Each year the Public Employees’ Retirement System of Nevada publishes an annual report, which is submitted to the Governor, members of the Nevada Legislature, public employers, and employee and employer associations. The report provides an overview of financial, investment, and statistical information in a simple, easy to understand format. Your Spring 2012 Member News includes some of the highlights from the 2011 annual report.

One of the principal goals of the Public Employees’ Retirement Board has been to stabilize contribution rates during volatile investment market cycles and demographic changes and to ensure cost predictability to employers and members. The 2011 actuarial valuation shows that the tools the Board has put in place to meet these objectives are working, while maintaining the retirement security of all public employees.

Below are the highlights for different topics of interest related to PERS’ objectives and goals during the fiscal year.

**Legislation**

In preparation for the 2011 legislative session, the Public Employees’ Retirement Board commissioned The Segal Company to conduct an analysis and comparison of defined benefit and defined contribution retirement plans. The study results were presented to the Board at their December 2010 meeting and adopted by the Board to ensure that correct, concise information as to the costs, benefits, and transition considerations were provided before possible legislation was introduced.

The Board’s adopted legislative agenda for the 2011 session was very successful overall. In spite of the challenging economic environment, the System was successful in having the State incorporate the contribution rate increase into the proposed budget with no objections. Given the fiscal environment and the Board’s funding policy, the Board adopted a very conservative outlook and agenda for the session. There were no bills that proposed benefit improvements.
System Governance

During this past year the Board completed a self-assessment process with the assistance of executive staff and a consultant. The Board also completed a review of compliance with the governance charters. The report concluded that the Retirement Board and staff have demonstrated a high degree of compliance with verifiable provisions of the governance charters.

Operational Initiatives

Operations of the System are conducted in accordance with the Operational Yearly Plan. This plan is designed to organize all agency functions by department and to ensure that all duties are performed within the fiscal year. The System’s performance, in part, is measured by the total member and retiree workload. Between July 1, 2010, and June 30, 2011, staff completed approximately 74,000 pieces of work. Of this group, 55,000 were directly related to customer requests, such as benefit estimates and purchase of service estimates, with 19,000 relating to back office support. Approximately 95% of all work was performed within the ten working days benchmark.

Benefit payments to approximately 46,000 retirees and beneficiaries were made within our benchmark of four working days before the end of each month. During this fiscal year, staff completed 3,694 one-fifth of a year purchases for educational employees and 682 service credit audits for the Public Employees’ Benefits Program (PEBP).

Staff implemented a new wage and contribution reporting function which allows public employers to report their PERS ineligible employees which will be used for testing compliance with appropriate enrollment rules. Employers will provide the total number of hours worked and the wages earned for ineligible employees. This additional information will allow staff to assist the public employers with determining if the ineligible employees are working in positions that may be eligible for membership. PERS staff provided extensive training to non-choice (only one contribution plan available) public employers in the use of electronic member enrollment. A total of 84 agencies now use this process to enroll their new hires into PERS, including our largest public employer.

The 7th Annual Liaison Officer Conference was held in Reno on November 17, 2010. Public employers from across the state attended this one-day conference. The conference included a morning general session followed by afternoon breakout sessions organized by agency type. Reviewing the conference attendee surveys completed at the end of the conference indicated 99% of attendees rated the conference good or excellent.

PERS continued participation in a benchmarking analysis service in fiscal year 2011. The purpose of the analysis was to help PERS understand how our total administration costs and service levels compare to our peers, given the lack of in-state competition to use as a benchmark. The analysis shows that PERS provides a good level of service at a substantially lower administration cost than the peer average.

Information Technology

During fiscal year 2011, PERS completed modifications to the pension processing system in order to implement the provisions of Senate Bill 427 from the 2009 legislative session. PERS also modified the pension processing system to allow employers to report all ineligible employees. This enhances the System’s ability to

Continued on page 3
identify employees who meet eligibility thresholds and reemployed retirees subject to benefit suspension. Information technology staff built and replaced the existing intranet, accounting application, e-mail, and directory servers. This allows each of these servers to run at optimal performance and provides additional warranties in the case of hardware failure.

Network security continues to be a priority for PERS. The System’s security consultant, along with staff, continuously monitors, documents, and attacks vulnerabilities identified. Risk assessment is one of the most critical aspects of information technology. The System’s consultant assisted staff in keeping the networks safe and up to date.

**Strategic Planning**

Annually, PERS’ executive staff reviews the System’s strategic plan for updates, including both additions and deletions. The Strategic Plan covers a five-year period and is updated annually by the Executive Officer in consultation with the Board.

The Strategic Plan contains the following sections: Philosophy, Mission, Planning Process, Core Values, Organization and History, Goals and Objectives, Strategies, Internal Assessment, External Assessment, and Performance and Caseload Indicators. The Organization and History section was updated to include data from the most recent annual financial report. Language was modified in the Strategies, Internal Assessment, and External Assessment sections to update information on member communications, technology, plan design, accounting issues, and Securities and Exchange Commission projects. The Performance and Caseload Indicators were also updated. The current Strategic Plan is available on our website.

