ANNUAL FINANCIAL REPORT
of the
LEGISLATORS' RETIREMENT SYSTEM
OF NEVADA

(a Component Unit of the State of Nevada)

For the Fiscal Year Ended
June 30, 2015

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.claconnect.com

Independent Auditors' Report

Public Employees' Retirement Board
Of the State of Nevada
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the Legislators' Retirement System of Nevada (the System) a component unit of the State of Nevada, which comprise the statement of fiduciary net position as of June 30, 2015, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2014, from which such partial information was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer contributions and investment returns and related notes, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 supplementary 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the System's basic financial statements. The schedule of funding progress, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 4, 2015

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 fiscal year ended June 30, 2015. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, while also showing three-year trends. 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. Prior to fiscal year 2015, the actuarial valuation for the System was done on a biennial basis. Beginning in 2015 an actuarial valuation will be done annually.

Financial Highlights

As of June 30,

	2015	**2014**	**2013**
Total investments	$ 4,847,182	$ 4,865,768	$ 4,508,208
Net investment gain	179,366	804,200	505,903
Contributions	178,709	240,123	240,122
Benefit payments	497,304	493,771	504,831
Administrative expenses	84,654	46,046	80,614
Plan fiduciary net position	$ 4,734,814	$ 4,873,000	$ 4,322,723
Actuarial funded ratio	83.5 %	77.5	N/A %

Total pension liability as of June 30, 2015, was $5,389,639.

Plan fiduciary net position as a percentage of total pension liability was 87.9%.

The actuarial funded ratio is from the actuarial valuation. Prior to 2015 the actuarial valuation was done on a biennial basis; therefore, there was no actuarial valuation done as of June 30, 2013. Beginning this year actuarial valuations will be done annually.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Financial Statements

The basic financial statements consist of the statement of fiduciary net position, statement of changes in fiduciary net position, notes to financial statements, required supplementary information, notes to the required supplementary information, and other 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 pensions 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 employers' net pension liability and related ratios, employers' contributions, and the money-weighted rate of return on investments. The other supplementary information consists of the Schedule of Funding Progress provided by Segal Consulting, the System's actuary.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

The following are summary comparative statements of the System.

CONDENSED STATEMENTS OF FIDUCIARY NET POSITION

	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013	Percentage Increase/ (Decrease) from 2014 to 2015
Cash and cash equivalents	$ 65,098	$ 8,169	$ 50,637	696.9 %
Receivables	24,841	2,589	12,413	859.5
Investments, at fair value	4,847,182	4,865,768	4,508,208	(0.4)
Total assets	4,937,121	4,876,526	4,571,258	1.2
Accounts payable and accrued expenses	1,874	1,883	1,183	(0.5)
Pending trades payable	21,724	1,643	7,229	1222.2
Contributions paid in advance	178,709	-	240,123	-
Total liabilities	202,307	3,526	248,535	5637.6
Net position restricted for pensions	$ 4,734,814	$ 4,873,000	$ 4,322,723	(2.8) %

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended June 30,

	2015	2014	2013	Percentage Increase/ (Decrease) from 2014 to 2015
Contributions	$ 178,709	$ 240,123	$ 240,122	(25.6) %
Net investment gain	179,366	804,200	505,903	(77.7)
Other income	85,697	45,771	81,376	87.2
Total additions	443,772	1,090,094	827,401	(59.3)
Benefit payments	497,304	493,771	504,831	0.7
Administrative expenses	84,654	46,046	80,614	83.8
Total deductions	581,958	539,817	585,445	7.8
Change in net position	(138,186)	550,277	241,956	(125.1)
Net position, beginning of year	4,873,000	4,322,723	4,080,767	12.7
Net position, end of year	$ 4,734,814	$ 4,873,000	$ 4,322,723	(2.8) %

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. As a result, each odd fiscal year will show contributions paid in advance.

In 2015 the System experienced an investment gain of $179,366 compared to $804,200 in 2014. The System generated a 3.4% return for fiscal year 2015 compared to an 18.3% return for fiscal year 2014. Since inception (1990) the System has generated an annualized return (gross of fees) of 8.41%.

Contributions decreased between 2014 and 2015 by 25.6%. This was primarily due to the decrease in the amount the Legislature appropriated in fiscal year 2015. Both the employer normal cost as well as the amortization payment for the unfunded liability decreased in fiscal year 2015, resulting in a $57.4 thousand decrease in the employer contribution amount.

Inactive, non-vested Legislators are eligible to receive a refund of employee contributions made during their employment. The amounts paid out for these refunds are unpredictable from year to year. There were no refunds in 2014 or 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other income (and corresponding administrative expenses) increased from 2014 to 2015 due to a biennial actuarial valuation, which is prepared each odd year. The preparation of and payment for actuarial valuations occurred every second year; therefore, there is a fairly large swing in administrative expenses from year to year. Beginning this year actuarial valuations will be done annually. This should stabilize annual administrative expenses.

