

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-fifth Session
March 23, 2009**

The Senate Committee on Government Affairs was called to order by Chair John J. Lee at 1:36 p.m. on Monday, March 23, 2009, in Room 2144 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator John J. Lee, Chair
Senator Terry Care, Vice Chair
Senator Steven A. Horsford
Senator Shirley A. Breeden
Senator William J. Raggio
Senator Randolph Townsend
Senator Mike McGinness

GUEST LEGISLATORS PRESENT:

Senator Dean A. Rhoads, Rural Nevada Senatorial District

STAFF MEMBERS PRESENT:

Michael Stewart, Committee Policy Analyst
Olivia Lodato, Committee Secretary

OTHERS PRESENT:

Curtis Calder, City Manager, City of Elko; Humboldt Highroad Association
Warren Russell, Commissioner, Board of Commissioners, Elko County
Bjorn (BJ) Selinder, Churchill County, Eureka County, Elko County
Wes Henderson, Government Affairs Coordinator, Nevada Association of Counties
J. David Fraser, Executive Director, Nevada League of Cities and Municipalities
Barry Smith, Executive Director, Nevada Press Association, Inc.
J. Stephen Weaver, Chief, Planning and Development, Division of State Parks, Department of Conservation and Natural Resources

Senate Committee on Government Affairs
March 23, 2009
Page 2

Dana K. Bilyeu, Executive Officer, Public Employees' Retirement System
Joe Elliott

Roger Maillard, President, American Federation of State, County and Municipal
Employees, Local 4041

Ronald P. Dreher, Government Affairs Director, Peace Officers Research
Association of Nevada

Danny N. Coyle, Retiree Vice President, American Federation of State, County
and Municipal Employees, Local 4041

Steve Watson

Marty Bibb, Executive Director, Retired Public Employees of Nevada

Chair Lee opened the Senate Government Affairs Committee with the
introduction of a bill draft request (BDR). He read the summary of the BDR and
said it was on behalf of the Governor's office.

BILL DRAFT REQUEST 23-1166: Makes various changes relating to officers and
employees of the Executive, Judicial and Legislative Branches of State
Government. (Later introduced as [Senate Bill 387](#).)

Senator Raggio requested a copy of the BDR. He said with the understanding
that agreeing to submit a bill did not necessarily indicate approval, he moved for
Committee introduction.

SENATOR RAGGIO MOVED TO INTRODUCE BDR 23-1166.

SENATOR TOWNSEND SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR CARE VOTED NO. SENATOR
HORSFORD WAS ABSENT FOR THE VOTE.)

Chair Lee opened the hearing on Senate Bill (S.B.) 203. He said the bill was
introduced by Senator Dean A. Rhoads.

SENATE BILL 203: Revises provisions concerning the quarterly publication of
certain financial information by incorporated cities. (BDR 21-579)

Senator Dean A. Rhoads, Rural Nevada Senatorial District, said he met with Elko City Manager Curtis Calder and the Mayor of the City of Elko last summer. He said they had a large stack of city bills. The *Elko Daily Free Press* asked why the bills were not advertised in the paper. Senator Rhoads said he was informed it would cost \$10,000 a year to publish the bills. He said they had not found any other community paying such a tremendous price to publish bills. He added there was an amendment to S.B. 203 from the county.

Curtis Calder, City Manager, City of Elko; Humboldt Highroad Association, spoke in favor of S.B. 203. He said the proposed revisions to Nevada Revised Statutes (NRS) 266.480 and NRS 268.030 would result in efficient and effective methods of communicating a city's finances to the general public ([Exhibit C](#)). He said current law required pages of detailed quarterly financial information be printed in local newspapers at a tremendous cost. The proposed bill fulfilled the intent of the original 1939 legislation by publishing the total amounts paid for the quarter, [Exhibit C](#). The bill provided for public inspection and copying supporting financial documentation if additional information was required, [Exhibit C](#). He said the City of Elko anticipated saving approximately \$14,000 a year if S.B. 203 was passed. He said the savings were substantial for the various incorporated cities, [Exhibit C](#). The proposed amendment would add the county requirements to the bill. The bill as written only affected cities.

Chair Lee asked if the amendment was from the Elko County Board of Commissioners.

Mr. Calder said it was not the City of Elko's amendment, but they were not opposed to the amendment.

Senator Rhoads said a representative from the Elko County Board of Commissioners was present to explain the amendment.

