MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
April 29, 1981

The Senate Committee on Finance was called to order by Chairman Floyd R. Lamb, at 8:00 a.m., Wednesday, April 29, 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 Floyd R. Lamb, Chairman
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

STAFF MEMBERS PRESENT:

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

ASSEMBLY BILL NO. 154 - Makes various changes in law concerning retired public employees.

Mr. Sparks noted that, at the request of Senator Lamb and Senator Gibson, it was asked that an amendment be prepared to sunset the cost of living benefits provided in section two of Assembly Bill No. 154 on June 30, 1983.

The amendment read as follows:

> "The benefits provided by this section expire by limitation on June 30, 1983, unless the section is amended or replaced before that date."

AMENDMENT TO ASSEMBLY BILL NO. 154

> Senator Jacobsen moved to amend Assembly Bill No. 154 to sunset the cost of living benefits on June 30, 1983.
>
> Senator Echols seconded the motion.
>
> The motion carried unanimously.

Mr. Vernon Bennett, Executive Director of the Public Employees' Retirement System, provided a handout to the committee containing tables that changed the benefits, particularly in the lower levels. Mr. Bennett addressed this additional information. (See Exhibit C.)

Senator Lamb asked what the average the Consumer Price Index had increased. Mr. Bennett said it was approximately 8% to 9%. He stated the key point was with all items in the Consumer Price Index increasing 105%, the maximum cost of living increase for the retired employees was 47%.

Senator Glaser, referring to Table D, inquired if that would take 19 years instead of 14 years. Mr. Bennett indicated Table D took 19 years. Table B would take 10 years as it would be a straight 1% for the person who retired and had been retired one year, 2% for the people two years on up, and 10% for every person who had been retired ten years or more. Table D went up in ½% increments; a person would have to be retired under Table D 19 full years before they received the 10%.

Mr. Bennett discussed the proposed amendment of Mr. Polish to Assembly Bill No. 154. (See Exhibit C.)

Senator Glaser moved to amend Assembly Bill No. 154 as proposed by Assemblyman Polish.

Senator Jacobsen seconded the motion.

The motion carried unanimously.

Senator Glaser felt that Table D was out of the question as it was too long and did not provide sufficient relief. He suggested the committee go with either Table A or B. Mr. Bennett noted, if the committee went with Table A, the person who had been retired one year received a 3% increase, the second year they would receive 3½%, and so forth. If the committee went with Table B, the first year the person would receive a 1% increase, the second year 2%, the third year 3%, etc. He noted the agency did not have any major problems between either Table A or B.

Mr. Warren Fowler, representing the Retired Public Employees, commented, referring to proposal B, that the last time there was a 1% increase was prior to 1967. He said 1% was not going to come close in handling the many increases the retired employees experienced.

Senator McCorkle asked what the rationale for the PERS actuary supporting this proposal without having a repayment plan. Mr. Bennett stated the situation PERS encountered involved the tremendous problem funding cost of living increases and was something the agency had put off year after year. He noted the retired employees were very nervous about that situation and asked the agency to do a two year study to come to the 1983 legislature with a definite method of funding a long term cost of living increase. He said the acturary was satisfied in putting the cost of the 27 million dollars for the plan into the two year study. The Funding of the benefits would not really start July, 1983, but would start July 1, 1981.

Senator McCorkle inquired if there was any alternative in the two year study to simply increasing retirement contributions starting in 1983. Mr. Bennett said it was his opinion that some of the alternatives to be looked at included an increase in the employer's contributionrate, dedicating 1% of the investment return of the protfolio if over the actuarially assumed rate, a combination of the first two, and, possibily an employee rate increase. He indicated PERS had received a request from SNEA to consider an increase in the employee contribution rate for current members that would be dedicated into a separate trust fund so they would have a pool upon which to draw cost of living increases when they retired in the future.

ASSEMBLY BILL NO. 168 - Makes various changes in law relating to active members and members receiving disability retirement of public employees' retirement system.

Mr. Bennett said PERS was requesting an additional amendment based on a situation which developed at their Board meeting of last week. On recommendation and interpretation of the Attorney General's office, the system had a policy on mortgage and real estate investment proposals that those documents were confidential.

PERS suggested an amendment to NRS 286.686 to be included in Assembly Bill No. 168.

Senator Jacobsen moved to approve the amendment to Assembly Bill No. 168 as requested per a memo from Vernon Bennett.

Senator Echols seconded the motion.

The motion carried unanimously.

ENVIRONMENTAL PROTECTION DIVISION

Mr. Roland Westergard, Director of the Department of Conservation and Natural Resources, introduced Mr. Lou Dodgion, Administrator of the Division of Environmental Protection. Mr. Westergard was opposing the proposed reductions to this budget. The proposal was to eliminate the hazardous waste funding and to reduce by 50% the other Federal grants. He indicated the proposed reduction would significantly reduce the State's capability to monitor the effects of potential pollution within the streams of Nevada.

With regard to the air pollution program, the effects of the reductions would be to reduce the monitoring and the enforcement capability, a reduction in laboratory services, increase the lag time in the permit procedures, and increase the Federal Environmental Protection Agency involvement in the area of management of the State of Nevada. Mr. Westergard noted, if the funds were lost for the hazardous waste program, that program would then be run by the Federal Environmental Protection Agency, with a site located in Nevada which would not be subject to State review. Mr. WEstergard respectfully requested the committee to reconsider the reduction of funds in this budget.

Senator McCorkle remarked that Mr. Westergard's comments were not the point in this situation. He said it was whether or not the program was needed or constituted and whether the State was acting as a buffer, a better, more effective representative of the State than the Federal government would be. The Senator noted that the original reduction should have comprised a loud and clear message that the committee felt the agency should pursue an aggressive posture and should act more as a buffer than at the present.

