

Assembly

GOVERNMENT AFFAIRS COMMITTEE

MINUTES OF THE MEETING

APRIL 13, 1973

1:00 PM

MEMBERS PRESENT: CHAIRMAN DINI
 VICE-CHAIRMAN ULLOM
 ASSEMBLYMAN BROOKMAN
 ASSEMBLYMAN MAY
 ASSEMBLYMAN SMITH
 ASSEMBLYMAN GETTO
 ASSEMBLYMAN GOJACK
 ASSEMBLYMAN YOUNG
 ASSEMBLYMAN FORD

* ALSO PRESENT: SEE ATTACHED LIST

SB 161 - Creates new administrative head and makes certain other changes in administrative provisions governing Public Employees Retirement System.

* SB 140 - Recognizes prudent man investment rule and removes certain Public Employees' Retirement System investment restrictions.

* SB 135 - Declares policy for Public Employee Retirement Board.

Mr. Richard Dunn, representing the State Retirement Board investment firm, spoke in favor of SB 140 stating that all interested groups in the state were supporting this bill. He explained it as a tool to help the fund grow. He also explained to the committee that the Retirement Board had already instituted restraints on how much could be invested and set out policy for the investment which would gradually bring the amount invested in stocks and time certificates up to 50% of the total fund.

Dean Weems told the committee that he agreed with this bill and felt it was desperately needed.

Assemblyman Getto moved "DO PASS" on SB 140.

Assemblyman Ullom seconded the motion.

The motion carried.

Dean Weems told the committee that the Retirement Board felt that this bill would cost the retirement fund additional money and set up too strict regulations for the board to follow.

He stated that the board would prefer to have a goal set for them and then be allowed to reach the goal the way they felt best able to. He pointed out that the bill provides for a \$25,000 per year man to handle investments when the board felt the executive director could handle the investment program. The board asked for two years to carry out the suggestions of the retirement study and asked that this bill be indefinitely postponed.

Assemblyman Ullom suggested that perhaps the bill was necessary because of the new investment rules.

See Attachment

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Mr. Presnell stated that the Retirement Board had no position on SB 135.

Mr. Morgan said his organization supported it.

Assemblyman Ullom moved "DO PASS" on SB 135.

Assemblyman Brookman seconded the motion.

The motion carried unanimously.

Assemblyman Ullom moved "DO PASS" on SB 161.

Assemblyman Ford seconded the motion

The motion carried.

Assemblyman Getto voted NO.

Assemblyman Smith was absent for the vote.

Assemblyman Smith moved for adoption of amendment # 5606 on SB 490

And "AMEND AND DO PASS".

Assemblyman Brookman seconded the motion.

Assemblyman Getto voted NO.

Assemblyman Dini did not vote.

The motion carried.

Assemblyman Smith moved "DO PASS" on SB 540.

Assemblyman Getto seconded the motion.

The motion carried.

Assemblyman Young voted NO.

DATE

11-17

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NAME

BILL #

TESTIFY
YES NO

REPRESENTING

NAME	BILL #	TESTIFY YES NO	REPRESENTING
James E. Smalley	135-140 161	X	
Rachel Morgan	SB 135-140 161 360?	✓	NSEA
Carol W. Stannon	SB 140 SB 161	✓	PERB.
Alfred		✓	
John W. Mansfield		✓	
Robert Dunn	SB 140 161	✓	PERB
James H. Sullivan	SB 140 - 161	✓	PERB.
Harry E. Russell	SB 140 " 161	✓	PERB
R E Weems	140 161	✓	PERB
Gary Gray	SB 135 161 140		CCCTA / NSEA
Bob Gagnier	SB 135 140 161	✓	SNEA
W. E. Macomber	SB 490	✓	
Ted Psaltis	SB 135, 140 161	✓	NSEA
Bob Warren	-	-	NMA
JOHN MEDER			NACC

Attachment



STATE OF NEVADA
PUBLIC EMPLOYEES RETIREMENT BOARD
P.O. Box 1569
CARSON CITY, NEVADA 89701

STATEMENT AS OF DECEMBER 31, 1972

Value of total fund in stocks and bonds (at cost).

\$ 186,000,000.00

Income earned by fund (on an annualized basis).

\$ 10,000,000.00

Rate of return - 5-3/8%

Amount in common stocks in the fund at year end.

\$ 47,000,000.00 at market value

\$ 36,000,000.00 at cost

\$ 11,000,000.00 unrealized appreciation

Total investment return* on common stocks in the fund in

1972 + 28.9%

Total investment return* on common stocks expressed as an annual rate of compound interest for the 5-1/2 years from

July 1, 1967 to December 31, 1972 + 11.7%

*Total investment return is defined as dividends received plus the change in market value (whether realized or unrealized) over the period.

SCUDDER, STEVENS & CLARK

Richard J. Dunn, Vice President
March 22, 1973

NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

TOTAL INVESTMENT RETURN

on

Common Stock Holdings

Expressed as Average Annual Rates of Compound Interest

<u>Ending</u>	<u>Beginning</u>										
	<u>7/67</u>	<u>1/68</u>	<u>7/68</u>	<u>1/69</u>	<u>7/69</u>	<u>1/70</u>	<u>7/70</u>	<u>1/71</u>	<u>7/71</u>	<u>1/72</u>	<u>7/72</u>
12/67	10.8										
6/68	12.3	13.8									
12/68	13.0	14.0	14.2								
6/69	5.2	3.8	.0	-11.4							
12/69	3.9	2.7	.2	- 4.8	.6						
6/70	-14.3	-16.7	-20.1	-25.8	-29.6	-45.5					
12/70	- .6	- 1.6	- 3.1	- 5.4	- 4.2	- 5.8	55.1				
6/71	4.1	3.6	2.8	1.6	3.6	4.3	37.3	23.6			
12/71	5.1	4.8	4.3	3.4	5.1	5.9	26.6	16.4	10.1		
6/72	9.0	8.9	8.7	8.3	10.1	11.3	27.4	21.2	20.1	29.2	
12/72	11.7	11.8	11.7	11.5	13.3	14.6	27.7	23.2	23.1	28.9	28.7

Total Return is defined as the dividends received plus the change in market value (whether realized or unrealized) over the period. It should be stressed that each figure is on an annual average rate of return basis.