The above factors influenced a decrease in the net position between 2014 and 2015 of $138,186 or 2.8%.

Actuarial Valuation

Actuarial valuations are now performed on an annual basis. A valuation was performed as of June 30, 2015, with the next valuation as of June 30, 2016.

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015
(With Comparative Totals for June 30, 2014)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 65,098	$ 8,169
Receivables:		
Pending trades receivable	15,086	-
Accrued investment income	9,755	2,589
Total receivables	24,841	2,589
Investments, at fair value:		
Fixed income securities	1,369,342	1,359,077
Marketable equity securities	3,362,231	3,406,573
International securities	115,609	100,118
Total investments	4,847,182	4,865,768
Total plan assets	4,937,121	4,876,526
LIABILITIES		
Accounts payable and accrued expenses	1,874	1,883
Pending trades payable	21,724	1,643
Contributions paid in advance	178,709	-
Total plan liabilities	202,307	3,526
NET POSITION		
Net position restricted for pensions and other purposes	$ 4,734,814	$ 4,873,000

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
ADDITIONS		
Contributions:		
Employer	$ 155,855	$ 213,351
Plan members	22,854	26,772
Total contributions	178,709	240,123
Investment Income:		
Net appreciation in fair value of investments	124,110	754,125
Interest	5,495	3,249
Dividends	50,857	50,434
	180,462	807,808
Less investment fees and other expenses	1,096	3,608
Net investment gain	179,366	804,200
Other income	85,697	45,771
Total additions	443,772	1,090,094
DEDUCTIONS		
Benefit payments	497,304	493,771
Administrative expenses	84,654	46,046
Total deductions	581,958	539,817
Change in net position	(138,186)	550,277
Net position restricted for pensions:		
Beginning of year	4,873,000	4,322,723
End of year	$ 4,734,814	$ 4,873,000

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

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

The System has developed criteria in accordance with standards issued by the Governmental Accounting Standards Board (GASB) to determine whether other state agencies, boards, and commissions, which benefit the members of the System, should be included within its financial reporting entity as component units. A component unit is defined as a legally separate organization for which officials of the System are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete.

In accordance with GASB, the following criteria are used when evaluating financial accountability: The ability of the System to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the System. In addition, the System may be financially accountable if an organization is fiscally dependent on the System regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The System has no relationship with another entity that meets the above criteria 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 GASB because 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.

NOTES TO FINANCIAL STATEMENTS

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. Per statute, employee and employer contributions are recognized in the reporting period for which they are due. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Unfunded portions of 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 custodian bank. Cash on deposit at our custody bank includes investments in Invesco Treasury Portfolio Short-Term Investments Trust (STIT). These funds invest in short-term, high credit quality money market instruments. STIT instruments are direct obligations of the U.S. Treasury and repurchase agreements backed by Treasury obligations.

Investments

Investments are reported at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. The fair values of investments in securities are generally based on published market prices and quotations from major investment firms. Many factors are considered in arriving at fair value. In general, however, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

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.

Benefits Payable

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

Federal Income Tax

The System is a qualified pension plan under Section 401a of the Internal Revenue Code (IRC) and, as such, is required to withhold federal income tax from member and benefit recipient

NOTES TO FINANCIAL STATEMENTS

payments in accordance with 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. Employee contributions of $45,709 were received in fiscal year 2015, of which half were recorded as employee contributions in 2016.

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.

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2014, financial statements. Fiscal year 2014 data has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

The System accounts for securities using the "country of issue" methodology. Under this methodology, regardless of the manager's directive, if a manager invests funds and the underlying country of issue for the security is not the United States, then the security is classified as international.

New Accounting Pronouncement

For the year ended June 30, 2014, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. This GASB replaces the requirements of GASB statements 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans.

In conjunction with GASB Statement No. 67, pension plan participating employers are required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (effective for fiscal years beginning after June 15, 2014) . This Statement establishes accounting and financial reporting requirements for contributing employers related to the recognition of pension expense and pension liabilities.

NOTES TO FINANCIAL STATEMENTS

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions.

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 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.

Membership

At June 30, 2015, the System's membership consisted of:

Active members	35
Inactive vested members	13
Inactive non-vested members	26
Retired members	59
Survivors and beneficiaries	19
Total	152

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.

NOTES TO FINANCIAL STATEMENTS

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

The employee contribution of 15% of compensation is paid by the employee only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985 the employee 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 $311,710 for fiscal years 2015 and 2016, 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 2015, of which $155,855 (half) was recognized as employer contributions in the fiscal year ended June 30, 2016, and the other half recognized as employer contributions in fiscal year 2015. Additionally, employee contributions of $45,709 were received in fiscal year 2015, of which $22,854 was recorded as employee contributions in the fiscal year ended June 30, 2015, and the remaining $22,854 recorded as employee contributions in fiscal year 2016.

