

SENATE FINANCE COMMITTEE
MINUTES OF MEETING
FEBRUARY 24, 1977

The meeting was called to order at 3:30 P. M.

Senator Floyd R. Lamb was in the chair.

PRESENT: Senator Floyd R. Lamb, Chairman
Senator James I. Gibson, Vice-Chairman
Senator Eugene V. Echols
Senator Norman D. Glaser
Senator Norman Ty Hilbrecht
Senator Thomas R. C. Wilson
Senator C. Clifton Young

OTHERS: Ronald W. Sparks, Chief Deputy, Fiscal Analyst
Howard Barrett, Budget Director
Cy Ryan, UPI
Vernon Bennett, Executive Officer, Retirement System
Elbert B. Edward, Chairman, Retirement Board
L. Ross Culbertson, Vice-Chairman
Charles H. Collins, Member
Boyd Manning, Member
Donald L. Ream, Member
Glendon F. Walther, Member
Robert C. Weems, Member
Ken Buck, Retired
Tom Eck, Nevada Peace Officers
Arshal Lee, Brand Inspector
Shirley George Robison, Brand Inspector
John Pursel, UNR
Richard C. Minor, Pres., Nevada Judges Association
Dale Bohmont, UNR

Senator Lamb introduced Mr. Lee who spoke in favor of returning the Brand Inspectors to the early retirement provision in the bill. He stated their classification, their job description, their work, which concerned theft, all combined to make them eligible for the early retirement. Brand Inspectors are concerned with all phases of the livestock industry. The law gave them badges, they wore a gun in performing their duties and this authority was given to them because their jobs were hazardous.

Mr. Robison stated that when he took his examinations 18 years ago for this job, 95 % of the examination dealt with law enforcement. He was told he had full police powers and his background had been police training and he understood this was the necessary training for the position of brand inspector. He asked that this provision be reconsidered and brand inspectors be included in the early retirement plan because of the hazardous nature of their duties.

Senator Glaser asked him how many brand inspectors have police power and he said about ten of them; he was hired because he was a graduate of the school of criminology. A regular brand inspector does not have police powers. He said he was called a brand supervisor, but this was a misnomer; on his commission it states that he is a brand inspector and detective. Senator Lamb thanked them for appearing and asked Mr. Bennett to continue his review of S.B. 173.

Mrs. Falk of the University of Nevada stated that she felt that paragraph 3 of Section 37, page 20, did not say what it was meant to say. Mr. Bennett said if the Committee agreed with the concept of this section that he would like to discuss it with Mr. Daykin as there seemed to be some question about the wording. Senator Lamb told Mrs. Falk that Mr. Bennett would go with her to see Mr. Daykin to clarify the paragraph in question. (copy attached)

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Senator Wilson asked if they had a clear indication of the implications attendant upon the community property laws.

Mr. Bennett said he had discussed the closed records situation with the Board after the morning meeting and he wanted to indicate that the Board would be amenable to an amendment to determine that the spouse would have access to the records, and there would be access on a court order. He understood from the Attorney General that the retirement system was under the Community Property Law. He explained the rights of a spouse under these laws, and continued on with a review of the bill.

Mr. Bennett cited line 28 on page 23 and said that the attorney for the Board questioned the use of the words "caused by or related to" and with the permission of the Committee they would like to talk with Mr. Daykin on this phrase.

Senator Young asked about death incurred while going to or from work; would this be considered related to work. Mr. Bennett stated that this was not the intent of the Board. They intended it to be a job-incurred death; either a death on the job or an injury on the job that resulted in death.

Senator Lamb recognized Clark Guild, attorney, who was present as a registered lobbyist representing the Teachers Insurance & Annuity Association. He left a statement with the committee because he did not want to take up their time in reading it in its entirety. He wanted to point out that the language that was agreed upon in the third draft of the Public Employees Retirement Legislative Program was not the language of this bill. He suggested that the language used in the third draft be inserted in Section 51 of this bill so that there would be a clear understanding that the professional staff people of UNS would be enrolled in TIAA in lieu of the public employment retirement system act. He felt that the third draft language was clearer and he stated that he would be glad to work with whomever was designated to be sure of the language in the bill. Mr. Bennett stated that, with the Committee's permission, he would like to meet with Mr. Guild and Mr. Daykin to make sure the bill is correct.

