

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA

**A COMPONENT UNIT of
the STATE of NEVADA**

ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended
June 30, 2022**

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Independent Auditor's Report

To the Public Employees' Retirement Board
Legislators' Retirement System of Nevada

Opinion

We have audited the financial statements of the Legislators' Retirement System of Nevada (the "System"), a component unit of the State of Nevada as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the Legislators' Retirement System of Nevada as of June 30, 2022 and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Public Employees'
Retirement Board Legislators'
Retirement System of Nevada

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

Other auditors have previously audited Legislators' Retirement System of Nevada's 2021 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated December 1, 2021.

Plante & Moreau, PLLC

December 1, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the financial performance of the Legislators' Retirement System of Nevada (System) provides an overview of the System's financial activities for the year ended June 30, 2022. The MD&A is designed to focus on comparative analysis of the last two years, current year's activities, resulting changes, and currently known facts. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow the MD&A.

The System is responsible for administering retirement benefits for State of Nevada Legislators.

Financial Highlights

As of and for the Years Ended June 30,

	2022	2021
Total investments	\$ 4,789,348	\$ 5,680,910
Net investment income	(503,807)	1,253,738
Contributions	102,028	102,028
Benefit payments	405,792	420,603
Administrative expenses	87,503	83,247
Plan fiduciary net position	\$ 4,822,874	\$ 5,630,431
Plan fiduciary net position as % of total pension liability	95.1 %	113.7 %

Total pension liability as of June 30, 2022, was \$5,070,684.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Financial Statements

The financial statements consist of: the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, the Notes to Financial Statements, and the Required Supplementary Information.

The 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. The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the pension trust fund during the fiscal year presented. Over time, the increase or decrease in net position restricted for pension benefits serves as a useful indicator of the health of the System's financial position. The Notes to the Financial Statements provide additional information required by generally accepted accounting principles. The Required Supplementary Information following the Notes to the Financial Statements consists of schedules and related notes pertaining to changes in the employer's net pension liability/(asset) and related ratios, employer's contributions, and the money-weighted rate of return on investments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

The following are summary comparative statements of the System.

CONDENSED STATEMENTS OF FIDUCIARY NET POSITION

				Increase/ (Decrease) from 2021 to 2022	Percentage Increase/ (Decrease) from 2021 to 2022
	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>			
Cash and cash equivalents	\$ 32,742	\$ 255,437	\$ (222,695)	(87.2) %	
Receivables	5,933	5,409	524	9.7	
Pending trades receivable	123,539	93,642	29,897	31.9	
Investments, at fair value	<u>4,789,348</u>	<u>5,680,910</u>	<u>(891,562)</u>	(15.7)	
Total assets	<u>4,951,562</u>	<u>6,035,398</u>	<u>(1,083,836)</u>	(18.0)	
Accounts payable					
and accrued expenses	2,506	3,365	(859)	(25.5)	
Pending trades payable	126,182	299,574	(173,392)	(57.9)	
Contributions paid in advance	<u>-</u>	<u>102,028</u>	<u>(102,028)</u>	(100.0)	
Total liabilities	<u>128,688</u>	<u>404,967</u>	<u>(276,279)</u>	(68.2)	
Net position restricted					
for pension benefits	\$ <u>4,822,874</u>	\$ <u>5,630,431</u>	\$ <u>(807,557)</u>	(14.3) %	

Cash and cash equivalents decreased by 87.2% between 2021 and 2022. Cash and cash equivalents fluctuate from year to year and are unpredictable.

Pending trades receivable increased by 31.9% and pending trades payable decreased by 57.9% between 2021 and 2022. Pending trades fluctuate from year to year and are unpredictable.

Investments at fair value decreased \$891,562 from 2021 to 2022 primarily due to the negative 9.5% (time-weighted, gross of fees) total return generated by the System's investments in 2022. The investment performance was primarily driven by negative returns from U.S. and international stocks and U.S. bonds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Years Ended June 30,

	2022	2021	Increase/ (Decrease) from 2021 to 2022	Percentage Increase/ (Decrease) from 2021 to 2022
Contributions	\$ 102,028	\$ 102,028	\$ -	-
Net investment income (loss)	(503,807)	1,253,738	(1,757,545)	(140.2)
Other income	87,517	84,178	3,339	4.0
Total additions	<u>(314,262)</u>	<u>1,439,944</u>	<u>(1,754,206)</u>	(121.8)
Benefit payments	405,792	420,603	(14,811)	(3.5)
Administrative expenses	87,503	83,247	4,256	5.1
Total deductions	<u>493,295</u>	<u>503,850</u>	<u>(10,555)</u>	(2.1)
Change in net position	(807,557)	936,094	(1,743,651)	(186.3)
Net position, beginning of year	5,630,431	4,694,337	936,094	19.9
Net position, end of year	\$ <u><u>4,822,874</u></u>	\$ <u><u>5,630,431</u></u>	\$ <u><u>(807,557)</u></u>	(14.3) %

The Legislature meets for 120 days beginning in February of each odd fiscal year. Employee and employer contributions for both the Legislative year and the following year are made during the Legislative session. Half of these contributions are for the next fiscal year.

