

MEMBERS PRESENT: Chairman Dini  
Vice Chairman Schofield  
Mr. Craddock  
Mr. DuBois  
Mr. Jeffrey  
Mr. May  
Mr. Mello  
Mr. Nicholas  
Mr. Polish  
Mr. Prengaman  
Mr. Redelsperger

MEMBERS ABSENT: None

GUESTS: Please refer to the guest list attached to the minutes of this meeting.

Chairman Dini called the meeting to order at 8:04 A.M.

Mr. Dini stated that the first bill to be heard by the committee would be AB 230.

Mr. Chuck King of the Nevada Self-Insurers, which is a group of large employers that elected to insure their own liability for workmen's compensation, testified first. Mr. King stated that there are 26 companies presently that are self insured, like Central Telephone, Nevada Bell, Caesar's Palace, MGM, Hilton Hotels, and Harrah's, just to name a few.

Mr. King stated that they put this bill in - this is a bill that the Citizens for Private Enterprise in an ad hoc committee from Southern Nevada put together - what the bill does is it appoints a five man or five person committee to advise the State Treasurer and to review all of the investments that are made and these investments are presently being made by the Nevada Industrial Commission. There is an excess of \$300,000,000 in this fund and this committee will review quarterly on how these investments are being performed. These members that will be serving will be serving at the pleasure and appointed also by the governor for two years.

Mr. King indicated that the first page really is the gist of the bill, and the remaining pages designate policies and constraints on investing the state insurance fund as current law dictates and those changes are inserting the State Treasurer in place of the commission as you go through the remainder of the bill.

The self insurers were very concerned as to how the money is being invested because we left millions and millions of dollars in there to fund liabilities for our employees that were injured and are drawing benefits still out of this fund. I have a group with me that will tell the reasons for why we think that this fund should

be transferred to the State Treasurer. Mr. King asked if the committee had any questions to ask him.

Mr. Dini asked if Mr. King had any statement as to what he felt the rate of return would be if it goes to the treasurer's office versus where it is now?

Mr. King indicated that if the state treasurer is present today, he would rather have him do it and give the committee the actual percentages.

Mr. Dini indicated that the state treasurer had just arrived at the meeting.

Mr. Craddock asked Mr. King if this self insured group has elected to go a route other than the NIC.

Mr. King stated that that was correct.

Mr. Craddock asked what the interest of the self insured companies was in connection with the NIC.

Mr. King stated that their interest is that they left millions and millions of dollars in that fund.

Ms. Carole Velardo, representing Citizens for Private Enterprise down south and our concern with the bill is very much as Chuck (King) just stated. I think all of us know particularly from the legislation you have had that our biggest concern is how to get more return on our dollars. We even discussed that in Taxation yesterday on monthly taxes, because that would give the state more money monthly to invest and bring up the rate of return on that money, and since it is our money that is in the fund, we feel that we should be getting a maximum dollar return on that money. The state treasurer shows a better rate of investment and return on dollars at this point and over the last year or so, than the NIC has in total, and we feel that since it is our money that is in there we are entitled to get maximum dollar usage on rate of return. That is the position that we hold and we hope that you will look favorably on passage of the bill.

Mr. Dini asked if there were any questions to ask of Carole.

Mr. DuBois asked if the treasurer's office has consistently given better returns?

Ms. Velardo replied that they had consistently had a better return. She indicated that as Chuck (King) stated, Stan Colton is here and he can testify as to their rate of return comparable to what the NIC has gotten.

Mr. Jack Kinney testified next. Mr. Kenney stated that he was representing the Southern Nevada Homebuilders speaking in favor of AB 230. Mr. Kinney indicated that he had passed out a little

chart to kind of put this in perspective. I am a homebuilder. I would be considered a small business man. If you look at the bottom of the chart where it says 1975, to show you how I arrived at these figures, I took these figures, 1975 through 1979 from the NIC statement. I am sorry, but I forgot my copy of the latest statement.

If you look down at 1975, it shows at the start of the year, they had \$103,000,000, at the end of the year, and starting the year of 1975, which would have been July of 1975, they had \$84,000,000. So what I did was add those two together and divide by two, or divide the \$188,000,000 by two and came up with \$94,000,000 which is the average of assets and then I just ranked it against taking it directly from their statement. Their statements are audited by Kafoury, Armstrong, and they made 4.9 million dollars that year. If the calculator is correct, they made in 1979, about 5.2% on total assets and you can read from there on up and you can see their annual return, 4.7, 5.6, 5.8, 7.1. In 1980, because I did not have the figures, around 7%. Now they do have some other assets in terms of some land and buildings but that is diminimous. That is only like - in 1975 it was only about 5 million or so and it ended up about 9 or 10 million dollars, but this shows in my mind and why I certainly have been in favor of a bill like this, I think that the three NIC commissioners have a fiduciary duty to all the people who pay into the fund to try to manage the money in a responsible and prudent manner. I certainly think the fellows have been responsible, and they may have been prudent, but I think they could have done better. My wife can go down to the local S & L, I happen to be a homebuilder, and invest funds starting back in 1975, 1976, and 1977 you could go down and get a guarantee against lost principal, if you know what you are doing with an S & L, in other words, guaranteed return of your principal and they have been doing 7% and better all these years.

I am suggesting that the three NIC commissioners, because of the way the fund has grown, that they don't have the time to review the investment in the market. In effect they have had the same company, Peat Marwick which are an accounting and actuarial firm from New York City, pick the investment counsellors up through this last summer. Now the people they have had doing the investing are Scudder, Clark, the fund that was up until about 1975 the one that did the investments for the State Employees Retirement Fund and that has since been switched out and taken over by Vern Bennett and his group and this bill when you look at it purports or proposes to do much the same thing. It sets up an independent board that will hire the investment company, and in terms of what we are talking about because you have asked some questions already on yield or return, this last year in 1980 when they made about 7%, all during the year a company which I happen to have some money in called National Liquid Reserves which is a money fund, they had an annualized average yield of 12.5%.

Vern Bennett on the State Employees Fund made 10.08%. Now the dif-

\*Exhibit A

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ference of three points if you will look up at the top line of 1980 where they had an average of assets was about \$300,000,000, three points on that is \$9,000,000 more they could have made as a return in very, very safe instruments because you could have averaged pretty close to 12% in T Bills this last year, and that \$9,000,000 equates to reducing what a municipality, what a big businessman or small businessman pays into the fund - across the board you could reduce everybody's premiums by about 7% and you would still pay out the same benefits to everybody who is injured, so when we are talking about this we are really talking about fine tuning. I am not trying to attack the system or what has been done because you fellows as the legislators over here have put in very strict rules and that is why NIC is run so well, is that as the lawmakers, you've made the laws that have kept them in a narrow range, but I think in terms of fine tuning, or really going out there and getting the money that is available, we can get a much higher return with safety and as a result of that reduce the money taken from the business community in terms of our premiums.

This last year NIC took 30% of its assets away from Scudder Clark and gave them to two other firms. I think you are going to hear a lot of talk possibly about these new firms that are going to write options and do all these other great things for us. But that is really the small part of the picture. It is the diminimous part. They are only talking about 1 or 2 percent of the total assets with this new razzle dazzle type stuff. Now I put the figures down because in my opinion, the bureaucrats get further in the hereafter if they can put on a great show of razzle dazzle or look like and it is perceived to have more movement than anybody in the world, but still stay as close to home base as they can. I am sure you are going to get testimony saying yes we agree, we want to do this and so on and so forth. But I liken this to a losing football coach and I think that in 1980 they left about \$3,000,000 on the table, 1979 they left about \$2,000,000 on the table, in 1978 they left about \$1.5 million dollars on the table and in 1977 they left about the same. These are big, big figures and I would now with your permission get into some suggested amendments on the bill or do you want to wait on those.

Mr. Dini asked Mr. Kinney if their portfolio so liquid that they can pull out a lot of low yielding investments that they have made in the past?

Mr. Kinney stated you can always pull out. You can make it clear that they would be taking a loss, but one of the fictions is kind of twisting the facts. The NIC fund is fully funded and if it were to close today they would have enough money on hand to take care of all the injured people and pay them over the next 20 - 40 some odd years the benefits they are supposed to received. To answer the question, what the State Employees Fund did was to sell off as much as they could of a lot of the

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low yielding stuff and got it into higher yielding short term monies. Now the investment groups from New York and all of these other places tell you well we have got to fund these liabilities over "x" number of years, therefore we put them to low yielding bonds, and I submit to you that that is just a big snow job, it is not true. You can take this money, be very liquid, protect your principal and get high yields. Ever since the advent of OPEC, the new bench market I think in economics is 1973, September, when OPEC came along and it changed our whole way of doing business. We don't control our destiny when they can ratchet the price of oil up. We are a part of the world economy unfortunately and if you buy that theory then you can simply see that nobody really wants to go long term and nobody - you can go this week and I will try to make an example here. If you wanted to buy a 7% yield certificate today that will come to the market this next week, it was in Barrons this week, you have to pay about 60¢ on the dollar for something in the year 2,000 and some odd, that is going to pay you back 100¢ on \$1.00, so you can buy that as a deep discount, but I think what we are saying is that there has been no management to try to bail out of these long term fixed bonds these assets that were going down hill over a period of 1975, 1976, 1977, 1978 and 1979 and I liken that to a coach. You don't keep the coach around and let him keep learning, learning, learning. Does that answer your question.

Mr. Dini indicated it did not that we would not pursue it further.

Mr. Mello asked if Mr. Kinney was representing the homebuilders and not CP?

Mr. Kinney stated he was a member of both board of directors, but I am here lobbying today for the homebuilders.

Mr. Mello asked if this was CP's bill.

Mr. Kinney stated that it was an ad hoc bill basically, I was on it, Chuck King, Carole Velardo, Southern Nevada Personnel Association, some of those members in ad hoc committee.

Mr. Mello stated that if it were CP's bill that he would be very suspect of it.

Mr. Kinney stated that that was CPE down South.

Mr. Jeffrey asked Mr. Kinney if he remembered the Advisory Committee for the NIC. Did this come before the Advisory Committee?

Mr. Kinney stated no it didn't. And that was one of the main reasons I helped to set up that advisory board and last September at our first meeting, I put in a bill to say let us review or investment policy to interview various firms. Well unbenounced to me when John Riser was there they had started out on a program of interviewing various firms around the country because they as

management were getting concerned about the low yield and right after the early 1980s, I guess in February or March and they had gone through all of the preliminaries, Jack, of picking these firms so when we got there to review it as the advisory board, I was very disappointed. I thought we were going to go over and actually interview the firms and see how they were doing, but when I arrived at the meeting over at the NIC headquarters here it was kind of like you were there to watch MacArthur sign the peace treaty in Japan. It was all set up - it was all done. And we just went through a little routine and to show you why I think it is very important to follow this concept up, Jack, is that they picked two firms, one was the B of A and another one an outfit from down south, Southern California called the Trust Company of the West. Out of the 55 biggest companies in America over the last ten years investing money in the stock market or for pension plans or for groups like this, the B of A ranked 55th. They were the crummiest and they got to be a finalist and that just appalls me. I happen to bank with the B of A as a builder in California and I asked them how they could get these guys to be a finalist. So they had the various firms ranked into three groups. There were about 15 or so a piece over the past five or six years. It was a series so you could go through the peaks and valleys in the market, because some firms do very well when it is going up and some seem to do better when it is going down, so they had the top 14 firms that had done better than average through going up or going down and I said at that meeting, well why didn't you just limit your contenders or the finalists to the top 14 firms and that hadn't occurred to the selection group, the commissioners, and only two of the three commissioners by the way participated in this. The commission from labor did not participate in this fact finding group. And so then I said well how can you pick these guys as a finalist. I know they are from a neighboring state and they are big and all that, but they rank the last and I said that bothers me and they said we have stolen the guy that ran one of these funds for the top 14 and now he will be over here for the B of A therefore suddenly they can become a finalist. So what you are talking about and I don't know if he is here today because I did not get a chance to call him, but call someone like Vern Bennett and have him give a comparison year for year of what the fund has done and you can use that pretty much as a yardstick.

I saw that Stan Colton is here and you can use that as a yardstick and what the bill really purports to do is to set up a new board who would pick the investment firms. NIC is not going to lose any employees, the bureaucracy over there is going to keep their entire staff in tact. They might lose maybe one person, but out of the 555 people, they are all going to stay and what you are talking about here if you look at it is over a period of time this \$340,000,000 now they have to invest, and if you take the state fund of some \$300,000,000 to \$400,000,000 and what the state treasurer has is \$300,000,000 or \$400,000,000, there is about \$1,000,000,000 kicking around here and I think if we had a new management group you would see a lot more of this money tend to stay in the state. Right now it is back invested through people in New York and the big flow I think that NIC has with the

investment company they have is they did not do what Vern Bennett did for the State Employees Retirement Fund. Vern went to a company and said you can keep our money and invest it as long as we are the biggest customer you have. So every day when the fellows are investing or when they get up in the morning and are shaving, they are thinking the State of Nevada's Retirement Fund because it is the biggest egg in their basket and they owe allegiance, first among equals. Now I submit to you that maybe it is a time to look at this because you have been for twenty years with one company and I grew up in Oakland, California and we were always the poor stepsister of San Francisco and I would suspect that that is what has happened here. It is just another fund, it is a small fund, there are a lot of other bigger funds and I don't really think it gets the tender loving care and the deep, deep hard look that it should.

Mr. Jeffrey asked Mr. Kinney why this was not run by the advisory board. They have been meeting on a regular basis, haven't they?

