3/9/81
Page 1

MEMBERS PRESENT: Chairman Bremner
Vice Chairman Hickey
Mr. Bergevin
Mr. Brady
Mr. Coulter
Mr. Glover
Mrs. Hayes
Mr. Horn
Mr. Marvel
Mr. Robinson
Mr. Vergiels
Mrs. Westall

MEMBERS ABSENT: Mr. Rhoads (Excused)

OTHERS PRESENT: Bill Bible, Fiscal Analyst; Judy Matteucci, Deputy Fiscal Analyst; Mike Alastuey, Deputy Budget Director; (SEE ATTACHED GUEST LIST).

Chairman Bremner called the meeting to order at 8:00 a.m.

AB 154

Mr. Wilbur Keating, Assistant Executive Officer of the Public Employees Retirement System, addressed the committee and stated that AB 154 is related to public employees' retirement; it provides for a monthly increase in certain benefits; provides for an annual increase for all retired employees and beneficiaries; provides that the board may require annual statements; includes independent contracts in the restricted employment of retired employees; increases the limitations on the earnings of retired employees with public employers; and provides for other related matters.

Mr. Keating stated that Section 2 of the bill provides that the $3 to $20 per month post-retirement increase which was granted to all benefit recipients in 1977 shall continue indefinitely. He added that Section 3 of the bill provides a percentage increase to all benefit recipients on July 1, 1981, and again on July 1, 1982. He said it proposes an increase of from 3 to 10 percent, which cost will be borne by the system and will be paid to these individuals for the remainder of their lives. He indicated it is set up on a sliding scale. He said the cost is estimated to be $27,000,000.

Mr. Keating said that Sections 4 and 5 of the bill have been covered by other bills and recommended that they be amended from the bill.

Mr. Glover asked if there had been litigation against the Retirement System pertaining to the sliding scale. Mr. Keating stated this litigation was not on post-retirement increases. He said the litigation being faced now was brought by persons who had retired prior to the enactment of certain benefit increases in 1977. He stated the litigation has not come to trial yet.

Mr. Glover asked for an explanation of page 2, lines 26 through 29. Mr. Keating said this portion of the bill is recommended for deletion.

Mr. Robinson asked if applicants who overlook putting in their notarized statements will be penalized as well as having their benefits withheld. Mr. Keating said they are not penalized and when their notarized statement comes in, they will receive all benefits retroactively.

Mrs. Westall asked what the purpose of the notarized statement is. Mr. Keating said this helps insure that the benefit recipients that are receiving the checks are in fact the proper person and are still alive.

Mr. Keating addressed an amendment on page 1, line 18, and stated that they would like to change this to read on July 1, 1981 and July 1, 1982. He stated page 2, line 26 through 29 should be changed to read that the beneficiary should be entitled to the post-retirement increase for the number of years that the beneficiary had been receiving retirement.

3/9/81
Page 2

Again, on page 2, lines 30 through 50, Mr. Keating stated this is the provision for requesting the notarized statements. He said this is included in AB 168 and is recommended for deletion from AB 154. He stated lines 9 through 39 should be deleted in their entirety on page 3. He stated this section has been put into AB 34.

Mr. Glover asked what effect would be felt by deleting lines 26 through 29 on page 2 of AB 154. Mr. Keating said this will allow the beneficiary to receive the percentage increase applicable to the full period of retirement of the retired employee. He stated that this does not effect the fiscal note, as it has been built into it when it was first implemented.

Mr. Robinson asked if another upgrading of the percentages would be needed during the next session. Mr. Keating said that they will have to return for further legislation to upgrade the percentages.

Mr. Robinson asked what would happen if the system fails to continue to make money, will the percentages go down and will they have to ask for general fund monies. Mr. Keating stated that what they are actually looking at from the 1983 Legislative session is some sort of permanent financing for post-retirement increases. He said if the system begins to lose money, they will have to look toward the general fund for help and they will also have to consider increases in retirement contributions and decreases in percentages paid.

Mr. Brady asked if the system could continue to finance the benefits if the $10 million on loan from the state to the system was withdrawn. Mr. Keating said they could finance this and they could pick this up, but he stated they must find a funding method for the post-retirement increases. Mr. Keating stated that the interest from the $20 million that was set aside from the last session is paying the increases that were granted during those two years.

Mr. Robinson asked what the balance is in the fund now. Mr. Keating said the balance in the interest account is in the area of $1,000,000.

Mr. Vernon Bennett, Executive Officer of the Public Employees Retirement System, added that the $20 million was used to pay new benefits beginning July 1, 1979, and July 1, 1980, which kept the costs relatively low because the new increase was only being paid for one year. He said by the second year they had a new benefit to pay from this fund, which doubled the cost. He added that within the next two years, they will break even, and by the fourth or fifth year they will be slightly in the hole for about five years and as the retired employees begin to decease, the program will level off by about the tenth year. He said there are no additional employees coming into this group and eventually they will all demise.

Mr. Glover asked what the average interest is that is being received on the investments of the systems. Mr. Bennett stated the investment return last year was 10.08 percent which was an increase from the previous year's returns of 8.96 percent. He added that this return is averaged on the entire portfolio. He said over $200 million in investments at 4, 5, and 6 percent were purchased in 1960 and early 1970 and must be held. He added that the average return on new investments made last year was approximately 14 to 15 percent. He said the estimated return for this year will be between 10.25 to 10.50 percent and interest income will increase from $67 million to about $85 million.

Mr. Warren Fowler, Representative of the Retired Public Employees of Nevada, addressed the committee and stated that his organization is basically in favor of AB 154 with the exception of paragraph 3 which would require the beneficiary to go back to step one. He stated that the contention of his group is that this paragraph should be omitted from the bill.

Mr. Orvis Reil, representing the American Association of Retired Persons, addressed the committee and stated that his organization is also in favor of AB 154 with the exception of paragraph 3, which they feel should be deleted.

