

PUBLIC EMPLOYEES' RETIREMENT SYSTEM of NEVADA

A Component Unit of the State of Nevada

POPULAR ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended
June 30, 2020**

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Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Public Employees' Retirement
System of Nevada**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

Administrative Personnel
(current)

PUBLIC EMPLOYEES' RETIREMENT BOARD

Timothy Ross	Chair	2022
Yolanda T. King	Vice Chair	2021
Dawn E. Huckaby	Member	2022
Todd H. Ingalsbee	Member	2023
Norma Santoyo	Member	2021
Mark Stevens	Member	2023
Brian A. Wallace	Member	2021

Terms expire on June 30 of year noted.

RETIREMENT STAFF

Tina Leiss	Executive Officer
Steve Edmundson	Investment Officer
Kabrina Feser	Operations Officer
Lauren Larson	Chief Financial Officer
Christopher Nielsen	General Counsel
Teresa Chalmers	Administrative Analyst

Division Supervisors:

John Van Horn	Accounting
Carrie Harrison	Employer, Production & Pension Services
Charlie Park	Information Technology
Julie Hansen	Internal Audit
Sonya Hellwinkel	Member & Retiree Services
Walter Zeron	Support Services

MEDICAL ADVISORS

Robert Fliegler, M.D., Carson City, Nevada
Kathy Stoner, RN, CCM, Minden, Nevada

POLICE AND FIREFIGHTERS' RETIREMENT FUND ADVISORY COMMITTEE

Scott Vivier	Chair	2023
Cameron Wagner	Vice Chair	2024
Jennifer Wyatt	Member	2023
Scott Nicholas	Member	2022
Bill Gardner	Member	2024

Terms expire on June 30 of year noted.

THE SYSTEM'S ADVISORS

Consulting Actuary – Segal Consulting, San Francisco, California
Independent Auditors – Macias Gini & O'Connell LLP, Sacramento, California
Investment Consultants – Callan Associates, San Francisco, California
Jobs Peak Advisors, Minden, Nevada

Mission Statement

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 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.

Message From Tina Leiss, Executive Officer

It is a pleasure to present the Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Nevada (System or PERS), a component unit of the State of Nevada, for the fiscal year ended June 30, 2020.

The financial statements included in this report are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles as promulgated or adopted by the Governmental Accounting Standards Board (GASB). In management's opinion, the financial statements present fairly the financial position of the System at June 30, 2020, and changes in fiduciary net position for the year then ended.

PERS administers a cost-sharing, multiple-employer defined benefit public employees' retirement system. The System was established by the Nevada Legislature in 1947. At the end of fiscal year 2020, the System had 215 participating employers, 111,815 active members, and 72,741 benefit recipients. The System is comprised of two sub-funds, Regular and Police/Fire.

One of the principal goals of the Public Employees' Retirement Board (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 2020 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.

The System is funded by contributions calculated as a percentage of employee salary. Although the System receives an actuarial valuation annually, the Public Employees' Retirement Act requires an adjustment in the statutory contribution rates on July 1 of each odd-numbered year, based on the actuarially determined rates indicated in the actuarial valuation report for the immediately preceding year.

As of June 30, 2020 the System's net position was \$46.7 billion, an increase of \$2.5 billion from 2019. The fiscal year 2020 return was 7.2%, which added \$3.1 billion in investment income. Investment performance was primarily driven by strong returns from U.S. stocks and U.S. Treasury bonds. The funded ratio calculated as smoothed actuarial value of assets as a percentage of total actuarial accrued liability increased to 76.1% in 2020 from 75.3% in 2019.

Detailed information on the financial position of the System can be found in the June 30, 2020 CAFR at <https://www.nvpers.org/publications/reports>.

Respectfully submitted,



Tina Leiss
Executive Officer

Financial Summary

The System undergoes a financial audit by an independent auditor each fiscal year. The audited condensed financial statements are shown below.

