

## Nevada PERS Update

### Introduction

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.
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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.

PERS is designed for the long-term and not for the short-term.

### Performance

Since inception, PERS portfolio has produced an annualized return of 9.8% for the last 37 years. PERS expects a variable pattern on returns and plans accordingly. PERS continues to be competitive relative to its large public fund peers. The start to the current fiscal year is positive, but PERS does expect there to be some market volatility over the rest of the fiscal year. PERS continues to work toward having the system 100% funded. Over the past fiscal year, the actuarial funded ration decreased from 76.1% to 75.4%. On a market value basis, the overall funded ration increased from 77% to 86.5%. The systems net positions 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. PERS expects a 7.5% return for each fiscal year.

Active membership in PERS did decrease from 111,815 to 106,930. This was expected due to the COVID Pandemic and the Great Resignation that followed. There are currently 59,069 retirees with an average monthly benefit of \$3309.

### Actuarial Valuation Report

PERS has received its statutory Actuarial Valuation Report. The results of the 2021 report are important in that the valuation determines any adjustments to contribution rates in even numbered years. Several factors affect the Actuarial Valuation Report such as:

- Payroll Growth – continues to be smaller than assumed creating a loss
- Individual Salary Growth – continued to increase creating a gain
- Investment Income – create a gain
- Retirements – increased retirements creating a loss
- Mortality – increased creating a gain
- Disability Retirements – increased creating a loss
- Post-Retirement Benefit Changes – greater than expected change creating a loss

PERS' investment program has delivered long-term results that are among the most competitive in the industry while employing the smallest staff and incurring the lowest expenses. PERS' continues to believe this simple, low cost approach will benefit PERS' members into the future.

The following quote demonstrates the commitment of the PERS staff to all of the Nevada State Education members:

“I think that the most exciting thing about working for a public pension is that, unlike a lot of jobs, I never forget why I'm here. Our job is to ensure that the investment portfolio does its job for our members and beneficiaries. Every day I see myself coming to work for the 150,000 members who are public employees of our system. I feel pretty good about that. I feel good about getting to do something that I feel is worthwhile and can positively influence the hardworking public employees of the State of Nevada. I believe in what we're doing and that is the most exciting thing about working for Nevada PERS.”

Steve Edmundson, Investment Officer

### **Personnel Additions**

Retirements at PERS caused the PERS Board to consider the structure of the Retirement Staff. The Board determined that a Deputy Investment Officer position was needed. Retirement Staff took this request to the Legislature and it was approved. PERS now has a Chief Investment Officer and a Deputy Investment Officer to ensure PERS continues to remain in a strong position.

### **Conclusion**

Nevada's pension fund is known for its simple and conservative portfolio strategy despite an increasing trend of complex investment strategies pursued by many of its pension peers. Due to this simple and conservative strategy, PERS has continued to be one of the top-ranked pension funds in the nation.

PERS will continue with this proven strategy and rebalance the portfolio as the market continues to fluctuate. Due to the simple and conservative strategy, PERS is able to respond quicker to impacts on the markets and on the State of Nevada due to COVID-19 Pandemic and the Great Resignation.

Respectfully Submitted,  
Brian A. Wallace  
NSEA Member  
PERS Board Member