

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, 2021**

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Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Nevada Public Employees Retirement System

For its Annual Financial Report
for the Fiscal Year Ended

June 30, 2020

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	Chief Investment Officer
Lauren Larson	Deputy Investment Officer
Kabrina Feser	Operations Officer
John Van Horn	Chief Financial Officer
Christopher Nielsen	General Counsel
Teresa Chalmers	Administrative Analyst

DIVISION SUPERVISORS

Ramon Chavez	Accounting
Carrie Harrison	Employer, Production & Pension Services
Charlie Park	Information Technology
Julie Spaletta	Internal Audit
Felicia King	Member & Retiree Services
Walter Zeron	Support Services

MEDICAL ADVISORS

Robert Fliegler, M.D., Carson City, Nevada
Terry Long, RN, Carson City, 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, San Francisco, California
Independent Auditors – Macias Gini & O'Connell LLP, Sacramento, California
CliftonLarsonAllen LLP, Baltimore, Maryland
Investment Consultants – Callan Associates, Atlanta, Georgia
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, 2021.

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, 2021, 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 2021, the System had 214 participating employers, 106,960 active members, and 75,955 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 2021 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, 2021, the System's net position was \$58.5 billion, an increase of \$11.7 billion from 2020. The fiscal year 2021 return was 27.3%, which added \$12.6 billion in investment income. Investment performance was primarily driven by strong returns from U.S. stocks, international stocks, and private equity. The funded ratio calculated as smoothed actuarial value of assets as a percentage of total actuarial accrued liability decreased to 75.4% from 76.1% in 2020.

Detailed information on the financial position of the System can be found in the June 30, 2021 ACFR 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.

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, 2021	As of June 30, 2020	Increase/(Decrease) 2020 to 2021
Cash and cash equivalents	\$ 705,534,396	\$ 773,941,346	\$ (68,406,950)
Receivables	346,318,623	314,036,519	32,282,104
Pending trades receivable	719,321,011	599,026,854	120,294,157
Investments, at fair value	57,468,665,112	45,668,267,819	11,800,397,293
Collateral on loaned securities, at fair value	174,487,304	205,982,715	(31,495,411)
Property and equipment, net	5,148,672	3,873,113	1,275,559
Other assets	4,769,353	4,131,236	638,117
Total assets	59,424,224,471	47,569,259,602	11,854,984,869
Accounts payable and accrued expenses	39,503,999	21,062,690	18,441,309
Pending trades payable	751,768,813	607,096,841	144,671,972
Obligations under securities lending activities	174,487,304	205,982,715	(31,495,411)
Total liabilities	965,760,116	834,142,246	131,617,870
Net position restricted for pension benefits	\$ 58,458,484,355	\$ 46,735,117,356	\$ 11,723,366,999

Significant Changes from 2020 to 2021

Receivables increased 10.3% between 2020 and 2021, primarily due to an increase in contributions underpayments of \$15.3 million. Pending trades receivable and payable increased \$120 million and \$145 million from 2020 to 2021. Pending trades fluctuate year to year and are unpredictable.

Investments at fair value increased \$11.8 billion from 2020 to 2021 primarily due to the 27.3% (timeweighted, gross of fees) total return generated by the System’s investments in 2021. The investment performance was primarily driven by the strong returns from U.S. stocks, international stocks, and private equity.

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.

	2021	2020	Increase/(Decrease) 2020 to 2021
Contributions	\$ 2,173,834,096	\$ 2,157,256,517	\$ 16,577,579
Net investment income	12,602,090,284	3,137,476,177	9,464,614,107
Other income	3,262,309	3,070,029	192,280
Total additions	14,779,186,689	5,297,802,723	9,481,383,966
Benefit payments	3,008,567,031	2,805,034,501	203,532,530
Refunds of contributions	30,272,862	29,504,997	767,865
Transfer of contributions	4,424,263	-	4,424,263
Administrative expenses	12,530,326	12,398,157	132,169
Other expenses	25,208	295	24,913
Total deductions	3,055,819,690	2,846,937,950	208,881,740
Change in net position	11,723,366,999	2,450,864,773	9,272,502,226
Net position, beginning of year	46,735,117,356	44,284,252,583	2,450,864,773
Net position, end of year	\$ 58,458,484,355	\$ 46,735,117,356	\$ 11,723,366,999

Significant changes 2020 to 2021

Accounts payable and accrued expenses increased by \$18.4 million between 2020 and 2021 primarily due to an increase in contribution overpayments and contributions payable of \$18.1 million.

