

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Eighth Session
February 16, 2015**

The Committee on Government Affairs was called to order by Chairman John Ellison at 9:02 a.m. on Monday, February 16, 2015, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman John Ellison, Chairman
Assemblyman John Moore, Vice Chairman
Assemblyman Richard Carrillo
Assemblyman Edgar Flores
Assemblywoman Amber Joiner
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Shelly M. Shelton
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblyman Glenn E. Trowbridge
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

Assemblywoman Victoria A. Dooling (excused)
Assemblyman Stephen H. Silberkraus (excused)

GUEST LEGISLATORS PRESENT:

Assemblyman Randy Kirner, Assembly District No. 26

Minutes ID: 155



STAFF MEMBERS PRESENT:

Jered McDonald, Committee Policy Analyst
Eileen O'Grady, Committee Counsel
Erin Barlow, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Dan Schwartz, State Treasurer, Office of the State Treasurer
Grant Hewitt, Chief of Staff, Office of the State Treasurer
Tray Abney, representing Reno-Sparks Chamber of Commerce
Paul Moradkhan, representing Las Vegas Metropolitan Chamber of Commerce
Tina Leiss, Executive Officer, Nevada Public Employees' Retirement System
Rusty McAllister, representing Professional Fire Fighters of Nevada
Warren Wish, representing Nevada State Education Association
Chris Collins, representing Las Vegas Police Protective Association, and Combined Law Enforcement Associations of Nevada
Ron Dreher, representing Peace Officers Research Association of Nevada, Combined Law Enforcement Associations of Nevada, Washoe County School Principals' Association, and Washoe County Public Attorney's Association
Mark Chaparian, Assistant Executive Director, Las Vegas Police Protective Association
Mike Malone, representing Las Vegas Police Protective Association
Autumn Tampa, Private Citizen, Las Vegas, Nevada
Martin Bassick, representing Service Employees International Union Nevada
Michael Collins, representing Local 1107, Service Employees International Union Nevada
Cynthia Fischer, Private Citizen, Las Vegas, Nevada
Martin Bibb, representing Retired Public Employees of Nevada
Marlene Lockard, representing the Service Employees International Union, and Retired Public Employees of Nevada
Priscilla Maloney, representing the American Federation of State, County, and Municipal Employees, Retiree Chapter
Ruben Murillo, Jr., representing Nevada State Education Association
Kevin Ranft, representing the American Federation of State, County, and Municipal Employees
Lonnie Shields, representing the Nevada Association of School Administrators

Danielle Munroe-Murano, Private Citizen, North Las Vegas, Nevada
Keishe Caruthers, Private Citizen, Las Vegas, Nevada
Ashley Rhea, Private Citizen, Las Vegas, Nevada
Fabiola Pavel, Private Citizen, Las Vegas, Nevada
Thomas Nicholson, Private Citizen, Las Vegas, Nevada
Stan Olsen, representing the Nevada Association of State Public Safety
Officers
Pat Sanderson, representing Laborers Local 872, Laborers International
Union
Fred Sewe, Private Citizen, Carson City, Nevada
Teresa Twitchell, Private Citizen, Sparks, Nevada
Peggy Bowen, Private Citizen, Reno, Nevada
Colleen Brown, Private Citizen, Henderson, Nevada
Vicky Cameron, Private Citizen, Las Vegas, Nevada
Sharon Erlandson, Private Citizen, Las Vegas, Nevada
Steve Spindel, Private Citizen, Las Vegas, Nevada
Victoria Harding, representing Service Employees International Union
Nevada
Victor Joecks, representing Nevada Policy Research Institute
Terry Rubald, Deputy Executive Director, Local Government Services,
Department of Taxation
Joshua Hicks, representing the National Public Finance Guarantee
Corporation
Barbara Flickinger, representing the National Public Finance Guarantee
Corporation

Chairman Ellison:

[Roll was called. Committee rules and protocol were explained.] Today's presentations will start with Assembly Bill 3.

Assembly Bill 3: Revises provisions governing the Public Employees' Retirement Board. (BDR 23-185)

Assemblyman Randy Kirner, Assembly District No. 26:

Today, I want to bring before you Assembly Bill 3, which is intended to enhance the capabilities of the Public Employees' Retirement Board to oversee and manage the system.

By way of background, there are a couple of pieces of information you should have. Question number one in the ballot of 1997, which won voter approval 3 to 1, basically established the Public Employees Retirement System (PERS) as sitting outside the Executive Branch and outside government. It simply established that the system should be governed by a board and that board must

employ an executive director and an independent actuary to calculate certain statistics related to the contribution rates, benefits, and required reserves. Finally, it established that the board should adopt actuarial assumptions used to compute retirement benefits based upon these calculations. Essentially, what that does is it puts into the *Nevada Constitution* that PERS resides outside the normal Executive Branch of government.

In the *Nevada Revised Statutes* (NRS) 286.130, the qualifications of the board members are outlined, and there are seven board members. Three members of the board must have ten years of service, be active members of the system, and be employees of the state or Nevada System of Higher Education, the academic staff of school districts, employees of cities excluding Carson City, employees of counties including Carson City but excluding employees of county hospitals and so forth. Two more members of the board must have ten years of service as employees of the state and also be non-elected officers and be active members of the system. These members come from school districts, are members of the Board of Trustees, members of the Boards of County Commissioners or governing bodies of cities or administrators of counties or cities. There is another member of the board who is also an employee of the State of Nevada or political subdivision with at least ten years of service. That person must be in a manager position and also be an active member of the system. Finally, there is one more member of the board who also must have 10 years of service as an employee of the State of Nevada or its political subdivision, is not an elected official, and also is receiving an allowance for service or disability retirement pursuant to this chapter. Altogether, there are currently seven members of the board, which is outlined here.

