

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

MEMBERS ABSENT: None.

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

Chairman Dini called the meeting to order at 8:05 A.M.

Mr. Vernon Bennett, Executive Officer of the Public Employees Retirement System. Mr. Bennett stated that they had reviewed with their Deputy Attorney General, Bill Isaef, the amendments that the committee had requested. We are in agreement with most of the amendments and we are now handing out some additional deletions or oversights that we would like to consider if the bill is going to have to be reprinted. Mr. Bennett asked Mr. Dini if the committee would like to go through the bill section by section.

Mr. Dini stated yes.

Mr. Bennett stated that Section 2 provides the survivor benefit under option 2 for a member who dies who is fully eligible both as to service and age. He has to have the years of service necessary and have the full age. This is an improvement. The current law provides option 3 which is only 50% and we have discussed the matter with our actuary and he has determined that there is little or not cost because of the fact that that person could retire on the first day he is eligible and start drawing more benefits from the system as is.

Mr. Bennett stated that Section 3 is the provision that would allow a member of the system to go on a leave of absence with a public employer association usually as an officer and continue to contribute to the system. This is one of the suggested areas for a clean up amendment. The representatives of the Clark County School District had requested that this section spell out that the public employer would not pay the employer contribution while this person was working the with employee association. This is something that has been done, it was

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controversial as you remember. This is something that has been done in the system since 1947 because the school superintendents or the other public employees would certify that the person was still employed. This section would eliminate the concern with this area and make this a legal provision. They would make the same contributions on their salary they would have made had they been employed at that time.

Mr. Dini indicated there was a referral to the Truckee Meadows Fire Protection District, the Kingsbury Fire Protection District and the Lake Tahoe Fire District being an improper reference.

Mr. Bennett stated that he was not really aware of it. He asked if this was the conflict with the bill drafter.

Mr. Dini indicated no. He stated that he had gotten a letter from somebody in the Lake Tahoe Fire District. Mr. Dini indicated that the new name is the Tahoe Douglas Fire District and asked Mr. Bennett if we could add that name in there.

Mr. Bennett stated yes. Mr. Bennett stated "Tahoe Douglas Fire Protection District."

Mr. Bennett stated that what happened on page 3, line 34 is where the committee approved the amendment to add the firemen of the Airport Authority of Washoe County and the Truckee Meadows Fire Protection District, Kingsbury Fire Protection District and Lake Tahoe Fire District were already in the law. To my knowledge we have received no notification that they have had a reorganization and changed their name, but if they have, I surely agree that the change should be made.

Mr. Dini stated that we would leave the Kingsbury Fire Protection District and the Lake Tahoe Fire Protection District in there and just add the Tahoe Douglas Fire Protection District.

Mr. Bennett stated that he thought we should ask Frank Daykin as he really did not know. He indicated that he would imagine if they are no longer official names we should take them out.

Mr. Nicholas stated that the North Lake Tahoe Fire Protection District is also the official name I believe of that area.

Mr. Bennett asked if that was instead of Truckee Meadows.

Mr. Nicholas stated that North Lake Tahoe dealing strictly in both the Nevada and California sides, as far as the North End of the Lake is concerned.

Mr. Bennett asked if he might make a suggestion that he thought would be consistent with what we have done with cities and counties, is rather than name the specific fire protection districts, amend this section to say "firemen of a fire protection district".

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Then when they change their name you don't have a legal problem. We say a fireman with the city, a fireman with the county and we say a fireman with a fire protection district. That is the real problem we came up with the Airport Authority when the firemen officially went under, the Airport Authority of Washoe County there was no legal entity that we could cover them under so they needed this clean up amendment so that we could continue to cover them.

Mr. Bennett stated regardless of which entity a fireman works for he still have to be a full time fireman whose major duties are fighting fires, so he has to meet these qualifications individually as well as this is the legal authority that he would be employed under.

Mr. Dini questioned what the error was in the fund that had been found.

Mr. Bennett stated that what their auditors discovered was that there was approximately \$3,000,000 in contributions that were not transferred from the PERS general fund to the police and firement fund when the fund was established in 1975 as a separate fund within the system. In addition, the interest that had been accrued to that money since 1947 or from the date each dollar was contributed to the system, brought the total amount to slightly above \$12,000,000. When the error was discovered, the system transferred a little better than \$12,000,000 from the general fund to the police and firemen fund and then requested that the actuary perform a new study as of June 30, 1980 based on the new figures in the new financial situation. We also had our staff do a complete re-audit, person by person of the police and fire fund, and the basic error was made in 1975 that we made an initial transfer based on an assumption that approximately 10-1/2 of the membership was police and fire and we knew most of the members who were police and firemen and we transferred a like amount for employer contributions over and adjusted the interest. What was not done was that we did not come back on an individual basis and make an actual follow up and adjustment. The records of staff, however, reflected that that was done, but in actual practice it was not. So the auditors discovered the error, we have made the adjustment, the board requested and we have received a new actuarial study which reflects the difference, and primarily the difference that was made to the police and firemen fund was that those under employer pay were according to the previous June 30, 1980 actuarial study, required to have an increase in their contribution rates to pay for current benefits and based on the \$12,000,000 adjustment that increase was no longer necessary for people who are under the employer paid program. There is still a need for increased contributions for the members who are under the employee/employer paid program and this bill includes the increase in that contribution rate. The only group after July 1, 1981 that will fall under that will be the State Employees who are under the police and fire program because the 1979 legislature mandatorily put all other police and

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firemen under employer pay beginning July 1, 1981. The state employees amended themselves out.

Mr. Dini asked Mr. Bennett if the second amendment he was proposing was on page 10, line 24.

Mr. Bennett indicated that was correct.

Mr. Bennett further indicated that this was an amendment requested by the committee. If you will recall the discussion, we were dealing with a person who is involuntarily terminated or fired, who then applies for a refund which he is eligible to do because he is no longer a member, then he appeals either through an appellant group or the courts to be reinstated and gets fully reinstated. The reinstatement would in effect say you wash out your termination and this section was recommending that we wash out the refund as well that the person has to pay the money back. The concern of the committee was that even though in some cases there will be a major settlement where there is enough money the person could reimburse the system and the understanding I had from the committee and Mr. Daykin and Mr. Isaef who is our legal counsel, indicated that the committee would like to provide that if there is sufficient funds in the settlement that the system will be reimbursed the refunded amount from the settlement. But if there is not sufficient money, then the person will be able to repay that refund in a reasonable time and you used the suggestion of our repayment of refund program where a member can pay so much a month back through payroll deductions and things of that nature. When this was reworked, our second amendment, which is on page 10, line 24, did not have the right of a person to pay it, and it continued the provision which your committee objected to that said they had to pay it within 90 days, so our suggested amendment would wipe out the 90 day payment requirement, and insert that they would repay it if there was not enough money in the settlement money to pay it, that they would repay it under a reasonable repayment plan. And we felt that would be more appropriate than spelling our repayment of refund plan because maybe in some of their circumstances they might not even be able to work under our repayment of refund plan and this way it will give us the flexibility to negotiate with them a reasonable monthly payment plan so they won't be hurt by it.

Mr. Polish asked how many instances such as this that they had run across.

Mr. Bennett stated we have probably had about one or two a year, but as luck would have it, one of the circumstances we had the person who did not repay the refund and he died and was not eligible for survivor benefits. Mr. Bennett stated that what this amendment in effect will do is that we will sit down with the person and work out something that is satisfactory to him and the system that does not create a financial hardship to him and as I understand it, that was the intent of the committee.

Mr. Dini stated that when you get into Section 15 you raise the employer contribution rate to 9%.

Mr. Bennett stated that this is the increase determined by our actuary.

Mr. Dini asked what the impact was on local governments and the state.

Mr. Bennett stated that the impact to local government is none. This is the section we were just talking about where as of July 1, 1981, all police and firemen from all entities except state government will be under employer pay. This increase in contributions applies only to state employees who are under the police and firemen's program. I am going to give you a figure and I will ask Will to substantiate that but if I am not mistaken, it is going to cost the state about \$46,000 a year. Will concurred with this amount. We had discussed this with Mr. Barrett and he is aware of it and he has been officially notified of the cost factor. The provision here in Section 15 is to pay the current cost for current benefits.

Mr. Dini stated that on page 11, the new language, the public employer shall pay within 90 days all the employer and employee contributions. . .

Mr. Bennett stated that what they were trying to accomplish with this section is that an employer through his own error does not enroll a person in the retirement system that should be enrolled, that rather than have the retirement system have to go through the long and sometimes legal and collection agency involvements of locating a person and finding him and getting the employee contribution back to be in accordance with the law, that the employer would have to do that and if the committee feels that using the same adjustment and say they shall pay within a reasonable period or something like that, we surely would have no objection to it.

Mr. Dini asked how the committee felt about that and stated that he had no feeling either way. He stated that he just wanted to be consistent. Mr. Dini stated that maybe we would get some comments from the public employees.

Mr. Dini referred to page 12, line 9: "adjusted to include the cost of living increases. . ."

Mr. Bennett stated that this was a program that was approved in 1979 at the request of the University Board of Regents and several university professor associations and groups and what this section does is allow any member of the system that is primarily designed for university professors, to go on a retirement phase out program once they are fully eligible to retire and the current provision was that in effect a person goes on a half time

basis, he would continue to contribute on his full time salary, the employer would contribute on his full time salary, so during the five years or three years that he is phasing out into retirement so he would not lose any of his normal retirement benefit. The thing that they discovered is that because a person is going into a five year phase out agreement, if you limit him to his present salary during the entire five years, his average compensation is reduced because it doesn't reflect the normal raises he would have received. What they are requesting is to make that change so that if he started out say at \$1,000.00 a month and all the university professors got a 10% raise that year, then he would also under this phase out program continue to contribute the next year at \$1,000.00 plus the 10%. So his average compensation would be equal with the other professors. This is approved by the Board and by the University Board of Regents. It is more a technical clean up than anything else. This gives them equality with their fellow university professors.

Mr. Dini asked if the Board had considered a raise for the people who were on total disability for illnesses?

Mr. Bennett stated that they get the same cost of living increases as our other benefit recipients, which is reflected in AB 154. This will be a 3% to 10% increase on July 1, 1982 based on the years they have been drawing benefits. I would submit to your committee that probably the disability benefit that we pay to our members is lower than many other retirement systems pay. What our provides is regular retirement without reduction for age and if you have a guy with 15, 20, 25 years of service, that's a pretty adequate benefit, but if a person is disabled with say 5, 10 or 12 years service, that is not really that adequate because you might be giving him 12-1/2% with five years service if he had \$1,000.00 a month salary he is going to get \$125.00 a month which no one can live on. What several systems have done is to establish a benefit and say that if you go on disability you will get the result of the retirement formula or 25% of your benefit or average compensation of 50%, whichever is greater or something like that. It is, I think that our survivor benefit program with the amendments in AB 168 is very adequate. I could not say to the committee in good faith that our disability benefit in all cases is adequate.

