

ASSEMBLY BILL NO. 75—COMMITTEE  
ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE STATE CONTROLLER)

PREFILED NOVEMBER 20, 2018

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing public employees’ retirement. (BDR 23-466)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

AN ACT relating to public employees’ retirement; requiring the establishment of a hybrid retirement program for certain public employees; requiring the program to include a defined benefit plan and a defined contribution plan; setting forth the required provisions of each such plan; requiring certain public employers under certain circumstances to make additional contributions to the Public Employees’ Retirement System to reduce the unfunded liability of the System; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

1 **Section 2** of this bill requires the Public Employees’ Retirement Board to  
2 establish as part of the Public Employees’ Retirement System a hybrid retirement  
3 program for new employees who become members of the System on or after July 1,  
4 2020. The program must include a defined benefit plan and a defined contribution  
5 plan and provide a procedure for members of the System with an effective date of  
6 membership before July 1, 2020, to elect to transfer into the program.

7 **Section 3** of this bill sets forth the required provisions of the defined benefit  
8 plan, which include providing for: (1) a cap on annual retirement benefits; (2) a  
9 prohibition on the purchase of additional service credit; (3) a maximum public  
10 employer contribution rate equal to 7.625 percent of an employee’s compensation;  
11 (4) an employee contribution rate equal to the contribution rate that is actuarially  
12 determined for the plan, less the public employer contribution rate; (5) a monthly  
13 service retirement allowance that is determined by multiplying a member’s average  
14 compensation by 2 percent for each year of service earned by regular members and



15 by 3 percent for each year of service earned by police officers and firefighters; (6) a  
16 minimum retirement age to receive an unreduced benefit that is tied to the full  
17 retirement age of the member under the Social Security Act; (7) survivor and  
18 disability benefits; (8) cost-of-living adjustments; and (9) a determination of  
19 eligibility for early retirement with a reduced benefit. **Section 3** also sets forth the  
20 method the Public Employees' Retirement Board must use to determine the  
21 contribution rate for each public employer.

22 **Section 4** of this bill sets forth the required provisions of the defined  
23 contribution plan, which include providing for: (1) the accumulation by a member  
24 of retirement savings in an individual trust account; (2) compliance with federal  
25 law to be recognized as a qualified governmental retirement plan; (3) compliance  
26 with federal law concerning limitations on benefits, distributions and maximum  
27 compensation; (4) administration of the plan by the System or the selection of a  
28 third-party administrator; (5) a lifetime annuity option for the payment of benefits  
29 during retirement; (6) the prohibition of loans to members; (7) equal contributions  
30 by employees and public employers; (8) supplemental contributions by employees;  
31 and (9) the vesting of amounts in members' accounts.

32 **Section 5** of this bill requires the Board annually to report, distribute and post  
33 on the Internet website of the Board certain information concerning the defined  
34 contribution plan.

35 **Section 6** of this bill requires public employers that are local governments to  
36 make additional contributions to the System under certain circumstances to reduce  
37 the unfunded liability of the System.

38 **Section 7** of this bill provides that, except in certain circumstances, any new  
39 employee who becomes a member of the System on or after July 1, 2020, as a  
40 condition of his or her employment, shall be deemed to have consented to the  
41 revision or termination of the provisions of the hybrid retirement program at any  
42 time.

43 **Section 8** of this bill requires the Board annually to determine the amount of  
44 the estimated unfunded liability of the System that is attributable to members who  
45 are or were employed by the State and by each public employer that is a local  
46 government, respectively, and report the results of its determination to the  
47 Governor and the governing body of each such local government.

48 **Section 9** of this bill provides that provisions relating to certain contribution  
49 rates in collective bargaining agreements entered into or renewed on or after July 1,  
50 2020, which are inconsistent with the provisions of the hybrid retirement program  
51 are void.

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 286 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2 to 9, inclusive, of this  
3 act.

4 **Sec. 2. 1. *Notwithstanding any provision of this chapter to***  
5 ***the contrary, the Board shall, on or before July 1, 2020, to the***  
6 ***extent not inconsistent with federal law or the Nevada***  
7 ***Constitution, with the advice of the Interim Retirement and***  
8 ***Benefits Committee of the Legislature created by NRS 218E.420,***  
9 ***establish as part of the System a hybrid retirement program***



1 *consisting of a defined benefit plan and a defined contribution*  
2 *plan.*

3 *2. The hybrid retirement program must:*

4 *(a) Except as otherwise provided in paragraph (c), apply only*  
5 *to members who have an effective date of membership on or after*  
6 *July 1, 2020.*