Condensed Statement of Fiduciary Net Position

The Condensed Statement of Fiduciary Net Position includes all of the System’s pension trust fund assets, liabilities, and the net position at the end of the fiscal year.

	As of June 30, 2020	As of June 30, 2019	Increase/(Decrease) 2019 to 2020
Cash and cash equivalents	\$ 773,941,346	\$ 164,703,626	\$ 609,237,720
Receivables	314,036,519	324,553,152	(10,516,633)
Pending trades receivable	599,026,854	309,517,700	289,509,154
Investments, at fair value	45,668,267,819	43,815,798,592	1,852,469,227
Collateral on loaned securities, at fair value	205,982,715	253,210,571	(47,227,856)
Property and equipment, net	3,873,113	3,902,671	(29,558)
Other assets	4,131,236	3,532,311	598,925
Total assets	47,569,259,602	44,875,218,623	2,694,040,979
Accounts payable and accrued expenses	21,062,690	16,989,448	4,073,242
Pending trades payable	607,096,841	320,766,021	286,330,820
Obligations under securities lending activities	205,982,715	253,210,571	(47,227,856)
Total liabilities	834,142,246	590,966,040	243,176,206
Net position restricted for pension benefits	\$ 46,735,117,356	\$ 44,284,252,583	\$ 2,450,864,773

Significant Changes from 2019 to 2020

Cash and cash equivalents increased \$609 million from 2019 to 2020. Pending trades receivable and payable increased \$290 million and \$286 million from 2019 to 2020. Cash and cash equivalents and pending trades fluctuate year to year and are unpredictable.

Investments at fair value increased \$1.9 billion from 2019 to 2020 primarily due to the 7.2% total return generated by the System’s investments in 2020. The investment performance was primarily driven by strong returns from U.S. stocks and U.S. Treasury bonds.

Financial Summary (continued)

Condensed Statement of Changes in Fiduciary Net Position

The Condensed Statement of Changes in Fiduciary Net Position shows additions to and deductions from the pension trust fund during the fiscal year presented. Over time the increase or decrease in net position serves as a useful indicator of the health of the System's financial position.

	<u>2020</u>	<u>2019</u>	<u>Increase/(Decrease) 2019 to 2020</u>
Contributions	\$ 2,157,256,517	\$ 2,029,395,070	\$ 127,861,447
Net investment income	3,137,476,177	3,468,148,453	(330,672,276)
Other income	3,070,029	2,812,185	257,844
Total additions	<u>5,297,802,723</u>	<u>5,500,355,708</u>	<u>(202,552,985)</u>
Benefit payments	2,805,034,501	2,601,770,272	203,264,229
Refunds of contributions	29,504,997	33,987,510	(4,482,513)
Transfer of contributions	-	219,889	(219,889)
Administrative expenses	12,398,157	11,812,306	585,851
Other expenses	295	-	295
Total deductions	<u>2,846,937,950</u>	<u>2,647,789,977</u>	<u>199,147,973</u>
Change in net position	2,450,864,773	2,852,565,731	(401,700,958)
Net position, beginning of year	<u>44,284,252,583</u>	<u>41,431,686,852</u>	<u>2,852,565,731</u>
Net position, end of year	<u>\$ 46,735,117,356</u>	<u>\$ 44,284,252,583</u>	<u>\$ 2,450,864,773</u>

Significant changes 2019 to 2020

Contributions increased \$128 million between 2019 and 2020 primarily due to the increase in contribution rates implemented July 1, 2019.

Net investment income decreased \$331 million from 2019 to 2020 because the System returned 7.2% in 2020 which was lower than the 8.5% returned in 2019.

