

SENATE FINANCE COMMITTEE
MINUTES OF MEETING
MARCH 2, 1977

The meeting was called to order at 8:00 A. 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 Ty Hilbrecht
Senator Thomas R. C. Wilson
Senator C. Clifton Young

OTHERS: Ronald W. Sparks, Chief Deputy, Fiscal Analysis
Howard Barrett, Budget Director
Judy Matteucci, Budget
Cy Ryan, UPI
Vernon Bennett, Executive Officer, Retirement System
Will Keating, Retirement System
Ross Culbertson, Vice Chairman, Retirement Board
Bob Gagnier, SNEA
Robert C. Weems, Member
James Barrett, Director, DLEA
Harry Lipparelli, Planning & Training DLEA
John Compson, DLEA
Paul Howard, DLEA
John Peevers, DLEA
Vern Calhoun, Investigation Narcotics Division, DLEA
Ray Gubser, LVMPD
Larry Ketzenberger, LVMPD

Senator Lamb asked Mr. Bennett to review the sections which had been of concern to the Senate Finance Committee when a hearing was held on S. B. 173 on February 24, 1977. Mr. Bennett submitted a booklet containing all the questions which had been raised. (Copy Attached) He began the discussion by reviewing Section I of the memo, covering item by item those areas which had been reviewed or revised since the earlier meeting.

Item 1. Page 1, line 7: This correction was accomplished by the Senate Finance Committee on February 24, 1977.

Item 2. Page 2, Section 4: This recommendation met with the approval of the Committee.

Item 3. Page 2, Section 7: This wording was discussed. Mr. Gagnier of SNEA said that his group had agreed to this language as a compromise. Senator Hilbrecht moved that Amendment 2 (a) be accepted with the stipulation that a ceiling of 90% be imposed. This was seconded by Senator Echols and the motion passed. This insertion will now read: "However, a member who is not a police officer or fireman who has completed 30 years of service before he reaches the age of 55 years is entitled to an additional 2.5% for each year of service thereafter until he reaches that age, and a member who is a police officer or fireman who has completed 30 years of service before he reaches the age of 50 years is entitled to an additional 2.5% for each year of service thereafter until he reaches that age. However, the total retirement benefits shall not exceed 90% (Ninety percent) of average compensation."

Item 4. Page 4, line 38 Contains a wording change which met with the approval of the Committee.

Item 5: Page 4, line 45 Contains word change which met with the approval of the Committee.

Item 6: Page 6, Delete last half of line 32 and all of line 33. The Finance Committee had indicated these expenditures should be a part of the regular administrative budget expenses. PERS has no objections to

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the deletion but asked that the Senate Finance Committee allow an addition of \$7,200 per annum to their budget request for in-state travel for the Board. This allows \$1,200 per meeting for 6 annual daily meetings limited to investments. The Committee indicated their approval of the change. The other reference to this in the bill occurs on page 25; the new language in lines 23 through 26 will also be deleted.

Item 7: Page 15, line 21, delete new wording in line 21 and all of the lines 22 through 26. This deletion met with the approval of the Committee.

Item 8: Page 16, lines 25 through 27. The new language is to be deleted and the following inserted: Compensation actually paid during each month shall be reported separately. However, retroactive salary increases and adjustments shall be reported separately for each month to which they apply.

Item 9: Page 18, line 27. Either word "employed" or "appointed" is acceptable but the Retirement System prefers "employed."

Item 10: Page 22, line 38. Contains technical correction. After the word "option" and before the word "after" insert the words: "or designated beneficiary."

Item 11: Page 22, line 40 and Page 23, line 31. Both Mr. Daykin and the attorney for the Retirement System see real problems with enforcing this section and recommend that the section be repealed. The Committee indicated their agreement with this recommendation.

Item 12: Page 23, line 28. The Committee was concerned with clarifying the status of a member while traveling to and from the job and on secondary employment. It is suggested that this section read: "If the death of a member is caused by a job incurred accident or occupational disease, no prior contributing service is required to make his dependents eligible for payments under NRS 286.671 to 286.6791, inclusive. However this shall not cover any member for an accident or illness incurred while traveling to and from the job and or secondary employment where the person is not a contributing member."

Item 13: Page 25, line 23. This was covered under Item 6.

Item 14: Page 28, line 45. Contains a technical correction. Delete "July 1, 1977" and insert the effective date of this act.

Senator Lamb directed that the record would show that the Committee agreed with the amendments to this point. Mr. Bennett listed an item that was not listed in this memo which had concerned the Committee. Page 5, lines 41 and 42. He said they had been advised there was some concern about this, and he had been instructed to tell the Committee that the Board had no strong objections if it was deleted. Senator Hilbrecht expressed his surprise at the Board's recommendation as he felt they had made a strong presentation in favor of the section. Mr. Bennett said they would like to have it remain in the bill. Senator Wilson said if they were going to provide for confidentiality they should do it with more specificity than presently in the bill.

Discussions followed with suggested changes. The following wording was suggested: "Meetings of the Retirement Board with investment counsel regarding investment strategy and evaluation of the portfolio

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or legal counsel regarding advice of counsel on claims or suits involving the system may be closed by the Board." Senator Gibson moved the language read by Mr. Bennett be accepted. Senator Echols seconded and the motion passed.

Senator Wilson referred to page 4, line 43, and said this question of who should be included in this provision had been brought to his attention.

Senator Lamb said he thought the Committee was getting away from the concept of why the early retirement was allowed. That was in areas of danger when a man's life was in danger because of hazardous duty. He did not see anything hazardous in these exemptions, most of them. He felt there was now a tendency to include everything. He felt it was necessary to stick to the original intent of why the early retirement was allowed originally. Senator Gibson said he felt the problem lay in the fact that there were dual approaches to the early retirement system. He felt it should be kept as limited as possible.

Senator Hilbrecht said he felt the provision which was made in lines 45 and 46 should also apply to lines 43 and 44. That this should read "An employee of the state gaming control board who is assigned to enforcement duties on a full time basis;" The committee indicated that they were in agreement with this amendment. They next considered lines 41 and 42. Senator Hilbrecht moved that this group be included; Senator Wilson seconded and the motion passed.

The subject of including the brand inspectors under early retirement was next discussed. Senator Glaser said that the Department of Agriculture has broken this group down into classifications. Mr. Bennett said that the classification under the early retirement with them was for district supervisors and investigators. Senator Hilbrecht said the Police and Firemen's Advisory group had interviewed these people at great length and he felt a little difficulty in having the Committee second guess what this Board is doing. The funds are theirs and they are the ones who have the actuarial responsibility to justify it. It is their benefits at stake, not the rest of the system. He felt the Committee should follow their recommendations.

Senator Hilbrecht moved that the brand inspectors who were involved in the hazardous duty be included, Senator Glaser seconded. Senator Lamb called for a vote and the motion was defeated with Senators Young, Lamb, Gibson and Echols dissenting.

Line 45 pertaining to fish and game wardens was next considered. Senator Glaser moved that the fish and game wardens be deleted from the early retirement system. Senator Hilbrecht seconded and the motion passed with Senators Wilson and Young dissenting. Next under consideration was line 47 pertaining to taxicab field investigators designated by a taxicab authority. Senator Glaser moved line 47 (j) be deleted. Senator Young seconded and the motion was defeated with Senators Wilson, Echols, Gibson and Lamb dissenting.