Net investment income increased \$9.5 billion from 2020 to 2021 because the time-weighted investment return (gross of fees) of 27.3% in 2021 was higher than the 7.2% returned in 2020. This performance represents the second strongest fiscal year in the Fund's history and the highest return in more than three decades.

Benefit payments increased 7.3% in 2021 primarily due to the number of beneficiaries increasing from 72,471 in 2020 to 75,955 and the average monthly benefit increasing from \$3,279 in 2020 to \$3,377 in 2021.

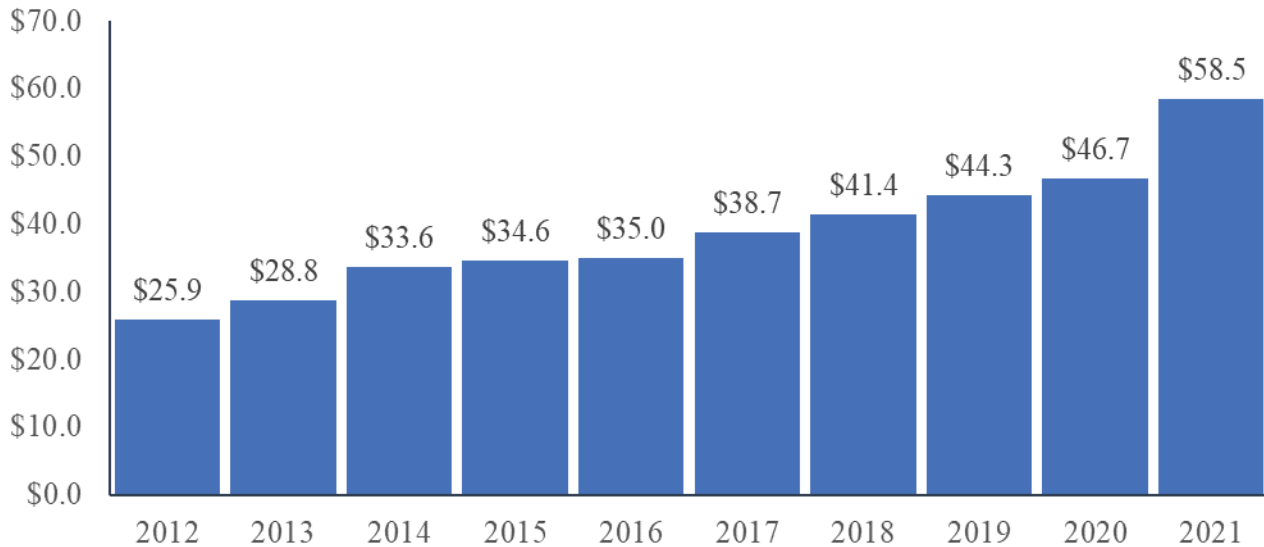
Refunds of contributions increased 2.6% and transfers of contributions increased \$4.4 million in 2021. These numbers are unpredictable each year and depend on individual elections made by active and inactive members.

Financial Highlights

Net Position

Net position represents total assets less total liabilities. In fiscal year 2021 the net position increased to \$58.5 billion. This is the twelfth year in a row the System’s net position has increased.

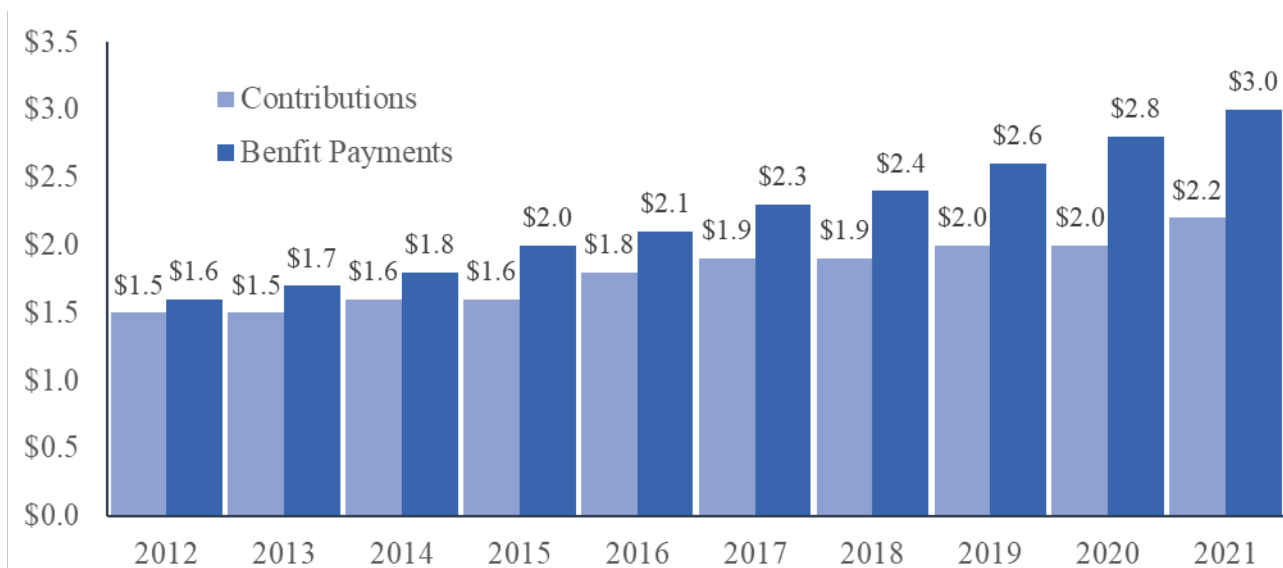
Net Position (in billions) over Fiscal Years



