ANNUAL FINANCIAL REPORT
of the
JUDICIAL RETIREMENT SYSTEM
OF NEVADA

(a Component Unit of the State of Nevada)

For the Fiscal Year Ended
June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Judicial Retirement System of Nevada (the System), a component unit of the State of Nevada as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals for the year ended June 30, 2009 which are included for additional analysis have been derived from the Judicial Retirement System of Nevada's 2009 financial statements and, in our report dated December 7, 2009, we expressed an unqualified opinion on such information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the System as of June 30, 2010 and the changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 and the Schedules of Funding Progress and Employer Contributions on page 22 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
December 6, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the financial performance of the Judicial Retirement System of Nevada (System) provides an overview of the System's financial activities for the year ended June 30, 2010. 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 was initially responsible for administering retirement benefits for State of Nevada Supreme Court justices and district judges. Beginning in 2005 the System also began administering retirement benefits for justices of the peace and municipal court judges of those municipalities who choose to participate in the System.

During fiscal year 2009 the decision was made to transition the actuarial valuation from a calendar year to a fiscal year measurement. The current valuation covers the period July 1, 2009 through June 30, 2010. See the actuarial valuation section at the end of MD&A for more information.

Financial Highlights

	As of June 30		
	2010	**2009**	**2008**
Total investments	$ 43,294,406	$ 36,062,985	$ 37,620,434
Net investment income (loss)	5,133,700	(6,953,650)	(1,710,883)
Transfers from PERS	429,264	3,791,831	2,209,065
Purchase of service	-	-	66,105
Benefit payments	$ 3,114,507	$ 2,750,378	$ 2,378,061
Administrative expenses	71,369	72,955	57,263
# of municipalities participating including the State of Nevada	11	11	9
Net assets	44,458,167	36,673,831	37,858,905
Percentage funded *	58.8 %	59.2 %	64.6 %

* The 2008 and 2009 percentage funded as of January 1, 2008, and January 1, 2009, calendar year actuarial valuations. The 2010 percentage funded as of the July 1, 2010, fiscal year actuarial valuation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Financial Statements

The basic financial statements consist of the statement of fiduciary net assets, statement of changes in fiduciary net assets, notes to the financial statements, and required supplementary information.

The statement of fiduciary net assets includes all of the System's pension trust fund assets, liabilities, and the net assets available at the end of the fiscal year. The statement of changes in fiduciary net assets reports additions to and deductions from the pension trust fund during the fiscal year presented. Over time, the increase or decrease in net assets held in trust 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 of funding progress as well as employer contributions to the System.

Financial Analysis

The following are summary comparative statements of the System.

CONDENSED STATEMENTS OF FIDUCIARY NET ASSETS

	As of June 30, 2010	As of June 30, 2009	As of June 30, 2008	Percentage Increase/ (Decrease) from 2009 to 2010
Cash and cash equivalents	$ 382,874	$ 335,993	$ 78,548	14.0 %
Receivables	807,219	388,018	233,624	108.0
Investments, at fair value	43,294,406	36,062,985	37,620,434	20.1
Total assets	44,484,499	36,786,996	37,932,606	20.9
Accounts payable and accrued expenses	16,219	16,871	12,054	(3.9)
Pending trades payable	10,113	96,294	61,647	(89.5)
Total liabilities	26,332	113,165	73,701	(76.7)
Net assets held in trust for pension benefits	$ 44,458,167	$ 36,673,831	$ 37,858,905	21.2 %

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

For the Years Ended June 30,

	2010	2009	2008	Percentage Increase/ (Decrease) from 2009 to 2010
Contributions	$ 5,836,481	$ 8,591,778	$ 6,586,720	(32.1) %
Net investment income (loss)	5,133,700	(6,953,650)	(1,710,883)	173.8
Other income	31	131	749	(76.3)
Total additions	10,970,212	1,638,259	4,876,586	569.6
Benefit payments	3,114,507	2,750,378	2,378,061	13.2
Administrative expenses	71,369	72,955	57,263	(2.2)
Total deductions	3,185,876	2,823,333	2,435,324	12.8
Increase (decrease) in net assets	7,784,336	(1,185,074)	2,441,262	756.9
Net assets, beginning of year	36,673,831	37,858,905	35,417,643	(3.1)
Net assets, end of year	$ 44,458,167	$ 36,673,831	$ 37,858,905	21.2 %

Total receivables increased between 2009 and 2010 by $419,201, due mainly to outstanding transfers from the Public Employees' Retirement System of Nevada (PERS) into the System. The actual cash transfer of $429,264 occurred in August 2010, after the fiscal year end. The associated contributions decreased between 2009 and 2010 by $3.4 million as only two judges transferred during fiscal year 2010 as compared to ten in fiscal year 2009.

