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, 2014

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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 Judicial 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, 2014, 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, 2014, 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

We have previously audited the System's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been 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 schedule 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 9, 2014

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, 2014. 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 the 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 local governments who choose to participate in the System.

Financial Highlights

As of June 30,

	2014	2013	2012
Total investments	$ 90,561,028	$ 74,649,601	$ 62,561,202
Net investment gain	14,252,395	8,652,956	1,558,210
Employer contributions	6,001,643	6,189,265	6,121,323
Transfers from PERS	990,121	895,115	1,660,482
Benefit payments	4,294,781	4,028,587	3,616,601
Administrative expenses	83,217	68,944	67,582
# of municipalities participating including the State of Nevada	12	11	11
Plan fiduciary net position	$ 92,113,212	$ 75,247,031	$ 63,607,186
Actuarial funded ratio	79.3 %	72.3 %	68.6 %

Total pension liability as of June 30, 2014, was $108,630,337.

Plan fiduciary net position as a percentage of total pension liability was 84.8%.

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 the 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 available 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 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 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.

Financial Analysis

The following are summary comparative statements of the System.

CONDENSED STATEMENTS OF FIDUCIARY NET POSITION

	As of June 30, 2014	As of June 30, 2013	As of June 30, 2012	Percentage Increase/ (Decrease) from 2013 to 2014
Cash and cash equivalents	$ 229,826	$ 209,612	$ 317,822	9.6 %
Receivables	1,356,294	452,216	753,710	199.9
Investments, at fair value	90,561,028	74,649,601	62,561,202	21.3
Total assets	92,147,148	75,311,429	63,632,734	22.4
Accounts payable and accrued expenses	4,153	5,243	2,897	(20.8)
Pending trades payable	29,783	59,155	22,651	(49.7)
Total liabilities	33,936	64,398	25,548	(47.3)
Net position held in trust for pension benefits	$ 92,113,212	$ 75,247,031	$ 63,607,186	22.4 %

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended June 30,

	2014	2013	2012	Percentage Increase/ (Decrease) from 2013 to 2014
Contributions	$ 6,991,764	$ 7,084,380	$ 7,781,805	(1.3) %
Net investment gain	14,252,395	8,652,956	1,558,210	64.7
Other income	20	40	51	(50.0)
Total additions	21,244,179	15,737,376	9,340,066	35.0
Benefit payments	4,294,781	4,028,587	3,616,601	6.6
Administrative expense	83,217	68,944	67,582	20.7
Total deductions	4,377,998	4,097,531	3,684,183	6.8
Change in net position	16,866,181	11,639,845	5,655,883	44.9
Net position, beginning of year	75,247,031	63,607,186	57,951,303	18.3
Net position, end of year	$ 92,113,212	$ 75,247,031	$ 63,607,186	22.4 %

Total receivables increased between 2013 and 2014 by $904,078, due to the fact that there were two outstanding transfers from the Public Employees' Retirement System of Nevada (PERS) into the System at June 30, 2014, while there were no outstanding transfers at June 30, 2013.

The 2014 investment gain was $14.3 million versus the 2013 investment gain of $8.7 million. Since inception (2001) the System has generated an annualized return (gross of fees) of 6.6%.

Benefit payments increased between 2013 and 2014 by 6.6% due to an increase in service retirees and survivor beneficiaries.

The above factors influenced an increase in the net position held in trust for pension benefits between 2013 and 2014 of $16.9 million or 22.4%.

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014
(With Comparative Totals for June 30, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 229,826	$ 209,612
Receivables:		
Contributions receivable	1,303,905	305,486
Pending trades receivable	-	59,579
Accrued investment income	48,012	78,732
Receivable other	4,377	8,419
Total receivables	1,356,294	452,216
Investments, at fair value:		
Fixed income securities	25,979,954	16,910,503
Marketable equity securities	62,749,619	53,473,984
International securities	1,831,455	4,265,114
Total investments	90,561,028	74,649,601
Total plan assets	92,147,148	75,311,429
LIABILITIES		
Accounts payable and accrued expenses	4,153	5,243
Pending trades payable	29,783	59,155
Total plan liabilities	33,936	64,398
NET POSITION		
Net position held in trust for pension benefits and other purposes	$ 92,113,212	$ 75,247,031