AB 26

Mr. Vernon Bennett, Executive Officer of the Public Employees Retirement System, addressed the committee and stated that AB 26 is a bill introduced by assembly members which would basically provide that the retirement system would be able to establish an optional investment program for members and benefit recipients. He stated that one of the objectives is to eliminate some of the need for large cost of living increases for people after they retire. He added that the Retirement Board has taken no position regarding this bill because they are currently under an austerity program which outlines certain personnel and service cuts and didn't want to support an increased, new service. He pointed out that some amendments have been prepared to the bill which, if adopted, will allow the system to augment the budget. He said this will allow necessary computer programming, printed brochures, etc., with the understanding that within 5 years the participants in the optional investment program would have to fund the amount of the augmentation.

He pointed out that 3 basic plans will be offered to retirement applicants; (1) a benefit of so much a month based on the return of the system, leaving the principal intact; (2) a flat annuity which would be so much a month, and would be paid from interest as long as it is available, and thereafter from principal until the money is gone; and (3) upon retirement, withdraw the total amount in a lump sum.

Mr. Robinson asked if people who pull out of the system receive the interest that their contribution has made. Mr. Bennett stated that under the current laws, they do not.

Mr. Robinson asked if the program, as established under AB 26, will be a deferred compensation program, thus allowing investors to defer payment of taxes on interest on the savings until such time as the savings is used. Mr. Bennett stated that it is not a deferred compensation program, however, the interest accruing on the savings may be taxable as it accrues. Mr. Robinson stated that it should be of concern to the system that people be prohibited from using the program as a bank. Mr. Bennett stated that, as set forth in their recommended letter of intent, it is the intention of the program that it not allow withdrawal of vested funds and interest unless the member terminates or retires. He added that it is intended to be a long term program and if a person drops out, he cannot come back into the program.

Mr. Glover asked if people who are not vested and leave their money in the system would have to draw the money out as a lump sum. Mr. Bennett stated that the system probably could work out some sort of a plan whereby at age 60 they could begin drawing the benefits.

Ms. Joyce Woodhouse, President of the Nevada State Education Association, addressed the committee and stated that the association is greatly in favor of AB 26. In response to Mr. Robinson, Ms. Woodhouse stated that the concern of the teachers who have asked for this legislation is that this be a long term retirement plan for them. She added the teachers have expressed no intentions of using this program as a bank.

Mr. Warren Fowler testified on behalf of the Retired Public Employees of Nevada and stated that his group is very much in favor of AB 26.

ACR 18

Mr. Vernon Bennett addressed the committee and stated that ACR 18 allows the members of the legislature to understand and concur with the Retirement Board's position that they not comply with the Federal Accounting Standards Board's Statement Number 35. He said this standard, in effect puts public agencies and their annual reporting requirements under the same jurisdiction as taxable entities. He added that this created two basic problems for the retirement system, the first being that they would be required to perform an additional actuarial computation each year which in the

3/9/81
Page 4

system's opinion is totally unnecessary; secondly, it requires that on the last day of a reporting period, the system must report the securities at market value as of that date. He added that the system has a large common stock portfolio which changes by the minute. He stated that to comply with Statement 35 of the Financial Accounting Standards Board would cost at least $50,000 initially, and that cost would increase each year thereafter.

He said the only thing that would happen if they did not comply with the Statement is that they would save $50,000 and get a qualified audit.

Mr. Bennett stated that in case the Legislature determines that they should comply with Statement 35, the system requests the right to reappear before the committee to augment the budget for the additional $50,000 to make full compliance. He stated that compliance with Statement 35 would be misleading to the investors and would promote an onslaught of calls and inquiries. He stated that testimony was given to the Financial Accounting Standards Boards that public retirement systems are not taxable and they should not have to account and file reports as though they were. He stated the Board totally ignored this testimony and Statement 35 came as a result of this. He added that many states have chosen to ignore the statement and have created no problems as yet.

Mr. Robinson asked what actual harm is done if the reports are filed and the distortion is published. Mr. Bennett stated that with the 42,000 current members and 6,200 benefit recipients, the onslaught of phone calls and correspondence would be tremendous. He added that responding to these phone calls and mail inquiries would place an undue burden on his staff and would necessitate the expenditure of a large sum of money over the years.

Mr. Horn asked what the current market value of the portfolio is. Mr. Bennett stated that it is estimated at $800 million with a current market value of approximately $760 million. Mr. Bennett indicated that they have from $6 to $9 million in income coming in each month from contributions and investment income. He stated that $5 million a month is investment income.

Mr. Robinson asked if the portfolio value is publicized for members. Mr. Bennett stated that the reports showing the value will continue to be made as they have been in the past. He said the reports will not comply with Statement 35 of FASB.

<u>AB 91 and AB 261</u>

Assemblyman Joe Dini addressed the committee and stated that the bills are requesting appropriations to help out the Lyon County School District with a serious problem they have with regard to the furnishing of two new high schools. He stated that <u>AB 261</u> directs the Board of Examiners to allocate the money out of the Distributive School Fund.

Mr. Dini pointed out that a great deal of the tax base was removed from Lyon County with the withdrawal of the Anaconda Copper Company. He added that geographically the areas of population are very spread out and thus require the maintenance of their own schools in each little area.

Senator Getto commented in support of Mr. Dini and pointed out that the Nevada School Plan must be analyzed in great detail because counties such as Lyon and Lincoln have become very impacted and are not able to provide an adequate education to the students. He pointed out that Lyon County, if it does not receive some help from the Legislature, will not be able to provide an adequate education to their students because they will not be able to furnish the schools.

3/9/81
Page 5

Mr. Bob Cox, an attorney who represents the Lyon County School District, directed the attention of the committee to a handout, a permanent copy of which is on file with the office of Fiscal Analysis. Mr. Cox introduced Mr. Craig Blackham, Assistant Superintendent of the Lyon County School District.