Senator Echols inquired if the committee did not reinstate those funds, was the Federal government going to take those monies and spend it in the State of Nevada. Mr. Dodgion replied that those funds did not go back to the Federal government Region IX to operate programs in the State. Those funds went back into a reallocation pot to be distributed to other states in Region IX for operation of their state programs. He said these funds would most likely wind up in California's coffers to operate California programs.

Senator Lamb commented that he would rather see the State, if they could do the job, perform those duties rather than the Federal government. Mr. Dodgion clarified that the funds would go into a reallocation pot and EPA would have the monies to operate the hazardous waste program in Nevada if the State did not do it. It would not be the $165,000 reduction monies.

Senator McCorkle asked what program would not come to Nevada if the money were rejected. Mr. Dodgion said EPA would pick up the slack wherever the State could not continue to operate. Mr. Dodgion said EPA would pick up the slack wherever the State could not continue to operate. Mr. Westergard noted the programs would still be implemented and enforced by the Federal agencies and the funding to do that would come directly to EPA Region IX through appropriation by Congress. It would not mean that Nevada would not have the programs; it would just mean that the State funds would be reallocated, but the appropriations to the EPA in San Francisco and the mandate to them would be to go ahead to implement and enforce the programs in the State of Nevada.

DIVISION OF ENVIRONMENTAL PROTECTION (Pg. 798)

> Senator Glaser moved to reinstate the Federal funds that the committee had originally eliminated from the Division of Environmental Protection budget. In addition, he moved to reduce the General Fund by reducing for fiscal year 1982, $1,200 for in-state travel, $1,010 for operating, and $3,054 for equipment. For fiscal year 1983, to reduce the General fund by $1,200 in in-state travel, and $1,185 for operating.
>
> Senator Jacobsen seconded the motion.
>
> The motion carried unanimously.

Senator Jacobsen moved to approve the ENVIRONMENTAL PROTECTION DIVISION budget as amended.

Senator Glaser seconded the motion.

The motion carried unanimously.

NIC - REHABILITATION CENTER

Mr. Joe Nusbaum, Director of the Nevada Industrial Commission, addressed the committee concerning information with regard to the NIC Rehabilitation Center.

Senator Lamb asked what NIC's return on investment was. Mr. Nusbaum said, currently, it was about 8½%. He noted the agency could invest on both short term and long term basis but could not invest more that 30% in equities. He indicated a major portion of their portfolio was in bonds with 70% or more having to be in fixed investment.

Senator Gibson commented on the reason Mr. Nusbaum was appearing before the commitee. He noted some of the committee members had visited the Rehabilitation Cneter which was at present being only one third utilized. The Senator commented that the budget for this facility showed an increase in personnel for the center which seemed inconsistent to the utilization factor. Mr. Nusbaum was before the committee to address this situation, the justifications for the increase of staff at the facility.

Mr. Nusbaum indicated the program itself was planned for a maximum of 250 patients for a five year period. He noted they were three years into that period and the facility was only 40% of capacity. He said the medical therapy staff was being utilized presently at about 80% to 90%. Mr. Nusbaum said the reason for that was because the facility was not fully staffed, not fully budgeted, and they could not approve all the clientele to enter the facility.

Mr. Nusbaum stated the main problem the center had was getting enough people into the facility. Their problem seemed to be in getting clients from the northern portion of the State which he felt would involve an educational campaign aimed at doctors in the North. He added there was also a housing problem for those clients from the North.

Senator Lamb inquired if the agency was looking at building homes for those clients. Mr. Nusbaum said they were looking at the possibility of renting, leasing, or building some kind of housing unit. The Chairman asked who the housing would be for. Mr. Nusbaum replied it would be for Worker's Compensation claimants from other parts of the State.

Mr. Nusbaum noted the Advisiory Committee did a study on the Rehabilitation Center and concluded that the agency should seek legislation to allow them during whatever period there was between now and the time the facility would be fully utilized for worker's compensation clients. The Center should be able to take in other clients who had similar type injuries. He noted there was a bill currently in the Senate, Assembly Bill No. 115, that would allow NIC to take in persons referred by a physician, hospital, etc., who had the type of injury the Center treated.

Referring to the budget, Mr. Nusbaum said the agency had a control on that document. This past year, the fees charged for people in the Center were charged back to the claim and covered a third of the cost. For this year, it would have to cover 50% of the cost. The target was set for next year at 60%, the following year 75%. He felt, hopefully in time, the charges back to the claims would represent 100% of the cost of the Center. If the number of clients did not increase, then the staff could not be hired.

Senator Gibson remarked that he had reviewed the contracts of the four specialist physicians located at the Center. He noted concern that the amount of their salaries were approximately \$60 per hour, something over \$100,000 per year.

He asked what kind of review and control the agency had over those contracts. Mr. Mel Burgener, Administrator of the Rehabilitation Center, noted that with regard to the doctor's contracts, it was a requirement that the doctor account for their time in fifteen minute increments for each day of the week. The doctor, regardless of the service he was performing, had to account for his time which was then reviewed by the Medical Director, as well as, the Administrator before anything was paid to the doctor.

Senator Gibson inquired as to the normal hours worked by those doctors. Mr. Burgener said they worked normally from eight to five, with the exception of one doctor who was on a seven hour day. They did not work on weekends. The Vice Chairman asked what was the special nature of the doctors where staff doctors could not be hired. Mr. Burgener stated these doctors were specialists in rehabilitation medicine.

Senator Echols inquired if malpractice was a problem at the Center. Mr. Burgener said it was not a problem because the doctors were covered under the NIC claimants and also carred an individual malpractice policy. The Center was protected under NIC malpractice policies for anyone treated in the Center. Senator Echols asked how many clients could be accomodated. Mr. Burgener indicated their best estimates on that were that they could house as many as eighty. The Senator inquired what the Center paid per day per client. Mr. Burgener stated they were paying approximately $25 per day.

