

ASSEMBLY BILL NO. 405—ASSEMBLYMAN OCEGUERA

MARCH 21, 2011

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing the Public Employees' Retirement System. (BDR S-964)

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

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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; setting forth a legislative declaration; directing the Interim Retirement and Benefits Committee of the Legislature to conduct a study; setting forth the requirements for the study and directing the Committee to submit a report to the Legislative Commission; making an appropriation; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

- 1 **Section 1** of this bill sets forth the Legislature's findings and declaration
2 concerning the nature of the Public Employees' Retirement System and its mission.
3 **Section 2** of this bill: (1) directs the Interim Retirement and Benefits Committee of
4 the Legislature to conduct a study of the retirement and disability benefits for
5 public employees in this State; (2) sets forth the analyses which must be included
6 within the study; (3) requires the Public Employees' Retirement Board to provide
7 staff assistance to the Committee; and (4) directs the Committee to submit a report
8 of the results of the study to the Legislative Commission.
9 **Section 3** of this bill provides an appropriation of \$250,000 to pay the cost of
10 the study required to be conducted by the Interim Retirement and Benefits
11 Committee of the Legislature pursuant to **section 2**.

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

- 1 **Section 1.** The Legislature hereby finds and declares:
2 1. It is the mission of the Public Employees' Retirement
3 System as declared in NRS 286.015 to provide:



1 (a) A reasonable base income to qualified employees who have
2 been employed by a public employer and whose earning capacity
3 has been removed or has been substantially reduced by age or
4 disability.

5 (b) An orderly method of promoting and maintaining a high
6 level of service to the public through an equitable separation
7 procedure, which is available to employees at retirement or upon
8 becoming disabled.

9 (c) A system which will make government employment
10 attractive to qualified employees in various categories of service and
11 which will encourage these employees to remain in government
12 service for such periods of time as to give the public employer full
13 benefit of the training and experience gained by these employees
14 while employed by public employers.

15 2. The Public Employees' Retirement System is a defined
16 benefit pension plan that covers all eligible public employees in this
17 State in lieu of coverage under the federal Social Security Act.

18 3. The short-term volatility in the investment markets has
19 caused an increase in the costs to public employers and public
20 employees for contributions to the Public Employees' Retirement
21 System to retire the unfunded liability of the System in compliance
22 with the requirements prescribed by the Governmental Accounting
23 Standards Board. Such increased costs could also result from losses
24 in the System's holdings caused by fraud or misrepresentation in the
25 investment markets.

26 4. Many different approaches to workforce incentives,
27 including retirement and disability benefits, have evolved in the
28 public and private sectors and warrant study to ensure that this State
29 provides the most appropriate retirement benefits for its public
30 workforce, as part of the overall human resources policy of this
31 State.

32 5. Because of the long-term financial and policy impacts of any
33 changes to retirement and disability benefits provided by the Public
34 Employees' Retirement System, careful and thorough consideration
35 of the alternatives is required.

36 6. Section 2 of Article 9 of the Nevada Constitution requires
37 that any changes proposed to the retirement and disability benefits
38 provided by the Public Employees' Retirement System be based
39 upon actuarial assumptions recommended by the independent
40 actuary employed by the Public Employees' Retirement Board to
41 ensure the insulation of the retirement future of the public workforce
42 of this State from any political pressures.

43 **Sec. 2.** 1. The Interim Retirement and Benefits Committee of
44 the Legislature created by NRS 218E.420 shall conduct a study of



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1 the retirement and disability benefits for public employees in this
2 State.

3 2. The study conducted pursuant to subsection 1 must include:

4 (a) An analysis of alternatives to the existing retirement plan,
5 including, without limitation, consideration of other models of
6 retirement plans, such as defined benefit plans, defined contribution
7 plans, cash balance plans and hybrid retirement plans, and
8 retirement and disability benefits under the federal Social Security
9 Act. Such analysis must address the implications of implementing
10 each alternative, including, without limitation:

11 (1) A comparison of the design, costs, portability and income
12 security of each alternative; and

13 (2) The actuarial, financial, workforce and public policy
14 impacts of each alternative on current and future public employers,
15 current and future public employees and beneficiaries in the Public
16 Employees' Retirement System.

17 (b) An analysis of the measures implemented by the Public
18 Employees' Retirement Board to monitor losses caused by fraud or
19 misrepresentation in the investment markets and to institute legal
20 action to recover such losses.

21 3. The Public Employees' Retirement Board shall provide such
22 assistance to the Interim Retirement and Benefits Committee of the
23 Legislature as requested by the Committee, including, without
24 limitation, the assistance of the independent actuary employed by
25 the Board to make the necessary actuarial assumptions.

26 4. On or before October 1, 2012, the Interim Retirement and
27 Benefits Committee of the Legislature shall submit a report of the
28 results of the study conducted pursuant to subsection 1 to the
29 Legislative Commission.

30 5. On or before December 31, 2012, the Legislative
31 Commission shall submit the report of the results of the study and
32 any recommendations for legislation to the 77th Session of the
33 Nevada Legislature.

34 **Sec. 3.** 1. There is hereby appropriated from the State
35 General Fund to the Legislative Fund the sum of \$250,000 to
36 conduct the study required pursuant to section 2 of this act.

37 2. The money appropriated by subsection 1 may be used only if
38 matching money is received in the Legislative Fund for the study
39 from sources other than the appropriation made by subsection 1,
40 including, without limitation, gifts, grants and donations.

41 3. The State Controller shall not distribute any money from the
42 appropriation made pursuant to subsection 1 until the matching
43 money required by subsection 2 has been committed for the study.

44 4. Any remaining balance of the appropriation made by
45 subsection 1 to the Legislative Fund must not be committed for



1 expenditure after June 30, 2013, by the entity to which the
2 appropriation is made or any entity to which money from the
3 appropriation is granted or otherwise transferred in any manner, and
4 any portion of the appropriated money remaining must not be spent
5 for any purpose after September 20, 2013, by either the entity to
6 which the money was appropriated or the entity to which the money
7 was subsequently granted or transferred, and must be reverted to the
8 State General Fund on or before September 20, 2013.

9 **Sec. 4.** This act becomes effective upon passage and approval.