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**Retirement System Membership 2002 to 2011**

<table>
<thead>
<tr>
<th>June 30</th>
<th>Active Members</th>
<th>Inactive Members</th>
<th>Service &amp; Disabled Retirees</th>
<th>Beneficiaries &amp; Survivors</th>
<th>Total Membership</th>
<th>Active Members per Retiree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>85,224</td>
<td>6,965</td>
<td>22,011</td>
<td>3,524</td>
<td>117,724</td>
<td>3.9</td>
</tr>
<tr>
<td>2003</td>
<td>87,327</td>
<td>7,687</td>
<td>23,371</td>
<td>3,669</td>
<td>122,054</td>
<td>3.7</td>
</tr>
<tr>
<td>2004</td>
<td>90,242</td>
<td>7,829</td>
<td>24,938</td>
<td>3,830</td>
<td>126,839</td>
<td>3.6</td>
</tr>
<tr>
<td>2005</td>
<td>93,995</td>
<td>9,182</td>
<td>26,962</td>
<td>4,037</td>
<td>134,176</td>
<td>3.5</td>
</tr>
<tr>
<td>2006</td>
<td>98,187</td>
<td>10,309</td>
<td>29,025</td>
<td>4,237</td>
<td>141,758</td>
<td>3.4</td>
</tr>
<tr>
<td>2007</td>
<td>103,693</td>
<td>10,990</td>
<td>31,262</td>
<td>4,425</td>
<td>150,370</td>
<td>3.3</td>
</tr>
<tr>
<td>2008</td>
<td>106,123</td>
<td>11,593</td>
<td>33,479</td>
<td>4,651</td>
<td>155,846</td>
<td>3.2</td>
</tr>
<tr>
<td>2009</td>
<td>105,417</td>
<td>11,574</td>
<td>37,095</td>
<td>4,810</td>
<td>158,896</td>
<td>2.8</td>
</tr>
<tr>
<td>2010</td>
<td>102,594</td>
<td>11,807</td>
<td>38,841</td>
<td>5,078</td>
<td>158,320</td>
<td>2.6</td>
</tr>
<tr>
<td>2011</td>
<td>99,911</td>
<td>12,632</td>
<td>41,259</td>
<td>5,319</td>
<td>159,121</td>
<td>2.4</td>
</tr>
</tbody>
</table>
The System’s ability to provide retirement benefits to its members is influenced by the performance of the investment portfolio. Approximately 20% of the benefits the average member will receive in retirement are funded from employee and employer contributions. The remaining 80% are generated from the System’s investment earnings.

The investment portfolio is designed to meet the funding objectives of the System while taking the least possible risk. This cautious stance is defined by the prudent person standard outlined in the statute which sets guidelines for the System’s administration. The standard states that the Board may invest the System’s funds in every type of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account. By establishing a well diversified investment portfolio, the System has strengthened control over the fund’s risk and return parameters.

Asset allocation is one of the most important factors in designing an investment portfolio to provide protection against large fluctuations in portfolio returns and to stabilize the overall investment earnings. Not all categories, styles, managers, and assets react to movements in the investment markets in the same manner. Therefore, one investment that is not favored by the market should be offset by another which is doing well. The Board annually reviews the estimated returns and risks associated with major types of investments to determine the best blend of investments that will meet the risk/return comfort level for the PERS portfolio. The following chart shows the asset mix at June 30, 2011.

**PERS’ investment portfolio is diversified to control risk and maximize return under a variety of economic conditions.**

*Includes cash held by investment managers.*
Below are some financial highlights from fiscal year 2011 and compiled in the Popular Annual Financial Report.

- Net assets (total assets minus total liabilities) increased by $4.3 billion or 20.8% to $25.3 billion as of June 30, 2011.
- Total net investment income was $4.4 billion in fiscal year 2011, an increase from the $2.1 billion income generated in fiscal year 2010.
- Total investments, excluding securities lending collateral, at June 30, 2011, increased by $4.3 billion or 21% to $24.8 billion.
- As of June 30, 2011, the most recent actuarial valuation, the System was 70.2% funded, compared to a funding level of 70.5% as of June 30, 2010.

![Net Assets (in billions)](image)

- Total employee and employer contributions for fiscal year 2011 decreased by $14.9 million or 1.1% to $1.4 billion.
- Benefit payments for fiscal year 2011 increased by $110.5 million or 8.5% to $1.4 billion.
- Refunds of member contributions increased by $4.5 million or 22.1% to $24.8 million.

**PERS to pursue appeal in member file disclosure order**

Recently, Judge Russell in the First Judicial District, ruled that PERS was required to release the names and benefit amounts of all retired public employees in Nevada. Specifically, he ruled that under the Nevada Public Records Act, the following would be made public: names, employers, salary, retirement dates and benefit amounts. The ruling was in response to a lawsuit filed by the Reno Gazette-Journal. The Retirement Act contains two specific provisions making member information confidential and the Retirement Board has filed an appeal to the Nevada Supreme Court.
PERS’ Mission Statement

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

Employers with the ability to attract and retain quality public employees
Members with a reasonable base benefit at retirement or upon disability
The People of Nevada with the full benefit of well-trained public servants