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 Years



Investments

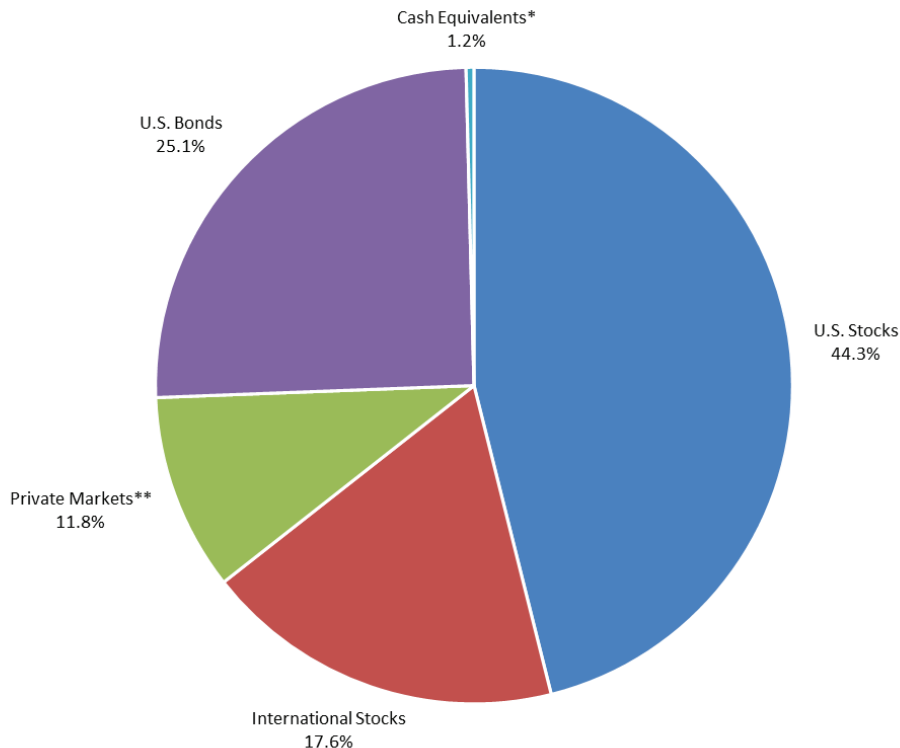
The investment program is designed to generate a long-term return that meets the System’s objectives while minimizing risk.

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, 2021



*Includes cash held by investment managers.