We would be happy to look at it further and get some cost indications if the committee had a concern or interest in it.

Mr. Dini indicated that we would like to have it.

Mr. Bennett stated that he would like to get some input as to what you would like to see us to consider. Would you like to see a 25% guaranteed or a 50% guaranteed or something of that nature?

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

Mr. Bennett agreed.

Mr. Dini indicated that the next amendment is on page 13, line 15.

Mr. Bennett indicated that this program was passed in 1977 by the legislature to determine that a person under disability should not receive more than 100% of his average salary from all sources so as an example, if a person earned \$1,000.00 a month, and that was his average salary when he went on disability, the combined benefits that he receives from the NIC program and the PERS program should not be more than \$1,000.00 a month. NIC has taken the position that they don't want an offset so what really happens is we subtract the amount of benefit from the NIC from their average compensation and we pay the difference. So in most cases, a person doesn't draw near 100% of his average compensation from both benefits anyway but it could happen and has happened occasionally where there was a \$25.00 or \$50.00 a month adjustment. The concern with this language is our unmodified benefit is our maximum retirement benefit without adding in the suggested amendment plus the other benefit, you would say and you would limit the person technically to only our unmodified benefit going toward the 100% of his average compensation which is illegal, because the law says he can only get 75% at the maximum and this is a technical clean up, the previous law had stated that and in the revised edition I am sure this was erroneously omitted. This is not new legislation.

Mr. Dini referred to page 16, line 9.

Mr. Bennett stated that this is an amendment that was suggested by Frank Daykin. It was removed from our legislation verbatim in 1979 because it was felt that it was basically saying the same thing as 286.6793 which is the first section. Since that time Mr. Daykin has reviewed it, he does not feel that it is necessary in conflict. He feels that it should be put back in so when we asked for the bill draft request he put it back in and it is to the best of our knowledge and our attorneys verbatim to the language that was in in 1979, had been in since 1947. What it basically says is that if a member of our system is vested, if he has 10 or more years service and he leaves employment that he does not have to take a refund, that is membership in the system is guaranteed and that he can leave his money in and at some time in the future if he wants to draw it out, he can draw it out. If he doesn't want to draw it out at the time that he is eligible to retire at age 60, he can apply for regular retirement and draw the benefit. We feel that there are other very specific sections in the law that cover this including the fact that membership only ceases when a person dies, applies for retirement or applies for a refund. Only a member can apply for the refund, however, we don't think this section hurts anything and we discussed it with our deputy attorney general and agreed that if Mr. Daykin would like to have it back in the law, it was in from 1947 to 1979 and did no harm, we would be happy for it to go back in.

Mr. Jeffrey questioned purchase of service.

Mr. Bennett stated that it is actually on page 6, lines 44, 45 and 49 where you eliminate the requirement that the service had to be performed with a public system and put in that they can purchase service with any federal, state, county or municipal agency, and that takes care of it. That is almost verbatim the amendment that was discussed with the committee.

Mr. Dini asked if there were any questions so far.

Mr. Bennett stated that incidentally and just for the committee's information that they did have as of yesterday afternoon, the actuarial study of the legislator's retirement system and will be getting copies to you tomorrow. We are still in a board meeting today but we will have them to you tomorrow.

Mr. Bennett indicated that the report basically says that it is in very good shape.

Mr. Bennett stated that amendment number 5 was requested by the Legislative Council Bureau and the amendment that is affected is on page 8, lines 20 through 22. It basically provides where normally the legislative council has determined that people who work during the legislature is temporary or intermittent employment; that people who work in the legislature who are already vested members of the retirement system are contributing to the retirement system as a member immediately prior to coming to work for the legislature shall be covered in the retirement system for their employment by the legislature or by the legislative council bureau. We had discussed the technical amendment with the committee and the legislative counsel and I had assumed that we had agreed that this section should state that this would go into effect January 1, 1981 so it would resolve the concerns of some people who are employed by the legislature this session. So we are requesting this as a technical correction so that those people will be covered. Without this amendment we would only be able to cover the people as the bill goes into effect.

Mr. Bennett indicated that amendment 6 was requested by the Federated Fire Fighters. It has been approved by the Retirement Board. The current law that appears in 286.510 provides that a police officer or fireman may retire at age 55 if he has 10 years service or at age 50 if he has 20 years service. Approximately five years ago the attorney general issued an opinion which was adopted by the Board that stated that only service in an accredited approved position as a police and fireman could be used for eligibility. The amendment as stated will accomplish two things. Number one it will spell out in 286.510 that attorney general's opinion interpretation which the police and firemen retirement fund advisory committee and the retirement board concurs in and it will also elaborate on that to provide that in addition to service as a police and fireman that service in the military that is credited to the system shall be used for eligibility. Now in the police and fireman, they have the right to purchase service

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and the service is purchased in accordance with an actuarial evaluation and a formula determined by our actuary. In determining that formula, the actuary made the purchase as if it is going to be covered service. It is going to be a policeman's service that is purchased, or a fireman's service, so the person who is purchasing the military is paying the full cost as if he were going to be able to use it for eligibility. So therefore there is not an additional cost to the system. If a member of our regular system purchases any additional service such as teaching service in North Carolina, that service is used for all eligibility, including eligibility to retire so we feel this is an ethical amendment. The police and firemen still feel and our board has agreed that you should not be able to work fifteen years as a policeman and then go to work five years as say an accountant or with the highway department and have that service count toward early retirement eligibility, but that that service performed as a police or fireman or in the military would be credited toward eligibility to retire. Now service that is not covered as a police/fireman, or if the amendment is approved, service that is not military, that would be credited to a police and fireman will still be counted in his retirement benefit. When we figure how much money we actually pay him, that amount of service, say the other five years with the highway department is figured in and he gets another 12-1/2% of his average compensation in benefits, but he cannot retire early unless he has the actual 20 years at age 50 years as a policeman or fireman plus military, or age 55 with ten. The retirement board yesterday approved this request and supports the amendment.

Mr. Dini asked if there were any questions from the committee up to this point.

Mr. Bennett indicated that other than the indications here it is the staff's interpretation and our deputy attorney general's interpretation that the amendment prepared by legislative counsel were in accordance with the understanding that the committee wanted.

Mr. Dini asked if anyone wanted to speak on the amendment proposed by Mr. Bennett or on the bill up to this point.

Attached to the minutes of this meeting is a letter dated March 26, 1981 from Vernon Bennett as EXHIBIT A.

Attached to the minutes of this meeting are additional amendments to AB 168 presented to the committee by letter from Vernon Bennett as EXHIBIT B.

Attached to the minutes of this meeting is a letter dated March 26, 1981 from Vernon Bennett which refers to NRS 286.667, as EXHIBIT C.

Mr. Bob Kearns, representative from Local 731, Reno Firefighters, here to speak on behalf of the amendment to AB 168. Mr. Kearns stated that this amendment was taken from the bill that was passed

at the last legislative session and to be funded at this session. At the last session this had the blessings of the retirement board but in the meantime things have gotten changed around and the retirement board no longer gives it its blessings. So we will have to come to you in this manner to get this amendment put into the bill.

Mr. Dini questioned if it was put in the law.

Mr. Kearns stated it is still in the law, but it is to be funded at this session. It was put into the law at the last session to be funded at this session, and if it is not funded at this session then I guess it just goes away.

A copy of Mr. Kearns' amendment is attached to the minutes of this meeting as EXHIBIT D.

Mr. Kearns stated that being the board has seen fit not to support this, we will have to give it our support and attempt to convince you that it is a needed amendment.

The actuary in his wisdom has come up with the figures to fund this from the police and firemen's fund. It would cost 1.58. Now based on the figures I have been able to take from the reports we get from the retirement board and the actuary's report, this amounts to approximately 1.1 million dollars in dollars. \$1,162,018.9 based on the payroll that was in their last report from the uniform group.

Mr. Dini asked if that was annual.

Mr. Kearns stated yes. It is our feeling that this is considerably more than is necessary, but if it is not we feel that the funds are there from a couple different sources. A little while ago it was mentioned about the \$12,000,000. After they got the \$12,000,000 transferred to our fund, they used a portion of this money to offset the 1/2% increase that they were asking in the original AB 168. We feel that would only amount to approximately 1/3 of a million dollars. The interest alone on the additional \$12,000,000 has been credited to our fund based on their figures of 10.08 return, and it is approximately 1.2 million dollars and we feel that this money would be ample to cover that. If not that, on page 27 of the current actuary assumptions, they state the 1930 actuary evaluation is based on an assumed net rate of investment yield of 8% per year. During each of the next five fiscal years, the annual rate of yield on average total assets has exceeded the assumed rate of 8% as shown below. In 1976 the fund yielded 8.77, in 1977 the fund yielded 8.50, in 1978 the fund yielded 8.36, in 1979 the fund yielded 8.96, in 1980 the fund yielded 10.08 and it is estimated to yield in excess of 10.25. Now based on that, in 1981 going back and basing it on what they had just this last year, 10.08, the 2.8 above what the actuary estimated would be earned amounts to \$2,298,400. In 1980 the fund yielded in excess of what the actuary estimated,

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\$1,539,515. In 1979 the fund yielded \$686,911 more than what they based their actuary assumptions on and we feel we have a total here of approximately \$5,000,000 that is in the fund above and beyond what the actuary assumed there would be and this is not counting the interest that has been earned on this money in the meantime. Now I suppose there must be some place this money goes and it goes toward the unfunded liability undoubtedly, but at the same time the actuary figured in his 8% the paying back of the unfunded liability. So this is excess money, but this is money we feel could be used for benefits. It is nice to have the cushion, but I feel we have a cushion built in in several other places. We are asking for these people to be retired or covered upon the death of such person, a person who was his spouse both at the time of his retirement and the time of his death is entitled to receive upon obtaining the age of 50, now this means the wife or the spouse has to obtain the age of 50 before she is eligible, a benefit equal to 50% of the service retirement allowance to which the retired employee was eligible upon obtaining the age of 50. Now we feel that this is not that big an item. That it would cost anywhere close to what they have stated. Last year 60 people retired from the police and firemen. If approximately 10% of these people had died immediately, the cost would have only been between 30 and 40,000 to have covered them all - all of the spouses and the increase alone based on the 1.58 would have been in excess of 1.1 million. Now the following year you can continue on down on that and covering three years compounding that all of the wives were still alive the total cost for the first three years if at least 10% of the people retiring would die immediate, and I mean immediately so that the wives would have to be covered right away, the total cost would only be \$306,800 and the 1.58 would yield the fund a little in excess of \$4,000,000 in that period of time and I did not take it any further on down. At this stage the interest from the money that was put into the fund from the 1.1 exceeded the amount of money that it would cost to cover the spouses.