During 2010 the System began the recovery from the investment losses of the prior two years and had investment income of $5.1 million. The System experienced an investment loss of $7.0 million in 2009. This was caused by the continuing weakened economy and severe credit market crisis resulting in a negative return of 17.4% (gross of fees) for the year. The System generated returns for 2010 of 13.4%, outperforming its actuarial goal of 8.0%.

The above factors influenced an increase in the net assets held in trust for pension benefits between 2009 and 2010 of $7.8 million or 21.2%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Actuarial Valuation

In prior years the Judicial Retirement System has been valued on an annual basis by the independent actuary using a calendar year measurement. The financial audits and financial statements are prepared each year on a fiscal year basis.

During fiscal year 2009 the Retirement Board voted to transition the actuarial valuation to a fiscal year measurement to promote consistency with the financial statements. An actuarial valuation was prepared for the period January 1 through June 30, 2009. The current actuarial valuation was prepared for the 12-month period ending June 30, 2010, and subsequent valuations will be done on a fiscal year basis.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010
(With Comparative Totals for June 30, 2009)

	2010	2009
ASSETS		
Cash and cash equivalents	$ 382,874	$ 335,993
Receivables:		
Contributions receivable	723,032	277,888
Pending trades receivable	14,784	52,149
Accrued investment income	69,403	57,981
Total receivables	807,219	388,018
Investments, at fair value:		
Fixed income securities	14,271,162	11,159,659
Marketable equity securities	26,392,672	23,043,821
International securities	2,630,572	1,859,505
Total investments	43,294,406	36,062,985
Total plan assets	44,484,499	36,786,996
LIABILITIES		
Accounts payable and accrued expenses	16,219	16,871
Pending trades payable	10,113	96,294
Total plan liabilities	26,332	113,165
Net assets held in trust for pension benefits	$ 44,458,167	$ 36,673,831

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	2010	2009
ADDITIONS		
Contributions:		
Employer	$ 5,407,217	$ 4,799,947
Transfers from Public Employees' Retirement System of Nevada	429,264	3,791,831
Repayment and purchase of service	-	-
Total contributions	5,836,481	8,591,778
Investment Income:		
Net appreciation (depreciation) in fair value of investments	4,590,852	(7,429,261)
Interest	70,616	52,296
Dividends	482,580	433,147
	5,144,048	(6,943,818)
Less investment fees and other expenses	10,348	9,832
Net investment income (loss)	5,133,700	(6,953,650)
Other income	31	131
Total additions	10,970,212	1,638,259
DEDUCTIONS		
Benefit payments	3,114,507	2,750,378
Administrative expenses	71,369	72,955
Total deductions	3,185,876	2,823,333
Increase (decrease) in net assets	7,784,336	(1,185,074)
Net assets held in trust for pension benefits:		
Beginning of year	36,673,831	37,858,905
End of year	$ 44,458,167	$ 36,673,831

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 Retirement Board is the governing body of the 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 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 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, 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.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents (other short-term investments) include cash on deposit and highly liquid financial instruments with original maturities of one year or less.

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.

There is no concentration of investments in securities of a single organization that represent 5% or more of the plan's net assets.

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 of 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 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.

Administrative Expenses

Administrative expenses of the System are the responsibility of the participating employers as a component of the System's contribution rate.

NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2009, financial statements. Investments have been restated for comparability with fiscal year 2010. Fiscal year 2009 data has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

In fiscal year 2009 and prior, the System accounted for domestic and international securities using the "manager directive" methodology. Under this methodology, securities purchased by each investment manager would be classified according to their directive. For example, if a manager's directive is to invest funds within U.S. markets, all securities are classified as domestic, including those that are purchased in foreign markets. Beginning in fiscal year 2010, PERS began accounting 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 would be classified as international.

NOTE 2 – Plan Description

Organization

The System administers an agent multiple-employer public employees' defined benefit retirement system established in July 2001 by the Nevada Legislature to provide a reasonable base income to justices of the Supreme Court and district judges at retirement. In 2005 the Nevada Legislature amended the retirement statutes to allow municipal court judges and justices of the peace to participate in the System, upon the election of the local government employing the municipal court judges and justices of the peace. As of July 1, 2010, ten municipalities in Nevada had elected to participate in the System along with the State of Nevada. The System was established and functions in accordance with laws enacted by the Nevada Legislature. It is administered by the Public Employees' Retirement Board of the State of Nevada (Board). As described in Note 2 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.