The 2022 net investment income was lower than 2021 by \$1,757,545 because the 2022 time-weighted investment return (gross of fees) was a negative 9.5% as compared to a positive 27.7% in 2021. Since inception (1990) the System has generated an annualized time-weighted return (gross of fees) of 8.2%.

Contacting the System's Financial Management

This financial report is designed to provide plan participants, employers, citizens, taxpayers, and others with a general overview of the System's finances and to demonstrate the Board's oversight of the System. If you have questions about this report or need additional financial information, please contact the System at 775-687-4200.

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STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 32,742
Receivables:	
Pending trades receivable	123,539
Accrued investment income	<u>5,933</u>
Total receivables	<u>129,472</u>
Investments, at fair value:	
U.S. bonds	1,404,440
U.S. stocks	3,308,808
International stocks	<u>76,100</u>
Total investments	<u>4,789,348</u>
Total plan assets	<u>4,951,562</u>
LIABILITIES	
Accounts payable and accrued expenses	2,506
Pending trades payable	<u>126,182</u>
Total plan liabilities	<u>128,688</u>
NET POSITION	
Net position restricted for pension benefits	\$ <u><u>4,822,874</u></u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Contributions:		
Employer	\$ 82,846	\$ 82,846
Plan members	19,182	19,182
Total contributions	<u>102,028</u>	<u>102,028</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(556,427)	1,197,206
Interest	11,897	15,058
Dividends	41,720	42,404
	<u>(502,810)</u>	<u>1,254,668</u>
Less investment fees and other expenses	<u>(997)</u>	<u>(930)</u>
Net investment income (loss)	<u>(503,807)</u>	<u>1,253,738</u>
Other income	<u>87,517</u>	<u>84,178</u>
Total additions	<u>(314,262)</u>	<u>1,439,944</u>
DEDUCTIONS		
Benefit payments	405,792	420,603
Administrative expenses	87,503	83,247
Total deductions	<u>493,295</u>	<u>503,850</u>
Change in net position	(807,557)	936,094
Net position restricted for pension benefits:		
Beginning of year	5,630,431	4,694,337
End of year	\$ <u><u>4,822,874</u></u>	\$ <u><u>5,630,431</u></u>

The accompanying notes are an integral part of these financial statements.

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Public Employees' Retirement Board (Retirement Board or Board) is the governing body of the Legislators' Retirement System of Nevada (System) with responsibility for administration and management. This autonomous, seven-member Retirement Board is appointed by the Governor of the State of Nevada.

The System has no relationship with another entity that meets the criteria for inclusion as a component unit and has not included any other entity as a component unit of its financial reporting entity.

The System is classified as a component unit of the State of Nevada for financial reporting purposes in accordance with the provisions of the Governmental Accounting Standards Board (GASB) because the Governor appoints the Retirement Board, and the State Legislature retains certain significant governing powers over the System.

Basis of Accounting

The accompanying financial statements of the System have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. The System has adopted the pronouncements of GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates

The preparation of financial statements in conformity with GAAP may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of additions and deductions during the reported period. Actual results could differ from these estimates.

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The System uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Contributions are recognized in the reporting period for which they are legally due, per Nevada Revised Statute (NRS). Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is legally made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include both operating cash on deposit with our commercial bank and cash on deposit with our custodial bank. Cash on deposit at our custodial bank includes investments in Invesco Treasury Portfolio Short-Term Investments Trust (STIT). STIT instruments are direct obligations of the U.S. Treasury and repurchase agreements backed by Treasury obligations. The Board of Invesco, in its discretion, may impose liquidity fees of up to 2% of the value of shares redeemed and or suspend redemptions.

Investments

Plan investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. U.S. treasuries are valued based on market observable data.

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Investment income is recognized as earned. Net appreciation or depreciation on plan investments is determined by calculating the change in fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value.

There are certain market risks, credit risks, foreign exchange currency risks, or event risks which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

Benefit Payments

Benefits are paid during the month they are due; therefore, no benefit payable is recorded each month or at year-end.