Mr. Kinney stated that we brought this up in three or four different ways. I, on my own, was pushed for this because I had another BDR number that came out on this, which I did not introduce, because this other bill surfaced before mine, and I think that the bill before you on its own merits should be discussed and we can always take it back to the advisory board and get their opinion.

Mr. Jeffrey asked if the other bill went before the advisory board?

Mr. Kinney stated neither one.

Mr. Jeffrey stated that Mr. Kinney still did not answer why. Mr. Jeffrey indicated that he thought that that board was set up for that reason, to make those kind of recommendations.

Mr. Kinney stated there was a difference of opinion on that. Spike Wilson evidently wanted us to read all of the bills and go into them rather deeply. Jim Banner did not want us to get into reading bills that much. He felt it was to be in other areas. So I do have to say there were two views and I sided with the view of Jim.

Mr. Jeffrey stated that in his report he had some suggested legislation that the advisory board did.

Mr. Kinney stated that very few of those were unanimous. Most of them were split decisions.

Mr. Jeffrey asked if there was anything brought up on this.

Mr. Kinney stated no. But he indicated that if Mr. Jeffrey read the minutes - and we met five or six times on this Jack - in my opinion, and this is only my opinion I don't feel that the other board members they think 7% is fine and I just think it is scandalous.

Mr. Jeffrey then asked Mr. Kinney if he felt then that the board was

not effective with the recommendations they were making?

Mr. Kinney stated yes and the reason for that is simply, the whole board, the whole thing we had, and you fellows over here tried to do it for us, you put people under oath and when that bill got over to the Senate side, they did not put them under oath and we did not have subpoena power. I can tell you everything we heard over there was just so much talk.

Mr. Jeffrey stated that he thought that was a very effective board.

Mr. Kinney stated that that was very true but when you are trying to pin down the people that are testifying in front of you, and I would certainly go under oath on what I have testified here today, we had not way of pinning them down if they were giving us the true facts. What you could do Jack and this is just what NIC wants to do is they want to publicize things. I don't think NIC has the guts to put on a little piece of paper and send it out to every employer in the State what they have been doing with our money. Only getting seven percent. They want to hide this.

Mr. Kinney asked if he could reserve some of his testimony for some specific amendments later?

Mr. Mello asked if he had substantial amendments to this.

Mr. Kinney stated that the one major one is where it says you have to pick a firm of over \$250,000,000 -

Mr. Mello stated that he did not believe that the chairman wanted to get into the amendments at this moment.

Mr. Kinney stated that this was the one major one. I think that the new board ought to have the leeway to pick the type of investment companies that they have. I think it is an unholy alliance when you only use the biggest of the big.

Mr. Kenney's attachment which he handed out to the committee at the beginning of his testimony is attached to the minutes of this meeting as EXHIBIT A.

Mr. Norman Antonis and I am the Personnel Services Manager for Summa Corporation in Las Vegas and Reno, testified next. As far as this particular bill is concerned, we have been concerned for a considerable period of time when we analyzed the amounts of money that the Nevada Industrial Commission was earning as far as interest was concerned on the tremendous funds that they had. I am not an investment expert and from that standpoint I am not attempting to testify as one. As an individual who gets involved from time to time with mathematical computations when I looked at the variance of three percent in what the NIC has been earning and what the state treasurer has been earning on the funds under his control for investment purposes, then multiplie that by the average money that NIC had, \$300,000,000, I was totally

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impressed by that \$9,000,000 figure that the fund could have earned and did not earn and from that standpoint I am very interested in seeing the responsibility for investing transferred from the Nevada Industrial Commission to the State Treasurer.

Mr. Stan Colton testified next. Mr. Colton stated he had Bob Cameron with him, Chief Deputy State Treasurer and also the Secretary to the Board of Finance for the last twelve years, Mr. Wade Sissoni, and as you know, the Board of Finance reviews quarterly, or is supposed to review quarterly, the investments of the NIC. I have additional members of my staff with me also.

The investment procedures of the State Treasurer's Office have been to follow the market as nearly as possible, based upon information received from as many brokerage services and economic sources as we can obtain during the week on a continual basis, then to make our investments short or long depending upon that information which we received and that which we know are going to spend as far as state money during the period of time of the investment, so we should say there are really two controlling factors, how much money do we have, how long are we going to have it before we have to spend it and then based on the economic information and the prognosis that we have in the market that we invest it accordingly.

However, last year in terms of dollars, the treasurer's office earned \$27.7 million dollars which was approximately 12.3% yield on its investment cost. Currently we are earning at a rate, I believe this week of about 14.30%. When I assumed the position of state treasurer, the office was invested only in TCD's with banks, very little with Savings and Loans in the State, and in short term repurchase agreements. Since that time we have altered that concept so that we can go out for some longer term yields that will cut across the lows when the market is down and won't really hit the highs in all the areas, when the market is up, but at least we get a better average return by bolstering our short term investments with longer term investments that are worth the risk and in doing that we have been able to maintain these high yields that we are getting at this point.

We have about \$70,000,000 of our portfolio in short term repurchase agreements, about \$68,000,000 of that portfolio invested in state banks and savings and loans, about \$29,000,000, I think, roughly, in outright purchases of either government treasury issues or agencies and I guess that is about right now we are at about \$200,000,000. That's where the portfolio stands right now. We have had a high of about \$260,000,000 and of course the state is spending more than it is taking in at the present time, so we are down to about the \$200,000,000 level. But we do have long term and short term investments. We are invested out as long as twelve years. Our average portfolio length is 373 days, I believe, from our last computer run. Our investment program, again, is based on information that we receive on a daily basis from talking to about seven brokers and their economists and in trying to make the best decisions based upon that information and investing the money. Does that answer your question?

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Mr. Dini questioned Mr. Colton if this would significantly affect his staff?

Mr. Colton stated not significantly. It will impact it, of course because we are adding more money to it and we will be handling it as a separate fund should this happen. So there would be some impact to that, probably what would be tantamount to 1/2 or 3/4 of a position on staff.

Mr. Mello asked Mr. Colton if that would be added to staff or if he had it in his budget now?

Mr. Colton stated no.

Mr. Mello asked if Mr. Colton would wait to see how this fares before he looks at that?

Mr. Colton indicated yes.

Mr. Colton stated that anything that they would do would be predicated against the service charge that we would charge NIC so that it would not be an impact as far as appropriation would be concerned. As a matter of fact, if we were to handle the NIC investments, our appropriated budget that we have asked for would actually be reduced because of the revenues that would be generated from NIC payments for the services provided them which would reduce our appropriated budget.

Mr. DuBois asked if Mr. Colton retained an advisory investment firm.

Mr. Colton stated no and added that he thought that they had the best of both worlds, with having as many outside advisers as we have. We have the option of making our decisions and our own mistakes or our own benefits and at the same time we are privy to the information from a number of major brokerage sources around the United States for their information.

Mr. DuBois then asked if Mr. Colton played the field?

Mr. Colton indicated that was right. He stated that they were like a sponge, we sop up as much information as we can and try to make our best judgment based on that.

Mr. DuBois asked how Mr. Bennett handled his.

Mr. Colton stated that the Public Employees Retirement System, he believed, has retained Fiduciary Associates or Funds Associates out of Texas, and they operate in much the same manner as the advisers to the NIC.

Mr. Mello asked Mr. Colton if he had said that there were some type of fees or charges in here for handling this to support the necessary staff that you need. Is that incorporated in the bill?

Mr. Colton stated no it is not incorporated in the bill. It is already in existing language that the treasurer's office as well as other agencies who provide services beyond that which the law requires that function to perform can bill already. We are actually billing NIC now because we handle their books for them already and we will ESD for the same type of service and we bill other agencies whose money we are investing that is outside of the general fund agencies for that money. That's always been part, since the law was passed, and I guess it was passed back in 1977 because we lived with it in the 1979 legislature. ?that becomes part of our spending authority for our budget.

Mr. DuBois indicated that there was quite a disparity between Mr. Colton's rate of return and that of the NIC. How do you account for that? Would you say that you are in the business of making investments and every day you are making them and considering this and the NIC is not?

Mr. Colton stated that he thought that you had to take NIC out of the picture because NIC is in fact not investing their money, a paid organization for a fee is investing their money. We are investing the state's money, the treasurer's office, I am, Bob Cameron is, Murray Foster, the three of us handle that based again, on the information we gain. So we are our own advisers as far as if we make a bad decision, we have to live with it. To say why the funds are down, I think Bob Cameron could probably best answer that because Bob has been reviewing those figures for the last twelve years and I might just direct that if I may to Bob.

Mr. Bob Cameron testified next. Mr. Cameron stated that he thought part of the answer to that particular question that you had, Mr. DuBois, is that I would allude to something that Mr. Kinney said. I think we watch ours probably a little closer than an investment adviser would on a daily basis. We are on top of our securities every day. I would like to give you a little history about this.

In 1973, the NIC apparently became concerned about their return and at that time they established investment policies and goals and these goals were presented to the investment counselor which were agreed to at that time and in the goals, particularly in the fixed income portion of the portfolio, which is the bond section, they felt that a one-half to one percent increase over indexes was entirely possible. Those goals have never been achieved yet. Now the least of the restrictive area of the goals, was that the total portfolio should yield at least as much overall considering the equity pportion and the fixed income portion as the indexes and those have not been achieved. Those goals were revised in 1975. I think if you have seen any information they would probably say from 1975 they were actually created in 1973 and revised in 1975, a little more restrictive but it wasn't all that much.

Mr. Mello indicated that what he thought they should do is read the minutes of last session's Ways and Means Committee to find

out more about the NIC. Much of what has been addressed here today we brought up last session. We subpoenaed their records. They have never really been answerable to the legislature in the past and felt like they did not have to be and this is where we found out that their rate of return was just deplorable. We had experts come in to show what their rate of return was and they felt like they were not answerable to anything, and I think if you will read the minutes you will see just by their answers to the questions which most of the time they would not answer, they have just felt like they have been immune to the legislature.

Mr. Colton stated that he guessed that one of the questions is are they going to lose control if the bill should pass - is the NIC going to lose control? I don't think there will be any more loss of control than what they currently have. And if you weigh the gain to any possible loss that may exist in anybody's mind not in actuality, the gain I think is probably very substantial. The gain in return is probably measured in the millions of dollars. The gain in the cost savings for the handling of the fund which would be handled in house at a drastically reduced cost - Bob worked up some figures the other day based upon the existing contracts between the three financial advisers - and based on that the average annual cost is somewhere in the neighborhood of \$378,000 paid out to financial advisers to provide this investment service. In estimating the cost to impact on our office if we should handle this, we believe we can do it under two methods, one of which would cost them as low as \$65,000 which means a \$313,000 savings. And we are all talking about savings and I think that is rather substantial. We can provide reports on a daily basis. We have received the funding through the interim finance committee to acquire our computers, we can produce the reports. If I might, this is Wade Sisson, my Trust Officer, and on a daily basis we produce these kinds of reports and if we may just go through these reports that we can now instantaneously produce, 24 hours a day - 7 days a week.

Mr. Wade Sisson suggested that what he should do is, he ran some report yesterday, and I should show you some of the enhancements of the system and we are constantly expanding it now. We have a performance report - January versus February. That is just one of the reports. Mr. Sisson showed the committee various reports which are attached to the minutes of this meeting as EXHIBIT B.

Mr. Colton stated that this was a cash flow system that was set up and tailored to meet the needs of the state in paying their bills and obligations.

Mr. Sisson stated that you could just about pull anything that you wanted out of this system.

Mr. Colton stated that in addition to the computer runs that they had showed to the committee, their computer is set up to handle things by funds so there would be no co-mingling of monies should the NIC funds be directed to the treasurer's office. That can be handled completely separately through their existing bank accounts with

absolutely no change. We would simply start investing their money on whatever day that would happen and everything would still be as it currently is except we can give them reports at any time that they want them. I believe that the bill makes the investments accountable to a review group as well as the existing statute which makes it accountable to the Board of Finance. There has been from what we can tell in the past, very little accountability to the State Board of Finance in this matter. As a matter of fact the reports that were supposed to have been in quarterly, I believe, Mr. Cameron received the report for the end of 1979 within the last week or so and we have yet to receive the reports for the first and second quarters for fiscal year 1980/1981. I believe they are in the process of development, but as you can see if somebody wanted a report on our portfolio and our earnings we could pop it out for them in two minutes, through this computer aid that was given to us by the funding from the interim finance committee. In addition to that the interim finance committee also funded and we now have on board, although not completely successfully hooked up, the telerate system which gives us additional economic information as well as current quotes and bids and items that we deal in that the NIC investment fund deals in so we have those at our fingertips instantaneously. I believe our office is as good and as well prepared to provide the needs of the state of Nevada as anybody or any financial group anywhere in the United States.

Mr. DuBois asked if Mr. Colton's yield was identical to rate of return.

Mr. Colton stated yes.

Mr. DuBois was referring to Mr. Kinney's exhibit, (attached)(Exhibit A)

Mr. Colton stated that they were talking about the percentage and he stated that it was about the same thing.

Mr. Colton indicated it was basically the same thing.

Mr. Mello questioned whether the NIC had some staff involved in the monies as far as investments.

Mr. Colton stated that he would have to defer on that question.

Mr. Cameron stated that if they do it would be no more than one person.

Mr. Mello indicated that they would not need that one person. That one person could go to your staff and that way it would not cost any additional monies.

