

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 27, 1981

The Senate Committee on Finance was called to order by Vice Chairman James I. Gibson at 8:00 a.m., Friday, March 27, 1981, in Room 231 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator James I. Gibson, Vice Chairman
Senator Eugene V. Echols
Senator Lawrence E. Jacobsen
Senator Norman D. Glaser
Senator Thomas R. C. Wilson
Senator Clifford E. McCorkle

COMMITTEE MEMBER ABSENT:

Senator Floyd R. Lamb, Chairman (excused)

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst
Dan Miles, Deputy Fiscal Analyst
Candace Chaney, Secretary

PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (PERS) (Pg. 966)

Mr. Vernon Bennett, Executive Officer of the Public Employee's Retirement System, presented this budget to the committee. Present with Mr. Bennett was Ms. Katherine Harris and Mr. Will Keating, also representing PERS. Mr. Bennett provided written testimony of his presentation to the committee members. (See Exhibit C.)

Contract Services. During the last audit, a CPA firm discovered an error in the transfer of funds from the regular member to the Police and Fireman fund which involved a 12 million dollar transfer and adjustment. Mr. Bennett felt very strongly that the audits should continue, and, if the agency had sufficient funds, they be done in full.

Senator Gibson asked if the agency was requesting an increase in the amounts shown in the budget for contract services. Mr. Bennett noted the agency was requesting the actuarial category be raised to \$35,000 for the first year of the biennium, and the audit fund item be raised to \$50,000 for the second year of the biennium. The maintenance of the actuarial fund at \$35,000 was being requested for the second year of the biennium. Those items were shown under the contract services category.

Senator Gibson inquired as to how the agency was handling the costs of their building, as nothing was shown in the budget pertaining to that item. Mr. Bennett said their approach, presently, was not to run the cost through the budget or the administrative fund; they were just paying for it out of income investments of the system.

The Vice Chairman asked where that was shown. Mr. Bennett stated the costs would be reflected in their investment report.

Senator Glaser inquired as to how serious the threat was for Social Security and PERISA to take-over the State retirement systems. Mr. Bennett indicated the State retirement systems had won two years of delays. There was now a more improved position due to the fact that the current President was opposed to

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mandatory social security for state, city, and county systems.

Presently, there was a bill in Congress to put the Federal employees, the postal workers, and Congress under mandatory social security. The agency understood that legislation would be introduced within one to two months to put the state, county, and municipal employees in. Mr. Bennett said the best projection that the Washington analysts had was that the state, county, and municipal legislation would probably have a hearing this year but would not pass.

Mr. Bennett said the approach seemed to be to get the Federal employees in this year of Congress and the States' in next year. The cost to the State, if all systems were enrolled in Social Security, including current members, would initially be about 37 million dollars a year, increasing each year as salaries went up, and, as the contribution rates and levels already passed by Congress went into effect. If it was prospective only, where they only had to enrol the people who were employed after a given date, the cost would be 13 to 15 million dollars a year.

Mr. Bennett felt the stakes were exceptionally high. The agency had, among other things, in their Assembly Bill No. 168, a request for authorization from the legislature to spend up to 1 million dollars of system funds to cooperate with other state systems in the nation and to appeal this through the court, all the way to the Supreme Court, if passed.

It was Mr. Bennett's contention that eventually Congress was going to pass a bill that would mandatorily enrol public employees of all public systems in Social Security. The agency believed they would do it prospective only; that they would say everyone employed after a given date would have to come in. The people who were already in would have the option. They also felt that Congress now recognized the complexities and would probably give the public retirement systems three to five years to implement it.

On the PERISA issue, PERS won at least a one year delay as Congressman Thompson from New Jersey was not re-elected and he was the major pusher of the bill. There were several other people who were pushing PERISA legislation, and, as PERS understood it, one of the main reasons they wanted public retirement systems under their jurisdiction, was that PERS represented a huge sum of money that was tax exempt.

Mr. Bennett said he assumed PERS was tax exempt, but did not have a letter from IRS that indicated such was the case. To qualify to be tax exempt, one had to conform to PERISA. The bill included creating a new Federal regulatory agency which would have the right to create and implement rules and regulations managing public retirement systems. PERS felt that was very serious and was important to fight.

Senator Echols asked what the "ISA" stood for in PERISA. Mr. Bennett said it stood for "Income Security Act". The Senator inquired as to how the agency felt about repealing the 95% rule. Mr. Bennett stated the agency favored the total repeal of the 95% rule and the repeal of application to the Executive Officer of the system.

