last Quarter	Last 2 Quarters	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
10th Percentile	(2.04)	(1.64)	1.59	4.97	5.33	7.12
25th Percentile	(2.25)	(2.10)	1.14	4.67	4.98	6.70
Median	(2.44)	(2.31)	0.50	4.16	4.33	6.08
75th Percentile	(2.59)	(2.51)	(0.21)	3.77	3.95	5.73
90th Percentile	(2.87)	(2.93)	(0.65)	3.56	3.73	5.33
Chicago Equity Core Fixed Income ●	(2.29)	(2.47)	(1.60)	3.30	3.50	5.99
Barclays Aggregate ex Baa ▲	(2.13)	(2.24)	(0.97)	3.03	3.19	4.86

- This is the second full quarter of performance for the Chicago Equity fixed income portfolio. Returns prior to January 1, 2013 are manager reported composite results.

U.S. Economy

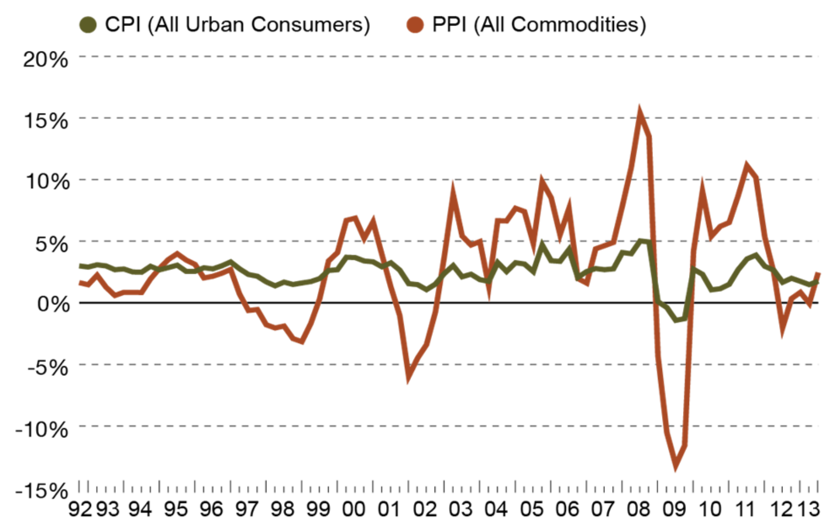
Quarter Ending June 30, 2013

Quarterly Real GDP Growth* (20 Years)



Source: U.S. Department of Labor

Inflation Year-Over-Year



Source: Bureau of Labor Statistics

- The unemployment rate remained constant from last quarter at 7.6%.
- Second quarter GDP was 1.7%; first quarter GDP was revised down from 1.8% to 1.1%.
- Headline CPI increased 1.8% over the trailing twelve-months.
- In late May, Federal Reserve Chairman, Bernanke, made comments about “tapering” the bond buyback program, which sent equity markets tumbling from their all time highs and caused bond yields to rise to levels not seen in more than a year.

Asset Class Performance

- For Quarter:
  - Positive period for U.S. equities
  - Negative return for U.S. fixed income
- For Year:
  - Double digit returns for U.S. and developed non-U.S. equities
- Last 5 years:
  - Small cap best
  - Bonds beat international equities

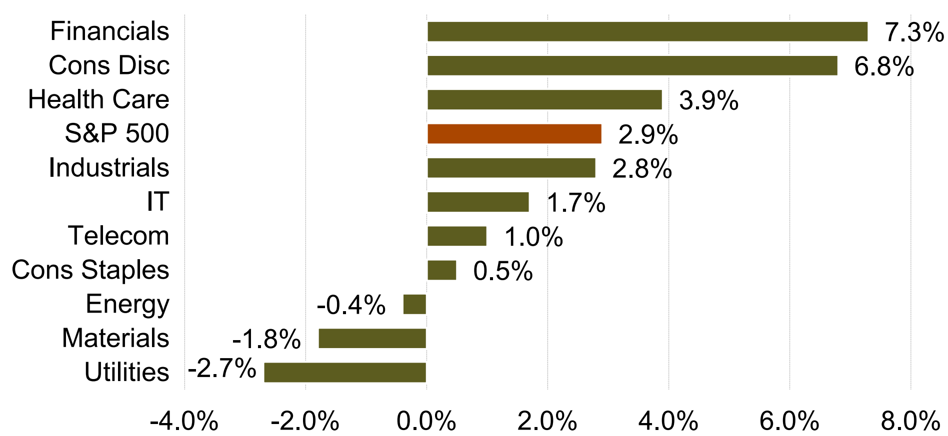
Periodic Table of Investment Returns for Periods Ended June 30, 2013

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
S&P:600 Small Cap 3.9%	S&P:400 Mid Cap 25.2%	S&P:600 Small Cap 20.3%	S&P:600 Small Cap 9.9%	S&P:600 Small Cap 10.8%
S&P:500 2.9%	S&P:600 Small Cap 25.2%	S&P:400 Mid Cap 19.4%	S&P:400 Mid Cap 8.9%	S&P:400 Mid Cap 10.7%
S&P:400 Mid Cap 1.0%	S&P:500 20.6%	S&P:500 18.5%	S&P:500 7.0%	MSCI:EAFE US$ 7.7%
3 Month T-Bill 0.0%	MSCI:EAFE US$ 18.6%	MSCI:EAFE US$ 10.0%	Barclays:Aggr ex Baa 4.9%	S&P:500 7.3%
MSCI:EAFE US$ (1.0%)	3 Month T-Bill 0.1%	Barclays:Aggr ex Baa 3.2%	3 Month T-Bill 0.3%	Barclays:Aggr ex Baa 4.4%
Barclays:Aggr ex Baa (2.1%)	Barclays:Aggr ex Baa (1.0%)	3 Month T-Bill 0.1%	MSCI:EAFE US$ (0.6%)	3 Month T-Bill 1.7%