Warren Russell, Commissioner, Board of Commissioners, Elko County, introduced an amendment from the Board of Elko County Commissioners. He said the attached amendment allowed counties to utilize their Websites to meet the requirements of NRS 354.210 ([Exhibit D](#)). He said the fiscal impact of publishing all paid bills cost the County \$10,000 per year, [Exhibit D](#). The amendment proposed the information concerning the Website would be published in the newspapers. Mr. Russell said the Commissioners had enforced the policy providing detailed information upon request through letters, in person,

or by printed or electronic form when requested. He said all the information would be available on the Website, and the \$10,000 in savings might mean saving a position in the County.

Senator Care said the way the bill was drafted, certain information would not be published quarterly in newspapers. He asked where the information would be available. He said other issues included copying fees, the number of man-hours involved gathering the information and the cost of litigation.

Mr. Calder envisioned that once the warrants were approved at City Council meetings, the documents became public and were available for inspection at any time. He said statutes allowed for minimal charges for copying of documents.

Chair Lee said nearly every city was incorporated. He asked if all 17 counties would be affected by the proposed amendment, since the Elko amendment did not just apply to counties under 40,000 in population.

Mr. Russell said it would be a benefit to all the counties. He said Elko County had the authority through statute to charge for information and if there were extensive amounts of time involved in producing and printing records, there would be a fee. He said the obligation of the County was to provide service.

Senator Care said the subject of litigation in Clark County involved the distinction between requesting public information and public documents. The information may not exist on a single document, and in some instances, gathering documents might require creating documents.

Mr. Russell said Elko County provided the best possible service, in the shortest amount of time, whenever possible.

Bjorn (BJ) Selinder, representing Churchill County, Eureka County and Elko County, said he was Churchill County Manager for 28 years, and during that time he made sure all publications were prepared and printed. He said in 28 years he only had one telephone call asking about a specific line item in a publication. He said S.B. 203, with amendments, made the information available to anyone interested in it. He said most libraries in Nevada had a computer system and a willing staff to assist anyone with questions.

Wes Henderson, Government Affairs Coordinator, Nevada Association of Counties (NACO), said NACO supported S.B. 203 with the proposed amendment from Elko County. He said 16 of Nevada's counties had Websites.

J. David Fraser, Executive Director, Nevada League of Cities and Municipalities, thanked Senator Rhoads and said his organization supported S.B. 203. He said the bill maintained the intent of the original legislation. He said the records were more available now than ever before.

Chair Lee asked if there was any further testimony in favor of S.B. 203. He asked for testimony against the bill.

Barry Smith, Executive Director, Nevada Press Association, Inc., said he was opposed to the bill and favored continuing to publish the expenditures in detail in newspapers. He said there should be more scrutiny of government spending during tight financial times. He said the original bill removed the details from the financial reports and published a lump sum amount ([Exhibit E](#)). Mr. Smith said scrutiny of government spending by citizens held officials accountable and maximized efficiency. He suggested publishing the information saved money due to the accountability factor as a deterrent to fraud and corruption, [Exhibit E](#). Mr. Smith said the amendment pushed the information to the Internet rather than newspapers. He said there was a proliferation of Websites for governmental agencies, [Exhibit E](#).

Mr. Smith referenced a survey showing 56 percent of registered voters in Nevada preferred reading public notices in newspapers, [Exhibit E](#). The survey also showed 87 percent said state and local governments should continue to publish the notices in newspapers. Mr. Smith added the survey showed only 10 percent said they never read public notices, [Exhibit E](#).

Chair Lee asked if there were any further questions regarding S.B. 203. He opened the hearing on S.B. 215.

SENATE BILL 215: Extends the date for the reversion of money transferred to provide historical interpretive signs for the California Trail Wayside Sites to be located in eight northern Nevada counties of this State.
(BDR S-1054)

Senator Rhoads said S.B. 215 concerned the National California Emigrant Trail Interpretive Center at Elko. He said the Trail Center was a federal, state, city and county joint venture. He said approximately \$14 million had been spent to date. The building was complete, and organizers were waiting for money from the proposed stimulus package for the exhibits. He said Senator Reid had submitted \$1.5 million to furnish the exhibits. He said last Session a bill appropriated \$300,000 to install 19 sites along the trail providing a history of the California Trail, and there were still several sites needing installation. The money must be used by July 1, and the contractor does not think he will be finished by that date. The proposed bill, S.B. 215, extended the date for completion of the project to December 1.