Senator Echols asked what the cost of the Deloitte, Haskins, and Sells study was. Mr. Bennett replied that it cost \$29,000. He added the study addressed their accounting and investment records. The computer would provide the capability of doing the agency's accounting electronically rather than manually.

Senator Echols inquired if the Springmeyer Report cost \$2,500. Mr. Bennett said the report cost \$1,500 per set.

Senator Jacobsen commented that Mr. Bennett had said the agency was eliminating some of their services in a reverse priority and asked for some documentation of those services to be eliminated. Mr. Bennett commented that those services were listed in an attachment to the testimony given the committee.

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(See Exhibit C.). He noted the agency would continue to perform every service required by law, but, added the agency would definitely be cutting many of the services.

Senator Jacobsen asked, if by cutting those services, the agency would get behind in any way. Mr. Bennett stated the agency had not the experience, as yet, to answer that question, but would do their best not to get behind.

Senator Jacobsen inquired as to how many man-hours were involved in the audit. Mr. Bennett indicated the agency's concern was, with the size of their fund, the expenditure of another \$8,000 to \$10,000 to get a full, complete, accurate audit would be worthwhile. Senator Jacobsen asked if the 12 million dollars, aforementioned, could have been a loss of funds to the system. Mr. Bennett said it would not have been; the money had always been in the system. The money was there all the time in the PERS fund, it just should have been in the Police and Fireman's Fund.

The Vice Chairman requested Mr. Bennett to give the committee a run-down on what the agency's building costs were as, in his opinion, those were still a part of the agency's operational costs, and the budget was not a true reflection of those costs. Mr. Bennett indicated he did not have the exact building costs with him. He said the building cost about \$860,000 to purchase and noted the building was currently for sale. The agency bought it as an investment and planned to sell it as an investment, and would then build another facility. He stated the agency would realize an approximate \$300,000 to \$400,000 profit on the sale, or about 38% to 40% a year return on the investment. The agency was charging approximately \$4,000 per month for rent on the building which was a fair market rate. If the building was looked at as an investment, the agency would not be realizing a total return with the addition of administrative costs. Mr. Bennett stated the if the Finance Committee would feel more comfortable, the agency would return to paying the rent. He said he would provide a further breakdown of building costs to the committee.

ASSEMBLY CONCURRENT RESOLUTION NO. 18 - Declares support for position that public employee's retirement system should not report fluctuations in market value of its assets.

Mr. Bennett provided testimony in support of ASSEMBLY CONCURRENT RESOLUTION NO. 18. (See Exhibit D.)

Senator Gibson asked if this resolution would jeopardize the agency's tax exempt status. Mr. Bennett said it would not. He added, if it ever did, the agency would immediately change their position and qualify because it could cost the agency 20 to 40 million dollars a year to lose their tax exempt status.

The Vice Chairman asked what kind of securities the resolution covered. Mr. Bennett indicated it covered all types including stocks, bonds, real estate, and real property.

Senator McCorkle inquired as to what the other side of the argument was; why would the Financial Accounting Standards Board require an additional actuarial study each year. Mr. Bennett said it was the determination of that Board that public retirement systems should account in their annual statements just like private systems did. He stated the Board also felt the information should be obtained in case the system was ended. The agency felt there was no logic at all in the Board's position.

PREDATORY ANIMAL AND RODENT CONTROL (Pg. 388)

Mr. Joe Packham, Wildlife Staff Specialist with the U.S. Fish and Wildlife Service with line responsibility for this agency, was representing Mr. Warren Ahlstrom, the State Supervisor, who was unable to come before the committee. Mr. Packham noted that because of the cooperative nature of this program, also

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present was Mr. Robert Belzarena, President of the Nevada Woolgrower's Association, who would also be available to answer any questions by the committee concerning the value of the program.

Mr. Packham felt the program statement as shown in the budget document defined the program but he said he wanted to emphasize some areas of that program. He reiterated the program was cooperative in nature and had multiple funding sources, almost on a match basis with State funds. The program was aimed at the objective of resolving problems of depredation of predatory animals, most notably coyote and cougar, on livestock. He felt the true measure of the effectiveness of this program was found in the difference between the livestock that would be lost, if there were no program, and, the livestock that was lost with the existing program.