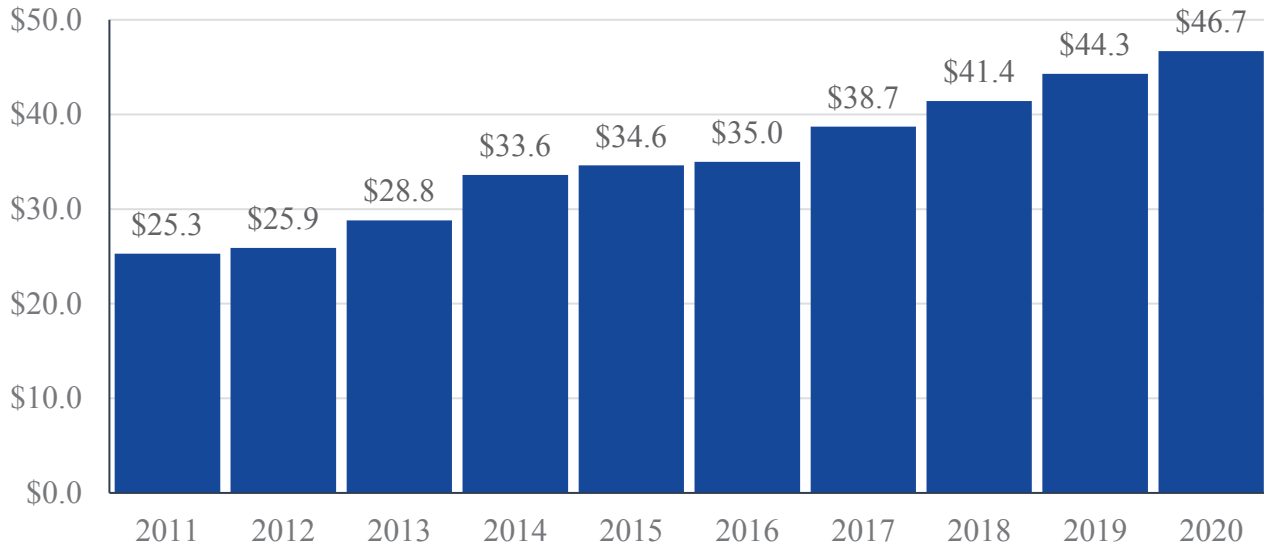
Benefit payments increased \$203 million between 2019 and 2020 primarily due to the number of beneficiaries increasing from 70,056 in 2019 to 72,741 in 2020 and the average monthly benefit increasing from \$3,177 in 2019 to \$3,271 in 2020.

Financial Highlights

Net Position

Net position represents total assets less total liabilities. In fiscal year 2020 the net position increased to \$46.7 billion. This is the eleventh year in a row the System’s net position has increased.

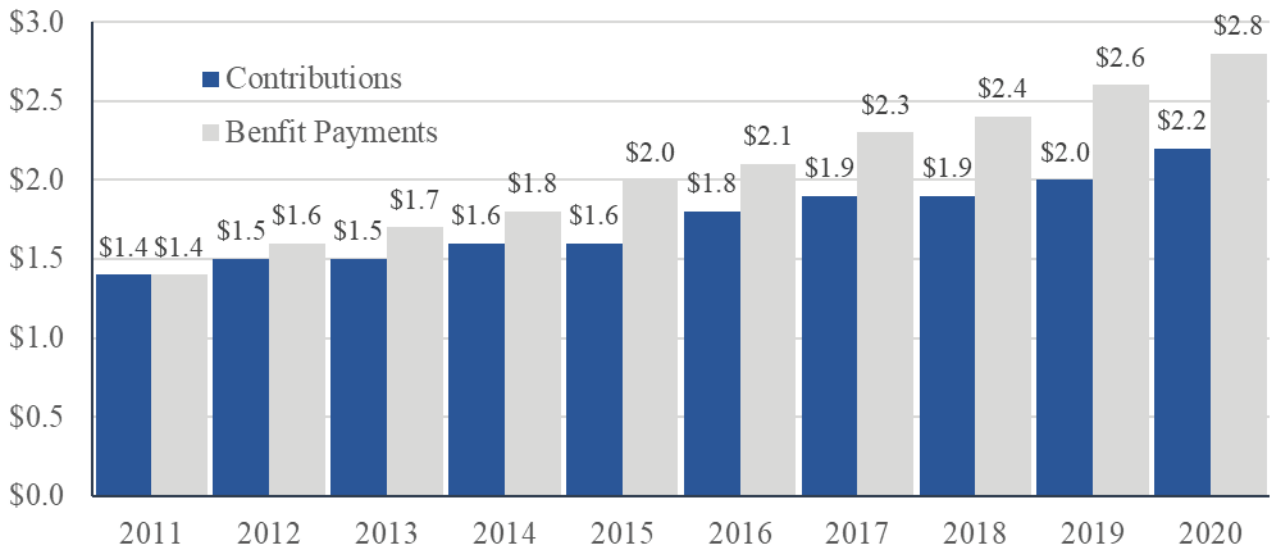
Net Position (in billions) over Fiscal Year