Mr. Polish asked Mr. Colton what percentage of Nevada businessmen or industries pick up the amounts of monies? Mr. Polish questioned Mr. Colton as to whether or not they invested a lot of the money in Nevada.

Mr. Colton stated that we have more money historically in Nevada banks and savings and loans than ever before.

Mr. Colton stated that he would certainly like to invite all of the members of the committee to visit our office, either together or individually so that we can show you actually this equipment and its operation and be able to answer additional questions over there about our operation, not particularly as it relates to the question at hand, but simply that it might be beneficial and it might also be interesting for you to know what is going on at our office.

Mr. Mello asked Mr. Colton what he had done with the Ely project.

Mr. Colton stated that the Ely project right now is the same as we are getting. It is the same yield. It is 14.39, I believe.

Mr. May stated that the monies that Mr. Colton handled for investment amounted to approximately \$200,000,000. Mr. May questioned how many people Mr. Colton had involved with this and charged with responsibilities.

Mr. Colton stated that he and Bob Cameron are highly involved with it but not all of our time. Wade is involved with it but not all of his time. Murray Foster, I guess is close to being full time as possible. Murray is full time with the investments. He handles the collateral checks and what have you and he is our cashier.

Mr. May stated that Mr. Colton then had four people under his direction.

Mr. Colton stated yes.

Mr. May questioned Mr. Colton on whether they had some special equipment which Mr. Colton answered affirmatively.

Mr. Colton stated that they were tied in to their Trust Bank in New York which is Chemical Bank and they have a program called PMS and that is what produces those documents that you have in your hand. We tie in through the GE time sharing wire service from a local phone call and hook it on and we are tied in directly on line access as to our program and our file in New York City.

Mr. Dini asked if there was anyone else who wished to testify in favor of the bill.

Mr. Richard Staub, Staff Counsel and Hearings Officer at the Insurance Commissioner's Office. I don't know that we are in favor or against it but I thought I had better say something before anyone got up here to talk against the bill. I thought that I would come before the committee and explain that in the last session, your honorable body authorized self insurance of workmen's compensation and you put the administrative regulatory body's responsibilities within the Insurance Commissioner's office.

At that time the statutes in NRS Chapter 616 authorized three different funds. They authorized an administrative fund in 616.438 and they authorized a subsequent injury fund in 616.427 and they also stated that we could, by regulation, create an insolvency reserve fund which we have created in insurance regulation PC 25 specifically in Section 29. In reading AB 230, it states that the State Treasurer can invest and reinvest any monies created pursuant to this chapter and these funds have been created and they are held in trust for these self insured employers that pay into these funds. At the present time we have approximately \$137,000 in the administrative fund, we have \$33,000 in each of the subsequent injury funds and the insolvency fund. When the bill was passed in the last session which was AB 84, there was no provision for this money to be invested or earn interest and in our opinion, in the Insurance Commissioner's office we felt that it was our duty in holding this money entrusted to us for the self insured employers that it be invested if we could at the highest rate of interest, but there was no provision in the law for the state treasurer to invest this money for us and credit the funds back to our accounts, so we obtained approval from the Board of Finance to take these particular accounts and put them in a private bank in the state of Nevada and invest the monies and we have the insolvency fund and the subsequent injury fund approximately most of the insolvency fund monies and all but about \$3,500 in the subsequent injury fund in TCDs earning 14.03 at this present time. We are also investing approximately \$62,500 of the administrative money in a TCD also. We haven't done that but we are in the process of doing it.

We have put in a bill draft request to allow these funds to be taken by the State Treasurer and invested by the State Treasurer with the investment income credited back to these particular accounts because they are held in trust for the employee - the self insured employers. In reading AB 230 it does state that any of the funds created under this chapter which would mean 616 in my opinion and I just want to make sure the committee is aware of these three funds and in my opinion that those three funds would fall under the auspices of AB 230 and we just wanted to bring that before the committee as a point of issue to make sure that if these funds are included in AB 230 that there is a provision that these monies will be credited back to these particular accounts.

Mr. Dini indicated that Mr. Staub then would not need his bill.

Mr. Staub indicated that if AB 230 covers that which it seemed in his opinion it would, we would not need the bill draft request for a particular change in NRS 356.

Mr. Dini asked if Mr. Staub had any amendments he would like to propose for this bill to cover that.

Mr. Staub indicated that they had not put together any amendments on it at this time, but that they could provide the committee with



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amendments in the future.

Mr. Dini indicated that he would like to see those.

Mr. May referred to NRS 331.187 and asked Mr. Staub if they also invested monies from that one?

Mr. Staub stated that he believed that that money is invested by the State Treasurer at the present time.

Mr. Staub indicated that if Mr. May was talking about the Insurance Premium Trust Fund from the premium tax assessments from private insurance companies - the premium tax of 2% - the self insurance program is completely separate from that premium tax fund.

Mr. Staub further indicated that the Premium Tax Fund from his understanding is handled by the State Treasurer.

Mr. Dini indicated that the committee appreciated Mr. Staub's preparing the amendments necessary to take care of this problem.

Mr. Dini asked if there were any opponents of the bill who would like to testify.

Mr. Jim Lorrigan, Commissioner of the Nevada Industrial Commission representing employers testified next.

Mr. Lorrigan stated that to his right was Mr. J. R. Clark, the Fiscal Officer of the Nevada Industrial Commission. Mr. Lorrigan stated that he had a nice little dissertation prepared for you but the comments that were made by some people have altered my program.

Mr. Lorrigan passed out a copy of his testimony to the committee. A copy of Mr. Lorrigan's prepared testimony is attached to the minutes of this meeting as EXHIBIT C.

Mr. Lorrigan stated that the alteration was occasioned by Mr. Jeffrey's questioning of Mr. Kenney. Maybe I misunderstood Mr. Kenney. He said that the advisory board didn't give any consideration to the question of investments. I have passed out to you pages 64 through 69 of this advisory board report and let me just excerpt from it a little.

Mr. Lorrigan read from page 64. Mr. Lorrigan stated that that certainly did not suggest to him that the advisory board did not give some attention to the subject. Mr. Lorrigan then stated on page 65, the advisory board reviewed a number of subject related to the administration and financial management of the NIC. These included investment function.

Mr. Mello stated that with regard to Mr. Lorrigan's testimony, he



had so much of it crossed out -

Mr. Lorigan stated that he was sorry but it was not crossed out but it was his yellow pencil.

Mr. Lorrigan stated that financial management was reviewed and perhaps the most intensive review by the advisory board was the management of investment function. The board received reports from the NIC, its investment management consultant, Peat, Marwick Mitchell & Company, its then sole investment manager, Scudder, Stevenson.

The Public Employees Retirement System regarding its investment policies and the state treasurer regarding his investment policies.

Mr. Lorrigan then referred to page 66 and stated that after review the advisory board endorsed the procedures used by the NIC in the selection process. That refers to the selection of three money managers that we added to the then one money manager that we had. Again the second paragraph in mid 1980 the commission adopted a supplemental investment policy to insure maximum of investments in Nevada consistent with other objectives of the fund.

Mr. Lorrigan then referred to page 68. He indicated that the advisory board unanimously recommends to the commission that it explore the field of equity managers and contract with a firm to manage that portion of the NIC's portfolio (the commission concurred and has carried out this recommendation). The majority of the advisory board also endorses the process used by the NIC in selecting investment managers.

The majority of the advisory board recommends to the commission that it initiate legislation which will allow the NIC's investment manager to make direct mortgage loans, commercial mortgage loans and participate in commercial loans.

The advisory board unanimously concurs in the adoption of the supplemental investment policy to insure a maximum degree of investments in Nevada consistent with objectives of investment for a trust fund.

Mr. Lorrigan stated that he submitted to the committee, that that information which suggests that the advisory board which was created by your body took a longer look than Mr. Kenney would have you believe.

Mr. Lorrigan stated that before he made a few brief remarks, I am no fiscal person. I am merely here to represent to you the feelings of the Nevada Industrial Commission as regards the velocity of handling these investments. To my right is our fiscal officer who may not have all the answers that you may wish to pose, but if we don't gentlemen, we'll get them for you.

Mr. Lorrigan stated that before he got into something, I will digress

once more. Mr. Colton suggested that there would be no loss of control if the treasurer were to take over the investment program of the Nevada Industrial Commission. Gentlemen, I submit to you, the state treasurer is an elected official. What control would another state agency have over that gentlemen if he went thoroughly askew. We could just hope that he would either be impeached or voted out of office. Whereas with the present investment managers that we have now, they are contract people and we can remove them within sixty days or after sixty days notice that they are not functioning properly. So I suggest that Mr. Colton's assurance that the control would not be missing is not quite exact.

Mr. Lorrigan stated that he personally feel a little offended by this because as a commissioner when I came aboard eight years ago, under my bond I swore that I would take care of the policies of the Nevada Industrial Commission to the best of my ability and one of the major things is to make sure that our fiduciary obligations are performed. I can only assume that the biggest fiduciary obligation we have is the care and loving comfort that we must give to this \$300,000,000 income and I think we have tried diligently to do that and once again we are not fiscal experts, but we have hired fiscal experts and I submit to you that Mr. William Dreyer who is now a senior partner of Peat, Marwick & Mitchell, some nine years ago when he headed the firm of Dreyer and Rogers, Inc. has been if you will looking over our shoulder and the shoulders of our then one investment manager and now our three investment managers and I think he has done exceptionally well under the firm of Peat, Marwick and Mitchell, who has international repute. So rather than saying that we, the NIC commissioners, have some expertise in this field, we admit that we have none, but I assure you that we have the utmost faith in the present monitor which is the Peat Marwick Mitchell firm and the three investment managers whom we have selected. So I just don't think that I would like to serve as a Commissioner of the Nevada Industrial Commission under my bond when the fiduciary obligation is transferred to some other entity whether it be the state treasurer or whatever.

Mr. Lorrigan stated that he was a little skeptical and this is not meant as any criticism of Mr. Colton and his staff. They are fine dedicated state officers. I just can't in my own mind see how they can handle what they have to handle now and take on another \$300,000,000 obligation. They say they can, but we have three money managers and a monitor handling that fund and numbers wise it just doesn't make sense.

Mr. Lorrigan stated that he would again respectfully remind you that these are trust funds, not state funds, or state assets, the monies belong to the employers of the state and they have the right to demand statutory protection of their funds which they have now, but we wonder if they would have when this bill, or if this bill is approved.

Mr. Lorrigan stated he would like to go one step further and then I

will surrender us to your questions.

Mr. Lorrigan stated in 1979 a study was commissioned by the then Governor's Labor Management Advisory Board of the NIC and a report thereon was published in March of that year. Let me excerpt from the foreward. Accordingly, the NIC committed itself to publication of the results without control over the research and consulting effort. The reason I took that out is because there have been charges that this SRI report was nothing but a tool of the administration of the Nevada Industrial Commission and I want you to know that nothing could be further from the truth because the Stanford Research Institute International is a large, well-respected organization and certainly wouldn't submit themselves to any control over a research project they were assigned to. Mr. Lorrigan stated that this was commonly referred to as the SRI report and has been bandied about since its introduction in 1979.

Mr. Lorrigan stated on page 19 of that report, under Investment Management, it says, and I quote:

"Not only were a number of employers critical about the level of complaints it reserves, but they also felt that the investment portfolio supporting reserves was not well managed. In an effort to determine the manner in which the investment portfolio is managed, we review the investment policy, the guidelines established for investment management and the performance goals used to evaluate the investment manager. In addition we participated in the quarterly investment management meeting at which the 1978 performance was evaluated. On the basis of these activities we have concluded that the NIC has established a sound investment management function and is sensitive to the need for maximixing investment return while maintaining the quality of the portfolio at a relatively high level. The NIC depends upon qualified outside investment manager (Mr. Lorrigan stated manager is singular because then they only had one) to manage the investment portfolio in a separate qualified consultant (that's Peat, Marwick Mitchell) to review the investment performance. If employers deem the overall investment performance to be unacceptable, they should determine whether they consider the guidelines to be unsuitable, the goals to be too easily achievable or the performance to be lacking when measured against these goals. We are confident that the NIC will seriously consider any reasonable suggestion that might enhance the performance without sacrificing the overall quality of the portfolio. Criticisms about the methods used by state agencies to manage investment

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abound, however, according to our evaluation these general criticisms do not apply to the Nevada Industrial Commission."

Mr. Lorrigan stated that he submits to the committee that they have tried to do the best job we know how. We have engaged the best talent we could afford and I think when Mr. Clark advises you the different apples and oranges that we have been discussing here that maybe the picture will not look as bleak as it now apparently appears to.

Mr. J. R. Clark of the Nevada Industrial Commission testified next. He stated that he has looked over Mr. Kenney's figures and he stated that he did have some problems with them. He stated that he is not at this point ready to discuss, although I could go back and research it and get you an answer the differences. I am familiar with the 1980 returns and I would like to hone in on that for just a moment. He indicates that at cost, we are having a 7% return on our portfolio. According to the Kafoury Armstrong audit that was just recently published, we have an 8.18% return on that portfolio at cost. Cost is not a commonly accepted measurement of portfolio earnings in the investment community. A more common measurement is market. Now on the market for 1980, we had an 8.79% on the portfolio. It is important that you keep in mind that these are two very separate type measurements. It is also important that the composition of the fund be considered. The State Treasurer's Office, although he does have some long-term being twelve years in maturity investments, does not approach the composition of our fund. Our average maturity is in excess of 18 years. We are dealing with an entirely different time horizon; the risk that an actuary would put in our portfolio, would prohibit us from being exclusively in short term funds. The majority of the treasurer's office is in short term funds. He has done an excellent job in short term. We are currently getting the same rate that he is getting in the short term funds. Our equity portfolio which is approximately 20% for calendar year 1980 is returning a 31.08% return. Now that is based on the market. Again you have to keep in mind market versus cost. The entire fund since we have changed money managers, is returning 17.85, that is for calendar year 1980 market. I am really confused as to where Mr. Kenney would have arrived at these figures. I can only respond to your questions at this point. This is a very difficult area. I am not an expert on investments; that is why we hire Peat Marwick & Mitchell and the three money managers. It is difficult for me to understand how Stan could lend the same expertise to the investments of our funds given the composition of the portfolio that actuaries are telling us it should have without a dramatic increase in staff knowing that a considerable amount of staff has to be devoted to research and analysis. There is more than just a short term return. We are dealing with a completely different time horizon.

