

Assembly

MINUTES OF MEETING - WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE
54TH SESSION March 21, 1967

Meeting called to order by Chairman Norman Glaser at 2:40 PM in Ways and Means Room.

Present: Glaser, Mello, Bowler, Ashworth, Harris, Young, Tyson, Jacobsen
Absent: Howard

Also present: Bob Bruce, Quenten Emery, Howard Barrett

Present to speak on retirement bills: Jim Butler, Executive Secretary, Nevada State
Dean Weens, Member of Retirement Board Education Association
Keith Hendrickson, represents most of fire services in State, Reno City Employees Assoc.
Bob Lewis, Las Vegas Police Department
Prof. Moorhouse, University of Nevada, represents Faculty Welfare Committee
Ken Buck, Executive Secretary, Nevada Public Employees' Retirement System
Mr. Cahill, Washoe County Classroom Teachers
Mr. Haler, represents Classroom Teachers of State
Mr. Anderson, Assistant to Ken Buck

Present to speak on Welfare: Quenten Emery

Jim Butler stated that the Nevada State Education Association is a voluntary group representing 95% of the Administrators in the State and 85% of the teachers in the 17 counties of the State. He went on record as being in favor of AB 430.

AB 430: Reduces required number of years' employment under public employees' retirement before acquiring vested rights to benefits.

Mr. Butler said that the present system is a good one and this proposal does not make a major change in decreasing the number of years of service. It merely asks that the number of years for a guarantee of retirement benefits be lowered from 25 (which is the highest in the nation) to 20 years. One of the main reasons for doing this is to help attract employees to jobs. The State of Nevada must attract between 85 and 90% of their professional staff from outside of the State because there is not a sufficient number of them trained within the State to meet our needs. In recruiting throughout the United States, this benefit is second only to salary in being a major influence. He said the Retirement Board voted 3 to 2 in favor of lowering the vested rights to 15 years with no reduction in benefits. To reduce to perhaps to 80% of benefits if you stayed at the full amount of time would not be excessive and actuarially not make too much difference on the system.

Mr. Keith Hendrickson, representing most of the fire services in Nevada went on record in favor of full vesting at 20 years. Mr. Hendrickson pointed out various sections from the Memorandum supplied to Ken Buck from Coates, Herfurth & England dated December 20, 1966. He debated the arguments against as listed on the first page. He pointed out the "mid-way" step toward liberalizing the requirement (page 2); and the second "mid-way" method on page 3(B). He felt the Services he represents would favor either one of them and the proposed method, but pointed out that he favored the drop from 25 to 20 years at full vesting. If it were shown that an increase in benefits hurt the system, we would be in favor of raising the rate. However, this should not happen.

3/21/67

Mr. Bob Lewis of the Las Vegas Police Department represented the Las Vegas City Employees Association, Classified Education Association, and Peace Officers throughout the State. He pointed out that this proposal would not be a cost item in any way. He gave an example of a man paying into the system from age 23 to 43, and then just leaving his money in. At the present interest rate of $4\frac{1}{2}\%$, in 17 years the money will double itself. He emphasized that there would not be a drain on the system if he left his money in. He also referred to the Memo from Coates, Herfurth & England dated December 20, 1967. The retirement system is and should be used to draw people in rather than keeping present employees. (Favor of AB 430)

Prof. Moorhouse of the University of Nevada represented the entire faculty and more particularly the Faculty Welfare Committee. He went on record as being in favor of AB 430. In fact, he said the faculty went on record two years ago to this effect. He emphasized the point of lowering the years from 25 to 20 in order to benefit their recruiting of faculty. The present requirement is very detrimental in this aspect. In answer to question of Mr. Young, Prof. Moorhouse said that the average length of stay for a member of the faculty is approximately 10 years.

Mr. Glaser asked if you had vesting for 10 or 20 years do you think the faculty would stay for that limit, then go to another state with low vesting requirements, and then retire and collect under the both systems.

Prof. Moorhouse said it was hard to say. Salary has the basic draw. However, if a man only worked for a little time and then left, he probably would leave his money in.

Dean Weems, Dean of the College of Business, University of Nevada, said he was asked by President Armstrong and Vice President Humphrey to represent them before the committee. Although he is a Member of the Retirement Board he is not officially speaking on their behalf. He confirmed the statement of Jim Butler as to the vote of the board. He went on to say that the board tried to seek the point where they could reach a unanimous vote. This was reached at 20 years with 80% benefits or 4% per year reduction. However, he emphasized that the official majority vote was 3 to 2 in favor of 15 years with 100% benefits or full vesting. He read his statement as to his position on the subject of a reduction in the present vested interest requirement of 25 years. A copy of this is attached and part of the minutes. At the request of Prof. Moorhouse, Dean Weems again reiterated the Board's official position - that of majority decision in favor of this bill as it stands.