The System was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court and district judges. Municipal court judges and justices of the peace were allowed to participate in the System beginning in 2005. The System is funded on an actuarial reserve basis. It began with initial funding from the State of Nevada on July 20, 2001, and became effective on January 1, 2003.

At inception of the System active judges could choose to participate in either the Public Employees' Retirement System of Nevada (PERS), if they had other PERS service, or the Judicial Retirement System. New judges also have the option to join PERS, if they have other

NOTES TO FINANCIAL STATEMENTS

PERS service, or the System. Those members that choose to remain in PERS will comply with the requirements established for PERS.

Membership

At July 1, 2010, the System's membership consisted of:

Active members	92
Inactive vested members	3
Retired members	36
Beneficiaries	10
Total	141

Benefits

Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a Supreme Court justice or district judge before November 5, 2002. Retiring members who were serving as a judge before November 5, 2002, may select among the two benefit options below. Retiring members who began serving as a justice or judge on or after November 5, 2002, are only eligible for the first option below.

> 2003 Benefit Plan: Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement times the member's highest average compensation in any 36 consecutive months, to a maximum of 75%. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.
>
> Previous Benefit Plan: Retiring members who were serving as a Supreme Court justice or district judge prior to November 5, 2002, may select benefit payments computed at 4.1666% for the first five years of service and 4.1666% for each additional year of service, up to a total maximum of 22 years, times the member's compensation for their last year of service.

Members who retired under the Previous Benefit Plan (plan in effect before November 5, 2002) and are appointed as senior judges can earn service credit while receiving their pension payments. They are eligible to have their benefit recalculated each time they earn an additional year of service credit.

Vesting

Members of the System become fully vested after five years of service. A member of the System is eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. For those members who were serving as a Supreme Court

NOTES TO FINANCIAL STATEMENTS

justice or district judge prior to November 5, 2002, and selected the second benefit option, eligibility for retirement is at age 60 with five years of service.

Contributions

The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses of the System.

Annually, the State pays to the System an amount of the unfunded liability which is actuarially determined to be sufficient to enable the System to pay all liabilities for current benefits for State Supreme Court justices and district court judges. Participating local government employers of municipal court judges and justices of the peace pay on any unfunded liability which is actuarially determined to be sufficient to enable the System to pay all liabilities for current benefits for their members and retirees as a portion of the contribution rate.

Termination

Upon termination from 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 participating employers based on an actuarial valuation prepared per Nevada Revised Statute (NRS) 1A.180(1). The Annual Required Contribution (ARC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL).

Effective January 1, 2009, UAAL is amortized as a level percent of pay (3% payroll growth assumed) over a declining amortization period of 30 years for state judges (Supreme Court justices and district judges) and 20 years for each non-state agency. Any increases or decreases in UAAL that arise in future years will be amortized over separate 30-year periods for state judges and 20-year periods for non-state judges.

In addition, effective with the January 1, 2009 valuation, assets are valued using five-year smoothing. The Actuarial Value of Assets (AVA) is further limited to not less than 75% or greater than 125% of market value.

NOTES TO FINANCIAL STATEMENTS

The actuarial funding method used is the Entry Age Normal Actuarial Cost Method. At July 1, 2010, the System's funded status was as follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
07/01/10	$ 80,447.0	$ 47,280.7	$ 33,166.3	58.8 %	$ 15,315.1	216.6 %

See Required Supplementary Information (RSI) on page 22 for a schedule of funding progress. The schedule indicates how the actuarial values of plan assets have increased or decreased over time relative to the Actuarial Accrued Liability (AAL) for benefits.

Prior to fiscal year 2010, the ARC was based on a calendar year valuation. The ARC was calculated using two calendar year actuarial valuations to arrive at a required contribution amount for the fiscal year contributions. In fiscal year 2010 the ARC is based on a fiscal year valuation consistent with the financial statements. The most recent actuarial valuation, dated July 1, 2010, is based on June 30, 2010, census data. Following is a schedule of employer contributions for fiscal year 2010.

Actuarial Valuation Date	Required Employer Contributions	Actual Contributions	Percentage Contributed
07/01/10	$ 5,662.9	$ 5,271.7	93.1 %

See RSI on page 22 for a schedule of employer contributions.