7 *(b) Be structured in a manner which ensures that members are*  
8 *not subject to the payment of contributions under the Social*  
9 *Security Act.*

10 *(c) Provide a procedure pursuant to which a member who has*  
11 *an effective date of membership before July 1, 2020, may elect to*  
12 *transfer into the program. The procedure must include:*

13 *(1) Provisions prohibiting the transfer on behalf of a*  
14 *member who elects to transfer into the program of any money*  
15 *deposited with the System for credit to the member before July 1,*  
16 *2020, for credit under the defined benefit plan or the defined*  
17 *contribution plan of the program.*

18 *(2) Provisions specifying that the amount of service credit*  
19 *earned by a member who elects to transfer into the program must*  
20 *be calculated in the same manner the service credit was calculated*  
21 *for the member before he or she elected to transfer into the*  
22 *program.*

23 *(3) A requirement that a member acknowledge in writing*  
24 *that the member understands the differences between the*  
25 *calculation of the benefit available to the member if he or she does*  
26 *not elect to transfer into the program and the calculation of the*  
27 *benefit available to the member if he or she elects to transfer into*  
28 *the program.*

29 *(4) A requirement that a member acknowledge in writing*  
30 *that the member understands the risks of transferring into the*  
31 *program and that the member understands the election to transfer*  
32 *into the program may not be revoked.*

33 *3. Any provision of this chapter that is inconsistent with the*  
34 *provisions of the hybrid retirement program does not apply to the*  
35 *program to the extent of the inconsistency. All other provisions of*  
36 *this chapter that are not inconsistent with the provisions of the*  
37 *program apply to the program, unless specifically excluded by the*  
38 *terms of the program.*

39 **Sec. 3. 1. The defined benefit plan of the hybrid retirement**  
40 **program established pursuant to section 2 of this act must:**

41 *(a) Include a cap on annual retirement benefits that must not*  
42 *exceed 133 percent of the average base pay earned by a member*  
43 *during the 36 consecutive months of highest compensation of the*  
44 *member.*

45 *(b) Prohibit the purchase of additional service credit.*



1 (c) Provide that the public employer contribution rate must not  
2 exceed 7.625 percent of an employee's compensation.

3 (d) Provide that the employee contribution rate is an amount  
4 equal to the contribution rate that is actuarially determined for the  
5 defined benefit plan, less the public employer contribution rate.

6 (e) Provide that a monthly service retirement allowance must  
7 be determined by multiplying the average compensation of a  
8 member by:

9 (1) For regular members, 2 percent for each year of service  
10 earned.

11 (2) For members who are police officers or firefighters, 3  
12 percent for each year of service earned.

13 (f) Establish a minimum retirement age to receive an  
14 unreduced benefit which is equal to:

15 (1) For regular members, the full retirement age of the  
16 member under the Social Security Act.

17 (2) For members who are police officers or firefighters, 10  
18 years less than the full retirement age of the member under the  
19 Social Security Act.

20 (g) Provide for survivor and disability benefits for a member in  
21 the same manner, subject to the same eligibility requirements and  
22 providing the same payment options available to persons who are  
23 members of the System on June 30, 2020, except that, for the  
24 purposes of calculating such benefits, the calculation of the  
25 service retirement allowance for a person who has an effective  
26 date of membership in the System on or after July 1, 2020, must be  
27 determined as provided in paragraph (e).

28 (h) Provide for cost-of-living adjustments for a member in the  
29 same manner as such cost-of-living adjustments are provided for a  
30 person who is a member of the System on June 30, 2020.

31 (i) Provide that the determination of whether a member is  
32 eligible for early retirement with a reduced benefit must be based  
33 on the same actuarial factors and determined in the same manner  
34 as provided for a person who is a member of the System on  
35 June 30, 2020.

36 (j) Include such other provisions as determined necessary by  
37 the Board, with the advice of the Interim Retirement and Benefits  
38 Committee of the Legislature created by NRS 218E.420.

39 2. For the purposes of determining the contribution rate for  
40 each public employer, the Board must:

41 (a) Include in the contribution rate the amount necessary to  
42 cover the costs of providing benefits to the employees of the public  
43 employer and the amount determined by the Board necessary to  
44 reduce the public employer's share of the unfunded liability of the  
45 System; and



1 (b) Use a System-wide payroll growth assumption calculated  
2 separately for regular members and for members who are police  
3 officers or firefighters.

4 3. As used in this section:

5 (a) "Average compensation" has the meaning ascribed to it in  
6 subsection 3 of NRS 286.551.

7 (b) "Full retirement age" means the age at which a person  
8 may first become entitled to full or unreduced retirement benefits  
9 under the Social Security Act.