Mr. Dini asked if they had money in the stock market.

Mr. Clark indicated yes.

Mr. Dini asked how that has worked out.

Mr. Clark indicated that this year it has been excellent. That's for calendar year 1980 on a market return, any time you look at stocks if you look at a cost the dividend - you are into the stock market for the market, you are not into it for the cost return. Your dividends are always going to be percentage wise very little. In fact, I think probably our return and I don't know this for a fact, but I would guess our return at cost on stocks would be about 1%, but our return on market being if we liquidated the portfolio today, would be 31.08%, so the stock market today and for calendar 1980 has been the superior investment. Long term bonds on the other hand have not been the best investment. But again that is due to the market conditions today. We can get into the discussions of what is going to happen in the future. An example of what could happen is if the interest rates decline by 1%, you will see a market return on the long term portfolio, which is about 70% of the NIC fund an approximate 30% return. I think we all hope that the interest rates do decline. We don't know for sure that they will. Our counselors are advising us right now that the long term market is for the next year probably the most lucrative area to be in. That is backed up by various other surveys including Peat Marwick & Mitchell, Bank of America, Trust Company of the West, and Scudder Stevenson Clark.

Mr. DuBois asked Mr. Clark if he was saying that he had to be considerably more conservative in your investments.

Mr. Clark indicated that he would not say it exactly like that but the thrust of what I am saying is that the treasurer's office is primarily into short term monies. And that is entirely consistent with his goals. He is monitoring monies that he has entrusted to him to pay for the state expenses. He is doing that pretty much on a yearly basis. He tells us that his average portfolio maturity is 373 days. I am telling you that our average portfolio maturity is 18-1/2 years. So you are dealing in a much different area. It is very difficult and confusing if you try to compare the returns on a short term portfolio to the returns of something that has a much longer return maturity. The horizons are entirely different. The danger of getting all into short term which would be without a lot of detail, which would be our inclination, throw it into short term and get maximum return, when the market turns, if it does turn and I think we see that happening today, the prime rate is down to 18%, you can't wait until the short term market is paying low yield to get into the long term because by then your long term market value is going to be higher. You have that type activity going there. I don't know of anyone in the entire world that can be absolutely certain when it is going to happen. They will be a very rich person if they can.

Mr. DuBois asked roughly what percentage of their investments were tied up in long term and what percent do you have to play around with in the short term.

Mr. Clark stated that these are rough estimates. We have left the discretion to the investment managers. But currently approximately 56% of the portfolio of NIC is in long term investments and an approximate 25% is in equities and the rest is in short term. Now by short term we run into a samantical difference. Our short term is anything that has a maturity of less than a year. We are not saying that it is all in overnight repos or 90 day T bills. We are saying that it was purchased to mature in less than a year. So it could be commercial paper also.

Mr. DuBois asked what the yield has been on their short term.

Mr. Clark stated that on their short term monies again for 1980 and at market we are showing a yield of 16.03%.

Mr. Mello asked if that was available for the committee or do we have to subpoena the records.

Mr. Lorrigan stated that they were certainly available.

Mr. Clark stated that he did not have very many of the handouts. I do have some. I was not sure that we would be talking in this area. Mr. Clark passed a copy of his handout to the committee. Mr. Clark's handout to the committee is attached to the minutes of the meeting as EXHIBIT D.

Mr. Clark stated that the handout was taken almost in its entirety from the performance monitoring of Peat, Marwick and Mitchell. These figures were not calculated internally. Mr. Clark stated again as you can see we are dealing on this with two calendar years. Again this is based at market and we felt that it would be interesting to monitor since we have changed from one investment manager to three investment managers and that it what "since 3/31/80" is. That column reflects just that experience for a nine month period of time.

Mr. Dini stated that from the figures on Mr. Clark's handout there has been a dramatic change since 3/31/80. He asked if that was because of a different way of calculating?

Mr. Clark stated that it was not a different way of calculating. He indicated Mr. Dini was probably looking at the equity portfolio.

Mr. Clark stated that it sounds like an evasive answer and it is not intended that way - that is due entirely to market conditions and some, if you look at the equity, some of that in excess of market conditions is the superior performance of the three investment managers versus - or the two investment managers versus the previously one investment manager, but it is really just market - primarily market.

Mr. Clark stated that he was through with his presentation and he would respond to questions, if any.

Mr. May asked Mr. Clark about the statute that governs the way that the NIC may invest is very rigid. He indicated that he thought that the NIC was very limited in what the NIC may invest in. Mr. May stated that he believed it was in 1967 or 1969 when the legislature became concerned about investment practices and restricted at that point the manner under which your investments may be made. Have your money managers indicated to you the need to revise some of those limitations that you are presently forced to operate under with regard to the 10% area.

Mr. Clark indicated that there had been some discussion in that area. The current restrictions - and there are many more restrictions that I am going to talk about - but primarily it is 20% into stock. We have what we call a 10% basket clause that is more or less the prudent man investment rule and it limits a maximum of 70% investment in long term. Now the discretion to go long term or cash equivalents is not spelled out in the legislation.

Mr. May indicated that Mr. Clark was probably being factious. You indicated perhaps we should liquidate and dump it all into short term investments, but I don't think you have any authority under the present statute to do that do you?

Mr. Clark stated that it would be possible to shorten the maturity of our portfolio under the current guidelines. It would probably not be advisable. Our actuaries are telling us that it is not advisable to do that at this time.

Mr. May asked Mr. Colton if the way he handled his investment, are you currently as restricted in your investments as the NIC is with the laundry list of areas they may invest in - not more than 20% - not more than \$10,000, etc.

We are not limited by percentage Mr. May, we are limited in what we can invest in. We are more limited, really than the NIC. We are the most limited investment in the state. Everybody can invest, even the counties can invest in things that the state treasurer's cannot begin to invest in. That is why we are pleased with the yield that we are getting because the types of things that we are invested in are rather limited and rather controlled. So if we could get out into the same things that the NIC - the bankers acceptance and stuff - certificates of deposit and some of the longer term yield AAA utilities and things like that we would be very happy.

Mr. Craddock stated that Mr. Lorrigan had indicated that one of his prime interests was the care and loving comfort given to the some \$200,000,000. Wouldn't you think that it would be logical for us to assume that if we could remove you of that responsibility



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of looking after this nest egg of money that you could spend more time for care and loving concern to the injured working man in the State of Nevada?

Mr. Lorrigan stated no to Mr. Craddock's question. They are a matter of priorities. And the first priority is the care and loving comfort of the employee, that is first. How we do that is tied in with the fiduciary concern, but no sir.

Mr. DuBois asked if Mr. Lorrigan had said that he has had these dramatic increases since he went from one to two financial managers.

Mr. Clark stated that he would say that because of the market conditions, you will see a dramatic increase along about the same time but not all of that increase is due to the change in money managers. In fact, the only thing that would even reflect the change in money managers would be the equity results and comparisons and you can see that for the entire calendar year that is a 31.08% return whereas if you just look at the span of time since we made the change in money managers, it is a 31.18. Those can be very deceiving. It is not meant to show a comparison with that respect. It is only meant to show what the market and our performance has been in the market for that period of time. We do anticipate and I think these figures do bear us out that by making the equity management change that we have made we will increase the returns to the equity portion of the portfolio, but again, that's -

Mr. DuBois asked if it was mostly the market.

Mr. Clark indicated yes.

Mr. DuBois asked why they went from one to three managers.

Mr. Clark stated again they looked at Scudder, Stevens and Clark's performance over a period of time and what is real critical to us if you will notice the target allocation index return, for a period of years, Scudder, Stevens and Clark was not meeting that target allocation index return on - or how we calculate that for the equity section and for the equity section it is primarily Standard and Poor 500. Because of that we researched the market and decided to change money managers. We have been very satisfied with that decision and have no reason to believe that it wasn't the best decision, but Scudder, Stevens and Clark is still doing approximately 70% of the portfolio, but they are not into equity investments.

This concluded the testimony of Mr. Lorrigan and Mr. Clark.



The committee took a ten minute recess and resumed the meeting again at 9:45.

Mr. Dini indicated that the committee did not have time to go too much further with AB 230. Mr. Dini asked if there was someone at the committee meeting who was here today and will not be available next week who wished to speak on this bill.

Mr. Dini indicated that he was going to appoint a subcommittee on AB 230 and next week we will have a night meeting on it and work it out. Mr. Dini again questioned if there was anyone at the meeting who would not be able to make the night meeting and still wished to testify. Mr. Dini appointed a subcommittee consisting of Mr. Mello, Mr. DuBois and himself. Mr. Dini indicated that at the night meeting the subcommittee would get the technical data and background as it was more than the committee could handle at this type of a meeting. Mr. Dini indicated that the testimony should be taken in a more orderly manner and more on the technical end so that we can come out with a bill that will be fiscally sound.

The testimony was concluded on AB 230.

Mr. Dini stated that the next bill to be considered by the committee would be AB 198.

Mr. Jack Shaw, Administrator of the Division of State Lands testified first on AB 198. He indicated that Assemblyman Marvel asked him if he would present this to you, it is a housekeeping bill. If those of you who were on the committee two years ago remember, at the request of the legislative auditors, we were asked to eliminate a \$1,000 revolving fund from Section 9 on page 2 of the bill. A \$1,000 revolving fund was there to pay for appraisals and then be replaced. It had not been used and your legislative auditors asked to have it removed and somewhere in the process the bill drafters and all of us and I will have to take the blame personally, let it go through. They eliminated all of subsection 9 which then took away our ability to have a requester for a land appraisal put up the money up front to have it done and all we are doing with this bill is asking that this portion of subsection 9 be replaced into 321.335.

Mr. Dini asked if the committee had any questions.

Mr. Nicholas stated that as Mr. Shaw knew he had a bill draft in involving the possibility of adding to NRS the ability of the state and private citizens to concur in land trades. Do you see, in your opinion, any impact on what you know of that bill draft, and we have not seen it as it has not come out yet, from what you know of it, do you see any impact on that bill draft of AB 198?

Mr. Shaw stated that he did not see any conflict. I think they will be compatible and I am in favor, in essence, I have not seen the bill, but I am in favor of your bill to allow to exchanges. As you know, we have exchange authority with other governmental entities and the federal government but not with private individuals, but I see no conflict with this.

Mr. Dini asked if the committee had any other questions from Mr. Shaw.

Mr. May referred to page 1, line 14 of the bill where it says "land may be sold for not less than appraised value" and where a reference was made to a \$3.00 an acre figure, and indicated that the committee should discuss that figure.

Mr. Shaw stated that he thought that it was irrelevant. There certainly is not going to be any \$3.00 land sold.

Mr. May asked if we should not make it "no less than \$3.00 an acre".

Mr. Shaw stated that it would not bother him at all. That is the old floor that they used to have and he indicated that probably at one time it might even have been \$1.25 and they aren't, in fact, meaningful today. So if you want to eliminate that it certainly wouldn't bother us.

Mr. Dini asked if there was anything else that ought to be cleaned up in that statute?

Mr. Shaw stated that this, as he recalled, was Assemblyman Bergevin who brought up the \$3.00 last year and that is the only item. It just is a base and it does not mean anything. I don't see anything else either. I think it is pretty clean now.

Mr. Dini asked if there were any other questions of Mr. Shaw.

Mr. Dini asked if anyone else wished to speak on AB 198.

The testimony on AB 198 was concluded.

Mr. May moved that the committee amend and do pass AB 198, by beginning on line 13 deleting the word "and" and beginning with "no less than \$3.00 an acre" and leaving that language in the existing statute, which was seconded by Mr. Mello. The motion carried unanimously. Mr. Dini indicated that Mr. Polish would handle this bill on the floor. Mr. Dini indicated that he would take care of getting the amendment drawn up.

Mr. Dini indicated that the next bill which would be discussed was AB 181.

Mr. Ted Thornton, representing the Nevada Association of Counties and the Nevada Fiscal Officers, testified next. Mr. Thornton indicated that he only had two things on this particular bill. He thought that this clears up some of the language. There was some confusion in the past as to how longevity should be paid whether it is to be paid on an annual basis or broken down and paid on a monthly basis. There is one question that several of the people are concerned about and that is that they are entitled to receive their increment on July 1st of each year. I don't know the reason why that was made on July 1st and maybe you can answer that for me. If this is paid on July 1st, then there is a lag of six months between the beginning of a term of office and the time period in which it is paid. That's the only comments I have on it. I would like a clarification though as to why the six month lag.

Mr. Dini stated that the only thing that the bill did was that it clears up the language - paid annual or monthly and if you are eligible you are entitled to receive the increment on July 1st of each year. I don't think it is tied to the budget.