Senator Jacobsen asked, if the Center were opened up to outside clients, would the Cneter have some kind of fee schedule that would make the program self-supporting. Mr. Nusbaum stated Assembly Bill No. 115 said the agency had to charge the same amount as they charged themselves for NIC claimants, but they could add on an administrative surcharge which was presently 11%. Senator Jacobsen asked if the staff utilized the facility after hours. Mr. Nusbaum said there was no after hour use presently.

Senator McCorkle asked how many patients the four doctors saw each day. Mr. Burgener indicated the Center tried to schedule the doctors for two new patients per day. Each doctor carried an active caseload of about forty-five patients. They would see on an average about six to eight patients a day in their office. In addition, the doctors made rounds in the therapy departments to observe their treatment programs in progress. Mr. Burgener said the doctors, on an average daily basis, would see ten patients, all inclusive.

Senator McCorkle commented that, to him, it would not seem difficult for those doctors to see twelve patients per day rather than six thereby doubling the clientele at the facility. Mr. Burgener said it required an hour and a half to two hours for each new patient seen by the doctor to do an examination, patient history, etc.

Senator Lamb remarked that six to eight patients a day did not comprise a full schedule for those doctors. Mr. Nusbaum said the point was that the new patients did take considerable time.

Senator McCorkle inquried as to the difference between the quality of the examination in the Center that would take two hours versus a very thorough exam that a private doctor might give. Mr. Burgener indicated the Senator would have to remember that the Center was dealing with injured workers, someone who had a permanent injury of a fairly severe nature. Mr. Nusbaum noted the actual physical exam conducted by the doctor might not take more than half an hour at a time, but a great portion of the cases involved patients who had been off work for two to three years and had a lenghthy medical history to review. He said the newer cases were handled in less time and each case was monitored by the Medical Director.

Senator McCorkle asked who monitored the Administrator. Mr. Burgener replied it was the Medical Director. The Senator inquired what organization monitored the efficiency of the whole operation. Mr. Burgener said no one did as there were no review boards to monitor the Center. He stated the Center was in the process of getting accredited with a national organization that accredited rehabilitation facilities. Mr. Nusbaum added the NIC monitored the Center also.

Senator McCorkle asked what was NIC's personal plan to improve the situation at the Center. Mr. Nusbaum stated that the facility was looking for a permanent Medical Director, and a new Administrator. The Senator asked what the salary capability would be for the Medical Director/Administrator position. Mr. Nusbaum indicated that job would have to be contracted as the present salary was $25,000 and was felt to be inadequate to obtain a qualified professional.

Senator Lamb inquired as to what the qualifications would be for that position. Mr. Nusbaum stated the key thing the agency would look at was experience in running a rehabilitation center, a college degree, and some kind of medical background.

Senator Wilson asked how many south Nevada patients went outside of state for treatment. Mr. Nusbaum indicated, in his estimate, there were only about two to three persons per month. Senator Wilson inquired if there were a credibility problem with the medical profession. Mr. Nusbaum did not think there was a single solution to the problem. He felt there were a series of things to be done; an experienced administrator, a qualified medical director who would make contacts with the University, the authority to bring other clients into the Center, need forbetter education in the North, and the need for the Commission itself to be tougher on sending patients out of state.

Senator Wilson inquired if some kind of Advisory Medical Board was necessary to bridge whatever the gap was between the Rehabilitation Center and the medical community. Mr. Nusbaum said they had been considering the appointment of an advisory board internally within the Commission. Mr. Nusbaum added that in his belief, in five to ten years from now, the Center would be working to its fullest expectations and capabilities.

GAMING CONTROL BOARD

Mr. Richard Bunker, Chairman of the Gaming Control Board, and Mr. Carl Dodge, Chairman of the Gaming Commission, were requested to return before the committee to address, at the request of Senator McCorkle, the possibility of having a productivity study at the Board before the new positions requested were approved. Senator Gibson noted the committee was uanble to define who would do the study, what was needed, or how much it would cost. These were the reasons Mr. Bunker and Mr. Dodge were before the committee.

Mr. Bunker said the Board would be perfectly happy to have a productivity study done but added the basis for the study would have to be something other than what he could give the committee as far as statistics out of the agency. The statistics developed by the agency indicated there had been a definite turnaround in the agency as far as productivity in the past 18 months.

Senator McCorkle felt there was a definite need for a productivity study. The Senator asked Mr. Dodge what his feelings were on the subject. Mr. Dodge indicated that he could not be an expert as he was new to the Commission. He did not see any way in this type of agency where it could not be labor intensive. Every major activity that they were involved in, investigations, audits, and enforcement were labor intensive. He commented that the major portion of the budget was in salary and the Board presently was spread very thin. He noted the relationship of the expansion of the staff would be in direct correlation with the number of new licensees and the volume of business.

Senator Wilson commented on the problem of lack of training of personnel employed by the Board. Mr. Dodge remarked that he had talked with several licensees last week and the only criticism they had regarding service by the regulators was they had to act as a training group, paricularly in the audit area. Mr. Bunker added a recent happening was now Gaming Control people were able to count their time toward their CPA certificate, resulting in the agency being better able to recruit a more qualified auditor.

Senator McCorkle remarked that the Gaming Control Board was conspicous by its absence in the Governor's Task Force Report and noted there had never been an evaluation of the agency even though it had tripled in size. Mr. Bunker replied that his agency would invite the productivity study but added that he could not justify the study on the statistics he had.

The committee decided to investigate the possibility of a study with regards to the parameters of the study, cost of the study, and to include a statement of scope and elements of activity of the Gaming Control Board.

