STRATEGIC PLAN

Revised September 17, 2014

2014-2019
MISSION

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

♦ Provide public workers and their dependents with a retirement program that provides a reasonable base income for retirement or for periods where a disability has removed a worker’s earning capacity.
♦ Encourage those workers to enter into and then remain in government service for such periods of time to give public employers and the people of the State of Nevada the full benefit of their training and experience.
♦ Provide an orderly method of promoting and maintaining a high level of service to the public through an equitable separation procedure available to employees at retirement or upon becoming disabled.

PHILOSOPHY

The Public Employees’ Retirement System will act in accordance with applicable laws and regulations at the highest standards of ethics, accountability, efficiency, and openness. We recognize that our members, retirees, and employers are entitled to expect excellence in the conduct of the operation of the Retirement System. To this end, we pledge to conduct our affairs for the exclusive benefit of our members and retirees; to invest the assets of the System in a prudent and well-diversified program; and to deliver service in an accurate, timely, courteous, and efficient manner.

CORE VALUES

The System’s core values are:

♦ **Service** Provide the most efficient and effective service to our members, retirees, and public employers.
♦ **Integrity** Conduct operations in an ethical and fair environment while adhering to the highest standards of professional conduct in our interactions with all stakeholders.
♦ **Leadership** Develop strong performance through staff development, use of technology,
and application of innovative leadership and management strategies.

♦ **Work Environment** Sustain a work environment that promotes quality, respect, communication, cooperation, trust, and personal development.

♦ **Accountability** Take responsibility for our actions and results.

♦ **Communication** Implement education and communication initiatives to ensure broad stakeholder understanding of the System and its operations.

♦ **Fiscal Conservatism** Manage and operate the System in a fiscally conservative manner that balances the interests of all stakeholders including members, retirees, employers, and taxpayers.

**ORGANIZATION AND HISTORY**

The System was established by the Nevada State Legislature in 1947. By July 1, 1949, the System had approximately 3,000 members and 64 retirees. At the end of fiscal year 2013, the System had 181 participating public employers, 99,911 active members, and 46,578 benefit recipients. The System is comprised of two sub-funds, the Regular sub-fund, consisting of members who are not police or fire employees, and the Police and Firefighter’s sub-fund. The System also administers the Judicial Retirement System, the Legislators’ Retirement System, and the Retirement Benefits Investment Fund.

Pursuant to the Nevada Constitution, the System is governed by the Retirement Board. The Executive Officer is responsible for the management of the System. The Operations Officer and the Investment Officer report to and support the Executive Officer. The Operational portion of the System is divided into five departments each headed by a director: Accounting, Information Technology, Employer and Production Services, Member and Retiree Services, and Support Services. The Investment portion of the System includes the Assistant Investment Officer. The Internal Audit Division is responsible directly to the Retirement Board and the Executive Officer and includes the Director of Internal Audit.

**GOALS AND OBJECTIVES**

1. Provide accurate, timely services and information to retirees, members, and public employers and further to maintain accurate records which will be available to appropriate parties in accordance with established policies.
(a) Make benefit payments in accordance with statutory requirements and Board policy.
(b) Respond to requests in an accurate and understandable manner and in accordance with established performance expectations.
(c) Provide high quality customer service and education that enables members and employers to make informed and timely retirement decisions.
(d) Apply best practices to safeguard the confidentiality, integrity, and availability of PERS’ information assets, in support of the business objectives of the System.

2. Administer an investment program designed to achieve the System’s investment objectives within the framework of the Nevada Revised Statutes, and policies, and directives adopted by the Board.

3. Conduct a legislative program that is responsive to the majority interest of members, benefit recipients, and public employers while protecting the fiscal and actuarial integrity of the System.

4. Monitor and protect the actuarial integrity of the system to achieve and maintain a fiscally sound System that ensures each generation of employees will be able to receive the contracted benefits without undue burden to future System Participants.

**STRATEGIES**

*Investments* –

We will administer a program designed to achieve the System’s investment objectives within the framework of the Nevada Revised Statutes, specific policies, and directives adopted by the Board. To that end, future efforts will focus on:

1. Maintaining realistic long-term capital market expectations.
2. Ensuring PERS’ asset allocation strategy can reasonably be expected to generate an 8% return while minimizing risk over the long-term.
3. Maintaining PERS’ disciplined, long-term investment strategy in the face of market uncertainty.
4. Maintaining a simple, high quality, diversified investment strategy.
5. Continuing to employ a consistent, cost effective investment approach.
**Operations** -

We will provide timely, accurate, and cost effective service to our members and beneficiaries. We will focus on the following:

1. Managing the funding of the System to ensure fiscal sustainability, including ongoing assessment of the funding policy and key economic and demographic assumptions.
2. Staff will use the automated workflow system to monitor, measure, and evaluate our response to inquiries from members and retirees in order to identify those areas where service delivery can be improved.
3. Enhanced web functionality will be a priority to improve our service to members, beneficiaries, and employers.
4. Staff will work to enhance system member and retiree communications, through continued growth of the communications initiative, including publications, and on-line and live presentations.
5. Emphasis will be placed on employee training to ensure accurate and understandable customer service.

**ASSESSMENT**

**Investment Program**

PERS’ common sense investment philosophy is based on traditional, time tested investment principles. The Board’s unwavering commitment to its simple investment approach and disciplined implementation of its long-term investment strategy has been the most important factor in the fund’s successful long-term performance and competitive risk/return profile.