Senator Lamb asked Mr. Bennett to continue with his presentation. Mr. Bennett referred them to Section II, a letter directed to Mr. Bennett, subject: Comparison of Post Retirement Increase Methods. (copy attached). He said the real problem was that if it was approved a precedent will be established that will make post retirement extremely expensive each year as it is compounded. The actuary strongly recommended that this not be approved. The Committee indicated their agreement with the actuary by a show of hands and Senator Lamb instructed that the record show this action.

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Mr. Bennett then reviewed Section II, the amendments submitted by the Retirement Board.

The first is a technical correction. The second has been determined. The third one is a technical correction. The fourth contains an insertion on Page 4, between lines 2 and 3 as listed on the attached page. The Committee was in agreement. The fifth one would specifically spell out that the retirement system is an actuarially funded system. The Committee was in agreement.

Item 6: Page 6, line 10. This would provide that any salary increase for the Executive Officer and Assistant Executive Officer as approved by the Board shall also be subject to approval by the interim committee of the Legislature. Senator Gibson stated that this amendment grew out of someone on the Committee expressing opposition to the Board setting the salary. Senator Young said he hated to see dual standards and different standards. He felt it was better to have one system and stick to it. Mr. Culbertson stated that the Board feels there are a number of differences here. The first is this is not tax money, the Legislature does not appropriate the money in the first place. No. 2, this is a highly technical position as with the UNS. If Mr. Bennett were to leave the system they would either have a choice of appointing Will Keating or going outside the state; there would be no one else in the state who would be qualified to handle this job. He felt that in government everyone was hung up; that everyone had to be in lock-step to the point where one cannot answer to a need. The Board feels a need in this because they have to be responsive to a very limited market. He thought that with a fund this size there are, generally, 75 people in the whole country equivalent to Mr. Bennett. It is a very closed group and the market level for those 75 people is very firmly established. That is the Board's feeling about this. Most of the unclassified are the political appointment; to last for eight years during the Governor's term and they are going to be replaced by other people.

Mr. Weems said this was a highly technical position. There is one in every state and there is a national market and it's pretty easy to get the average salary of all these directors. They thought it was a different type of position. Senator Lamb said there was no argument about the position or the man's ability, it's just that it is setting up a new way of getting at it.

Mr. Bennett said he would like to respectfully disagree with Senator Young. They were not setting up a new way of doing things. The UNS which is clearly spelled out as a state agency has their Board of Regents with the right to set the salary of the presidents of each campus, also of each professor and the chancellor. They don't have to come to a Legislative Committee and have it approved. The Legislative Commission sets the staff salary for the people who are employed by the Legislature. Every school district sets the salaries for the school superintendents and their administrators. So in effect what they are asking for is the right for the Board to set his and Mr. Keating's salary which is not as flexible as those people have had for years.

Mr. Weems, Board Member, said he thought this might be a good precedent to establish; it could be used in other places as well. Mr. Bennett said he had hoped not to get into this, but one other key point, which if it was a concern, he wanted to mention, is: He was recruited from 144 people, qualified statewide, nationwide. When he was interviewed by the Board he was not advised by the Board that his salary would be set by the Legislature; in fact the Chairman of the Board told him when they gave him the official appointment that if he did the job for them they wanted, within six months he would have a very favorable

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increase. They could not legally do this. He was hired and fired by a Board, but his salary was set every two years by the Legislature, based on recommendations from the Governor's office for all unclassified employees. He was being judged by all other people. The classified people on his staff during the last two years have received 16% in increases, he had received 4%. If they work overtime, they get paid for it, they are not by law prohibited from having a secondary job, which he was. He didn't know what the State of Nevada had against unclassified employees but it is a very poor situation to be in and what they were really asking was for the Legislature to remove the Retirement System from the unclassified state ranks so that they can employ professional people to do the job. Senator Young said he felt some of these arguments could be made for N.I.C. and Mr. Bennett said that was true and he thoroughly agreed with them.

Senator Lamb said that time was running out and the Committee would get back to this one.

Item 7: Page 10, line 41. This deals with District Court and Supreme Court Justices. This amendment would provide that rather than prohibit membership to all district court judges, that you would only prohibit membership to future district court and supreme court justices who are not already enrolled in PERS. Those who are already enrolled, would remain in PERS.

Item 8: Page 13, line 1. This will return temporary total disability coverage into the retirement system where the public employer pays the difference between the NIC payment and regular compensation, so in effect a person stays on full salary.

Item 9: Page 13, line 13. The Board of Regents would have the opportunity to elect to go under the employer pay situation only for the professional staff of the University. It would not apply to their classified employees.

Item 10: Page 19, line 43. This would delete the fact that a retired person has to be out of employment 90 days each year and merely provides that they have to be out of employment for 90 days upon termination to retire. The one time there would be a complete break, but after that they could come back and work at any position less than half time.

Item 11: Page 20, line 25. Mrs. Faulk appeared before the hearing and subsequently met with Mr. Daykin and he has agreed with the wording she submitted. This is listed in Section II of the booklet.

Item 12: Page 28, line 22. Technical correction. The University professional people can go either to PERS or stay in their system. They can make one final decision only, between July 1 and December 31, 1977.

Item 13: Page 28, between lines 28 and 29. This was a matter that was introduced by Clark Guild at the hearing. This will spell out that any professor appointed on or after July 1, 1977 shall be enrolled in the other retirement program offered by the University unless he is already a member of PERS, in which case he shall remain a member of that system.

Item 14: Page 28, line 32. The Board had asked that the Committee reconsider closing out the Ag Extension people as of June 30, 1977. Senator Glaser moved that their request to be allowed in both the federal and state system be approved. Senator Wilson seconded. Discussion followed. It was felt that even though they had been carried in error in both systems for the past ten years, this should not be allowed to continue. They all had a vested interest and this should not be carried on any longer. The motion was defeated with only one assenting vote by Senator Glaser.

Item 15: Page 30, line 36. Contains technical amendment. This allows the new Legislative Interim Committee to go into effect immediately after the session.

Section II: Item 1: No discussion.

Item 2: Recommended amendment that the system may waive forfeiture of benefits provided in Section 6 for up to 30 days' employment when a retired person returns to a public employer under emergency circumstances. The Appointing Authority of the public employer must certify in advance to the System that an emergency situation exists in his agency and that no other qualified person is available for employment in the position. The Committee agreed that this should be accepted with a specific stipulation that it will be a 30 day period in one year.

Item 3: This was voted on earlier.

Item 4: PERS feels that this will create no problem because an NPD-35 must be completed and filed with State Personnel for every job change and transfer. The Committee was in agreement.

Item 5: Mr. Eck has agreed to an amendment which would provide that the words "or official job description" be inserted on lines 44 and 46 after the word "contract". This would eliminate the necessity for contracts in agencies in the small counties but would require official job descriptions. The committee was in agreement.

Item 6: Senator Faiss has withdrawn his amendment.

Item 7: This is a technical correction.

Item 8: Already covered.

Item 9: Already covered.

Item 10: Already covered.

Item 11: Already covered.

Senator Lamb thanked Mr. Bennett for appearing.