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	2014	2013
ADDITIONS		
Contributions:		
Employer	$ 6,001,643	$ 6,189,265
Transfers	990,121	895,115
Total contributions	6,991,764	7,084,380
Investment Income:		
Net change in fair value of investments	13,333,150	7,793,662
Interest	45,369	95,670
Dividends	894,806	780,509
	14,273,325	8,669,841
Less investment fees and other expenses	20,930	16,885
Net investment gain	14,252,395	8,652,956
Other income	20	40
Total additions	21,244,179	15,737,376
DEDUCTIONS		
Benefit payments	4,294,781	4,028,587
Administrative expenses	83,217	68,944
Total deductions	4,377,998	4,097,531
Change in net position	16,866,181	11,639,845
Net position held in trust for pension benefits:		
Beginning of year	75,247,031	63,607,186
End of year	$ 92,113,212	$ 75,247,031

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 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 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.

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

NOTES TO FINANCIAL STATEMENTS

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.

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 Barclays Money Market Fund and 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 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.

NOTES TO FINANCIAL STATEMENTS

Administrative Expenses

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

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2013, financial statements. Fiscal year 2013 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.

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.

NOTES TO FINANCIAL STATEMENTS

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 June 30, 2014, eleven local governments 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 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.

The System provides benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges, and justices of the peace. 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 PERS service, or the System. Those members that choose to remain in PERS will comply with the requirements established for PERS.

Membership

At June 30, 2014, the System's membership consisted of:

Active members	109
Inactive vested members	4
Retired members	44
Beneficiaries	15
Total	172

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

NOTES TO FINANCIAL STATEMENTS

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 year of service beyond five years, 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.

<u>Vesting</u>

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 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.

<u>Contributions</u>

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.

NOTES TO FINANCIAL STATEMENTS

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 participating employers based on an actuarial valuation prepared per Nevada Revised Statute (NRS) 1A.180(1). The amount of annual contribution required to fund the System is comprised of a normal cost payment and a payment on the Unfunded Actuarial Accrued Liability (UAAL). Effective January 1, 2009, UAAL is amortized over a year-by-year closed amortization period as a level percent of pay (3% payroll growth assumed) where each amortization period will be set at 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.

The payment to amortize the UAAL is paid annually for state judges and monthly for non-state participants.

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 70% or greater than 130% of market value.

The most recent actuarial valuation, dated June 30, 2014, is based on June 30, 2014, census data. The actuarial funding method used is the Entry Age Normal Actuarial 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.

NOTES TO FINANCIAL STATEMENTS

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 Retirement Board's adopted policy target asset allocation as of June 30, 2014:

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

The target allocation was amended in December 2013 to eliminate the allocation to international bonds and to increase the allocation to U.S. bonds. The previous target allocation included a 5% allocation to international bonds and 25% allocation to U.S. bonds.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments was 18.6%. 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.

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, 2014, the carrying amount of the System's commercial cash deposits was $34,436 and the commercial bank balance was $60,551. 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.

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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.

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 at 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 (BBB- or better by Standard & Poor's/Fitch or Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.

- 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 (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.

NOTES TO FINANCIAL STATEMENTS

- 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.

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, 2014.

QUALITY RATING

Investment Type (in thousands)	**AAA**	**AA**	**A**	**BBB**	**Not Rated**	**Total**
Cash equivalents*	$ -	$ -	$ -	$ -	$ 195.3	$ 195.3
Commingled funds	-	-	-	-	25,980.0	25,980.0
Total	$ -	$ -	$ -	$ -	$ 26,175.3	$ 26,175.3

*Cash equivalents include $195.3 thousand investment in Barclays Money Market and Invesco Treasury Portfolio Short-Term Investments Trust.

The above table does not include commercial cash of $34.4 thousand.

Commingled funds consist of investment in BlackRock US Debt Index Fund which is not rated.