Mr. Thornton stated that that might possibly be the reason, however it still leaves that six month lag. If it is there for budgetary reasons it could very easily be an amendment to the budget in preparation or -

Mr. Dini stated that in an election year you wouldn't know whether that person was going to be reelected.

Mr. Thornton stated that this is true.

Mr. Thornton stated that there is quite a bit of concern as to that six month lag.

Mr. Dini indicated that NRS 245.047 is hereby repealed.

Mr. Thornton stated that these were the only two points that he wanted to bring out.

Mr. Dini asked where the lobbyist for the county was. Mr. Thornton stated that he did not know where he was.

Mr. Dini questioned if there was anyone else who wanted to testify on AB 181.

Mr. Dini indicated that he did not understand in that the county gave us this bill and they don't show up to testify.

Mr. Dini indicated that this bill would be rescheduled.

Mr. Dini indicated that the amendment to AB 34 was still on the floor under unfinished business. Mr. Dini indicated that this made it so that a person who is retiring out of PERS can hold public office. The Senate amended it so that also legislators

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could serve in another capacity upon retirement from the legislature. Mr. Dini indicated that he believed that there was a bill to take care of the Sgt. of Arms of the Senate and I am not sure that we have any others here.

Mr. Mello indicated that he had some objections but he did not want to hold the bill up too long but it might be an advantage to the chairman to hold it long enough so that you may be able to use it as a hammer. If the chairman feels that it will not accomplish that, I will yield to the chairman's wishes.

Mr. Dini indicated that he had no feeling either way about doing that.

Mr. Dini indicated that the Senate had amended the bill and made them equal to PERS employees as far as retirement. The other part is taking care of retired legislators.

Mr. Dini indicated that if the session would go for a long time and a legislator goes over \$6,000 the fellow would then have to quit.

Mr. Mello indicated that in the past our employees were able to pay into the PERS. We have many public employees that transfer over here and there has been a decision from my understanding a decision made by audit, that you either take all or none. They have decided not to take all so now those people cannot contribute. Mr. Mello indicated that he believed the bill is an important piece of legislation but there was that back door approach by the Senate to take care of what you might call some of their pets. I think it is a very important piece of legislation to them and I also believe that the chairman could use that.

Mr. Mello further indicated that if he was not mistaken he believed that bill could be taken and brought into committee.

Mr. Dini indicated that he would hold AB 181 a few more days. He indicated that he did not like to jam up the unfinished business because it makes a lot of work for the secretaries. We should move them or do something with them.

Mr. Dini indicated that it was a good bill because it also takes care of us.

Mr. Mello indicated that he did not see any great emergency in moving this bill because it doesn't take care of some people immediately the way I looked at it.

Mr. Dini stated that it does as far as a retired employee elected to a job. That could come up any day, but we haven't got anybody in that position.

Mr. Jeffrey stated that whatever you wanted to do would be all

right with him.

Mr. Dini indicated that he would hold it for a few more days.

Mr. Mello stated that it was just called leverage.

Mr. Mello stated that the chairman had been here a long time and you don't want to give up your leverage early in the session.

Mr. Nicholas stated that he and Mr. Jeffrey and all of the people who were in the hearing on AB 94 yesterday reached a consensus which Mr. Jeffrey and I took down to Mr. Daykin to put into writing and we should, in the next few days have that for you for your consideration.

The committee took the following action for committee introduction on BDR 19-1281\* and 46-1280\*\* with the following committee members present: Assemblyman Redelsperger, Assemblyman Jeffrey, Assemblyman Schofield, Assemblyman Polish, Assemblyman May and Chairman Dini all voted for committee introduction of BDR 19-1281 and BDR 46-1280.

There being no further business to come before the meeting, the meeting adjourned at 10:20 A.M.

Respectfully submitted,

  
Barbara Gomez  
Assembly Attache

\* AB 322

\*\* AB 323

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date 3-11-81

PLEASE PRINT

PLEASE PRINT YOUR NAME	PLEASE PRINT REPRESENTING:	I WISH TO SPEAK		
		FOR	AGAINST	BILL NO.
JIM LORIGAN	NIC		X	230
TEV THORNTON	CHASSIS CITY CHINA			
J.R. CLARK	NIC		X	230
CHUCK KING	Q.F.N. TRK / NEW SELF INSURERS	X		230
J. Buckley	Summa Corp			
Doc R. Shaw	State hands	X		198
		X		230
H. CURTIS	N.I.C.		✓	230
ira Green	Douglas Gent	X		181
Richard Shank	INSURANCE Commissioner			230
Patsy Redmond	" "	" "	" "	" "
N.I.C. ANTHONISEN	SUNDA CORP	X		

ASSEMBLY

AGENDA FOR COMMITTEE ON GOVERNMENT AFFAIRS

Wednesday

Date March 11, 1981 Time 8:00 A.M. Room 214

Bills or Resolutions to be considered	Subject	Counsel requested*
AB 181	Increases longevity pay of and removes limitation on salaries of certain county employees.	
AB 198	Requires person requesting sale of state land to deposit money for costs of handling, appraisal and publicity.	
AB 230	Authorizes state treasurer to invest funds for industrial insurance.	

\*Please do not ask for counsel unless necessary.

		ANNUAL AVERAGE OF ASSETS	INVESTMENT INCOME	ANNUAL % RETURN
1980	$\$ 320,000,000$ (EST) $280,000,000$ (EST) <hr/> $\$ 600,000,000 \div 2$	300,000,000	$\$ 21,000,000$	= 7%
1979	$\$ 280,331,000$ $+ 213,127,000$ <hr/> $493,458,000 \div 2 =$	$\$ 246,729,000$	$\$ 17,506,000$	= 7.1%
1978	$\$ 213,127,000$ $+ 164,550,000$ <hr/> $377,677,000 \div 2 =$	$\$ 188,838,500$	10,986,000	= 5.8%
1977	$\$ 164,550,938$ $+ 127,514,820$ <hr/> $292,065,758 \div 2 =$	$\$ 146,032,870$	8,213,242	= 5.6%
1976	$127,514,820$ $+ 103,709,890$ <hr/> $231,224,710 \div 2 =$	$\$ 115,612,350$	7,368,776	= 4.7%
1975	$103,709,890$ (END OF YEAR) $+ 84,858,178$ (START OF YEAR) <hr/> $188,568,068 \div 2 =$	$\$ 94,284,034$	4,937,375	= 5.2%

NIC ANNUAL RETURN ON ASSETS



Program Statement

his budget reflects the Nevada Industrial Commission's request and is not subject to Budget Office review, but is included as requested by legislation.

The Nevada Industrial Commission (NIC) is an insurance carrier and regulatory agency, funded from workers' compensation insurance premium income.

Workers' compensation insurance is a State-administered insurance program defined by statute which provides medical care, disability compensation and rehabilitation services to workers who are injured, or who contract an occupational disease in the course of their employment.

The insurance premiums required to fund the program are paid entirely by the employer policyholders.

It is a no-fault insurance system. The workers' compensation statute defines the compensation and services to which the injured worker is entitled. The provisions of the statute represent the worker's exclusive remedy for damages against his employer.

The insured employer is relieved from liability for any additional damages claimed by his employees as a result of injury arising out of employment.

The functions of the Nevada Industrial Commission are:

- To effectively deliver medical, disability compensation, and rehabilitation benefits to injured workers;
- To assist the insured employer in controlling claim losses;
- To establish equitable premium classifications, rates and rating plans, and to audit and collect premiums;
- To enforce the mandatory coverage provisions of the Nevada Industrial Insurance Act;
- To provide technical safety consultation, conduct safety education programs and enforce the Nevada Occupational Safety and Health Act.

his budget covers the administrative costs of the Nevada Industrial Commission. Excluded from it are such claims costs as medical expenses, compensation payments and rehabilitation costs, including those of the Rehabilitation Center.

Not included in this line item budget are the reinsurance and investment expenses.

Reinsurance protects the fund against catastrophic events. Should a large number of workers be injured in a single event, such as a fire or explosion in a large hotel, the maximum cost to the Nevada Industrial Commission would be \$1 million, even though the actual loss amounted to millions of dollars.

The actual and estimated expenditures for these expenses are:

	Fiscal Year 1980 <u>Actual</u>	Fiscal Year 1981 <u>Projected</u>	Fiscal Year 1982 <u>Projected</u>	Fiscal Year 1983 <u>Projected</u>
Reinsurance	\$307,034	\$505,161	\$556,653	\$611,762
Investment Counsel Fee	163,319	404,875	484,963	533,459
Custodian Fee	-0-	2,500	2,500	2,500
Investment Evaluation Fee	61,506	70,392	77,805	85,586

Also not included in this line item budget are the experience dividends that were distributed in fiscal year 1980 and the declared dividend currently being distributed in fiscal year 1981.

	<u>Declared Dividend</u>	<u>Dividend Actually Paid</u>
Fiscal Year 1980	\$20,000,000	\$20,021,692
Fiscal Year 1981	15,000,000	

The total number of claims filed and the number of claims involving disablement of five days or more are the best indicators of the workload of the Nevada Industrial Commission. The following table indicates growth in these areas:

Fiscal Year <u>of Claim</u>	Number of <u>Claims</u>	Percent Increase <u>Over Prior Year</u>	Claims <u>Involving Disablement</u>	Percent Increase <u>Over Prior Year</u>
1976	42,600		8,800	
1977	45,900	7.7%	10,300	17.0%
1978	57,200	24.6%	12,400	20.4%
1979	67,100	17.3%	14,600	17.7%
1980	74,400	10.9%	15,300	4.8%

STATE OF NEVADA

MATURITY SCHEDULE

03/11/81-01/01/99

MATURITY  
SCHEDULE  
FUND - I - TREASURY

REPORT DATE : 03/10/81

ITEM #	MATURITY DATE	PURCHASE DATE	OWN/REPO	RTG	DESCRIPTION	RATE	PAR VALUE	COST VALUE	YTM
401	03/11/81	02/05/81	REPO		GNNA 5145 11/15/04	16.750	757,975.00	500,000.00	16.983
402	03/11/81	02/05/81	REPO		GNNA 6408 05/15/05	16.750	708,612.00	465,000.00	16.983
403	03/11/81	02/05/81	REPO		GNNA 5670 01/15/05	16.750	745,242.00	475,000.00	16.983
404	03/11/81	02/05/81	REPO		GNNA 8862 12/15/05	16.750	746,494.00	500,000.00	16.983
405	03/11/81	02/05/81	REPO		GNNA 19556 10/15/07	16.750	923,709.00	645,000.00	16.983
406	03/11/81	02/05/81	REPO		GNNA 17840 08/15/07	16.750	819,266.00	575,000.00	16.983
407	03/11/81	02/05/81	REPO		GNNA 27958 04/15/09	16.750	980,979.00	710,000.00	16.983
399	03/11/81	02/05/81	REPO		GNNA 28630 12/15/08	16.750	983,864.00	610,000.00	16.983
400	03/11/81	02/05/81	REPO		GNNA 5152 11/15/04	16.750	889,209.00	580,000.00	16.983
274	03/12/81	01/13/81	REPO		GNNA 15313 8.25 01/15/12	18.900	1,025,000.00	620,000.00	19.162
532	03/12/81	01/13/81	REPO		GNNA 20642 10/15/07	18.900	1,019,370.99	580,000.00	19.162
390	03/13/81	02/04/81	REPO		GNNA 28660 11/15/08	17.100	5,305,056.61	3,500,000.00	17.338
487	03/16/81	02/23/81	REPO		FHLNC 16-092 10/01/09	15.875	3,000,000.00	2,175,000.00	16.095
576	03/16/81	03/09/81	REPO		FHLNC 16-048 06/01/08	16.250	4,900,000.00	3,000,000.00	16.476
556	03/16/81	03/03/81	REPO		FHLNC 16-051 07/01/08	16.500	3,000,000.00	1,820,000.00	16.729
557	03/18/81	03/03/81	REPO		FHLNC 16-095 11/01/09	16.500	1,000,000.00	720,000.00	16.729
448	03/20/81	02/17/81	REPO		GNNA 44179 09/15/10	17.000	2,019,586.96	1,500,000.00	17.236
447	03/20/81	02/17/81	REPO		GNNA 42839 08/15/10	17.000	2,020,524.66	1,500,000.00	17.236
129	03/25/81	04/25/80	OWN		FHLB BFD	13.250	3,000,000.00	3,000,000.00	13.250
495	03/27/81	02/24/81	REPO		FHLNC 16-033 02/01/07	15.250	1,000,000.00	540,000.00	15.462
496	03/27/81	02/24/81	REPO		GNNA 23192 02/15/09	15.250	1,000,000.00	690,000.00	15.462
483	03/27/81	12/23/80	OWN		FNNA DISC	17.750	1,000,000.00	953,652.78	18.871
498	03/27/81	02/24/81	REPO		GNNA 23640 07/15/08	15.250	1,018,952.60	610,000.00	15.462
497	03/27/81	02/24/81	REPO		GNNA 9814 08/15/06	15.250	1,000,000.00	480,000.00	15.462
492	03/27/81	02/24/81	REPO		FHLNC 16-024 04/01/07	15.250	500,000.00	235,000.00	15.462
491	03/27/81	02/24/81	REPO		FHLNC 16-063 10/10/08	15.250	1,000,000.00	670,000.00	15.462
494	03/27/81	02/24/81	REPO		FHLNC 16-073 02/01/09	15.250	1,000,000.00	670,000.00	15.462
493	03/27/81	02/24/81	REPO		FHLNC 16-087 09/01/09	15.250	1,500,000.00	1,105,000.00	15.462
530	03/30/81	02/27/81	REPO		GNNA 23989 08/15/08	16.125	1,010,048.29	655,000.00	16.349
503	03/30/81	09/29/80	OWN		TCB,PCB	11.625	300,000.00	300,000.00	11.786
524	03/30/81	09/30/80	OWN		TCB,VB	12.250	2,000,000.00	2,000,000.00	12.420
529	03/30/81	02/27/81	REPO		GNNA 26118 07/15/08	16.125	1,000,000.00	640,000.00	16.349