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Federal Income Tax

The System is a qualified pension plan under Section 401(a) of the Internal Revenue Code (IRC) and, as such, is required to withhold federal income tax from member and benefit recipient payments in accordance with the IRC. As a public entity, the System is not required to file a federal income tax return with the Internal Revenue Service.

Contributions Paid in Advance

The actuarially determined employer contributions cover a two-year period, one year when the Legislature is in session (odd numbered years) and the next year (even numbered years) when the Legislature is out of session. The State of Nevada pays the System the actuarially determined employer contribution during the year that the Legislature is in session, half of which applies to the following year. Plan member contributions of \$38,365 were received in fiscal year 2021, of which half were recorded as employee contributions in 2021 with the remainder recorded as employee contributions in 2022.

Administrative Expenses

Administrative expenses of the System are the responsibility of the State of Nevada and are reimbursed annually. The reimbursement is classified as other income.

Comparative Totals

The Statement of Changes in Fiduciary Net Position includes a partial presentation of prior year comparative financial information but not at the level of detail required for a presentation in conformity with the accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements as of and for the year ended June 30, 2021, from which the partial prior year comparative information was derived.

NOTE 2 – Plan Description

Organization

The System administers a single employer public employees' defined benefit retirement system established in 1967 by the Legislature to provide a reasonable base income to Legislators at retirement. The System was established by and functions in accordance with laws enacted by the Legislature. It is administered by the Retirement Board. As described in Note 1, the System is considered a component unit of the State of Nevada financial reporting entity and is included in the State's financial statements as a pension trust fund.

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NOTES TO FINANCIAL STATEMENTS

Membership

At June 30, 2022, the System membership consisted of:

Active members	25
Inactive vested members	10
Inactive non-vested members	39
Retired members	53
Survivors and beneficiaries	16
Total	<u>143</u>

Benefits

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefit payments to which participants may be entitled under the plan include pension benefits and survivor benefits. The monthly benefit amount is \$25 for each year of service up to thirty years.

Vesting

If a Legislator is newly elected after July 1, 1985, they must have at least 10 years of service, be age 60, and no longer be a Legislator in order to retire without benefit reduction. If a Legislator is no longer serving and has at least 10 years of service but is under the age of 60, they can elect to wait to receive their benefit until the age of 60 or begin receiving a reduced benefit prior to the age of 60. The minimum requirement for an unreduced benefit for a Legislator elected prior to July 1, 1985, is 8 years of accredited service at age 60.

Contributions

Plan member contribution of 15% of compensation is paid by the plan member only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the plan member contributions were matched by the employer. Currently, the Legislators' Retirement Act includes Nevada Revised Statute (NRS) 218C.390(2) which states "the Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated \$165,692 for fiscal years 2021 and 2022, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative Fund during fiscal year 2021, of which

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\$82,846 (half) was recognized as employer contributions in fiscal year 2021, and the other half was recognized as employer contributions in fiscal year 2022. Additionally, plan member contributions of \$38,365 were received in fiscal year 2021, of which \$19,182 was recognized as plan member contributions in fiscal year 2021, and the remaining \$19,182 was recognized as plan member contributions in fiscal year 2022.

Termination

Upon termination or partial termination of the System, all accrued benefits that are funded become 100% vested and non-forfeitable.

NOTE 3 – Contributions Required and Contributions Made

The System's basic funding policy provides for contributions by the State based on a biennial actuarial valuation prepared per NRS 218C.390(2). The Actuarially Determined Contribution (ADC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

Beginning July 1, 2014, actuarial valuations are done annually. The most recent actuarial valuation is as of June 30, 2022. The next actuarial valuation will be as of June 30, 2023.

Effective with the January 1, 2009, valuation, the UAAL is amortized as a level dollar amount over a declining amortization period of 20 years. Any increases or decreases in the UAAL that arise in future years will be amortized over separate 20-year periods. In addition, the Actuarial Value of Assets (AVA) was limited to not less than 75% or greater than 125% of market value.

The actuarial funding method used is the Entry Age Normal Cost Method.

NOTE 4 – Deposit and Investment Disclosures

The investments of the System are governed primarily by the "prudent person" standard. The prudent person standard, as set forth by NRS 286.682, authorizes the Retirement Board to invest the System's funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account."

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Investment Policy

The System's policies* which determine the investment portfolio target asset allocation are established by the Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Board's adopted policy target asset allocation as of June 30, 2022.

