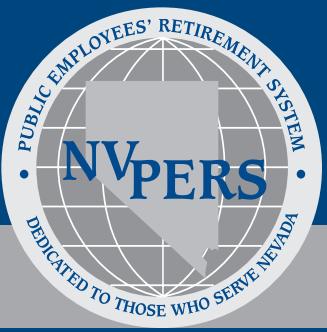


MEMBER NEWS

Volume II - 2014



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INSIDE THIS ISSUE

[Page 2 - 4](#)
Annual Report - Fiscal
Year 2013 Highlights

[Page 5](#)
History of a few
retiree statistics

Reno Gazette Journal vs. PERS

The Nevada Public Employees' Retirement System (System) recently sent out a notice to all benefit recipients to inform them of a court order involving the release of some of their individual pension records. The court order from the First Judicial District Court impacts the Retirement System's long-standing policy and interpretation of NRS 286.110(3) and NRS 286.117 regarding the confidentiality of individual member and retiree records. Below is the history and progression of this legal matter and how it affects our retirees.

On January 19, 2011, the Reno Gazette Journal (RGJ) requested that the System provide information regarding retirees of the System. PERS denied the request and on May 27, 2011, the RGJ filed a petition in district court. On December 12, 2011, the District Court ordered the System to produce a report to the RGJ concerning each retired employee currently receiving a benefit containing the name, employer, salary, date of hire, date of retirement, and amount of monthly benefit. PERS appealed this order to the Nevada Supreme Court in January 2012.

On November 14, 2013, the Nevada Supreme Court issued its opinion holding that individual files of members and retirees are confidential. However, the Court also ruled that "where information is contained in a medium separate from the individuals' files, including in administrative reports generated from data contained in individuals' files, such reports or other media is not confidential merely because the same information is also contained in individuals' files."

A hearing was held in District Court before Judge Russell on April 11, 2014, to clarify exactly what was to be released to the RGJ and what was to remain confidential from the Nevada Supreme Court Order dated December 20, 2013. PERS received the results of this hearing in May 2014, in a Court Order issued by District Court Judge Russell. The Order instructs the System to release the last actuarial data feed utilized by the System's actuary to determine retirement benefits.

The actuarial data feed is an extensive report always thought to be confidential between NV PERS and our actuary consultant and in fact was protected through a confidentiality agreement and is now public information. PERS has been ordered to release information from that report which contains: date of hire, date of termination, date of retirement, retirement option, employer, contributions, service credit, beneficiary information, gross benefit amount, base retirement amount, adjustments to base, post retirement increase amount, pending beneficiary flag, retirement stop date and reason, marital status, fund, status, and gender. The System will NOT release any Social Security numbers, contact information (addresses, phone numbers, or email addresses), bank information, or minor children information. Also in the order, the System is required to continue to release a monthly payment register that includes the names of all retirees along with their monthly benefit amount. PERS is legally bound to provide this information to the RGJ as all legal avenues have been extinguished.

**PERS' Investment Officer, Steve Edmundson, was recently featured on CNBC.
PERS was highlighted as one of the top 10 performing funds in the country.**

Message from the Executive Officer

In the interest of ensuring that the public is provided all of the facts on Nevada PERS, I would like to respond to the April 6, 2014 editorial titled, "The Cost of Being No. 1 in Pension Generosity". The editorial concludes that Nevada PERS' retirement benefits are overly generous by selectively referencing data from a report authored by Andrew Biggs, a resident scholar at the American Enterprise Institute.

Pension dollars paid by Nevada PERS will typically be higher than most states because Nevada public employees do not participate in Social Security. In the majority of states, public retiree benefits come from two sources, a public pension and a social security benefit. In Nevada, career public retirees only receive a benefit from PERS, as they do not pay into social security and receive no benefit from that program. As a result, a state by state comparison of pension programs based on only dollars paid out by the pension fund (and excluding benefits paid by social security) is misleading.

Annual Report- Fiscal Year 2013 Highlights

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/employer associations. The report provides an overview of financial, investment, and statistical information in a format that is easy to understand. This Newsletter includes some of the highlights from the 2013 annual report. The complete annual report is on the NVPERS website, www.nvpers.org, under publications. The title of the report is the Popular Annual Financial Report.

Legislation

The Board's adopted legislative agenda for the 2013 session was very successful overall. In the challenging economic environment the System was successful in having the State incorporate the contribution rate increase into the proposed budget with no objections—an accomplishment many other public pension funds were not able to achieve. Given the fiscal environment and the Board's funding policy, the Board adopted a very conservative outlook and agenda for the session. There was one bill that proposed a benefit enhancement for retired public employees, Senate Bill 201, and one bill that proposed a hybrid Retirement Plan that contained both a defined benefit portion and a defined contribution portion, Assembly Bill 342. The Retirement Board opposed both bills and they failed to pass out of committee.