Another thing that we had in AB 168, the second section, page 1, line 3, they are asking for an amendment to cover the spouses while still employed if you have fully obtained employment rights. What I mean by that is that you have your time and your age and are eligible to retire, your spouse is covered on option 2 which is approximately 75 or 80% of the unmodified allowance which in my particular case, my wife is covered right now. If I was to retire I could get approximately \$1,800 a month. If I was to die my wife would get somewhere about \$1,500 a month right now. However, if I retire today and take my allowance and die tomorrow my wife is not covered if I decide not to take an option. We find that in the new uniform group, approximately 2/3 of the people do not retire until they are past 55 - past 60. Between 60 to 79 of the people that already retired, retired in the last year. Approximately 2/3 of these people were already past 60 years old so what that means is that the people that are not retired are covered with a far better coverage on the spouse coverage than the people that do retire and that the police and fire in our department particularly we are required to retire at 56 years old

if we have our 30 years in. It is mandatory retirement. So we are only covered up to 56. Other people under the same situation and at no cost are covered until 85 which is in this case here, 2/3 of the people retired were already past 60 years old. Now this is apparently of no cost and we feel that this is probably a more costly thing. Another thing in this is that there is no age limit on the wives. If I had a 20 year old wife and died today she would receive approximately \$1,500 a month the rest of her life. In our agreement, she would have to attain the age of 50 before she can start to draw this.

Mr. Kearns referred to the \$12,000,000. He stated we feel there is more money that should be in the police and firemen's fund. Vern was talking about this money being found when they started checking the people that belong in such funds. The police and firemen people have been checked on this by person to person. However, we feel there are far more people in the non-uniform group that belong in the police and firemen fund. They will be found out as it becomes time to retire. This group has never been checked out by each person, so undoubtedly there are a lot of people that are eligible to retire under our fund that are working for the highway patrol or somebody else at this time but when it comes time to retire they will be switched over to our fund and that money is being held in the non-uniform group at this time.

I think that pretty well covers what I have here.

Mr. Dini asked if the police and firemen had considered a separate bill covering this. Mr. Dini indicated that Mr. Kearns may be getting into an area where we may have to send this bill to the Finance Committee and it will slow down its passage. Did you ever think of going directly with the bill into the Finance Committee?

Mr. Kearns stated yes. It has been given some thought but it was decided to go at this rate.

Mr. Dini asked if a bill had been requested.

Mr. Kearns stated that he did not request it but that there may be possibly a bill in the hopper somewhere, but I don't know where.

Mr. Polish stated that it seemed to him that they were just trying to eliminate the option.

Mr. Kearns stated that the option that we take now - if I take an option when I leave, I have to reduce my retirement by a considerable amount.

Mr. Polish stated that everyone does.

Mr. Kearns stated not necessarily. Not everyone. You have to crawl before you can walk. I think - we feel the money is there, we put

the money in there and we feel this is a benefit that we can have for our people at no additional cost. All benefits that are in this bill started like this and we feel the time has come for this benefit. We feel the benefit has been given to the people that haven't retired far more than we can gain from it and it should be probably more a cost than what we are asking, and we are asking for an additional benefit. There are other benefits we will probably come back probably two years from now and ask for if the fund can afford them. You are right and I have no objection to the non-uniform group or the retirement group to come forward with a bill for their fund also. But we have most of our people here today representing the police and fire and this is what our group would like to have and we feel the money is there and we hope that they can show you that the money is there.

Mr. Kearns stated that they did have another actuary coming by the way to check the fund, for our own satisfaction, of what it will cost. If our actuary finds that the cost - that the fund is not able to handle this and the deeded costs are there, we are willing to pay the costs. We feel at this time and until we get our actuary's figures, we feel that the figures we have will serve that this could be handled without additional cost to the employer or the employee.

Mr. Craddock asked if there was sufficient dissent of the two funds to bring in a second actuary?

Mr. Kearns stated that they were not trying to discredit the actuary, but the actuary has been with us for quite some time and we find that over a period of time he keeps going back and starting with his old figures rather than coming forward. We would just like to double check. There have been errors made - we all know this. There have been some very serious errors made in the past and I have been involved in this now since the early 1960's. I have been retired and have been very much involved in the retirement system. I was one of the first members appointed to the advisory board to the police and fire advisory board to the retirement system and fortunately now we have a very efficient and probably very errors. But I can remember back in the early 1960's when it was total chaos, and you had to keep a real close eye on it and I think we should always have a close eye kept on everything and checks and balances don't hurt a thing.

Mr. Craddock asked if it was pretty costly to bring in another actuary.

Mr. Kearns stated not just for a one item thing. It is not that costly. The Federated Firefighters are paying for it to bring in the actuary just as a double check on this thing.

Mr. Ross Culbertson stated that although he is a contract lobbyist he is appearing today at the request of the Police and Firemen present to testify as to the knowledge that I have having served on the retirement board for seven years up until August of this year.

Mr. Culbertson stated that the part that he needs to address himself to is as late as August when I left the board. This was a part of the board's package as it had been two years before. There have been changes since that time which are certainly the board's prerogative to make those changes, but at this time I think you should be aware that as late as six months ago, this was a part of the official program of the retirement system. There has been a continuing dialogue going on in the retirement board for a long time. I can't put a date when it started. The law says that there are two funds and that they should be treated as two separate funds. This was a deliberate choice of not only the employees that make up the police and firemen's fund, but the employees that make up the major part of the fund. The police firemen's fund is made up of 95% men, most of whom are married. By law, everybody except state employees are under employer paid. They have a very definite interest in this thing that supersedes really the interest of any other group. They look on it as their security because as you get older in the service both as a policeman and fireman, promotion - everything in the police and fire is on a pyramid system and so there is one in charge. As you get older in service there is less and less places for you to go so you tend to - unless promotion has been very good to you and the Lord smiled on you - you can top out at a certain level of promotion and there is no upward movement possible for you and the decision was made in 1971 in this state that the policy would be that this state had a vested interest itself in the fact that they could not allow its police and fire force to become dominated at the lower ranks by older people. Essentially when you get right down to it, both of these games are a young man's game and I remember part of the debate was if your house was on fire and somebody needed to run across the burning roof and chop a hole in it to fight the fire in the attic, would you want someone like Bob Kearns who has been around the post a few times and knows good and well what could happen to him when he went tiptoeing accross there trying to get the hose over there, or would you want some 25 year old fellow who knows he is going to live forever dragging that hose across the roof. I think all of us realize that when you get down to that kind of work, that is what you want. You want a 25 year old guy - it's just like the army - they are probably at their best at about 18 - and every year they get wiser, the worse they become. I think that is probably true with front line firefighters. Experience is great but stupidity at certain points of danger can replace a lot of bravery and encourage - the same thing if you have a policeman chasing somebody down an alley - some of the guys that I know I would not want chasing some 18 year old down a dark alley in today's world. This fund was separated as I said in 1975 at the request of both groups and by law written in the statutes it is to be treated separately. We have addressed in this amendment is a benefit that is uniquely one that is of - that they can have because of the way that their group is structured. With the men you have spouses and so forth. Most of the men are married. Many of them feel, particularly in the firefighting forces they feel that because of the experiences that they have had in their working career with smoke inhalation and so forth, that

they are likely to not live as long as the normal person when they do retire so they feel survivor benefits to them are of great importance. They have always maintained that they were willing to pay for this. I felt that perhaps John's price was a little high (the actuary). He sort of is like Howard Barrett. He pads a little here and he pads a little there and when he gets through many times you have more padding than you do substance and I think that is what Bob (Kearns) was trying to point out to you.

The whole ballgame has been thrown awry by this \$12,000,000 that was found that belonged to their fund. \$12,000,000 in a fund of 3604 members is a lot of money when you spread it out. We provided - the legislature provided \$20,000,000 to pay post retirement benefits for everybody that was retired which is about the same size of the fund, two years ago just on the interest of the \$20,000,000 not on the interest. It certainly - two years ago we bought this on the retirement board we came to the legislature and they bought it. At that time the situation looked a lot rougher than it did in retirement and they were willing to take the two year offset if you remember the debate on this to make sure that retirement systems were not going to heck in the next two years. It is now two years later and the situation is not as bleak now as it was two years ago. It has improved. It is a benefit that I feel that they can well afford and it is something that they want and I like Nevada's police and fire people because you look around the country and cities in the west even like Oakland or Denver, 80% of those people are chopping out early on disabilities. That is not the case here with our police and firemen. They have not made runs on the fund and they have not made assaults on the fund. I think the reason they haven't is because they felt that they have had a reasonable input to the board, a reasonable input to the legislature and that they would get fair treatment. I am now talking about leadership I am talking about rank and file. I think if we sent the message back to the rank and file - the police and firefighters of this state - that all of a sudden the avenues of communication have been cut off, then perhaps you would see a change in their attitude towards the retirement system and take the attitude that is prevalent other places in the country that this is a system that is theirs to rob. They just have not done that. None of the employee groups in this state have done that. They have been very patient and because of their patience we have been able to help because that is what has kept the figures looking so good. 60 retiring out of 4,000 and that sort of thing.

Mr. Craddock asked what we bought with the interest on the \$20,000,000

Mr. Culbertson stated we bought post retirement increases for the people who will retire in the next two years for their natural life.

Mr. Will Deiss, Vice President of the International Union of Police testified next. He indicated that he was here to speak on a positive vein on the amendment. As was testified earlier, back in 1975 we had

occasion to legislate separation of the two funds, creating a fund within a fund, for police and firement. At that particular time, we thought being in those two categories of police and fire, that at least we would have our own identity and that we would have our own separate fund within that fund. That not only would we have a voice in the fund, but we could also predicate our benefits based on our needs and I think you will find that the needs of the two groups are different - vastly different. The vesting is a shorter time frame for police and firemen because naturally they cannot function in the 50s and 60s like they did when they were age 20 and 30. I would like to also point out too that in testifying on this bill, if this bill became law it would not benefit me at all. I would like to further point out for police and firemen that they are in a unique situation too because they are not in a position to get in a lot of instances, two retirements like you can in the civilian sector. I myself do not qualify for social security after spending 27-1/2 years in the police profession. I am not one of those fortunate people that have enough quarters to qualify for social security. A lot of police and firemen are coming into the profession at an earlier age and we are taking through our cadet system kids right out of high school at 17 and 18. In some instances they don't even have social security cards. They are immediately enrolled into the system at 17, 18 and 19, depending when they graduate and when they get to be 21 they come into the police profession and become commissioned police officers, never working under social security and never having a chance for that second retirement and I think that is the main thrust of the isolated police/fire fund. They don't get a shot at retirement #2. This is all they've got and this important benefit is really a must. You don't figure that out until you get married, maybe once or twice, depending on how lucky you are. So it is very important.