Senator Jacobsen remarked that he believed the whole idea of the study was "creating a cloud of dust". Chairman Lamb concurred with Senator Jacobsen's statement.

SENATE BILL NO. 38 - Establishes annual salaries for members of Nevada Gaming Commission.

Senator Wilson moved to approve Senate Bill No. 38.

Senator McCorkle seconded the motion.

The motion carried unanimously.

NIC REHABILITATION CENTER (Pg. 980)

Senator Jacobsen moved to approve the NIC REHABILITATION CENTER budget as recommended by the Governor.

Senator Echols seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 572 - Provides increases in certain industrial insurance benefits.

Senator Gibson moved to approve Senate Bill No. 572.

Senator Jacobsen seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 48 - Provides for reimbursement of Carson City for services rendered to the State.

Senator Jacobsen moved to approve Senate Bill No. 48.

The motion died for lack of a second.

SENATE BILL NO. 161 - Authorizes borrowing by Department of Transportation from financial institutions.

Senator Wilson moved to approve Senate Bill No. 161.

Senator Gibson seconded the motion.

The motion carried unanimously.

BILL DRAFT REQUEST 31-2008 (S.B. 619)

Senator Gibson moved to introduce a Bill Draft Request to provide for legislative approval of allocation of Federal Block Grants.

Senator Wilson seconded the motion.

The motion carried unanimously.

BILL DRAFT REQUEST S-1805 (S.B. 618)

Senator Gibson moved to introduce a Bill Draft Request to provide across the board increases for retired employees.

Senator Glaser seconded the motion.

The motion carried unanimously.

BILL DRAFT REQUEST

Senator Jacobsen moved to intorduce a Bill Draft Request to appropriate $275,000 for advance planning for Public Works projects.

Senator Glaser seconded the motion.

The committee, after further consideration, decided to hold the Bill Draft Request pending further informaton on Public Works Projects.

The motion carried unanimously.

VOCATIONAL REHABILITION, (Pg. 375)

Senator Wilson moved to amend the VOCATIONAL REHABILITATION budget to restore the Hawthorne office that had not been recommended by the Governor.

Senator Jacobsen seconded the motion.

The motion carried unanimously.

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Senator Wilson moved to approve the VOCATIONAL REHABILITATION budget as amended.

Senator Jacobsen seconded the motion.

The motion carried unanimously.

SERVICES TO THE BLIND (Pg. 383)

Senator Jacobsen moved to approve the SERVICES TO THE BLIND budget as recommended by the Governor.

Senator Glaser seconded the motion.

The motion carried unanimously.

SOCIAL SERVICES TO THE BLIND (Pg. 389)

Senator Wilson moved to approve the SOCIAL SERVICES TO THE BLIND budget as recommended by the Governor.

Senator Glaser seconded the motion.

The motion carried unanimously.

WELFARE ADMINISTRATION (Pg. 556)

Senator Wilson moved to amend the WELFARE ADMINISTRATION budget to add the unannounced home visit program as requested by the administration in their memo of April 8, 1981. In addition, to increase the number of eligibility certification specialists to ten in each fiscal year.

Senator McCorkle seconded the motion.

The motion carried unanimously.

Senator Wilson moved to approve the WELFARE ADMINISTRATION budget as amended.

Senator Glaser seconded the motion.

The motion carried unanimously.

There being no further business, the meeting adjourned at 10:30 a.m.

Respectfully submitted by:

Candace L. Chaney

Candace L. Chaney, Secretary

APPROVED BY:

Floyd R. Lamb

Senator Floyd R. Lamb, Chairman

DATE: May 11- 81

Exhibit A

THIS EXHIBIT IS MISSING FROM BOTH THE ORIGINAL MINUTES AND THE MICROFICHE.

ATTENDANCE ROSTER FOR COMMITTEE MEETINGS

SENATE COMMITTEE ON FINANCE

DATE: April 29, 1981

PLEASE PRINT NAME	PLEASE PRINT PLEASE PRINT ORGANIZATION & ADDRESS	PLEASE PRINT TELEPHONE
[illegible]	[illegible]	885-4[illegible]
[illegible]	[illegible]	[illegible]
Warren T Fowler	R.P.E.N	[illegible]-6811

VERNON B[illegible]TT
EXECUTIVE OFFICER

WILL KEATING
ASSISTANT EXECUTIVE OFFICER

STATE [illegible] NEVADA

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

April 27, 1981

The Honorable Floyd R. Lamb
Chairman, Senate Finance Committee
Nevada State Legislature
Carson City, Nevada 89710

Dear Senator Lamb:

I am attaching the cover letter and computations prepared by our Actuary regarding AB 154 at the request of the Senate Finance Committee.

These computations were based upon 5,219 regular and 471 police/fire benefit recipients, for a total of 6,690 recipients. The Actuary did not include survivor benefit recipients in the computation because of the small benefit and the limited eligibility periods for which they are entitled to draw benefits.

Table 1 provides a breakdown of cost of the four plans. Plan A is the current formula as recommended in AB 154, with a cost of $24.6 million. The cost for PERS to continue to pay the flat dollar monthly increase which began in 1977 will be an additional $2.5 million as provided in section 1. Therefore, the total cost would be $27.1 million to pay this benefit for the remainder of all the benefit recipient's and beneficiary's lives. This $2.5 million cost to fund section 1 would be in effect and should be added to the cost for plans B, C and D. Plan B would represent a savings of $1.5 million. Plan C would represent a savings of $3.6 million, and plan D would represent a savings of $9.7 million.

Table 2 provides the breakdown of plans A, B, C and D by the individual percentages based on the number of years the benefits have been drawn. The information on table 2 under column A specifically answers the Committee's question about a breakdown of cost per years the retired employees have been drawing the benefits. For example, persons receiving a 3% increase after having been retired one year would cost $1.94 million for regular members and $ .38 million for police/fire members. The Actuary advised that this chart adequately substantites that the cost will be substantially lower for the persons drawing the 7-1/2% to 10% increases.