Mr. Cox stated that the Nevada Plan has "short changed" the Lyon County School District for the past seven years. He stated that the county is widespread and has extreme needs. Mr. Cox stated that a $10 million bond issue was passed in Lyon County but construction did not begin on the new schools until one year later. He stated that problems arose prior to the beginning of construction which were not foreseen because of a lack of staff to properly analyze the construction needs that existed in Lyon County. He stated that as the problems arose, the cost of the construction increased and in addition inflation accounted for additional financial problems. He pointed out that this is the basic reason for the shortfall in funds to finish constructing and furnishing the schools.

He stated that $711,835 is being sought for furnishing the two high schools. He said without the funding the high schools will not be able to open. He added that the State Board of Education has recommended that the entire amount sought be funded. He addressed the attention of the committee to a portion of the information handed out, which renders an opinion written on behalf of the school districts pointing out the legalities of granting these funding requests.

Chairman Bremner asked why it was necessary for two new high schools to be built at the same time. Mr. Blackham stated that population growth in the Fernley area has been such that a new high school had to be built; adding that Fernley has become a bedroom community for Reno. He added that Carson City no longer accepts high school students from the Dayton area and this was the reason that a new facility had to be built in that area.

Chairman Bremner stated that he believed the Carson City policy had changed with regard to Dayton students. Mr. Blackham stated that this occurred this last year and the construction on the new high school had already started.

Mr. Glover asked why the school district just didn't go to another bond issue. Mr. Blackham stated that a bond issue at this time just simply would not allow them to stay on track because of the time involved. He stated that it probably would not pass because of the economics of Lyon County.

Mr. Glover asked how far along the construction of the schools is. Mr. Blackham stated that the Dayton School is about 75 to 80 percent complete. He added that they are at a point where they should bid specify bleachers, science equipment, library equipment, and kitchen equipment so that while the contractor is there, he can help with the installation of this equipment.

Mr. Vergiels asked if Lyon County will be able to survive for 2 years while a study of the Distributive School Fund is being completed and asked if they would need additional state support to operate the two schools. Mr. Blackham stated they would need additional basic support to help open and operate the schools. He added there would be no way they could operate the 2 new high schools without additional basic support.

Mr. Vergiels asked if this would be the last time the County would appear before the committee and request additional support. Mr. Blackham stated they would not be back before the Board of Examiners for equipment money. He stated this is the only time they will need this type of equipment money, but it is too early to tell whether they will require future funds for other matters.

Mr. Robinson asked why certain operational cuts were made when it now appears that they are back requesting emergency funds. Mr. Cox stated that there are no other requests under capital funding for emergency needs.

3/9/81
Page 6

Chairman Bremner stated that five counties received emergency funds for operating, including Clark, Carson City, Lyon, White Pine and Churchill.

Mr. Blackham stated that Elko County received a similar sum of money as did the Alamo School this past year. Chairman Bremner added that this was for a school that burned down and reimbursement is supposed to come from the BIA.

Mr. Brady asked how many children would be enrolling in the Dayton High School. Mr. Blackham stated that 275 youngsters would be enrolled at the opening; adding that part of these students would be 7th and 8th graders. Mr. Brady asked if the district would have to request funds for staffing needs. Mr. Blackham stated they would have to return to ask for additional basic support to start the school.

Mr. Brady asked if there is room in the Yerington High School to accommodate the Dayton students. Mr. Blackham stated it is just too far to transport the students.

Mr. Hickey asked why an adequate bond was not requested in the beginning. Mr. Blackham stated that at the time the bond was put to the people, the district was at its maximum indebtedness.

Mr. Robinson expressed concern that proper planning be done in advance to avoid these types of funding problems in the future. He stated that schools would be coming in from all over asking for emergency funds if proper budgetary plans are not devised to begin with. Mr. Blackham stated that there presently is a request in the Executive Budget for $75,000 to conduct a study of operational costs and basic support. Mr. Cox added that this should take care of the problem in the future.

Mr. Hickey pointed out that if Carson is now willing to take back the Dayton students, the State Board of Education should address this matter. Mr. Blackham stated he has talked with the Carson City School District about the possibility of continuing a tuition agreement in the event they cannot open the school. He added this has not been resolved at this point in time.

Chairman Bremner stated that the language in AB 261 is going to have to be made more specific as to the amount of money actually needed.

Assemblyman Dini addressed the committee and commented that the schools were built for very specific reasons. He said the Fernley School was built because the area is just over populated and other schools in the area became over populated and had to go to double sessions. He stated that the problems in these areas are going to continue to grow as long as Carson City has a moritorium on building within the Carson City city limits. He added that the overflow, mobile homes and other low tax base housing are coming into their area which is not increasing the tax revenue to the county.

Ms. Myrna McDonald, representing the State Board of Education addressed the committee and stated that the Board is in full support of the fund requests of Lyon County.

AB 213

Mr. Barton Jacka, Director of the Department of Motor Vehicles, addressed the committee and stated that AB 213 is a single shot appropriation for the moving costs and the maintenance and telephone system in the new building. He stated that the contractor estimates that the building will be ready to occupy in February of 1982. He stated that the breakdown of the funds needed is $8,000 to move the furniture and equipment from the existing building; $142,350 is the $6.10 per square foot charge for maintenance and utilities that is a pass along cost to Buildings and Grounds Division of General Services; $3,000 to move telephone equipment from the present building into the new building; and additionally, a paging system at a cost of $4,000 and a call sequencer for a cost of $1,100.

3/9/81
Page 7

Mr. Jacka pointed out that the original budget for construction was $4,058,400 and the bid came in at $3,253,900; which reflects a $804,500 savings that will revert back. He added that the Public Works Board has indicated they will revert back some $750,000.

Mr. Vergiels asked what was the purpose of the $8,000 and the $142,350. Mr. Jacka stated that the $142,350 is the actual utilities and janitorial service that Buildings and Grounds charges them at the rate of $6.10 per square foot. He added that the $8,000 is for the physical moving of the equipment.