As drafted, A.B. 3 increases the PERS board from seven members to nine members. The bill changes composition of the board by eliminating the manager, since some of the other members are already managers. The bill adds that three of the members must have experience in the design or management of retirement plans. These three new members will not be public employees, nor will they be past members of PERS. Section 3 of the bill phases out the eliminated position in June of 2017 and requires the Governor to appoint two new members as soon as practical after the bill's effective date, which is July 1 of this year.

Having members on a board who represent the public is very common in Nevada. In fact, over 80 percent of the boards under Title 54 of NRS have members representing the general public. Likewise, having members on the board with specific expertise is also very common. When I read to you the current membership of the board, you will notice that there is no requirement for expertise. These board members come from active employees

with ten years of service in PERS and the requirements make no reference to any expertise. Having said that, I am certainly aware of the fact that PERS as an organization spends a great deal of time training and educating their board members. In fact, if I am correct, every time they have a board meeting in the afternoon, prior to that board meeting there is an educational component. This is not intended to indict or to say in any way that the PERS board is not doing their job. It is really to add general public interest to the board, to involve them in the PERS funding.

In Nevada, some examples of boards with a requirement to appoint members from the public based on their expertise in a subject regulated by the board include the State Board of Agriculture, the Silver State Health Exchange, and the Gaming Control Board, and certainly it is appropriate. Here is the crux of why I say there should be members of the general public: the enormous complexity of the statewide retirement plan, which has about 100,000 active employees and about 50,000 retirees, has more than \$30 billion in assets. It is \$12.5 billion in actuarial unfunded liability. Having three members of the board with expertise in retirement plan design and management seems quite obvious to me, especially when you consider that the dollars that fund this program are ultimately the taxpayer dollars. They pay teachers' salaries, they pay public employees their salaries, and so on.

As a point of comparison, at least half of the members of the Public Employees Benefit Program (PEBP), which I served on for 11 years, are required to either have an advanced degree in business, economics, insurance, or related fields, or education or proven management experience in these fields. The PEBP board also has two members who are not participants of the PEBP. In reviewing the minutes of the 1999 Legislature that added nonparticipant, private sector members to the PEBP board, I learned that the amendment to add these positions came from Senator Raggio and Senator Neal, two men who seldom agreed on anything. But it was obviously a bipartisan agreement that the public had an interest in, and the public deserved to have a presence there. By the way, in that 1999 Session, these public sector board members were supposed to sunset in 2003; however, as 2003 came around and affected employee organizations, many of which are represented behind me, all supported the retention of these positions, and the sunset was removed. In contrast, not even one of the PERS board members is required to have any expertise in retirement plans, tax law, investments, or any other critical or complex subjects relevant to administering the state retirement system.

While I can understand the rationale for having system participants on the board, there are also significant benefits gained by having board members who are not participants in PERS. Here are three. First is objectivity, which will

allow these new members to do what is best for the system in the long run because they have a fiduciary responsibility, but they do that without regard to any personal interest. The second is that board members have the expertise to evaluate the work of the staff installed in the system, which currently does not exist. Finally, there would be representation for the citizens of Nevada, the taxpayers that ultimately foot the bill for the system.

In closing, I would urge you to support this bill. There will be those, I am sure, who will testify in support, and there will be some who may testify against.

Assemblywoman Spiegel:

When you were speaking about objectivity, you were saying that these new members would have fiduciary responsibility. Do all members of the board not already have a fiduciary responsibility?

Assemblyman Kirner:

All members have fiduciary responsibility.

Assemblywoman Spiegel:

Did something happen that made you feel it was necessary to expand the board? My understanding is that PERS has been doing extremely well and providing really good returns for the folks who have their pensions through the PERS system. I am wondering if there was an event that happened, or if there are performance results that made you think, oh my goodness, we need to be doing better for these folks. Could you go into that a little bit, and why you brought this forward at this time?

Assemblyman Kirner:

Perhaps you missed my testimony. There is nothing here that talks about poor performance on the part of the board or performance on the part of PERS itself. What I am saying is that there are some \$35 billion in assets, which is the largest single bit of public funds in our state, and there is no representation by the general public. All representation comes from people who have been in PERS for at least ten years and are active members of PERS. I do not imagine, at least in my experience on the PEBP, that the two private sector members add little value since they sunsetted the requirement for them to go away. It was a bipartisan agreement to put the private sector on that board because of the large amount of money, which is half a billion dollars annually. This is not meant to be any sort of an indictment. It is just to say that the board today inherently misses the objectivity of having outside people as part of the board. That is all. There is no condemnation at all regarding the board's actions.

Assemblywoman Spiegel:

So you are saying that the system is working well, and the people who have a vested interest in this system are doing a good job of running the system today, and that you just want to make this change?

Assemblyman Kirner:

No, I am not exactly saying that. Assemblywoman Spiegel implied that I think the board is doing an excellent job. As far as I can tell, the board is operating within its fiduciary responsibilities. I do think there are some problems, but that is another day and another bill. As far as this bill goes, it merely is trying to say that the public has a vested interest along with those who are on the board today. The vested interest is that there are huge assets which are taxpayer funded. There is this huge unfunded liability, which is ultimately taxpayer guaranteed, and it is intuitive to me that there should be general public representation on the board. That is all.