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 Employers' Contribution (ADEC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

Beginning with the July 1, 2010, actuarial valuation, the biennial valuation was changed from a calendar year to a fiscal year to coincide with the System's year-end. Beginning July 1, 2014, actuarial valuations will be done annually. The most recent actuarial valuation is as of June 30, 2015. The next actuarial valuation will be as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

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." The System has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm.

Investment Policy

The System's policies which determine the investment portfolio target asset allocation are established by the 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, 2015.

Asset Class	Target Allocation
Domestic equity	49%
International equity	21
Domestic fixed income	30
Total	100%

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments was 3.74%. The money-weighted rate of return expresses investment performance adjusted for the 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.

NOTES TO FINANCIAL STATEMENTS

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, 2015, the carrying amount of the System's commercial cash deposits was $2,481 and the commercial bank balance was $5,911. The bank balance was fully insured by the Federal Deposit Insurance Corporation (FDIC).

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 (including securities of others held in custody) with a limit of $850,000,000.

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 c*ustodial 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 as follows:

- U.S. Treasury money market mutual funds must be SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard & Poor's, or Fitch and whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.

- Direct obligations of the U.S. Treasury, including bills, notes, bonds, and repurchase agreements secured by those obligations.

- Short selling and the use of leverage are not permitted.

NOTES TO FINANCIAL STATEMENTS

The following table shows the Standard and Poor's (S&P) credit quality ratings of the System's investments in fixed income securities as of June 30, 2015.

QUALITY RATING

Investment Type	AA	Not Rated	Total
Cash equivalents*	$ -	$ 62,617	$ 62,617
Treasuries	1,369,342	-	1,369,342
Total	$ 1,369,342	$ 62,617	$ 1,431,959

*Cash equivalents include $62,617 investment in Invesco Treasury Portfolio Short-Term Investments Trust.

The above table does not include commercial cash of $2,481.

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System mitigates concentration of credit risk as policy requires 100% of the fixed income portfolio be invested in U.S. Treasury securities. There is no credit risk assigned to U.S. Treasury securities as these are explicitly guaranteed by the U.S. Government.

Investment policy requires no more than 30% of the Legislators' Retirement System assets, when combined with Judicial Retirement System and Public Employees' Retirement System (PERS) assets, shall be managed on a permanent basis by a single investment firm in index strategies. The combined Legislators', PERS', and Judicial assets shall not permanently constitute more than 20% of any firm's assets within the asset class (equity, bonds, real estate, or alternative investments) managed.

No individual asset exceeded 5% of the total portfolio during the fiscal year.

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

NOTES TO FINANCIAL STATEMENTS

The actual years to maturity 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, 2015.

INVESTMENT MATURITIES
(in years)

Investment Type	Less than 1	1 to 5	6 to 10	More than 10	Total
Cash equivalents*	$ 62,617	$ -	$ -	$ -	$ 62,617
Treasuries	-	935,330	251,730	182,282	1,369,342
Total	$ 62,617	$ 935,330	$ 251,730	$ 182,282	$ 1,431,959

*Cash equivalents include $62,617 investment in Invesco Treasury Portfolio Short-Term Investments Trust.

The above table does not include commercial cash of $2,481.

The System had no exposure to foreign currency risk in U.S. dollars as of June 30, 2015.

The System had no derivative transactions during the current fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Net Pension Liability

The components of the net pension liability of the System at June 30, 2015, were as follows:

Total pension liability	$	5,389,639
Plan fiduciary net position		(4,734,814)
Net pension liability	$	654,825
Plan fiduciary net position as a percentage of the total pension liability		87.9%

Actuarial assumptions

The total pension liability was determined as part of the GASB Statement No. 67 actuarial valuation as of June 30, 2015. It is important to note that the new GASB rules only redefine pension liability for financial reporting purposes. The System continues to develop and adopt funding policies under current practices. When measuring the total pension liability, GASB uses the same actuarial cost method, all actuarial assumptions, and the same type of discount rate as the System uses for funding which can be found in the Notes to Required Supplementary Information.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2012.

The 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, 2015, are included in the following table:

Asset Class	**Long-Term Expected Real Rate of Return***
Domestic equity	5.50%
International equity	5.75
Domestic fixed income	0.25

*As of June 30, 2015, PERS' long-term inflation assumption is 3.5%.

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2015, was 8.0%. 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 pension plan'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.

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

The following presents the net pension liability using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	$ 1,110,823	$ 654,825	$ 263,264

NOTE 6 – 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 System 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.