Mr. Bible asked if an amendment should be made on the bill since the operational costs are included. Mr. Alastuey stated that the relocation costs do include the cost of moving and the phone systems, utilities and B&G services. He added if an amendment to the bill would clarify use of the money, they would concur. Mr. Alastuey pointed out on page 901, the state owned building rent for administrative services in DMV goes up from $500,000 in the first year to $800,000 in the second year, reflecting the coming on line of the new footage.

AB 215

Dr. Ralph DiSiBio, Director of the Department of Human Resources, addressed the committee and stated that AB 215 is for a supplemental appropriation totaling $1,979.84.

Mr. Glover asked about the 3 matters that are attached to the bill. Chairman Bremner stated that the committee has received an opinion from the Attorney General on these items, this opinion has been forwarded to Frank Daykin for his review, and when this is completed, it will be presented to committee members.

AB 212

Mr. Charles Wolff, Director of the Department of Prisons, addressed the committee and stated that AB 212 requests an appropriation of $113,194 for the purpose of paying travel expenses for employees who commute at the Southern Nevada Correctional Center.

Chairman Bremner asked if there is any money remaining in the fund originally established to pay employees mileage. Mr. Alastuey stated there is presently about $34,000 in the fund; however, there is a request to Interim Finance which proposes to reallocate those funds.

Mr. Hickey asked where the funds will go when they are reallocated. Mr. Alastuey stated it is a very complex package of reallocations within the same budget.

Chairman Bremner asked why the appropriation could not be reduced by the $34,000 amount if those funds were unencumbered. Mr. Alastuey stated the funds were designated for salary purposes through January 31, 1981. He stated the Budget Division proposes to reorient these funds within the prison system budgets to other purposes and to provide this $113,194; adding that they are unencumbered for salary purposes.

Mr. Horn asked what period of time the funds are set to cover. Mr. Wolff stated it is to cover January 1, 1981 through June 30, 1981. He stated that funds to cover mileage from July 1, 1981 have been included in the budget requests. Mr. Horn asked if people who had terminated from the Jean facility would be paid. Mr. Wolff stated they would be paid and every effort would be made to locate them.

Mr. Glover stated that the capital improvement subcommittee had discussed the psychological benefit of paying the employees for their travel costs in a separate check. He asked what problems this would create. Mr. Alastuey stated there would be a substantial cost involved in issuing a separate check.

3/9/81
Page 8

Mr. Vergiels asked why the request was based on 100 percent of staffing, even though the institutions will never reach this. He stated that all funds were not utilized last time when requests were based on 100 percent of staffing, and in order to avoid this same occurrence, perhaps allocations should be based on something less than 100 percent of staffing. Mr. Bill Latin stated that vacancies currently are running between 17 and 23. Mr. Vergiels asked for vacancy information for the Jean facility for the year prior to the Interim Finance action. He stated that if paying mileage appears to not be attracting people to work at the facility, that perhaps another method should be considered. Warden Wolff stated he will provide the vacancy information for the year prior to coming to Interim Finance.

Mr. Vergiels asked if a complete background check was being done on employees before they are hired. Mr. Wolff stated that they do not complete the background check always before hire, it depends on how short they are on positions.

Mr. Alastuey stated that the percentage of vacancies at the Jean facility would not be the same percentage used in determining the pay differential for travel because it may be that a regular employee might have to travel to the facility and work overtime to fill in for someone who is ill or on vacation.

Mr. Robinson asked how many employees are involved in the pay method. Mr. Bill Latin, Superintendent of the Southern Nevada Correctional Center, stated that approximately 140 positions are involved. Mr. Robinson asked if the facilities were available if employees would live at Jean. Mr. Wolff stated that the employees are not receptive to living in Jean.

Mr. Horn asked how many people are being paid who no longer work at the facility. Mr. Wolff stated he did not know but he would provide the information. Mr. Latin stated that in January and February, after they didn't pay the commute differential, the resignations ran 4.5 per month. He added that this would account for 9 people that would have to be paid differential for 2 months.

Mr. Glover asked if it is possible to show the mileage paid as a separate item on the payroll check. Mr. Alastuey stated there would be an additional cost from data processing to show this on the payroll checks.

Mr. Perry Comeaux stated that the funds that were budgeted previously for travel differential were not all used because some people did not travel to the prison each day. He stated this is because of sick leave, vacation time, and other factors such as this.

AB 153

Mr. Bill Bible addressed AB 153 and stated that this would change the method by which Interim Finance would consider work program revisions and work program augmentation requests that are submitted to the committee for review. He added that if a work program is submitted to the Interim Finance Committee, the committee has 45 days after the request is submitted to its secretary within which to approve or deny the revision. He said any request which is not denied within the 45 days, is approved.

Chairman Bremner pointed out that items were approved without being voted on because this 45 day period was exceeded.

Mr. Glover asked if any consideration was given to changing some of the amounts the committee has to deal with. Chairman Bremner stated that no consideration has been given to changing the amounts.

Mr. Robinson and Mr. Bergevin pointed out confusion that exists in the language as it is set forth in the bill and stated that it should be clarified before it is acted upon.

3/9/81
Page 9

Mr. Bob Gagner, Executive Director of the Nevada State Employees Association, addressed the committee and stated that his organization would like to request that the committee consider an amendment to this bill to provide a vehicle for a problem that may arise with the adoption of MX. He added that the proposed amendment would repeal the current law that allows Interim Finance to grant increases to state employees other than as exceptions to the 95 percent law; adding that they would like it to read that Interim Finance could grant salary increases for certain classifications.

Mr. Glover commented that it is possible that all state employees could be lost in Eastern Nevada next May with the implementation of MX. Mr. Gagner stated that his organization is not opposed to having direct MX impact language written into the legislation.

The meeting was adjourned at the hour of 10:30 a.m.

Library Note:

The minutes do not make mention of the following documents submitted to the committee. Because none of the attached material is labelled, it is impossible to determine which exhibits are or are not complete or missing.