Actuarial information

The RSI was determined as part of the actuarial valuation at the date indicated. Additional information regarding the most recent actuarial valuation is as follows:

Valuation date	July 1, 2010
Actuarial cost method	Entry age normal

NOTES TO FINANCIAL STATEMENTS

Amortization method	Level percent of pay (3% payroll growth assumed) over a declining amortization period of: 30 years for Supreme Court justices and district judges 20 years for each non-state agency
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment yield	8.0%

Projected salary increases

Years of Service	Rate per Year of Service
1 – 4	3%
5	11%
6 – 12	5%
13 or more	3%

Retirement age for active members

Retirement rates after completion of five years of service and attainment of the following ages:

Age	Rate per Age
60 – 64	35%
65 – 67	50%
68 – 69	75%
70	100%

Assumed mortality rate	RP-2000 Male Combined Healthy Table RP-2000 Female Combined Healthy Table set forward one year
Post-retirement increases	2.0% per year after three years of receiving benefits 3.0% per year after six years of receiving benefits 3.5% per year after nine years of receiving benefits 4.0% per year after twelve years of receiving benefits 5.0% per year after fourteen years of receiving benefits* Cap based on CPI if benefits outpace inflation

* Does not apply to retirees who enter the System on or after January 1, 2010.

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2009, the System experienced a negative investment return of 17.4% (gross of fees). The impact of the loss is being recognized in fiscal year 2010 because the AVA is determined by smoothing the asset gain or loss over a five-year period.

NOTE 4 – Deposit and Investment Risk Disclosures

The investments of the System are governed primarily by the "prudent person" standard. The prudent person standard, as set forth by Nevada Revised Statute (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.

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, 2010, the carrying amount of the System's commercial cash deposits was $2,348 and the commercial bank balance was $2,491. 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 or others held in custody) with a limit of $850,000,000.

NOTES TO FINANCIAL STATEMENTS

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:

- Investment in commercial paper provided it, or the guarantor, must be rated A1, F1, and P1, or the equivalent, by at least two of Moody's, Standard & Poor's, or Fitch.

- Certificates of deposit, banker's acceptances, and time deposits are only allowed of banks with a minimum of $10 billion in bank capital which have a quality rating of A-, A3, or better by at least two of Moody's, Standard & Poor's, or Fitch.

- Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U.S. Treasuries or Government Sponsored Enterprise (GSE) and such collateral is delivered to the System's bank or its correspondent.

- 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, whose investment guidelines are substantially equivalent to and consistent with the System's overall short-term investment criteria.

- Bonds and notes of United States corporations and asset-backed instruments must have an investment grade rating by at least two of Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch or Baa3 or better by Moody's).

- Debt issued in the United States by foreign entities located in countries in the Citigroup Non-Dollar Government Bond Index is authorized provided both interest and principal are payable in U.S. dollars and such debt is rated investment grade by at least two of Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

- If a security is not rated by all three agencies, it must have an investment grade rating by at least two of (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

- To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Sufficient short-term investments must be available at all times to settle TBA transactions. Determination of broker creditworthiness and reliability is the responsibility and liability of counsel. Outstanding TBA positions with a single broker may not exceed 10% of each counsel's portfolio.

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, 2010.

QUALITY RATING

Investment Type (in thousands)	**AAA**	**AA**	**A**	**BB**	**Not Rated**	**Total**
Commingled funds	$ -	$ -	$ -	$ -	$ 14,271.2	$ 14,271.2
Non-U.S. markets	981.8	1,293.5	24.5	24.3	249.0	2,573.1
Cash equivalents	-	-	-	-	312.7	312.7
Total	$ 981.8	$ 1,293.5	$ 24.5	$ 24.3	$ 14,832.9	$ 17,157.0

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. System policy limits corporate short-term investments of any of the System's counsels to 5% of a single issuer. Each counsel's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. Government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a substantial share of the total portfolio.

System policy further requires bond portfolios to be suitably diversified as to assets with any single issuer (except Government Agency or Government Sponsored Enterprise-guaranteed obligations) or class of issuers so that an adversity affecting a particular sector will not impact a disproportionate share of the bond portfolio. Corporate issuers are limited to 5% per issuer and asset-backed, commercial mortgage-backed, and private label mortgage-backed securities are limited to 5% per issuer.

No more than 10% of the Judicial Retirement System assets, combined with Legislators' Retirement System and Public Employees' Retirement System (PERS) assets, shall be managed on a permanent basis by a single investment firm unless that firm manages an S&P 500 Index or securities lending assets for PERS. In those cases, the firm may manage up to 15% of the combined Systems' assets on a permanent basis. In addition, the combined Systems' assets shall not permanently constitute more than 10% of any firm's assets within the asset class managed for the Systems.

