

SENATE BILL NO. 547—COMMITTEE ON LEGISLATIVE  
OPERATIONS AND ELECTIONS

(ON BEHALF OF THE DEPARTMENT OF ADMINISTRATION)

MARCH 26, 2007

Referred to Committee on Finance

SUMMARY—Makes various changes regarding the management of  
the Public Employees' Benefits Program.  
(BDR 23-1414)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

~

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

AN ACT relating to programs for public employees; making various  
changes regarding the management of the Public  
Employees' Benefits Program; and providing other  
matters properly relating thereto.

**Legislative Counsel's Digest:**

- 1 The Governmental Accounting Standards Board is an independent body which
- 2 establishes standards of financial accounting and reporting for state and local
- 3 governmental agencies. The Board has issued Statements 43 and 45, which
- 4 Statements require governmental employers to report as liabilities those
- 5 postemployment benefits, other than pensions, which have not yet been funded.
- 6 This bill creates the State Retirees' Health and Welfare Benefits Fund, an
- 7 irrevocable trust fund to be administered by the Board of the Public Employees'
- 8 Benefits Program. **Sections 3 and 4** of this bill create the Retirees' Fund and
- 9 specify its purpose. **Sections 5 and 6** of this bill specify how money is to be paid
- 10 into the Retirees' Fund, invested and paid out of the Retirees' Fund. **Section 17** of
- 11 this bill changes the manner in which the subsidies to be paid in connection with
- 12 the Program are calculated. (NRS 287.046)



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

**Section 1.** Chapter 287 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 10, inclusive, of this act.

**Sec. 2.** *“Program Fund” means the Fund for the Public Employees’ Benefits Program created pursuant to NRS 287.0435.*

**Sec. 3.** *“Retirees’ Fund” means the State Retirees’ Health and Welfare Benefits Fund created pursuant to section 4 of this act.*

**Sec. 4. 1.** *The State Retirees’ Health and Welfare Benefits Fund is hereby created as an irrevocable trust fund.*

*2. The purpose of the Retirees’ Fund is to account for the financial assets designated to offset the current and future costs of the subsidies paid pursuant to subsection 2 of NRS 287.046.*

**Sec. 5. 1.** *The money in the Retirees’ Fund must not be used or appropriated for any purpose incompatible with the policies of the Program, as expressed in NRS 287.0402 to 287.049, inclusive, and sections 2 to 10, inclusive, of this act.*

*2. The Retirees’ Fund must be invested and administered to ensure the highest return consistent with safety in accordance with accepted investment practices and the laws of this State.*

*3. The Board has the exclusive control of the administration and investment of the Retirees’ Fund.*

*4. The following money must be deposited in the Retirees’ Fund:*

*(a) All money appropriated by the Legislature to the Retirees’ Fund;*

*(b) All money provided for the purpose of offsetting the costs of the health and welfare benefits for current and future state retirees pursuant to NRS 287.046;*

*(c) All money accruing to the Retirees’ Fund from all other sources; and*

*(d) Any other money provided to the Program for the payment of other postretirement health and welfare benefits pursuant to NRS 287.046.*

*5. The interest and income earned on the money in the Retirees’ Fund, after deducting any applicable charges, must be credited to the Retirees’ Fund.*

*6. Any money remaining in the Retirees’ Fund at the end of a fiscal year does not revert to the State General Fund, and the balance in the Retirees’ Fund must be carried forward.*

**Sec. 6. 1.** *The money in the Retirees’ Fund must be expended by the Board for the purpose of:*



1       (a) *Offsetting a portion of the costs of the health and welfare*  
2 *benefits for current and future state retirees pursuant to NRS*  
3 *287.046; and*

4       (b) *Paying such other expenses as by law may be paid from the*  
5 *Retirees' Fund.*

6       2. *Money designated for the purposes set forth in subsection*  
7 *1 must be withdrawn from the Retirees' Fund and deposited in the*  
8 *Program Fund as necessary.*

9       3. *The money in the Retirees' Fund belongs to the officers,*  
10 *employees and retirees of this State in aggregate and is to be held*  
11 *in trust by the Board. Neither the State nor the governing body of*  
12 *any county, school district, municipal corporation, political*  
13 *subdivision, public corporation or other local governmental*  
14 *agency of the State, nor any single officer, employee or retiree of*  
15 *any such entity has any right to the money in the Retirees' Fund.*

16       **Sec. 7.** *No officer, employee or retiree of this State has any*  
17 *inherent right to benefits provided pursuant to this chapter.*

18       **Sec. 8. 1.** *The Board shall fix an administrative fee*  
19 *sufficient to pay the costs and expenses described in subsection 1*  
20 *of section 6 of this act. The Board shall, on a monthly basis,*  
21 *transfer the administrative fee from the Retirees' Fund to the*  
22 *Program Fund.*