Mr. Ken Buck stated the proposal of the bill of lowering the years from 25 to 20. He then distributed copies of the Memorandum referred to. (from Coates, Herfurth & England dated December 20, 1966) He said that, as representative of Nevada Public Employees' Retirement System, their unanimous agreement was the approval of a drop in vesting years from 25 to 20 with provision that each year the formula benefits be reduced by 4%. This same measure has appeared in the Senate. SB 432 has incorporated into it this 4% reduction for each year. He pointed out that a very liberal retirement system, in the case of between 55 and 65, would allow a very substantial excess from the amount supplied by the employee and the employer on his behalf. If you assure retirement benefits for any number of years of service you are talking about a fully funded system which we are not. Mr. Buck commented that you cannot add benefits without adding cost. The actuaries caution before adding further benefits. $\frac{1}{4}$ of 1% is asked to cover without even adding any benefits. Mr. Buck said he agreed with Dean Weems that no one can tell what the effect will be, but if the 4% is taken, it is a gradual step and still will be an incentive to stay on the job, that with the reduction in years from 25 to 20.

Mr. Cahill, representing Washoe Classroom Teachers, said that even with 100% vesting it encourages people to stay on - just a question of degree. As to a widow only gettin

Assembly Committee on Ways and Means

back what was paid in, Mr. Buck clarified that after two years service, a widow would receive full benefits.

Mr. Haler, representing the Classroom Teachers of the State, reiterated the necessity of more liberal requirements in attracting teachers. The one they want is the 15 year plan, but are very much in favor of the 20 years with 100% vesting, as it appears in AB 430.

AB 472: Allows certain survivor benefits under public employees' retirement when member's death occurs during authorized leave of absence.

Mr. Buck approved of this bill. Now the children and widow are covered under certain conditions after two years of service. This would merely include a leave of absence in the time requirement necessary for the benefits.

AB 473: Authorizes employees of political subdivision admitted to membership in public employees' retirement system after OASI coverage to secure credit for prior service.

Mr. Buck disapproved of this bill. This would allow payments to be made into the fund during the waiting period between application and date of withdrawal from the federal system. This is contrary to SB 81 not allowing coverage under 2 systems. Allowing a choice of systems leads to confusion.

SB 322: Amends Public Employees' Retirement Act by increasing retirement board revolving fund, the amount of members' and employers' contributions and repayment privileges for certain members; sets date at which benefits are determined.

This bill was sponsored by the Public Employees' Retirement Office. It is the most important bill in the Session. We had asked in 1963 for $\frac{1}{2}$ of 1%, but were given $\frac{1}{4}$ of 1%. We are now asking for another $\frac{1}{4}$ of 1%. Without it, we will begin getting deficits in the early 70's. It is the only practicable method of counteracting inflation. Mr. Buck recommends approval of SB 322. The raise to \$500,000 in the revolving fund is simply to get away from the current red balances. It is just a transf of monies. The change in Section 3, paragraph 4, allows a member, if he has not repayed in 6 months, to be reinstated after 5 years of contribution. The deletion in Section 5 is just to eliminate confusion in the Act. It provides services even after July 1, 1955 as formerly stated. The change in Section 6 provides for contributions to be returned if paid for a period of less than 2 years. Section 7 is very important. It spells out that your retirement benefits under law are those in effect at the time of retirement.

Mr. Anderson, Assistant to Mr. Buck, commented on the 2 changes from their requests in the budget - page 431. One was the salary of the Chief and the other the omission of the Administrative Assistant they had requested for the second year.

The above guests left at 3:45 PM.

Mr. Emery was present to speak on the Welfare considerations.

AB 142: Increases old-age assistance benefits and establishes property and income standards.

This is not a Division bill so do not have a cost estimate prepared. The main thing this bill does is to increase the present minimum from \$40 to \$100/month. This will not affect the budget because we are now at this figure. The \$40 level caused trouble with the federal requirements because they require specifics. The elimination of the responsible relative clause has little effect because it has no practicable value now.

Mr. Emery also said that the first paragraph is sufficient; the second not necessary. Mr. Emery was in favor of AB 142.