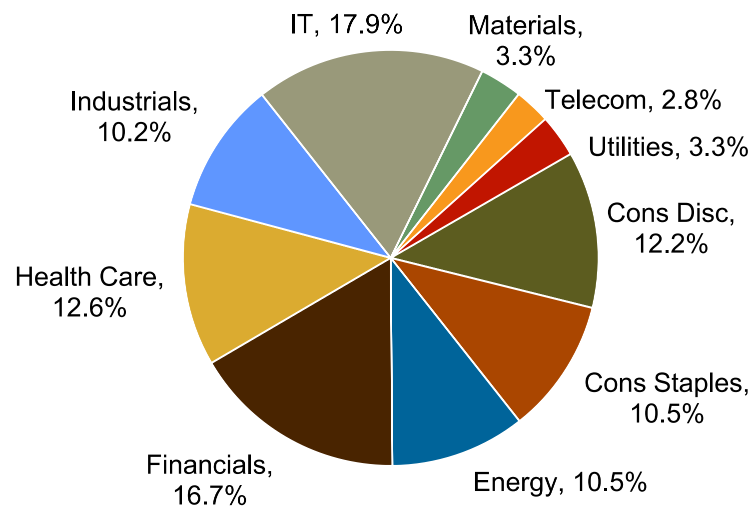
Large Cap Sector Performance

Quarter Ended June 30, 2013

S&P 500 Sector Returns



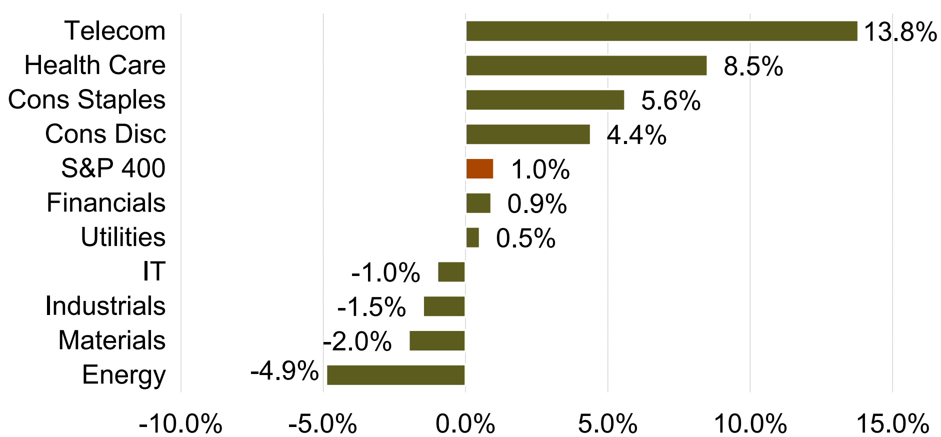
S&P 500 Sector Allocation



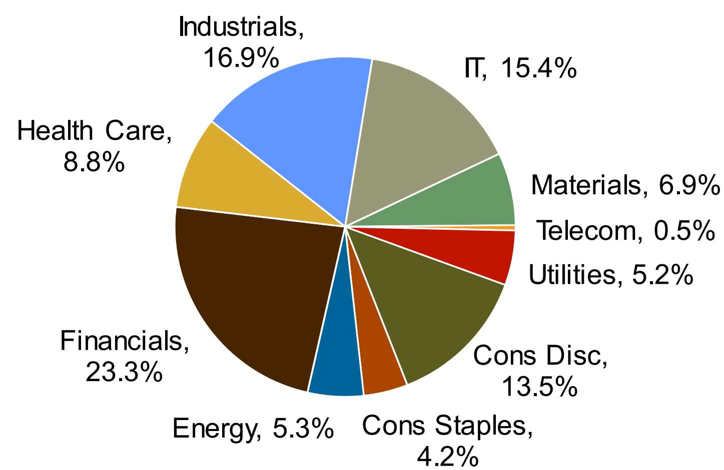
Mid Cap Sector Performance

Quarter Ended June 30, 2013

S&P 400 Sector Returns



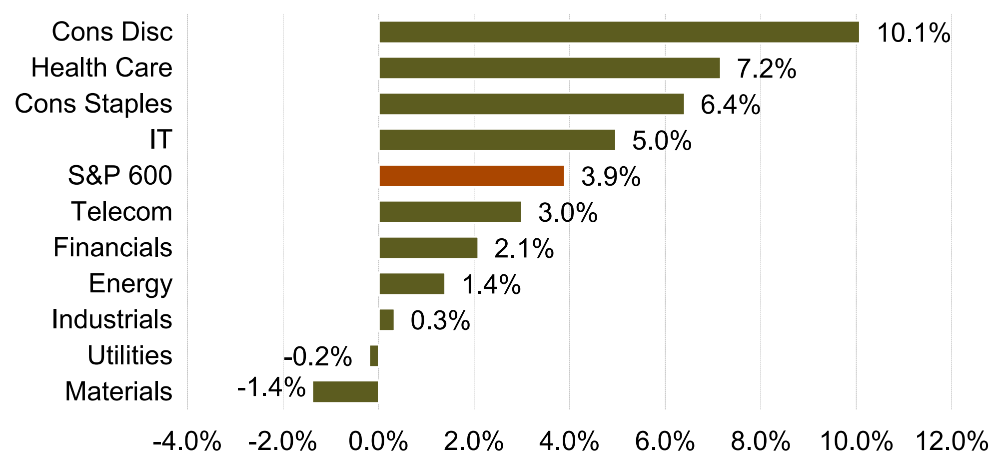
S&P 400 Sector Allocations



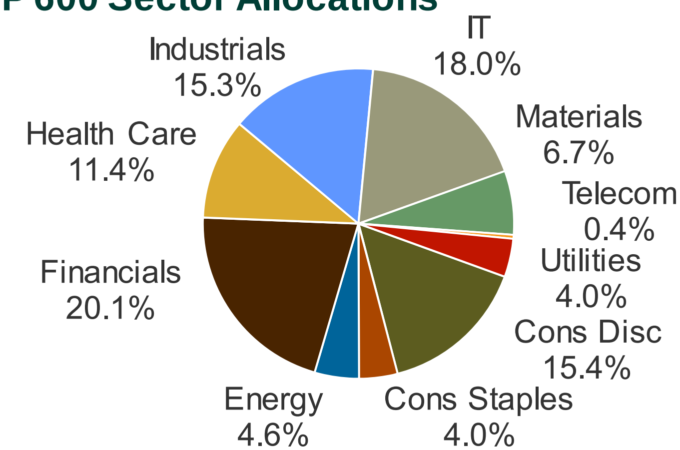
Small Cap Sector Performance

Quarter Ended June 30, 2013

S&P 600 Sector Returns



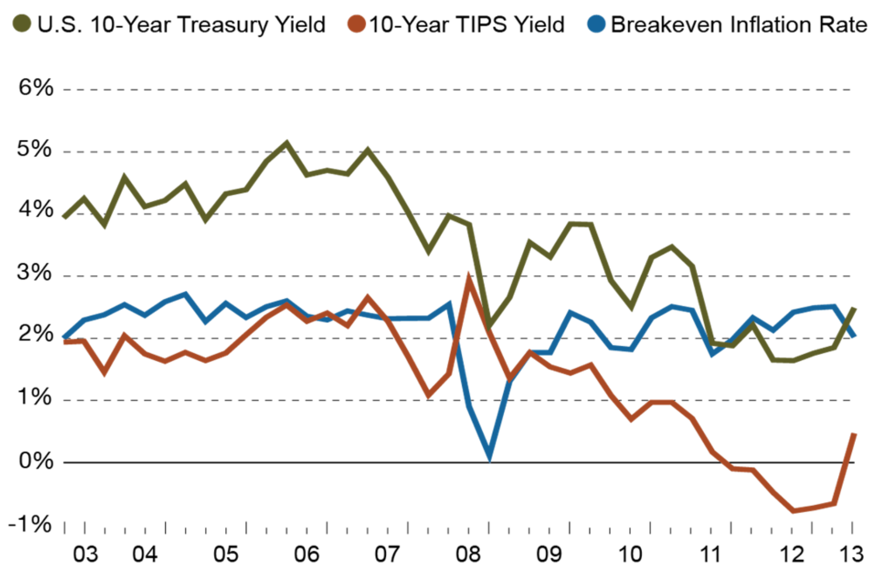
S&P 600 Sector Allocations



Yield Curve Changes

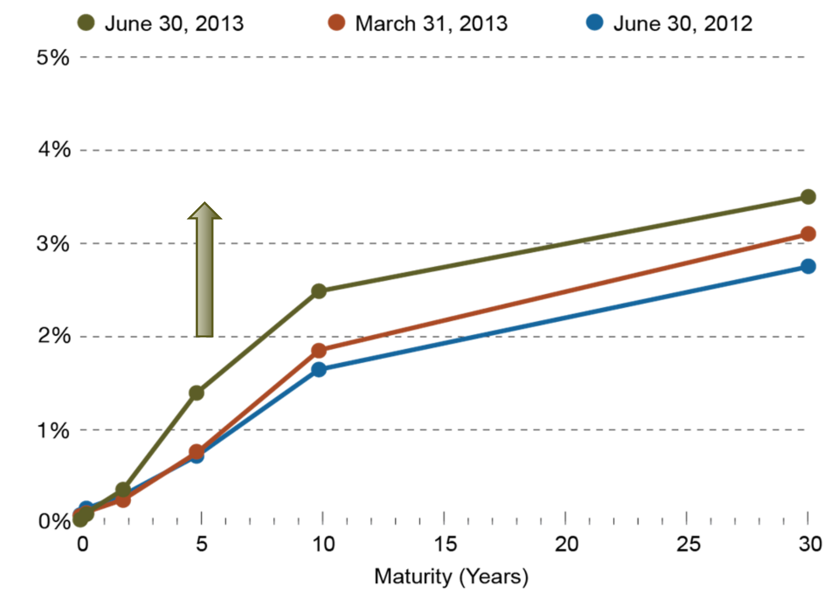
Periods Ending June 30, 2013

Historical 10-Year Yields



Source: Bloomberg

U.S. Treasury Yield Curves



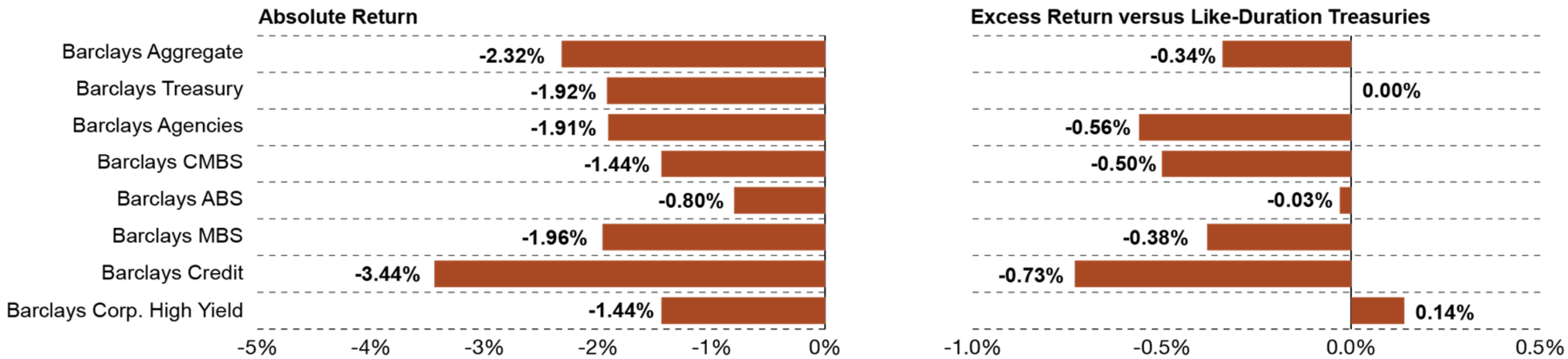
Source: Bloomberg

- The yield curve shifted up hurting Treasury returns.
- Ten-year Treasury yield increased from last quarter ending at 2.5%.
- The breakeven inflation rate was 2.0% as of 6/30/13.
- BC TIPS Index fell 7.1% for the second quarter (worst performing segment of bond market)