Problem Resolution Rate. The field staff would receive requests for assistance from the livestock people each day. The period of time taken to resolve the problem might take one day to a month. The agency had asked the field personnel to record, in their judgment, how effective they were in resolving each request for assistance. When totalled, the problem resolution rate for the State was calculated.

Mr. Packham believed the problem resolution rate provided the agency with the ability to determine the effectiveness of the program or to project it at different funding levels. He noted for fiscal year 1980, using the problem resolution rate method of measuring effectiveness, was approximately 75%.

Senator Echols asked if the agency felt they would get the same report if the livestock industry was asked. Mr. Packham said the agency wondered if they would get the same report. He indicated it was a plan to be implemented in the future to have follow-up percentage checks with the livestock people.

Mr. Packham said the agency felt that at the funding levels they had previously, in 1979, they believed their problem resolution rate was somewhere in the area of 80% to 85%. He felt, because of the reduced funding for 1980, a lower rate was achieved. He stated, indicating the present budget, that document projected some reductions that would reduce the problem resolution rate for the first fiscal year recorded to approximately 50%.

The impacts to be seen, according to Mr. Packham, due to the reductions made in the budget as recommended by the Governor, would eliminate the agency's capability to respond on a preventative basis.

Senator Glaser inquired, referring to last year's recommendation that the agency maximize the return to the Predatory Animal and Rodent Control fund from the sale of hides and subsequent loss of some General Funds if, as shown in the present budget, there was a shortfall in hide sales of about \$140,000. Mr. Packham concurred. Senator Glaser asked if there was a reduction in the work program for 1980-81, and where was the shortfall made up. Mr. Packham said the large percentage of the shortfall came out of the agency's aerial operations.

Senator Glaser asked if it was not true that aerial hunting was one of the agency's most effective tools. Mr. Packham indicated it was more important for the agency to have the people who knew where the aerial hunting was to be done. He said the effectiveness had not been reduced as the agency had been more efficient and selective in their aerial operations.

Senator Glaser commented, even though the agency had not generated sufficient fur sales, it was still operating adequately. Mr. Packham agreed, at the budget level the agency was at for the current year. Senator Glaser asked what the agency would like augmented, in light of the aforementioned. Mr. Packham stated the budget proposed reductions in staffing which would move the agency into a lower level of ability to respond in adequate time, adequate aerial effort, and to stick with a job. He said the agency would like to maintain their proposed budget of 15 men rather than 11.

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Senator Glaser inquired if it would be more effective if the agency increased their aerial operations by \$15,000 and left the number of trappers at 11. Mr. Packham remarked there was a threshold point at where effectiveness could be accomplished with the aircraft as far as staffing was concerned. He felt the agency was at that threshold point with 15 trappers. He noted there was some impact from general trapping by the public on the depredation problems. He said the 75% problem resolution rate included that public effort.

Senator Glaser asked, with the new administration in Washington, what were the chances of getting the 10/80 poison legalized again. Mr. Packham felt he could not answer that question. He noted that it was presently restricted because of an executive order by the President, and, if released by executive order, there would still be hurdles to overcome in getting the poison registered through the EPA.

Senator Jacobsen inquired if the agency felt there would be any advantage in going back to some kind of bounty system. Mr. Packham said the agency had been opposed to bounty systems with regards to accomplishment of the specific objective the agency was charged with. He noted the bounty system might provide some general reduction of predator populations but were not effective in focussing effort on damage which was the responsibility of the agency.

Senator Jacobsen asked if the average amount of time to take nine animals was four hours. Mr. Gil Marrujo of the U.S.F. & W.S., noted that figure was very close to the average. Mr. Packham indicated the effectiveness of animals taken per hour depended on whether it was the problem animal or not. He re-emphasized, if the funding were not available, the agency would still request that the personnel ceilings be maintained.

Senator Jacobsen inquired if the agency felt the livestock industry would accept an increase in head fee. Mr. Belzarena said he felt he could not answer that question as he had not talked to any of the livestock people regarding an increase. He thought, if it were only a slight increase, there would not be too much objection. Mr. Belzarena stated the livestock industry was happy with the services provided by the agency and were concerned about the proposed reduction in staffing levels. He noted personnel needed to be located on the ground to assist with the aerial hunting.

Senator Jacobsen asked if the livestock industry was experimenting in any manner in the area of predatory animal control. Mr. Belzarena indicated there had been some experimentation with toxic collars which had not proven to be too effective. Mr. Packham said there were a number of other chemicals being researched but nothing, as yet, looked too promising. He noted there were various non-lethal methodologies being tested by the livestock industry but would not be applied to range livestock.