Chairman Ellison:

Did you say that each one of the people that sit on the board have to be certified?

Assemblyman Kirner:

The current members of the board?

Chairman Ellison:

Yes.

Assemblyman Kirner:

According to NRS, there is no requirement for them to have any background knowledge in investments, tax law, prior management of pension plans, and the like. Having said that, I know that as a member becomes selected, generally speaking, they do have some background that they bring with them, and the PERS organization is very good about conducting continual education. So they do learn. I am not critiquing that; it is just not in NRS. The three members that we would add, according to my bill, would have some experience. Coming from the general public, you want people who have background experience. But they would also participate in the same training as other board members.

Chairman Ellison:

Who picks those individuals that are appointed to fill the seats?

Assemblyman Kirner:

As the bill is written, all members of the board are appointed by the Governor, and recommendations come from various government sublevels.

Chairman Ellison:

So anybody in this room could apply for that position?

Assemblyman Kirner:

Anybody in this room and in the overflow room.

Assemblywoman Joiner:

I appreciate my colleague asking the question about what the problem is; I think that was my main concern. I am vested in PERS, and I hear very loudly from my constituents, many of whom are PERS members. I keep pretty close tabs on it, so I was surprised to see this bill because my understanding is that it is a national model that has been doing incredibly well in its returns and that there has been no question about how well they have been meeting their fiduciary responsibility.

Another concern of mine, besides what my colleague brought up, is that it seems you are removing someone with at least ten years of experience and are not requiring a new person to be a member. My concern as a member is that I think we do have a vested interest in how it is run, and I am curious as to why you decided to remove one of those people who has this vested interest in it.

Assemblyman Kirner:

Once again, this bill does not intend to indict the current board members as not meeting their fiduciary responsibilities, which seems to be implied by your question. The second thing is in regard to why I removed one member. Having a board of 10 or 11 or 12 members becomes dysfunctional, I believe. I wanted to keep it down to nine members. As a result of this change, six members would be those that are already on the board who do have ten years of service, who are active members, and three members would be independent, meaning from the private sector.

Assemblywoman Joiner:

I have concern about the phrasing, where you keep saying somebody from the public, but really, it is a very specialized "somebody from the public." I just want to be clear, is it somebody who has been an actuary or a manager of a program? To me, that is a special interest type situation, where you have three people who are very similar in background, not just general members of the public. That would be my only concern. If we keep saying 'public,' it is not really what I see in the bill.

Assemblyman Kirner:

Well, it is not any member of the public, but the general public. You do have all members of the board today that have ten years in PERS, that are all active

members of PERS, so if you want to talk about inbred thinking, that is what you have. All I am trying to do is add some people from the general public who would have the same fiduciary responsibilities as the other members, but maybe from a different perspective.

Assemblyman Carrillo:

I am going to piggyback on what Assemblywoman Joiner talked about. My understanding is that in November of 2013, a national actuary firm, Aon Hewitt, conducted a study of PERS that determined the requirements regarding the audit benefit improvements, funding methodology, and other details represented a comprehensive, thoughtful, and appropriate model that constitutes a best-in-class policy that many other systems do not have. This PERS board has had this makeup of members since 1987, and it is applauded for best in class. That being said, my question is, why would we fix something that is not broken?

Assemblyman Kirner:

Once again, it seems to me that the questions refer to the system being broken, and I am not sure why you would suggest that the system is broken. I am not saying that it is broken. I am saying that \$35 billion in assets and \$12.5 billion in unfunded liability says that there should be general public interest in those amounts of money. That is a huge amount of money that is controlled by those people who are in the system today without any outside objectivity. That is all I am saying.

Assemblyman Carrillo:

You say general public, but these people design or manage retirement plans, so they are not just general public. These are individuals that have experience.

Assemblyman Kirner:

Expertise? Yes. That is correct, they do have expertise. But they do come from non-vested members in PERS. That is the general public. They are not coming off the street. They come in with required knowledge.

Assemblyman Carrillo:

But you are also stating the fact that the people would not have a vested interest. To me, I do not know if that would be the case. Anybody that has service with the state has a very vested interest to make sure the funds are adequate.

Assemblyman Kirner:

If you are saying that these members who are knowledgeable and who have expertise would have an interest in how the fund is managed, I would agree with that. I would agree with your statement.

Assemblyman Flores:

It is my understanding that in 1997, in statute, this structure of the board was set up, but that prior to 1997 we had a similar approach to what you are talking about now, bringing in three outside perspectives to the board. In 1997, it was specifically changed to what we have now because of the concern about a disconnect and having individuals who were not necessarily very knowledgeable, or who did not have a stake at the table being a part of the board. Is that correct?

Assemblyman Kirner:

In 1997, question one on the ballot basically set PERS outside the organization so that the state government would not be borrowing monies from PERS to try to run the government. That was a constitutional change in the board makeup, not NRS. By the way, PERS was not bad back then, either, in terms of the returns and so forth. I do not have enough information to give you the reasoning behind why they went to the public, except I think that they wanted to make sure that the funds were guaranteed safe from the state using the money.

Assemblyman Flores:

My research is not as comprehensive as it should have been, so it may be that my understanding is incorrect. But from my understanding, the intent was specifically to have this type of board set up to ensure that there were individuals who understood and had a stake in how everything worked so as to be able to contribute very effectively to that. That was my understanding.