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 a deposit. The System mitigates interest rate risk through portfolio diversification. The System's investment policy and investment portfolio counsel mandates authorize all securities within the Barclays Capital Aggregate Index benchmark. If securities purchased are

NOTES TO FINANCIAL STATEMENTS

outside the Barclays Capital Aggregate Index (except those issued or guaranteed by the U.S. Government or its agencies or instrumentalities), they must be of investment grade rating by at least two of Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

The weighted average 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, 2010.

INVESTMENT MATURITIES
(in years)

Investment Type (in thousands)	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**	**Total**
Commingled funds	$ 14,271.2	$ -	$ -	$ -	$ 14,271.2
Non-U.S. markets	140.5	884.2	894.5	653.9	2,573.1
Cash equivalents	312.7	-	-	-	312.7
Total	$ 14,724.4	$ 884.2	$ 894.5	$ 653.9	$ 17,157.0

Derivatives are periodically employed by the System. Foreign exchange forward contracts are periodically employed by the System to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within the System's portfolio. Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by the System typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. *Counterparty risk*, the risk that the "other party" to a contract will default, is managed by careful screening of counterparties. Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets. There was no exposure to derivatives as of June 30, 2010.

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 mitigates foreign currency risk through portfolio diversification. Foreign currency deposits and options on foreign currency positions are allowed by System policy for purposes of hedging, including cross currency hedges. Highly speculative positions in currency are not permitted.

NOTES TO FINANCIAL STATEMENTS

The System's exposure to foreign currency risk in U.S. dollars as of June 30, 2010, is summarized in the following table:

CURRENCY BY INVESTMENT AND FAIR VALUE
(in thousands)

Currency Type	Fixed Income	Cash	Total
Australian Dollar	$ 15.2	$ 7.2	$ 22.4
British Pound Sterling	175.6	15.2	190.8
Canadian Dollar	70.2	6.0	76.2
Danish Krone	20.1	1.8	21.9
Euro	1,093.8	10.9	1,104.7
Japanese Yen	1,127.4	15.8	1,143.2
Malaysian Ringgit	13.5	1.0	14.5
Norwegian Krone	6.3	0.2	6.5
Polish Zloty	18.8	1.2	20.0
Singapore Dollar	7.3	2.5	9.8
Swedish Krona	13.5	2.4	15.9
Swiss Franc	11.4	3.6	15.0
Total	$ 2,573.1	$ 67.8	$ 2,640.9

NOTE 5 – 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 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 worker's compensation and building/contents insurance), the System pays its premium directly to the State. The System's worker's compensation and building/contents insurance are placed with private insurance companies. There have never been any insurance settlements which exceeded insurance coverage.

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
2003 to 2010
(in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
01/01/03	$ 29,291.4	$ 5,002.3	$ 24,289.1	17.1 %	$ 4,347.0	558.8 %
01/01/04	38,737.2	14,833.5	23,903.7	38.3	6,823.4	350.3
01/01/05	44,360.2	19,710.7	24,649.5	44.4	7,888.8	312.5
01/01/06	49,666.5	26,089.7	23,576.8	52.5	9,166.2	257.2
01/01/07	55,009.4	32,431.2	22,578.2	59.0	9,087.5	248.5
01/01/08	62,067.3	40,076.2	21,991.1	64.6	11,492.4	191.4
01/01/09	67,192.3	39,764.6	27,427.7	59.2	11,368.4	241.3
07/01/10	80,447.0	47,280.7	33,166.3	58.8	15,315.1	216.6

Schedule of Employer Contributions

Actuarial Valuation Date	Annual Required Contributions	Actual Contributions	Percentage Contributed
01/01/03	$ 1,288.5	$ 760.5	59.0 %
01/01/04	2,827.4	3,227.6	114.2
01/01/05	3,220.3	3,407.1	105.8
01/01/06	3,471.4	3,482.4	100.3
01/01/07	3,582.2	3,797.2 *	106.0 *
01/01/08	3,901.4	4,177.9 *	107.1 *
01/01/09	4,342.9	4,574.8 *	105.3 *
07/01/10	5,662.9	5,271.7	93.1

* Corrected from previous publications.

The System's fiscal year is July 1 to June 30. The required contributions for 2003 to 2009 have been calculated using two calendar year actuarial valuations to arrive at a fiscal year required contribution amount for comparison with actual fiscal year contributions. Beginning in fiscal year 2010, the actuarial valuation is based on the fiscal year used by the System, so there is no need to do any calculations to arrive at the required contributions.

Trends are affected by investment experience (favorable or unfavorable), salary experience, retirement experience or changes in demographic characteristics of employees. Changes in benefit provisions and in actuarial methods and assumptions also affect trends.