As to the personal property part, there are approximately 4,400 people in the state with low enough annual incomes to qualify for OAA; 2800 people receive OAA; so a potential of 1600 people exists to receive OAA. Some of these are eliminated because of their personal property. He would estimate that the allowance of a higher personal property would add 28 cases a year at a cost of \$9,000 in State money.

AB 247: Authorizes welfare division to provide maintenance, special services for mothers and children where child's father is not mother's husband

This bill was recommended by the Division. It will not cause any increase in funds. It will discourage the gray market in illegitimate babies.

AB 401: Extends age limit of children placed in custody of welfare division of department of health and welfare and permits probationary placement in parent's or relative's home without court order.

This bill would allow the Department to become the legal guardian of the child, as is many times necessary and practical. It would eliminate the loss of the child's money through attorney's fees, etc. This is aimed at the child with a small estate. The Department would retain this guardianship of child and estate only until the child becomes of age or is declared mentally incompetent. There was some discussion as to the Department's right to invest this money. It was agreed that it would be proper to allow them to invest it in a savings account or bonds to collect interest.

This bill also changes the definition of a child by raising the age from 18 to 21. This allows for the child still in training, probably high school, to continue to receive support until he finishes. There was some question from the committee as to the right age; Mr. Emery conceded that 20 would probably be safe.

This bill also provides for the placement of a foster child back to the home of his natural parents for a 60 day probationary period without a court order to this effect. During this 60 day period, the Department would not be paying support.

AB 372: Transfers treatment of blindness from welfare division to services to the blind division and eliminates residence and economic requirements for such aid

This is not the Division's bill. However, it is necessary because when the Division for Services to the Blind was created, the transfer of funds for eye operations was inadvertently omitted. So at the present time, the Welfare Division has the funds and the authority rests with the Division for Services to the Blind. Under this and existing law, any blind person in the state may receive free gratis eye operation, with no qualifications as to residency, financial condition, etc. necessary. However, there are only 500 blind people in the state, so this would not be anything terrific.

It changes the existing NRS. 426.300 in the first paragraph by deleting "who meets all requirements related to economic need for aid to blind". Paragraph 2 stands the same. Paragraph 3 is deleted where it states "residence requirements of 426.140 shall apply to applicants for treatment or operation under the provision of this section.

Upon questioning it was brought out that a person could draw under NIC and also aid to blind.

Mr. Emery said he should not comment on another Division's bill. However, he said that this transfer of money to the Division on Services for Blind should be made.

Assembly Committee on Ways and Means

AB 386: Authorizes welfare division to provide homemaker services.

This would permit a homemaker to go to the home to provide care for a short term rather than take the children out of the home to be placed under foster care. He emphasized that this just pertains to short periods of time - a temporary measure. It would average out to be less expensive this way. There was discussion and questioning on this. A family would not have to be on welfare at the time to come under this. This type of thing is now being done. Out of the 600 children under foster care, only a total of 47 have been removed from the ADC family.

A recess was declared at this point. Meeting resumed at 4:35 PM.

Page 241: Title V - Work Training Programs - Pages 243, 245 - Clark and Washoe County Project

All financial support comes from federal funds, but beginning on July 1, 1968, non-federal matching funds will be required for 20% of expenditures. This has been in operation for two years. The last Session authorized the Welfare Division to take advantage of federal funds with the approval of the Governor. This comes under the Poverty Program. Two counties, Washoe and Clark, take the mother or father most potentially suited to employment from the ADC families and retrain them for the end result of getting the family off aid. The employer does not pay his salary; the employee works at \$1.50/hour to pay off his grant. However, he is not required to reimburse these funds allocated to him. There was discussion as to the effect if they do not continue these programs at the termination of the 100% federal financing. It would end the programs concerned but would not jeopardize federal funds in any other program in other departments. In answer to question, Mr. Barrett said that removing the program would place the people involved back on county welfare, generally speaking. Mr. Emery said that in ADC the average case life is 2½ years. As to the effect of attracting people from other state's welfare rolls, or causing our welfare people to move elsewhere, it was agreed that this effect would be negligible. Surrounding states have very good programs and our welfare cases are more permanent than transient people. These programs just require authorization to receive the federal money.

Page 247 - McDermitt Project

McDermitt is different from the other two situations because it is a long term project. It should last at least 6 years to be at all effective. The two objectives here are to improve the standard of living on the reservation so that the older people can live in sanitary and comfortable conditions, and also to retrain the younger people so that eventually they will be able to live away from the reservation. The reason the figures are not projected is because they don't know the breakdown in expenses paid by the federal government as they are presently paying 100%. However, they should receive some information on this by June.