Research Library
October 2014

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

March 6, 1981

The Honorable Roger Bremner
Chairman, Assembly Ways and Means
Nevada State Legislature
Legislative Building
Carson City, Nevada 89710

Re: AB 26, AB 154 and ACR 18

Dear Assemblyman Bremner:

Bill Bible has suggested that we provide copies of our testimony on AB 26, AB 154 and ACR 18 to you and members of the Committee today so that you will have sufficient time to review same before the hearing scheduled on March 9, 1981. Our testimony is enclosed for your consideration.

Please advise if you have any questions or need additional information prior to the hearing.

Sincerely,

Vernon Bennett

Vernon Bennett
Executive Officer

VB:dd
Enclosures
CC: Ways and Means Committee

O-207

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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TESTIMONY BEFORE THE ASSEMBLY WAYS AND MEANS COMMITTEE REGARDING ACR 18 - MARCH 9, 1981

I am Vernon Bennett, Executive Officer of the Public Employees Retirement System of Nevada.

ACR 18 is an amendment proposed by the Retirement System. It would provide legislative support for the Retirement System's position that we should not participate in new accounting requirements prepared by the Federal Accounting Standards Board which would incur an additional cost of approximately $50,000 per annum to PERS.

The Federal Accounting Standards Board would require an additional actuarial study each year which our Actuary, Dr. John Mackin of the Martin E. Segal Co. has advised is unnecessary and misleading. We would be required to list our securities each June 30 on market value and print those figures even though they will be changed by the following day. The System currently lists securities in our annual reports at cost, which is a standard procedure among most public retirement systems nationwide. We recognize that failure to comply will probably result in a qualified audit. However, the System feels that it would be in our best interest to not comply and to accept the qualified audit. A qualified audit would not harm the System because we are not required to borrow money. ACR 18 would state that the Legislature understands and concurs in the System's position.

We respectfully request your favorable consideration of ACR 18.

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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TESTIMONY PROVIDED TO THE ASSEMBLY WAYS & MEANS COMMITTEE REGARDING ASSEMBLY BILL 154 ON MARCH 9, 1981

I am Vernon Bennett, Executive Officer of the Public Employees Retirement System of Nevada. Assembly Bill 154 is the Retirement System's bill to provide cost-of-living increases. We would like to provide a brief explanation of Sections 2 and 3 and then request suggested amendments. We will not cover Sections 4 and 5 until we comment on the amendments because we are requesting that these sections be deleted.

Section 2 applies to an additional cost-of-living increase passed by the 1977 Legislature for a two year period which was then extended by the 1979 Legislature until June 30, 1981. This provision was extended in SB 258 of 1979 which is currently listed by the Legislative Counsel under "Special Acts Concerning Public Employees Retirement." The bill drafter's approach is to allow the provisions of SB 258 of 1979 to expire on June 30, 1981, as written and has established the identical benefits in AB 154, Section 2, to be continued July 1, 1981, and thereafter for the remainder of the benefit recipients lives at the expense of PERS. It is our understanding that this provision is supported by all retired employee groups.

Section 3 will establish new post-retirement increases beginning July 1, 1981 and July 1, 1982, to all eligible benefit recipients. The 1975, 1977 and 1979 Legislatures enacted similar benefits on the 3% to 5% formula. The System has discussed and mutually agreed upon this formula with the Actuary and all retired employee associations. This proposal will extend the increases to 3% to 10% so that a person who has been drawing benefits 14 years or more will receive 10%, 13 years or more, 9.50%, etc. The cost will be approximately $27 million to pay the new benefits for the remainder of those persons lives and the lives of their beneficiaries. The cost will be absorbed by the Retirement System. Subsection 2, page 2, lines 22 through 25, will allow for a prorated benefit for the first year for people who have entered into retirement but have not been drawing benefits for a full year. This will eliminate a problem where some employees try to establish their first day of retirement eligibility geared to our post-retirement increase program rather than to a date that is appropriate to them and their employer. We will be pleased to answer any questions which the Committee may have regarding Sections 2 and 3.

We respectfully submit to the Committee requests for five amendments which are as follows:

1. In the title on line 3, after the first ";" delete the words "provide that the Board may require annual statements;", delete lines 4 and 5 in their entirety and on line 6, delete the words "public employers;".

Comment: This is a technical correction to the title to comply with suggested amendments that will follow.

2. On page 1, line 18, after the "1" delete "of each year" and insert , 1981 and July 1, 1982, .

   Comment: This is a technical correction to clarify that the new benefits only begin July 1, 1981 and 1982, which was the System's intent and request. The current wording would appear to commit the System to provide this equivalent benefit for each year in the future which was never intended.

3. On page 2, delete lines 26 through 29 in their entirety.

   Comment: This section, as written, would determine that a beneficiary would receive a percentage increase based on the time that the beneficiary had been drawing benefits. Previous cost-of-living increases allowed the beneficiary to also use the time that the retired employee had been drawing benefits. Our retired employee associations have requested that we reconsider this provision because of the hardship it may incur to beneficiaries. Our Actuary, Dr. John Mackin of the Martin E. Segal Company, has reviewed the matter and determined that the cost would be to minimal to compute and has recommended that the provision be deleted. Adoption of this amendment will mean that cost-of-living increases for beneficiaries will continue to be computed in the same manner as provided by the 1975, 1977 and 1979 legislation.

4. On page 2, delete lines 30 through 50 and on page 3, delete lines 1 through 8 in their entirety.

   Comment: This section has been amended into AB 168 to eliminate a conflict with that bill. Both bills were amending NRS 286.190. AB 168 is the System's general legislation bill which is being considered by the Assembly Government Affairs Committee and will then be referred to the Ways and Means Committee for consideration of sections which have fiscal impact.