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

2014 to 2015
(in thousands)

	2015	2014
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	5,531.4	5,559.9
Total pension liability-ending (a)	$ 5,389.6	$ 5,531.4
Plan fiduciary net position		
Contributions-employer	$ 155.9	$ 213.3
Contributions-employee	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	4,873.0	4,322.7
Plan fiduciary net position-ending (b)	$ 4,734.8	$ 4,873.0
Net pension liability-ending (a) - (b)	$ 654.8	$ 658.4
Plan fiduciary net position as a percentage of total pension liability	87.90%	88.10%
Covered employee payroll *	N/A	N/A
Net pension liability as a percentage of covered employee payroll	N/A	N/A

*Stipend legislators receive does not qualify as payroll for purposes of GASB 67/68.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

2006 to 2015
(in thousands)

Year Ended	Actuarially Determined Contribution**	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll***	Contributions as a Percentage of Covered Employee Payroll
12/31/2006	$ 206,187	$ 206,187	$ -	N/A	N/A
12/31/2007	185,383	185,383	-	N/A	N/A
12/31/2008	185,383	185,383		N/A	N/A
6/30/2009 *	200,866	200,866	-	N/A	N/A
6/30/2010	200,866	200,866	-	N/A	N/A
6/30/2011	182,093	182,093	-	N/A	N/A
6/30/2012	182,093	182,093	-	N/A	N/A
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

*Shown only for 6-month period ended June 30, 2009.
**Employer portion only.
***Stipend legislators receive does not qualify as payroll for purposes of GASB 67/68.

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

SCHEDULE OF INVESTMENT RETURNS

2006 to 2015

For Fiscal Year Ended June 30	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2006	8.21
2007	15.16
2008	(4.09)
2009	(18.07)
2010	14.27
2011	20.95
2012	2.16
2013	12.68
2014	18.50
2015	3.74

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

There were no changes in the benefit terms since the last valuation. Recent legislation made changes to a number of plan provisions. These changes are applicable only to members whose effective date of membership is on or after July 1, 2015, and therefore are not reflected in the June 30, 2015, valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2015. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

Actuarial cost method	Entry age normal
Amortization method	Year-by-year closed, level dollar amount with each amortization period set at 20 years
Asset valuation method	5-year smoothed market, limited to not less than 75% or greater than 125% of the market value of assets
Assumed inflation rate	3.5% per annum
Assumed investment rate of return	8.0% per annum, net of investment expenses, compounded annually
Mortality rates	RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males)
Salary increases	3.5%
Disability rates	Rates assumed to be zero for all ages
Retirement age for active members	Age 75
Benefit commencement age for inactive vested members	Age 60

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Non re-election rates

The assumed non re-election rates (termination rates) vary with years of service as shown below:

Years of Service	Rate (%)
0 – 1	0
1 – 2	30
2 – 3	0
3 – 4	22
4 – 5	0
5 – 6	22
6 – 7	0
7 – 8	18
8 – 9	0
9 – 10	18
10 – 11	0
11 – 12	18
13 & over, odd years	0
14 & over, even years	80

Once a member ceases employment, if he/she has enough service to qualify for a pension (generally ten years), they are assumed to begin receiving their pensions at age 60. If service is not sufficient to qualify for a pension, they are assumed to immediately receive their own accumulated contributions with no further benefit payable. Rates end at age 75.

Form of benefit election

All active and inactive vested members are assumed to elect a single life annuity at retirement.

Annual future salary for member contributions

$4,400 (projected with assumed salary increases of 3.50% per year)

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Post-retirement benefit increases	For members with an effective date of membership before January 1, 2010: The lesser of (a) 2.0% per year following the third anniversary of the commencement of benefits, 3.0% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4.0% per year following the twelfth anniversary and 5.0% per year following the fourteenth anniversary, or (b) The average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceding years. In any event, a member's benefit must be increased by the percentages in paragraph (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other Board approved index) for the period between retirement and the date of increase. For members with an effective date of membership on or after January 1, 2010: Same as above, except the increases in paragraph (a) do not exceed 4.0% per year. For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

There were no changes to the actuarial assumptions since the preceding valuation.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS*

2006 to 2015
(in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL
1/1/07	$ 5,884.3	$ 4,323.6	$ 1,560.7	73.5 %
1/1/09	5,955.4	4,229.4	1,726.0	71.0
7/1/10	5,608.2	4,134.0	1,474.2	73.7
6/30/12	5,577.8	3,806.2	1,771.6	68.2
6/30/14	5,550.2	4,303.0	1,247.2	77.5
6/30/15	5,394.0	4,505.0	889.0	83.5

*Provided by Segal Consulting, the System's actuary.

Prior to 2015 actuarial valuations were done on a biennial basis. Beginning this year actuarial valuations will be done annually.

In 2014 the System adopted GASB No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25,* for financial reporting. GASB Statement No. 67 affects the reporting of pension liability for accounting. The actuarial report for funding is separate from the GASB Statement No. 67 actuarial valuation.