Assemblyman Trowbridge:

You have commented that you would enhance the capabilities of the board by bringing on people that have actuarial experience in managing retirement plans. I have heard it said that this would really be a step backwards, in that there were people with this outside expertise on the board prior to 1986 or 1985. They were the ones that led the charge for the PERS money to be invested in such high risk investments as the Henderson Dog Track, which lost millions and never got off the floor. They also led the charge to invest in the Riviera Hotel and Casino, which also lost money. Current members are accused of having a special interest, yet private sector members in the past did not work out too well. They were willing to take riskier investments than what the current board is willing to take. That is just an observation.

Another point that I would make in regard to the comments that you made is that these are tax dollars. I would simply pose a question. If through your earnings, you are given \$100, and you take that \$100 and you invest it, and over years and with returns from your investment and interest earnings, that grows to \$1,000, how much is it reasonable for your employer to say that they gave you? One hundred dollars or a thousand dollars?

Assemblyman Kirner:

I do not know what decisions were made in the early 1980s when the board did have private sector representation. I do know that one of the investments they made was in International Gaming Technology, which is an organization that I came from that has richly rewarded the system. While there may have been losses, there were also abundant gains as well. I do not know the history there. I was not there; maybe you were. Regarding your question, if I give you \$100 and you grow it to \$1,000, I would say well done, good and faithful servant. You still are a servant.

Assemblyman Trowbridge:

Okay. I will have to ask a representative of the retirement board: when a PERS retiree gets a check, I understand that 20 percent of it is dollars that were invested, and 80 percent of it is a return on that investment. Some of your numbers are not being completely presented in a factual way.

Assemblyman Kirner:

Eighty percent of it comes from dollars that had been invested in the system.

Assemblyman Trowbridge:

Correct.

Assemblyman Kirner:

Maybe those dollars have been grown through investments.

Assemblyman Trowbridge:

Sure.

Assemblyman Kirner:

The other 20 percent comes from new money coming into the system. It may be that if you are an employee today, your employer is putting money into the system, or if you are a new hire, your employer is putting money into the system. The 80-20 split is a little different than you describe. Again, that has very little to do with what I am trying to do here. All I am saying is that the public has an interest in how these dollars are invested and the assumptions that are made. I think that the public should have an opportunity to be a part of

that decision-making process. Again, it would not be a major part, but a minor part. There is \$35 billion in assets and another \$12 billion in unfunded liability. On the servant comment—what I was talking about is that we are all public servants. If you are a teacher or a county commissioner or a police officer, you are all servants of the public.

Assemblyman Carrillo:

In the 1990s, the *Nevada Constitution* was amended in part to require the board to employ an independent actuary to calculate certain statistics related to contribution rates of benefits and required reserves. Does this person not actually advise the current board?

Assemblyman Kirner:

I think you are talking about the constitutional amendment of 1997?

Assemblyman Carrillo:

Correct.

Assemblyman Kirner:

And what is your question?

Assemblyman Carrillo:

Does this person who was employed not actually advise the current board?

Assemblyman Kirner:

The actuary?

Assemblyman Carrillo:

Yes.

Assemblyman Kirner:

Yes, of course. In the *Nevada Constitution*, the actuary is the one that determines the contribution rates and gives other advice to the board. That would not change.

Chairman Ellison:

Have you seen the two proposed exhibits that were entered late? They were sent in, but apparently they did not get copied onto the Nevada Electronic Legislative Information System (NELIS) until this morning. One was a proposed amendment to A.B. 3, from Dan Schwartz ([Exhibit C](#)), and the other was the Legislative History of Assembly Bill No. 390 of the 64th Session ([Exhibit D](#)). Those were the two amendments that did not get here until late. Have you seen either one of these?

Assemblyman Kirner:

I had discussions on the proposed amendment by the Nevada State Treasurer, and I do not know the other one.

Chairman Ellison:

There were four exhibits already posted on NELIS, and this one came in late.

Assemblyman Kirner:

I do have a copy of the proposed amendment already from the State Treasurer.

Assemblywoman Neal:

In section 2, page 3, lines 1 through 4, there is an amendment adding the language that board members need to have "demonstrated experience in the design or management of retirement plans." Do the people on the board currently not have some level of expertise or knowledge? I am assuming that you want to switch page 3, line 5 to read as "not employees" because there is the idea that you have the hens watching the henhouse. Can you help me understand the public policy purpose behind this switch?

Assemblyman Kirner:

According to statute, members have to have ten years in PERS, be active members in PERS, and then come from different constituencies. There is no specific requirement in NRS for any kind of pension background, tax law background, or anything like that. That said, PERS does an excellent job at taking new board members and existing board members through training. They do a lot of training. Almost every board meeting they have includes a training segment for board members. There is no argument from my end that if board members do not come in having the knowledge, they will get the knowledge because of the fine management of PERS.

Chairman Ellison:

Is there any other discussion? All those who want to testify in support, please come forward.

Dan Schwartz, State Treasurer, Office of the State Treasurer:

I am going to ask my Chief of Staff to introduce a friendly amendment ([Exhibit C](#)).

Grant Hewitt, Chief of Staff, Office of the State Treasurer:

We have delivered a friendly amendment to the bill, which adds the State Treasurer to the board as one of the three new members. In discussions this morning, we would also be willing to amend our amendment to make the State Treasurer a nonvoting member in an advisory role to the PERS board, if it

is more appealing to the Committee, and we will get with staff and the sponsor to offer that as well after the hearing.