Exhibit B

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ITEM #	DATE	DATE	REPO	GNNA	RTG	PAR VALUE	COST VALUE	YTM
356	03/31/81	01/29/81	REPO	FNMA 6.90 12/10/84	17.300	2,800,000.00	2,233,000.00	17.540
357	03/31/81	01/29/81	REPO	FNMA 7.05 06/10/92	17.300	2,000,000.00	1,290,000.00	17.540
553	04/01/81	03/02/81	REPO	GNNA 25428 10/15/10	15.600	1,007,913.00	825,000.00	15.817
61	04/01/81	10/23/80	OWN	FNLD DISC	12.125	2,000,000.00	1,892,222.22	12.994
552	04/01/81	03/02/81	REPO	GNNA 35396 10/15/09	15.600	987,069.00	720,000.00	15.817
549	04/01/81	03/02/81	REPO	GNNA 41259 02/15/10	15.600	875,775.00	650,000.00	15.817

STATE OF NEVADA

NATURITY SCHEDULE

03/11/81-01/01/99

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REPORT DATE : 03/10/81

ITEM #	NATURITY DATE	PURCHASE DATE	OWN/REPO	RTG	DESCRIPTION	RATE	PAR VALUE	COST VALUE	YTM
551	04/01/81	03/02/81	REPO		GNNA 32728 10/15/09	15.600	988,039.00	720,000.00	15.817
513	04/01/81	10/02/80	OWN		TCD, NS8L	12.250	2,000,000.00	2,000,000.00	12.420
481	04/01/81	10/01/80	OWN		TCD, FR88L	12.250	1,869,487.50	1,869,487.50	12.420
550	04/01/81	03/02/81	REPO		GNNA 41259 02/15/10	15.600	918,593.00	690,000.00	15.817
554	04/01/81	03/02/81	REPO		GNNA 18061 10/15/04	15.600	617,766.00	395,000.00	15.817
565	04/03/81	03/05/81	REPO		US TSY NOTES 05/15/81	0.000	100,000.00	100,000.00	0.000
559	04/03/81	03/04/81	REPO		FFCD 07/23/90	16.000	5,000,000.00	4,200,000.00	16.222
243	04/06/81	01/05/81	REPO		GNNA 3719 8.5 09/15/04	16.500	650,000.00	228,000.00	16.500
242	04/06/81	01/05/81	REPO		U S TSY NOTES 8.0 08/15/	16.500	1,000,000.00	790,000.00	16.500
251	04/06/81	01/06/81	REPO		GNNA 21904 8.0 12/15/07	16.500	500,000.00	302,000.00	16.500
250	04/06/81	01/06/81	REPO		GNNA 21714 8.0 12/15/07	16.500	500,000.00	301,000.00	16.500
249	04/06/81	01/06/81	REPO		GNNA 33580 9.50 08/15/09	16.500	500,000.00	362,000.00	16.500
248	04/06/81	01/06/81	REPO		U S TSY NOTES 8.25 05/15	16.500	1,000,000.00	775,000.00	16.500
246	04/06/81	01/06/81	REPO		FNMA 9.90 01/10/85	16.500	500,000.00	430,000.00	16.500
241	04/06/81	01/05/81	REPO		GNNA 27129 9.0 02/15/09	16.500	1,017,665.00	694,000.00	16.500
247	04/06/81	01/06/81	REPO		FFCD 13.75 05/04/81	16.500	1,000,000.00	970,000.00	16.500
570	04/07/81	03/06/81	REPO		GNNA 20274 02/15/07	16.150	1,000,000.00	620,000.00	16.374
472	04/07/81	10/07/80	OWN		TCD, FV88L	12.000	2,000,000.00	2,000,000.00	12.167
573	04/07/81	03/06/81	REPO		GNNA 21076 10/15/07	16.150	1,000,000.00	585,000.00	16.374
572	04/07/81	03/06/81	REPO		GNNA 20522 02/15/08	16.150	1,006,621.08	580,000.00	16.374
473	04/07/81	10/07/80	OWN		TCD, FV88L	12.000	500,000.00	500,000.00	12.167
571	04/07/81	03/06/81	REPO		GNNA 21795 01/15/08	16.150	1,000,000.00	615,000.00	16.374
562	04/08/81	03/05/81	REPO		FHLNC BNC 09/15/97	16.625	6,800,000.00	3,350,000.00	16.856
563	04/10/81	03/05/81	REPO		FHLNC BNC 09/15/08	16.625	5,500,000.00	3,600,000.00	16.856
465	04/10/81	01/08/81	OWN		FNMA DISC NOTES OP	15.200	4,000,000.00	3,844,622.22	16.034
575	04/13/81	03/09/81	REPO		GNNA 93161 02/15/10	16.000	1,021,977.86	900,000.00	16.222

466	04/14/81	12/19/80	OWN	FHLB DISC,0 P	17.750	900,000.00	848,525.00	19.088
474	04/14/81	10/15/80	OWN	TCD,FUS&L	12.000	500,000.00	500,000.00	12.167
564	04/15/81	03/05/81	REPO	FRLHC 8NC 09/15/09	16.625	5,000,000.00	4,050,000.00	16.856
359	04/16/81	01/30/81	REPO	GNNA 22593 8.25 05/15/08	17.000	2,010,426.11	1,325,000.00	17.236
516	04/20/81	10/20/80	OWN	TCD,NS&L	12.000	1,000,000.00	1,000,000.00	12.167
479	04/20/81	01/19/81	OWN	TCD,NS&L	15.000	500,000.00	500,000.00	15.208
504	04/20/81	01/19/81	OWN	TCD,PCD	15.000	500,000.00	500,000.00	15.208
515	04/20/81	10/20/80	OWN	TCD,NS&L	12.000	1,000,000.00	1,000,000.00	12.167
514	04/20/81	10/20/80	OWN	TCD,NS&L	12.000	1,000,000.00	1,000,000.00	12.167
525	04/20/81	01/19/81	OWN	TCD,VB	15.000	2,500,000.00	2,500,000.00	15.208
329	04/22/81	01/22/81	OWN	TCD,FUS&L	15.750	2,000,000.00	2,000,000.00	15.969
475	04/22/81	10/23/80	OWN	TCD,FUS&L	12.000	2,500,000.00	2,500,000.00	12.167

STATE OF NEVADA

MATURITY SCHEDULE

03/11/81-01/01/99

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REPORT DATE : 03/10/81

ITEM #	MATURITY DATE	PURCHASE DATE	OWN/REPO	RTG	DESCRIPTION	RATE	PAR VALUE	COST VALUE	YTM
342	04/27/81	01/27/81	REPO		GNNA 33631 10.00 11/15/0	18.300	1,002,598.75	775,000.00	18.554
341	04/27/81	01/27/81	REPO		GNNA 35760 10.00 11/15/0	18.300	1,016,313.46	775,000.00	18.554
343	04/27/81	01/27/81	REPO		GNNA 3340 8.00 03/15/04	18.300	1,000,000.00	440,000.00	18.554
476	04/27/81	10/20/80	OWN		TCD,FUS&L	12.500	1,000,000.00	1,000,000.00	12.674
348	04/27/81	01/27/81	OWN		TCD,VB	15.000	2,000,000.00	2,000,000.00	15.208
344	04/27/81	01/27/81	REPO		GNNA 21788 8. 12/15/07	18.300	1,000,000.00	570,000.00	18.554
480	04/28/81	10/30/80	OWN		TCD,NS&L	13.000	1,000,000.00	1,000,000.00	13.181
346	04/29/81	01/27/81	REPO		GNNA 43153 12.5 11/15/10	18.000	1,000,000.00	830,000.00	18.250
368	04/29/81	01/29/81	OWN		TCD,VB	15.000	3,000,000.00	3,000,000.00	15.208
347	04/29/81	01/27/81	REPO		GNNA 22763 8.0 12/15/07	18.000	1,013,275.25	340,000.00	18.250
345	04/29/81	01/27/81	REPO		GNNA 42671 12.5 11/15/10	18.000	1,000,000.00	830,000.00	18.250
478	05/04/81	11/04/80	OWN		TCD,FUS&L	13.100	1,000,000.00	1,000,000.00	13.282
477	05/04/81	11/04/80	OWN		TCD,FUS&L	13.100	3,000,000.00	3,000,000.00	13.282
414	05/05/81	02/06/81	REPO		GNNA 33612 9.50 07/15/09	16.400	1,018,930.75	750,000.00	16.628
415	05/05/81	02/06/81	REPO		GNNA 32056 9.50 08/15/09	16.400	1,021,071.83	750,000.00	16.628
262	05/08/81	12/09/80	OWN		TCD,NS&L	16.500	2,000,000.00	2,000,000.00	16.729
482	05/26/81	11/25/80	OWN		TCD,FUS&L	14.500	1,000,000.00	1,000,000.00	14.701
505	05/26/81	11/25/80	OWN		TCD,PCD	14.500	1,000,000.00	1,000,000.00	14.701
279	06/01/81	11/28/80	OWN		TCD,FUS&L	15.000	3,000,000.00	3,000,000.00	15.208
109	06/01/81	09/02/80	OWN		FFCD NOTE	11.200	2,000,000.00	2,000,000.00	11.200

ITEM #	ISSUE DATE	REDEMPTION DATE	OWN	DESCRIPTION	RATE	PAR VALUE	COST VALUE	YTH
277	06/05/81	12/05/80	OWN	TCB,HS&L	15.500	1,000,000.00	1,000,000.00	15.715
270	06/05/81	01/06/81	OWN	TCB,HS&L	13.500	1,000,000.00	1,000,000.00	13.687
257	06/10/81	01/09/81	OWN	FHLD DISC NOTES DUE 06/1	14.500	2,000,000.00	1,877,355.56	15.660
263	06/15/81	12/16/80	OWN	TCB,HS&L	17.000	4,000,000.00	4,000,000.00	17.236
264	06/17/81	12/18/80	OWN	TCB,FUS&L	16.500	2,000,000.00	2,000,000.00	16.729
462	06/18/81	12/18/80	OWN	FNNA DISC NOTE OP 06/18/	16.300	2,000,000.00	1,835,188.89	18.011
206	06/22/81	01/15/81	OWN	FNNA DISC, OP	14.700	2,000,000.00	1,870,966.67	15.932
268	06/26/81	01/05/81	OWN	TCB,FUS&L	13.500	2,000,000.00	2,000,000.00	13.687
265	06/29/81	12/29/80	OWN	TCB,PCD	15.000	500,000.00	500,000.00	15.208
269	06/29/81	01/06/81	OWN	TCB,HS&L	13.500	1,000,000.00	1,000,000.00	13.687
266	06/30/81	12/30/80	OWN	TCB,HS&L	15.000	2,000,000.00	2,000,000.00	15.208
260	07/13/81	01/12/81	OWN	TCB,FUS&L	13.875	1,000,000.00	1,000,000.00	14.068
261	07/13/81	01/12/81	OWN	TCB,PCD	13.875	500,000.00	500,000.00	14.068
153	07/27/81	03/25/80	OWN	FHLD DEB	15.800	1,000,000.00	1,000,000.00	15.488
370	08/03/81	02/02/81	OWN	TCB,PCD	14.250	1,000,000.00	1,000,000.00	14.448
369	08/03/81	02/02/81	OWN	TCB,FUS&L	14.250	4,000,000.00	4,000,000.00	14.448
413	08/04/81	02/05/81	OWN	TCB,PCD	14.000	1,000,000.00	1,000,000.00	14.194
431	08/10/81	02/10/81	OWN	TCB,HS&L	16.000	4,000,000.00	4,000,000.00	16.222

STATE OF NEVADA

NATURITY SCHEDULE

03/11/81-01/01/99

PAGE 4

REPORT DATE : 03/10/81

ITEM #	NATURITY DATE	PURCHASE DATE	OWN/REPO	RTG	DESCRIPTION	RATE	PAR VALUE	COST VALUE	YTH
57	08/13/81	08/22/80	OWN		US TSY BILL	10.090	1,000,000.00	900,221.11	11.364
58	08/13/81	09/09/80	OWN		US TSY BILL	10.050	1,000,000.00	905,641.67	11.251
506	08/17/81	02/17/81	OWN		TCB,PCD	15.500	200,000.00	200,000.00	15.715
490	08/24/81	02/23/81	OWN		TCB,VD	14.000	800,000.00	800,000.00	14.194
59	09/10/81	09/16/80	OWN		US TSY BILL	10.230	2,000,000.00	1,795,968.33	11.350
543	01/28/82	02/04/81	OWN		US TSY BILLS 01/28/82	12.750	1,120,000.00	977,993.33	14.804
150	08/25/82	11/25/80	OWN		FHLD DEB	13.100	3,000,000.00	3,000,000.00	13.100
143	08/31/82	09/02/80	OWN		U.S. TSY NOTE	11.125	1,000,000.00	1,001,875.00	11.018
545	01/31/83	02/09/81	OWN		US TSY NOTE 01/31/83	13.625	2,000,000.00	2,002,769.34	13.690
534	02/28/83	03/02/81	REPO		US TSY NOTES 02/28/83	14.020	1,000,000.00	997,500.00	14.215
147	08/10/83	08/01/80	OWN		FNNA DEEDENTURE	9.700	1,000,000.00	1,000,000.00	9.700
464	10/01/83	07/10/80	OWN		SDA DEB OP	7.375	1,040,000.00	998,042.50	8.833
467	12/01/83	07/21/80	OWN		FFCD DEB OP	9.300	1,000,000.00	1,000,000.00	9.300
154	01/23/84	07/23/79	OWN		FFCD DEB	9.000	1,250,000.00	1,250,000.00	9.000