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. stocks	50.5%
International stocks	21.5
U.S. bonds	28.0
Total	100.0%

*The System's current Investment Objectives and Policies may be found on the PERS website www.nvpers.org.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments was a negative 9.09% (net of fees). The money-weighted rate of return expresses investment performance net of pension plan investment expense, adjusted for changing amounts actually invested.

The majority of the System's investments are held by the Depository Trust Company (DTC) in DTC's nominee name, and trading is conducted through the DTC's book-entry system. The holder of record for the System is The Bank of New York Mellon.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of its depository financial institution, the System will not be able to recover its deposits.

At June 30, 2022, the carrying amount of the System's commercial cash deposits was \$5,516 and the commercial bank balance was \$11,269. The bank balance was fully insured by the Federal Deposit Insurance Corporation (FDIC). Amounts included on the accompanying statement of fiduciary net position also include \$27,226 (amortized cost) investment in Invesco Treasury Portfolio Short-Term Investments Trust. The commercial bank balance is, according to a depository pledge agreement between the System and the System's commercial bank collateralized at 102% of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC). These collateral securities are held by the System's agent in the System's name.

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The custodial cash balance at June 30, 2022 was \$0. Custodial cash is swept nightly from the custodial bank to an overnight short-term investment fund held outside the bank. Funds arriving at the bank after the overnight sweep deadline are part of the custodial bank cash reserve and are covered up to the FDIC limit, any amount in excess of this limit is subject to custodial credit risk.

The custodial bank also carries insurance covering destruction of cash or securities on or off premises with a limit of \$875,000,000 per occurrence.

Credit Risk - Investments

Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the System and *custodial credit risk for investments* is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

System policies provide protection from undue investment credit risk by requiring the following:

- Investments in direct obligations of the U.S. Treasury, including bills, notes, bonds, and repurchase agreements secured by those obligations.
- U.S. Treasury money market mutual funds must be SEC registered 2a-7 and AAA rated by at least two of Moody's, S&P, or Fitch and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.
- Short selling and the use of leverage are not permitted.

There is no credit risk assigned to U.S. Treasury securities as these are explicitly guaranteed by the U.S. Government. It is important to note, however, that the value of U.S. Treasury obligations fluctuate based on non-credit-related factors, such as interest rate movements, which could cause future price declines despite government backing.

Cash equivalents consist of \$27,226 investment in Invesco Treasury Portfolio Short-Term Investments Trust and are not rated. The System additionally holds \$1,404,440 in U.S. Treasury securities which are explicitly guaranteed by the U.S. Government.

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Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2022, the System's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio or fiduciary net position, excluding investments issued or explicitly guaranteed by the U.S. government and investments in commingled funds, including 20.57% in the Mellon MSCI World ex USA Index Fund.

The Public Employees' Retirement Board governs the System, Public Employees' Retirement System (PERS), and the Judicial Retirement System. As such, the investment policy requires no more than 30% of the combined assets of the System, PERS, and Judicial Retirement System shall be managed on a permanent basis by a single investment firm in index strategies. The combined assets of the System, PERS, and Judicial Retirement System shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or alternative investments) managed. Staff shall provide an annual report of combined assets to the Board consistent with this policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System mitigates interest rate risk through portfolio diversification. The System's investment policy permits investments only in bonds within the Bloomberg U.S. Treasury Index.

The segmented time distribution method is used to determine investment maturity time horizons. The following table shows the fair value of fixed income and short-term securities and the applicable investment maturities as of June 30, 2022.

INVESTMENT MATURITIES (in years)

Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Total
Short-term investments trust	\$ 27,226	\$ -	\$ -	\$ -	\$ 27,226
U.S. treasuries	-	868,550	256,273	279,617	1,404,440
Total	<u>\$ 27,226</u>	<u>\$ 868,550</u>	<u>\$ 256,273</u>	<u>\$ 279,617</u>	<u>\$ 1,431,666</u>

The above table does not include commercial cash deposits of \$5,516.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The System had no exposure to foreign currency risk as of June 30, 2022.

Derivative instruments

The System had no derivative instruments during the current year.

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NOTE 5 – Fair Value

The System holds investments that are measured at fair value on a recurring basis. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Investments measured and reported at fair value using Level inputs are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include U.S. Treasuries and listed stocks.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable.

The following table presents fair value measurements as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. treasuries	\$ 1,404,440	\$ -	\$ -	\$ 1,404,440
Stocks	<u>2,392,777</u>	<u>-</u>	<u>-</u>	<u>2,392,777</u>
Total investments by fair value level	\$ <u>3,797,217</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,797,217</u>
Commingled fund measured at the NAV	<u>992,131</u>			
Total investments measured at fair value	<u><u>4,789,348</u></u>			

Stocks and bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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The following table presents investments measured at the NAV as of June 30, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled fund*	\$ 992,131	-	Daily	Trade date minus two business days
Total	<u>\$ 992,131</u>	<u>-</u>		

*Commingled fund. This type includes investment in a commingled fund that invests primarily in stocks found in the MSCI World ex USA Index. The fair values of the investments in this type have been determined using the NAV per share of the fund.