23       2. *The Board shall, not less frequently than once each*  
24 *calendar quarter, consider the investments of the Retirees' Fund.*  
25 *In carrying out the requirements of this subsection, the Board*  
26 *shall:*

27       (a) *Review and, if appropriate, direct changes in the*  
28 *investment portfolio of the Retirees' Fund;*

29       (b) *Recommend any appropriate changes in the investment*  
30 *objectives and policies of the Retirees' Fund;*

31       (c) *Receive, acknowledge and process investment suggestions*  
32 *forwarded to the Board by state participants in the Program; and*

33       (d) *As the Board deems appropriate, provide to state*  
34 *participants in the Program an explanation of investment*  
35 *practices.*

36       3. *The Board shall provide to the Department of*  
37 *Administration and to the Interim Retirement and Benefits*  
38 *Committee of the Legislature, created by NRS 218.5373:*

39       (a) *An annual audit of the Retirees' Fund to be conducted by*  
40 *an independent certified public accountant;*

41       (b) *An annual report concerning the Retirees' Fund; and*

42       (c) *An independent biennial certified actuarial valuation and*  
43 *report of the State's postretirement health and welfare benefits,*  
44 *which valuation and report are provided for the purpose of*  
45 *developing the annual required contribution pursuant to the*



1 *statements issued by the Governmental Accounting Standards*  
2 *Board.*

3 **Sec. 9. 1.** *In addition to the provisions of chapter 355 of*  
4 *NRS, the Board may invest and reinvest the money in the Retirees'*  
5 *Fund as provided in this section and section 10 of this act and may*  
6 *employ investment counsel for that purpose. The Board may also*  
7 *employ investment supervisory services, trust audit services and*  
8 *other related investment services which it deems necessary to*  
9 *invest effectively and safeguard the money in the Retirees' Fund.*

10 2. *No person engaged in business as a broker or dealer in*  
11 *securities or who has a direct pecuniary interest in any such*  
12 *business who receives commissions for transactions performed as*  
13 *agent for the Board is eligible for employment as investment*  
14 *counsel for the Board.*

15 3. *The Board shall not engage investment counsel unless:*

16 (a) *The principal business of the person selected by the Board*  
17 *consists of giving continuous advice as to the investment of money*  
18 *on the basis of the individual needs of each client;*

19 (b) *The person and his predecessors have been continuously*  
20 *engaged in such a business for a period of 5 or more years;*

21 (c) *The person is registered as an investment adviser under the*  
22 *laws of the United States as from time to time in effect, or is a*  
23 *bank or an investment management subsidiary of a bank; and*

24 (d) *The contract between the Board and the investment*  
25 *counsel is of no specific duration and is voidable at any time by*  
26 *either party.*

27 4. *The Board and its individual members are not liable for*  
28 *investment decisions made by investment counsel if they obtain*  
29 *qualified investment counsel, establish proper objectives and*  
30 *policies for investments, and issue appropriate interim directives.*  
31 *Investment counsel is liable for any investment decision that is not*  
32 *made in accordance with the objectives and policies established by*  
33 *the Board and any applicable interim directives.*

34 5. *The expenses incurred in obtaining and reviewing services*  
35 *pursuant to the provisions of this section and the reimbursements*  
36 *to employees for their expenses incurred in connection with*  
37 *investment decisions must be paid out of the Retirees' Fund.*

38 6. *The Board shall tender invitations to banks and credit*  
39 *unions for commercial banking and trust services, consider*  
40 *proposals submitted by interested banks and credit unions, and*  
41 *consider contracts for commercial banking and trust services at*  
42 *least every 5 years.*

43 **Sec. 10.** *The Board may invest the money in the Retirees'*  
44 *Fund in every kind of investment which:*



1 *1. Persons of prudence, discretion and intelligence acquire or*  
2 *retain for their own account; and*

3 *2. Is consistent with the laws of this State.*

4 **Sec. 11.** NRS 287.0402 is hereby amended to read as follows:

5 287.0402 As used in NRS 287.0402 to 287.049, inclusive, *and*  
6 *sections 2 to 10, inclusive, of this act*, unless the context otherwise  
7 requires, the words and terms defined in NRS 287.0404 to  
8 287.0406, inclusive, *and sections 2 and 3 of this act* have the  
9 meanings ascribed to them in those sections.

10 **Sec. 12.** NRS 287.0415 is hereby amended to read as follows:

11 287.0415 1. A majority of the members of the Board  
12 constitutes a quorum for the transaction of business.

13 2. The Governor shall designate one of the members of the  
14 Board to serve as the Chairman.

15 3. The Board shall meet at least once every calendar quarter  
16 and at other times upon the call of the Chairman.