DEPARTMENT OF LAW ENFORCEMENT ASSISTANCE: The Nevada Commission on Crime, Delinquency and Corrections was established by statute by 1969 Legislature and given the following responsibilities:

1. To develop a comprehensive statewide plan for the improvement of law enforcement throughout the state.
2. To define, develop and correlate law enforcement and criminal justice programs for state and local units of government throughout the state.
3. To establish priorities for the improvement of law enforcement throughout the state.
4. To provide for the general direction and operation of the Department of Law Enforcement Assistance.

The Director, James Barrett, spoke on the department budget. The Commission was created as an independent agency. The Commission consists of the chairman and 16 members with several additional persons who act in a non-voting advisory capacity to the Commission.

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Membership includes representatives from the Legislature, various police courts and corrections and of the general public. He explained the workings of the Commission and its breakdown in activity between the large and small counties.

Federal funding is the support of the training division of DLEA which does the administrative work and the handling of grants. Mr. Barrett spoke of attending the National Governors Conference in Washington and reported that the Governors in attendance recommended that the Federal Law Enforcement Assistance Administration be retained, realizing that some changes are in order. He detailed other actions taken in Washington, D. C. during that Conference.

He stated that DLEA in Nevada has no intention to mandate or dictate policy to any local law enforcement agency. He felt the local agencies were well equipped to handle their own problems, however when the local agencies do request aid of the DLEA they are glad to be of assistance. He said that he was aware that some local agencies felt the DLEA was infringing on their local independence. He stated this was not true. He said his duties, his responsibilities and personal desires do not include this form of operation. They make every effort to avoid the appearance or action of bureaucracy,

He introduced Harry Lipparelli, Chief of Planning and Training. This Division is responsible for 1) the development of the Comprehensive Statewide Plan for the improvement of law enforcement throughout the state which is then submitted to the Director and Commission for approval. 2) For defining and correlating programs and projects for the improvement of law enforcement and 3) Providing for the administration of grants under guidelines set by the Director. He outlined the activities of the department and listed briefly the objectives which had been accomplished since the formation of the Department. He described the awards which had been made and the monitoring that was involved once the award is made. He have a breakdown of the time involved in processing, obtaining, monitoring these awards to meet the requirements levied by the federal government. The agency had spearheaded the first correctional master plan in the state. This plan was reviewed in 9 open hearings across the state. Another innovation was the first comprehensive juvenile justice plan for the state. This was the first time the entire juvenile system of Nevada was addressed in one manual. In concert with the Supreme Court the Planning and Training Division has actively engaged in assisting in the development of the Nevada review of the standards of criminal justice. He listed other documents along similar lines.

The Department offers technical assistance to various agencies across the state. This has occurred in construction projects, about 20 in number, that take varying amounts of time in the planning. He said of all the projects funded since 1969, to his knowledge, the majority of the projects are still on-going, some have been expanded further. He offered to give further details if the Committee was interested in more details. Senator Young asked if there was any overlapping between what they were doing and the supreme court justices were doing in their planning? Mr. Barrett said there was no overlap. He said there was a specific judicial planning group who will prepare and submit a plan to the full Crime Commission that will be a comprehensive judicial plan of the State; his staff would only assist administratively. Senator Glaser asked if there had been much utilization of their services from the Wells and Carlin area. Mr. Lipparelli said he had just received a request from the Mayor of Wells asking them to come there and explain just what a police department should consist of, preparing budgets and the like. He said they have had recent requests from Lovelock and the new sheriff in Goldfield. Their main concerns are in the field of administration. When it comes to law enforcement

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they prefer to bring in expertise from other large enforcement departments in the state. They are working with the National Sheriff's Association where they can bring people in from other states. He explained the duties of various people in the department. Senator Echols commented on the amount of time spent in all federal programs in auditing, overseeing and monitoring programs. He wondered if this was excessive. Mr. Barrett said there is no doubt that when you are dealing with federal funds, everything is in triplicate and quadruplicate. Senator Lamb asked about the out-of-state travel money. Mr. Barrett said that recently the agency had been making trips for the Governor and when the Governor asked him to make a trip, if there were no funds in the Governor's budget, he had to absorb the costs in his budget.

Senator Young asked if they were getting a handle on the crime problem. Was the rate going to continue to go up or was it going to plateau? Mr. Barrett said if the population would remain dormant the crime would go down. When new people come in, they bring their problems with them and the crime rate goes up. In 1976 the population west of the Mississippi exceeded the growth of that in the East. He felt that crime would start to move westward and it would be higher in the West and the Eastern crime rate would go down. The criminal has no boundaries and they prefer the vacation localities, where people come in a relaxed manner and become the prey of the criminal. He felt this problem can be met at the juvenile level best. He felt there should be some way to make families more responsible for their children.

Senator Wilson asked about an audit fee listed in the budget. Mr. Barrett said that the federal government requires them to have an audit every other year, an independent audit. This year the audit was made by the Legislative Audit Bureau and they were paid. At some later date the federal people will come in and do their audit.

P. O. S. T: The Peace Officer Standards and Training Program was authorized by the 1969 Legislature to establish minimum standards for recruitment and training for peace officers within Nevada. The program is supervised by a Committee composed of members of the Commission on Crime, Delinquency and Corrections. Major program changes undertaken by the Committee are: Expansion of the basic Peace Officer standards and training program from 120 hours to 160 hours; addition of an Intermediate Peace Officer Standards and Training Program which provides an additional 40 hours of instruction for those officers in possession of a basic Peace Officer Standards and Training Certificate; first aid courses; supervisory training; instructor training and additional firearms training.

John Compson, Training Officer of the Program outlined their activities. He explained that the \$54,211 federal item in the budget had been allocated to other areas with greater priority. The state gave them \$60,200 and suggested they get the balance from the federal government, but as the money had already been obligated to other projects, they were going to have to function on the \$60,200 of state money. He outlined the programs which had been offered during the past two years and showed the areas where they would have to cut back without additional federal funds.

Senator Glaser said it was his understanding that this was one of the better programs for training small town peace officers where they are unable to get any sophisticated training. He said he was a little concerned that this money has been lost in other areas. He said he was more interested in training the people than in other phases of work. Mr. Compson said this \$54,000 was spread out through four separate areas, the state, Washoe, Clark and the small counties. He explained that when this money came in last year their funding level had been

cut over \$119,000; therefore the Crime Commission reappropriated the money so other programs could continue. Senator Lamb remarked that the rural counties did get some benefit of this money then. Senator Glaser asked if they had also lost the \$69,248 in fiscal 1979. Mr. Compson said there had been word there had been a reduction of over \$60,000 in expected federal funding for that year, too. In answer to Senator Glaser's question, he said they would not be able to conduct programs at the level they had conducted during the current year, it would have to be on a much reduced level. Senator Wilson said if they were going to have to cut their budget by that amount of money, he felt they should have some idea of the programs they could give on \$60,000. On this budget he felt they had no way to judge. Mr. Compson said if they were limited to the \$60,000 figure they would take action to keep some of the training programs in force. Generally they pay one half of the salary of police or sheriff's personnel, from agencies with less than 25 people, that would come back into the programs so they could be helped out with more training. All of the sheriffs and the police chiefs, who would be affected, have already been contacted and they have agreed to pick up this cost themselves so the agency could carry on an intermediate program. This would consist of two basic P. O. S. T. schools. He listed other programs that would have to be eliminated if the budget was cut. Senator Lamb said he agreed with Senator Wilson that if the budget was to be cut, the Committee would give the agency the priorities to establish programs in the areas that they felt were the most needed, within the amount of money available. Senator Glaser asked if the in-state travel was to bring peace officers in to these programs. Mr. Compson said it was, and part was to take instructors out to the agencies.