Bond Returns

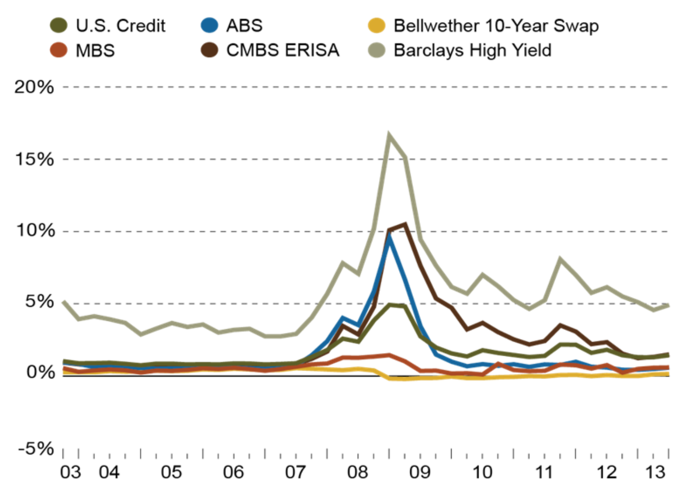
Quarter Ending June 30, 2013

Fixed Income Index Quarterly Returns



Source: Barclays

Effective Yield Over Treasuries



Source: Barclays

Bond Market Returns

Quarter Ended June 30, 2013

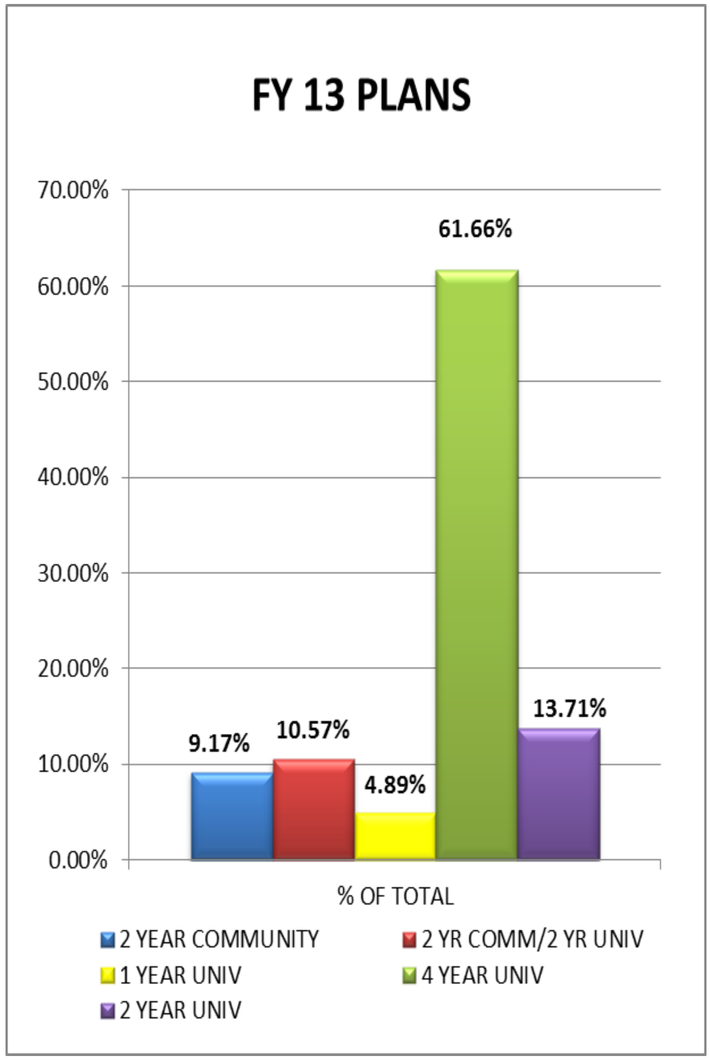
	Last Quarter	Last Year	Last 3 Years
Barclays:Aggr ex Baa	(2.13)	(0.97)	3.19
Barclays:Govt Index	(1.88)	(1.51)	2.94
Barclays:Mortgage Idx	(1.96)	(1.10)	2.51
Barclays:Corp ex Baa Idx	(3.19)	0.49	5.09
Barclays:Asset Backed Idx	(0.80)	0.69	2.99
Barclays:CMBS All Cpon In	1.15	4.81	5.19

APPENDIX D

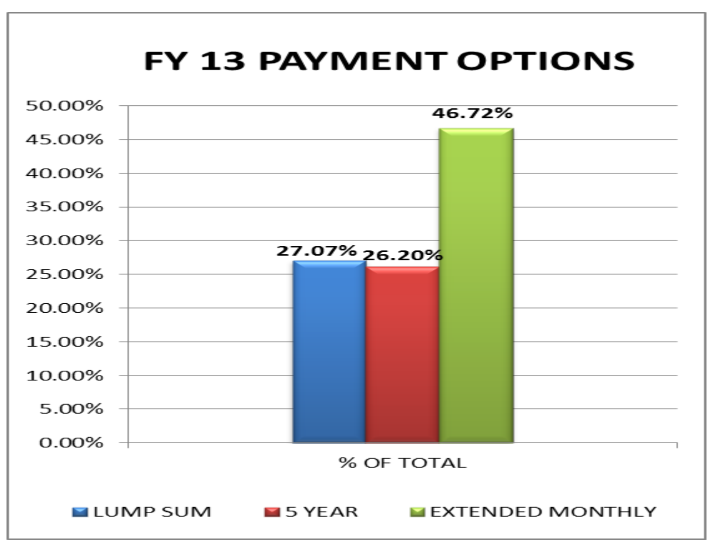
ENROLLMENT STATISTICAL CHARTS

NEW ENROLLMENTS
FISCAL YEAR 2013

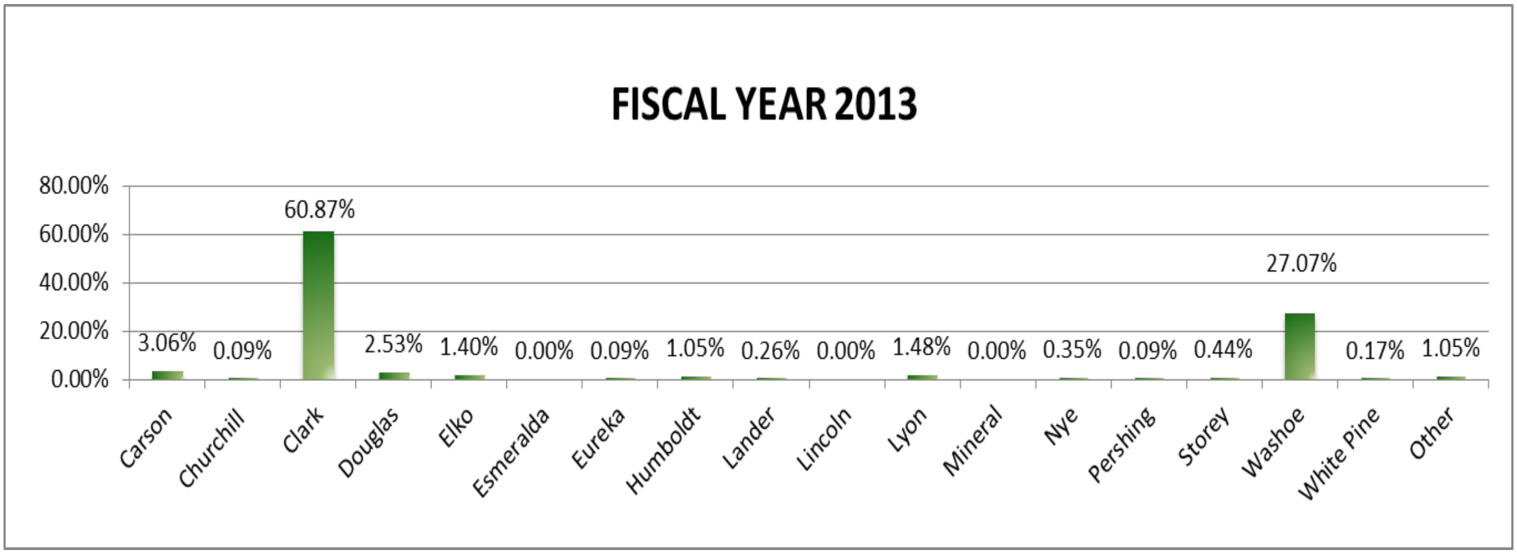
PLAN		TOTAL	% OF TOTAL
2 YEAR COMMUNITY			
LUMP SUM	17		
5 YEAR	32		
EXTENDED	56		
		105	9.17%
2 YR COMM/2 YR UNIV			
LUMP SUM	25		
5 YEAR	19		
EXTENDED	77		
		121	10.57%
1 YEAR UNIV			
LUMP SUM	23		
5 YEAR	16		
EXTENDED	17		
		56	4.89%
4 YEAR UNIV			
LUMP SUM	205		
5 YEAR	202		
EXTENDED	299		
		706	61.66%
2 YEAR UNIV			
LUMP SUM	40		
5 YEAR	31		
EXTENDED	86		
		157	13.71%
TOTAL ENROLLMENT	1145		100.00%