Senator Jacobsen inquired if the agency received any harassment from the Humane Society. Mr. Packham indicated stated there were two sides to the problem the agency was involved with. He indicated the agency had attempted to give the environmentalists and the humane aspects of society consideration in their efforts. Senator Jacobsen asked if the agency responded to any activities that were not predator in nature. Mr. Packham concurred, but added on a very minor level.

Senator Gibson asked if the agency felt the coyote population was increasing in the State. Mr. Packham noted, in the estimation of the agency field personnel, the agency felt the population was increasing in direct relation to the rabbit population.

The Vice Chairman inquired if the skunk was considered a predator or a rodent. Mr. Packham said there were problems with the skunks, mainly as a nuisance.

Senator Glaser asked what were the contributions made by the U.S. Fish and Wildlife Service to the agency. Mr. Packham indicated for fiscal Federal year

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1980, the contribution was \$447,000. For the present year, there was \$416,000 in contributions. He added, since 1972, those monies had fluctuated. He said the agency had not been advised of any cuts for 1982.

Mr. Belzarena provided some figures for 1980 showing the amount of sheep that had been lost. He said there were 2,824 mature sheep lost at a cost of \$254,160. Total lambs lost for 1980 amounted to 8,475 at a cost of \$518,670. This amounted to a total monetary loss of \$772,830. Coyotes killed 83.49% of the livestock, bobcats killed 7.08%, cougars killed 8.62%, and dogs killed 1.03%.

Figures were also provided as to where the livestock losses occurred. For private deeded lands there was 2.5% of the loss, private leased lands were 2.5%, Forest Service lands had 25%, and BLM land had 70% of the losses.

The Vice Chairman asked how those figures compared to last year's figures. Mr. Belzarena stated it fluctuated depending on the severeness of the amount of predator attacks. He noted BLM cooperated with the livestock industry and the agency, though they did not allow the use of 10/80 poison, or, in some areas, the use of cynaide guns.

Mr. Belzarena wanted to stress the importance of the full funding of the agency at the \$312,000 level requested by the agency as the livestock industry depended greatly on Predatory Animal Control to correct livestock losses. He noted his operation was in Pershing County.

Senator Gibson inquired as to what Mr. Belzarena's feelings were on the coyote population. Mr. Belzarena thought it had increased in the last couple of years.

Mr. Wayne Martini, representing the Cattlemen's Association, spoke in regard to the question of the coyote population and the loss of first calf heifers in Elko County. He said because of the low price of coyote hides, the public was not intrested in shooting the animal. He felt that was one of the major reasons the coyote population was on the increase.

WOOLGROWER'S PREDATORY ANIMAL CONTROL COMMITTEE (Pg. 891)

Mr. Packham indicated this program represented the per head 20¢ tax on sheep. The past history of this particular fund indicated the program had been allowed to build up. But, due to the reduction in Federal funds and State funds, the agency had proposed using these funds more so than in the past.

Senator Jacobsen requested the agency to provide the committee with information regarding the operational statistices of the agency. Mr. Packham provided the committee with a copy of the agency's annual report.

Senator Glaser asked how many sheep there were in Nevada. Mr. Belzarena thought there were approximately 125,000 sheep. Senator Glaser said there should be a method implemented to tax the transient sheep. Mr. Packham noted that would be a difficult project.

Senator Jacobsen inquired if there were any agreements made with surrounding states in regard to sheep movement. Mr. Marrujo noted the surrounding states were supposed to help with the taxes for the time the sheep were in Nevada. He indicated the numbers of transient sheep were decreasing.

Senator Glaser, referring to the fur sales item in this budget, asked how that item related to the one in the Predatory Animal and Rodent Control budget. Mr. Packham stated that in previous years, the agency had placed the funds from fur sales into the Woolgrower's budget. For future years, the agency was projecting to place those monies into the Predatory Animal Control budget. He said it was anticipated that fur sales would amount to \$17,000. Mr. Marrujo noted a coyote pelt presently averaged \$37 per fur.

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GRAZING BOARD CONTRIBUTIONS (Pg. 894)

Mr. Packham stated these were funds that were returned to the State from payment from the livestock industry for grazing. A certain amount of those funds were authorized to go back into the Predatory Animal and Rodent Control budget.