5. On page 3, delete lines 9 through 39 in their entirety.

   Comment: This section has been amended into AB 34 to eliminate a conflict with that bill. Both bills had legislation affecting NRS 286.520. AB 34 has been passed by the Assembly and the Senate, as amended, and been returned to the Assembly for consideration of Senate amendments.

We will be pleased to answer any questions which the Committee may have regarding the requested amendments or AB 154 has a whole.

VB:bb

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

TESTIMONY PROVIDED TO THE ASSEMBLY WAYS AND MEANS COMMITTEE REGARDING ASSEMBLY BILL NO. 26 ON MARCH 9, 1981

I am Vernon Bennett, Executive Officer of the Public Employees Retirement System of Nevada. Assembly Bill No. 26 would establish an optional contribution program for members and benefit recipients of the Public Employees Retirement System and the Legislators' Retirement System so that they will have the opportunity to improve their income after retirement. This bill would allow them access to the investment expertise which has been developed by the Public Employees Retirement System.

The Retirement Board has determined "no position" regarding A.B. 26. However, based on discussions among members of staff and with our Deputy Attorney General, we would like to suggest the following amendments to the bill:

1. On page 1, line 4, between the word "employees" and the word "to" insert the following: <u>whose funds are administered by the board</u>

   COMMENTS: This amendment will ensure that it is the legislative intent that members of the Legislature and retired Legislators will also be entitled to participate in this program.

2. On page 1, after line 9, add the following:

   (d) <u>Allow for charging participants a servicing fee to offset the expenses involved in establishing and maintaining the program, with offset fees augmenting the 1982-83 biennium budget of the system as approved by the legislature.</u>

   COMMENTS: This amendment will allow the System to charge a fee to offset the expenses involved in writing the program. In addition, it will allow the System to augment our approved budget. Otherwise, we would have insufficient budgetary funds to run this program.

   (e) <u>Utilize administrative funds as provided in NRS 286.230 to set up the program with repayment to the administrative fund through the servicing fee.</u>

COMMENTS: This provision is necessary in order that the System may use administrative funds to initially set up this program and incur expenses.

3. Section 3. This program shall be developed and implemented no later than July 1, 1982, or the date in which at least 1,000 participants enroll whichever occurs later.

COMMENTS: It is our intention that this program will be developed and in operation by July 1, 1982. However, if we are unable to attract at least 1,000 participants into the program, then in all likelyhood, the administrative costs per participant would be too high to make the program effective.

4. Section 4. This program shall be developed by the Board with the approval of the Interim Retirement Committee of the Legislature.

Enclosed is a copy of a letter of intent which was prepared by the System for the Chairman of the Ways and Means Committee. It is suggested that this become a part of the official record of the testimony regarding the bill, but not be included in the statutory language. It is possible that some alternatives will have to be made in developing the program in order to conform with other statutes and national laws. Therefore, if these intentions were included in the statute, it might be possible that they would preclude finalization of the program.

VB/emv
Enclosure

February 9, 1981

Frank W. Daykin, Legislative Counsel
Legislative Counsel Bureau
Legal Division
Legislative Building, Room 104
Carson City, Nevada 89710

Dear Frank:

This is a letter of intent regarding AB 26. This bill may be affected by regulations of the Securities and Exchange Commission and the Internal Revenue Service, plus interpretations by the Attorney General's Office and Investment Counsel. We are making this statement for the record because we are unable to put in the bill the specific procedures to be implemented.

It is the intent of the Ways and Means Committee to establish an optional additional contribution program for members and benefit recipients of the Public Employees Retirement System and the Legislator's Retirement System so that they will have the opportunity to improve their income after retirement in some manner.

We intend to allow them access to the investment expertise which is available in the Public Employees Retirement System. We intend for the program to be developed by the Public Employees Retirement System and funded in advance from existing PERS funds to be reimbursed later by contributions from participants. This is necessary because the original start-up cost may range from $50,000 to $100,000. We do not intend for this to be a savings program, but rather, a supplement to retirement. We feel that the program should not be implemented unless 1,000 people are enrolled. The normal administrative cost for less than 1,000 participants would be prohibitive.

We intend that this program would not allow withdrawal of invested funds and interest unless the member terminates or retires. The member who terminates should have the option to leave the funds in if he so desires but not be allowed to make additional contributions. Legislators should be allowed to make monthly contributions by submitting twelve postdated checks each year. Upon retirement, the member should have the option to withdraw the funds either in a lump sum, draw an annuity based on investment performance which could be continued to the spouse or take a straight draw of so much per month until the investment income and principle has been exhausted. We feel it would be practical to have the administrative fee deducted annually from earned income.

At initial implementation, we intend that PERS will develop procedures and begin enrollment by December 31, 1981, with implementation and contributions to begin by June 30, 1982, or whenever a total of 1,000 people are enrolled, whichever occurs first. We do not intend for PERS to have to perform the major programming or printing, etc., until they have 1,000 enrollees committed.

We would appreciate if you would make this letter of intent an official part of your records regarding AB 26 so that they will be available for future reference and analysis.

Sincerely,

Roger Bremner
Chairman - Ways and Means Committee

VB:dd
CC: Public Employees Retirement System

The State of Nevada
Executive Chamber

Robert List
Governor

Capitol Complex
Carson City, Nevada 89710

MEMORANDUM

TO: Mr. Howard Barrett

FROM: Mr. John Capone

SUBJECT: Review of SNCC Transportation Problems

The following is a formal report submitted by the Governor's committee on the problem of transportation costs for employees at Southern Nevada Correctional Center.

The members of the committee are as follows:

John W. Capone	Employee Relations Officer for Governor List
Robert Gagnier	Executive Director of SNEA
Charles Wolff	Director of Department of Prisons
Steve Robinson	Business Manager of Department of Prisons
Terri Hubert	Chairman of SNCC Employees Transportation Committee
Thomas Henderson	Nevada Department of Energy

In addition to specific input and recommendations from the committee members, the committee also received assistance from Mr. Dennis O. Barry, Assistant Director of Planning for the Department of Transportation.