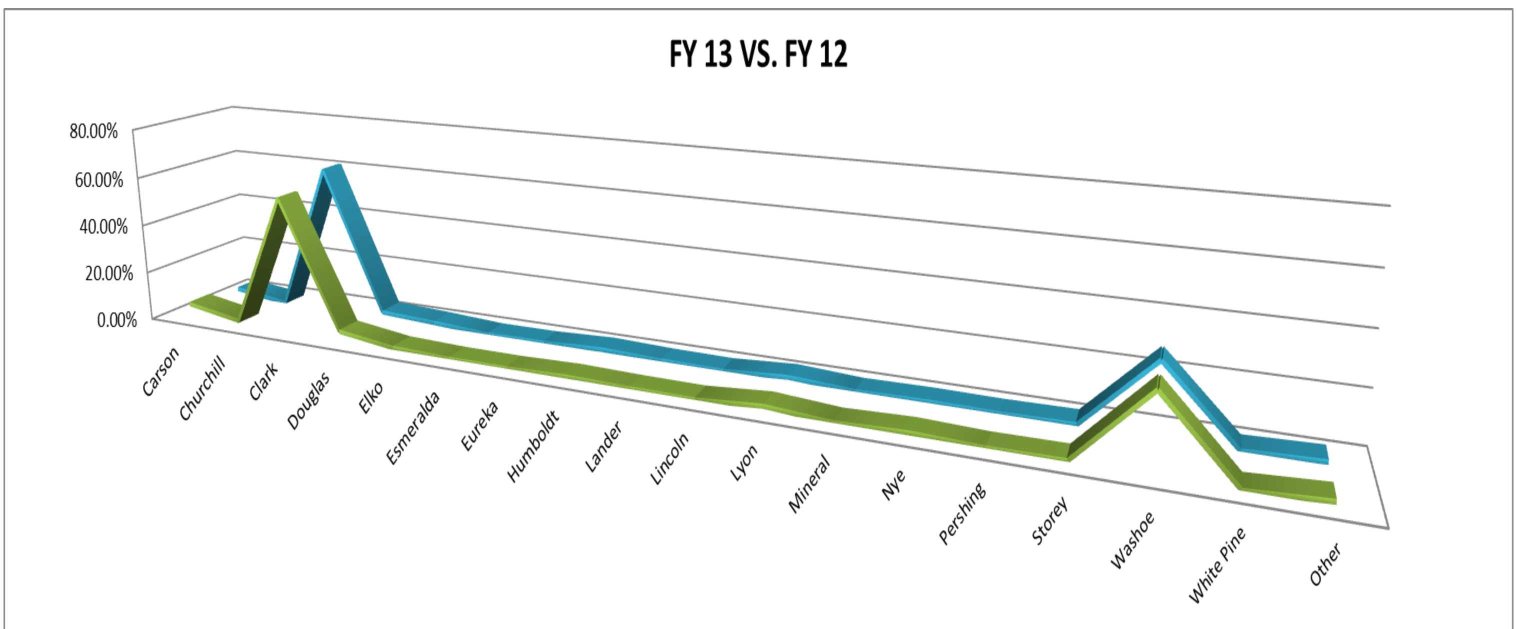


PAYMENT OPTION	TOTAL	% OF TOTAL
LUMP SUM	310	27.07%
5 YEAR	300	26.20%
EXTENDED MONTHLY	535	46.72%
TOTAL ENROLLMENT	1145	100.00%



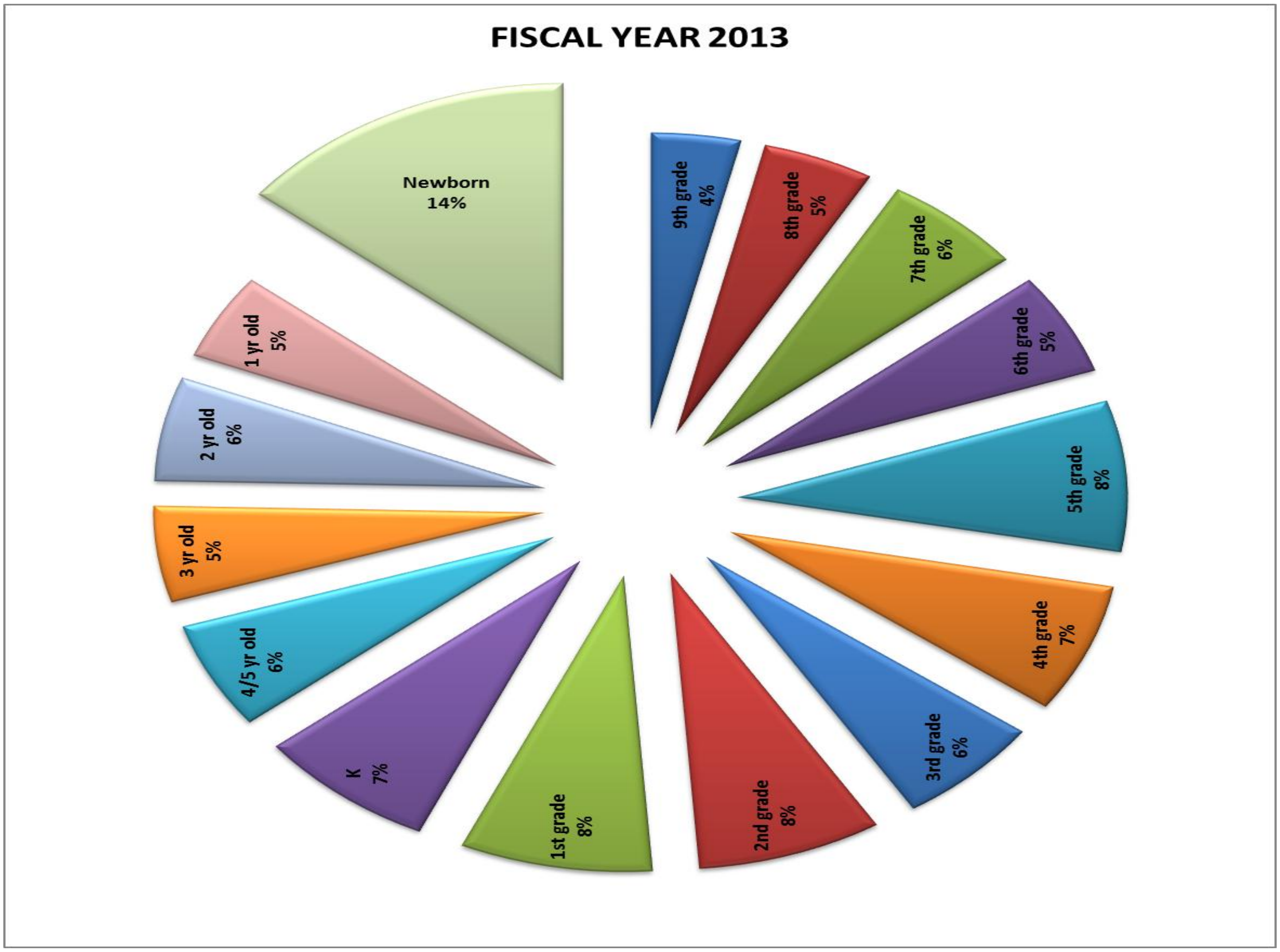
NEW ENROLLMENTS
CONTRACTS BY COUNTY

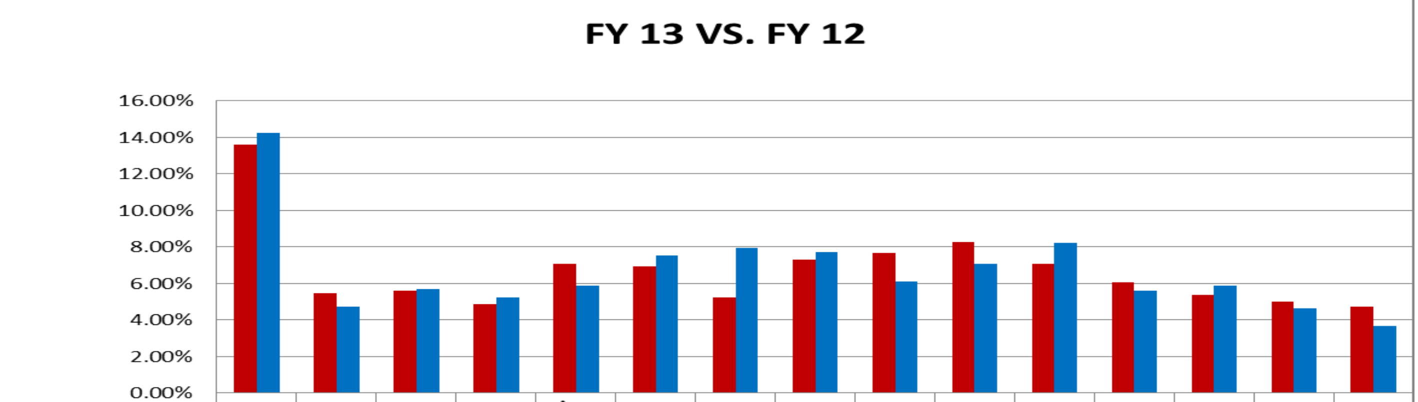




	Carson	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey	Washoe	White Pine	Other
FISCAL YEAR 12	5.34%	1.46%	55.46%	3.88%	0.73%	0.00%	0.00%	0.61%	0.12%	0.00%	1.82%	0.00%	0.85%	0.00%	0.24%	28.03%	0.00%	1.46%
FISCAL YEAR 13	3.06%	0.09%	60.87%	2.53%	1.40%	0.00%	0.09%	1.05%	0.26%	0.00%	1.48%	0.00%	0.35%	0.09%	0.44%	27.07%	0.17%	1.05%