Let's go back to 1975 when we isolated the police/fire fund and our own fund. At that particular time the fund was at about \$435,000,000. Less than four years later that fund has doubled and I venture to say before July 1 of this year it will be in the \$900,000,000 category of which 10% of the fund belongs to police and firement - or is credited to police and firemen, we hope.

Something was brought up about that \$12,000,000 mistake and how \$12,000,000 happened to not be credited to the police/fire fund. That is an awful big mistake - \$12,000,000 and the interest it would generate over a period of time. It was also testified prior to this that the police/fire have all of the money that they have coming to them and accredited to their account. I have my doubts. That is something for this board to weigh. We only want what we have coming to us. We have got it coming - other than the \$12,000,000, I hope you will see that we get it.

10.08 is a fantastic yield and I think that is something that this committee and the retirement board and the advisory board can be proud of. It is probably one of the top funds in the country. I would like to point out something else. Based on the police/

fire fund and I will get you a copy of this, because I think this is what will influence your decision. The police/fire fund closing in December of 1980 generated 8.8 million dollars in revenues and paid out in the various categories of retirement, 1.7 million dollars - in other words, total revenues in excess of disbursements were 6.6 million dollars. Based on those figures of 10.08 our actuaries are predicting between 10.25 and 10.60 in June of 1981 and I would like to think it will be close of 11%. 11% on 6.6 million dollars but there are some other variables that have to be added. By July 1 of this year you are going to have more police and firemen under the compulsory employer paid. That is going to generate more money in excess of 6.6 million dollars and you are going to increase the contributions from 8-1/2 to 9 for those people in employer/employee paid and I just heard the figure that would be \$46,000.00. Those are some very interesting figures. Based on the actuary of Martin Segal we find that last year 60 police and firemen retired. How do you parlay that out - 60 people for 6.6 million dollars and that is if they all died at once if we are going to pass this bill.

Now they check the stats and they find that those people 50 and over in the police fund totalled 383. We are talking about a potential maximum of 383 people on the spouse benefit and that is predicated on if they all die at once which I hope they do not do - that would be a rarity if they all died at once. So you can see and weigh those figures. What are the cost figures here involved based on a potential of 383 people with the money the fund is generating.

I would like to xerox this off and I will get this to Mr. Dini after the meeting and I hope that you will weigh those figures based on the potential if these individuals all died at once.

Let me point out one other thing - being involved with the fund - that you are going to have to address yourself maybe not in this session but in the future and I wish it would be addressed in this session and I think you could avoid more difficulty because this is the number 1 handup with the whole fund. Everytime that the session rolls around there are challenges to the police fire fund because all employees feel that they should get that particular benefit. In this bill we are the only ones asking for that and I am speaking that if the civilians wanted to come in for that benefit and their side of the fund could fund it fine, let them come in and ask for it. You are being asked to weigh this based on the merits of the police/fire fund and the first test would be is there a police/fire fund - do we have our own system in our fund - can we predicate our own benefits and then the other inequity in the fund is this and I see somewhere a lawsuit on this too. Within the police/fire fund you have a majority of the fund paying employer paid and a minority of the fund not paying employer paid. So in other words the employer paid being a 17% benefit, you have those employees paying 8-1/2 and 8-1/2 and a discrepancy there is that the turnover in the employees - that money is not staying in the fund. The career employee that is staying in here is carrying the burden of the fund. The nomad or the guy that is going to drift off pays his 3-1/2 in, the employer matches it, when he quits he takes his

8-1/2 and goes to another state. I think that is what the board has to weigh. This fund is for career employes. Not the nomads.

Mr. Larry Irvine, President of the Police Protective Association in Las Vegas, testified next. My remarks would be very very brief because I feel that what needed to be said has already been said but I would like to make you aware that in addition to speaking for the Las Vegas Police Protective Association, I have also been asked to speak for the North Las Vegas Police Officers Association, the Henderson Police Officers Association and the Nevada Conference of Police and Sheriffs.

We all - all of our police associations are supporting this bill and the amendments that have been discussed here today. We that the money is there as Mr. Deiss testified to with an income in our fund of over \$8,000,000 and disbursements totalling 1.7 million dollars - that is an 8 to 1 ratio that we have in income over disbursements. We gain a considerable amount each year through the interest on these funds. We are becoming more and more solvent because of the employer paid and it has been testified to before, all police and fire with the exception of state employees effective July 1 of this year will be employer paid and that is going to do nothing but make that fund more solvent.

We recently approximately a year ago attended a conference in Washington D.C. on state and local pension funds, and in seeing some of the problems that other pension funds are having across the country, I would have to agree with Mr. Deiss that we are probably one of the top two or three funds in the country. Part of the problem that some of these funds around the country are having is the fact that they are very very liberal in their benefits. We have never historically been that liberal. We have been very conservative. We are not here now asking for something that we don't feel the fund can afford. It is our fund, we have as much responsibility as the retirement and the police fire advisory board to keep from injuring that fund in any way and we intend to do that. We do not want to destroy that fund. Another figure that I don't think has been touched on is the retirement system at this point is about six months ahead in paying off their unfunded liability and if we can get that far ahead in this amount of time, certainly we have some funds to offer a few additional benefits also. The police associations in Clark, Lincoln and Nye counties would all strongly urge your support of this bill and these amendments.

Mr. Jim Hartshorne of the Northern Nevada Reno Police Association and supervisor of the City of Reno testified next. He stated that he was not going to try and dazzle the committee with figures and millions and millions but I am going to talk about the humanistic approaches. Fifteen years ago the average age for hiring within

the State of Nevada for law enforcement officers was 25. That gave him a retirement age of 45 or 50 years of age with his maximum of service in. The reduction of age within our system - we start officers now at 18 - which puts them at age 50 some 30 some odd years already into the system drawing maximum benefits at that time. We are forcing our young officers to stay within our system by forgetting that they do have families to support once they leave. It would be nice if we all had a nice retirement plan where we would not have to worry about it. This is I think the amendment to 168 as presented hereto today is really addressing. In the past two years we have had nine officers in the Reno Police Department between the age of 48 and 53 all down with heart attacks. Now we are all aware of the stress problems within law enforcement. I can't speak for the firemen because I understand they sleep a lot but I can speak for the police.

We are going to ask the current law enforcement officers and those coming into our career in the future without some benefit to their spouse and to the person that they have lived all their life with to stay in the system for 29, 30 and 35 years just to obtain enough money at the end of the retirement program so that if they have to take options 1, 2, 3 or 12 within the system that their wife can support herself after age 50. I feel this is a very fair and adequate plan to take care of that person that this man has lived his life with and especially to take care of the family of the person who is dedicated his 20 or 30 or 40 years to a city or to a state.

Mr. Bill Bunker representing the Federated Firefighters of Nevada. I am testifying in support of 168 and also in support of this amendment. I think everything has been touched on so I will be very brief. The last legislative session a bill was passed with this option and Mr. Canigliaro was the lobbyist for the firefighters and my directions from the Federated were due to the sunset provision and the ability to pay in the clause were to try and protect that and come up and see what could be done. In August the board voted not to support that legislation so therefore we were forced to come with an amendment. The question that was asked me at the retirement board that I find most prevelant that has not been answered was that we don't have a referendum from your group or from your firefighters saying that they support this. We don't know what your younger people want. Why would a young firefighter want to support a 50% spouse option when he has 20 years to go in the system, or even pay for it, so I went back and pulled the testimony from the Federated convention which Mr. Canigliaro was the lobbist and I find that it says: Resolved that the Federated Firefighters of Nevada work to repeal the current retirement option plan for police and fire and establish an automatic coverage plan that provides for 75% coverage to the surviving spouse of a retired member. So we knocked it down to 50 last session and this is a resolution from the entire Federated and is what is represented by all the fire departments in the State so I can say that all the locals in the State do want the 50% spouse option no matter what there age is.

One other thing I wish to thank Vernon and Will for the crash course

that I had in retirement because if it had not been for them I would be lost. Vernon spent quite a few hours with me trying to keep me up to date on what's happening and why and I want to thank him because he has been very helpful. I hear the actuary versus actuary argument and I am probably wrong, but in calling around to find an actuary, I find that it's like getting your house appraised. Are you selling or are you buying and that is what I found in the actuaries, so if Mr. Segal is conservative, then maybe there is a liberal actuary out there, so I am not saying that we are calling one in to dispute Martin Segal because he is a very reputable firm and we realize that.

Mr. Dini asked if we pass this amendment and put it into law and your fund runs short, are you going to come back next session and ask for an increase in contributions?

Mr. Bunker stated that we would support an increase in contributions if the fund runs short, yes. We would support - not from you - we would support language in lieu of a pay raise language that we would pick the benefit up if the fund runs short so that we would fund it, if in fact we are wrong and the fund does run short, we would support that type of legislation where the firefighters would say in lieu of a pay raise, etc. and make the difference up - whatever that difference would be.

Mr. Vernon Bennett testified again. Mr. Bennett stated that he would like to address this issue in two separate facets and we have handed out two different pieces of material. Mr. Bennett stated that he would first like to address the question of whether or not this should be an amendment to AB 168.

When this legislation was discussed and passed in 1979 the legislation provided in the bill that it does not go into effect July 1, 1981 unless it is funded in accordance with the cost as determined by the system's actuary as of the report June 30, 1980. The retirement board considered this legislation and in discussions with the police and firemen's advisory committee and the retirement board it was mutually agreed and understood even as late as the advisory committee's meeting last Monday that they would introduce a separate bill. We respectfully suggest to you that AB 168 is the retirement system's general legislation bill. It has in it requests from many different groups such as the university, school district, state employees, teachers, police, fire and several other groups to provide general cleanup to the retirement system and legislative updates and to undo in 1981 what we did incorrectly in 1979. To our knowledge, and I would have to put that in quotes, there is currently no major opposition or concern in the assembly to AB 168. We have talked to every member of the assembly, but we talked to them on the basis of AB 168 as submitted. If you place this amendment on AB 168 it is going to become a very controversial bill and we would greatly appreciate if your committee would not do so and not put our general legislation bill in this situation. You can also place the retirement system in the unfortunate circumstances of having to lobby in favor of 98% 1260

of our bill and oppose the other 2%. That is tough, so we respectfully request that regardless of the merits of the bill or the proposal of the police and firemen which has some merit, I am not about to tell you that their proposal does not have some merit, I will oppose it on the merits because that is the decision of my board, but I suggest to you that it should be separate legislation as agreed between the police and firemen retirement fund advisory committee and previously agreed to by the federated firefighters and the retirement board. They have indicated a concern that they would not be able to get the bill drafted. The legislation is very short. It is not a complex law and it is my understanding that there are three members including the chairman of this committee that have great influence with the bill drafters and if the committee was so inclined could have a bill prepared, introduced and referred to this committee as early as next week, and we respectfully request in the first instance, that your committee consider this as separate legislation on its merits and not adopt it as an amendment to AB 168. I recall the hearing we had - the first hearing of AB 168 - and Mr. Bob Gagnier testified and he advised your committee, just for your information, that he would have a separate bill regarding the appointment of our board members. One committee member said well would you like to consider amending it into this bill. He said no this is the retirement system's bill and we don't want to do that and I suggest that that was a very appropriate thing and I appreciate Mr. Gagnier's professional approach to it. We suggest and request that the committee not provide this amendment to AB 168.