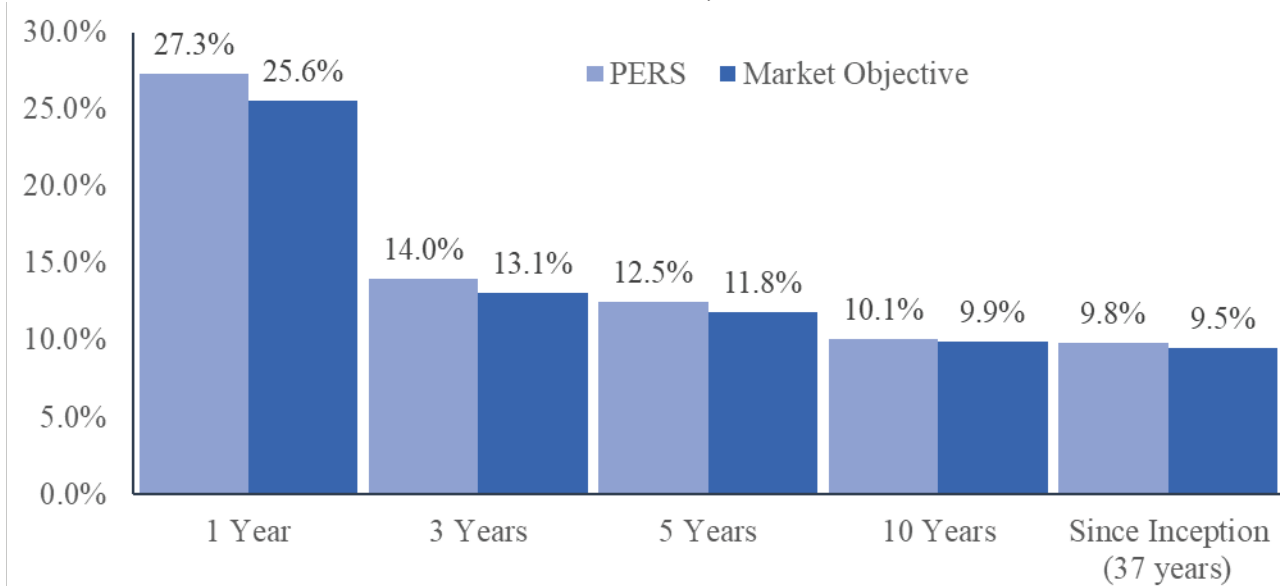
**Includes 7.3% Private Equity and 4.5% Private Real Estate.

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 9.8% since inception (37 years) versus the long-term actuarial objective of 7.5%.

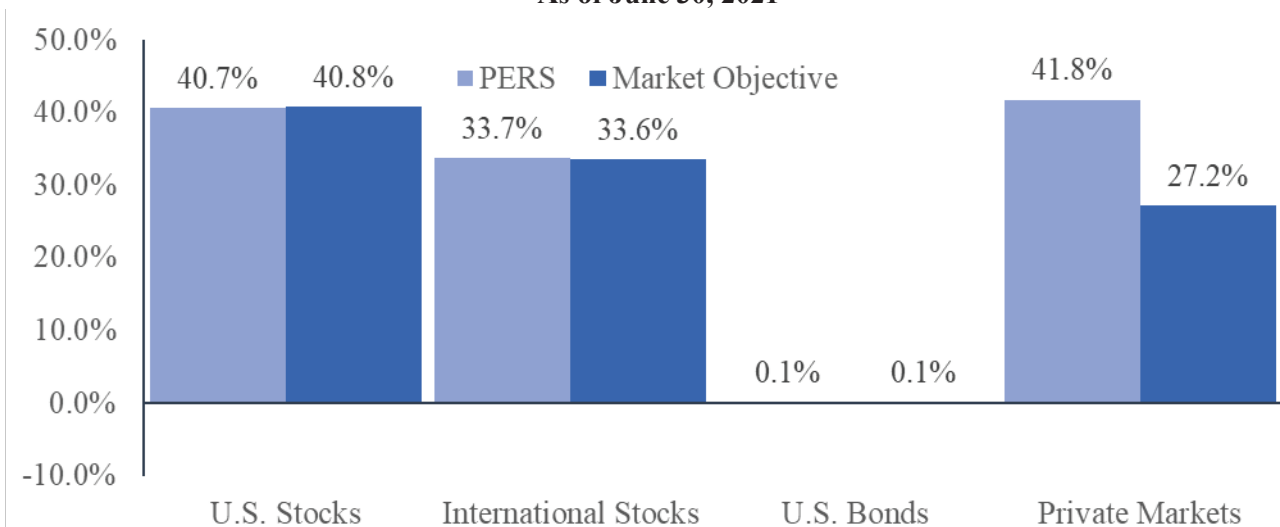
**PERS Annualized Total Returns vs. Market Objective
As of June 30, 2021**