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 (including all subsidiaries for parent/subsidiary relationships). Asset-backed, commercial mortgage-backed, and private label mortgage-backed securities are limited to 5% per issuer.

NOTES TO FINANCIAL STATEMENTS

No more than 25% of the Judicial Retirement System assets, when combined with Legislators' 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 Judicial, Legislators', and PERS' 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. 100% of the System's investment of U.S. Bonds is targeted for allocation within the Barclays Capital Bond Index. If the securities purchased are outside this 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 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, 2014.

INVESTMENT MATURITIES
(in years)

Investment Type (in thousands)	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**	**Total**
Cash equivalents*	$ 195.3	$ -	$ -	$ -	$ 195.3
Commingled funds	25,980.0	-	-	-	25,980.0
Total	$ 26,175.3	$ -	$ -	$ -	$ 26,175.3

*Cash equivalents include $195.3 thousand investment in Barclays Money Market Fund and Invesco Treasury Portfolio Short-Term Investments Trust.

The above table does not include commercial cash of $34.4 thousand.

Commingled funds consist of investment in BlackRock US Debt Index Fund.

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. System policy allows utilization of foreign currency forward contracts to hedge currency exposure. The use of leverage is not permitted.

NOTES TO FINANCIAL STATEMENTS

The System had no exposure to foreign currency risk in U.S. dollars as of June 30, 2014.

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.

The System's derivative transactions for fiscal year 2014 are summarized in the following table.

FOREIGN EXCHANGE CONTRACTS
For Year Ended June 30, 2014

Currency	Purchases	Realized Gain / Loss	Sells	Realized Gain / Loss	Total Realized Gain / Loss
Australian Dollar	$ 7,305	$ 16	$ (54,527)	$ 155	$ 171
British Pound Sterling	23,381	93	(277,802)	960	1,053
Canadian Dollar	7,937	(26)	(92,154)	580	554
Danish Krone	1,959	(2)	(30,646)	333	331
Euro	65,049	104	(1,539,352)	9,528	9,632
Japanese Yen	392,550	(5,003)	(1,590,044)	19,135	14,132
Malaysian Ringgit	-	-	(2,180)	(26)	(26)
Mexican New Peso	4,369	(12)	(38,962)	134	122
Norwegian Krone	1,679	1	(11,599)	(93)	(92)
Polish Zloty	3,044	7	(29,960)	211	218
S African Comm Rand	15,300	(108)	(33,682)	(311)	(419)
Singapore Dollar	1,367	(4)	(14,010)	79	75
Swedish Krona	2,046	10	(19,906)	-	10
Swiss Franc	884	(2)	(13,134)	472	470
Total	$ 526,870	$ (4,926)	$ (3,747,958)	$ 31,157	$ 26,231

The System had no pending derivative transactions as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Net Pension Liability

The components of the net pension liability of the System at June 30, 2014, were as follows:

Total pension liability	$ 108,630,337
Plan fiduciary net position	(92,113,212)
Net pension liability	$ 16,517,125
Plan fiduciary net position as a percentage of the total pension liability	84.8%

Actuarial Assumptions

The total pension liability was determined as part of the GASB Statement No. 67 actuarial valuation as of June 30, 2014. 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, 2014 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, 2014, 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, 2014, 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, 2014, was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions will be made monthly at the current contribution rate and the payment to amortize the unfunded actuarial liability is assumed to be paid at the end of the year for State and monthly for non-state. 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	$ 26,884,315	$ 16,517,125	$ 3,928,732

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
(in thousands)

		2014
Total pension liability		
Service cost	$	3,410.8
Interest		8,366.5
Change of benefit terms		-
Difference between expected and actual experience		(2,665.5)
Change of assumptions		-
Benefit payments, including refunds		(4,294.8)
Other		990.1
Net change in total pension liability		5,807.1
Total pension liability-beginning		102,823.2
Total pension liability-ending (a)	$	108,630.3
Plan fiduciary net position		
Contributions-employer	$	6,001.6
Contributions-employee		-
Net investment income		14,252.4
Benefit payments, including refunds		(4,294.8)
Administration expenses		(83.2)
Other		990.2
Net change in plan fiduciary net position		16,866.2
Plan fiduciary net position-beginning		75,247.0
Plan fiduciary net position-ending (b)	$	92,113.2
Net pension liability-ending (a) - (b)	$	16,517.1
Plan fiduciary net position as a percentage of total pension liability		84.80%
Covered employee payroll*	$	18,933.5
Net pension liability as a percentage of covered employee payroll		87.24%