I would be happy to answer any questions you may have regarding that proposal that is reflected in the first letter we handed out.

Mr. DuBois asked on what grounds the board turned down the firefighters.

Mr. Bennett stated that the retirement system took the position in 1979 in accordance with a policy they adopted in 1974 that they would favor any legislation that the employee and employer groups wanted provided they were willing to pay for it. On that basis the retirement board supported this legislation in 1979. However, in 1979 there were several concerns, some of which still exist. Money was tight. There is and although we have made some distinct progress in this area, there is still a distinct threat that congress will try to place the members of this public retirement system mandatorily under social security and we are in better shape because we now have a very key supporter in the White House that we did not have previously and the previous occupant of the White House was very strongly pushing for mandatory social security. We have won two years of delays which are definite progress, but there still is the threat and we understand as recently as two days ago that key nationwide lobbyists feel there definitely will be a bill in congress this session to mandatorily enroll public employees under

social security and there was concern from some of the public employers about paying the additional cost, so the legislature in 1979 passed the bill into law in principle, but provided in the law that it would be effective July 1, 1981 if total contribution rate then required is not less than rate recommended by actuary report as of June 30, 1980. Since the 1979 session several things happened. One is we had several changes on the membership of the board. Some of the new members took a more conservative approach. The second is that you have a new governor. You have a governor who at this point is advocating a very austere program for budget who is recommending a very similar program to state government that President Reagan is setting for federal government in that government will do more for less. An indication that money will be very tight in this legislative session.

Last summer there were indications from the State Budget Office and from key legislators of the two money committees that there would be no additional funds this session. We talked to several key legislators regarding available funds for an appropriation for retired employees cost of living increases. We had received information that certain people were considering removing the \$20,000,000 that was set aside in 1979 for future taxpayer use and taking that money for general fund use during this session which would have meant that our system would have had to come up with another way of funding the 1979 and 1980 benefits. We were meeting and discussing with officials regarding that matter and they indicated to us and to members of the retirement board very strongly that there would be no available additional money for improved benefits during this session and that was one of the reasons - one of the major reasons - that the retirement board in August determined that they would not favor legislation to improve benefits. Some of the other reasons that the board gave - I would like to clarify to the committee as I clarified and expressed in a letter to Mr. Bunker - the retirement board in the official meeting never set out in a motion. They reconsidered it at the last meeting and opposed it at their February meeting of the Board so they opposed it last August, 1980 and February, 1981 but some of the discussion that was given by members of the board as to their reasons of oppositions are as follows. In addition to the cost factor, number 1, police and firemen since 1979 have enjoyed early retirement coverage because of their hazardous duty. This proposed benefit is not in any way tied to hazardous duty. It is not in any way tied to early retirement. This benefit is a bonus. I am not saying it is not a legitimate bonus or a needed bonus, but there is no reason tied to a firemen running across a burning roof that says he should get another that says he should get another 15% retirement benefit. The early retirement was a very valid point because we see and you see that firemen and policemen do face hazardous situations. They do reach what is known as a burn out period where they cannot perform as fully and for most practical purposes this is tied around age 55 or age 50 in some circumstances, but the proposed benefit is not tied to hazardous duty.

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What it is basically saying is that we would like to have a larger benefit and what it basically does is give you about a 10 to 15% increase in your monthly retirement benefit.

The second thought that the board took and I recognize that this amendment identifies to it is the fact that the state employees were exempted. We find it to be a very unusual provision in any fund to have a benefit that is applicable to some members of the fund but is not applicable to other members of the fund. You will recall in AB 168 you have an amendment which your committee has favored so far that will change present law put in in 1979 where policemen would contribute on stand-by pay and firemen would contribute on recall pay but the rest of the members do not and the board recommended that this should be applicable to all members. We have some members of the board who feel very strongly that if a benefit should be paid to one group, it should be paid to all groups and they have taken two positions in line with that. Number 1 that they oppose this bill as is, but number two if it is adopted, they will request an amendment that it be applicable to all members of the system because it is not tied to hazardous duty, it is not tied to burn out or going early, it is an improved benefit. All of our other benefits including the ones in AB 168 that are improvements in the system are equally applicable to police and firemen and to regular members. Another point that was raised was that there was no referendum among the members of the police and firemen committee. We recognize that first of all about four years ago or three years ago, the police and firemen retirement fund advisory committee sent out a list of many benefits and said to our members, tell us what you would really like to have. As I understand this proposal is about their third choice and it was a very highly requested choice but that time did not point out the cost. There are about 30% of the members of the police and firemen fund who are not married. Many of them are quite young and if you would pass this bill and fund it you are going to ask these people to pay an additional 3/4 of 1% of their salary for fifteen or twenty years for a benefit that they may not be eligible to draw. Granted, they have the right, and the story is if you don't have a spouse, get one, but this benefit will only be applicable upon retirement to people who are married, and it will only cover a spouse that the police or fireman was married to at the time of retirement and is still married to at time of death, so there will be a large number of people who won't be covered by the group. What the board was trying to say was, you now know it costs 1.58% of compensation. We would like you to go out to your membership and not just to the people who go to the conferences, not just to the people who are the officers in your association, but go out to your rank and file police and firemen with the referendum and ask them, do you want it, are you willing to pay for it. That referendum was never accomplished. I am not saying that is the total reason that the board opposed it. That is one of the reasons that was discussed by the board as a concern.

The board also discussed the fact that timing is still bad to improve benefits. Although we have made some progress on the mandatory social security issue if congress should mandate social security we will probably have to have new actuarial studies, we will have to probably have referendums involving all members and in all probability have a special legislative session to determine what benefits can be applicable under the new law if our members first have to go under social security. The second problem there is, and it will be a major thing that will probably go to the United States Supreme Court is the question of vested rights. Can you take away from members those things that they already have. Well if it is determined by the courts as our Deputy Attorney General and our Attorney General feel will be determined that you cannot take away from a member those benefits that were in effect at the time he was employed, anything that is passed this session as improved benefits would have to be continued thereafter regardless for the existing members. It could have a substantial pricetag. On that basis those were the discussions that the retirement board used as to why they were opposed to the legislation.

Mr. DuBois asked if Mr. Bennett had any figures as to how many are not married at the time of retirement?

Mr. Bennett stated no, we don't have that.

Mr. Bennett stated that he thought it would improve but there was a pretty good historical rate of divorce in Nevada and it could be likely and I would say there are probably more people who retire unmarried then come into membership unmarried, so we think that is a possibility. Let me also point out though that we have many provisions in our retirement benefits, such as survivor benefits, disability retirement, transfer of credits, things of this nature and we have a package contribution program which I hardly endorse. Every member pays the full contribution rate and in that contribution rate is a certain amount for survivor benefits even though you may never die, a certain amount for disability though you may never get disabled and many pay for retirement who never really earn retirement, so that is also a factor.

Mr. Craddock asked what percentage Mr. Bennett used as being married.

Mr. Bennett stated about 30 to 35%. I don't have the exact percentage. Let me talk a minute on the actuary. The system's actuary is Dr. John Mackin of the Martin E. Segal Company who is recognized by many people as the top retirement administrative actuary in the United States. He is quite often called before congressional committees to testify as a witness on nationwide matters. However, he is not perfect. No actuary is. I do think that if there is a legitimate question and concern by the police and firemen regarding the veracity of the figures prepared by the actuary that a very appropriate procedure would have been for these groups to either come to the board or the police and firemen retirement fund committee and said we really question these figures, we think they are too high and this is why and have us go back to our actuary and check them. They did come to

the board and the advisory committee in February and indicated that they would like to have access to our records and the board approved at the February meeting that we would give them full access to our records and also access to our actuary provided they employ a representative - an actuary from a nationwide recognized firm who is professional. Now a thing that concerns me and I understand what Mr. Bunker is saying - I am not going to say about the actuaries that you can get what you are willing to pay for or about appraisers or anyone else, but I think it would be very unusual if a qualified professional actuary using our data were to do a computation and would come out with a different figure anywhere more than 1/8th to 1/4 of 1%. Now the current cost as determined by our actuary is 1.58% and if you use that as a logical assumption then it may be 1.30% or 1.35%, but I think it is totally unlikely that he would come out and say the cost is nothing. I will if you would like me to speak on the merits of the amendment which if you are going to consider it I will be happy to do, touch on everything that has been said so far about our figures and statistics and I think the committee recognizes that you can do many things with statistics. You can take them and take selection things and put them any way you want. I will be happy to answer and touch on the things that were stated and give the retirement system's reasons for them. I think they can be supported and I would also, if this is appropriate, Mr. Dini, then like to speak on the merits of the amendment.

Mr. May asked how many members were on the board.

Mr. Bennett answered seven.

Mr. May stated that Mr. Bennett indicated that they met both in August and in February. What was the - how many different people were there in February as opposed to the August meeting.

Mr. Bennett stated that in February there was one change. In the August meeting Mr. Culbertson had resigned but his appointee had not come on the board. If my memory serves me correctly Margie Myers was appointed in September, and that board was in effect in February. The board meets every month. So the board that voted on it in February was different by one person.

Mr. May stated that Mr. Bennett had indicated three reasons. (1) the cost of it, (2) all employees were not covered and (3) the social security and a couple of others. Let us say that there were six or seven items in all that the board objected to. On a scale of one to 7, where does the social security fit. How would you rate that on a one to seven scale?

Mr. Bennett stated that he would say in the medium range. We feel - I don't want to be over optimistic - but at this time with the new position by President Reagan and the fact that the chairman of the Ways and Means Committee of Congress did not get re-elected and he was one of the strong pushers for mandatory social security that we have won some substantial improvements

we do not feel that at this point it is a dark cloud that is going to hit on us next year, but we still feel it is a very serious threat and many people in congress are still stating very clearly that it is coming and that we had better get ready for it and at the present time there are more people in congress who favor it than oppose it, but I would say at this point, probably a medium level. I think one of the major oppositions, and I don't want to name members of the board, but there are at least two members of the board who feel very strongly and this is their personal opinion that any benefit that is provided should be applicable to all members of the system.

Mr. May stated that he sort of agreed with that. Mr. May asked if this committee were to perhaps consider widening it to cover all employees and tying a repealer to it in the event of mandatory social security, it would automatically then be repealed. You are trying to guess the reaction of your board. Would you guess that would make any difference in their approach to it?