Mr. Calder spoke for the City of Elko and the Humboldt Highroad Association. He read his testimony providing background and history of the sites ([Exhibit F](#)). He said all the sites interacted with each other and with the National California Emigrant Trail Interpretive Center at Elko. He said the original plan was larger than the one today. A reduction in sites reduced the cost by approximately one-third, [Exhibit F](#). He said there were 19 sites, and historical signage was prepared for 15 of the sites. Mr. Calder said S.B. No. 314 of the 73rd Session stipulated no expenditures after June 30, 2009, [Exhibit F](#). He said S.B. 215 requested expenditures for elements under development be permitted until December 31, 2009, [Exhibit F](#).

Chair Lee asked why the project was not completed.

Senator Rhoads said the project was two-thirds completed. The contractor had some problems.

J. Stephen Weaver, Chief, Planning and Development, Division of State Parks, Department of Conservation and Natural Resources, supported S.B. 215. He said his Division was tasked with administering the funding for the California Trail Wayside Sites historical interpretive signs project ([Exhibit G](#)). He said significant progress had been made, but it was necessary to negotiate a second contract for phase 2. He said the concept for the last four or five signs had not been completed, [Exhibit G](#), and the original contract was due to expire. He requested a six-month extension in order to finish the project, [Exhibit G](#).

Senator Raggio said it was a good project and one which the Legislature supported. He asked Mr. Weaver how much of the allotted \$300,000 had been expended on the project.

Mr. Weaver said approximately \$100,000 was spent to date. He said phase 2 was another \$78,000, and there should be over \$100,000 remaining of the original \$300,000.

Senator Raggio asked if the December 31, 2009, date was realistic for completion of the project.

Mr. Weaver replied it was a safe date for completion of the project. He said the design and fabrication should be completed by late summer of 2009, and the rest of signs would be installed this fall.

Chair Lee closed the hearing on S.B. 215. He requested Ms. Bilyeu give her presentation to the Committee.

Dana K. Bilyeu, Executive Officer, Public Employees' Retirement System (PERS), presented her report concerning the retirement system. She did not specifically address the Las Vegas Chamber of Commerce report on the retirement system in her presentation. She said the PERS had approximately 106,000 active members, 40,000 retirees, and over 70,000 inactive, vested and nonvested members of the system ([Exhibit H](#), original is on file in the Research Library). Ms. Bilyeu said PERS was established in 1947 because social security did not allow public employees to participate at that time. The mission of PERS was to attract and retain long-term employees to the public sector. She stated it was a pooled system, a multiple-employer, cost-sharing trust, [Exhibit H](#). She said there were 173 employers. The Clark County School District was the largest employer. The average reported salary to PERS for the regular fund was \$46,000 and \$70,000 in the police/fire fund. She said Nevada PERS was a prefunded system, [Exhibit H](#), and social security was a pay-as-you-go system. The money in PERS was invested and the returns used to pay the benefits.

Ms. Bilyeu discussed the employee/employee-shared responsibility with respect to financing retirement benefits in the system. The Legislature was dedicated to cost-sharing back to the public employees. Employees in Nevada pay half the cost of funding the contribution in the retirement system, including payment on the unfunded accrued liability, [Exhibit H](#). Ms. Bilyeu said the rates in July 2009

were increasing for both regular members and police/fire members. A goal of the trustees of PERS was to try to make the contribution rates as predictable as possible. A series of cost-containment measures were in the system. She said PERS financed over a 40- to 60-year time period. She discussed the funded ratio of the system, [Exhibit H](#). She referenced the unfunded liability obligations in the graph in [Exhibit H](#). She said each year if there was a change in base of the unfunded liability, it received its own 30-year amortization period.

Ms. Bilyeu discussed a 10-year history of the average benefits paid out of the system. The average retiree in 2008 earned approximately \$27,000 a year. The benefits financed two of the three legs of a retirement plan. The third leg was the individual's private savings, [Exhibit H](#).

She said PERS had 65 employees and had grown over time but maintained the same level of employees. She said the staff serviced 2,186 accounts per full-time equivalent employee. She said PERS was managed at about half the cost of statewide defined-benefit pension plans, [Exhibit H](#). She said the source of benefit payments came from investments made by investment managers. She said PERS did not in-house invest any of the money.