Senator Lamb stated that they were really not going over the budget in the normal fashion. Senator Gibson said he felt that they should submit a revised budget. Mr. Compson agreed to send one in. Mr. Compson outlined the programs they had which were given credits by the Community College.

IDENTIFICATION AND COMMUNICATIONS DIVISION - STATE: Mr. John Peevers spoke on this budget. He outlined some of the responsibilities of the agency. There are four areas of legislative mandate that were given to the agency when it was created. A new one was to develop a state-wide automated information system. Efforts are presently being made in Clark County, at the state level and at Washoe County. The agency served as a coordinate and the applicant for federal funds to accomplish the programs that are being initiated. Most of the work will be based in Clark County utilizing the data base that has already been developed there.

The second major area is in communications. This provides a state wide data and radio communications network which ties the automated system together; it provides for the interface between the data base in Clark County and all the other criminal justice agencies in the state and data bases outside the state and at the federal level. There is a communications center that handles that, and they are handling approximately 1,000 transactions a day. This was previously operated by the Department of Motor Vehicles. The third major area is in the area of crime analysis and field technicians. This facility was previously funded by the state narcotics division and transferred to ID & Communications. It provides for crime lab type analysis and provides field technicians to state agencies and to the small counties to go out and do crime scene type work in the field.

The fourth major area is a statistical analysis center which is collecting administrative and crime statistics throughout the state, analyzing this data, and getting it back to the proper people to make judgments based on crime analysis and analysis to the systems response to those crime problems. This is primarily funded by federal funds.

In discussing the budget, Senator Gibson asked why the agency wanted to transfer positions from the federal funding program; was it because money was running out: Mr. Peevers said that was the reason. Mr. Peevers said there was one more critical area that had come about: the field technicians and crime lab type people and the communications network will not be funded federally in the future. He said this information had come to them since the budget was written. He said they were preparing a new budget to show how they can handle this cutback

Senator Gibson asked Mr. Barrett if the Attorney General had made any comments on the LEAA funds when he met with them at the Governor's Conference in Washington. Mr. Barrett said the Attorney General had said that the only thing he could do was to go back to the Congress and ask that they restore more money. He said that when the \$4.5 million allocated for Nevada came to the state, most of it was earmarked for specific grants. Senator Gibson indicated that he thought this allocation in Washington was not at the discretion of Congress but rather the Federal Crime Commission.

Mr. Barrett said that the block money that came into the state gave them a little discretion on how it would be spent. The other money is specifically earmarked. He said this state used to get \$1.5 million in block money, now they only get \$144,000. Senator Gibson said the state has had constant problems with this program. He said that he was convinced that he was not going along with it after another two years. He said he didn't see how the state could replace all the federal money.

INVESTIGATION AND NARCOTICS DIVISION: Mr. Vern Calhoun, Chief, spoke on this budget. The division, in the last two years, has averaged about 300 to 400 cases a year with about the same number of arrests. He gave breakdowns on categories of the people who have been arrested for drug violations. In the overall state problem, about one half of all arrests made are for drug violation. The problem in Nevada is similar to the nationwide problem. He said that generally the statistics in Nevada show that out of 100 major crimes in this state, only 50 are reported; out of that 50, 20 are arrested; 12 are indicted; 6 go to trial and 3 are found guilty. Senator Young asked how many out of that three go to jail and Mr. Calhoun said about 1% out of 100 go to jail. He gave statistics on drugs seized during the biennium. He outlined areas where money had been spent, listed their accounting system and programs under which they had been able to apply for federal money. He stated that they had been offered a grant to set up a Diversion Investigative Unit. This Unit will be starting sometime next month, with a cooperative venture between the division, the Board of Medical Examiners, the Pharmacy Board and, hopefully, a joint training session with all law enforcement agencies. In answer to Senator Lamb's query, he explained that this is an 18-month program and will not be refunded. Mr. Calhoun stated that he felt this Diversion Investigative Unit was very much needed in this state. In Nevada, during the past seven years that they have been keeping records, the deaths from drugs averages between 50 and 60 deaths a year. In 1976 there have been 76 so far this year. The heroin deaths are gradually decreasing, all of the other deaths are caused by pharmaceutical products

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These are easy to obtain and mixed with alcohol they become serious. The agency feels there needs to be some controls. These deaths are about 1/3 suicide; 1/3 accidental and the last third, they do not know. These have not really been investigated.

Senator Young asked if they had data on what would happen if the Legislature decriminalized marijuana. Mr. Calhoun said he had some studies on this. In Oregon, statistics showed that marijuana arrests increased and there was a 21% increase in all drug arrests. In Nevada the number of arrests for marijuana has dropped approximately 13%. In California the statistics show that marijuana arrests and seizures are up 500% since their law went into effect in 1976. Decriminalizing marijuana has not decreased their police work, rather it has increased it. Senator Gibson asked him if he would provide the Committee with a short summary on these statistics. Senator Lamb said he would be interested in all of the statistics that Mr. Calhoun had talked about. He requested that he not make the memo to the Committee too brief.

SMALL COUNTY & INDIAN JUSTICE PLANNER: This office was created within the Department to provide planning and administrative capabilities to the Small County Allocation Committee of the Nevada Crime Commission, as well as to coordinate and combine criminal justice efforts of the Indian tribes and reservations as they relate to the Law Enforcement Assistance Administration.

Mr. Paul Howard, Planner of this division, spoke of this program. He stated that since July 1, 1974, there has been a solid 11% decrease in crime in the rural areas. His prime responsibility in the small counties includes research, data based development, monitoring existing programs, evaluation and providing technical assistance toward the development of programs in all areas of the Criminal Justice System in rural Nevada. He said his budget was completely federally funded, half of which comes from the Indian programs and the other half is the LEAA planning money delegated to the rural areas in the state. He was requesting one new position to help cover the great distances required in carrying out his responsibilities. In answer to Senator Wilson, he stated that his responsibility was to identify problems at the grass roots level and every year he develops programs for the DLEA and they carry on the technical analysis, the in-depth analysis of the programs. He is the direct representative for the small counties and the Indian reservations. He represents their needs in the planning process. Senator Lamb thanked them for appearing.