Contributions and Benefit Payments

Benefit payments and contributions received by the System have increased over time. Benefit payments are paid from both incoming contributions as well as investment income.

Contributions & Benefit Payments (in billions) over Fiscal Year



Investments

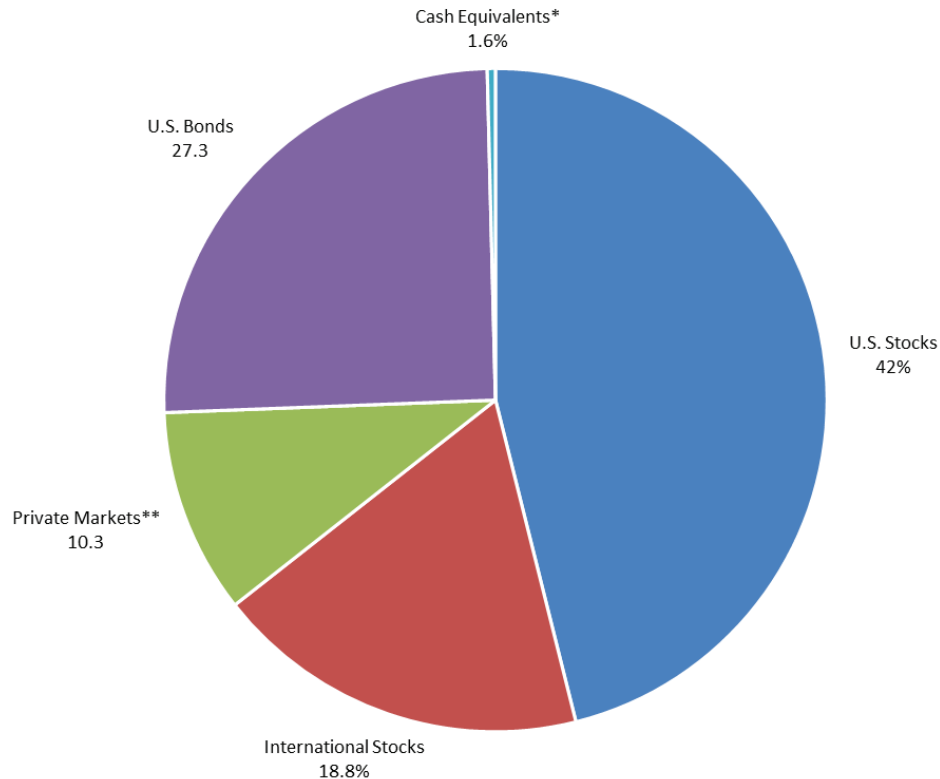
The investment program is designed to generate a long-term return that meets the System’s objectives while minimizing risk.

The investment objective of the System is to:

- ❖ Generate a 7.5% long-term investment return which exceeds the rate of inflation (CPI) by 4.75% by capturing market returns within each asset class.
- ❖ Invest so that short-term volatility of returns will not cause the System to alter its long-term strategy.
- ❖ Structure an investment program which is sufficiently uncomplicated to control the ability to consistently meet return and risk objectives.

