

NON-EXECUTIVE AGENCY  
FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared January 16, 2003

Agency Submitting: Public Employees Retirement System

<b>Items of Revenue or Expense, or Both</b>	<b>Fiscal Year 2002-03</b>	<b>Fiscal Year 2003-04</b>	<b>Fiscal Year 2004-05</b>	<b>Effect on Future Biennia</b>
state payroll cost (Expense)		\$313,880	\$313,880	\$313,880
local government payroll cost (Expense)		\$156,940	\$156,940	\$156,940
If retroactive (Expense)		\$2,025,000	\$2,126,250	\$2,126,250
Total		\$2,495,820	\$2,597,070	\$2,597,070

Explanation (Use Additional Sheets of Attachments, if required)

see attachment

Name Dana Bilyeu

Title Operations Officer

BDR 23-307—all peace officers covered in the police/fire fund.

**Assumptions:**

- ◆ The Peace Officers Research Association of Nevada provided base numbers that indicate 300 individuals currently are not covered under the police/fire fund. Of those 300, 200 are state employees and 100 are local government
- ◆ The average wage of the regular plan was used (2002 valuation) \$38,000 as no other figure available.
- ◆ The payroll cost is assumed to be the difference between the July 1, 2003 contribution rate of 20.25% and July 1, 2003 police fire rate of 28.5%
- ◆ The fiscal note only reflects calculations made under the employer pay contribution plan
- ◆ The effect on future biennia column is not indexed to inflation

**Payroll cost increases**

**State cost:**

$$200 \text{ people} \times \$38,000 = \$7,600,000$$

$\$7,600,000 \times 4.13\%$  (4.125% rounded up to 4.13% is half of the difference between 20.25% and 28.5%) = \$313,880 employer cost (employee to pay equal cost by statute)

**Local government cost:**

$$100 \text{ people} \times \$38,000 = \$3,800,000$$

$\$3,800,000 \times 4.13\% = \$156,940$  employer cost (employee to pay equal cost)

**Contribution costs**

**If prospective application only:**

Negligible.

**If retroactive application:**

The cost is .49% of police/fire payroll.

Not: If applied to the actuarial contribution rate as of July 1, 2003 of 28.81%, this benefit addition triggers a rate increase under NRS 286.421. The cost savings to the regular fund is insufficient to trigger a rate decrease in that plan.

$28.81\% + .49\% = 29.30\%$  (rounded to the nearest  $\frac{1}{4}$  of 1%) requires a rate change to 29.25%.

**2004 cost:**

$29.25\% - 28.5\% = .75\%$  net increase in the contribution rate divided by 2 (by statute the cost is shared equally between employer and employee) = .375%.

$.375\% \times \$540,000,000 = \mathbf{\$2,025,000}$  employer cost (same amount to be absorbed by employees)

**2005 cost:**

Assuming police/fire payroll grows by 5%

$\$540,000,000 \times 5\% = \$567,000,000$

$.375\% \times 567,000,000 = \mathbf{\$2,126,250}$  employer cost (same amount to be absorbed by employees)

**If retroactive application:**

.49 percent of payroll

**Note:** if applied to the actuarial contribution rate as of July 1, 2003 of 28.81%, this benefit addition triggers a rate increase under NRS 286.421.

$28.81 + .49 = 29.30$  (rounded to the nearest  $\frac{1}{4}$  of 1%) requires a rate change to 29.25%.

29.25 of total police/fire payroll is:

$$\$540,000,000 \times 29.25 = \$157,950,000$$

28.5 of total police fire payroll is:

$$\$540,000,000 \times 28.5 = \$153,950,000$$

The difference between the two is the net contribution cost increase:

$$\$4,000,000 / 2 = 2,000,000 \text{ employer cost and } \$2,000,000 \text{ employee cost}$$

Or:

$$29.25 - 28.5 = .75\% \text{ net increase in contribution rate} / 2 = .375\%$$

$.375\% \times 540,000,000 = \$2,025,000$  employer cost (same amount to be absorbed by the employees)