10 (c) "Social Security Act" means the Act of Congress approved  
11 August 14, 1935, chapter 531, 49 Stat. 620, officially cited as the  
12 "Social Security Act", including regulations and requirements  
13 issued pursuant thereto, as such Act has been and may from time  
14 to time be amended.

15 **Sec. 4. 1.** The defined contribution plan of the hybrid  
16 retirement program established pursuant to section 2 of this act  
17 must:

18 (a) Provide for the accumulation by a member of retirement  
19 savings in an individual trust account held for the exclusive  
20 benefit of the member and his or her beneficiaries.

21 (b) Comply with all requirements of federal law to be  
22 recognized as a qualified governmental retirement plan.

23 (c) Comply with all applicable requirements of federal law  
24 concerning limitations on benefits, distributions and maximum  
25 compensation.

26 (d) Provide for the administration of the defined contribution  
27 plan by:

28 (1) The System, if the Board determines that administration  
29 of the defined contribution plan by the System can be fully  
30 implemented on July 1, 2020, and that the cost to the System to  
31 administer the defined contribution plan is lower than the costs  
32 that would be incurred by the System if the defined contribution  
33 plan is administered by a third-party administrator; or

34 (2) A third-party administrator selected by the Board, the  
35 selection of which must be based on, without limitation:

36 (I) The financial stability of the third-party  
37 administrator.

38 (II) The cost of investment, administrative and other  
39 services provided by the third-party administrator.

40 (III) The experience of the third-party administrator in  
41 providing defined contribution plans.

42 (IV) The experience of the third-party administrator in  
43 providing education, counseling and advice to participants of  
44 defined contribution plans.



1 (V) Any criminal convictions of, securities or antitrust  
2 violations committed by, material civil or regulatory fines imposed  
3 on or judgments entered against, the third-party administrator.

4 (e) Provide an option to a member to elect to have his or her  
5 benefits under the defined contribution plan paid as a lifetime  
6 annuity during retirement.

7 (f) Prohibit loans to members.

8 (g) Require an employee to contribute to his or her defined  
9 contribution account through pretax payroll deductions:

10 (1) For regular members, 7.625 percent of the employee's  
11 compensation each payroll period.

12 (2) For members who are police officers or firefighters,  
13 10.625 percent of the employee's compensation each payroll  
14 period.

15 (h) Require a public employer to contribute to the defined  
16 contribution account of an employee:

17 (1) For regular members, 7.625 percent of the employee's  
18 compensation each payroll period.

19 (2) For members who are police officers or firefighters,  
20 10.625 percent of the employee's compensation each payroll  
21 period.

22 (i) Authorize a member to make supplemental contributions to  
23 his or her defined contribution account, subject to any limitations  
24 provided by federal law.

25 (j) Provide for rollover contributions into, and rollover  
26 distributions out of, the defined contribution plan, subject to any  
27 requirements and limitations provided by federal law.

28 (k) Provide that all contributions made by an employee, and  
29 the earnings thereon, become vested immediately.

30 (l) Provide that 20 percent of the contributions made by a  
31 public employer, and the earnings thereon, become vested upon  
32 completion of each year of service by the employee, and that, after  
33 completion of 5 years of service, all additional contributions by the  
34 public employer, and the earnings thereon, become vested  
35 immediately.

36 (m) Provide that any amounts credited to a defined  
37 contribution account of a member that are not vested on the date  
38 of the termination of the employment of the member are forfeited  
39 and must be used only to reduce the public employer's share of the  
40 unfunded liability of the System arising from the obligations of the  
41 System to persons who are members of the System on June 30,  
42 2020.

43 (n) Provide that upon termination of the defined contribution  
44 plan, all amounts credited to a defined contribution account of a  
45 member become fully and immediately vested.



1 (o) *Include such other provisions as determined necessary by*  
2 *the Board, with the advice of the Interim Retirement and Benefits*  
3 *Committee of the Legislature created by NRS 218E.420.*

4 2. *As used in this section, "defined contribution account"*  
5 *means an individual trust account established within the defined*  
6 *contribution plan for the exclusive benefit of a member and his or*  
7 *her beneficiaries.*

8 **Sec. 5. 1.** *The Board shall, on or before December 1 of*  
9 *each year, submit to the Governor, the State Controller, the State*  
10 *Treasurer, the Senate Majority Leader and the Speaker of the*  
11 *Assembly an annual report and financial statement for the*  
12 *immediately preceding fiscal year concerning the defined*  
13 *contribution plan.*