Mr. Bennett read Section 52 on page 28 which deals with some employees of the agricultural extension department of the public service division of the UNS who have continued as members in both the federal retirement system and PERS after July 1, 1967. Under this section they could only continue under both retirements until June 30, 1977. John H. Pursel of the Department of Agriculture and the University Extension Service spoke on behalf of himself and others who have been contributing to PERS. He stated that at the time of employment they were not given a choice of PERS or the system sponsored by the federal government. They were advised that it was mandatory for them to contribute to both systems. Many of these men have, therefore, requested that the Committee give some consideration to the deletion of the clause in Section 52, page 28, which prohibits the participation in the federal and state system after June 30, 1977 and reinstitute in Section 22, pages 8 and 9 of S. B. 73 as they were originally introduced on February 2, 1977. He also pointed out that A. B. 335 was introduced in the Assembly on the previous day. This bill will permit those who were employed before 1967 to continue as they are now, if this is passed into law.

He also pointed out that if the state and the federal system are financially independent of each other, the continuation of these 15 people on state retirement places no special financial burden on the state retirement system than any other employee who is now participating in the system.

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Senator Glaser asked him if he understood correctly that he would vest with 16 years by June 30, 1977 and he would be entitled to his retirement of 16 years. Mr. Bennett said this was correct, when he was 60 years of age.

Discussion followed on the length of time the group of men had been in the system. Mr. Bennett explained that since all of them had elected to stay with the system when they were given the choice in 1967, they all had over ten years of service. Mr. Bennett stated that there was an inequity where this situation had been allowed to exist for many years and the retirement system took the position that in all probability most of the people will be terminating to retire within the next 5 years. So the Board's recommendation is to allow these people to continue and phase out as long as they remained in this employment.

Dale Bohmont, Dean of the College of Agriculture spoke and said that this group of men was under his administrative responsibility at the school. He wanted to make three points. The first was that the retirement system was built on the premise that they would have 24 years in service upon retirement. The second is that this is a national system and exists in every state; that there are some 8,000 people in the United States carrying double retirement benefits. The third point was that they felt the Board was changing the rules in the middle of the ballgame.

In reply to Senator Lamb's query Mr. Bennett said they felt they had broken faith with the Board of Regents on part of the package agreement by changing this at the present time and that is why they were requesting the Committee to reconsider the matter.

Mr. Buck said in the last 6 years the cost of living had increased by 46.1% and the active state employees had received cost of living increases amounting to 47.67%; the retired person had received an increase of 12.4%. He cited the inequities of the system since the retired person's increases were based upon their benefits at the time of retirement and these increases were not adequate for the retired person. They would like to see their increases tied to the percentage increase granted to the active employees. He stated that the retired persons were as concerned with the financial soundness of the system as anyone, but they did not feel that this would endanger in any manner the retirement system or even prevent the co-funding. He spoke of the investment and returns as recorded in the retirement system to substantiate his claim that the fund could afford what the retired people were asking for.

Mr. Bennett said that when the retirement system began considering the legislation for this session, they met with the Retired Teachers Association and AARP, and the graduated scale, post retirement increases which are provided in this recommendation was their verbatim recommendation. He said that Mr. Buck's association might not want this legislation, but they were newly formed and they did not have time to get their legislative program together before this session. He stated that an actuarial figure had been given them two years ago relative to the increases Mr. Buck was speaking of, and the increase would be such that the active members of the retirement system would have to pay about 2% of their salaries to provide it. He said they felt that the present post retirement increase could be improved, but they wanted actuarial reports before they took any action, but the Board did not feel that this increase could be tied to the salaries of public employees.

Senator Gibson asked him if it would be difficult to get the costs on a post retirement increase on the actual retired income now. Mr. Bennett said he would call the actuary and probably have the figures by Monday or Tuesday.

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Orvis Reil, retired from the Highway Department, spoke to emphasize the point made by Mr. Buck that the cost of living increases based on the benefits received at the time of retirement were not adequate. Mr. Bennett asked Mr. Gibson if in his request he was referring to the accumulative on the post retirement beginning July 1, 1977. Mr. Gibson said he was asking for it based on the present cumulative benefit, whatever it was, and what would the cost be to raise them... Mr. Bennett said he would get the figures for him.

Mr. Wilbur Cook, representing the printing office employees referred to page 3, Section 9 and to 3(a) under that section. He pointed out that the printing office works a lot of overtime and paid a lot of money into the system for overtime. He cited one employee who had worked there for 15 or 16 years and said he had paid in \$1,069 just in overtime. This runs through all the employees in varying amounts. They objected to putting money in the fund which they would never get back. He said they believed that it was possible to differentiate between regular and overtime payments. They proposed that they get that overtime money back, and with interest, because they did not feel it was right to collect this money if they were not going to give benefits on it.