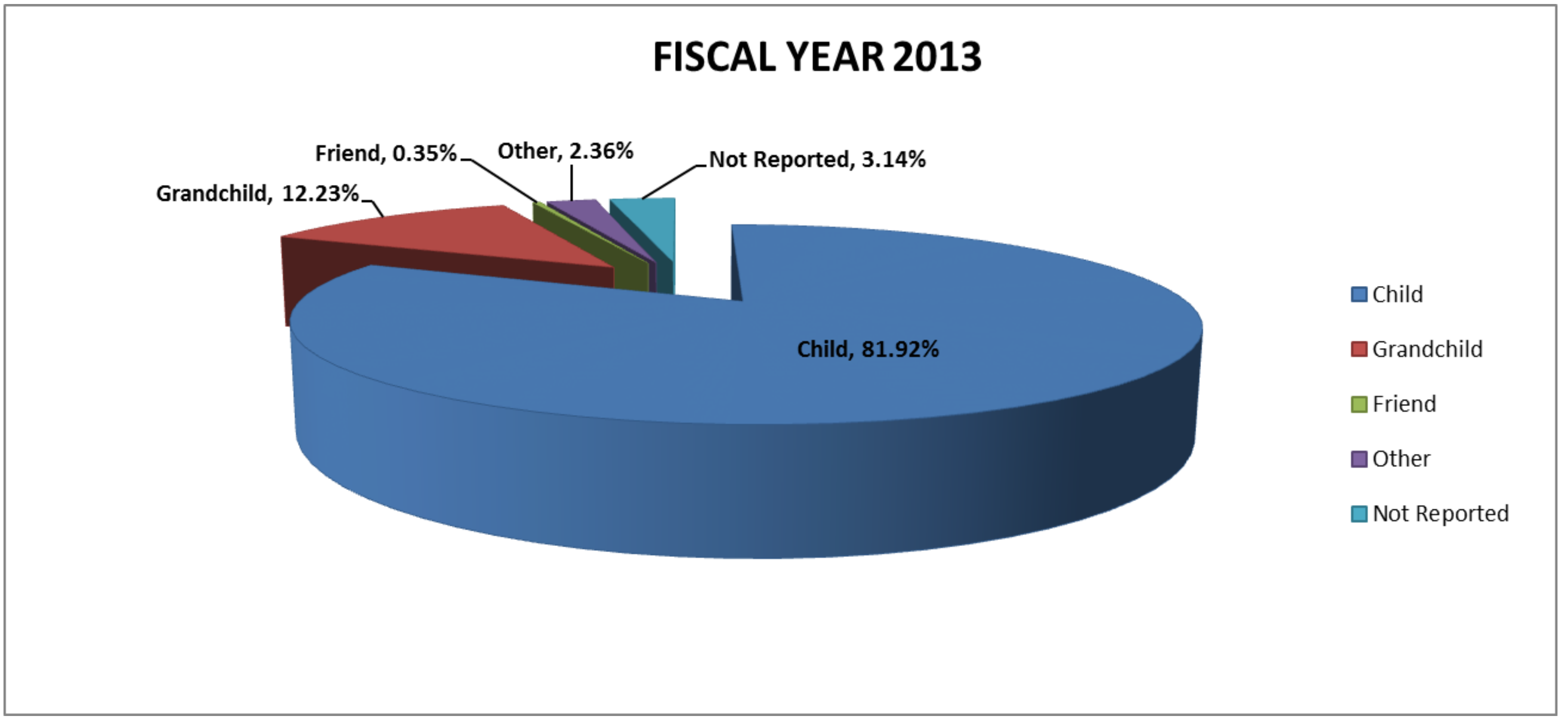
NEW ENROLLMENTS
BENEFICIARY'S AGE/GRADE

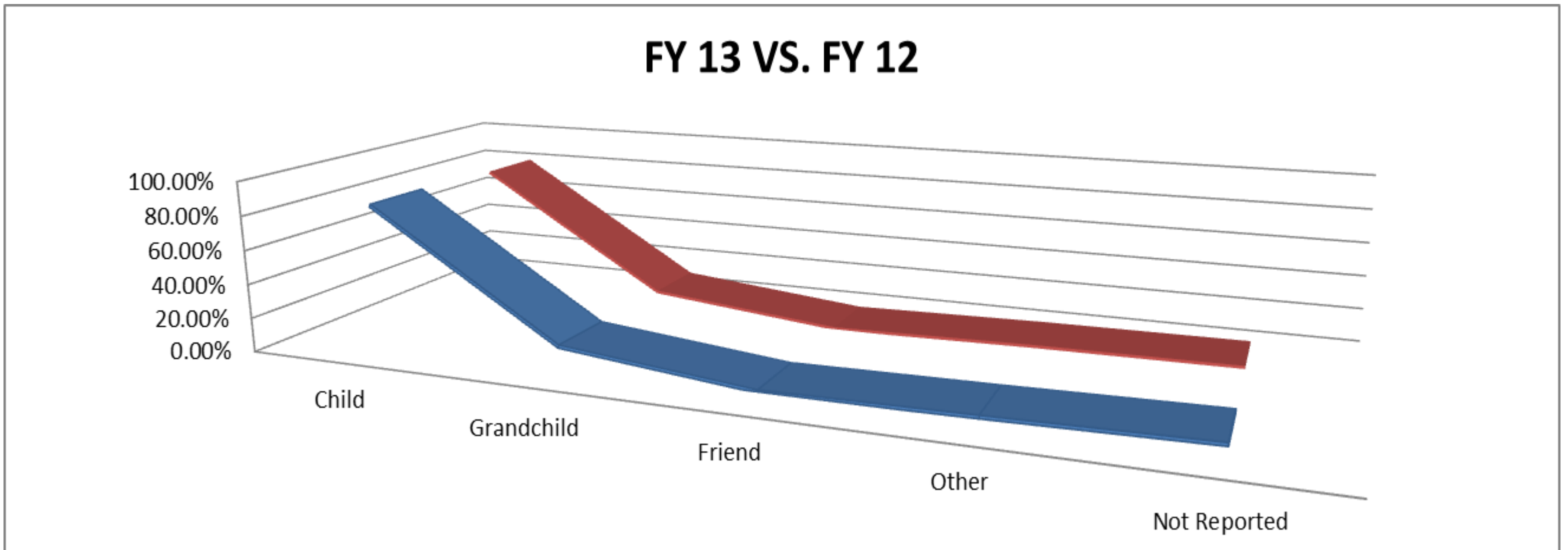




	New born	Age 1	Age 2	Age 3	Age 4/5 not in school	K	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9
FISCAL YEAR 2012	13.59%	5.46%	5.58%	4.85%	7.04%	6.92%	5.22%	7.28%	7.65%	8.25%	7.04%	6.07%	5.34%	4.98%	4.73%
FISCAL YEAR 2013	14.24%	4.72%	5.68%	5.24%	5.85%	7.51%	7.95%	7.69%	6.11%	7.07%	8.21%	5.59%	5.85%	4.63%	3.67%