14 2. *The Board shall:*

15 (a) *Cause a copy of the financial statement to be distributed to*  
16 *each participant in the hybrid retirement program established*  
17 *pursuant to section 2 of this act; and*

18 (b) *Post a copy of the annual report and financial statement on*  
19 *an Internet website maintained by the Board.*

20 **Sec. 6. 1.** *Except as otherwise provided in subsection 2,*  
21 *each public employer that is a local government shall, in addition*  
22 *to the contributions required under the defined benefit plan and*  
23 *the defined contribution plan established pursuant to section 2 of*  
24 *this act, contribute to the System an additional 7.625 percent of*  
25 *the compensation of each of its employees who is a participant in*  
26 *the hybrid retirement program established pursuant to section 2 of*  
27 *this act, including each employee who is a member of the System*  
28 *on June 30, 2020, and who elects to transfer into the hybrid*  
29 *retirement program, to reduce the unfunded liability of the System*  
30 *arising from the obligations of the System to persons who are*  
31 *members of the System on June 30, 2020.*

32 2. *The additional contributions required by subsection 1 are*  
33 *not required at any time during which the respective unfunded*  
34 *liability of the System is determined by the actuary of the System to*  
35 *be 15 percent or less.*

36 **Sec. 7.** *Any new employee who becomes a member of the*  
37 *System on or after July 1, 2020, as a condition of his or her*  
38 *employment shall be deemed to have consented to the revision or*  
39 *termination of the provisions of the hybrid retirement program*  
40 *established pursuant to section 2 of this act at any time, except*  
41 *that no such revision may reduce any accrued retirement benefits*  
42 *earned by the employee before the effective date of the revision.*

43 **Sec. 8. 1.** *The Board shall annually determine the amount*  
44 *of the estimated unfunded liability of the System that is*  
45 *attributable to members who are or were employed by the State*



1 *and by each public employer that is a local government,*  
2 *respectively, and report the results of its determination to the*  
3 *Governor and the governing body of each such local government.*

4 *2. In determining the amount of the estimated unfunded*  
5 *liability of the System that is attributable to the State and to each*  
6 *public employer that is a local government, respectively, and the*  
7 *schedule of amortization payments which a public employer is*  
8 *required to contribute to reduce the public employer's share of the*  
9 *unfunded liability of the System, the Board must:*

10 *(a) Use actuarial assumptions that are consistent with the*  
11 *actuarial assumptions otherwise used by the Board;*

12 *(b) Use a System-wide payroll growth assumption consistent*  
13 *with the assumption used pursuant to subsection 2 of section 3 of*  
14 *this act, calculated separately for regular members and for*  
15 *members who are police officers or firefighters, and must*  
16 *calculate the amount of the amortization payments due by*  
17 *multiplying the percentage obtained from the payroll growth*  
18 *assumption by the amount of the entire payroll of the System; and*

19 *(c) Ensure, to the maximum extent possible, that in*  
20 *determining the amount of the amortization payments due*  
21 *pursuant to paragraph (b), the calculation does not result in a*  
22 *public employer being required to contribute to the System to*  
23 *reduce the unfunded liability of the System an amount which is*  
24 *substantially different from the amount which the public employer*  
25 *was required to contribute to the System to reduce the unfunded*  
26 *liability of the System before July 1, 2020.*

27 **Sec. 9. 1.** *Any provision in a collective bargaining*  
28 *agreement entered into or renewed on or after July 1, 2020, that*  
29 *provides for a greater public employer contribution rate to either*  
30 *the defined benefit plan or the defined contribution plan*  
31 *established pursuant to section 2 of this act than the public*  
32 *employer contribution rates specified in sections 3 and 4 of this*  
33 *act, respectively, is void.*

34 *2. Any provision in a collective bargaining agreement entered*  
35 *into or renewed on or after July 1, 2020, that provides for a lesser*  
36 *employee contribution rate to either the defined benefit plan or the*  
37 *defined contribution plan established pursuant to section 2 of this*  
38 *act than the employee contribution rates specified in sections 3*  
39 *and 4 of this act, respectively, is void.*

40 **Sec. 10.** *The provisions of subsection 1 of NRS 218D.380 do*  
41 *not apply to any provision of this act which adds a requirement to*  
42 *submit a report to the Legislature.*

43 **Sec. 11. 1.** *This section becomes effective upon passage and*  
44 *approval.*

45 *2. Sections 1 to 10, inclusive, of this act become effective:*





- 1 (a) Upon passage and approval for the purpose of establishing  
2 the hybrid retirement program and performing any other preparatory  
3 administrative tasks that are necessary to carry out the provisions of  
4 this act; and  
5 (b) On January 1, 2020, for all other purposes.