17 4. The Board may meet in closed session:

18 (a) To discuss matters relating to personnel;

19 (b) *With investment counsel to plan future investments or*  
20 *establish investment objectives and policies;*

21 (c) *With legal counsel to receive advice upon claims or suits by*  
22 *or against the Program;*

23 (d) To prepare a request for a proposal or other solicitation for  
24 bids to be released by the Board for competitive bidding; or

25 ~~[(e)]~~ (e) As otherwise provided pursuant to chapter 241 of NRS.

26 5. Except as otherwise provided in this subsection, if the Board  
27 causes a meeting to be transcribed by a court reporter who is  
28 certified pursuant to chapter 656 of NRS, the Board shall post a  
29 transcript of the meeting on its Internet website not later than 30  
30 days after the meeting. The Board shall post a transcript of a closed  
31 session of the Board on its Internet website when the Board  
32 determines that the matters discussed no longer require  
33 confidentiality and, if applicable, the person whose character,  
34 conduct, competence or health was discussed in the closed session  
35 has consented to the posting.

36 6. As used in this section, "request for a proposal" has the  
37 meaning ascribed to it in subsection 8 of NRS 333.020.

38 **Sec. 13.** NRS 287.0424 is hereby amended to read as follows:

39 287.0424 1. The Board shall employ an Executive Officer  
40 ~~[who]~~, *subject to the approval of the Governor. The Executive*  
41 *Officer* is in the unclassified service of the State and serves at the  
42 pleasure of the Board. The Board may delegate to the Executive  
43 Officer the exercise or discharge of any power, duty or function  
44 vested in or imposed upon the Board.

45 2. The Executive Officer must:



(a) Be a graduate of a 4-year college or university with a degree in business administration or public administration or an equivalent degree, as determined by the Board; and

(b) Possess at least 5 years' experience in a high-level administrative or executive capacity in the field of insurance, management of employees' benefits or risk management, including, without limitation, responsibility for a variety of administrative functions such as personnel, accounting, data processing or the structuring of insurance programs.

3. Except as otherwise provided in NRS 284.143, the Executive Officer shall not pursue any other business or occupation or perform the duties of any other office of profit during normal office hours unless on leave approved in advance. The Executive Officer shall not participate in any business enterprise or investment ~~[with]~~ :

(a) *With* any vendor or provider to the Program ~~[H]~~ ; or

(b) *In real or personal property if the Program owns or has a direct financial interest in that enterprise or property.*

4. The Executive Officer is entitled to an annual salary fixed by the Board. The salary of the Executive Officer is exempt from the limitations set forth in NRS 281.123.

**Sec. 14.** NRS 287.0426 is hereby amended to read as follows:

287.0426 1. The Executive Officer may appoint a Quality Control Officer, Operations Officer, ~~[Accounting]~~ *Chief Financial Officer, Investment Officer*, Information Technology Systems Officer and Executive Assistant, who are in the unclassified service of the State and serve at the pleasure of the Executive Officer. The appointment and dismissal of the Quality Control Officer *and Investment Officer* are subject to the approval of the Board.

2. The Quality Control Officer, Operations Officer, ~~[Accounting]~~ *Chief Financial Officer, Investment Officer* and Information Technology Systems Officer must each be a graduate of a 4-year college or university with a degree that is appropriate to their respective responsibilities or possess equivalent experience as determined by the Board.

3. The Quality Control Officer, Operations Officer, ~~[Accounting]~~ *Chief Financial Officer, Investment Officer*, Information Technology Systems Officer and Executive Assistant are entitled to annual salaries fixed by the Board. The salaries of these employees are exempt from the limitations set forth in NRS 281.123.

4. The Executive Officer may employ such staff in the classified service of the State as are necessary for the performance of his duties, within limits of legislative appropriations or other available money.



**Sec. 15.** NRS 287.0433 is hereby amended to read as follows:

287.0433 The Board may establish a plan of life, accident or health insurance and provide for the payment of contributions into the **Program** Fund , ~~[for the Public Employees' Benefits Program established pursuant to NRS 287.0435.]~~ a schedule of benefits and the disbursement of benefits from the **Program** Fund. The Board may reinsure any risk or any part of such a risk.

**Sec. 16.** NRS 287.0435 is hereby amended to read as follows:

287.0435 1. All money received for the Program, including, without limitation, premiums and contributions, must be deposited in the State Treasury for credit to the Fund for the Public Employees' Benefits Program which is hereby created as a trust fund. The **Program** Fund must be accounted for as an internal service fund. Payments into and disbursements from the **Program** Fund must be so arranged as to keep the **Program** Fund solvent at all times.

2. The money in the **Program** Fund must be invested as other money of the State is invested and any income from investments paid into the **Program** Fund for the benefit of the **Program** Fund.