PERS’ investment philosophy is to maintain consistent exposure to capital markets with the intent to systematically buy assets low and sell them high. To implement this strategy, we emphasize a simple, low cost structure that relies on intelligent asset allocation, disciplined rebalancing and index management.
**Consistently Apply Time Tested Investment Principles**

- Focus on the long-term
- Maintain consistent exposure to the capital markets
- Buy weakness, sell strength
- Broadly diversify
- Implement knowledge based appropriate changes – act from a position of strength
- Align strategy with risk tolerance and goals
- Emphasize an uncomplicated structure
- Manage costs

**Implementation**

- Primary focus on asset allocation
- Make asset allocation changes at opportunistic points in the market cycle
- Emphasize index management
- Adhere to an intelligent, disciplined rebalancing process
- Utilize fewer portfolios/managers when appropriate
- Keep manager and asset turnover low
- Emphasize higher quality assets

There are a number of advantages to our approach, including:

- A common sense investment approach grounded in high quality assets is transparent and easily understood by our members and beneficiaries.
- PERS’ philosophy focuses decisions on asset allocation and rebalancing, the areas where we are most skilled and PERS has a demonstrated competitive advantage.
- All of PERS’ stock and bond assets are held by the fund’s custodian. Real estate assets are owned 100% by PERS. Directly holding assets (as opposed to using commingled funds) enhances asset security, liquidity, and monitoring.
• A simple program is lower cost, providing a quantifiable competitive advantage.

The goal of the investment program is to meet the 8% long-term return objective while exposing the fund to the least possible risk. Successful investing involves developing a thoughtful, focused long-term strategy and consistently implementing that plan over time. Frequent changes can increase costs and reduce efficiency. As a result, while the Board will make changes to management or strategy as is warranted by circumstances, will focus on making meaningful, less frequent revisions to the program.

To support effective program improvements in the future, we will continue to emphasize Board investment education and promote a collaborative discussion and decision environment. Emphasis will be placed on continuity of strategy, oversight, management and simplicity of portfolio structure. This will promote more efficient monitoring and ensure any future changes to the plan are accretive to the risk/return profile of the fund.

The Board will continue take a long-term view regarding portfolio strategy and maintain emphasis on its consistent, common sense investment approach. This approach is expected to serve PERS’ members well going forward.

Operations Management

Governance and Funding

A basic principle of superior pension administration begins with the governance framework of the pension system that define clear roles and responsibilities for Board and executive management. The System’s existing governance principles, policies, and charters define the role of the Retirement Board and executive management, guide the conduct and decision-making of the Retirement Board, and document and preserve the System’s policies.

Managing the funding issue internally to PERS is paramount to overall success of the System. Contribution rate stability is a key goal of the System. The System continually reviews trends in actuarial liabilities and maintains a realistic recognition of plan costs in order to govern the plan in a fiscally responsible manner. Due to market and demographic trends, upward pressure on contribution rates will continue throughout the strategic horizon period. Staff will work to manage expectations of stakeholders and other interested parties on contribution rates through continued public relations outreach and education regarding the financing and management of the System.
The System shall maintain effective internal controls over financial reporting and observe the highest standards in financial reporting. Staff will continue to diligently monitor and update internal controls as necessary as well as continue to evaluate enterprise-wide risk through an assessment process. The System will continue to maintain the standards necessary to receive the Public Pension Coordinating Council award in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards, the Government Finance Officers Award (GFOA) for excellence in financial reporting for the Comprehensive Annual Financial Report, and the Government Finance Officers Award (GFOA) for excellence in financial reporting for the Popular Annual Financial Report.

**Internal Management**

PERS technology efforts are driven by business goals as well as statutory and pension fund industry mandates. PERS is dedicated to maintaining a state of the art pension management system that is capable of providing for PERS’ operational needs and reporting. Staff will continue to evaluate evolving technology and assess System operational needs to enhance the System’s communications, efficiency and cost-effectiveness. Emphasis will be placed on the efficient delivery of information and services to all stakeholders through use of technology. Staff will also continue to assess security systems and controls to ensure the integrity of System data and processes.

Ensuring adequate staffing levels to meet increasing service needs, due to member and retiree population growth, will continue to be a primary goal of operations management. Effectively focusing resources to sustain the high quality work force in the agency will drive the review. We will continue to provide System employees with training in the skill sets, policies, and procedures that enable them to perform their respective duties. Efforts will also focus on cross-training of employees to ensure effective use of resources during high-volume cycles.

**External Management**

Employers, both public and private, are investigating alternative pension plan designs, for a variety of reasons including reductions in cost and workforce planning. In reviewing this issue, PERS must discharge its fiduciary duty to act in the best interests of our members and of our beneficiaries, while maintaining the fiscal integrity of the fund. During the strategic horizon, we continue to analyze this topic and the long-term effects that a change in plan design would carry.
Variables under review include benefit adequacy, plan funding, investment risk, demographic trends, and public policy.

Timely and effective communication to all interested parties, including policy makers, taxpayers, the public, and the media, regarding the mission and performance of the System is a key component of our overall communication strategy to demonstrate that the System is effectively and efficiently fulfilling its mission.

**Performance Measures**

The System’s benefit administration performance is measured by total workload. The System participates annually in a benchmarking analysis service in order to assess workload and service levels. The analysis shows that the System provides a good level of service at a substantially lower administration cost than the peer average. The System will continue to provide a good level of service efficiently and economically.