Ray Gubser, Deputy Chief of Las Vegas Metro Police spoke next. His purpose for coming before the Committee was to suggest strongly to them that before they approved any budget from DLEA that they do a thorough in-depth investigation into how they are spending their money and their productivity. He said he had a document that was prepared at the request of the Assembly Ways and Means Committee. It outlines what DLEA does or does not do for LVMPD and it gives their reaction to DLEA's dollar budget. He gave a brief history on the needs of law enforcement in the state and because of a need the sheriffs and the police chiefs got together and created the basic fundamentals for what is now the State Communication network. Big departments subsidized small departments and the Highway Patrol participated by manning the command center. It was funded for a number of years by the state. The P.O.S.T. program was created by the same people. When this program was funded, it was at the same time that the Crime Commission was formed and the programs fell together. The sheriffs and police chiefs made every effort when drafting the legislation to keep the control and to keep the agency at a level where the state and local police agencies could live with it. He felt it had grown into a monster. He cited the personnel

per capita costs of the department as \$38,000 each, as compared to LVMPD where the cost is less than \$24,000. North Las Vegas Police is less than \$22,000. Washoe County Sheriff's Office is around \$18,000. He felt this indicated that something was wrong. Mr. Gubser said that two years ago the federal government mandated that each state develop a privacy and security plan. The Nevada Crime Commission appointed an ad hoc committee of law enforcement people to create this plan. They produced a document after many meetings that they felt they could live with. He stated that this has happened six times, and each time it goes back to DLEA staff it is returned as the original first document that they created which the law enforcement people did not like and which was the basis for the formation of the ad hoc committee. He cited A. B. 61 which addresses security and privacy and this reads like the document which came from DLEA. This gives the Director of the Department "J. Edgar Hoover" powers, answerable to no one.

A. B. 278 addresses the makeup of the Crime Commission of the State of Nevada, he stated, and if that bill is passed as worded it makes the Crime Commission of the state a rubber stamp commission. He said that the people on the crime commission and the law enforcement people in the state are concerned and interested. He introduced Larry Katzenberger, Deputy Chief of the Metro Police. Mr. Katzenberger said that the concern over A. B. 278 is that it is making a rubber stamp of the Crime Commission. Under NRS 216, the Crime Commission was the governing power and gave direction to the DLEA. He stated that what had happened was that the DLEA apparently does not listen to what the Crime Commission wants. They pretend to listen and then go their own way and do what they want to do. Each session it appears that legislation is changed which gives them more power and A. B. 61 gives the Department even more power.

The omnibus crime bill requires that each agency establish a state planning agency and it asks that it be made up of representatives of the criminal justice community and that they be responsible for certain things. Mr. Katzenberger said that A. B. 278 says the Commission will be changed from 16 to 11 members; it changes the purpose of the Commission when the omnibus bill clearly states what that purpose should be, and says merely that their job is to approve the annual comprehensive justice plan which the DLEA will put together. Its purpose is to advise the DLEA in carrying out the purpose of NRS 216 through 285 inclusive. They think that what it is saying is that they are a board to rubber stamp the decisions of DLEA.

Senator Gibson said that he did not think they could blame DLEA for the bill. It came from a different source. He said he did not know what input DLEA had in the bill, but it did not come from them. Mr. Katzenberger said he did not think DLEA had drafted the bill but he did think they had to have some input in it somewhere. In his opinion they are going to become a state police agency, eating up a lot of state funds duplicating a lot of state efforts or efforts that are being done at the local level.

Senator Lamb asked if they planned on testifying on the bill in question; Mr. Katzenberger said they did.

Mr. Gubser continued giving an example which he referred to as recklessness in the organization. DLEA had a grant that was supposed to create for the State of Nevada a computerized criminal justice information system. He said that all of the money in the grant has been spent. He said that it was meant that this grant would use the existing resources. In Clark County they have had this computerized system since 1966. Currently every department in the state participates in this in some form or another. Part of this system is that you have to have a finger print. The largest finger print repository in the state is in Clark County. The idea in the grant was that other agencies would submit their finger prints to the DLEA and they would be deposited in Clark County where there is the expertise and people who could promptly identify them.

SENATE FINANCE COMMITTEE
MINUTES OF MEETING
MARCH 2, 1977
PAGE THIRTEEN

He stated that DLEA was not contributing these prints to the Clark County repository. Instead they went out and bought an expensive system for filing these prints. They have microfilmed the finger prints and he said, to his best knowledge, have destroyed the original cards, and placed these prints in alphabetical fashion in this system. He stated that this system was worthless. A properly filed finger print card has only one way to file and that is by finger print classification and this takes training and expertise. Mr. Gubser stated that there were five finger print technician positions in the grant and they were going to be able to hire people to handle this additional work load. Instead the money was used to pay other people and he felt the State of Nevada could be in trouble with this grant for misusing that kind of money.

He referred to another system called SCOPE where the smaller departments contribute information to DLEA. They can talk to SCOPE and get answers back when they inquire into a record. He said that there were no entries on SCOPE as of Friday last according to an audit he had run.


Mr. Katzenberger said he had been involved with DLEA for some months trying to collect some money that was owed them by the state. He said he had a suspicion, and acknowledged that it was only a suspicion, that DLEA was trying to establish a state crime laboratory and they have been using some subterfuge to come before the committees of the legislature and say we are going to lose this program unless you will fund it because the federal money is running out. As the result the small counties are not going to get the services they had before. He started to give another example, but Senator Lamb had to ask them to return at 12:00 noon to continue their presentation as it was time for the regular Senate Session to begin.

The meeting adjourned at 10:45 A. M.

RESPECTFULLY SUBMITTED:


MURIEL P. MOONEY, SECRETARY

APPROVED:


FLOYD R. LAMB, CHAIRMAN

SENATE BILL 173, FIRST REPRINT

- I. Concerns of Senate Finance Committee
- II. Concerns of persons testifying before Senate Finance Committee
- III. Amendments by Retirement Board

I. CONCERNS OF SENATE FINANCE COMMITTEE

1. Page 1, line 7, delete word "president" and insert majority leader.

COMMENT: No objection by PERS or bill drafter.

2. Page 2, section 4, add court order and spouse...due to community property rights.

COMMENT: No objection by PERS or bill drafter.

3. Page 2, section 7, reconsider with possible % limitation.

COMMENT: See PERS recommended amendments 2(a) and 2(b).

4. Page 4, line 38, word "frequent"...possibly use "daily for a majority of their work assignments" etc.

COMMENT: No objection by PERS or bill drafter.

5. Page 4, line 45, delete "primarily" and on line 46 after word "duties" insert on a regular full-time basis.

COMMENT: No objection by PERS or bill drafter.

6. Page 6, delete last half of line 32 and all of line 33. Do not provide payment of board fees from PERS fund.

COMMENT: No objection by PERS if Senate Finance will allow an addition of \$7,200.00 per annum to budget request for in-state travel for the Board. This allows \$1,200.00 per meeting for 6 annual daily meetings limited to investments.

7. Page 15, line 21, delete new wording in line 21 and all of lines 22 through 26.

COMMENT: No objection by PERS because this designation is no longer necessary. It was needed for original proposal which provided increase each year in the future.

8. Page 16, lines 25 through 27. Consider: Compensation actually paid during each month shall be reported separately. However, retroactive salary increases and adjustments shall be reported separately for each month to which they apply.

COMMENT: This has been approved by bill drafter. The problem is that we can't require earnings to be reported in month earned because of biweekly payroll for state. We can't let all earnings be reported in month paid because it will inflate average compensation for retirement purposes. Example: State raises approved by Legislature are usually retroactive to January 1 but paid in May or June.

9. Page 18, line 27, why "appointed" rather than employed?

COMMENT: Mr. Daykin advised that either word is ok, but not

both. The major differentiation in our law is whether or not you are employed or elected.

10. Page 22, line 38, after the word "option" and before the word "after" insert the words: or designated beneficiary.

COMMENT: Technical correction.