LINE	DATE	DATE	OWN	TYPE	YIELD	AMOUNT	AMOUNT	YIELD
441	09/10/84	10/10/79	OWN	FNHA DEB	9.750	2,000,000.00	2,000,000.00	9.750
155	12/03/84	06/02/80	OWN	FFCD DEB	9.350	1,000,000.00	1,000,000.00	9.350
577	03/01/85	03/10/81	OWN	FNHA BEDS 03/01/85	14.250	2,000,000.00	2,000,000.00	14.250
132	06/03/85	07/01/80	OWN	FFCD DEB	9.200	1,000,000.00	995,312.50	9.321
131	06/03/85	07/01/80	OWN	FFCD DEB	9.200	1,000,000.00	1,000,000.00	9.200
244	06/10/85	07/10/80	OWN	FNHA BEDS 9.95 06/10/85	9.950	5,000,000.00	5,000,000.00	9.901
463	11/12/85	11/03/80	OWN	FNHA DEB,OP	13.000	1,000,000.00	995,625.00	13.122
133	12/01/86	07/21/80	OWN	FFCD DEB	10.000	1,000,000.00	1,000,000.00	10.000
130	02/25/87	05/28/80	OWN	FHLD DEB	10.450	1,000,000.00	1,000,000.00	10.450
444	05/11/87	05/12/80	OWN	FNHA DEB	11.150	3,000,000.00	3,000,000.00	11.150
146	07/10/87	07/01/80	OWN	FNHA DEBENTURE	9.100	1,000,000.00	985,000.00	9.354
126	06/10/88	06/10/80	OWN	FNHA DEBENTURE	10.500	1,000,000.00	1,000,000.00	10.500
151	07/23/90	07/21/80	OWN	FFCD DEB	10.400	3,000,000.00	3,000,000.00	10.400
445	03/25/92	03/18/80	OWN	FNHA DEB	12.375	2,000,000.00	2,000,000.00	12.374

TOTAL TREASURY INVESTMENTS

228,745,702.48 195,258,169.62 14.939

GRAND TOTAL

228,745,702.48 **195,258,169.62 14.939**

ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"

## INSTRUMENTS OUTSTANDING BY ISSUER

03/11/81

PAGE 1

REPORT DATE : 03/10/81

ISSUER	AMOUNT	PERCENT OF TOTAL
BANK TIME CERTIFICATES	15,300,000.00	6.40
FFCD	17,250,000.00	7.21
FMLB	13,900,000.00	5.81
FMLNC	34,200,000.00	14.30
FNNA	30,300,000.00	12.67
FoNA	2,000,000.00	0.84
GNNA	46,110,864.98	19.28
SAFEKEPT REPO	6,802,000.00	2.85
SAVINGS & LOAN TIME CERTIFICATES	52,984,327.50	22.15
SDA	1,040,000.00	0.43
U.S. TREASURY BILLS	5,120,000.00	2.14
U.S. TREASURY BONDS	8,000,000.00	3.34
U.S. TREASURY NOTES	6,100,000.00	2.55
TOTAL POSITION	6239,187,192.48	100.00
TOTAL PORTFOLIO	6239,187,192.48	

NOTE : \* INDICATES INVESTMENT EXCEEDS IMPOSED LIMITS.

ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"

STATE OF NEVADA

CASH FLOW FOR WEDNESDAY, MARCH 11, 1981 - THROUGH - THURSDAY, DECEMBER 31, 1981

REPORT DATE: MARCH 10, 1981

814

	1981	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1	X	10.549	.35000	5.7791	1.2891	*	.42984	.03835	*	.09850	
2	X	4.0483	*	1.0775		*					
3	X	4.3560	*	.13975		5.6102		*		.13975	
4	X	*	4.2635		*	1.0700		*			
5	X	*	1.5601	2.1346	*		*			*	
6	X	5.0529		*			*			*	
7	X	5.0861		*					*		
8	X	3.4026	2.1375			*			*		
9	X		*			*					
10	X	7.4599	*	2.5085	.04550	4.3703	2.0975	*		.30125	
11		5.1400	*	.16725		*	.14329	*	.16725		
12		1.3603	*	.06825		*	.12375*		.06500	*	
13		3.5615	3.5544		*	1.6052	2.0000	*		*	
14		*	1.4302		*				*		
15		*	4.1267		4.3419		*		*		
16		7.0355	1.3726	*			*				
17			*	2.1659		.21559		*			
18		.72495	*		2.0000	*		*			

CALENDAR  
MATRIX  
All Funds



20	3.0439	6.8147	.	.	.	.	.	.	.	
21	.	.	.	.	.	.	.	.	.	
22	.	4.7296	2.0000	.	.	.	.	.	.	
23	.	.	.	.21225	.	.	.	.	.	
24	.	.	.	.05662	.	.	.	.	.	
25	3.1987	.	.04667	.	.24875	.	.	.07000	.	
26	.	.	2.1466	2.1290	.	.	.	.	.	
27	6.0657	5.8150	.	.	1.0790	.	.	.	.	
28	.	1.0650	.	.	.	.	.	.	.	
29	.	5.2045	.	1.6032	.	.	.	.	.	
30	5.2036	.	.	2.1517	.	.	.	.	.	
31	4.8863	X	.	X	.13474	.05563	X	.	X	
T	40.22	74.27	10.69	28.07	4.37	14.43	2.79	.04	.23	.61

**GRAND TOTAL = 175.715**

AMOUNTS ARE IN MILLIONS OF DOLLARS  
 . = WEEKENDS H = HOLIDAYS X = NOT REPORTED

ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"?

STATE OF NEVADA

CASH REPORT  
Maturity Date 03/27/81

CASH REPORT

3/27/81 - 3/27/81

PAGE 1

REPORT DATE : 3/10/81

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LN#	ITENO	TRAN DATE	S	DESCRIPTION	RATE	PAR VALUE	CARRYING VALUE	INTEREST	(AMORT)/ ACCRET	NET PROCEEDS
1	483	3/27/81	0	FNMA DISC	17.7500	1,000,000.00	1,000,000.00	46,347.22	0.00	1,000,000.00
2	491	3/27/81	0	FHLNC 16-063 10/10/88	15.2500	1,000,000.00	670,000.00	8,798.40	0.00	678,798.40
3	492	3/27/81	0	FHLNC 16-024 04/01/87	15.2500	500,000.00	235,000.00	3,086.01	0.00	238,086.01
4	493	3/27/81	0	FHLNC 16-087 09/01/89	15.2500	1,500,000.00	1,105,000.00	14,510.80	0.00	1,119,510.80
5	494	3/27/81	0	FHLNC 16-073 02/01/89	15.2500	1,000,000.00	670,000.00	8,798.40	0.00	678,798.40
6	495	3/27/81	0	FHLNC 16-033 02/01/87	15.2500	1,000,000.00	540,000.00	7,091.25	0.00	547,091.25
7	496	3/27/81	0	GNMA 23192 02/15/89	15.2500	1,000,000.00	690,000.00	9,061.04	0.00	699,061.04
8	497	3/27/81	0	GNMA 9814 08/15/86	15.2500	1,000,000.00	480,000.00	6,303.33	0.00	486,303.33
9	498	3/27/81	0	GNMA 23640 07/15/88	15.2500	1,018,952.60	610,000.00	8,010.49	0.00	618,010.49
GRAND TOTAL								112,066.94	0.00	6,065,659.72

ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"?

DEALER  
REPORT

218

## PURCHASES, SALES AND HOLDINGS BY DEALER

02/01/81-02/28/81

PAGE 1

REPORT DATE : 03/10/81

DEALER	NUMBER OF		TOTAL AMT OF		PERCENT		END OF PER	TOTAL AMT		PERCENT	WEIGHTED
	BUYERS	SALES	BUYERS	SALES	OF TOTAL	OF TOTAL	HOLDINGS	OF HOLDINGS	OF TOTAL	YTM	
	0		(\$ MILLIONS)		%	%	0	(\$ MILLIONS)		%	%
BACHE HALSEY	5/	0	12.332/	0.000	6.0/	0.0	15	13.413	5.5	16.750	
CANTOR FITZGERALD	2/	0	15.000/	0.000	7.3/	0.0	0	0.000	0.0	0.000	
ESM GOVT SEC INC	10/	0	20.025/	0.000	9.7/	0.0	19	29.184	11.9	17.429	
FIRST NATIONAL BANK NEVADA	4/	0	15.000/	0.000	7.3/	0.0	1	8.000	3.3	12.167	
FIRST WESTERN SAVINGS	1/	0	4.000/	0.000	1.9/	0.0	14	25.760	10.5	13.314	
FRONTIER SAVINGS & LOAN	0/	0	0.000/	0.000	0.0/	0.0	2	2.869	1.2	13.215	
HONE SAVINGS AND LOAN	0/	0	0.000/	0.000	0.0/	0.0	5	5.500	2.2	15.208	
LENNAN GOVT SEC INC	0/	0	0.000/	0.000	0.0/	0.0	4	3.959	1.6	17.500	
LOWBARD WALL	13/	0	15.480/	0.000	7.5/	0.0	9	7.555	3.1	16.983	
MAXCOR	14/	0	36.612/	0.000	17.7/	0.0	7	14.142	5.8	16.867	
MERRILL LYNCH	20/	0	22.155/	0.000	10.7/	0.0	34	35.553	14.5	16.483	
NEVADA SAVINGS AND LOAN	1/	0	4.000/	0.000	1.9/	0.0	17	24.255	9.9	12.812	
OUTRIGHT PURCHASES	3/	0	4.120/	0.000	2.0/	0.0	33	55.310	22.6	12.171	
PIONEER CITIZENS BANK	3/	0	2.200/	0.000	1.1/	0.0	8	5.000	2.0	14.453	
SALOMON DROS	10/	0	23.775/	0.000	11.5/	0.0	0	0.000	0.0	0.000	
VALLEY BANK	1/	0	0.000/	0.000	0.4/	0.0	5	10.300	4.2	14.588	

WM. E. POLLOCK	8/ 0	30.950/	0.000	15.0/	0.0	1	4.000	1.6	15.335
POSITION SUBTOTAL	95/ 0	206.449/	0.000	100.0/	0.0	174	244.800	100.0	14.645
REVERSE REPURCHASES	0/ 0	0.000/	0.000	N.A. /	N.A.	0	0.000	N.A.	0.000
NET POSITION	95/ 0	206.449/	0.000	100.0/	0.0	174	244.800	100.0	14.645
POSITION TOTAL	95/ 0	206.449/	0.000			174	244.800		14.645
TOTAL REVERSE REPURCHASES	0/ 0	0.000/	0.000			0	0.000		0.000
GRAND TOTAL	95/ 0	206.449/	0.000			174	244.800		14.645

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ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"?

TCD REPORT  
By Dealer

SUMMARY TRANSACTION REGISTER  
SALES/MATURITIES

03/11/81-01/01/99

REPORT DATE : 03/10/81

ITEM #	PURCHASE DATE	SALES/ MATURITY DATE	OWN/ REPO	RTG	DESCRIPTION	RATE	PAR VALUE	SALE/MATURITY VALUE	ACTUAL YIELD	STATUS
547	03/03/81	04/02/81	REPO		SK,FND FUND 2	14.500	4,000,000.00	0.00	14.701	ACT
<b>TOTAL FIRST NATIONAL BANK NEVADA</b>							<b>4,000,000.00</b>	0.00		
524	09/30/80	03/30/81	OWN		TCD,V9	12.250	2,000,000.00	0.00	12.420	ACT
525	01/19/81	04/20/81	OWN		TCD,V9	15.000	2,500,000.00	0.00	15.208	ACT
348	01/27/81	04/27/81	OWN		TCD,V9	15.000	2,000,000.00	0.00	15.208	ACT
348	01/29/81	04/29/81	OWN		TCD,V9	15.000	3,000,000.00	0.00	15.208	ACT
490	02/23/81	08/24/81	OWN		TCD,V9	14.000	800,000.00	0.00	14.194	ACT
<b>TOTAL VALLEY BANK</b>							<b>10,300,000.00</b>	0.00		
533	09/30/80	03/31/81	OWN		TCD,FUS&L,FUND 2	0.000	1,260,000.00	0.00	N.A.	ACT
472	10/07/80	04/07/81	OWN		TCD,FUS&L	12.000	2,000,000.00	0.00	12.167	ACT
473	10/07/80	04/07/81	OWN		TCD,FUS&L	12.000	500,000.00	0.00	12.167	ACT
474	10/15/80	04/14/81	OWN		TCD,FUS&L	12.000	500,000.00	0.00	12.167	ACT
475	10/23/80	04/22/81	OWN		TCD,FUS&L	12.000	2,500,000.00	0.00	12.167	ACT
329	01/22/81	04/22/81	OWN		TCD,FUS&L	15.750	2,000,000.00	0.00	15.969	ACT
476	10/28/80	04/27/81	OWN		TCD,FUS&L	12.500	1,000,000.00	0.00	12.674	ACT
478	11/04/80	05/04/81	OWN		TCD,FUS&L	13.100	1,000,000.00	0.00	13.282	ACT
477	11/04/80	05/04/81	OWN		TCD,FUS&L	13.100	3,000,000.00	0.00	13.282	ACT
279	11/28/80	06/01/81	OWN		TCD,FUS&L	15.000	3,000,000.00	0.00	15.208	ACT
264	12/18/80	06/17/81	OWN		TCD,FUS&L	16.500	2,000,000.00	0.00	16.729	ACT
268	01/05/81	06/26/81	OWN		TCD,FUS&L	13.500	2,000,000.00	0.00	13.687	ACT
260	01/12/81	07/13/81	OWN		TCD,FUS&L	13.875	1,000,000.00	0.00	14.868	ACT
369	02/02/81	08/03/81	OWN		TCD,FUS&L	14.250	4,000,000.00	0.00	14.448	ACT
<b>TOTAL FIRST WESTERN SAVINGS</b>							<b>25,760,000.00</b>	0.00		
481	10/01/80	04/01/81	OWN		TCD,FUS&L	12.250	1,869,487.50	0.00	12.420	ACT
482	11/25/80	05/26/81	OWN		TCD,FUS&L	14.500	1,000,000.00	0.00	14.701	ACT