Dan Schwartz:

The sole purpose of this amendment is one of representation. I am not going to speak to financial abilities or expertise, other than that I believe the State Treasurer has those and would be a good member of the board, voting or nonvoting. Virtually every other state in the country has the treasurer as a member of the PERS board. I do not have those statistics, and if committee members are interested, we will get those to you following this testimony. As I said earlier, the treasurer is an appropriate representative as the state's chief investment officer and chief financial officer. There is some financial expertise there.

Most important is that the taxpayer is a stakeholder in PERS. You might say, How is that? I think we all agree that that investment advisory people on the PERS board have done a great job, but there is still an unfunded liability no matter how you calculate that. Is it \$12 billion, is it \$14 billion, or is it \$16 billion? The taxpayer is on the hook for that, whether it is one year, five years, or 20 years. This is a liability. The person who pays this is the taxpayer. What we are asking of the Committee is to put the State Treasurer, an elected official, a member of the political body, on the board to represent those opinions. The Treasurer is already a fiduciary on the education board, so this is not something that is new. I think that is the most salient point. I say it is a question of representation, not for the PERS members, although I am certainly sympathetic, and obviously as a working member of the board I am going to be working with them, but for the taxpayer who is currently not represented on the board and should be.

Chairman Ellison:

Has there ever been anybody from the State Treasurer's office sitting on that board?

Dan Schwartz:

I am not aware of it; in fact, there is a line in NRS 286.130, subsection 1, paragraph (b) that says members cannot also be elected officers of the State of Nevada, which I think is not appropriate. I think an elected official serves as a representative of taxpayers. The taxpayer is a stakeholder in PERS and should be represented.

Chairman Ellison:

Questions from the board? [There were none.]

Tray Abney, representing the Reno-Sparks Chamber of Commerce:

I am representing the 1,800 members of the Chambers of Reno-Sparks in northern Nevada. I am not sure you will find a more measured and reasoned bill to come before this Committee. This should have been done a long time ago. Remember, if this bill were to pass, two-thirds of the board would still be people actively invested in and engaged recipients of PERS. All this bill does is provide that three of those nine members be people outside the system that do not have a vested interest, that are objective, that have expertise in designing and dealing with retirement plans. That is all. The vast majority of Nevadans are not PERS recipients and are not in the PERS system. We think that having three of nine people outside that system, like the vast majority of Nevadans are, is a very reasonable approach. We support this bill, and we urge the Committee to pass this bill.

Assemblywoman Neal:

I have been listening to the debate on PERS for a really long time, before I was even here. What public policy benefit or purpose do you gain by having three outside members who have never served on the board? What do you think they will bring that is better? It is strange to me because there is the idea out there that somehow the people who benefit from PERS are getting this magic retirement plan that is so unfair to everybody else who works. I am just trying to get to the point where somebody really lays out a clear benefit that is not based on politics, that is based on something tangible, where you give me logical reasoning for why it needs to be adjusted. That is all I need to know and understand. The politics is driving me crazy, and I am tired of it.

Tray Abney:

I did not mention any political comments at all. Politics on both sides of the aisle drive me crazy, frankly. I am also sick of politics. Politics should not even be a part of this discussion. The idea is to have people on the board that do not benefit from the system to have an objective look. It is why we have a Board of Medical Examiners that is not just filled with doctors. I think Assemblyman Kirner said something like 80 percent of the boards that are created by this body in this state include people that are outside that system that they are governing, like the Private Investigator's Licensing Board. You can go down the list of all the boards in this state. The idea is to provide an outside-the-box perspective. That is all.

Assemblywoman Spiegel:

I have a question concerning the State Treasurer's proposed amendment. I regret that I did not ask him the question when he was up here, but if the Treasurer's Office gets representation on the PERS board and that winds up meaning that his office would then need additional staff and additional

resources to be doing this, would you be supportive of that addition to that staff, and the extra money that the state would then have to spend in that function? If so, would you also be in support of increasing revenues to the state to be paying for that?

Tray Abney:

I appreciate your dragging me into a much larger narrative than what is going on in this building. I have no position. The Chamber has no position on the Treasurer's amendment. I did not see it until I walked in the room. Do I think the Treasurer's Office, while at the same time claiming we need to make big cuts in state government, should be increasing his staff and wanting to pay his staff more? That would probably not be politically or policy smart.

Assemblyman Trowbridge:

I am probably going to tease you a little bit. You said some things about getting people in there that do not have a vested interest and suggested those who are there are not objective. I cannot agree with that. It is almost like saying we need to have the business peoples' customers on their boards of directors because after all, they are the ones who spend the money and pay the bills. Would it not be a similar analysis that we get some non-business owners on the board of directors to help set policy for the Chamber of Commerce?

Trey Abney:

We do. We have representatives from the University of Nevada on our board, the Washoe County School District, and from Truckee Meadows Community College. We have tried to do that outreach and have non-business owner, education-specific members, a number of whom I am sure are PERS recipients, on the board as well.

Assemblyman Trowbridge:

Do they help you set the policy?

Trey Abney:

They are voting board members, yes sir.

Chairman Ellison:

Do you remember how many boards are out there that have somebody at-large? I know the State Contractors' Board does, and he comes up with better ideas than some of the contractors.