Senator Lamb said the Committee had not firmed up on the overtime but they realized there was a problem in that area.

Mr. Tom Eck, representing the Peace Officers, cited the objections of this organization, as part of the overtime which they worked was a condition of employment. He also mentioned the differences that existed when the officer was under contract. The smaller counties are not under contract and this makes a difference. He asked the Committee to consider an amendment on page 3, line 44, after the word "such" and before the word "for"; the words "pay in the employment contract" be deleted and the words "duty as a condition of employment" be inserted. Mr. Bennett said he would like to get with him again and discuss this section.

Judge Richard C. Minor, President of the Nevada Judges Association referred to Section 24, line 6 and said he felt this would exclude from consideration a number of possible candidates for the judicial court and for the supreme court. Senator Gibson stated that they already had an amendment on that, and Mr. Bennett explained that anyone in the system at the time of election or employment would continue to be eligible, in accordance with the amendment referred to by Senator Gibson.

Senator Lamb thanked everyone for appearing and told Mr. Bennett they would contact him as to a time when the bill would be discussed again. The meeting adjourned at 5:10 P. O.

RESPECTFULLY SUBMITTED


MURIEL P. MOONEY, SECRETARY

APPROVED:


FLOYD R. LAMB, CHAIRMAN

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Suggested wording for part of Senate Bill 173, Page ~~19~~, Section 37
(amending NRS 286.551, Paragraphs 2 and 3):

2. For the purpose of this section "average compensation" means the average of the member's monthly salary for his 36 highest salaried consecutive months; provided, however, that average compensation for a regular part-time employee shall be based on the salary the part-time employee would have received had he been employed on a full-time basis.

3. A regular part-time employee is a person who earns retirement without having completed at least 36 months of continuous full-time employment.

INFORMATIONAL MATERIAL

INCREASES IN ALLOWANCES FOLLOWING RETIREMENT

We will request that post-retirement increases in allowances be based either upon the salary increases granted to active employees or upon increases granted in cost-of-living indexes.

We recognize that ability to pay additional amounts without endangering the system is of first importance. The original purpose of the Public Employees Retirement System of Nevada was to assure a reasonable degree of security to the public employee when he reached his later years in the public service. The "reasonable degree of security" is eroded by inflation with each passing year. We believe that the security of the individual can be strengthened without any danger to the retirement system.

The retirement system was not designed to be an actuarially funded system. However, actuarial services were retained from the start (1947) and actuarial studies were made each 2 years and submitted to the legislature. The system was regarded by successive legislatures as safe under a modified reserve system where the reserve appeared sufficient to cover a "foreseeable future" of 15 to 20 years. The ability to adjust each 2 years through the legislature assured flexibility. Recent years have shown a trend towards adoption of a fully-funded actuarial system. We believe that the system has been, and is, completely safe under a modified reserve plan. The following facts are presented from such a viewpoint.

In the fiscal year of 1975-76 the retirement fund grew from \$295,439,214.21 to \$368,604,382.59. The contributions of the various public employers were \$35,979,326.71 for the year and investment income (including interest on withdrawn contributions) was \$28,835,187.67, a total of \$64,814,514.38. Employer contributions and investment income become immediately and irrevocably the property of the fund. We do not consider employee contributions which remain the property of the individual until retirement.

The total benefits paid during the fiscal year were \$13,846,335.14, less than one-half of investment income alone.

The retirement office estimates that the cumulative 1½ percent annual increases in years prior to 1975 and the graduated increases of 1975 and 1976 represent an expenditure of approximately \$2.5 million per annum. The benefit payments for post-retirement in 1975-76 were, of course, somewhat less than \$2.5 million as the 1976 increases were not included. The office further estimates that the 1976-77 expenditure will be approximately \$2.75 million with approximately 3.5 million in 1977-78.

The investment income figure of 1975-76 of \$28,835,187.67 is not a fixed figure. It will increase substantially in the forthcoming years as clearly established by the fact that in 1975-76 the following additional funds became available for investment: Investments (after payment of all benefits), \$14,988,852.53; employer contributions, \$35,979,326.71; employee contributions, less refunds, \$14,662,377.00. Total - \$65,630,556.24.

With the volatile economics of today it is extremely doubtful that anyone can clearly predict conditions 10 years from now much less arranging for matters 40 years in the future. It is a certainty that the retirement fund is not endangered but will continue a healthy growth even with a realistic approach to the problems of inflation.