Asset allocation is the most significant factor influencing the risk and return of the investment program. The System uses an entirely indexed structure for U.S. stocks, International stocks, and U.S. bonds. U.S. stocks are indexed to the S&P 500 Index, international stocks are indexed to the MSCI World ex USA Index, and U.S. bonds are indexed to the Bloomberg Barclays U.S Treasury 1-3 Year Index. The Private Markets investments are made up of actively managed private equity and real estate portfolios.

Asset Allocation at June 30, 2020



*Includes cash held by investment managers.

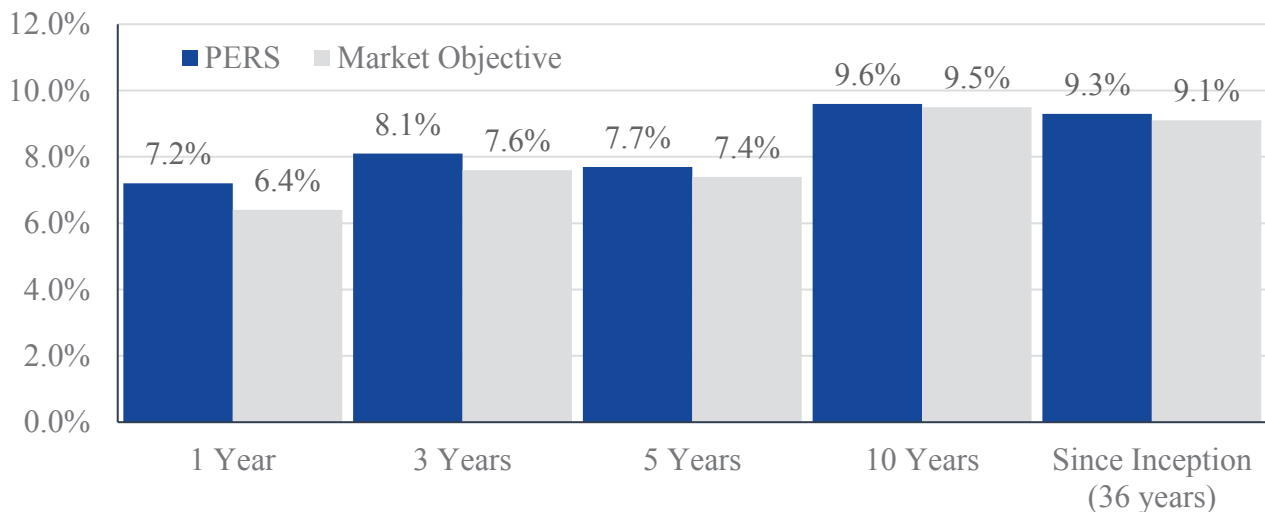
**Includes 5.7% Private Equity and 4.6% Private Real Estate.

Investments (continued)

Total Fund Performance

The chart below illustrates PERS’ portfolio performance over a variety of time periods. The fund’s annualized rate of return is 9.3% since inception (36 years) versus the long-term actuarial objective of 7.5%.