Trey Abney:

I heard Assemblyman Kirner say something like 80 percent, and you have to remember we have something like 200 boards across NRS and the state, and

I think the perfect example is the PEBP board, which again deals with the same issues for public employees. They have those outside folks on that board as well.

Paul Moradkhan, representing the Las Vegas Metropolitan Chamber of Commerce:

As you know, the Metropolitan Chamber of Commerce is the state's largest business organization, and we engage in state policy matters from the public policy perspective. The Chamber does support the provisions regarding an addition of two subject matter experts to the PERS board. We believe that they will bring additional expertise, knowledge, understanding, and transparency that will be used as a resource for the PERS board that enhances capabilities on behalf of its retirees and the taxpayers of the state. The Chamber does support this provision.

Assemblywoman Spiegel:

Is there any reason why the PERS board that exists today could not go to outside experts should they feel that they needed additional expertise from some specific subject matter experts? Or are they precluded from that?

Paul Moradkhan:

To my understanding, they have the capability of hiring expert consultants on one-off subject matters, like any organization or state agency can. We do believe having the constant presence would be beneficial to increase the robustness of the program and to provide additional knowledge and understanding at all times. We see it as an additional tool to assist them.

Assemblywoman Spiegel:

But they are not precluded from getting outside expertise if they need it, right?

Paul Moradkhan:

I do not believe so, but again, it would be on contract to my understanding.

Chairman Ellison:

Is anyone else in favor? Is there anybody from Las Vegas in favor of the bill? [There was no one.] We are going to bring up those in opposition. We will start here in Carson City and move back and forth between here and Las Vegas.

Tina Leiss, Executive Officer, Nevada Public Employees' Retirement System:

The retirement board has taken a position of opposition to A.B. 3, primarily because the board believes the current government structure, as established by the *Nevada Constitution* and by the Legislature and implemented by the board, is functioning efficiently and effectively and represents a model for best

practices. In addition, the retirement board opposes A.B. 3 because it would take us back to a structure that the Legislature changed in 1987. There was a very robust discussion in 1987, and it came to the current structure. The board also opposes A.B. 3 because it would change the composition of the board from that which was in place in 1986 when the voters overwhelmingly approved the constitutional amendment that stated the system shall be governed by a public employees retirement board. I said that very carefully because the constitutional amendment does not say by a board, it does not say by a retirement board, it says by a public employees retirement board.

I will briefly give you a history of the governance of the system. I think it is important for an understanding of the current structure. In 1971, the Legislature passed a bill to have a comprehensive study done of the system. It was conducted by an independent accounting firm, and it made numerous suggestions about the management and fiscal integrity of the system. From the 1973 and 1975 Legislatures—this was a process that took three legislative sessions—the Legislature made various changes to the management, particularly financial management of the system, and gave us the independence we have today. Again, that took three legislative sessions, and a very comprehensive, thorough study from an independent accounting firm to get to a lot of where we are today. We then fast forward to 1987, where the Legislature had thoughtful debate about the board structure and decided that it was best to remove private sector members from the board and give us our current structure. In 1993 the Legislature passed Assembly Joint Resolution No. 19 of the 67th Session, which was proposed by then-Assemblyman Dean Heller and Assemblywoman de Braga. It was passed again by the 1995 Legislature. It proposed a constitutional amendment to improve the fiscal integrity of the system.

I could go through a lot of the government structure that we have as well, but keep in mind that the voters approved of this board, so they must be governed by a board, and the structure we have in place now is what was in place then. The reason behind the vote was to take the politics out of the governance of the system and to give the board responses to the members. The board does not establish benefit structure. We are overseen by an interim retirement benefits committee of the Legislature. They make recommendations to the board. I would just stress there that that is where you have that kind of oversight that is perhaps being sought here today.

Assemblyman Carrillo:

Do you believe that the PERS system would operate any more efficiently than it does now with the addition of these three specialized general public members?

Tina Leiss:

I do not believe so. Currently, we are audited annually by an independent accounting firm. We are evaluated annually by the independent actuary that, constitutionally, has to be hired by the board. We have a second opinion review on the actuary every 10 years. We have an internal control audit every five years. We have an outside governance consultant that reviews us every year. We have other resources as well. I cannot remember the full list, but we have all the oversight from the outside that we need because we can hire the best experts in the country whether it be on the investment side, the financial side, or the benefits administration side. We also review ourselves every year on the benefit and administration side.

The other thing is that with the current structure, we have three management positions on the board from local or state government. We have the chief financial officer of the City of Las Vegas on the board. We have a chief accountant from the Department of Transportation on the board. We have a director of benefits from the Clark County School District (CCSD) on the board. These people are very experienced in government accounting and in finance, and they have done a very good job. They also are responsive to members and beneficiaries, because remember—we administer the system, but we do not set the benefit levels. The Legislature does that. Having public employees and retirees on that board be responsive to the members and very focused on the fiscal integrity is important because part of the problem that drove the constitutional amendment in 1996 was fears of state governments or local governments raiding the pension systems because they needed money elsewhere.

Assemblyman Carrillo:

To follow up on the proposed Treasurer's amendment: what do you think of that?

Tina Leiss:

I would just tell you that in 1996 the voters overwhelmingly approved a constitutional amendment to keep politics out of the administration of the board. I also would say that the Treasurer is a state constitutional officer, so that would currently be in conflict with the statute language that says "no elected official." Also, I think that the state is only our second largest public employer, so putting a position dedicated to the state on the board versus CCSD, which is our largest employer, might be problematic.