11. Page 22, line 40 and page 23, line 31, was questioned regarding community property and vesting rights. Suggested disclaimer somewhere in bill to provide: 1. A member shall irrevocably cancel his vested rights upon application for refund of contributions. 2. The member or retired employee, not PERS, shall be responsible for paying the community property portion due a spouse. Refer to NRS 286.260, section 3.

COMMENT: Mr. Daykin advised that section 4 on page 22, line 40 may have been a problem before 1975 because only a husband could manage community property. After the 1975 legislation, either partner could manage community property as if it were his own. This eliminates the previous problem where the member could have been the wife. NRS 286.260, section 3, clarifies System's liability where a full refund is paid. Therefore, he sees no objection to section 4 and no need, at this time, for a community property disclaimer for the System. However, page 23, lines 31 through 35 are another matter. Both Mr. Daykin and our attorney, Bill Isaeff, see real problems with enforcing this section and recommend that the section be repealed. PERS has no objection to the repeal of section 4 on page 23, lines 31 through 35.

12. Page 23, line 28, words "caused by or related to" has created problems with NIC..for example heart attacks may be covered under this wording. Intent is for coverage for death that is incurred on the job or resulted from accident that occurred on job. Committee was concerned about traveling to and from job and on secondary employment.

COMMENT: Mr. Daykin has no objection to inserting the word job incurred accident or occupational disease plus wording to prohibit the coverage while traveling to and from the job and or secondary employment where the person is not a contributing member. PERS so recommends.

13. Page 25, line 23, after the word "services" delete the remainder of that line, delete lines 24 and 25 in their entirety and on line 26 "from regular meetings".

COMMENT: Refer to Senate Finance Committee concern #6.

14. Page 28, line 45, delete "July 1, 1977" and insert the effective date of this act. See Section 57 which provides Section 37 is in effect upon passage.

COMMENT: Technical correction approved by Mr. Daykin.

II. CONCERNS OF PERSONS TESTIFYING BEFORE SENATE FINANCE COMMITTEE

1. Request by Mr. Ken Buck, president of RPEN, testified that he is opposed to Section 4 on page 2, lines 21 through 26, that would prohibit retired employees' records being released except to retired employee, beneficiary or authorized representative.

COMMENT: Mr. Buck and his organization was one of the groups that had submitted almost impossible demands for copies of previous records back to 1971. He had personally requested on a previous matter that he be allowed to come look through our records. We see no legitimate basis for their opposition to this section because the retired employee, his beneficiary, and his authorized representative will have full access to his records at all times.

2. Mr. Buck, president of RPEN, was concerned with the wording in Section 36.5, which is found on page 19, beginning on line 3 and carrying over to page 20 through line 11. Their major concern was found on page 20, lines 6 through 11, which provides that a retiree forfeits benefits if he returns to a position which would normally be eligible for membership which is half-time or more. Mr. Mills Baldwin testified that there are times when a retired employee is called back by a public employer on an emergency basis when he is the only person that could perform this employment.

COMMENT: We recommend that on page 20 between lines 11 and 12, the following should be inserted: The System may waive forfeiture of benefits provided in Section 6 for up to 90 days' employment when a retired person returns to a public employer under emergency circumstances. The Appointing Authority of the public employer must certify in advance to the System that an emergency situation exists in his agency and that no other qualified person is available for employment in the position.

3. Request by Mr. Lee and Mr. Shirley that the Committee reconsider brand inspectors for early retirement for police and firemen. Similar request by Mr. Tom Eck and Mr. Harvey Pinkerton that the Committee reconsider juvenile parole officers. Refer to page 4, beginning on line 25.

COMMENT: These positions were recommended by the Police and Firemen's Retirement Fund Advisory Committee and the Retirement Board.

4. On page 13, lines 11 through 13, Mr. Bob Gagnier, SNEA Director, opposed the Retirement Board having the option to elect employer-paid for the Retirement staff because our classified employees would have a different salary structure than other classified employees in the State.

COMMENT: PERS feels that this will create no problem because an NPD-35 must be completed and filed with State Personnel for every job change and transfer. Therefore, a person transferring from PERS to a State agency could have his salary level adjusted back as the transfer is enacted. However, if the Committee agrees with Mr. Gagnier, we would suggest a possible amendment on line 13, after the word "of", to insert "non-classified employees", which would then have the authority of the Board apply only to the Executive Officer and Assistant Executive Officer.

5. Mr. Tom Eck, representing the Northern Nevada Peace Officers Association, suggested an amendment to our definition of compensation. On page 3, line 44, after the word "such", delete the remainder of that line and all of lines 45 and 46 and insert the following: assignments as a condition of employment. Mr. Eck's concern is that he represents several small sheriff's offices and police departments which do not normally provide annual contracts.

COMMENT: Mr. Eck has agreed to an amendment which would provide that the words "or official job description" be inserted on lines 44 and 46 after the word "contract". This would eliminate the necessity for contracts by small agencies but would require official job descriptions.

6. Senator Lamb has advised that Senator Faiss requested an amendment on page 3, line 48, to delete the word "overtime".

COMMENT: PERS is strongly opposed to this amendment because of the continuing abuse of overtime which increases a member's average compensation at the expense of the System.

7. On page 25, line 30, the title of Public Service Division should be College of Agriculture per Dean Bohmont.

COMMENT: Mr. Daykin advises that the College of Agriculture is a subdivision of the Public Service Division and is not actually in the law. See A.B. 335. This term may be used because this would not become a permanent section in the law.

8. Mr. Jack Purcell and Dean Bohmont from the College of Agriculture requested that the Committee reconsider closing out dual membership for Agricultural Extension persons June 30, 1977.

COMMENT: The recommendation and agreement between the Retirement Board and the Board of Regents is that this group be allowed to continue membership in both Systems as long as they remain employed in their present positions. See PERS recommended amendment #14.

9. Mrs. Evelyn Falk was concerned with the wording on page 20, beginning with line 24, regarding computation of retirement benefit for regular parttime employees.

COMMENT: Mr. Daykin does not object to the wording: Average compensation for a regular parttime employee shall be based on the salary the parttime employee would have received had he been employed on a full-time basis. To accomplish this, we would need to delete lines 24 through 36, insert this wording as a new Section 3, and keep lines 27 and 28 as they are.

10. Mr. Clark Guild, Guild, Hagen and Clark, testified regarding concerns on wording regarding TIAA/CREF. Please refer to page 28, lines 13 through 36 and Mr. Clark's enclosed suggested wording in place of 286.806.


COMMENT: I discussed the matter with Mr. Daykin, and he agrees that our amendment #13 and the deletion of the wording referring to "optional program" in NRS 286.802, 286.804, 286.810, 286.812, 286.814 and 286.816, with appropriate

insertions referring to the "other retirement program". This is necessary because our current agreement with the University and proposed legislation would remove any option after July 1, 1977. Mr. Guild is concerned that this will give the University the right to not provide any program for these persons.

11. Request by Mr. Ken Buck, president of RPEN, that post-retirement increases be based on the graduated scale recommended by PERS times current benefit rather than original base benefit. Mr. Buck also requested consideration that future cost-of-living increases be tied to the All-Items Consumer Price Index or to salary increases provided to public employees. Refer to page 30, line 6.