The Vice Chairman asked what the total manpower of the Predatory agency was. Mr. Packham indicated, including those staff that were seasonal, the total manpower was 19. Senator Gibson inquired if Federal funds paid for any of the agency's employees. Mr. Packham said there was a District Supervisor, an Assistant State Supervisor, a State Supervisor, two field men, and two clerical staff that were supported by Federal funds. Also, Federal funds were used to pay for a certain amount of aerial hunting and the mileage of the State employees.

Senator Jacobsen asked what the effect predatory animals had on other game and wildlife. Mr. Packham commented that the agency knew there was a certain amount of damage caused to the other species of wildlife by the predatory animals.

Mr. Roy Heise, a sheep rancher from Douglas County, noted, in his area, there was quite a loss of livestock. He testified in support of maintaining the agency's requested staffing and budget levels.

SHEEP COMMISSION (Pg. 893)

Mr. John Humphrey, one of the three Sheep Commissioners, presented the budget for the Sheep Commission to the committee. He said the program was carried on entirely by a direct tax on sheep only. The program's responsibility was to safeguard the health of Nevada's sheep so the products would be readily accepted in other states. Mr. Humphrey noted, presently, the sheep numbers were down materially and a skeleton operation was maintained in case needed.

Senator Gibson asked how the Woolgrower's Association used the monies provided from the Sheep Commission's budget. Mr. Humphrey indicated there was a provision in the Commission's act that permitted them to make a contribution to any organization that promoted sheep products. The Nevada Woolgrower's Association was the main organization in the State of Nevada and requested support from the Commission for their organization. He noted that was the main expense item this budget had at present.

The Vice Chairman inquired if Mr. Humphrey had any comments to make regarding the Predatory Animal Control budgets. Mr. Humphrey stated the Sheep Commission also acted as the Woolgrower's Predatory Animal Control committee and levied the tax on the sheep industry. Mr. Humphrey noted in recent years, the cattle industry had requested more predatory control assistance from the agency.

ASSEMBLY CONCURRENT RESOLUTION NO. 18

Senator Glaser moved to approve ASSEMBLY CONCURRENT RESOLUTION NO. 18.

Senator Echols seconded the motion.

The motion carried unanimously.

There being no further business, the meeting adjourned at 9:30 a.m.

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Respectfully submitted by:


Candace L. Chaney, Secretary

APPROVED BY:


Senator Floyd R. Lamb, Chairman

DATE: 4/2/81

SENATE AGENDA

COMMITTEE MEETINGS

Committee on FINANCE, Room 231
Day (SEE BELOW), Date (SEE BELOW), Time 8:00 a.m.

MONDAY, MARCH 23, 1981

1. Department of Motor Vehicles (All budgets presented by S. Barton Jacka)
 - a. Office of the Director (Pg. 896)
 - b. Administrative Services (Pg. 899)
 - c. Drivers License (Pg. 902)
 - d. Records Search (Pg. 906)
 - e. Registration Division (Pg. 909)
 - f. Motor Carrier (Pg. 913)
 - g. Pollution Control (Pg. 917)
 - h. Highway Patrol (Pg. 920)
 - i. Highway Patrol Special (Pg. 925)
 - j. Highway Patrol Traffic Safety Grants (Pg. 928)
 - k. Highway Patrol Communication Section (Pg. 931)
 - l. Traffic Safety (Pg. 934)
 - m. Traffic Safety Federal Grants (Pg. 937)
 - n. Emergency Medical Services (Pg. 938)
 - o. Automation Division (Pg. 940)

TUESDAY, MARCH 24, 1981

1. (Completion of Department of Motor Vehicles budget, if necessary)
2. Department of Transportation (Pg. 944 - Al Stone)
 - a. Department of Transportation Urban Mass Transit Administration (Pg. 930)
3. Mining Cooperative Fund (Pg. 1022 - John Schilling)

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WEDNESDAY, MARCH 25, 1981 - 7:30 a.m., ROOM 131

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INTERIM FINANCE MEETING

1. Health Care Cost Containment Workshop

THURSDAY, MARCH 26, 1981

1. Administrative Office of the Court (Pg. 160 - Justice Springer, all budgets)
2. Judicial Planning (Pg. 165)
3. Supreme Court (Pg. 166)
4. Board of Pardons (Pg. 169)
5. District Judges Salary (Pg. 170)
6. Retired Judge/Justice Duty Fund (Pg. 172)
7. Judicial Commissions (Pg. 173)
8. District Judge's Travel (Pg. 174)
9. Supreme Court Justice's and Widow's Pension (Pg. 175)
10. District Judge's and Widow's Pensions (Pg. 176)
11. Legal Defense Fund (Pg. 177)
12. Judicial Education (Pg. 178)
13. Law Library (Pg. 180)
14. Department of Agriculture (Pg. 863-879...Tom Ballow)
 - a. Apiary Inspection Fund (Pg. 1046)