The other response I would have to that is that the board is a fiduciary to the members and beneficiaries of this system. The State Treasurer has duties to all taxpayers, and I think that was his point in coming before this Committee, but

I also submit that this Legislature and the Interim Retirement and Benefits Committee is the oversight for the taxpayers of the board, but the board itself is fiduciary to members and beneficiaries, and I think you could say the Treasurer's proposal is in conflict with the constitutional amendment.

Assemblywoman Spiegel:

If there was a constitutional change that put the current structure in place, do we need another one now if this bill were to go forward, since the current structure is already in the *Nevada Constitution*? Would that not require another constitutional change?

Tina Leiss:

What is in the *Nevada Constitution* is that PERS must be governed by a public employee's retirement board. I think that would be a question for legal staff. My point is that the current structure we have now was the structure in place when this was approved by the voters.

Assemblywoman Neal:

I wanted to know if there have been any fiduciary conflicts in the structure of the board. Do you have any studies where there has been a change in the board where there was maybe an elected official in the other states that may have a similar program? If you do, could you send that to me so I can evaluate whether or not there has been any benefit or growth by having a different structure?

Tina Leiss:

I will find what studies we may have and forward those to you. [Also provided written testimony ([Exhibit E](#)).]

Chairman Ellison:

Any other discussion? [There was none.]

Rusty McAllister, representing Professional Fire Fighters of Nevada

For purposes of disclosure, I am a board member for the PERS of Nevada. We are in opposition to this bill for multiple reasons, the biggest being that we do not see that the system is broken. Aon Hewitt came in and did an outside actuarial report on the system in 2013 and found that it had best-in-class policies, and that it was in fact among the best-run large public plans in the United States. That says a lot to me about the management of PERS staff and the PERS board. As Ms. Leiss mentioned before, in 1987 in a bipartisan fashion with votes of 38-4 and 20-1, this Legislature took the two civilian board members off of the board and gave us our current structure. I have provided some of the legislative history on that ([Exhibit D](#)).

Some of the testimony today indicated the feeling was that there is not a connection between the civilian board members and the members of the system. I am all for the protection of taxpayer money. I am a fiduciary, and my responsibility is to the 155,000 members, both active and retired, to make sure that it is the best-run system and best-managed system that it can possibly be.

Currently, as has been mentioned in a couple of different ways, 10 percent of the funding for the final benefit that a member receives comes from the taxpayers, from the employers, through taxpayer money. The other percentage is through my wages. I earn the wages, yes, but they are paid by the taxpayer. That makes up the other 10 percent of the funding that comes in. The remaining 80 percent of the money that is finally paid to me in the form of a benefit when I retire is investment return. That being said, we believe that the system is very well managed. It is our duty and our responsibility to manage those funds in the best and most efficient way possible. Currently, Nevada PERS has the lowest investment management fees in the United States at 8 basis points, whereas other plans our size are somewhere in the 150-200 basis points range to manage those funds and investment costs. We believe that we provide great service to the system, and we do not believe that this is a necessary bill.

Chairman Ellison:

Are there any questions? [There were none.]

Warren Wish, representing Nevada State Education Association:

I served as a PERS trustee for eight years, and since my retirement, for the past six years I have attended almost all of the PERS meetings. I have a cautionary tale to share with you. In 2001, a Wall Street hedge fund executive decided to run for the treasurer's office of Rhode Island. She was elected. Her name was Gina Raimondo. Automatically, as the treasurer, she got a seat on the public pension system of Rhode Island. At that point, tremendous changes took place. First off, she thought that she had tremendous influence, and she came to the table saying that the system needed a more aggressive approach. So they began investing in hedge funds. Right after that, the "Great Recession" took place. They lost billions of dollars. Then she ran for office on the point of changing benefits, that the benefits needed to be changed not only for current active members, but also for retirees. That case is now going through the court system in a legal battle. Ultimately, Gina Raimondo ran for Governor of Rhode Island, and based on her financial expertise and her position in terms of the retirement system, which has really been degraded, she is now the Governor of Rhode Island. It was a political stepping stone that she took.

PERS is run by members for members. That should not be forgotten. We cannot go back down this dark road. Assemblyman Trowbridge took my thunder by recalling the Riviera, junk bonds, and the dog track in Henderson, which were bad investments because people had conflicting fiduciary ideas.

Chairman Ellison:

Are there any questions? [There were none.]

Chris Collins, representing the Las Vegas Police Protective Association, and Combined Law Enforcement Associations of Nevada:

I have the honor and privilege of serving as the executive director of the Las Vegas Police Protective Association. That organization represents 4,000 law enforcement members in the Clark County area and throughout the state of Nevada. I also am a member of the Combined Law Enforcement Associations of Nevada, representing law enforcement all over the state. Listening to Assemblyman Kirner's testimony brought a question to my mind. Assemblyman Kirner believes that one third of our PERS board should be made up of people who have actuarial experience or experience in writing a PERS plan, but he also says that the continuing education provided by PERS educates us board members in those things. I pose to you this question. If you take that logic and expand it to government as a whole, how many of you would be here today, sitting in the chairs you are sitting in, representing your constituents and the citizens of Nevada? I doubt that many of you ever ran state government in the past. But you have done a fine job.