COMMENT: Refer to attached letter dated February 28, 1977 which includes staff analysis and comments from PERS' actuary, memorandum dated February 28, 1977 which provides cost comparison, actuarial computation dated October 15, 1974 and estimates of the cost of possible amendments which is on the last page as prepared for the 1977 Legislature. PERS recommends that post-retirement increases be continued as submitted.

Respectfully submitted.


Vernon Bennett
Executive Officer

EVELYN FALK

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.

GUILD, HAGEN & CLARK, LTD.

A PROFESSIONAL CORPORATION
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REPLY TO: Reno

February 25, 1977

Mr. Vernon Bennett
Executive Officer
Public Employees' Retirement System
P. O. Box 1569
Carson City, Nevada 89701

Dear Vern:

First let me compliment you on the excellent presentation that you made of SB 173 before the Senate Finance Committee.

I am enclosing herewith a copy of the statement which I filed with the Committee regarding TIAA. I would be very happy to work with you to make certain that the appropriate amendments are included in the bill so that the professional staff of the University system are properly and adequately protected.

I intend to be in trial in Las Vegas March 1, 2 & 3 and in my absence if you wish someone from my office to attend any meeting with you and Frank Daken feel free to call David Hagen who is generally familiar with the problems that TIAA have in the State of Nevada.

Sincerely,

of GUILD, HAGEN & CLARK, LTD.

CJGJ/jw
Enc.

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:

2 ELIMINATE THE REPEALING OF N.R.S. 286.806 AND THAT N.R.S.
3 286.806 BE THEREAFTER AMENDED BY ELIMINATING THE LANGUAGE
4 THEREIN SET FORTH AND SUBSTITUTING THE FOLLOWING:

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

12 THE EFFECT OF THIS AMENDMENT WILL ENABLE THE PROFESSIONAL
13 STAFF TO AVAIL THEMSELVES OF THE PROVISIONS OF SECTION 51
14 AS WELL AS A CONTINUATION OF THE BENEFITS UNDER THE OPTION
15 RETIREMENT PROGRAM IF SUCH BE THE CASE.
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VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER



STATE OF NEVADA



PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 1569
CARSON CITY, NEVADA 89701
TELEPHONE (702) 885-4200

11

RETIREMENT BOARD
ELBERT B. EDWARDS
CHAIRMAN
L. ROSS CULBERTSON
VICE CHAIRMAN
MEMBERS
CHARLES H. COLLINS
BOYD MANNING
DONALD L. REAM
GLENDON F. WALTHER
ROBERT C. WEEMS

February 28, 1977

The Honorable Floyd R. Lamb, Chairman
Senate Finance Committee
Nevada Legislature
Legislative Building
Carson City, NV 89701

Dear Senator Lamb:

During our recent hearings on Senate Bill 173, the Senate Finance Committee requested that we obtain a cost analysis of the difference between post-retirement increases based on original base pay or compounded to be a percentage of present benefit. This refers to a request by Mr. Ken Buck, president of the Retired Public Employees of Nevada association. We are enclosing a staff memorandum which provides the results of these computations. If the proposed post-retirement increases are provided on a graduated scale increase based on the current payment rather than the original base benefit, the payments are increased \$75,972 in 1977, for a 14.7% increase, and \$102,276 in 1978, for an 18.6% increase. We discussed this proposal with our actuary, Dr. John Mackin of the Martin E. Segal Company, whose comments were as follows:

"I do not recommend that post-retirement increases be based on current monthly benefit if the graduated scale increase goes up to 5%. There would be no problem if the annual increase were limited to 2.5% to 3%. However, this would work out to be equivalent to the present Board recommendation of a graduated scale up to 5% computed on base pay. Our study dated October 15, 1974 shows that a 3% cumulative allowance would cost 2.2% of salary while a 3% compounded increase would cost 3.5% of salary. The additional cost of approximately 1.3% of payroll as computed in 1974 would be fairly accurate today. Therefore, the recommended proposal should be accompanied by an increase in employee and employer contributions designated to pay the additional cost. This same study indicated that a 5% cumulative increase would

The Honorable Floyd R. Lamb
February 28, 1977
Page 2

cost 5.4% of salary while a 5% compounded increase would cost 9.5% of salary, which represents an almost 4% of salary difference. This is due to the compounding effect of basing post-retirement increases on compounded salary. My studies prior to the 1977 session indicate that a 3% per year increase compounded would cost approximately 2.1% while the present proposal computed on base benefit could be easily funded with the payment of .50%. Therefore, I recommend that the present proposal of a graduated scale post-retirement increase computed on base benefit be retained for the next two years. We will be very pleased to make any additional indepth computations prior to the 1979 session."

Therefore, the Retirement staff recommends that the original post-retirement increase recommendation from the Retirement Board be maintained.

Mr. Buck, president of RPEN, also suggested two other considerations for post-retirement increases which are as follows:

1. The increase be tied to the All-Items Consumer Price Index.
2. The increase be identical to that provided to public employees.

The System's actuary, Dr. John Mackin of the Martin E. Segal Company, provided the following comments regarding these matters:

- "1. We would have considerable trouble recommending post-retirement increases based on the All-Items Consumer Price Index because it would be way too costly if inflation continued like it has during the last few years. However, some retirement systems have used this in a successful manner by providing a limit such as 2% to 3%. A post-retirement program equivalent to the All-Items Consumer Price Index would more than double the present legislative proposal. It would also establish a very dangerous and expensive precedent. It could also lead to inequities between retired employees and active employees because the salaries for active employees consistently lag behind the Consumer Price Index. Therefore, it is possible that retired employees could receive larger increases than active employees.
2. To my knowledge, the only major systems to tie post-retirement increases to employee salaries were the State of Maine Retirement System, the U.S. Military, and a few small police and fire funds. They have all become disenchanted with the procedure. The U.S. Military System discontinued the procedure in 1967 because it was almost impossible to manage and created several inequities. There are many levels of employees within the Military System, from Private First Class to General, and

The Honorable Floyd R. Lamb
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Page 3

they receive different salary increases. Therefore, their retirees received different salary increases. A retired Major may receive a 20% increase while a retired Private would receive a 5% increase. The State of Maine limited their increases to 3% per year. The Delaware State Police and Detroit Police and Fire have now changed back to a standard cost of living. This would be almost impossible to administer in the Nevada System because of the enumerable different salary scales between State, county and municipal employees. Here again, you would have an inequity where a State retiree may receive one percentage increase while a retiree from the City of Panaca may receive none or a different and smaller increase."

Therefore, the Retirement staff recommends that neither of these procedures be considered during this legislative session.

Respectfully submitted,



Vernon Bennett
Executive Officer

VB/sm
Enclosures

VERNON BENNETT
EXECUTIVE OFFICER

STATE OF NEVADA

WILL KEATING
ASSISTANT EXECUTIVE OFFICER



RETIREMENT BOARD
ELBERT B. EDWARDS
 CHAIRMAN
L. ROSS CULBERTSON
 VICE CHAIRMAN

MEMBERS
CHARLES H. COLLINS
BOYD MANNING
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GLENDON F. WALTHER
ROBERT C. WEENE



PUBLIC EMPLOYEES RETIREMENT SYSTEM

P.O. Box 1569
CARSON CITY, NEVADA 89701
TELEPHONE (702) 885-4200

February 28, 1977

MEMORANDUM

TO: Vernon Bennett

FROM: Carol Bailey
Larry Grissom *LG*

SUBJECT: Comparison of Post Retirement Increase Methods

We have completed a study of the method of calculating post retirement increases included in SB 173 and also the method proposed by Ken Buck at the Senate hearing.