System Governance

The current environment of volatile market returns, rising liabilities, growing risk exposure, and increasingly demanding stakeholders has many retirement systems returning to basics in the hopes of improving pension performance and managing risk more effectively. One of the basic principles of superior pension administration begins with review of the governance framework of the pension system, including governance policies that define clear roles and responsibilities for Board and executive management. The System contracts with a provider of governance review services for fiduciaries in the public pension sector. The System's existing governance principles, policies, and charters have been revised to better 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 for current and future board members and executive staff. The Board will review the charters and policies on an ongoing and regular basis and revise them as necessary.

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 demonstrated a high degree of compliance with verifiable provisions of the governance charters.

Operational Initiatives

PERS' agency performance is measured by total workload. Between July 1, 2012, and June 30, 2013, staff completed approximately 64,767 pieces of work within C*A*R*S*O*N (Computer Automated Retirement System of Nevada). Of this group, 52,782 were directly related to customer requests, such as benefit estimates and purchase of service estimates, with 11,985 relating to back office support work such as Survivor Beneficiary Designation forms. Approximately 96.7% of all work was performed within the ten working days benchmark.

All benefit payments to beneficiaries were made within our benchmark of four working days before the end of the month. During this fiscal year, staff completed 3,300 one-fifth of a year purchases for educational employees and 608 service credit audits for the Public Employees' Benefits Program (PEBP).

PERS continued participation in a benchmarking analysis service in fiscal year 2013. 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 2013, the Information Technology staff continued their focus on maintaining an effective and secure pension processing system and network environment that allows the System to complete its work in a timely and cost-efficient manner while maintaining a high-level of security for the members and beneficiaries. IT staff continued its work with the redesigned website, making member annual statements and EFT notices available to members and retirees, respectively, online through secure web accounts.

Network security continues to be a priority for the System. This fiscal year, the System maintained its security certification. Staff installed a new wireless network, improving efficiency and security. The IT staff also was instrumental in transitioning the Board packet to electronic delivery.

Strategic Planning

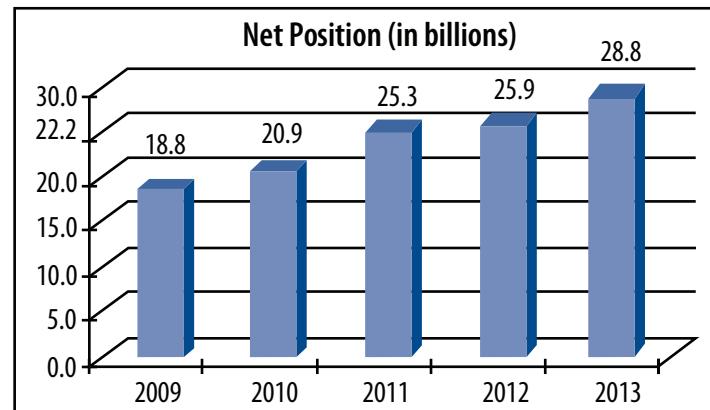
Annually, PERS' executive staff reviews the System's strategic plan for updates, including both additions and deletions. The Strategic Plan covers a five-year period and is updated annually by the Executive Officer in consultation with the Board.

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 and to include updated information on the Retirement Benefits Investment Fund. The actuarial management section was also updated along with the Performance and Caseload Indicators. Language was added, modified, or deleted in the Internal Assessment and External Assessment sections to include or update information on staffing, technology, retiree

reemployment, legislative study on plan design, plan design-employer issues, accounting issues, calculation of liabilities, Internal Revenue Code issues, social investing, and public outreach. The current Strategic Plan is available on the website.

Financial Highlights

Net position (residual of all elements presented in the statement of financial position) increased by \$2.9 billion or 11.3% to \$28.8 billion as of June 30, 2013. This is the fourth year in a row the System has increased its net position.



- Net investment income was \$3.2 billion in fiscal year 2013, an increase from the \$0.8 billion income generated in fiscal year 2012.
- Total investments increased by \$2.9 billion or 11.6% to \$28.3 billion.
- As of June 30, 2013, the most recent actuarial valuation, the System was 69.3% funded, compared to a funding level of 71.0% as of June 30, 2012.
- Total contributions for fiscal year 2013 decreased by \$12.7 million or 0.9% to \$1.5 billion.
- Benefit payments for fiscal year 2013 increased by \$128.1 million or 8.3% to \$1.7 billion.
- Refunds of contributions decreased by \$1.6 million or 5.9% to \$26.1 million.