FRIDAY, MARCH 27, 1981

1. Public Employee's Retirement System (Pg. 966 - Vernon Bennett)
2. Predatory Animal and Rodent Control (Pg. 888 - Warren Ahlstrom)
3. Woolgrower's Predatory Animal Control Committee (Pg. 891 - Warren Ahlstrom)
4. Sheep Commission (Pg. 893 - John Humphrey)
5. Grazing Board Contributions (Pg. 894)

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON FINANCE

DATE: March 27, 1981

PLEASE PRINT NAME	PLEASE PRINT ORGANIZATION & ADDRESS	PLEASE PRINT TELEPHONE
Will Keating	PERS	885-4200
Katharine Harris	PERS	885-4200
Glen Bennett	PERS	885-4208
C. Joe Packham	USFEWS Boise, Idaho	334-9874
John E. Humphrey	Sheep Commission Reno	323-6625
Ross C. CULBERTSON	PUBLIC EMPLOYEE ACTION COALITION	
Warren T. Fowler	R.P.E.N.	782-5811
Dilbert MARRETO	USFEWS Reno, NV.	784-5227
Robert Belzarena	Nev. Woodsmen's Inlay, Nev	558-7534
Roy Heise	Rancher Cattlemen's Fairviewville	782-2465
Joyce Woodhouse	Nevada St. Educ. Assoc	882-5574
Bill Dwyer	Federated Firefighters of Nevada	883-2703
ROBERT REVER	SELF	648-5926
Guy Shnyder	KOH - Sacto Pao	882-3535
Arcia White	AP	885-4190

VERNON BENNETT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE OF NEVADA



PUBLIC EMPLOYEES RETIREMENT SYSTEM

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RETIREMENT BOARD
DARREL R. DAINES
CHAIRMAN
SAM A. PALAZZOLO
VICE CHAIRMAN
MEMBERS
WILLIS A. DEISS
PEGGY GLOVER
BOYD D. MANNING
MARGIE MEYERS
TOM WIESNER

**BUDGET TESTIMONY BEFORE SENATE FINANCE COMMITTEE
MARCH 27, 1981**

I am Vernon Bennett, Executive Officer of the Public Employees Retirement System of Nevada. As of December 31, 1980, the System had 56,513 members, 127 participating public agencies and 6,296 benefit recipients. We currently have an investment portfolio valued at \$800 million. During the past year our average annual yield increased from 8.96% to 10.08% and our investment income increased from \$50 to \$67 million. Our major functions are to enroll members, receive their employee and employer contributions on a monthly basis, credit their service, explain the program to members and benefit recipients, process retirement applications and invest funds until needed.

Retirement Board Chairman Darrel Daines and I discussed the System's budget with Governor Robert List. Governor List advised that he felt the System should be under the same austerity program as State agencies. The Retirement Board and Staff concur in this. Therefore, we are submitting a bare bones budget which represents a 17.3% increase over actual expenditures as of June 30, 1980. Our budget request represents a reduction of 8.89% from our 1981 budget as approved by the Legislature. This entails a reduction in staff of 11% or 5 employee positions, by attrition. It will also involve curtailment of many services currently provided to members, benefit recipients and taxpayers. The System conducted a poll of members and benefit recipients to determine which of these services are most needed. We will be eliminating services, in reverse priority, beginning July 1, 1981. We are attaching a report on the results of the survey for your information and assistance.

POSITIONS: Our requested budget reflects the deletion of six positions and the addition of a new Key Punch Operator for a net reduction of five employees. This is equivalent to a 11% reduction in staff. We have already eliminated two positions. Four additional positions will be deleted by attrition during the biennium. We are requesting that ten positions be upgraded because of increased responsibilities and complex duties.

