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PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

## Committee on Government Affairs
## Assembly Bill 480 - Testimony
## Dana Bilyeu - Operations Officer



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Good morning. My name is Dana Bilyeu and I am the Operations Officer for PERS. The Retirement Board has not yet taken a position on Assembly Bill 480, however, staff will be recommending that the board oppose the bill, for several reasons. I will direct my testimony to the specific provisions in the bill in the order of the bill.

***Section 1*** provides for increased purchase of service rights for our members. By way of background, the Retirement Act was amended in 1989 to provide for the purchase of up to 5 years of service in the plan if a member has 5 years of service already. This type of purchase is commonly referred to as "air time" as it is not tied to any other previously earned service, either in this plan or in any other public sector plan.

This plan change came about partially in response to a perceived inequity in the plan, in that only people with previous public sector or military service somewhere were entitled to purchase service in our plan. If you were a person who came to work in a PERS covered position as your only public sector service, you could not purchase time in the plan.

By allowing all members of the plan to purchase up to 5 years air time, instead of linking purchase to some other public sector or military work, perhaps in another state, all members of the plan are treated equally, with identical purchase rights.

This bill represents a step away from this equal treatment by again allowing members with other public or military service to purchase more timethan those who do not.

Secondly under the Internal Revenue Code, members of our plan may purchase up to 5 years of air time without impacting certain limitations designed to limit voluntary additions to the plan in any one given year. The addition of the sixth year of airtime would require testing the cost associated with the purchase against those limits. The same holds true for the purchase of permissive service credit under found in the additional language in section 1, subparagraph 3.

Finally, from a retirement policy perspective, allowing the purchase of more time than is actually earned through public employment (i.e. a member who has 5 years may buy 6-so they can actually retire with more purchased years than earned years) weakens the very public policy supporting the creation of the system, "a system which will….encourage these employees to remain in government service for such period of time as to give the public employer full benefit of the training and experience gained by these employees while employed by public employers."

A purchase of up to 5 years balances the public policy with the use of the purchase of service program as a financial planning tool for our members. Exceeding that amount skews that balance and undermines our state retirement policy.

For the above reasons, staff will recommend the board oppose the modifications to our purchase of service provisions currently in the plan.

***Turning to section 2*** of the bill, this section proposes an increase the benefit multiplier from its current amount of 2.67 percent of pay to 2.75 percent of pay. The retirement board is on the record in opposition to any plan amendment that carries a cost associated with it. This benefit enhancement does carry a cost as described in our fiscal note. The Retirement Board does not think it prudent to increase plan costs at a time when contribution rates are increasing and our financial markets are so volatile.

Mr. Chairman, that concludes my prepared testimony.

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**Committee on Government Affairs**
**Amendment to Assembly Bill 480 - Testimony**
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Additionally, staff will recommend the board oppose an amendment to insert a trigger delaying implementation of these benefit enhancements until the costs associated with them can be absorbed in the contribution rate. The effect of such a trigger is to bind both future legislatures and the Retirement Board as to retirement policy. Such restriction would prevent future legislatures and the Retirement Board from seeking different benefit changes for which a more urgent need could arise. An example of such alternative benefit modifications would be a floor benefit to prevent poverty or modifications to the post retirement increase formula to address differing inflation scenarios.

Each legislature should be free to consider benefit changes based upon the funding of the system at the time of the legislative session.

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