Alliance Capital Management Corporation

Investment Management Subsidiary of Donaldson, Lufkin & Jenrette, Inc

April 12, 1973

RAY L. LILLYWHITE
Vice President

Mr. Keith Henrikson
Message Center
Nevada State Legislature
Carson City, Nevada

Dear Mr. Henrikson:

At the request of the State of Nevada Joint Fire & Police Committee, I have read and studied briefly the final report of the Public Employees' Retirement System made by Harris, Kerr, Forster & Company and the actuarial report made by Actuarial Systems, Inc. My reaction is that in general these reports, the studies which provided the basis for them and the resulting recommendations are very good. I would question only a few of the conclusions and recommendations.

More specifically we in the San Francisco office and our New York Bond Department have evaluated the bond portfolio. We believe the portfolio is generally well constructed and of good quality. In answer to your question we are confident that we could improve current return (cash flow) on this portfolio by $\frac{3}{8}$ to $\frac{5}{8}$ of 1% beginning immediately. This would amount to at least \$400,000-600,000 additional annual income. In the long run we feel we can outperform the broad averages (Aa utilities or any other such index that becomes nationally recognized) by 1 to 2% per year on a total return basis.

These projections assume that the major recommendations of the study would be adopted, including freedom to manage the bond portfolio without unusual accounting or other constraints. The above improvement would be accomplished while maintaining the quality of the portfolio.

Though I have not had an opportunity to obtain average rates of return on the various segments of the total portfolio, it appears that the bond portfolio contributes well over 75% of current income. Therefore, increasing bond portfolio income by $\frac{1}{2}$ of 1% would increase total portfolio income by .375% ($\frac{3}{8}$ of 1%) which, if added to present income of 5.4%, would be 5.775%. This would be our minimum expectation with yield improvement to continue in future years.

Since the equity portfolio is already under outside professional management and since it is not reasonable to expect any significant short-term change in income from an equity portfolio, we will not comment further on it at this time. However, I am not sure from the reports what use is now being made of unrealized capital gains in the equity portfolio. If this problem has not been met, it certainly should be given some consideration in order that the actuary could use at least a portion of these assets in his projections.

Mr. Keith Henrikson
April 12, 1973
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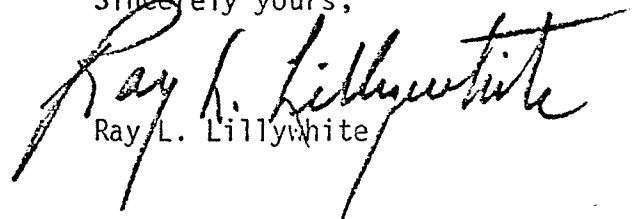
You have asked also that I comment on the matter of police and fire retirement systems and funds being co-mingled with general statewide employees systems and funds. As you know in most states and localities, the police and fire systems are separate from those of other public employees. There of course are very good reasons for this. If the police and fire systems are under a single state authority for management purposes, there should be separate accounting and statistical information for these groups in order that costs and benefits and the projections relating thereto are proper.

I do have reactions to other recommendations in these reports but will not discuss them in detail at this time, except to mention two briefly. Under the Communications Section 3.6, Item 5 recommends quarterly financial statements reflecting the retirement funds' investment performance be sent to all employers and employee groups for publication and for members to review. This could have nothing but adverse effects on members, on the system and particularly on the investment manager. Such reports on an annual basis would be more appropriate and perhaps should be made available to those interested rather than mailing to all employer and employee groups.

There is also a recommendation that the accounting procedures proposed in the MFOA Accounting and Operating Handbook be adopted. Though I wrote several of the chapters in this manual, the accounting chapter was not one of them. Its recommendations are essentially sound today but I think they are more detailed and involved than is necessary for the State of Nevada. A less complicated system could be adopted and would be more appropriate.

I hope this information will be helpful. Please call me if you have questions.

Sincerely yours,


Ray L. Lillywhite

RLL/1s

cc: Mr. Julius Conigliaro



Nevada Legislature

ASSEMBLY

April 24, 1973

MR. DINI:

The following is a tally of Assembly committee referrals together with Assembly Government Affairs Committee actions as of the close of business April 20, 1973:

Referrals of Assembly bills and resolutions	1170
Referrals of Senate bills and resolutions	<u>462</u>
	1632

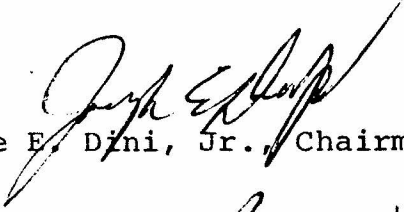
GOVERNMENT AFFAIRS COMMITTEE:

Referrals of Assembly bills and resolutions	261
Referrals of Senate bills and resolutions	<u>83</u>
	344

Assembly bills reported out	161
Senate bills reported out	<u>69</u>
	230

April 25, 1973

This is the full and complete record of the actions of the
GOVERNMENT AFFAIRS COMMITTEE during the 57th Session of
the Nevada Legislature.


Joe E. Dini, Jr., Chairman


Marylou Deever, Secretary