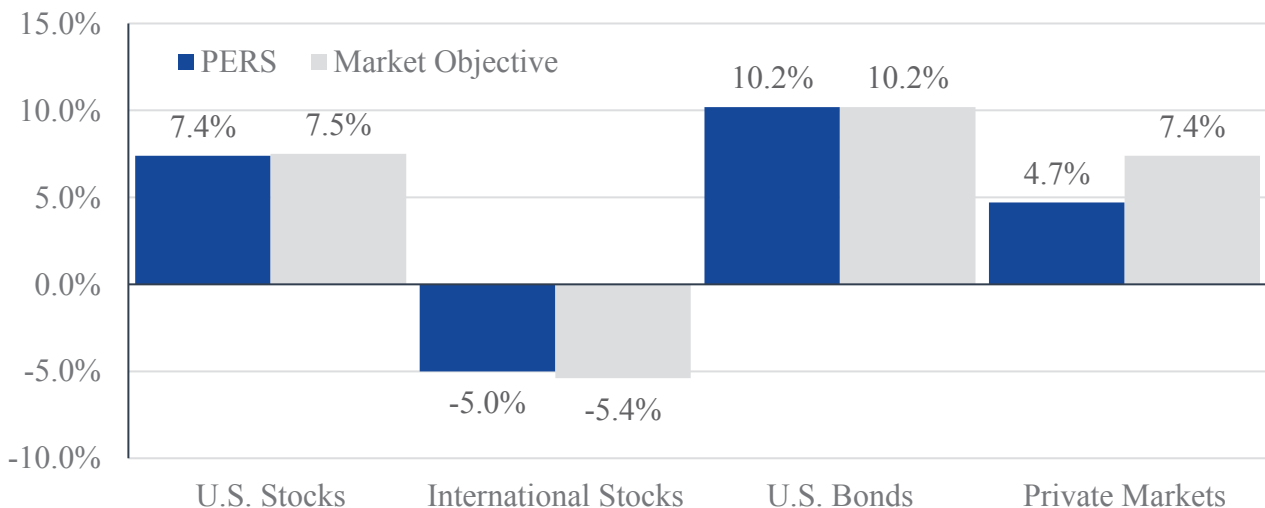
**PERS Annualized Total Returns vs. Market Objective
As of June 30, 2020**



Asset Class Performance

The chart below shows PERS’ Fiscal Year performance by asset class.

**One-Year Asset Class Returns vs. Market Objective
As of June 30, 2020**



The System’s complete Investment Objectives and Policies may be found on the PERS website www.nvpers.org.

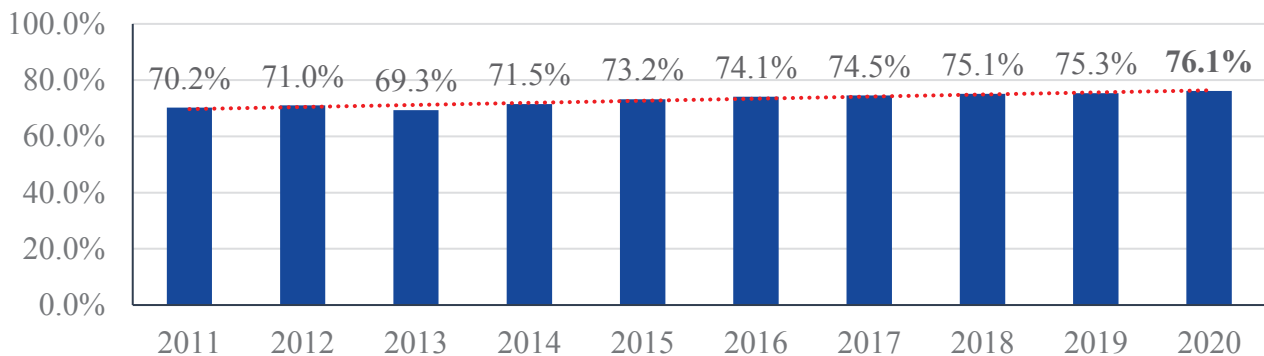
Actuarial

The System’s funding objective is to pay long-term benefits through contributions (and investment returns on such contributions) that remain relatively level from year to year. The amount contributed is a percentage of the salaries earned by members. Using this methodology members and employers each pay equally for retirement service accrued by active members in any given year. While the System receives an actuarial valuation annually, contribution rates are adjusted on July 1 of each odd-numbered year, based on the actuarially determined rates in the actuarial valuation for the immediately preceding year.

Funded Ratio

One measure of a pension fund’s health is its funded status. One factor to keep in mind is that all benefits the System is obligated to pay are not due and payable immediately. The funded ratio compares the actuarial value of assets to the actuarial accrued liability. Below is a chart showing the funding levels of PERS over the last 10 years. The funded ratio has increased every year over the last seven years.