Investments

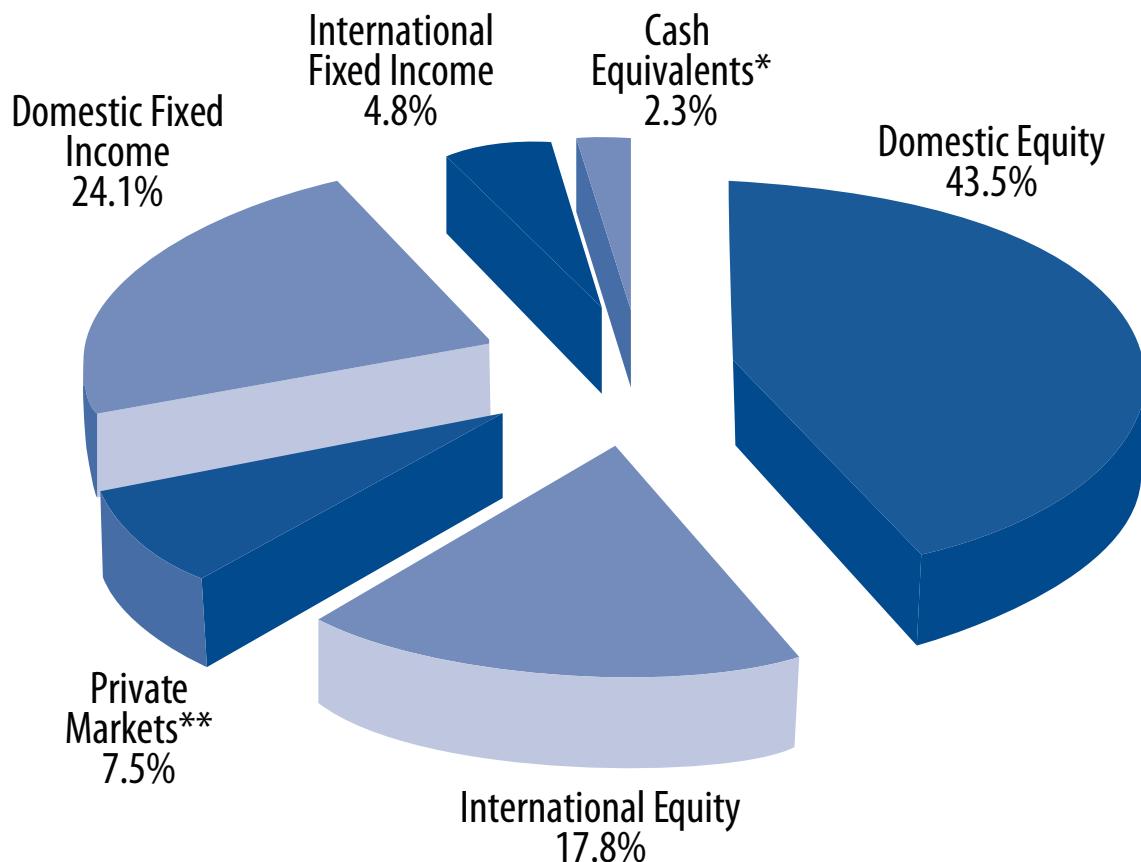
The System's ability to provide retirement benefits to its members is influenced by the performance of the investment portfolio. Approximately 20% of the benefits the average member will receive in retirement are funded from contributions. The remaining 80% are generated from investment earnings.

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, 2013.



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

* Includes cash held by investment managers.

** Includes 3.1% Private Equity and 4.4% Private Real Estate.

On the following page is a history of a few retiree statistics from our Popular Annual Financial Report (PAFR). The history includes 10 years of average monthly benefit amounts for Regular and Police/Fire as well as average monthly compensation for retirees. It is interesting to note the average age of retirees and average years of service throughout the years.

	<u>June 30</u>	Average Monthly Benefit*	Number of New Retirees*	Average Years of Service at Retirement	Average Age at Retirement	Average Monthly Compensation at Retirement
Regular	2004	\$ 1,961	1,981	18.73	59	\$ 4,356
	2005	2,062	2,446	19.14	59	4,600
	2006	2,136	2,445	18.51	60	4,643
	2007	2,216	2,678	18.93	60	4,800
	2008	2,306	2,710	19.04	60	5,054
	2009	2,428	3,996	19.80	61	5,139
	2010	2,486	2,252	18.15	61	5,309
	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
Police/Fire	2004	\$ 3,014	262	21.65	54	\$ 6,189
	2005	3,184	279	21.77	55	6,578
	2006	3,387	328	22.33	55	7,153
	2007	3,549	299	22.55	55	7,421
	2008	3,740	345	22.30	55	7,458
	2009	3,926	379	22.21	54	7,710
	2010	4,141	357	23.01	55	8,250
	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

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

If you would like more information, the entire comparative study is posted on our website: www.nvpers.org under Messages from the Executive Officer.

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