NOTE 6 – Net Pension Liability

The components of the net pension liability of the System at June 30, 2022, were as follows:

Total pension liability	\$ 5,070,684
Plan fiduciary net position	<u>4,822,874</u>
Net pension liability	<u>\$ 247,810</u>
 Plan fiduciary net position as a percentage of the total pension liability	 95.1%

Actuarial assumptions

The total pension liability was determined as part of the GASB Statement No. 67 actuarial valuation as of June 30, 2022. It is important to note that GASB standards only redefine pension liability for financial reporting purposes. The System's funding requirements are determined based on funding policies established by the Retirement Board.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020.

The following assumptions were applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	2.5%
Investment rate of return	7.25%, including inflation

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NOTES TO FINANCIAL STATEMENTS

Mortality Rates

Post-Retirement

Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (Separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.

The above listed mortality tables only provide rates for ages 50 and older. To develop mortality rates for ages 40 through 50, we have smoothed the difference between the rates at age 40 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 50 from the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables. To develop the mortality rates before age 40, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to the System, we believe this is a reasonable method for developing annuitant mortality rates at earlier ages.

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA

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NOTES TO FINANCIAL STATEMENTS

<i>Current Beneficiaries in Pay Status</i>	<p data-bbox="836 302 1429 520">Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.</p> <p data-bbox="836 562 1429 1438">The above listed mortality table only provides rates for ages 45 and older. To develop mortality rates for ages 35 through 45, we have smoothed the difference between the rates at age 35 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 45 from the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables. To develop the mortality rates before age 35, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to the System, we believe this is a reasonable method for developing annuitant mortality rates at earlier ages.</p>
<i>Contingent-Beneficiaries</i>	<p data-bbox="836 1476 1429 1694">Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.</p> <p data-bbox="836 1696 1429 1837">The above listed mortality tables only provide rates for ages 50 and older. To develop mortality rates for ages 40 through 50, we have smoothed the difference</p>

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NOTES TO FINANCIAL STATEMENTS

between the rates at age 40 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 50 from the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables. To develop the mortality rates before age 40, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to the System, we believe this is reasonable method for developing annuitant mortality rates at earlier ages.

No pre-retirement mortality is assumed.

For the mortality table applicable to contingent beneficiaries, "Approach 1" from the Society of Actuaries "Pub-2010 Public Retirement Plans Mortality Tables Report" (as noted on page 61 of that report) was utilized. In particular, the mortality basis for contingent beneficiaries has been assumed to be the same mortality basis as the Post-Retirement table listed above (except using rates applicable to the beneficiary's gender) for both when the primary retiree is alive and is no longer alive.

The Pub-2010 Amount -Weighted Mortality Tables reasonably reflect the projected mortality experience of the Plan as of the measurement date. The generational projection is a provision made for future mortality.

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NOTES TO FINANCIAL STATEMENTS

The Retirement Board evaluates and establishes expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these capital market expectations annually. The System's current long-term expected real rates of return for each asset class included in the fund's investment portfolio as of June 30, 2022, are included in the following table:

<u>Asset Class</u>	<u>Long-Term Geometric Expected Real Rate of Return</u>
U.S. stock	5.50%
International stock	5.50
U.S. bonds	0.75

The total portfolio compound return is greater than the weighted sum of the asset class compound returns due to diversification.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022, was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower at 6.25% or 1-percentage-point higher at 8.25% than the current rate:

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate	8.25%
	7.25%		
Net pension liability/(asset)	\$ 706,264	\$ 247,810	\$ (143,217)

NOTE 7 – Risk Management

The System is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees and others; and court challenges to fiduciary decisions. To cover these risks, the Public Employees' Retirement System Administration Fund maintains commercial building and contents insurance, vehicle liability and collision/comprehensive insurance, general liability insurance, worker's compensation insurance, and employee fidelity bonds. For coverage included within the State of Nevada's policies (all but building/contents insurance), the System pays its premium directly to the State. The System's building/contents insurance is placed with a private insurance company. There have never been any insurance settlements which exceeded insurance coverage.

NOTE 8 – Litigation

The System is currently not involved in any litigation.