Table 3 provides a breakdown on the number of recipients, average age, average total benefit for regular and police/fire based on the year in which they retired. This information again substantiates that the benefit recipients who have been retired the longest periods of time are drawing the lower benefits. The graduated scale increases as represented in AB 154 identified

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EX. C

to this problem and provides a greater percentage to those people.

We are also attaching a comparison of the increases of the All Items Consumer Price Index as compared to the increases provided to benefit recipients since 1967. This information was requested by the Committee during our first meeting. We feel this information clearly establishes that retired employee increases have not been equivalent to increases in the cost-of-living.

We have discussed with the Chairman and Vice Chairman of your Committee an amendment to establish a sunset provision as of June 30, 1983, if the benefits provided in AB 154 are not specifically funded by the 1983 Legislature. The intent of this amendment would be to relieve the Committee's concerns about passage of substantial new benefit increases without providing a specific method of funding. The amendment would require that PERS include the 1981 and 1982 cost-of-living increases in the two-year study and provide a definite method of funding for consideration by the 1983 Legislature. The benefits would stop in 1983 unless the 1983 Legislature provides a definite method of funding. We have discussed this matter with key representatives of the retired employee groups and received their verbal support of the amendment. Therefore, we would appreciate your favorable consideration of AB 154, First Reprint, with the two-year sunset amendment and the amendment we requested during our testimony on April 21, 1981. We are attaching an additional copy of that testimony for your information and assistance.

We will be pleased to answer any questions which the Committee may have.

Sincerely,

Vernon Bennett

Vernon Bennett
Executive Officer

VB:dd
Attachments
CC: Senate Finance Committee

MARTIN E. SEGAL COMPANY

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JOHN P. MACKIN
SENIOR VICE PRESIDENT
GOVERNMENTAL DIVISION

April 24, 1981

Mr. Vernon Bennett
Executive Officer
Nevada Public Employees Retirement System
693 West Nye Lane
Carson City, Nevada 89701

Dear Vernon:

The enclosed tables provide information regarding possible graded percentage increases in benefits on July 1, 1981 and July 1, 1982.

Table 1 - shows the estimated additional actuarial liabilities for four possible benefit increase schedules. You will note that the additional liability ranges from $24.6 million for (A) - the increases provided by Section 3 of A. B. 154 - to $14.9 million for (D) - benefit increases starting at 1% and graded up by ½% per year of retirement to 10% for 19 years and 1 month or more.

Table 2 - shows the estimated additional actuarial liabilities by percentage benefit increase and by type of graded increase. For example, the benefit recipients that will receive a 10% increase under schedule (A) account for approximately 6.8% of the total additional liability ($1.68 million of the total of $24.6 million).

Table 3 - shows the distribution of June 30, 1980 benefit recipients, excluding survivors, by year of retirement and by average age and average monthly total benefit.

I will call you on Monday to discuss the enclosed tables further.

With best regards.

Sincerely,

John

John P. Mackin

JPM:ns
Encls.

Table 1

NEVADA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Graded Percentage Benefit Increases on 7/1/81 + 7/1/82	Estimated Additional Actuarial Liabilities (in millions)		
	Regular	Police & Fire	All Benefit Recipients
(A) 3% if benefit recipient for 1 year graded up by ½% increments to 10% if benefit recipient for 14 years & 1 month or more (per Sec. 3 of A. B. 154)	$21.8	$2.8	$24.6
(B) 1% for 1 year graded up by 1% increments to 10% for more than 10	20.5	2.6	23.1
(C) 3% for 1 year graded up by ½% increments to 5% for more than 5	18.5	2.5	21.0
(D) 1% for 1 year graded up by ½% increments to 10% for more than 19	13.2	1.7	14.9

Table 2

NEVADA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Estimated Additional Actuarial Liabilities by Percentage Benefit Increase and by Type of Graded Increase

Percent Increase in Benefits	(A) 3% + ½% to 10%		(B) 1% + 1% to 10%		(C) 3% + ½% to 5%		(D) 1% + ½% to 10%	
	Reg.	P&F	Reg.	P&F	Reg.	P&F	Reg.	P&F
1 %			$ 1.19	$ .22			$ .87	$ .15
1½							1.00	.16
2			1.38	.24			.75	.12
2½							.88	.12
3	$ 1.94	$ .38	1.18	.19	$ 1.93	$ .36	.73	.11
3½	2.13	.37			2.09	.38	.99	.10
4	1.54	.23	1.57	.20	1.60	.23	.87	.15
4½	1.56	.22			1.62	.22	.86	.14
5	1.16	.18	1.17	.19	8.86	1.01	.86	.08
5½	1.55	.15					.74	.04
6	1.36	.22	1.77	.18			.62	.06
6½	1.17	.20					.50	.05
7	1.15	.12	1.59	.27			.75	.07
7½	.98	.05					.49	.03
8	.96	.08	1.58	.24			.25	.02
8½	.79	.05					.25	.03
9	.97	.10	1.57	.14			.24	.01
9½	.59	.02					.13	.01
10	1.55	.13	6.70	.53			.62	.05
Total for 6/30/80 recipients	$19.40	$2.50	$19.70	$2.40	$16.10	$2.20	$12.40	$1.50
Estimate for post-6/30/80 recipients	2.40	.30	.80	.20	2.40	.30	.80	.20
Total	$21.80	$2.80	$20.50	$2.60	$18.50	$2.50	$13.20	$1.70

Table 3

NEVADA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Distribution of Benefit Recipients as of June 30, 1980
by Year of Retirement, Average Age and Average Total Monthly Benefit