The method of calculating post retirement increases included in SB 173 is to apply the step increase percentage based upon the total years receiving allowance times the original base benefit for the retired employee.

The method of calculation proposed by Ken Buck is to apply the step increase percentage by the total years receiving allowance times the current benefit for the recipient. The current benefit for the recipient includes all prior post retirement increases received. Our findings, detailed below, are that the cost for the method proposed by Ken Buck would cost \$75,972 more in the first year (1977) and would increase by 35% to a total cost in the second year (1978) of \$102,276.

	1977	1978
Retirement Date Current Payment	\$592,296	\$653,424
Retirement Date Base Benefit	\$516,324	\$551,148
Additional Yearly Cost	\$75,972 (14.7%)	\$102,276 (18.6%)

Memorandum to Vernon Bennett
RE: Comparison of Post Retirement Increase Methods
Page 2
February 28, 1977

The above information was calculated using retirement computer data. In performing the calculation, we used only the information for retirees as of February 28, 1977 and did not assume any additional retirees, nor the decrease of any current retirees. We also, as a matter of expediency, used the current base benefit for beneficiaries of deceased retirees under Options 2 through 5.

There were also a couple of minor assumptions included in this calculation. However, we feel that sum total of the assumptions made do not significantly impact the conclusion.

As a sidelight to this study, we calculated that the current weighted post retirement increase has now risen from 3%, as calculated for the 1975 law, to 3.45%. One of the most significant causes of this increase is the 404 retirees who received the 1975 \$50-per-month increase who were excluded from the 1975 calculation but now must be considered. All 404 of these people currently on board will receive a 5% increase.

CB/LG/njp

Memorandum

MARTIN E. SEGAL COMPANY

730 FIFTH AVENUE • NEW YORK, N.Y. 10019 • (212) 585-5600

Date October 15, 1974

from John P. Mackin re Proposed Improvements
to Public Employees' Retirement Board
State of Nevada

Gentlemen:

The attached tables show the estimated actuarial costs of various proposed benefit improvements and liberalizations in requirements for benefits under the Nevada Public Employees' Retirement System.

In addition, we have prepared estimates of the cost effects of other proposals, as follows:

- A reduction in the employee contribution rates of 1% of salary will result in an increase in employer cost of from .8% to .85% of salary.
- If employees are permitted to retire on reduced benefits at any age with 20 years of service, a reduction of about .5% per month (under age 60 or under age 55 with 30 years service) would result in actuarially equivalent benefits.
- Post-retirement allowance: The present post-retirement allowance of 1.5% of original base benefit requires a contribution of approximately 1.7% of salary for all employees -- 1.7% for regular employees and 2.9% for policemen and firemen. Estimates of the cost of increasing the annual post-retirement allowance are shown below:

Annual Post-Retirement Allowance	Estimated increases as:	
	Percentage of salary	Percentage of total cost
3% cumulative	2.2%	10%
3% compounded	3.5	16
5% cumulative	5.4	25
5% compounded	9.5	44

We will be pleased to discuss these cost estimates further with you.

/ns
Att.

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NEVADA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Rough Estimates of the Cost of Possible Amendments

<u>Amendment</u>	<u>% of Salary Cost</u>
(1) 30 years, any age (assumes average retirement age will decline approximately 1 year)	.8% to 1.1%
(2) 2½% per year after 7/1/77, maximum of 75%	1.0% to 1.2%
(3) 2½% per year for all years, maximum of 75%	1.4% to 1.6%
(4) One and two combined	2.2% to 2.5%
(5) One and three combined	2.6% to 2.9%
(6) Survivor Benefit Improvements	.1%
(7) Graduated vesting beginning with - 5 years at 50%	1.0%
8 years at 80%	.4%
(8) Age 55 with 10 years	.9% to 1.2%
(9) Automatic cost-of-living increases 3% per year, compounded	2.1%
5% per year, compounded	5.8%
(10) 25 years any age, Police & Firemen	1.9% to 2.2%
(11) Post-retirement survivor's benefit 50% of retiree's benefit	1.5%
75% of retiree's benefit	2.0%
100% of retiree's benefit	2.8%

VERNON BENNETT
EXECUTIVE OFFICER

STATE OF NEVADA

WILL KEATING
ASSISTANT EXECUTIVE OFFICER



PUBLIC EMPLOYEES RETIREMENT SYSTEM

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February 24, 1977

AMENDMENTS TO SENATE BILL 173, FIRST REPRINT

1. Page 2, line 25, delete the word "member" and insert "employee".
- 2.A. Page 2, delete lines 36 through 44 in their entirety. On page 20 between lines 20 and 21, insert the following: However, a member who is not a police officer or fireman who has completed 30 years of service before he reaches the age of 55 years is entitled to an additional 2.5 percent for each year of service thereafter until he reaches that age, and a member who is a police officer or fireman who has completed 30 years of service before he reaches the age of 50 years is entitled to an additional 2.5 percent for each year of service thereafter until he reaches that age.
- OR-
- 2.B. Page 2, line 44, after the "." add: However, this section shall not entitle a member to begin drawing monthly benefits until he has earned full retirement eligibility and terminated public employment.
3. Page 3, line 28, delete the word "Infants" and insert "Minors".
4. Page 4, between lines 2 and 3, insert the following: (c) Salary or bonuses provided to an employee based on a commitment to retire at a given date or within a certain period which are not provided to employees in similar employment circumstances who do not make a similar commitment to retire.
5. Page 5, line 24, delete the word "A" and insert "An actuarially funded".
6. Page 6, line 10, after the period add the following: Any salary increase for the Executive Officer and Assistant Executive Officer as approved by the Board shall also be subject to approval by the interim retirement committee of the Legislature.
7. Page 10, line 41, between the word "1977" and before the "." insert the following: who are not enrolled in this System at time of election or appointment.
8. Page 13, line 1, delete the words " (7 " and insert "5". On line 3 after the word "benefits" and before the "." insert the following: when the public employer continues to pay the difference between temporary total disability benefits and regular compensation. On line 4, delete the ")".
9. Page 13, line 13, after the "." add the following: The Board of Regents shall elect whether to pay such contributions on behalf of the professional staff of the University of Nevada System.

10. Page 19, line 43, delete the words "in any fiscal year" and insert "upon termination to retire".
11. Page 20, line 25, after the word "as" and before the word "a", insert "if he were".
12. Page 28, line 22, after the word "may" and before the word "cancel", insert the words "between July 1 and December 31, 1977,".
13. Page 28, between lines 28 and 29, insert the following: 3. is appointed on or after July 1, 1977 shall be enrolled in the other retirement program offered by the university unless he is already a member of the Public Employees' Retirement System, in which case he shall remain a member of that System.
14. Page 28, line 32, delete the words "only until" and on line 33, delete the words "June 30, 1977,".
15. Page 30, line 36, after the word "sections" and before the word "5", insert "2,".