311	07/07/80	04/01/81	OWN	TCB,NS&L,FUND 2	0.000	350,000.00	0.00	N.A.	ACT
313	10/02/80	04/01/81	OWN	TCB,NS&L	12.250	2,000,000.00	0.00	12.420	ACT

STATE OF NEVADA

SUMMARY TRANSACTION REGISTER  
SALES/MATURITIES

03/11/81-01/01/99

PAGE 2

REPORT DATE : 03/10/81

ITEM #	PURCHASE DATE	SALES/MATURITY DATE	OWN/REPO	RTG	DESCRIPTION	RATE	PAR VALUE	SALE/MATURITY VALUE	ACTUAL YIELD	STATUS
516	10/20/80	04/20/81	OWN		TCB,NS&L	12.000	1,000,000.00	0.00	12.167	ACT
513	10/20/80	04/20/81	OWN		TCB,NS&L	12.000	1,000,000.00	0.00	12.167	ACT
514	10/20/80	04/20/81	OWN		TCB,NS&L	12.000	1,000,000.00	0.00	12.167	ACT
517	07/07/80	05/01/81	OWN		TCB,NS&L,FUND 2	0.000	350,000.00	0.00	N.A.	ACT
518	07/07/80	06/01/81	OWN		TCB,NS&L,FUND 2	0.000	275,000.00	0.00	N.A.	ACT
278	12/04/80	06/02/81	OWN		TCB,NS&L	15.500	1,000,000.00	0.00	15.715	ACT
263	12/16/80	06/15/81	OWN		TCB,NS&L	17.000	4,000,000.00	0.00	17.236	ACT
269	01/06/81	06/29/81	OWN		TCB,NS&L	13.500	1,000,000.00	0.00	13.687	ACT
266	12/30/80	06/30/81	OWN		TCB,NS&L	15.000	2,000,000.00	0.00	15.208	ACT
519	07/07/80	07/01/81	OWN		TCB,NS&L,FUND 2	0.000	200,000.00	0.00	N.A.	ACT
520	07/07/80	08/03/81	OWN		TCB,NS&L,FUND 2	0.000	250,000.00	0.00	N.A.	ACT
431	02/10/81	08/10/81	OWN		TCB,NS&L	16.000	4,000,000.00	0.00	16.222	ACT
521	07/07/80	09/01/81	OWN		TCB,NS&L,FUND 2	0.000	429,840.00	0.00	N.A.	ACT
<b>TOTAL NEVADA SAVINGS AND LOAN</b>							<b>18,054,840.00</b>	0.00		
503	09/29/80	03/30/81	OWN		TCB,PCB	11.625	300,000.00	0.00	11.786	ACT
504	01/19/81	04/20/81	OWN		TCB,PCB	15.000	300,000.00	0.00	15.208	ACT
505	11/25/80	05/26/81	OWN		TCB,PCB	14.500	1,000,000.00	0.00	14.701	ACT
265	12/29/80	06/29/81	OWN		TCB,PCB	15.000	300,000.00	0.00	15.208	ACT
261	01/12/81	07/13/81	OWN		TCB,PCB	13.875	500,000.00	0.00	14.068	ACT
370	02/02/81	08/03/81	OWN		TCB,PCB	14.250	1,000,000.00	0.00	14.448	ACT
413	02/05/81	08/04/81	OWN		TCB,PCB	14.000	1,000,000.00	0.00	14.194	ACT
506	02/17/81	08/17/81	OWN		TCB,PCB	15.500	200,000.00	0.00	15.715	ACT
<b>TOTAL PIONEER CITIZENS BANK</b>							<b>5,000,000.00</b>	0.00		
479	01/19/81	04/20/81	OWN		TCB,NS&L	15.000	500,000.00	0.00	15.208	ACT
480	10/30/80	04/20/81	OWN		TCB,NS&L	13.000	1,000,000.00	0.00	13.181	ACT

277 12/05/80 06/05/81 OWH  
270 01/06/81 06/05/81 OWH

TCD,HS&L  
TCD,HS&L

15.500  
13.500

,000,000.00  
1,000,000.00

0.00 15.715 ACT  
0.00 13.687 ACT

**TOTAL HOME SAVINGS AND LOAN**

**5,500,000.00**

0.00

**GRAND TOTAL**

**972,284,327.50**

0.00

ENTER OUTPUT FILE(S) TO PRINT, "PURGE", "LIST", OR "END"?

821

ADMINISTRATION AND FINANCIAL MANAGEMENT

The Nevada Industrial Commission is headed by a three-man commission representing management, labor and the public. The Coordinator is the principal administrative officer under the Commission. Other than those organizational units that deal directly with claimants and policyholders, the administrative functions are carried out by the Fiscal Office, Personnel and Training, Data Processing and the Legal Office.

The NIC ~~is responsible for the investment of monies in the State Insurance Fund.~~ Except for the daily balances necessary to cover disbursements, the Fund is fully invested. Currently, approximately \$316 million is invested. Investing is done by money managers under contract to the NIC except for some short-term cash equivalent investments which are handled by NIC staff.

The budgeted administrative staff of the NIC is 575 positions in 1980-81. A number of these positions are currently being held vacant pending assessment of the impact of self-insurance on staffing requirements, and a decision on reorganization of the agency. Others are vacant because of difficulty in recruiting specialized staff. The 1980-81 budget for administrative cost funded by the State Insurance Fund is \$14.9 million which represents 11.7% of anticipated premium income.



Most of the staff is located in the central offices in Carson City and the Administrative offices in Las Vegas. Field offices are located in Reno and Elko and mine inspectors are also located in Winnemucca and Yerington.

Administrative office buildings located in Carson City and Las Vegas are owned by the NIC and are valued at \$1.8 million. The Rehabilitation Center, valued at \$8 million, is also owned by NIC.

The Advisory Board reviewed a number of subjects related to the administration and financial management of NIC. These included the investment function, public information, internal auditing, contracting for personal services, practices under the Administrative Procedures Act, recruiting and salaries for specialized personnel, subrogation actions involving third parties and NIC's exposure to tort suits.

Perhaps the most intensive area of review by the Advisory Board was the management of the investment function. The Board received reports from NIC, its investment management consultant, Peat, Marwick, Mitchell & Co., its then sole investment manager, Scudder, Stevens & Clark, the Public Employees Retirement System regarding its investment policies, and the State Treasurer regarding his investment policies.

Early in its deliberations, the Advisory Board recommended to the NIC that it split its fixed income (bonds) and equity (stocks) portfolio among two or more managers. Subsequently, the NIC retained its previous

money manager ~~solely to handle fixed income investments~~ and selected another money manager to primarily invest in equity securities and a third money manager to handle a balanced account of fixed income and equity security. After review, the Advisory Board endorsed the procedure used by NIC in this selection process.

In mid-1980, the Commission adopted a ~~supplemental investment policy to assure a maximum of investments in Nevada consistent with the other objectives of investment of trust funds.~~

The Advisory Board reviewed the master plan for construction at the Rehabilitation Center site, including the construction of an office facility at that location. The Board noted the crowded conditions at the present Las Vegas office building on Sahara Street and the scattering of other offices in Las Vegas. The Board supported NIC's draft "Statement of Need" on the office building project and transmitted its statement of support to the State Public Works Board.

The Advisory Board, on several occasions, reviewed NIC's public information efforts. Consistent with practically all studies that have been done on NIC, the Advisory Board finds that the agency does an inadequate job of providing information to its claimant and policyholder clients and to the general public. However, the Board did not endorse the major public information effort proposed in the Stanford Research Institute's study in 1979. A staff report on communications (public

information) suggested a number of internal changes to improve relationships with claimants and policyholders. The Board believes that such efforts coupled with a modest budget for advertising through a public relations firm is the right direction for NIC.

The Advisory Board expressed urgent concern that NIC did not have an internal auditor. The agency, as a major insurance carrier with premium income in excess of \$100 million a year and total funds of one-quarter of a billion dollars, needs an active internal audit function. An internal auditor was hired in 1979 but upon his departure for a better opportunity NIC experienced serious recruiting problems due to the lack of available persons in Nevada and inadequate salaries. More recently the Commission promoted a person from its policyholder auditing staff who has completed a training course with national auditing firms. NIC is currently recruiting for an assistant to the internal auditor.

A recurring problem brought to the attention of the Advisory Board is the difficulty of recruiting for specialized staff particularly in such fields as medical, therapy, industrial hygiene, safety inspection and administration. The inability to pay interviewing and moving expenses for such staff who must be recruited, in part, from out of state has been one of the serious obstacles.

RECOMMENDATIONS:

The Advisory Board unanimously recommends to the Commission that it ~~explores the field of equity managers and contract with a firm to manage that portion of NIC's portfolio.~~ (The Commission concurred and has carried out this recommendation.) A majority of the Advisory Board also ~~endorses the process used by NIC in selecting investment managers.~~

A majority of the Advisory Board recommends to the Commission that ~~it initiate legislation which will allow NIC's investment manager to make direct mortgage loans, commercial mortgage loans, and participate in commercial loans.~~ (The Commission concurs.)

The Advisory Board unanimously concurs in the adoption of the "Supplemental Investment Policy" to assure a maximum degree of investments in Nevada consistent with the objectives of investments for a trust fund.

In order to have a statutory direction that can be administered, the Advisory Board unanimously recommends legislation to amend the statute relating to the security of deposits to require that deposits be secured up to the daily average balance of each month. (The Commission concurs.)

*The Advisory Board unanimously recommends that the statutory fee for NIC to pay mortgage servicing institutions be changed to "not exceed the usual and customary fee charged by the trade." (The Commission concurs.)*

*The Advisory Board unanimously recommends a statutory change to allow routine mailings concerning employer account delinquency notices to be sent by first class rather than certified mail at an estimated saving of \$80,000 annually. (The Commission concurs.)*

*A majority of the Advisory Board recommends to the Commission that a public information position be established to coordinate with an outside advertising firm and that a limit of \$100,000 per year be placed on the cost of the contract with the advertising firm. (The Commission concurs and has budgeted \$50,000 in 1980-81 for contracting with an advertising firm.)*

*The Advisory Board unanimously recommends to the Governor and the Legislature the enactment of legislation to permit the paying of interview and moving expenses for difficult-to-recruit positions. (The Commission concurs.)*

**NEVADA INDUSTRIAL COMMISSION  
COMBINED FUND\***

**RATE OF RETURN SUMMARY**

	<u>1979</u>	<u>1980</u>	<u>Since (B) 3/31/80</u>
<b><u>Total Assets Results and Comparisons</u></b>			
Total Assets	5.90%	8.79	17.85
Total Assets, Excluding Cash and Equivalents	4.35	7.26	19.80
Target Allocation Index Return**	5.75	9.47	18.00
Target Allocation Portfolio Return***	5.63	6.48	15.41
<b><u>Equity Results and Comparisons</u></b>			
Equity Portfolio	18.70	31.08 (A)	38.18
S&P 500	18.68	32.53	38.05
<b><u>Fixed Income Results and Comparisons</u></b>			
Fixed Income Portfolio****	2.46	1.43	10.72
Straight Bonds Only	-1.24	-2.90	10.96
LBKL Govt/Corp Bond Index (Less BAA's)	2.65	3.97	13.06
Salomon Brothers Bond Index	-4.19	-2.66	12.57
<b><u>Cash and Equivalents</u></b>			
Cash and Equivalents	10.12	16.03	12.53
90-day U.S. Treasury Bills	10.08	12.46	9.02
Consumer Price Index	13.29	12.50	7.85

\*Includes the Internal Account which is invested daily in short-term instruments.

\*\*TAIR = 20% of S&P 500 + 80% of Lehman Bros. Kuhn Loeb Government/Corporate Bond Index less BAA's.

\*\*\*TAPR = 20% of Equity Portfolio Return + 80% of Fixed Income Portfolio Return.

\*\*\*\*Includes bonds, cash equivalents for Scudder and mortgages.

(A) Includes the Small Equity Position still remaining in the Scudder Portfolio (0.05% and 0.06% of the Total Equity Market Value respectively).

(B) New Guidelines established - Scudder became a sole fixed income manager. TCW and Baimco were retained as equity and balanced managers respectively.