SALARIES: We are requesting unclassified salary increases equivalent to the SNEA proposal which is \$100 per month, plus a 10% increase January 1, 1981, and an additional 12% increase January 1, 1982. The Administrative Assistant's salary request includes an additional 5% to maintain her salary comparable to an equivalent classified employee, grade 31. The unclassified salaries shown on the 1982 and 1983 budget request reflect a compounding of projected increases. The salary shown in the 1981 work program reflects 12 months at the current salary. The January 1, 1981, projected increase is not included. The budget request for the Executive Officer for fiscal year 1981 represents an actual increase of 9.5% over the 1980 fiscal year. The Retirement System favors legislation to totally repeal the 95% rule. If total repeal is not possible, legislation is included in

AB 168 to exempt the Executive Officer from the 95% rule. The current budget request includes merit increases for classified employees in accordance with the pay plan proposed by the Governor.

BOARD FEES: The current budget request for Retirement Board fees is based on \$40 per day limited to actual meeting days and conference days. The Retirement Board has proposed an amendment to AB 168 to increase the daily rate from \$40 to \$60 and to authorize payment for travel status and work projects. Most of the work projects will involve mortgage and real estate loans. At their meeting held February 18 and 19, 1981, the Retirement Board passed a motion requesting that the budget request for Board fees be increased to \$22,140 to fund the proposed legislative changes. AB 168 is currently being heard by the Assembly Government Affairs Committee and will then be forwarded to the Ways and Means Committee for hearings on the fiscal portions of the bill, to include this amendment.

BOARD IN-STATE TRAVEL: This category includes funds for members of the Retirement Board to attend nine two-day and three three-day meetings each year.

BOARD OUT-OF-STATE TRAVEL: This request includes funds for each Retirement Board member to attend one national retirement seminar or conference. We find this is the only training on retirement available for members of the Retirement Board.

STAFF IN-STATE TRAVEL: The funds requested cover bi-monthly member counselling in Las Vegas, quarterly state-wide counselling in rural areas, one executive staff trip to Las Vegas per month, seven Las Vegas field audit trips and nine state-wide audit trips. The travel rates are based on an overall 50% inflation factor for air fare and 25% for mileage, meals and lodging.

STAFF OUT-OF-STATE TRAVEL: This category provides for one member of staff to attend each of the three national retirement conferences, nine trips to Washington, D.C. to oppose PERISA and mandatory Social Security and for each Division Supervisor to attend an educational or training seminar on retirement.

POLICE & FIREMEN RETIREMENT FUND ADVISORY COMMITTEE TRAVEL: This request reflects one-day, quarterly meetings.

CONTRACT SERVICES: At their meeting held February 18 and 19, 1981, the Retirement Board passed a motion requesting that our budget request for the Actuary be increased from \$27,000 to \$35,000 and the biennial audit request from \$30,000 to \$50,000. Our Actuary normally receives approximately \$100,000 per annum for full services for a fund our equivalent. They have performed several functions in the past without charge which is not required by their contract. Our recent CPA audit was performed for \$17,000, as budgeted, at an approximate loss of \$13,000 to the firm. Several reliable CPA firms have indicated that a fee between \$40,000 to \$50,000 is more appropriate for a system of our size and complexity.

LEGAL & COURT EXPENSES: This category has been reduced from the previous budget because outside legal counsel fees have been removed. The budget request does increase the time spent with the System by the Deputy Attorney General from 25% to 50%.

ELECTRONIC DATA PROCESSING: This request provides funds to convert our accounting system from manual to in-house computer. The System employed the CPA firm of Deloitte Haskins and Sells to evaluate and prepare a written report on the need to convert our accounting and investment records from manual to computer and the proper procedure to pursue. Deloitte Haskins and Sells recommends that we go out

for public bids and accept the most advantageous bid submitted. Last year, we met with the Legislative Sub-Committee on the Study of Data Processing by the State Government and explained the procedures which we planned to follow. This Committee stated, very emphatically in open meeting, that they wanted the Retirement System to go out for public bids from all parties and to obtain the most cost effective program for PERS. The Retirement Board has invested considerable staff and Board time and budget funds to evaluate and process this matter in a professional manner. We feel that this procedure is in the best interest of PERS. Central Data Processing has been provided with a copy of the Request for Proposal and has submitted to PERS a letter of intent to submit a proposal.

HOST EXPENSE: This provides for a substantial increase to absorb costs for staff to work nationwide and in Washington, D.C. in opposition to PERISA and mandatory Social Security.

DUES & REGISTRATION: This category provides dues necessary for membership in three national retirement organizations; the National Association of State Retirement Administrators, the National Conference on Teacher Retirement and the National Conference of Public Employee Retirement Systems. It also provides registration fees for staff training budgeted for the Supervisors. These are the only areas available to provide staff training in the specialized field of retirement administration.