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

*Measurement as of end of fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
2005 to 2014
(in thousands)

Year Ended		Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions*	Contribution Deficiency (Excess)	Covered Employee Payroll***	Contributions as a Percentage of Covered Employee Payroll
12/31/2004		$ 2,827,400	$ 3,227,600	$ (400,200)	$ 6,823,400	47.30 %
12/31/2005		3,220,300	3,407,100	(186,800)	7,888,800	43.19 %
12/31/2006		3,471,400	3,482,400	(11,000)	9,166,200	37.99 %
12/31/2007		3,582,200	3,797,200	(215,000)	9,087,500	41.78 %
12/31/2008		3,901,400	4,177,900	(276,500)	11,492,400	36.35 %
12/31/2009		4,342,900	4,574,800	(231,900)	11,368,400	40.24 %
6/30/2011	**	5,795,200	5,622,513	172,687	15,315,100	36.71 %
6/30/2012		6,021,300	6,121,323	(100,023)	16,465,000	37.18 %
6/30/2013		5,892,200	6,189,265	(297,065)	16,635,300	37.21 %
6/30/2014		5,845,900	6,001,643	(155,743)	17,186,300	34.92 %

*Does not include transfers.
**Trailing 12-month period due to change from calendar to fiscal year end.
***Measurement as of beginning of year.

Provided by Segal Consulting, the System's actuary.

SCHEDULE OF INVESTMENT RETURNS
2005 to 2014

For Fiscal Year Ended June 30	Annual Money-Weighted Rate of Return
2005	6.88%
2006	8.21
2007	15.09
2008	(4.59)
2009	(17.36)
2010	13.47
2011	20.86
2012	2.60
2013	13.24
2014	18.60

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2014

The System's fiscal year is July 1 to June 30. The required contributions for 2004 to 2009 were 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.

There were no changes in benefit terms since the last valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates are calculated as of June 30, 2014, using the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Year-by-year closed, 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
Assumed inflation rate	3.5% per annum
Assumed investment rate of return	8.0%, 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	Assumed salary increases are shown below:

Years of Service	Rate per Year
Less than 4	3%
4	8%
5 – 11	4%
12 or more	3%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

Retirement rates

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

Age	Rate per Age
50 – 59	5.0%
60 – 61	15.0%
62 – 64	17.5%
65 – 67	22.5%
68 – 69	25.0%
70	100.0%

Retirement age for inactive vested participants

Age 60

Disability rates

None

Withdrawal rates

5% per year during each of the first four years of service; 0% after four years of service.

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

In any event, a member's benefit must be increased by the percentage 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.

Changes of Assumptions

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

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS*
2005 to 2014
(in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets (AVA)	Unfunded Actuarial Accrued Liability (UAAL)	Ratio of AVA to AAL
1/1/05	$ 44,360.2	$ 19,710.7	$ 24,649.5	44.4 %
1/1/06	49,666.5	26,089.7	23,576.9	52.5
1/1/07	55,009.4	32,431.2	22,578.3	59.0
1/1/08	62,067.3	40,076.2	21,991.1	64.6
1/1/09	67,192.3	39,764.6	27,427.7	59.2
7/1/10	80,447.0	47,280.7	33,166.3	58.8
6/30/11	88,035.2	56,614.6	31,420.6	64.3
6/30/12	93,132.8	63,934.2	29,198.6	68.6
6/30/13	102,124.9	73,886.7	28,238.2	72.3
6/30/14	107,993.7	85,611.7	22,382.0	79.3

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

The System's basic funding policy provides for contributions by the participating employers based on an actuarial valuation prepared pursuant to NRS 1A.180(1). The financial statements are prepared using GASB Statement No. 67 actuarial valuation as of June 30, 2014. 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.