Mr. Bennett stated that he would like to advise the committee first of all that my retirement board is meeting right now. They met yesterday and they are meeting today and I understand they will be meeting until about noon, so if you had a counter thing you wanted to go back to the board, we could surely do it. Before I answer your question if I may, Mr. May, I would like to give you a legal opinion from our attorney general, that based on the recent police and fire lawsuit which went to the Supreme Court which in effect, let me give you a short history of it - the 1977 legislature took some groups out of the early retirement coverage and these were groups that had already been in. The Supreme Court ruled that because of the employment contract theory that you cannot take away from an employee a benefit that was in effect at any time that he was employed, unless you give him a better benefit in lieu of it that he is willing to take as a better benefit, and even though you might decide it is a better benefit, if he does not feel it is a better benefit you can't take it away from him. So what the Supreme Court ruled is that the legislature in 1979 did not have the authority to take away early retirement coverage from those people who were already covered but it recognized your authority to say that people from a given day forward who are employed cannot come in so as a comparison the university policemen who are in before July 1, 1977 stay in as long as they are university policemen, but the guy that is employed as a policeman at the university in August of 1977 does not come in the program. On that basis, it is the opinion of the attorney general that you cannot put in a legislation at this point and say that some time in the future if mandatory social security comes in it will self destruct because those individuals have those individual rights.

Mr. May stated that that really addresses what he is proposing that we are making this somewhat conditional as opposed to a fact certain.

Mr. Bennett stated that if could be written to be legally correct he would be very happy to submit it to my board as a consideration. I think there is a second point about this legislation that needs to be addressed and I will try to do it very quickly on this point and on this question. Not only are the police and firemen suggesting the amendment, but the current law says it goes into effect July 1, 1981 if it is fully funded in accordance with our actuarial study and they are suggesting to you that they don't want to fund it. They are saying we want it free. That's a totally different deal. I realize you can pass legislation in 1979 and you can change it in 1981, but the intent of the 1979 legislation was that it be funded and the retirement board has consistently taken the position that they will not favor any legislation that is not funded. Now when the board took the position that if you are going to approve this new bill for police and firemen we want you to also - we would like you to consider an amendment to approve it for all the regular members of the system. That was on the basis that it would be funded. As I understand the intent of the board, it would be the intent that all members of the system and their public employers would then pay for the benefit, and if I understand what the press is saying and what legislators and key people are indicating about how tight the tax package is and the budget package and things of this nature you are going to be looking at providing a substantial cost to many public entities and to the individual employees.

Mr. Dini asked if there were any more questions.

Mr. Craddock stated so that he could be completely clear on this one point, this "funded" aspect must determine clearly and unquestioningly predicated upon what the system's actuarial statement projects.

Mr. Bennett stated if he understood Mr. Craddock's question, yes.

Mr. Bennett stated that he was not going to say to the committee that I know the actuary's cost is correct. But the understanding is and this is the reading verbatim in the law that was passed in 1979, you have it on the first page of my second handout about the middle, in parenthesis, it says (effective July 1, 1981 if total contribution rate then required is not less than rate recommended by actuarial report as of June 30, 1980). That is our actuary, that is our report which says 1.58%. I question, I sure respect the right of the firefighters and the police to challenge the figures of our actuary and I sure respect their right if they want a second opinion to get their own actuary and I supported that to my retirement board and supported the recommendation that we give them full access to not only our records and our tapes but to our own actuary so they will know what assumptions our report was based on but even if their actuary came in and said it does not cost anything, I think it will be illegal according to the 1979 act to use their actuaries figures instead of ours. The 1979 legislation said our actuary's report.

Mr. DuBois stated that if Mr. Bennett would allow for an error of say 1-1/2% would that allow sufficient coverage for this amendment?

Mr. Bennett stated that he had not as yet had an opportunity to speak to the amendment, but the amendment recommends no funding at all. They are not saying we are willing to fund a figure that can be determined as correct, they are saying we don't want to fund anything because we don't believe it is correct, if I understand the amendment. This is the information that was given to my assistant yesterday, so I have not specifically spoken to Mr. Bunker and the way this amendment is written there is nothing in this amendment to increase the contribution rates. So as an example, you could if you wanted, as a committee, make a determination that maybe there is a 10% slippage, and knock off 15.8% with the understanding that you will look at it in two years from now, but that would reduce the cost from 1.58 to 1.43. What they are advocating is that there be no cost at all.

Mr. Dini stated that what they were advocating that the interest of \$12,000,000 that was found as an error will cover the cost of providing this. That is what they are saying.

Mr. Craddock stated that this was not interest on the \$12,000,000. The \$12,000,000 includes the interest.

Mr. Bennett asked if he could remind the committee that that was what they were advocating. We strongly disagree with that assumption of taking one figure and saying here is something. But when we were aware of the error and when the \$12,000 was transferred from the PERS general fund to the police and firemen fund, the retirement board requested that the actuary make a new actuarial study as of June 30, 1980 to take into account the additional \$12,000 which he has done, and the board at the January meeting then adopted that new actuarial study as official and that actuarial study includes the \$12,000,000 being put in and as part of the assumptions that the money will realize an 8% return for the next 40 years on an average, an average return, so the use of the interest return on the \$12,000,000 is already committed in the fund itself and it was part of the reason that we were able to lower the cost for current benefits for police and firemen under employer pay from 17-1/2% to 17% and if you will recall our testimony at the last hearing, we came in and requested an amendment because AB 168 first was going to increase the employer contribution rate from 17 to 17-1/2%. Based on this new transfer of money and the new actuarial study, our actuary said that was no longer necessary. He did say the increase in the employee/employer rate for police firemen in the state who are not under employer pay was still necessary. So there is no additional interest on the \$12,000,000 that is a bonus that can be used somewhere. That money has been figured into the actuarial study.

Mr. Redelsperger asked how many retired employees they had in the retirement system.

Mr. Bennett stated that the total was 6,200 benefit recipients and as a general average the police and firemen fund represents about 10% of those.

Mr. Redelsperger stated that at 10% we were talking about \$1,000,000 to public employees. Mr. Redelsperger asked what would keep the other employees from coming in from coming in and perhaps wanting to improve their benefits.

Mr. Bennett stated that he thought there were several people here today who will address that in a few minutes and what the position of the retirement board is. This is on the merits of the bill which we hope you will still do as a separate bill and not an amendment. But if you adopt the proposal of the police firemen and fund it, then the board recommends that you amend it to make it applicable to all regular members at the same time. We also I understand that we have a key member of the retired employees here who are say that many of these people are going to get it who have never contributed to it before and if it is fair for them then we would like the retired employees to have it.

Mr. Redelsperger stated that it should then be put in that the whole system could go up by maybe 1.5%.

Mr. Bennett stated that they did not know what the whole cost would be to all members because the 1.58% is figured on police and firemen who do have a very large percentage of male members and who also have early retirement. The cost may be lower for regular members, but we would have to give you that information. Mr. Bennett stated it would probably be 1-1/4 or 1.30%. He stated that he had the figure and he would find it for the committee and get it to the committee but he did not have it with him right now.

Mr. Redelsperger stated then that Mr. Bennett was talking in the area of in excess of \$5,000,000.

Mr. Bennett stated that the committee should keep in mind that the proposal from the police and firemen today does not represent any cost at all today. They are saying we would like to have it. We don't feel there is a cost and on this basis we want to have it and at some time in the future if it is determined that there will be an increase in cost, then we will support adjusting it in the future. I would suggest to you that that cost will be there - is there - and you just cannot give somebody 10 to 15% more in benefits then they had before and it not cost anything. The cost will be there and if you determine not to fund it this session, there has been precedence for the legislature to do that. There have been bills passed in the past that were not funded and new actuarial reports came back and they came back

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and funded it, but sooner or later the legislature will have to realize and come up with a method of funding it which would be we hope, half shared by the employee and half shared by the employer.

Mr. Dini stated that the committee would stand in an informal recess and please proceed to his office.

The committee reconvened at 10:15 A.M.

Mr. Dini stated that the committee has decided that that we will no longer consider this amendment today. That we will introduce a bill tomorrow morning specially encompassing this amendment and will have hearings next week on that bill by itself.

Mr. Dini stated that the committee felt that to add this to AB 168 will create a fiscal impact that will require this bill to have to go to Ways and Means and further delay the passage of this bill and getting it over to the Senate.

Mr. Dini further stated that from the figures that he had received, and even if they were inaccurate, they would have a \$1,000,000 impact and I am sure that the chairman of Ways and Means would want it in his committee and that he would not want that on this bill, but would rather go with a separate bill and I have an assurance from Mr. Daykin that I will have it in my hand this afternoon or early tomorrow morning. We will have the hearings next week and save everyone a lot of time today.

Mr. Dini stated that if anyone wanted to testify on AB 168 as it is created now, the committee will accept testimony.

Mr. Patrick Pine stated that he had one brief comment about the clause of whether employers should be subject to the 90 day repayment rule if there was an error. Mr. Pine stated that he would like to suggest that the committee might want to change that to reasonable time period in light of the tax proposals which may limit our cash balances severely, particularly on the very small entities you could have a problem coming up with cash within that 90 day period. I think for the larger governments there would be no problem, but I could think of a number of small entities that if your cash balances were restricted heavily you might come into some cash flow problem. So I would suggest you change that clause to make it a reasonable pay period the same way you do for an individual employee.

Mr. Dini asked if Mr. Gagnier or Joyce Woodhouse had any comments today on AB 168.

Mr. Dini indicated that Ross (Culbertson) had previously proposed an amendment that we have not discussed yet for the legislative retirement. Mr. Dini indicated that he would like to have Mr. Culbertson present that amendment.

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Mr. Culbertson stated that the philosophy is, I think, and then we can address ourselves to the amendment as to whether that handles the philosophy behind it. I have probably done more work as a non-legislator on the legislative retirement fund than any other individual in the State of Nevada. The philosophy that I have always operated under and there has never been a single legislator is that they don't want anything in their retirement system that the regular member has after you figure out what the basic retirement is about years of service and payments there because it has to be calculated differently in the legislative system than the regular system but other than that any benefits that accrue to the legislators would be exactly the same as it is in the major fund.

Every session when we change these things then two years later we have to come back and we have to readjust that portion of the statute which deals with the legislative retirement fund. The amendment that I propose is a very simple one. It is that we delete selected sections and that is what this is such as survivor benefits, purchase of service, all of the other rights and privileges that the legislature has granted to all other public employees of the state, and just substitute in there that as these change that is the way the legislative retirement system would change. In other words we take it as it is now and every time there is a change it is kind of a "me too" situation but it saves us from this situation where we make a change in the major system this session and then we have a two year lag and when you deal with retirement legislation particularly in survivor benefits, say there is a major survivor benefit change, that two year lag and the legislator dies in that process, then in that two year wait period that you have there you might as well - that fellow is wiped out forever, his family is wiped out forever, so when we have a situation like this, as you change the law and as it becomes effective in the major fund, then it would be the same in the legislative retirement fund and it would in effect wipe out that two year lag that we run into every time.