Required Supplementary Information

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA
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REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS**

For the Years Ended June 30,
(in thousands)
(Page 1 of 5)

	2022
Total pension liability	
Service cost	\$ 31.9
Interest	346.5
Change of benefit terms	-
Difference between expected and actual experience	147.0
Change of assumptions	-
Benefit payments, including refunds	(405.8)
Net change in total pension liability	<u>119.6</u>
Total pension liability-beginning	<u>4,951.1</u>
Total pension liability-ending (a)	<u><u>\$ 5,070.7</u></u>
Plan fiduciary net position	
Contributions-employer	\$ 82.8
Contributions-plan member	19.2
Net investment income	(503.7)
Benefit payments, including refunds	(405.8)
Administration expenses	(87.5)
Other	87.5
Net change in plan fiduciary net position	<u>(807.5)</u>
Plan fiduciary net position-beginning	<u>5,630.4</u>
Plan fiduciary net position-ending (b)	<u><u>\$ 4,822.9</u></u>
Net pension liability/(asset)-ending (a) - (b)	<u><u>\$ 247.8</u></u>
Plan fiduciary net position	
as a percentage of total pension liability	95.11%
Covered payroll * (p.27)	N/A
Net pension liability/(asset)	
as a percentage of covered payroll	N/A

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA
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**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS**

For the Years Ended June 30,
(in thousands)
(Page 2 of 5)

	<u>2021</u>	<u>2020</u>
Total pension liability		
Service cost	\$ 31.7	\$ 33.6
Interest	349.7	348.7
Change of benefit terms	-	-
Difference between expected and actual experience	(119.5)	56.2
Change of assumptions	268.3	-
Benefit payments, including refunds	<u>(420.6)</u>	<u>(426.9)</u>
Net change in total pension liability	109.6	11.6
Total pension liability-beginning	<u>4,841.5</u>	<u>4,829.9</u>
Total pension liability-ending (a)	\$ <u><u>4,951.1</u></u>	\$ <u><u>4,841.5</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 82.8	\$ 97.9
Contributions-plan member	19.2	24.7
Net investment income	1,253.7	294.6
Benefit payments, including refunds	(420.6)	(426.9)
Administration expenses	(83.2)	(80.0)
Other	<u>84.2</u>	<u>80.8</u>
Net change in plan fiduciary net position	936.1	(8.9)
Plan fiduciary net position-beginning	<u>4,694.3</u>	<u>4,703.2</u>
Plan fiduciary net position-ending (b)	\$ <u><u>5,630.4</u></u>	\$ <u><u>4,694.3</u></u>
Net pension liability/(asset)-ending (a) - (b)	\$ <u><u>(679.3)</u></u>	\$ <u><u>147.2</u></u>
Plan fiduciary net position as a percentage of total pension liability	113.72%	96.96%
Covered payroll *	N/A	N/A
Net pension liability/(asset) as a percentage of covered payroll	N/A	N/A

*Employer contributions to the System are not determined based on legislator stipends. Therefore, covered payroll does not apply.

Note: Complete data for this schedule is not available prior to 2014.

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**SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS**

For the Years Ended June 30,
(in thousands)
(Page 3 of 5)

	2019	2018
Total pension liability		
Service cost	\$ 28.9	\$ 29.5
Interest	372.0	373.1
Change of benefit terms	-	-
Difference between expected and actual experience	(266.2)	47.4
Change of assumptions	-	-
Benefit payments, including refunds	(470.2)	(459.9)
Net change in total pension liability	(335.5)	(9.9)
Total pension liability-beginning	<u>5,165.4</u>	<u>5,175.3</u>
Total pension liability-ending (a)	\$ <u><u>4,829.9</u></u>	\$ <u><u>5,165.4</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 97.9	\$ 104.8
Contributions-plan member	24.7	20.3
Net investment income	342.0	397.0
Benefit payments, including refunds	(470.2)	(459.9)
Administration expenses	(75.3)	(72.0)
Other	76.3	72.9
Net change in plan fiduciary net position	(4.6)	63.1
Plan fiduciary net position-beginning	<u>4,707.8</u>	<u>4,644.7</u>
Plan fiduciary net position-ending (b)	\$ <u><u>4,703.2</u></u>	\$ <u><u>4,707.8</u></u>
Net pension liability/(asset)-ending (a) - (b)	\$ <u><u>126.7</u></u>	\$ <u><u>457.6</u></u>
Plan fiduciary net position as a percentage of total pension liability	97.38%	91.14%
Covered payroll *	N/A	N/A
Net pension liability/(asset) as a percentage of covered payroll	N/A	N/A

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SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS

For the Years Ended June 30,
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	<u>2017</u>	<u>2016</u>
Total pension liability		
Service cost	\$ 29.1	\$ 30.9
Interest	398.0	413.5
Change of benefit terms	-	-
Difference between expected and actual experience	(81.9)	(144.6)
Change of assumptions	124.8	-
Benefit payments, including refunds	<u>(481.6)</u>	<u>(502.5)</u>
Net change in total pension liability	(11.6)	(202.7)
Total pension liability-beginning	<u>5,186.9</u>	<u>5,389.6</u>
Total pension liability-ending (a)	\$ <u><u>5,175.3</u></u>	\$ <u><u>5,186.9</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 104.8	\$ 155.9
Contributions-plan member	20.3	22.8
Net investment income	526.1	62.1
Benefit payments, including refunds	(481.6)	(502.5)
Administration expenses	(67.9)	(64.9)
Other	<u>68.9</u>	<u>65.9</u>
Net change in plan fiduciary net position	170.6	(260.7)
Plan fiduciary net position-beginning	<u>4,474.1</u>	<u>4,734.8</u>
Plan fiduciary net position-ending (b)	\$ <u><u>4,644.7</u></u>	\$ <u><u>4,474.1</u></u>
Net pension liability/(asset)-ending (a) - (b)	\$ <u><u>530.6</u></u>	\$ <u><u>712.8</u></u>
Plan fiduciary net position		
as a percentage of total pension liability	89.75%	86.26%
Covered payroll *	N/A	N/A
Net pension liability/(asset)		
as a percentage of covered payroll	N/A	N/A

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA
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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS

For the Years Ended June 30,
(in thousands)
(Page 5 of 5)

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 38.5	\$ 37.2
Interest	425.7	428.0
Change of benefit terms	-	-
Difference between expected and actual experience	(108.7)	-
Change of assumptions	-	-
Benefit payments, including refunds	(497.3)	(493.7)
Net change in total pension liability	(141.8)	(28.5)
Total pension liability-beginning	<u>5,531.4</u>	<u>5,559.9</u>
Total pension liability-ending (a)	\$ <u><u>5,389.6</u></u>	\$ <u><u>5,531.4</u></u>
Plan fiduciary net position		
Contributions-employer	\$ 155.9	\$ 213.3
Contributions-plan member	22.8	26.8
Net investment income	179.4	804.2
Benefit payments, including refunds	(497.3)	(493.8)
Administration expenses	(84.7)	(46.0)
Other	85.7	45.8
Net change in plan fiduciary net position	(138.2)	550.3
Plan fiduciary net position-beginning	<u>4,873.0</u>	<u>4,322.7</u>
Plan fiduciary net position-ending (b)	\$ <u><u>4,734.8</u></u>	\$ <u><u>4,873.0</u></u>
Net pension liability/(asset)-ending (a) - (b)	\$ <u><u>654.8</u></u>	\$ <u><u>658.4</u></u>
Plan fiduciary net position		
as a percentage of total pension liability	87.90%	88.10%
Covered payroll *	N/A	N/A
Net pension liability/(asset)		
as a percentage of covered payroll	N/A	N/A

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

2013 to 2022

Year Ended	Actuarially Determined Contribution*	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll**	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 213,351	\$ 213,351	\$ -	N/A	N/A
6/30/2014	213,351	213,351	-	N/A	N/A
6/30/2015	155,855	155,855	-	N/A	N/A
6/30/2016	122,297	155,855	(33,558)	N/A	N/A
6/30/2017	104,834	104,834	-	N/A	N/A
6/30/2018	99,935	104,834	(4,899)	N/A	N/A
6/30/2019	97,935	97,935	-	N/A	N/A
6/30/2020	78,467	97,935	(19,468)	N/A	N/A
6/30/2021	82,846	82,846	-	N/A	N/A
6/30/2022	80,287	82,846	(2,559)	N/A	N/A

*Employer portion only.

**Employer contributions to the System are not determined based on legislator stipends. Therefore, covered payroll does not apply.

Information provided by Segal, the System's actuary.