PERS Funded Ratio by Fiscal Year



Net Pension Liability

The net pension liability is determined using actuarial methods required by the Governmental Accounting Standard Board (GASB) and is used for financial reporting purposes. The net pension liability uses the plan fiduciary net position in the calculation rather than the actuarial value of assets used in the funded ratio calculation above.

The components of the net pension liability at June 30, 2020, were as follows:

Total pension liability	\$ 60,663,454,082
Plan fiduciary net position	(46,735,117,356)
Net pension liability	\$ 13,928,336,726

Plan fiduciary net position as a percentage of the total pension liability	77.0%
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Membership

**Retirement System Membership
2011 to 2020**

<u>June 30</u>	<u>Active Members</u>	<u>Inactive Members</u>	<u>Retired & Disabled Members</u>	<u>Beneficiaries & Survivors</u>	<u>Total Membership</u>
2011	99,911	12,632	41,259	5,319	159,121
2012	98,512	12,962	44,012	5,534	161,020
2013	99,038	13,739	46,653	5,777	165,207
2014	100,522	14,633	49,170	6,038	170,363
2015	103,108	15,032	51,853	6,306	176,299
2016	105,167	15,639	54,615	6,565	181,986
2017	105,801	16,668	57,199	6,931	186,599
2018	107,506	16,607	59,819	7,289	191,221
2019	109,167	17,341	62,466	7,590	196,564
2020	111,815	17,398	64,867	7,874	201,954

Number of Active Members Per Retiree

<u>June 30</u>	<u>Number of Active Members</u>		<u>Number of Retired Members*</u>		<u>Active Members per Retiree</u>	
	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>	<u>Regular</u>	<u>Police/ Fire</u>
2011	87,975	11,936	36,123	5,136	2.4	2.3
2012	86,719	11,793	38,528	5,484	2.3	2.2
2013	87,193	11,845	40,854	5,799	2.1	2.0
2014	88,709	11,813	43,136	6,034	2.1	2.0
2015	91,124	11,984	45,508	6,345	2.0	1.9
2016	93,030	12,137	47,899	6,716	1.9	1.8
2017	93,276	12,525	50,091	7,108	1.9	1.8
2018	94,615	12,891	52,377	7,442	1.8	1.7
2019	96,072	13,095	54,678	7,788	1.8	1.7
2020	98,228	13,587	56,733	8,134	1.7	1.7

*Information provided by Segal Consulting, the System's actuary.

*Excludes survivors and beneficiaries

Statistics

Average Age and Service Statistics for Members*

As of June 30	Regular		Police/Fire	
	Average Age	Average Years of Service	Average Age	Average Years of Service
2011	46.1	9.6	40.1	10.7
2012	46.4	10.0	40.4	11.1
2013	46.5	10.1	40.6	11.3
2014	46.4	10.1	40.8	11.5
2015	46.2	10.0	40.8	11.6
2016	46.0	9.9	40.7	11.5
2017	45.9	9.8	40.2	11.2
2018	45.8	9.9	39.9	11.1
2019	45.7	9.7	39.8	11.0
2020	45.7	9.7	39.5	10.8

Average Salaries For Members*

As of June 30	Regular	Increase (Decrease)	Police/Fire	Increase (Decrease)
2011	\$ 49,248		\$ 73,895	
2012	48,808	(0.9) %	72,523	(1.9) %
2013	48,626	(0.4)	72,637	0.2
2014	48,057	(1.2)	71,990	(0.9)
2015	47,840	(0.5)	72,417	0.6
2016	47,922	0.2	73,179	1.1
2017	49,502	3.3	73,841	0.9
2018	51,193	3.4	76,549	3.7
2019	52,007	1.6	79,586	4.0
2020	53,013	1.9	78,712	(1.1)

Average annual increase 2011 - 2020 0.8 % 0.7 %

*Information provided by Segal Consulting, the System's actuary.