SPECIAL REPORTS: This provides for the Springmeyer Legislative Report in 1983 based upon figures supplied by Mr. Springmeyer.

ADDITIONAL COMMENTS: This budget reflects the elimination of lease payments from the Administrative Fund to the Retirement Fund for the office building which the System owns. Should your Committee favor our requested amendments to our budget, this will represent an increase from 17.3% to 19.2% over actual expenditures in 1980 and a change in the reduction from 8.89% to 7.15% from our 1981 approved budget.

We will be pleased to answer any questions which the Committee may have regarding our budget request.

Attch:
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

RETIREMENT BOARD
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MARGIE MEYERS
TOM WIESNER

February 2, 1981

MEMORANDUM

TO: Vernon Bennett
Executive Officer

FROM: John T. Bibee
Supervisor, Membership

SUBJECT: Quarterly Newsletter

Please find attached informational paragraphs for the quarterly newsletter concerning the results of the Membership Services Survey and Benefit Recipient Services Survey.

Also attached, for your information, is the actual tabulation of the survey results with the total points scored by each service that was presented in the survey.

I am available for discussion of this matter at your convenience.

JTB/emv
attachment

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MEMBERSHIP SERVICES SURVEY - The System conducted a survey to receive input regarding optional additional services which may or may not be retained, depending upon our budget situation after July 1, 1981. The results of that survey are as follows: 1,632 members returned their survey forms to the System. They showed that the following services were ranked in descending order: (1) annual statements, (2) preretirement guide, (3) retirement estimates, (4) contribution information, (5) newsletters, (6) membership documents, (7) monthly payment plans for purchase of service and repayment of refunds, (8) service estimates, (9) counseling sessions, (10) informational programs, (11) Las Vegas counseling sessions, and (12) public service functions.

In summary, the members who responded indicated their desires to be kept well informed through the use of annual statements and retirement estimates and wish to have available to them the preretirement guides in anticipation of their retirement dates. The actual tabulated results of the survey are available upon request at the PERS office.

MEMBERS 1981 SURVEY

	<u>Points</u>
1. Annual Statements	14,233
2. Pre-Retirement Guide	12,405
3. Retirement Estimates	10,554
4. Contribution Information	9,996
5. Newsletters	9,774
6. Membership Documents	9,621
7. Monthly Payments	9,343
8. Service Estimates	8,424
9. Counseling	7,694
10. Informational Programs	6,604
11. Las Vegas Counseling	6,492
12. Public Service	4,918

BENEFIT RECIPIENT SERVICES SURVEY - The System forwarded a survey form to all benefit recipients December 1, 1980. We conducted this survey to receive input regarding optional, additional services which may or may not be retained, depending upon our budget situation after July 1, 1981. No reduction or elimination will be considered for such things as monthly retirement reports, maintaining individual member accounts, maintaining updated contribution and service credit history, providing refunds upon termination and application, providing regular or disability retirement or survivor benefit information, evaluation and initiation of benefits, maintaining updated and balanced accounting records with the necessary internal audits, or making proper investment retirement funds, and maintaining necessary records thereto. The results of the 953 survey forms that were returned to us ranked the eight services listed in the survey in the following order: (1) quarterly newsletters, (2) direct deposit of benefit checks, (3) enclosures with benefit checks, (4) deductions of dues for employee associations, (5) SNEA group insurance premiums and dues deductions, (6) informational programs provided for benefit recipients upon request, (7) the deduction cancer insurance premiums, (8) public service functions performed by staff upon request.

The detailed results, including the total number of points scored by each of the eight listed services are available upon request to the Retirement staff.

RETIRED MEMBERS SURVEY RESULTS

1. Quarterly Newsletters	4685 points
2. Direct Deposit of Benefit checks	4306 points
3. Enclosures with Benefit checks	3678 points
4. Deductions or Dues	3006 points
5. SNEA Group Insurance Deduction	2994 points
6. Informational Programs	2836 points
7. Deduction of Cancer Insurance Premiums	2092 points
8. Public Service Functions	1947 points

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**TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE
REGARDING ACR 18 - MARCH 27, 1981**

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

ACR 18 is a resolution 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 Financial Accounting Standards Board would require an additional actuarial study each year which our Actuary, Dr. John Mackin of the Martin E. Segal Company, 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.