We are well aware that increases are cumulative. It is also true that the longer a retirement continues the closer it is to termination and complete removal from the rolls.

The plight of the retired employee in the 1970's is illustrated below:

	Cost of Living Increase (Washoe Co. Library)	Allowance Increase (Based on Original Allowance)	Active Employee Salary Increase (Based on Current Salary)
1970	6.0 %	0	7/1/70 7.5 %
1971	4.3 %	1.5 %	1/1/71 5.0 %
1972	3.3 %	1.5 %	1/1/72 4.17 %
1973	6.2 %	1.5 %	1/1/73 5.0 %
1974	11.0 %	1.5 %	1/1/74 5.0 %
1975	9.1 %	3.2 %	1/1/75 15.0 %
1976	6.2 %	3.2 %	1/1/76 6.0 %

(Note: Retirement allowance increases are based on the original allowance. The percentage increases in post-retirement allowances in terms of current income are consequently less than shown.)

We might also consider the person retired in 1967 which year is usually used as a base of 100.0 in estimating cost of living increases. The over-all cost of living index had risen to 167.2 on January 1, 1977. Food costs climbed to 182.0. The allowance of a person retired in 1967 reached 118.5 on January 1, 1977. His allowance - which is much smaller than that now available to his successor - has suffered an actual cut of 48.7 percent on the cost of living and 63.5 percent on the food index. The original goal of the retirement system to afford a "reasonable degree of security" to the veteran employee in his later years has been sadly diminished.

The members of the RPEN are sufficiently realistic to recognize that the damage of the past few years cannot be completely repaired. We recommend that special consideration be given to those members whose income is at the lower levels. We recommend that an effort be made to sustain retired employees against the evils of inflation in the same manner that active employees are sustained; i.e., that increases in allowances be based on the percentages of salary increases granted to active employees or on increases in cost-of-living. Any increase should be based on current payments - as in salary increases - and not upon the original allowance received. Salary increases are not based upon the salaries of 10 years ago. Such increases will still leave total benefits well within investment income.

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MR. CHAIRMAN & MEMBERS OF THE COMMITTEE.

MY NAME IS CLARK J. GUILD, JR. I AM AN ATTORNEY PRACTICING & RESIDING IN RENO, NEVADA, WITH OFFICES IN LV. I REPRESENT TEACHERS INSURANCE & ANNUITY ASSOCIATION OF AMERICA, GENERALLY REFERRED TO AS TIAA.

UNDER THE PROVISIONS OF THE UNIVERSITY OF NEVADA OPTIONAL RETIREMENT PROGRAM FOUND AT N.R.S. 286.802, et seq., TIAA HAS BEEN DESIGNATED AS THE INSURANCE COMPANY BY THE BOARD OF REGENTS OF THE UNIVERSITY OF NEVADA UNDER THE OPTIONAL RETIREMENT PROGRAM.

MY CLIENT'S PRINCIPAL CONCERN IS THAT THERE BE A CONTINUITY OF THE OPTIONAL RETIREMENT PROGRAM AVAILABLE TO ITS PARTICIPATING MEMBERS UNDER THE UNIVERSITY OF NEVADA SYSTEM. THE OFFICERS OF TIAA HAVE HAD AN OPPORTUNITY TO REVIEW PROPOSED DRAFTS SUBMITTED BY THE PUBLIC EMPLOYEES' RETIREMENT BOARD IN ITS LEGISLATIVE PACKAGE INCLUDING THE LAST ONE WHICH OCCURRED ON OCTOBER 29, 1976. SUGGESTED LANGUAGE WAS PLACED IN THE THIRD DRAFT WHICH I WOULD STRONGLY URGE FOR YOUR CONSIDERATION AS AN AMENDMENT TO SB 173.

SECTION 24 OF SB 173 PURPORTS TO MAKE MEMBERS OF THE PROFESSIONAL STAFF OF THE UNIVERSITY OF NEVADA SYSTEM WHO WERE MEMBERS ON OR AFTER JULY 1, 1977, INELIGIBLE TO BECOME MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

IN SECTION 51 OPTIONS ARE AVAILABLE TO THE PROFESSIONAL STAFF OF THE UNIVERSITY OF NEVADA SYSTEM.