Retired in year ended June 30	Regular			Police & Fire		
	No. of recipients	Avg. age	Avg. total benefit	No. of recipients	Avg. age	Avg. total benefit
1979 & 1980	1,172	63	$559	130	57	$712
1978	551	64	555	54	58	866
1977	412	65	489	38	58	666
1976	404	66	460	32	60	715
1975	296	69	455	29	63	626
1974	338	70	475	25	64	595
1973	291	71	453	30	64	620
1972	250	72	454	26	65	602
1971	247	73	441	20	70	483
1970	207	74	438	11	70	409
1969	175	75	418	15	71	394
1968	135	76	402	9	72	499
1967	186	77	441	17	72	379
1966	119	78	370	5	72	350
1965	87	78	339	3	74	376
1964	55	80	358	8	79	398
1963	67	81	311	3	75	340
1962	50	80	293	2	82	326
1961	44	82	307	1	81	189
1960 or earlier	133	83	284	13	80	241

Note: Survivors not included.

VERNON B[illegible]ETT
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

April 27, 1981

COMPARISON OF ALL ITEMS CONSUMER PRICE INDEX
AND
COST-OF-LIVING INCREASES TO RETIRED EMPLOYEES
PER REQUEST OF SENATE FINANCE

YEAR	CPI	PERCENTAGE INCREASE	PERS MAXIMUM COST-OF-LIVING INCREASE
1967	100.1	N/A	1.5
1968	104.2	4.2	1.5
1969	109.8	5.38	1.5
1970	116.3	5.92	1.5
1971	121.3	4.3	1.5
1972	125.3	3.3	1.5
1973	133.1	6.23	1.5
1974	147.7	10.97	1.5
1975	161.2	9.14	5.0*
1976	170.5	5.77	5.0
1977	181.5	6.46	5.0**
1978	195.4	7.66	5.0
1979	217.4	11.26	5.0
1980	246.8	13.53	5.0
1981(est)	275.0	11.43	
TOTALS		105.55	47.0

* Plus $50 per month increase for persons who began drawing benefits prior to July 1, 1963.
** Plus flat dollar amount increase based on total benefit. Example: Persons receiving less than $100 per month received a $20 per month increase; less than $200 per month rereived a $15 per month increase, etc.

O-307

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 SENATE FINANCE COMMITTEE
REGARDING ASSEMBLY BILL 154, FIRST REPRINT, ON APRIL 21, 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. This bill is the result of 18 months of negotiation between the Retirement Staff and Board, the System's Actuary and the retired employee associations. Although this bill basically increases cost-of-living increases for the next two years from a 3% to 5% formula which has been in effect since 1975 to a 3% to 10% formula, the System and the retired employee groups recognize that the new benefits do not come close to meeting the need. We have agreed to perform an indepth study during the next two years regarding possible long-term postretirement benefits and funding and hope to provide a complete report to the 1983 Legislature. It is our understanding that the benefits provided by AB 154, First Reprint, are supported by all retired employee groups. There is a group of retired teachers in Las Vegas who are attempting to obtain additional benefits through SB 40.

Section 1 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 1, to be continued July 1, 1981, and thereafter for the remainder of the benefit recipients lives at the expense of PERS.

Section 2 will establish new postretirement 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. Benefit recipients who have not been drawing benefits a full year will receive a prorated increase. This will eliminate a problem where some employees try to establish their first day of retirement eligibility geared to our postretirement increase program rather than to a date that is appropriate to them and their employer. 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.

O-207

Assemblyman John Polish has requested an amendment to AB 154 which is briefly as follows:

On page 2, line 22, add the following: 3. In addition to the other postretirement allowances and increases provided by law, the system shall provide a monthly postretirement increase equivalent to $100 per month beginning July 1, 1981 for surviving spouses drawing benefits under NRS 286.674(2) to be payable as long as they are eligible to draw the survivor benefit.

COMMENT: The 1975 Legislature increased benefits to the surviving spouse of a deceased member from $100 to $200 per month on a prospective only basis. Spouses who began receiving benefits prior to May 19, 1975, continue to draw only $100 per month. The Legislature also removed the $4,800 per annum earnings limitation for a surviving spouse and authorized the reinstatement of spouses who had previously had their benefit cancelled due to exceeding the earnings limitation. Seven spouses were reinstated at $200 per month. During a legal appeal last October, it was determined by Attorney General interpretation that the reinstatement should be established at $100 per month. Therefore, the System adjusted the benefit from $200 to $100 per month for those persons. Assemblyman Polish was interested in restoring the $200 per month benefit to those seven recipients. However, the System and the Attorney General's Office were concerned about the possibility of benefit discrimination and a concern with retroactive application of benefits. The above amendment will resolve the concern by providing a $100 per month cost-of-living increase to the 152 surviving spouses who are still drawing the $100 per month base benefit. The cost will be approximately $182,400 the first year which will be reduced approximately 7% per year thereafter. The cost will be absorbed by the Retirement System. The System supports the amendment and requests your favorable consideration.

We will be pleased to answer any questions which you may have regarding this legislation or the proposed amendment.

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 SENATE FINANCE COMMITTEE
REGARDING ASSEMBLY BILL 168 ON APRIL 28, 1981

I am Vernon Bennett, Executive Officer of the Public Employees Retirement System of Nevada. We deeply appreciate the fact that your Committee is willing to consider an additional amendment to AB 168, Second Reprint. This amendment was adopted by the Retirement Board at their meeting held April 22 and 23, 1981, based upon a very recent situation which has developed and the advice of the Attorney General's Office.

The Retirement System has been making mortgage and real estate investments for approximately five years with substantial results. Our return has been at least 3% per annum above available long term bond investments. We are currently able to make mortgage and real estate investments at a return of a 1.50% commitment fee, 17% per annum return, plus 5% of the gross income. The System approved over $100 million in mortgage and real estate investments in Nevada last year. These investments have provided a substantial boost to the economy of Nevada.