Scope of the Study: The turnover of employees as SNCC for the past two years has in some instances been running nearly 3 times higher than that of other state agencies and has contributed in a major part to overall turnover within the Department of Prisons.

Employees at SNCC formed a committee to present the transportation problems to the Governor. At a meeting of the Board of Examiners in April 1980, they asked the Administration to take action to resolve the dilemma which apparently was at the heart of the turnover situation at the institution.

After meeting personally with the employees at SNCC, representatives of the Department of Prisons, SNEA and myself drafted a proposal which was ultimately approved for temporary implementation by IFC. This proposal called for payment of a remote location differential to employees of SNCC. The amount of the differential was set at $6.00 per day for each employee.

Following implementation of the differential payment, turnover at SNCC dropped significantly (July - December 1980, 29%). In fact, several former employees who had quit SNCC have returned and are currently back on the state payroll.

The Interim Finance Committee requested that this formal report be submitted to the Legislature in conjunction with the Department of Prisons' budget presentation. This report will outline the options available in lieu of continuing to pay a remote area differential to the SNCC staff.

Before outlining the pros and cons of each option, it may be helpful to point out a few of the logistical problems which have led to the transportation crisis at SNCC.

1. SNCC is located 35 miles west of Las Vegas and is only accessible by way of U.S. Route 95.

2. There are no other communities closer than the greater Las Vegas area with adequate living facilities to accomodate the staff of SNCC, which number approximately 135 persons.

3. On the average, employees at SNCC travel 70 to 80 miles roundtrip each day.

4. Since SNCC is a 24-hour operation a rather complicated schedule of 6 shifts was developed to cover the majority of employees. When a staff member is absent from duty it is usually necessary to hold a replacement over from an earlier shift which, therefore, disrupts the set pattern of scheduling for that employee. In addition, if other employees are relying on the timely departure of the replacement there is a compounding of the disruption.

5. All of the accompanying problems that plague SNCC will be potentially duplicated at the new Southern Desert Correctional Center at Indian Springs which is essentially the same distance from Las Vegas.

The following options have been explored by the committee as alternatives to the current payment of a remote area differential.

Bus System: At the last session of the Legislature an appropriation to purchase a bus to transport SNCC employees to and from the greater Las Vegas area was deleted from the final budget request of the Department of Prisons. As an alternative to a state-owned bus the Department of Prisons contracted for bus service to and from SNCC.

Over the past year utilization of the bus has dropped to almost zero. When asked why the bus service was not being utilized, employees pointed out that the contractor's schedule was erratic, pick-up points for the bus were too few and far between and there were no security precautions available for their privately-owned vehicles left at the pick-up points. The chief complaint, however, as previously noted is the unusual schedule of shifts that has often made it impossible for the majority of staff to utilize a fixed schedule bus system.

Therefore, even if the Department of Prisons owned and operated its own bus the complications that would arise in trying to accomodate the majority of the staff would not make the system cost effective. The costs of this option are as follows: A 39-passenger bus $106,000 to $200,000 plus $2.00 a mile average to operate. The $2.00 a mile is supposed to cover maintenance, drivers, fuel, insurance, tires and administrative services.

Using these figures and assuming no breakdown of the bus, to cover all three shifts, a total of 180 miles a day minimum, the cost would be $360.00 per day, $10,800.00 a month, or $129,600.00 a year to operate.

For these reasons, the most cost effective system would be to contract for transportation at the going rate and provide services. If they do not partake of service, the state is not responsible. We have tried to meet their need.

If a shift was on board the bus and a breakdown occurred another shift would have to be retained on overtime until the scheduled shift arrived at the facility. The scheduled shift would have to be paid also, due to the fact that the breakdown was beyond their control.

Further, there would be considerable maintenance and upkeep costs incurred since a single bus would have to travel hundreds of miles each week to cover the Las Vegas, Henderson and Boulder City areas. Add to this expense the cost of insurance and yearly salary for one or more experienced drivers and you have an expensive proposition.

It was originally hoped that an existing bus route from Las Vegas to the Nevada Test Site might be able to accomodate staff at the new SDCC. However, a subsequent check with officials of the Test Site revealed that the current system is already full to capacity and would not be available for state use.

Van Pooling: This concept is becoming increasingly popular with private industry and some institutions throughout the country.

The committee estimated that approximately 12 vans would be needed to cover the SDCC and the SNCC employees. The Department of Prisons would be responsible for the purchase or lease of these vans and the assignment of each van to an area where there would be several drivers available.

Each driver would be paid by the Prison Administration for one and one-half hour overtime for each one-way trip. In other 'van-pooling' systems the drivers are generally not paid because they are given free use of the van during off-duty hours. This cannot be done in this situation because it would be illegal for someone to use the van for non-state business. In addition, most of the situations where the driver-employee has use of the van are cases of one shift and the van is not needed at night.

A local area auto dealer has given a "general" quote of $12,000 for the vans equipped properly. It is estimated that this type of van would require both a front and read air conditioner in its area of use.

It is difficult to judge the per mile costs of using the vans. Based upon personal knowledge the gas-only costs are about 13.5¢ per mile to which maintenance must be added.

Assuming full utilization, 365 days per year and assuming a schedule as indicated below these would be the costs (approximately) for one year:

Assuming a 40-mile one-way trip . . .

Schedule: Four vans leave from four different locations one Henderson, one Las Vegas Welfare Office, one Clark County Community College and one University of Nevada-Las Vegas. These are the only pickup points. There would be a need for three licensed drivers for each van, each shift to take care of illness, days off and overtime.

Four vans leave for day shift carrying approximately 48 people. Arrive at facility. Two vans return to town with graveyard shift of approximately 18. Two vans are parked for use of oncoming swing 24. Two vans leave downtown for swing group and those two plus the two parked at facility return day group to town. Four vans are now parked in town. Two vans leave Las Vegas with graveyard shift of 18. Swing group returns two vans to town for next cycle.