This program also just requires authorization to receive the federal money.

Page 249 - Welfare Gift Fund

The first account is a revolving one made up of social security benefits for certain welfare children. They can accumulate \$1500 each from the social security payments. The second account is made up of donations used at the discretion of the Division.

Page 252 - Federal Demonstration Projects

No. 156 was a "one-shot deal".

No. 157 has a 2 year termination date April 30, 1967. This expert from Washington, D.C.

Assembly Committee on Ways and Means

has prepared booklets, etc. which can be continued to be used.

No. 211 is a project for ~~the~~ 3 years. It regards a systems analyst.

No. 245 is a community organization type program. Coordination under this enables the setup of homemakers services in areas not provided by private associations. It also increases federal participation, from the present 50% for home health aids to 75%. If this system proves successful, we hope to eventually include statewide home health coordination.

Meeting adjourned at 5:05 PM.

STATEMENT OF ROBERT C. WEEMS, JR. WITH RESPECT TO HIS POSITION ON THE SUBJECT OF A REDUCTION IN THE PRESENT VESTED INTEREST REQUIREMENT OF 25 YEARS.

I strongly favor a reduction in the vested interest feature from the present 25 years minimum to 15 years minimum--this on a fully vested basis. I have so cast my vote along with a majority 3-2 of the Board. My reasons are as follows:

1. The recruitment of personnel from out of state, particularly in university and public school teaching positions, is handicapped by our being unable to offer a retirement program except for those who pledge themselves to spend their next 25 years in state employment.

2. The present policy of transferring state matching retirement funds from those who must leave state employment to those who do not is basically unfair and inequitable, and can be justified only on the basis of meeting some worthy objective of state government such as providing more competent public servants.

3. It is doubtful if the accomplishment of such an objective could be demonstrated because, while some very worthy people would be encouraged to remain in state employment in order to receive an enhanced retirement, the offsetting factors would be the fact that less competent people who might otherwise withdraw from state employment will also stay on for an augmented retirement. The other negative factor, our inability to attract our share of well qualified beginners, was previously mentioned.

4. I do not feel that the move to a 15 year vesting will be a sudden or continuing heavy burden on the fund. Fifteen years is not that greatly different from the present 25, and records of most funds show that a very large percentage of withdrawees prefer cash to an annuity at age 65.

As to a lesser vesting period, I also favor any reduction from the present 25 years and down to 15 years, and have cast my ballot with the unanimous vote 5-0 in favor of the vesting at 20 years on a 4% annual reduction basis. This seemed to be the largest reduction in the vesting requirement which would have received the unanimous approval of the Board, I would have voted aye on any reasonable proposal falling within the 15-25 limits.

I should like to re-iterate my position that the financial soundness of the fund is always a first consideration. I do not think it is affected here. However, if such doubts do exist on the part of others, I am certainly willing to go along on a step at a time basis, evaluating the affect after each such move.

(2/6/67)

WAYS AND MEANS COMMITTEE
NEVADA STATE LEGISLATURE
TUESDAY, MARCH 21, 1967

AFTERNOON

Time

CONSIDER BILLS

2:00 AB 430 Reduces Number of Years Required for
Vested Right in Retirement - Jim Butler
AB 472 Retirement- Survivor's Benefit
Leave of Absence - Ken Buck
AB 473 Retirement- Credit for Prior
Service - Ken Buck
SB 322 Retirement- Increase in Contribution
Rate. - Ken Buck

BUDGET REVIEW - page 431- Public Employees
Retirement Board - Ken Buck

3:00

CONSIDER BILLS-WELFARE

AB 142 Increase Old Age Assistance -Quenten Emery
AB 247 Maintenance to Children -Quenten Emery
AB 401 Extends Age Limit of Children -Quenten Emery
AB 372 Services to the Blind -Quenten Emery
AB 386 Homemaker Services -Quenten Emery

BUDGET REVIEW-WELFARE

Page 241- Title V -Quenten Emery
Page 243- Title V-Clark County Project -Quenten Emery
Page 245- Title V-Washoe County Project -Quenten Emery
Page 247- McDermitt Project -Quenten Emery
Page 249- Welfare Gift Fund -Quenten Emery
Page 252- Federal Demonstration Projects-Quenten Emery