Ms. Bilyeu discussed the economic impact of PERS. The PERS Board recently commissioned a study, which examined the benefit payroll paid to retirees and how it multiplied through the economy of Nevada. She said key findings showed the system paid out over \$980 million in pension benefits, which supported more than \$196 million in federal, state and local tax revenue. Each benefit dollar had a multiplying benefit of \$1.28 into Nevada's economy. She said each dollar in taxpayer contributions to PERS supported \$6.21 in total economic output, [Exhibit H](#). She said over \$1 billion flowed back into the State using the multiplier. Ms. Bilyeu said the Appendix in [Exhibit H](#) showed the asset allocations for the three other funds PERS managed.

Senator Horsford asked Ms. Bilyeu about the solvency of the system. He noted from [Exhibit H](#) that fund was able to continue to meet the actuarial assumptions and asked if that was correct. She replied he was correct. He asked how it was possible with the turmoil in the markets.

Ms. Bilyeu said the Retirement Board adopted assumptions on recommendations from the independent actuary. She said there were both demographic and economic assumptions associated with payroll growth. She said PERS used

long-term cycles since the 1970s. The Legislature has met the obligations when the system asked for required contributions, which she said was the key to long-term health in financing. She said all the methodology used was from the Governmental Accounting Standards Board and the American Society of Actuaries. The system did not invest in emerging markets. The Board did not want large swings in market returns from year to year. The investments were conservative.

Senator Horsford asked if there was anything indicating the system would not be able to meet its financial obligation in the short-term.

Ms. Bilyeu said the system was designed for the long-term and the cash flows currently were able to meet the obligations of the system. She said the system was not in a negative cash-flow environment.

Senator Horsford asked about the social security provisions. He asked if any State workers received contributions to social security.

Ms. Bilyeu said the system did not participate in social security. She said Nevada was one of 10 states that did not participate. She said Nevada's contribution rate was paid 100 percent by employees and employers to the pension fund. She said some comparisons of PERS with other systems did not take into account the costs associated with social security. She noted the Las Vegas Chamber of Commerce report said Nevada's retirement contributions were the seventh lowest cost in the country, [Exhibit H](#).

Senator Horsford asked what occurred to individuals with social security benefits as well as PERS. He said those who contributed to social security were eligible for medicare when they reached retirement age.

Ms. Bilyeu said the medicare deduction began in 1986 and anyone hired by the State after that date had a medicare tax taken out of their checks. She said many public workers had a small social security benefit. The federal government adopted two offsets. One was the Government Pension Offset (GPO), which affected widows, and the other was the Windfall Elimination Provision. The GPO reduced a widow's social security benefit if the amount from PERS was larger than the social security benefit. The Windfall Elimination Provision was a two-thirds offset. She said it was a sliding scale. The more years worked in a public sector plan such as PERS versus the private sector, the larger the offset.

She said it was never 100 percent but it might reach two-thirds of the benefit. She said the federal government put the plans in place as a cost-savings to social security.

Senator Horsford asked about the economic impact on the PERS system and whether there was an analysis of the Governor's and the Spending and Government Efficiency (SAGE) recommendations. He asked about possible job and economic loss to the State if their recommendations were followed.

Ms. Bilyeu said she had copies of *The Economic Impact of Nevada PERS* for the Committee ([Exhibit I](#), original is on file in the Research Library). The long-term economic impact to the State was based on the stable cash flows from the pension funds into the communities. She said if there were reductions in the amounts, there would be a long-term effect. She said a stable cash flow drove job creation. Defined benefits were predictable and were a strength of this type of retirement system.

Chair Lee asked Ms. Bilyeu about the current unfunded liability, which should be fully paid in 26.5 years. He asked how that worked.

Ms. Bilyeu said the current unfunded liability was captured as of June 2008. It had four pieces to it. The beginning liability was approximately \$4 billion. The Board put the liability on a 30-year retirement schedule, now in year 26 of the payment period. In order to meter costs to members and employees, the Board did layered amortizations. She said if there was a newly created unfunded liability, it was given its own 30-year amortization. She said the goal of the system was a 30-year career for employees. She said every gain was given a 30-year amortization as well. She said it was a weighted ratio.

Chair Lee asked if people hired in a particular year were in one group different from those hired in the following years.

Ms. Bilyeu replied the liabilities were grouped differently, but the people were all pooled. It provided broad pooling among the 173 employers.

Chair Lee asked if it was possible to have a lump-sum payout of benefits.

Ms. Bilyeu said the benefit structure was an annuity approach without lump sum distributions. She said the exceptions were employee contributions in a

refund form or the survivor who chose a lump sum rather than the annuity stream. She said most people did not have any refund available to them.