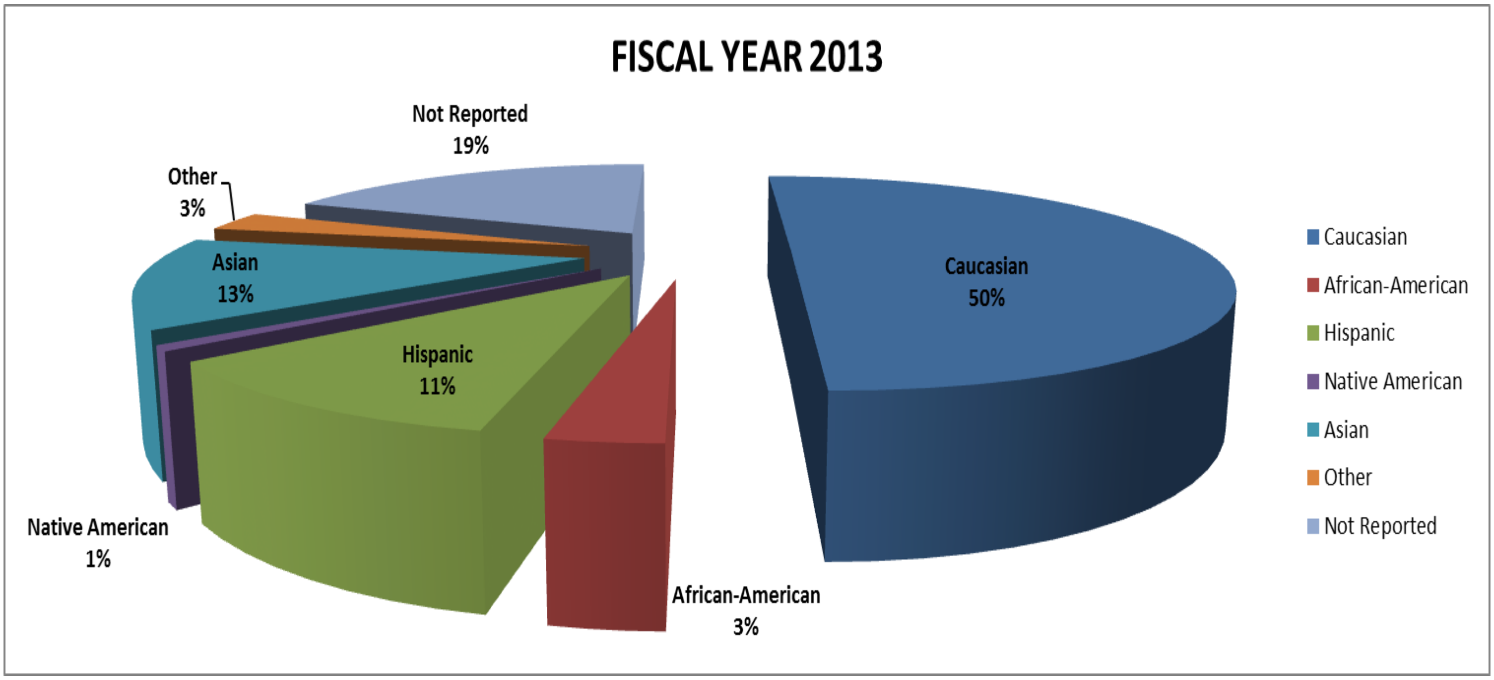
NEW ENROLLMENTS
BENEFICIARY'S RELATIONSHIP
TO PURCHASER

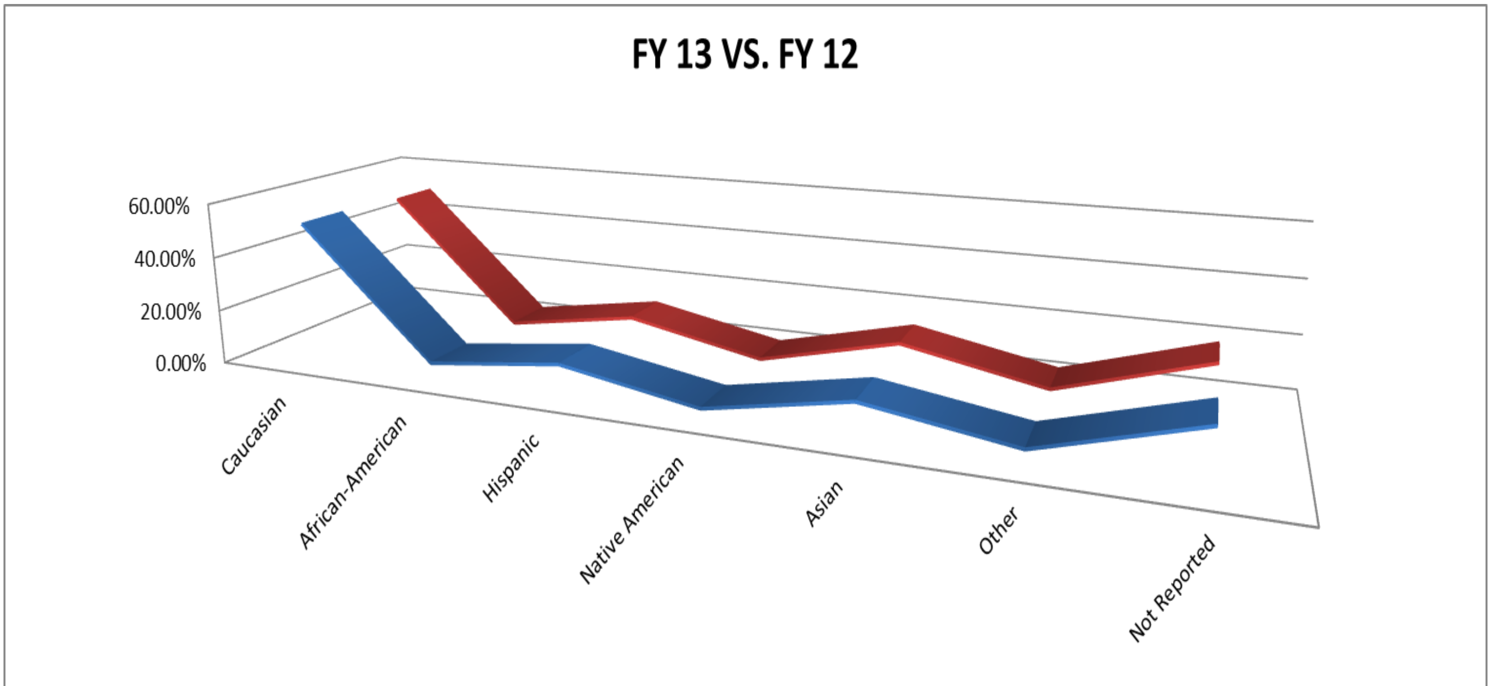




	Child	Grandchild	Friend	Other	Not Reported
FISCAL YEAR 12	83.50%	11.89%	0.12%	1.33%	3.16%
FISCAL YEAR 13	81.92%	12.23%	0.35%	2.36%	3.14%