SCHEDULE OF INVESTMENT RETURNS

2013 to 2022

For Year Ended June 30	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2013	12.68 %
2014	18.50
2015	3.74
2016	1.33
2017	12.14
2018	8.71
2019	7.56
2020	6.37
2021	27.76
2022	(9.09)

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Methods and Assumptions Used to Establish Actuarially Determined Contribution Rates

Valuation date:	Actuarially determined contribution rates are calculated in annual actuarial valuations as of June 30.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. For plan funding purposes, entry age is the member's age at the time he/she commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and allocated by service, with Normal Cost determined based on the plan provisions and benefit accrual rate applicable to that individual.
Amortization Method:	The Unfunded Actuarial Accrued Liability (UAAL) is amortized over a year-by-year closed amortization period as a level dollar amount.
Remaining Amortization Method:	The UAAL is amortized over a declining amortization period of 20 years beginning January 1, 2009. Any increases or decreases in the unfunded actuarial accrued liability that arise in future years due to actuarial gains or losses, change of actuarial assumptions, or change of plan provisions will be amortized over separate 20-year periods.
Asset Valuation Method:	The actuarial value of assets is equal to the prior year's actuarial value of assets plus contributions and net transfers, less benefit payments and expenses, plus expected investment return and 20% of each of the previous five years' gains/(losses) due to investment return greater/(less) than expected. The actuarial value of assets is further limited to not less than 75% or greater than 125% of the market value of assets.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Actuarial Assumptions:

Assumed Inflation Rate:

FY13-FY16:	3.5% per annum
FY17-FY20:	2.75% per annum
FY 21-FY22:	2.5% per annum

Projected Salary Increases:

FY13:	None
FY14-FY16:	3.5%
FY17-FY20:	2.75%
FY21-FY22:	2.5%

Investment Rate of Return:

FY13-FY16:	8.0%
FY17-FY20:	7.5%
FY21-FY22:	7.25%

Retirement Age: Varies based on years of service

Mortality Rates:

FY13:	
Healthy:	RP-2000 Combined Healthy Mortality Table, set forward one year for females (no age set forward for males)
Disabled:	RP-2000 Disabled Retiree Mortality Table, set back three years for males and set forward eight years for females

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

FY14-FY16:

Healthy:

RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males)

The RP-2000 Combined Healthy Mortality Table, set back one year for females (no age setback for males), reasonably reflects the projected mortality experience of the Plan as of the measurement date. The additional projection of 13 years is a provision made for future mortality improvement.

FY17-FY20:

Headcount-Weighted RP-2014 Healthy Annuitant Table, projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries.

For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for members at age 50 to the mortality rate at age 50 from the Employee mortality tables listed above. The mortality rates are then projected to 2020 with Scale MP-2016.

The RP-2014 Headcount – Weighted Mortality Tables, set forward one year for spouses and beneficiaries, reasonably reflect the projected mortality experience of the Plan as of the measurement date. The additional projection of 6 years is a provision made for the future mortality improvement.

No pre-retirement mortality is assumed.

LEGISLATORS' RETIREMENT SYSTEM OF NEVADA
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

FY21-FY22:

Post-Retirement

Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (Separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.

The above listed mortality tables only provide rates for ages 50 and older. To develop mortality rates for ages 40 through 50, we have smoothed the difference between the rates at age 40 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 50 from the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables. To develop the mortality rates before age 40, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to the PERS, we believe this is a reasonable method for developing annuitant mortality rates at earlier ages.

Current Beneficiaries in Pay Status

Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

To develop mortality rates for ages 35 through 45, we have smoothed the difference between the rates at age 35 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 45 from the Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables. To develop the mortality rates before age 35, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to PERS, we believe this is a reasonable method for developing annuitant mortality rates at earlier ages.

Contingent Beneficiaries

Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2020.

To develop mortality rates for ages 40 through 50, we have smoothed the difference between the rates at age 40 from the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables and the rates at age 50 from the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables.

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2022 ANNUAL FINANCIAL REPORT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

To develop the mortality rates before age 40, we have used the Pub-2010 General Employee Amount-Weighted Above-Median Mortality Tables rates. This methodology for developing an extended annuitant mortality table is similar to the method used by the IRS to develop the base mortality table for determining minimum funding standards for single-employer defined benefit pension plans under Internal Revenue Code Section 430. While Section 430 is not applicable to the System, we believe this is reasonable method for developing annuitant mortality rates at earlier ages.

No pre-retirement mortality is assumed.

For the mortality table applicable to contingent beneficiaries, "Approach 1" from the Society of Actuaries "Pub-2010 Public Retirement Plans Mortality Tables Report" (as noted on page 61 of that report) was utilized. In particular, the mortality basis for contingent beneficiaries has been assumed to be the same mortality basis as the Post-Retirement table listed above (except using rates applicable to the beneficiary's gender) for both when the primary retiree is alive and is no longer alive.

The Pub-2010 Amount -Weighted Mortality Tables reasonably reflect the projected mortality experience of the Plan as of the measurement date. The generational projection is a provision made for future mortality improvement.