During the past five years, the System has applied a Board policy that our mortgage and real estate investment documents were confidential. This policy was based upon an interpretation by and advice from the Attorney General's Office. During the past two weeks, we have received two challenges to this policy regarding an investment that was under consideration. The Attorney General advised that there are responsible legal arguments which could provide a basis for not releasing information of this type; however, he further cautioned that the existing law is not especially clear and he could not guarantee the results of any court challenge on the issue. The Retirement Board accepted this advice and determined to maintain its previous position that these records are confidential. The Board also passed a unanimous motion to request an amendment to our exisitng mortgage and real estate statute, NRS 286.686, which will clearly spell out the circumstances under which our mortgage and real estate investment documents would be confidential and when they would be public.

We respectfully request your favorable consideration of an amendment to NRS 286.686 to add two new sections as follows:

4. Application documents for authorized investments shall be confidential unless and until the investment receives final approval by the Board.

5. All investment documents become public records upon the investment receiving final approval by the Board except wills,

O-207

trust agreements, financial and income tax statements, legal and financial evaluations, and such other documents determined by the Board to be personal and sensitive to the applicant.

This amendment was drafted in conjunction with the Attorney General's Office and our mortgage and real estate attorney. The amendment will basically provide that all real estate investment documents will be confidential unless the Board approves the investment. Should the Board approve the investment, many of the documents will then be public such as the Board motion, letter of commitment, correspondence, loan closing documents, appraisal, appraisal reviews, staff evaluations, plans and drawings, etc. Even after final approval we recommend that certain things such as wills, trust agreements, financial and income tax statements and legal and financial evaluations be specifically exempted. Information such as this is routinely held confidential in trust departments, insurance companies, savings and loans, etc. Should we be unable to maintain these documents in confidence, we feel that our mortgage and real estate investment program will be severely hampered. We are also requesting an exemption for other documents determined by the Board to be personal and sensitive to the applicant. For example, we could have a borrower who has a terminal illness so that the System is required to make certain adjustments on personal guarantees and settlement of estates which we would not wish to become public record. These cannot be specifically listed because they would be individual in nature and not known until the application is considered.

We would like to clarify that the proposed amendment represents a considerable liberalization of our current policy. Adoption of this amendment would establish public availability for the official investment documents but maintain the necessary confidentiality for those that are personal and private to the applicant.

We respectfully request your favorable consideration of this amendment. We are attaching a letter from the Attorney General dated April 27, 1981, which indicates his position on this subject. We will be pleased to answer any questions which the Committee may have.

Attch:
VB:bb

STATE OF NEVADA

OFFICE OF THE ATTORNEY GENERAL

CAPITOL COMPLEX
CARSON CITY 89710
(702) 885-4170

RICHARD H. BRYAN
ATTORNEY GENERAL

LARRY D. STRUVE
CHIEF DEPUTY ATTORNEY GENERAL

April 27, 1981

Vernon Bennett
Executive Director
Public Employees Retirement System
693 West Nye Lane
Carson City, NV 89710

Dear Mr. Bennett:

We are advised that the Public Employees Retirement Board at its meeting of April 23, 1981, voted to seek a legislative amendment to Chapter 286 of Nevada Revised Statutes clarifying what records relating to loan applications under consideration or approved by the Board should be open for public inspection and which should be deemed confidential by law. This motion was adopted in part based upon the opinion of this office that the existing law in this area is not clear and has never been tested in the Nevada courts.

We continue to believe this important subject matter can best be resolved by a specific amendment to NRS 286.686 which will inform all persons what is and what is not a public record in this context.

Sincerely,

Richard H. Bryan

RICHARD H. BRYAN
Attorney General

O-764

STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF ENVIRONMENTAL PROTECTION
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

TELEPHONE (702) 885-4670

March 19, 1981

RECEIVED

MAR 20 1981

LEGISLATIVE COUNSEL BUREAU
FISCAL ANALYSIS DIVISION

M E M O R A N D U M

TO: Ron Sparks
Fiscal Analyst Division, LCB

FROM: LHD L. H. Dodgion, Administrator

SUBJECT: Agency 81-82/82-83 Budget Request

DEP is requesting general fund appropriations of $631,072 and $648,945 distributed as:

	FY 82	FY 83
Salaries	$487,930	$502,199
IST	25,051	25,051
Operating	115,037	121,695
Equipment	3,054	-0-
	$631,072	$648,945

Excess in the request for FY 82 is $5,364; $1,200 IST, $1,110 operating and $3,054 equipment.

Excess for FY 83 is $2,385; $1,200 IST, $1,185 operating.

If there are any questions, please give me a call.

LHD:ba

cc: Roland D. Westergard
Reba Jones
Jack Pine

NEVADA
DEPARTMENT OF TRANSPORTATION

A. E. STONE
Director

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 SOUTH STEWART STREET
CARSON CITY, NEVADA 89712

April 23, 1981

IN REPLY REFER TO

MEMORANDUM TO MEMBERS OF
THE SENATE FINANCE COMMITTEE

Attached for your use is additional material on the Department of Transportation's proposed Bill, SB 161, which requests authorization for the DOT to borrow from financial institutions.

A copy was sent to Ron Sparks per Senator Wilson's request on April 14.

Sincerely,

A. E. STONE
Director

AES:jn
Attachment
cc: Ron Sparks, LCB
S. Finance Committee Sec'y.

STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION

MEMORANDUM

April 14, 1981

To A. E. STONE, DIRECTOR

From GENE PHELPS, ASSISTANT DIRECTOR ADMINISTRATION GP

Subject:

SB 161 /AUTHORIZES BORROWING

I discussed the proposed bill with the staff of the Public Employees Retirement System and several officers of the First National Bank of Nevada including Mr. Gary Updegraff of their central office. Both the PERS staff and the First National Bank officers were of the opinion that the language of SB 161 provides adequate protection to the lender on short term notes or securities. Also, both indicated that pledging the "full faith and credit of the State" was not necessary if highway fund revenues were pledged.

GP:cc

The fact that gas tax revenues are earmarked for highways only by the constitution makes this type of loan almost 100% guaranteed. In addition, it offers an income tax break.

STATE OF NEVADA
DEPARTMENT OF ADMINISTRATION
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710

ROBERT LIST
Governor

HOWARD E. BARRETT
Director

April 8, 1981

MEMORANDUM

TO: Senate Finance and Assembly Ways and Means Committees

FROM: Budget Division

SUBJECT: Revised Recommendations to the Welfare Administration (101-3228), Medical Care Unit (101-3243) and Aid to Dependent Children Budgets (101-3230)

A. **Welfare Administration (101-3228)**

It is recommended that the Aid to Dependent Children (ADC) caseload be revised upward to 14,750 recipients per month in fiscal year 1981-82 and 13,750 recipients per month in fiscal year 1982-83. It is also recommended that a specialized unannounced home visit unit be established beginning July 1, 1981. The cost of these additions to the Welfare Administration budget is listed below:

		1981-82		1982-83
Revenue:				
General Fund		$228,604		$215,184
Federal Funds		228,604		215,184
Total		$457,208		$430,368
Expenses:				
Additional positions recommended				
1. Increase ADC caseload by 1,000 recipients per month.				
Eligibility Certification Specialist I	5.0	$ 73,385	4.0	$ 61,384
Eligibility Certification Supervisor	1.0	16,797		
Administrative Aid II Range A	1.0	9,098	1.0	9,495
Sub-Total	7.0	$ 99,280	5.0	$ 70,879

2. Establish Unannounced home visit unit.

		1981-82		1982-83
Eligibility Certification Specialist I	10.0	$146,770	10.0	$153,460
Eligibility Certification Supervisor	1.0	16,797	1.0	17,577
Welfare Investigator II	4.0	61,384	4.0	64,212
Administrative Aid II Range A	2.0	18,196	2.0	18,990
Sub-Total	17.0	$243,147	17.0	$254,239
Fringe Benefits		$ 61,034		$ 59,909
Total Salary/Fringe		$403,461		$385,027
In-state Travel		$ 14,136		$ 14,256
Operating				
Office Supplies		$ 7,800		$ 7,875
Operating Supplies		335		330
Communications		18,830		18,985
Printing, Duplicating		2,375		2,420
Structure/Improvement		3,000		
Total Operating		$ 32,340		$ 29,610
Equipment				
Executive Units		$ 3,228		
Clerical Units		1,978		
Calculators		600		
Total Equipment		$ 5,806		
Training		$ 1,465		$ 1,475
TOTAL		$457,208		$430,368

B. **Medical Care Unit (101-3243)**

The revised recommendation reduces the number of new positions originally recommended by seven positions the first year of the biennium and eight positions the second year. In-state travel and operating amounts have also been reduced due to the position reduction. Fiscal agent charges and medical payments are recommended at a higher level due to the 1,000 recipient per month increase in the budgeted ADC caseload. The costs associated with these changes are listed below:

		1981-82		1982-83
Revenue:				
General Fund		$427,396		$472,909
Federal Funds		427,396		472,909
Total		$854,792		$945,818
Expenses:				
New positions not recommended				
Administration -				
Medical Services Assistant	1.0	($ 15,346)	1.0	($ 16,053)
DO Staff Support -				
Las Vegas				
Medicaid Service Examiner II	1.0	(16,053)	2.0	(32,850)
Reno				
Medical Service Examiner II	1.0	(16,053)	1.0	(16,425)
Inpatient -				
Las Vegas				
Social Worker Supervisor	1.0	(17,577)	1.0	(18,396)
Management Assistant I	1.0	(10,338)	1.0	(10,797)
Reno				
Social Worker Supervisor	1.0	(17,577)	1.0	(18,396)
Management Assistant I	1.0	(10,338)	1.0	(10,797)
Sub-Total	7.0	($103,282)	8.0	($123,714)

	1981-82	1982-83
Fringe Benefits	($ 18,199)	($ 22,437)
Total Salary/Fringe	($121,481)	($146,151)
In-State Travel	($ 5,690)	($ 6,260)
Operating		
Office Supplies and Expense	($ 850)	($ 1,075)
Operating Supplies	(125)	(149)
Communications	(5,839)	(7,205)
Printing, Duplicating	(575)	(630)
Total Operating	($ 7,389)	($ 9,059)
Fiscal Agent Charge	$ 44,712	$ 49,248
Medical Payments	944,640	1,058,040
TOTAL	$854,792	$ 945,818

C. **Aid to Dependent Children (101-3230)**

It is recommended that the Aid to Dependent Children (ADC) caseload be revised upward to 14,750 recipients per month in fiscal year 1981-82 and 13,750 recipients per month in fiscal year 1982-83. The cost associated with this change is listed below:

	1981-82	1982-83
Revenue:		
General Fund	$450,000	$450,000
Federal Funds	450,000	450,000
Total	$900,000	$900,000
Expense:		
Cash Assistance	$900,000	$900,000

An additional amount will also be needed for this fiscal year (1980-81) for the Aid to Dependent Children budget. The supplemental appropriation of $2,161,837 State dollars (matched by a like amount of federal funds) was based on a caseload of 13,750 recipients per month from January, 1981, through June, 1981. The March, 1981, ADC caseload reached 14,714. The exact figure to be recommended will be calculated the last week of April, when the April ADC caseload figures become available.

MS/bdg