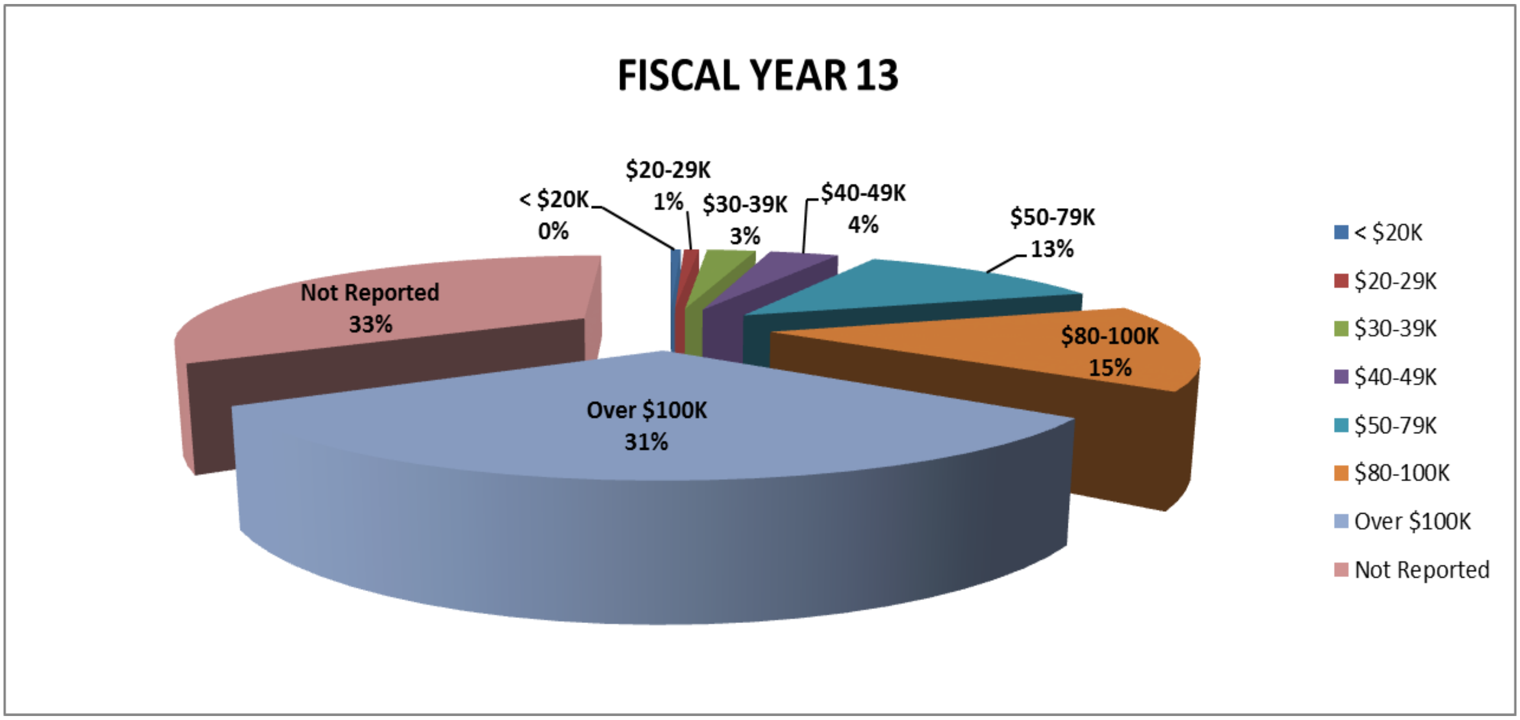
NEW ENROLLMENTS
RACE OF BENEFICIARY

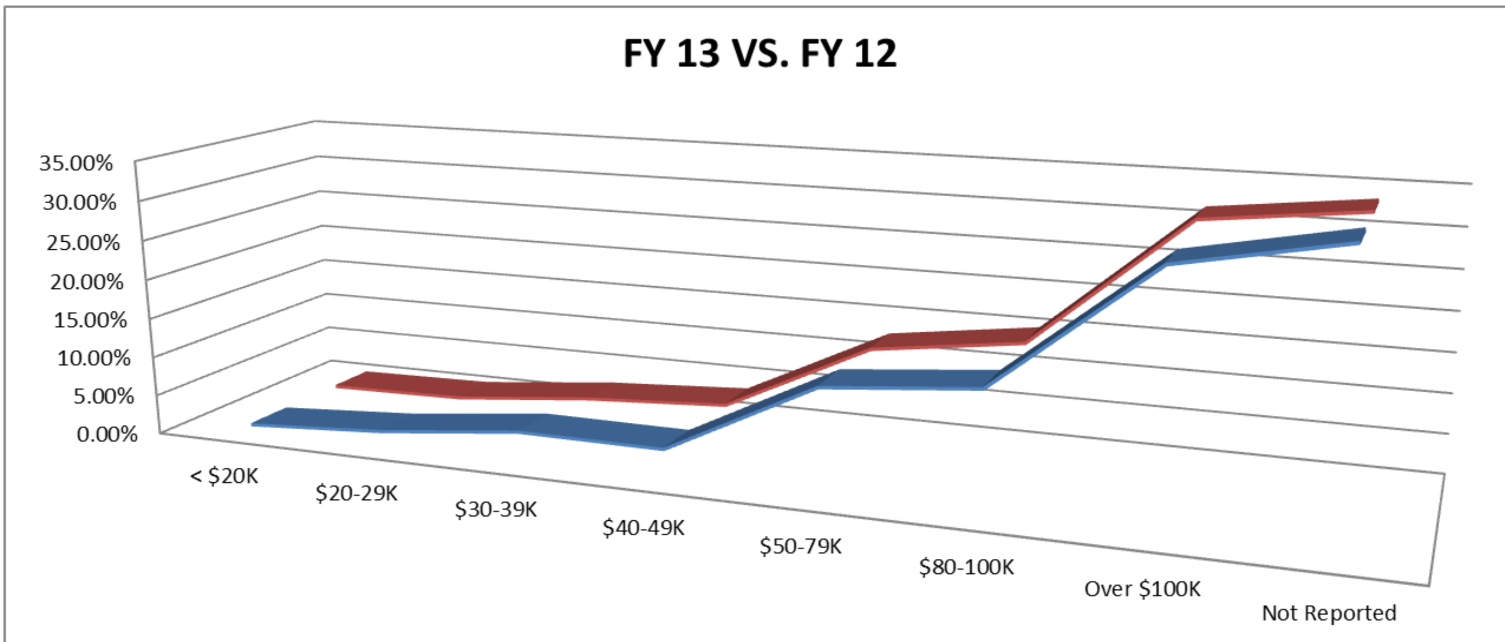




	Caucasian	African-American	Hispanic	Native American	Asian	Other	Not Reported
FISCAL YEAR 12	51.33%	4.13%	10.19%	1.46%	11.17%	3.28%	18.45%
FISCAL YEAR 13	50.13%	3.06%	11.00%	0.79%	13.10%	2.97%	18.95%

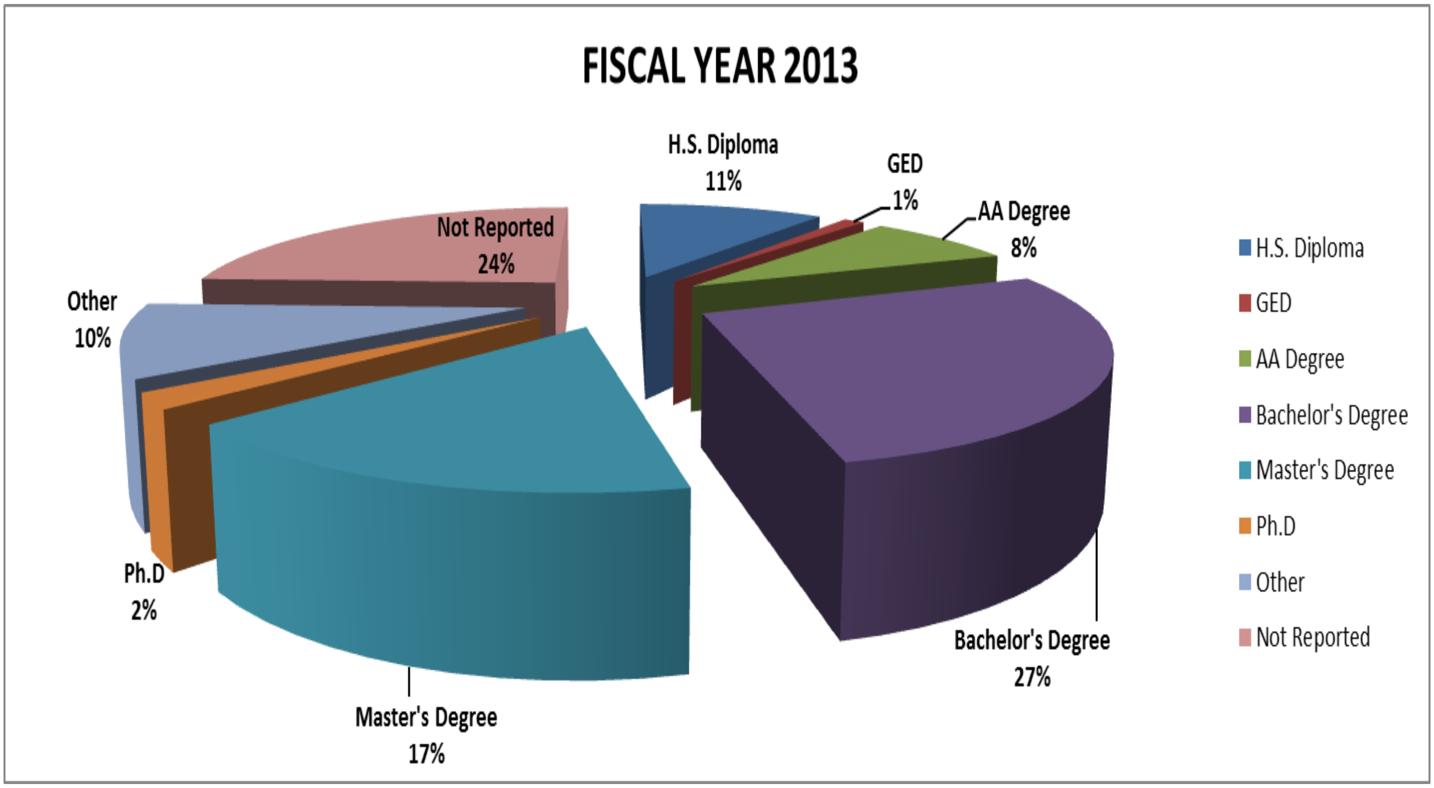
NEW ENROLLMENTS
PURCHASER'S INCOME LEVEL