Chair Lee asked about the seven people on the Retirement Board.

Ms. Bilyeu said the seven members of the Retirement Board were appointed by the Governor to rolling four-year periods. She said there were defined categories within the statute. Every person on the Board had to have at least 10 years of service. The design was to allow for equal representation between the employer groups and the employee groups. She added there was one retiree position on the Board. She said the members were fiduciaries to the fund and monitored the investment managers.

Chair Lee asked whether there were term limits on the Board members.

Ms. Bilyeu said there were no term limits. She said six members were in their second term and one member had served three terms. She said because of the nature of the education requirements and the fiduciary obligations of the members, at least eight years was a good length of time for a Board member to serve. She said it was a weighty responsibility for the members.

Chair Lee asked how often the Board met and where it met.

Ms. Bilyeu said Board members were required to meet monthly, rotating between Carson City and Las Vegas. She said in a nonlegislative year there were four meetings in Las Vegas and eight meetings in Carson City. During legislative years, they had ten meetings in Carson City and two meetings in Las Vegas.

Joe Elliott said he would finish his presentation from the last meeting. He said PERS had \$22.3 billion in its investment account in January 2009. Mr. Elliott said PERS took in approximately \$1.3 billion annually and paid out \$1.1 billion. He said 60 percent of the payout came from investment returns. He said 76 percent of PERS retirees remained in Nevada. Mr. Elliott said the State could not continue to cut services and needed to enhance revenue. He said Nevada taxpayers subsidized the gaming casinos in geographical areas outside the United States. He said the gaming tax remained at 6.75 percent. The gaming rate in Atlantic City was 13.5 percent; in Indiana it was 35 percent; in Louisiana

it was 21 percent; Mississippi charged 12 percent and Illinois was at 70 percent. He advocated a tax increase of one half of 1 percent.

Roger Maillard, President, American Federation of State, County and Municipal Employees, local 4041, said the PERS system was not broken and did not need fixing. He said the PERS Board was talented, dedicated and aware of their fiduciary responsibilities to the system. He said PERS was well managed at all levels.

Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada, asked the Committee to support what they had heard from Ms. Bilyeu. He said PERS was the best system, and they did not want to be part of the social security system.

Danny N. Coyle, AFSCME Retirees Vice President, American Federation of State, County and Municipal Employees, Local 4041, echoed the remarks of Mr. Maillard and Mr. Dreher. He praised Ms. Bilyeu's presentation. He said PERS was a great system and was fortunate to have Ms. Bilyeu. He said PERS was solvent.

Steve Watson said he was a retired public employee, the former Deputy Director of the Legislative Counsel Bureau. He said he was able to retire because of PERS and the way it was managed. He said he now represented a company that sold deferred compensation for public employees. He said he supported PERS.

Marty Bibb, Executive Director, Retired Public Employees of Nevada, supported the system. He said one of the most forward-thinking approaches he recalled in the system was to go from a closed amortization period to a rolling 30-year average. He said the retirees appreciated the system.

Senator Horsford asked for information on social security. He asked for information about the ten states that did not participate in social security. He also requested information on where Nevada would rank if social security was provided in some categories.

Chair Lee asked if any of the PERS money was in jeopardy.

Ms. Bilyeu said she would prepare updated charts with respect to cost comparisons in the public funds database. She said she met over the weekend

with the Executive Board of the National Association of State Retirement Administrators, and they were all concerned about costs. She said PERS investments were disclosed when the books were closed from year to year. She said the system held \$90 million in commercial paper in Lehman Brothers and it was in bankruptcy. She said the agency provided quarterly portfolio information to the Interim Retirement and Benefits Committee of the Legislature.

Chair Lee said PERS had a comprehensive annual financial report published every year. He said at the end of the year it should be obvious to everybody.

Ms. Bilyeu said the bond market was a challenge for everyone due to the illiquidity of that market, making it difficult to buy and sell bonds.

Chair Lee asked if PERS was mandated to not have more than 5 percent of the assets in any certain fund.

Ms. Bilyeu said there were limitations, which varied depending on the type of asset. The limitations were published in the investment directives.

Senate Committee on Government Affairs
March 23, 2009
Page 14

Chair Lee asked if there was any further discussion. As there was none, he adjourned the meeting at 3:21 p.m.

RESPECTFULLY SUBMITTED:

Olivia Lodato,
Committee Secretary

APPROVED BY:

Senator John J. Lee, Chair

DATE: _____