3. Disbursements from the **Program** Fund must be made as any other claims against the State are paid.

4. The State Treasurer may charge a reasonable fee for his services in administering the **Program** Fund, but the State, the State General Fund and the State Treasurer are not liable to the **Program** Fund for any loss sustained by the **Program** Fund as a result of any investment made on behalf of the **Program** Fund or any loss sustained in the operation of the Program.

5. The Board shall deposit any disbursement received from the **Program** Fund into an interest-bearing checking account in a bank or credit union qualified to receive deposits of public money. Claims that have been submitted to the Program and approved must be paid from the account, and any refund of such a claim must be deposited into the account.

**Sec. 17.** NRS 287.046 is hereby amended to read as follows:

287.046 1. Except as otherwise provided in subsection 6, any active state officer or employee who elects to participate in the Program may participate, and the participating state agency that employs the officer or employee shall pay the State's share of the cost of the premiums or contributions for the Program from money appropriated or authorized as provided in NRS 287.044. State officers and employees who elect to participate in the Program must authorize deductions from their compensation for the payment of premiums or contributions for the Program. Any deduction from the compensation of a state officer or employee for the payment of a premium or contribution for health insurance must be based on the





1 actual amount of the premium or contribution after deducting any  
2 amount of the premium or contribution which is paid by the  
3 participating state agency that employs the employee.

4 2. The Department of ~~[Personnel shall pay a percentage of the~~  
5 ~~base amount provided by law for that fiscal year toward the cost of~~  
6 ~~the premiums or contributions for the Program for persons who have~~  
7 ~~retired with state service and who elect to participate in the~~  
8 ~~Program. Except as otherwise provided in subsection 3, the~~  
9 ~~percentage to be paid must be calculated as follows:~~

10 ~~—(a) For those persons who retire before January 1, 1994, 100~~  
11 ~~percent of the base amount provided by law for that fiscal year.~~

12 ~~—(b) For those persons who retire on or after January 1, 1994,~~  
13 ~~with at least 5 years of state service, 25 percent plus an additional~~  
14 ~~7.5 percent for each year of state service in excess of 5 years to a~~  
15 ~~maximum of 137.5 percent, excluding service purchased pursuant to~~  
16 ~~NRS 1A.310 or 286.300, of the base amount provided by law for~~  
17 ~~that fiscal year.]~~

18 *Administration shall establish an assessment that*  
19 *is to be used to pay for a portion of the cost of premiums or*  
20 *contributions for the Program for persons who have retired with*  
21 *state service and who elect to participate in the Program. The*  
22 *money so assessed must be deposited into the Retirees' Fund and*  
23 *must be based upon an amount approved by the Legislature each*  
24 *session to prefund health benefits for state retirees. Except as*  
25 *otherwise provided in subsection 3, the portion to be paid to the*  
26 *Program from the Retirees' Fund on behalf of persons who have*  
27 *retired with state service and who elect to participate in the*  
28 *Program must be equal to a portion of the cost for each retiree*  
29 *and his dependents who are enrolled in the plan, as defined for*  
30 *each year of the plan by the Program. For persons who retire on*  
31 *or after January 1, 1994, with at least 5 years of service,*  
32 *adjustments to the portion paid by the Retirees' Fund must be as*  
33 *follows:*

34 *(a) For each year of service less than 15 years, excluding*  
35 *service purchased pursuant to NRS 1A.310 or 286.300, the portion*  
36 *paid by the Retirees' Fund must be reduced by an amount equal to*  
37 *7.5 percent of the base funding level defined by the Legislature. In*  
38 *no event may the adjustment exceed 75 percent of the base*  
39 *funding level defined by the Legislature.*

40 *(b) For each year of service equal to or greater than 15 years,*  
41 *excluding service purchased pursuant to NRS 1A.310 or 286.300,*  
42 *the portion paid by the Retirees' Fund must be increased by an*  
43 *amount equal to 7.5 percent of the base funding level defined by*  
44 *the Legislature. In no event may the adjustment exceed 37.5*  
*percent of the base funding level defined by the Legislature.*





1        3. If the amount calculated pursuant to subsection 2 exceeds  
2 the actual premium or contribution for the plan of the Program that  
3 the retired participant selects, the balance must be credited to the  
4 **Program** Fund . ~~[for the Public Employees' Benefits Program~~  
5 ~~created pursuant to NRS 287.0435.]~~

6        4. For the purposes of subsection 2:

7        (a) Credit for service must be calculated in the manner provided  
8 by chapter 286 of NRS.

9        (b) No proration may be made for a partial year of state service.

10       5. The Department shall agree through the Board with the  
11 insurer for billing of remaining premiums or contributions for the  
12 retired participant and his dependents to the retired participant and  
13 to his dependents who elect to continue coverage under the Program  
14 after his death.

15       6. A Senator or Assemblyman who elects to participate in the  
16 Program shall pay the entire premium or contribution for his  
17 insurance.

18       **Sec. 18.** This act becomes effective on July 1, 2007.