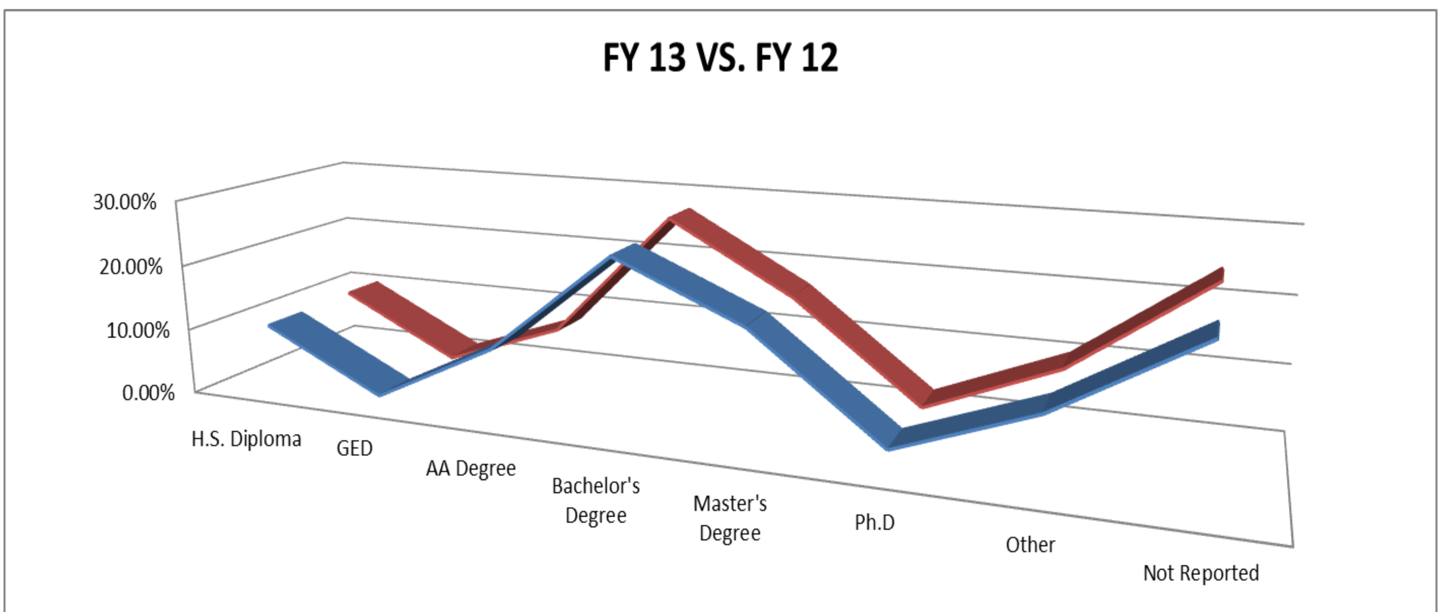




	< $20K	$20-29K	$30-39K	$40-49K	$50-79K	$80-100K	Over $100K	Not Reported
FISCAL YEAR 12	0.49%	1.58%	3.52%	3.40%	12.86%	14.56%	29.98%	33.62%
FISCAL YEAR 13	0.52%	0.79%	2.53%	3.58%	12.66%	15.11%	31.35%	33.45%

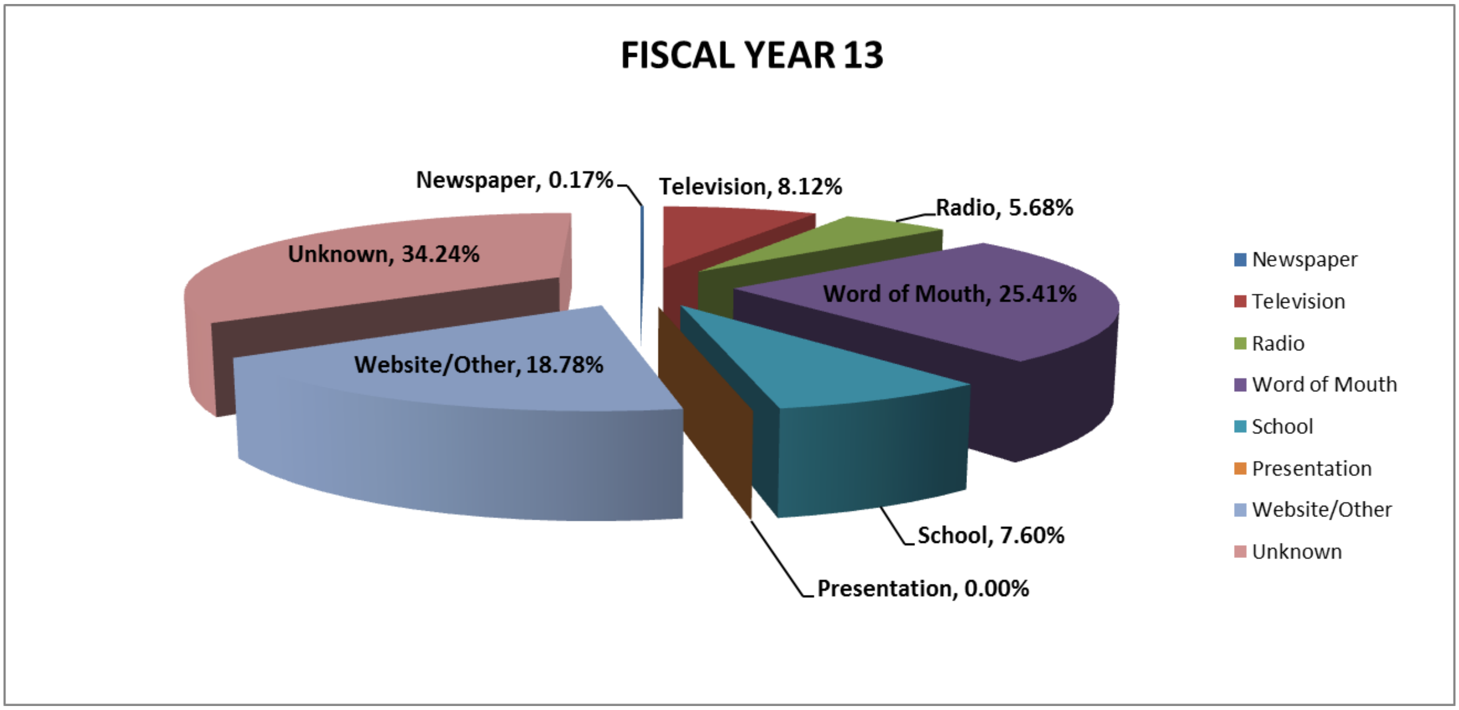
NEW ENROLLMENTS
PURCHASER'S EDUCATION LEVEL

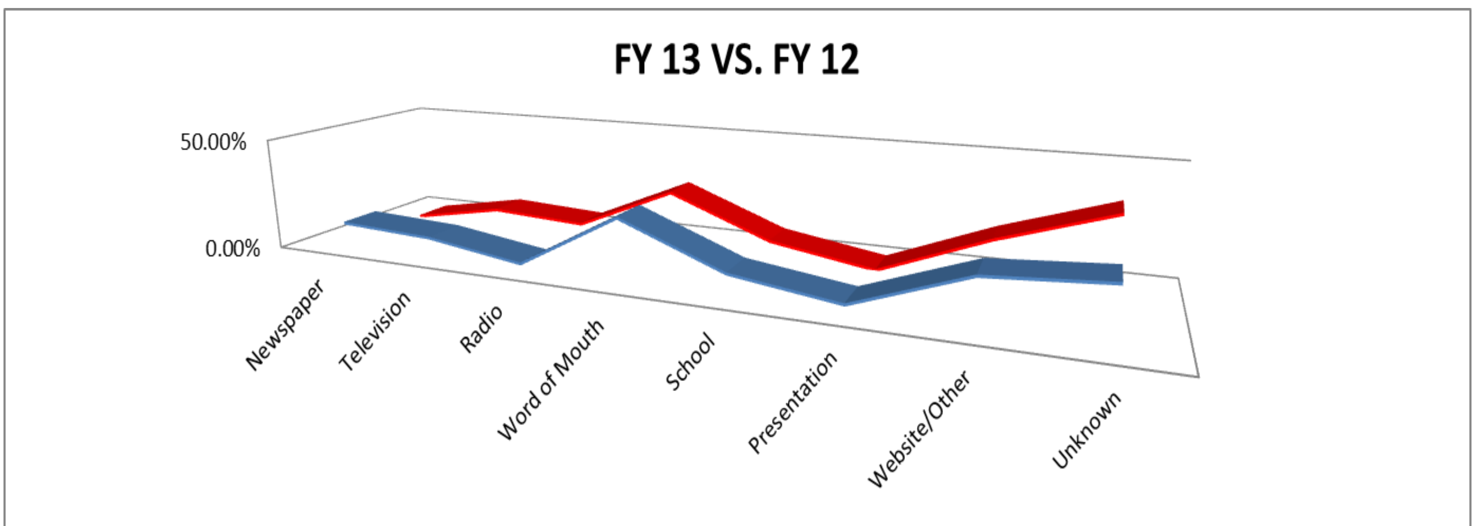




	H.S. Diploma	GED	AA Degree	Bachelor's Degree	Master's Degree	Ph.D	Other	Not Reported
FISCAL YEAR 12	10.07%	0.97%	10.32%	25.73%	17.60%	2.91%	10.32%	22.09%
FISCAL YEAR 13	10.39%	1.14%	7.86%	27.25%	16.77%	2.10%	10.13%	24.37%

NEW ENROLLMENTS
REFERRAL SOURCE





	Newspaper	Television	Radio	Word of Mouth	School	Presentation	Website/Other	Unknown
FISCAL YEAR 12	9.95%	7.89%	1.46%	26.70%	8.74%	2.43%	19.78%	23.06%
FISCAL YEAR 13	0.17%	8.12%	5.68%	25.41%	7.60%	0.00%	18.78%	34.24%