It is a very simple piece of legislation. I have some argument from Mr. Daykin. It is not the first one that I have had with Mr. Daykin nor the first one that this committee has with Mr. Daykin. He does not like "me too" legislation. That is his privilege. I think that in this instance the overwhelming sense of what should take place is what should override his neat little bows that he tries to tie the statutes up in every two years. Next year the fashion will change and everything will be "me too" legislation, and we will be wiping out sections. Maybe I am two or four years ahead of Mr. Daykin in doing that in this amendment.

Mr. Culbertson stated that on page 14 after line 7, add the following:

"Section 27 delete NRS 218.2376, 218.2378, 218.2384, 218.2385, 218.2386 218.2389 and 218.2391 in their entirety and insert the following:

Except for the specific provisions of NRS 218.2371 to 218.2375". That

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sets up for each year's service or each term that you serve what you will receive in the retirement system which is different and has to remain different and that is what those sections are.

Mr. Culbertson continued with his amendment as follows:

"Members and benefits recipients of the legislator's retirement system shall be administered in accordance with the provisions of NRS 286 as applicable to members and benefits recipients of the Public Employees Retirement System of Nevada."

A copy of Mr. Culbertson's amendment is attached to the minutes of this meeting as EXHIBIT E.

In other words, those repealers and I worked this out with the retirement staff so that part of it is accurate, and I have provided Mr. Dini with several copies of the legislative retirement act in the pamphlet form which I am sure you probably got when you got here this time and probably by now it has fallen by the wayside somewhere but there are three or four copies in Mr. Dini's possession.

Mr. Dini asked if there was a fiscal impact to that.

Mr. Culbertson stated no, none.

Mr. Dini asked if there were any other questions from Mr. Culbertson at this time?

Mr. Dini asked if Mr. Bennett had any objection to it.

Mr. Bennett stated that they had no objection to it. He stated that they had discussed it before and Ross had pointed out that Mr. Daykin for technical reasons has indicated he does not favor doing that but it has worked very well on survivor benefits and cost of living matters since 1975.

Mr. Dini asked if the cost of living benefit had already been provided.

Mr. Bennett indicated yes in survivor benefits.

Mr. Dini asked if anyone else wanted to testify on AB 168 as is?

Mr. Dini indicated that the testimony on AB 168 was now concluded.

Mr. Dini indicated that the next bill would be AB 189.

Mr. Colton stated that they had reviewed the bill and have submitted it to bond counsel who testified at the hearing for the joint committees. He has indicated that the bill as it stands now in its amended form is pretty close to being totally acceptable as far as bonding counsel's ability to issue an unqualified opinion. There are a couple of minor additions, just a few words that were recommended. I would like to draw your attention to Section 11, line 7, page 3.

Mr. Colton referred to the term in the parenthesis. Revenues of a project is recommended that the word "lending" be inserted prior to the word "project", so it would be "revenues of a lending project". On the same page, at line 24, section 12, following the word "issued" the words "as general obligations" be inserted. Going back to page 2, line 46 of section 8, following the word "issued" there also the insertion of the words "as general obligations".

Mr. Bob Cameron stated that obviously the intent as you will remember from the original testimony on the bill was for the State to issue general obligation securities and buy only general obligation securities from the local governments. The language in the bill as it was reprinted indicates that both classifications of securities would be payable from taxes or payable from taxes and additional secured with revenues from a project. That more or less does it, but conceivably there could be a situation where some type of security is payable from taxes yet is not a full general obligation of either the state or the local government. Very frankly from a marketing standpoint, when we offer these bonds to investors, if they are going to be general obligations on the state level and general obligations on the local level, we think it would be lot nicer to be able to point to the law and say here, it says that, rather than what the law infers.

Mr. Dini asked if it would cover double-barrel bonds?

Mr. Cameron stated yes it would.

He indicated they would be general obligations additionally secured with some sort of revenue.

Mr. Colton stated that there was just one other additional concern and that is on page 4 in Section 2 that starts on line 13. If the word "issued" were removed and replaced with the word "outstanding" it changes the meaning of this and changes it substantially really. Under the present wording this would mean that we could issue up to \$200,000,000 worth of bonds and no more which would mean that any bonds that had been paid off could not be re-issued because we would have used our maximum allotment. The problem that really occurs here, let's say that we have \$125,000,000 worth of bonds out at a higher rate of interest then the market all of a sudden drops down to a lower rate of interest and we want to refund that \$125,000,000. We would not be in a position to do that because our maximum capacity would be \$200,000,000, so if this were just meant to say \$200,000,000 outstanding at any one time as opposed to saying \$200,000,000 authorization and once you are at \$200,000,000 you are done. Any bonds that would be refunded would not be considered in that because actually we would be taking the old bonds out of circulation and putting new ones in.

Mr. Cameron stated that there is also the possibility of a local government being unable to get short term financing and the State

before it had enough projects to pool for a bond issue, might issue some notes to give them money to start their project and then take those notes out of the long term bonds and then you have a whole bunch to sell. Under the existing language that short term issue would count twice. Once as it was used for interim financing and the second time when it was taken out and I don't believe that that was the intent.

Mr. Colton stated that other than that, that was the only additions that were recommended by the bonding counsel, again, with the intent in mind that bonds issued through this act would therefore be able to be issued with an unqualified opinion of bonding counsel which means that the bonds then would be marketable.

Mr. Dini asked if this dealt only in the natural resource area.

Mr. Colton stated that that was right. Those things that fall outside the state's 1% limitation. I think it is good at this point to bring up too that we have requested and have continued to request of Mr. Daykin the drafting of a constitutional amendment that would allow this ability of the state to buy bonds of local level governments that are secured by general obligations or general obligations as well as revenues to extend to other projects. The constitutional amendment would allow those types of obligations then purchased by the state to be exempt from the 1% limitation. We would like this almost to be considered as a package as you know it will take three or four years for that constitutional amendment to pass which would allow and enhance greater savings to local level governments in their major project spendings.

Mr. Dini asked if there were any other questions.

Mr. Dini asked if the committee wished to take action on AB 189.

Mr. Schofield moved for an Amend and Do Pass on AB 189, which was seconded by Mr. Redelsperger. The motion carried unanimously.

Mr. Dini stated that on AB 168 he had to get a conflict amendment made anyway. Mr. Dini asked how the committee felt about the proposals made by the State Retirement.

Mr. Nicholas stated that he would like to see it included.

Mr. Redelsperger stated that we might have trouble with Frank (Daykin) on it.

Mr. Redelsperger asked why Mr. Daykin was opposed to it. He did not quite understand it.

Mr. Dini stated that Frank felt that it ought to be kept separate.

Mr. Dini stated that he felt that we would be getting some flack on this.

The committee then discussed the bill.

Mr. Schofield moved for an amend and do pass on AB 168 which was seconded by Mr. Nicholas.

Mr. Dini stated that we would take the retirement board's amendment and those that we talked about this morning plus Mr. Culbertson's. The motion carried unanimously. Mr. Jeffrey, Mr. May and Mr. Mello were not present at the time of the vote.

Mr. Dini asked if anyone was going to be available this afternoon at 5:00 P.M. to talk about AB 167?

Mr. Dini stated that the amendments had been ordered and he thought they would be ready. Mr. DuBois, Mr. Polish and Mr. Craddock indicated they would be available. Mr. Redelsperger stated that he would try to get here.

Mr. Dini asked the committee for permission to introduce the fireman's bill. The committee unanimously granted that permission.

There being no further business to come before the meeting, the meeting adjourned at 10:40 A.M.

Respectfully submitted,

Barbara Gomez
Barbara Gomez
Assembly Attache

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date March 26, 1981

PLEASE PRINT

<u>PLEASE PRINT YOUR NAME</u>	<u>PLEASE PRINT REPRESENTING:</u>	<u>I WISH TO SPEAK</u>		<u>BILL NO.</u>
		<u>FOR</u>	<u>AGAINST</u>	
✓ Jim Hartshorn	Reno Police Sparks	✓		168-
John Bennett	PE RS	✓		168
Jim Derby	City of Reno		✓	168
GP Echeverry	New League of Cities			168
GREG RIVET	CITY of SPARKS		✓	168

PLEASE PRINT

24.A

VERNON BENNETT
EXECUTIVE OFFICER

STATE OF NEVADA



WILL KEATING
ASSISTANT EXECUTIVE OFFICER

RETIREMENT BOARD
 DARREL R. DAINES
 CHAIRMAN
 SAM A. PALAZZOLO
 VICE CHAIRMAN

MEMBERS
 WILLIS A. DEISS
 PEGGY GLOVER
 BOYD D. MANNING
 MARGIE MEYERS
 TOM WIESNER

PUBLIC EMPLOYEES RETIREMENT SYSTEM

693 WEST NYE LANE
CARSON CITY, NEVADA 89701
TELEPHONE (702) 885-4200

March 26, 1981

The Honorable Joe Dini
Chairman, Assembly Government Affairs
Nevada State Legislature
Legislative Building
Carson City, Nevada 89710

Dear Assemblyman Dini:

AB 168 is the Retirement System's general legislation bill. It includes all the proposals that have been approved by the Retirement Board for inclusion in the Retirement Statute to benefit all public employees. Police and fire groups are now requesting that an amendment, which has been opposed by the Retirement Board, be incorporated into our bill. This leaves the Retirement System in the perplexing situation of having to oppose a part of our own bill.

The amendment that they are proposing would provide that members of the Police and Firemen's Retirement Fund could retire with the unmodified, or maximum retirement allowance. Upon their demise, a person who was the spouse both at time of retirement and at time of death would be entitled to receive 50% of that unmodified allowance after the surviving spouse had reached at least 50 years of age. The 1979 Legislature added this provision to the Retirement Statute with the proviso that it would only go into effect on July 1, 1981 if the total contribution rate then required is not less than the rate recommended by the actuarial report as of June 30, 1980. The Retirement Board has opposed this legislation because it further separates the benefits provided police and firemen from regular members. It would also have a serious financial impact on public employers at a time when revenues to support public entities are declining.

The System previously had an agreement with the Police and Firemen's Retirement Fund Advisory Committee and the Federated Firefighters that they would not attempt to amend this provision into the Retirement bill. The Police and Firemen's Retirement Fund Advisory Committee and Federated Firefighters agreed that they would prepare a separate bill for this provision. The Retirement System accommodated their request and provided them with proposed language which could be submitted to the bill drafters on October 30, 1980. This would have provided them more than sufficient time to have had their separate bill drafted in a timely manner and well before the Session started.