This schedule provides 16 van trips per day, each of approximately 40 miles or about 640 miles per day. It also leaves about 20 people with no transportation because of differing shifts such as culinary. They will be addressed later.

Costs:

Four vans @ $12,000	$ 48,000
Gasoline @ $1.20 per gallon	$280,320
Tires @ $400 each van	$ 1,600
Maintenance @ $1,000 each	$ 4,000
Insurance @ $500 each	$ 2,000
Total for first year	$335,920
Second year cost (no purchase)	$287,920
Total two year cost of Operation	$623,840
Additional cost of irregular shift personnel at $6.50 per day the first year and $7.00 the second year for about twenty, assuming 224 days of work on an average.	$ 29,120
	$ 31,360
	$ 60,480

Overtime for drivers at 1 1/2 hours per trip, 16 trips per day, 365 days per year, $7.00 per hour — $ 91,980

Total two year cost of transportation system — $868,280

Advantages:

Less expensive than stipend
Use less fuel

Disadvantages:

A logistic nightmare: If personnel work overtime the next van might not return to their pick-up point. Personnel who work overtime less than a full shift have no way home. The state is liable for NIC and accidents from the time employees get on the vans. There is no provision for lay up of any van, consequently five vans would actually be needed. If the van breaks down on the way to the facility, prison is liable for overtime for good part of a shift and personnel must stay on duty until the van arrives.

If the state were to lease the vans rather than purchase them outright there would be certain advantages and disadvantages to be considered.

The van leasing alternative offers the following advantages:

No front-end capital cost
Fixed monthly expenditure
Lease agreement would insure regular preventative maintenance.

Disadvantages:

Finance charges will increase cost
State would not own vans until lease terminated (open-end lease).

The cost projections below are based on the leasing of four twelve passenger vans equipped as follows;

V-8 engine
Automatic transmission
power steering
power front disc brakes
radial tires
shocks and suspension for average 1500 lb. load
exterior mirrors on both sides

instrument gauges
seat belts on all seats
custom interior with carpeting
air conditioner and heater, with front & rear outlets
AM radio with rear speaker
push-out side windows

Mileage projections of 50,000 miles/year/van are based on a one-way travel distance of 30-35 miles with vans rotating such that each van accrues about 50,000 miles/year.

Vanpooling Services of Los Angeles has estimated a cost of $526/month/van for 120 miles/day/van and seven days/week. That lease estimate includes everything except fuel costs. A loaded recent model van will get about 10mpg. At $1.25/gallon, monthly fuel costs would be $450.00 for a total monthly cost of $976.00. Hence, four vans would cost $3904.00 per month or $46,848.00/year.

Car Pooling: At the present time approximately one-half of the SNCC staff participates in some sort of carpool. It is hoped that the remote differential payment would persuade a larger number of employees to utilize this concept. There are approximately 60 solo operators of vehicles.

The problems most frequently experienced by employees who utilize this system are the ever-changing rotation of shifts and the turnover problems that have caused various carpools to dissolve.

The three primary advantages of carpooling are:

1. Faster to and from work as the members live in close proximity to one another.

3. More dependable and flexible than the mass pick up concept as only three or four stops are involved, and pick-up times are variable.

3. Economic advantages for the person driving because wear and tear on any one member's vehicle is cut down considerably.

As a final approach to the funding aspect of these various options the committee requested that Dennis Barry explore the possibility of utilizing federal highway monies. It was at first felt that federal funds might be available as the Las Vegas to Jean route involved a transportation system into a rural community setting. Such routes have been established in other states utilizing federal highway money.

Unfortunately, it was discovered that the Las Vegas to Jean route would not qualify for federal funding. The only additional information that DOT could provide was on the availability of a state-owned parcel of land near the Arden Interchange south of Las Vegas that might be utilized as a park and ride lot for SNCC employees.

This lot could facilitate carpooling or be used as a shuttle point where employees could leave their vehicles in a more secure status and ride a shuttle vehicle to SNCC.

Conclusion and Recommendation: Each of the alternatives offers certain advantages but all appear to have the same disadvantage in terms of set up and maintenance of an efficient schedule of operations.

The employees of SNCC and the future employees of SDCC will continue to be drawn from one central market, the greater Las Vegas area. They will all be living in a number of different neighborhoods, ranging anywhere from 40 to 50 miles for either institution.

Worst of all, the state will be competing with the same employers in the Las Vegas job market but this time for even more of a share than in the past. Since just under 200 new positions at SDCC will be added to the slightly over 130 now at SNCC, recruitment efforts will be major.

So far it is clear that the addition of the remote area differential to the overall package of benefits accruing to employees at SNCC has made the difference in terms of turnover at that institution. A similar incentive to new employees at SDCC can only help matters there.

We will get better qualified people who will be willing to stay with us if we make the job opportunity a bit better than it has been in the past.

After reviewing the options available at present it is the unanimous view of the committee that the payment of a remote location differential of at least $6.00 per employee per day be continued at SNCC and implemented for new employees at SDCC.

The committee sees payment of this differential as an investment in quality staff who will maintain both institutions at the level of security expected by the citizens of the state.

DATE: March 9, 1981

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME (PLEASE PRINT)	REPRESENTING:
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Mary Hammel	RPEN
Martha Berger	RPEN
Cora Austin	RPEN
Riley Bledowski	RPEN
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Carmen A. Revert	RPEN
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Edwin L. Campbell	RPEN
Clyde L Campbell	RPEN
Ethel Nicholson	RPEN
Esther Nicholson	RPEN
Denney Imbeny	N.S RTA
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Craig BLACKHAM	Lyon County School Dist
C. Robert Cox	Attorney for Lyon County School District.
Kendell K Newman	Dept of Ed.
J. McDolphauer	Dept of Human Resources

DATE: March 9, 1981

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME (PLEASE PRINT)	REPRESENTING:
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Alma S. [illegible]	RPEN
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George Westergard	RPEN
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