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, 2021**



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

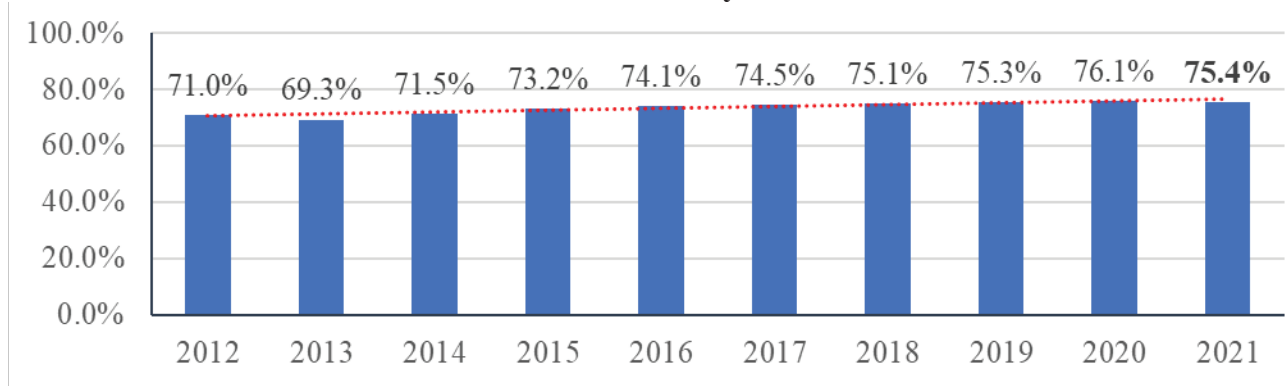
Actuarial

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 member 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.

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, 2021, were as follows:

Total pension liability	\$ 67,577,781,457
Plan fiduciary net position	(58,458,484,355)
Net pension liability	\$ 9,119,297,102
 Plan fiduciary net position as a percentage of the total pension liability	 86.5%

Membership

**Retirement System Membership
2012 to 2021**

<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>
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
2021	106,930	18,871	67,755	8,200	201,756

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>
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
2021	93,796	13,134	59,069	8,696	1.6	1.6

*Excludes survivors and beneficiaries

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

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
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
2021	45.8	10.0	39.3	10.8

Average Salaries for Members*

As of June 30	Regular	(Decrease)	Police/Fire	(Decrease)
2012	\$ 48,808		\$ 72,523	
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)
2021	54,572	2.9	81,303	3.3

Average annual increase 2012 – 2021 1.2 % 1.2 %

*Information provided by Segal, 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>
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
2021	3,309	3,975	19.17	69	5,499

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>
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
2021	6,290	737	22.59	61	8,769

*Information provided by Segal, the System's actuary

Participating Employers

2012			
Participating Agencies	Covered Employees	Rank	Percentage of Total System
Clark County School District	30,788	1	31.2%
State of Nevada	16,430	2	16.7
Washoe County School District	7,147	3	7.3
Clark County	6,977	4	7.1
Las Vegas Metropolitan Police Department	4,895	5	5.0
University Medical Center of Southern Nevada	3,336	6	3.4
City of Las Vegas	2,409	7	2.4
Washoe County	2,329	8	2.3
City of Henderson	2,032	9	2.1
University of Nevada, Reno	1,800	10	1.8
Subtotal	78,143		79.3
All other	20,369		20.7
Total 2012 (188 Agencies)	98,512		100.0%

2021			
Participating Agencies	Covered Employees	Rank	Percentage of Total System
Clark County School District	31,669	1	29.6%
State of Nevada	17,260	2	16.2
Washoe County School District	7,196	3	6.7
Clark County	7,049	4	6.6
Las Vegas Metropolitan Police Department	5,748	5	5.4
Nevada System of Higher Education (NSHE)	3,645	6	3.4
University Medical Center of Southern Nevada	3,232	7	3.0
City of Las Vegas	2,549	8	2.4
Washoe County	2,525	9	2.4
City of Henderson	2,373	10	2.2
Subtotal	83,246		77.9
All other ^a	23,684		22.1
Total 2021 (214 Agencies)	106,930		100.0%

^a In 2021 "All other" consisted of:

Agency Type	Number of Agencies	Covered Employees
State of Nevada and Related Agencies	22	599
Schools	66	10,556
Counties	14	2,966
Cities	17	4,522
Hospitals	7	888
Utility, Irrigation, and Sanitation Districts	18	880
Special Districts and Agencies	60	3,273
Subtotal	204	23,684
Largest Ten Participating Employers	10	83,246
Total	214	106,930

Reporting Standards

Financial data presented in this report is derived from the information contained in PERS' ACFR. However, it does not include all funds administered by PERS nor contain other information required to be in conformity with GAAP. PERS' ACFR is produced in conformity with GAAP. The ACFR 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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Toll Free: 1-866-473-7768
Website: www.nvpers.org

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