Statistics (continued)

Average Benefit Payments

Regular

<u>June 30</u>	<u>Average Monthly Benefit*</u>	<u>Number of New Retirees*</u>	<u>Average Years of Service at Retirement</u>	<u>Average Age at Retirement</u>	<u>Average Monthly Compensation at Retirement</u>
2011	\$ 2,539	2,933	19.38	64	\$ 4,890
2012	2,603	3,226	19.23	64	4,965
2013	2,654	3,241	19.05	65	5,024
2014	2,706	3,254	18.94	66	5,079
2015	2,765	3,555	18.87	66	5,129
2016	2,813	3,746	18.88	67	5,180
2017	2,860	3,630	18.88	67	5,228
2018	2,923	3,649	18.95	67	5,284
2019	3,004	3,752	19.00	68	5,349
2020	3,101	3,603	19.10	68	5,427

Police/Fire

<u>June 30</u>	<u>Average Monthly Benefit*</u>	<u>Number of New Retirees*</u>	<u>Average Years of Service at Retirement</u>	<u>Average Age at Retirement</u>	<u>Average Monthly Compensation at Retirement</u>
2011	\$ 4,348	433	22.53	58	\$ 7,343
2012	4,487	440	22.39	59	7,491
2013	4,637	409	22.33	59	7,623
2014	4,788	360	22.34	59	7,740
2015	4,961	437	22.39	60	7,862
2016	5,099	521	22.45	60	8,002
2017	5,236	541	22.46	60	8,144
2018	5,373	497	22.46	60	8,283
2019	5,554	528	22.52	61	8,434
2020	5,736	518	22.55	61	8,589

*Information provided by Segal Consulting, the System's actuary

Participating Employers

<u>Participating Agencies</u>	2011		
	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Clark County School District	31,420	1	31.1%
State of Nevada	16,361	2	16.4
Washoe County School District	7,244	3	7.3
Clark County	6,825	4	6.8
Las Vegas Metropolitan Police Department	5,015	5	5.0
University Medical Center of Southern Nevada	3,254	6	3.3
Washoe County	2,496	7	2.5
City of Las Vegas	2,414	8	2.4
City of Henderson	2,051	9	2.1
University of Nevada, Reno	1,874	10	1.9
Subtotal	78,954		79.0
All other	20,957		21.0
Total 2011 (181 Agencies)	99,911		100.0%

<u>Participating Agencies</u>	2020		
	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Clark County School District	32,831	1	29.3%
State of Nevada	18,199	2	16.3
Clark County	7,708	3	6.9
Washoe County School District	7,579	4	6.8
Las Vegas Metropolitan Police Department	6,027	5	5.4
Nevada System of Higher Education (NSHE)	3,944	6	3.5
University Medical Center of Southern Nevada	3,444	7	3.1
City of Las Vegas	2,763	8	2.5
Washoe County	2,547	9	2.3
City of Henderson	2,458	10	2.2
Subtotal	87,500		78.3
All other ^a	24,315		21.7
Total 2020 (215 Agencies)	111,815		100.0%

^a In 2020 "All other" consisted of:

<u>Agency Type</u>	<u>Number of Agencies</u>	<u>Covered Employees</u>
State of Nevada and Related Agencies	22	573
Schools	66	11,008
Counties	14	3,059
Cities	17	4,618
Hospitals	7	867
Utility, Irrigation, and Sanitation Districts	19	899
Special Districts and Agencies	60	3,291
Subtotal	205	24,315
Largest Ten Participating Employers	10	87,500
Total	215	111,815

Reporting Standards

Financial data presented in this report is derived from the information contained in PERS' CAFR. However, it does not include all funds administered by PERS nor contain other information required to be in conformity with GAAP. PERS' CAFR is produced in conformity with GAAP. The CAFR and PAFR can be found on our website: www.nvpers.org.

Contact Information

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Las Vegas, Nevada 89119
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