Exhibit A

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Assemblyman Joe Dini
March 26, 1981
Page Two

We would appreciate it if the Assembly Government Affairs Committee would not amend our bill to incorporate this request of police and firemen. We feel that the police and firemen should prepare their own bill so that the issue may be fully heard on its own merit. It is our understanding that the police and firemen are going to request a one-week delay so that an actuary that they engage might be prepared to present independent conclusions. It would appear that this would be more than sufficient time to have a separate bill prepared, particularly if your Committee requested it on a priority basis.

Sincerely,



Vernon Bennett
Executive Officer

WKK:dd

CC: Assembly Government Affairs Committee
Retirement Board

Et. B.

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA



RETIREMENT BOARD
 DARREL R. DAINES
 CHAIRMAN
 SAM A. PALAZZOLO
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 TOM WIESNER

PUBLIC EMPLOYEES RETIREMENT SYSTEM

693 WEST NYE LANE
CARSON CITY, NEVADA 89701
TELEPHONE (702) 885-4200

March 26, 1981

The Honorable Joe Dini
Chairman, Assembly Government Affairs
Nevada State Legislature
Legislative Building
Carson City, Nevada 89710

Dear Assemblyman Dini:

The Retirement System has reviewed AB 168, First Reprint, and concurs with the drafting of most provisions included. In reviewing the matter, there are additional amendments as outlined below which could be incorporated into the bill at this time by the Government Affairs Committee. However, we are aware that there will be additional amendments requested by others when AB 168 is heard by the Senate Finance Committee. Therefore, it would be our recommendation that the Assembly Government Affairs Committee pass the bill in its present format, unless the Committee has other amendments, and that the possible amendments provided below be incorporated into the bill in Senate Finance. This will forestall further delay and move the bill towards passage that much earlier.

The possible amendments to AB 168 are as follows:

1. On page 2, line 8, add another sentence as follows: The public employer shall not be required to pay the employer contribution.

COMMENT: This amendment was requested by the Clark County School District during the first hearing.

2. On page 10, line 24, delete the phrase [within 90 days after reinstatement] and in its place insert, under a reasonable repayment plan

COMMENT: This amendment was suggested by the Committee. Requiring repayment within 90 days would be unreasonable if the person did not have sufficient funds.

3. On page 12, line 9, after the word "employment" and before the ";" insert, adjusted to include the cost-of-living increases provided similarly situated employees of the same public employer.

Exhibit B

Assemblyman Joe Dini
March 26, 1981
Page Two

COMMENT: This provision was agreed upon between the Board and the University faculty representatives that requested the amendment.

4. On page 13, line 15, after the word "benefit" and before the word "would", add the phrase, plus the other benefit

COMMENT: This would then explain that it is the combination of the two that comprises the offset.

5. On page 18, add a new section making section 12.6, sub-paragraph 3, effective January 1, 1981.

COMMENT: The retroactivity is necessary in order to accommodate persons working in the current Session. Rather than a separate section, the bill drafters might want to insert the January 1, 1981 effective date within Section 12.6 sub-paragraph 3, itself.

6. Add to 286.510(2) as follows: Only service performed in an approved position as a police officer or fireman, or military service credit, shall be counted toward retirement eligibility as provided in this section.

COMMENT: This amendment is requested by the Federated Firefighters and approved by the Retirement Board. The System's Actuary has verified that the current purchase of service formula for policemen and firemen is based on the assumption that they will be able to retire at age 50 with 20 years of service or age 55 with 10. There is no separate formula for purchase of service which cannot be used for early retirement eligibility. Therefore, the police and firemen are paying the full actuarial cost as if this amendment had been in effect. Regular members purchase service on the same basis to include military and other out-of-state service counted toward eligibility. The police and firemen do not wish to go that far because they want to hold some restriction on their eligibility.

Assemblyman Joe Dini
March 26, 1981
Page Three

We will be happy to answer any questions you or any member of the
Committee may have regarding this matter.

Sincerely,

Vernon Bennett

Vernon Bennett
Executive Officer

WKK:dd

CC: Assembly Government Affairs Committee
Retirement Board

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA



PUBLIC EMPLOYEES RETIREMENT SYSTEM

693 WEST NYE LANE
CARSON CITY, NEVADA 89701
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MARGIE MEYERS
TOM WIESNER

The Honorable Joe Dini
Chairman, Assembly Government Affairs
Nevada State Legislature
Legislative Building
Carson City, Nevada 89710

Dear Assemblyman Dini:

The 1979 Legislature passed NRS 286.667 as follows:

" 286.667 Retired employees: Service retirement allowance benefits for survivors payable from police and firemen's retirement fund. [Effective July 1, 1981, if total contribution rate then required is not less than rate recommended by actuarial report as of June 30, 1980.]

1. A retired employee whose service retirement allowance is payable from the police and firemen's retirement fund is entitled to receive his service retirement allowance without modification.

2. Upon the death of such a person, a person who was his spouse both at the time of his retirement and the time of his death is entitled to receive a benefit equal to 50 percent of the service retirement allowance to which the retired employee was eligible upon attaining the age of 50 years.

3. This section does not apply to:

(a) A person who begins receiving a service retirement allowance or a benefit from the police and firemen's retirement fund before July 1, 1981.

(b) An employee of the State of Nevada.

(Added to NRS by 1979, 945, effective July 1, 1981, if total contribution rate then required is not less than rate recommended by actuarial report as of June 30, 1980)"

The Retirement System's Actuary, the Martin E. Segal Company, in their actuarial report as of June 30, 1980, provided recommendations on the contribution rates for police and firemen under both contribution plans. We had previously received an estimate from the Actuary that to provide the benefit outlined in NRS 286.667, the cost would be 1.58% of payroll. Therefore, the contribution rates that would be required according to the provisions of this statute, if enacted, would be as follows:

	<u>Employee/ Employer Plan</u>	<u>Employer-Pay Plan</u>
Recommended Contribution Rate, Current Plan	18.29%	17.06%
Cost to Provide Additional Benefit	1.58%	1.58%
	<u>19.87%</u>	<u>18.64%</u>
Rounded	20.00%	18.60%

The Retirement System opposes this provision. The Retirement Board members did not express the exact reasons that they voted against it. However, during the testimony on the bill there were several statements made. One statement questioned that the System should provide a benefit to one group of members and not to all members. Another statement was that the time was not right to add new benefits costing additional public monies when revenues were decreasing.

We have calculated the impact that implementation of this statute would have upon public employers in the State of Nevada. The additional retirement contributions that would have to be paid annually by public employers are as follows:

<u>ENTITY</u>	<u>AMOUNT</u>
State of Nevada	\$123,188
Counties	530,532
Cities	313,488
Other	<u>20,564</u>
TOTAL	<u>\$987,771</u>

We have contacted a number of public employers throughout the State of Nevada and they all oppose implementation of this provision.

The various police and fire groups have always questioned why any one would oppose their getting this additional benefit "as long as they are willing to pay for it". What we find they are now doing is not offering to pay for the additional benefit, but rather allow it to be absorbed by the Police and Firemen's Retirement Fund. Their testimony indicates that they do not feel that there would be any additional cost to pay for this provision. This question was posed to our Actuary who

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indicates that the benefit definitely does have an additional cost. He cited an example of a policeman or fireman who might retire at age 55 with a \$1,000 per month benefit. The present value of the lifetime benefit that he would receive under the unmodified allowance would be \$119,870. If the same policeman or fireman elected option 2 or 3, the reduction in the benefit that the policeman or fireman would receive, combined with the benefit that the beneficiary would receive after the policeman's or fireman's death, would remain at \$119,870. On the other hand, if this 50% automatic survivor benefit provision is implemented, the total received by both the policeman or fireman and their beneficiaries would increase in value to approximately \$130,290.

The Retirement System performed the same type calculation comparing the two benefits assuming six policemen or firemen and their spouses shown as beneficiaries live to normal life expectancy. The six policemen or firemen are actual cases. They represent six members who we are aware are contemplating retirement in the foreseeable future. Our calculations indicated that the new benefit represents a 10% increase in the total benefits over the amount they would have received had they chosen option 3. We feel that this substantiates the fact that there will in fact be an increase in cost as projected by the Actuary.

The present Retirement Statute provides all members of the System not only the unmodified allowance but also seven different options that a member may chose for beneficiary protection. These options have been established in order that the member might have an election regarding the matter. This new benefit requested by the police and firemen would remove that option. Our records reflect that 19.25% of the members of the Police and Firemen's Retirement Fund are unmarried. These numbers were derived by performing a random sampling of approximately 10% of the total membership of the Police and Firemen's Retirement Fund. This provision, if incorporated to reflect the higher cost, will mean that the unmarried members will be paying for a benefit for which they cannot take advantage.

In summary, we feel that this provision does not represent legislation which should be enacted at this time. It provides to police and fire members a benefit which is not available to all members. There will be an additional cost associated with the benefit. We would assume that this additional cost will be immediately realized by public employers through an increase in the contribution rates. If the benefit is passed without an immediate increase in contribution rate, then we feel that the 1982 actuarial report will determine that the contribution rates in effect are insufficient to pay for the benefits provided. The increase in contribution rates will have to be made at that time.

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We urge that you vote against this amendment. However, if your Committee does favorably consider this amendment, then the Retirement Board requests that it be made applicable to all members. This benefit has nothing to do with hazardous duty. Also, if favorably considered, the retired employees would like it made retroactively applicable to them.

Sincerely,



Vernon Bennett
Executive Officer

WKK:dd

CC: Assembly Government Affairs Committee
Retirement Board

21.2

AMENDMENT TO AB 168

Amend 286.667 (2) as follows:

Upon the death of such a person, a person who was his spouse both at the time of his retirement and the time of his death is entitled to receive, upon attaining the age of 50 years, a benefit equal to 50 percent of the service retirement allowance to which the retired employee was eligible. (upon attaining the age of 50 years)

Amend 286.667 (3) as follows:

This section does not apply to:

(a) A person who begins receiving a service retirement allowance or a benefit from the police and firemen's retirement fund before July 1, 1981.

~~((b) An employee of the State of Nevada.)~~

(b) A person who, at time of retirement, elected one of the alternative options provided in NRS 286.590.

Amendment to AB 168 by the Nevada Political Employees
Action Coalition

On page 14, after line 7 add the following:

Sec. 27. Delete NRS 218.2376, 218.2378, 218.2384, 218.2385, 218.2386, 218.2389 and 218.2391 in their entirety and insert the following: Except for the specific provisions of NRS 218.2371 through 218.2375, members and benefit recipients of the legislator's retirement system shall be administered in accordance with the provisions of NRS 286 as applicable to members and benefit recipients of the Public Employees Retirement System of Nevada.