BY WAY OF CLARIFICATION AND IN ORDER THAT THERE MAY BE NO MISUNDERSTANDING IT IS SUGGESTED AS FOLLOWS:

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THAT SECTION 50 OF THE PROPOSED LEGISLATION
ELIMINATE THE REPEALING OF N.R.S. 286.806 AND THAT N.R.S.
286.806 BE THEREAFTER AMENDED BY ELIMINATING THE LANGUAGE
THEREIN SET FORTH AND SUBSTITUTING THE FOLLOWING:

PROFESSIONAL STAFF INITIALLY EMPLOYEES OF THE
UNIVERSITY OF NEVADA ON OR AFTER JULY 1, 1977, SHALL BE
REQUIRED TO ENROLL IN THE RETIREMENT PROGRAM ESTABLISHED
BY THE UNIVERSITY OF NEVADA UNDER N.R.S. 286.802 UNLESS
THE EMPLOYEE IS ALREADY A MEMBER OF THE PUBLIC EMPLOYEES'
RETIREMENT SYSTEM, IN WHICH CASE SAID PERSON SHALL REMAIN
A MEMBER OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

THE EFFECT OF THIS AMENDMENT WILL ENABLE THE PROFESSIONAL
STAFF TO AVAIL THEMSELVES OF THE PROVISIONS OF SECTION 51
AS WELL AS A CONTINUATION OF THE BENEFITS UNDER THE OPTION
RETIREMENT PROGRAM IF SUCH BE THE CASE.

2/24/77
P.M

Name	Organization	Address	Phone
Mrs. Kenneth Budy	R.P.E.N	3210 Ward Pt.	747-4103
Stanley D. Sundeen	R.P.E.N	212 S. Nevada CC	882-1757
John J. Sullivan	R.P.E.N	101 Winters Dr., C.C.	882-1989
Richard	R.P.E.N	116 S. TRIS ST.	882-3434
Chester H. Swindell	R.P.E.N	205 Maryst	882-2795
Shirley Ann Robinson	Nev. Dept. of Agri	419 Bell Ave Ely	289 2517
J. Caton	NEV Dept agri	Reno	
Ray L. Brunette	Nev. DEPT OR ACM	Winnemucca Nev	
Edward J. Lawrence	N.A.S.A.	2832 E. ^{Las Vegas} Flamingo Rd.	736-5467
Paul E. Decker	R.P.E.N	1620 Hawaii Reno	329-8940
Vale Belmont	Coop Ext U of Nev	Coll. of Agr. - Reno	284-6611
John H. Pussel	Coop EXT Lot 7.	P.O. Box B Yerington	463 2854
George W. Bunker	Coop Ext. U of N. Ret.	5805 Alta Dr. Gardena	918-1532
Peter Fox	Quadrangle	111 Day St. Winnemucca Nev.	
Brenda Laxart	Council to Coop Ext U of N	P.O. Box 646 Carson City	882-0202
Francis G. Chubbell		135 Boxelder Reno	322 0092
Nellie S. Land	NRTA/AARP Joint Nevada Legislative Committee	307 Meyer St, Carson City	882-0460
Orvis E. Reil	NRTA/AARP - Joint Nevada Legislative Committee	424 E. Long St - Carson City	882-1675
Maude Eades	Retired Employee	3020 Carmine - Carson	882-1477
Flo Reed	" "	4400 Meadow Wood	882-3738
Hattie Becker	N.S.T.C	611 E. Robinson St Carson City	882-1590
J. B. Manner	R.P.E.N	16 W. Sunset Way - Box 489	882-1939
Doreen Pearell	R.P.E.N	207 Winters Drive, Carson City	882-1088
G. A. Hansen	R.P.E.N	1004 W King CC	882-3047
Eugene Pierce	R.P.E.N	207 Winters Dr. C.C.	882-1088
Georgina Ballou	R.P.E.N	612 E. Caroline	882-1338
John Koontz	Retired	302 E. John, C. City	882-2640
Lena Griffin	R.P.E.N	711 W 5th St C.C.	882-8279
John M. Griffin	R.P.E.N	711 W 5th St. Carson	882-8277
J. J. Jettison	RETIRED EMP SECURITY	3200 OTHA CARSON	882-2491

Name	Organization	Address	Phone
H.R. Michaels	R.P.E.N	44 Iris Court Reno	358-8932
Ken Buck	"	2210 Ward Pl Reno	747-9103
Jenny Trochery	Retired Teacher	1005 Dunbar Dr Reno	849-0256
Richard C. Minor	Nevada Judges Assoc.	PO Box 3591 Reno	785-5476
B.A. Fletcher	N.P.E.N	205 S. Pratt, C.C.	882-1053
TOM ECK	N.P.O.A	310 N. STEWART CC	883-1890