Our state is in a great position. It is growing, we are moving forward, but I do not believe any of you ran state government in any other state. You have continuing education, and you have succeeded in your mission. PERS has that same continuing education and has succeeded in its mission on behalf of its members. I would ask that you allow that to continue.

Assemblywoman Neal:

Can you give me an idea where this ideological debate stemmed from, and why it is ongoing? There is an ideological difference between groups that are housed in this building. Why is it a bad thing to have a good retirement?

Chris Collins:

I personally believe it is imperative to at least law enforcement, where my expertise is, that there is a good, viable retirement system because it allows us to attract the best candidates in law enforcement to come to Nevada and work for places like the Las Vegas Metropolitan Police Department or in northern Nevada. As far as the political debate, I do not have the answer to that. I have my own belief, which I am happy to share with you, and that is that there are

trillions of dollars in PERS funds across America. Money managers to various degrees would like to get their hands on that money and push our 8 basis points up. We have no alternative investing in Nevada PERS. As far as plans that invest in hedge funds, with the money that you invest, the hedge fund managers get 2 percent right off the top and 20 percent of your return. If changes were made to our plans to allow those things to happen, private industry would make millions and millions of dollars. I think that is where some the argument comes from.

Chairman Ellison:

Are there any questions? [There were none.]

Ron Dreher, representing the Peace Officers Research Association of Nevada, Combined Law Enforcement Associations of Nevada, Washoe County School Principals' Association, and Washoe County Public Attorney's Association:

I represent the Combined Law Enforcement Associations of Nevada, also the Washoe School Principal's Association, the Washoe County Public Attorney's Association, and pretty much all the public employees in this state are in opposition to A.B. 3. There are a couple of things that you heard from previous testimony from my colleagues and what you will hear coming up, but I think what is most important is: what are unintended consequences of legislation?

I am going to take the opposite approach. It is my opinion, based on what I have seen and done and heard, that the intended consequences here are to allow business a seat on our PERS—to give them a seat and allow our system to be infiltrated and take the money that Chris Collins just talked about and bring it out to the investment business world and ultimately destroy the well-run, efficient system that we have today. That is the most important thing about this: adding three people to a system and adding the State Treasurer to a system, which I too believe would be unconstitutional. We oppose that amendment as well. It does not need to happen; it can be left alone. We have a very efficient system, and there is no reason to change that.

Chairman Ellison:

Are there any questions? [There were none.] Now to Las Vegas.

Mark Chaparian, Assistant Executive Director, Las Vegas Police Protective Association:

I represent thousands of active and retired members. I am here to officially oppose the bill. I do not want to go over and over what has already been said, but I will just hit the highlights. We have a national model due to the success in Nevada. The current checks and balances are working, and they are working

well. The proof is in the PERS system that we enjoy today. I strongly believe that this change in A.B. 3 is not good for the people I represent, nor for the people of the state of Nevada. There is a reoccurring theme here that you have heard and you are going to continue to hear, that if it is not broken, why are we looking to fix it.

Chairman Ellison:

Are there any questions? [There were none.]

Mike Malone, representing Las Vegas Police Protective Association:

I am a representative of the retirees. There are 556 lifetime members. I have a vested interest in PERS. I am receiving a legislative and police retirement from PERS. [Mr. Malone continued to read from ([Exhibit F](#)).]

Chairman Ellison:

What years did you serve in the Assembly and the Senate?

Mike Malone:

I served from 1970 to 1989, in that area.

Chairman Ellison:

Are there any questions? [There were none.]

Autumn Tampa, Private Citizen, Las Vegas, Nevada:

I am a CCSD employee whose retirement will be directly impacted by this bill. When I spoke with different coworkers and colleagues, I found that none of us support this bill. I would like to thank the Committee for the excellent questions that were posed, because they were the same questions that I and other people sitting here were thinking and hoping would be asked. Sitting here, the whole room is packed. They went into the overflow room. We all took our day off to come in here to let you know that as voters and people who are in the retirement system of PERS, we strongly oppose this bill. I believe that the current board reflects the needs that need to be addressed, and that this bill would actually lessen the representations of those whose needs need to be represented. Once again, I am in strong opposition to this bill as are the majority of people sitting behind me. [Also provided written testimony ([Exhibit G](#)).]

Martin Bassick, representing Service Employees International Union Nevada:

I am the president of Service Employees International Union (SEIU) for the state of Nevada, and I represent about 17,000 working families in the state. I am here to express our opposition to this bill. Firstly, nothing is wrong with PERS, and nothing has been identified as wrong with the system. All members of the

board are taxpayers and representative of the general public. Nothing has been shown about who will benefit from making these changes. Is it the taxpayers, the members, or Wall Street? With that, I am going to have several of my members come up here and testify in opposition as well, and we are asking that you do not move this bill forward.

Chairman Ellison:

Are there any questions? [There were none.]

Michael Collins, representing Local 1107, Service Employees International Union Nevada:

I am a registered nurse (RN) at the University Medical Center of Southern Nevada in Las Vegas, Nevada. I am also a member and at-large board member of SEIU Local 1107. I am here to state my opposition to A.B. 3 exactly because I have the same concerns that have been expressed already. I have served as an RN in Nevada for the last 30 years, and for 27 of those I have been a contributing member of PERS. I have not contributed to Social Security, and I am getting close to the end of my career, and I want to make sure that my retirement is secure. By that, I mean that I think it would be risky to add three people to the board that do not have the necessary vested interest that the current board does, and who might have the potential to put our investments at risk of being involved in risky Wall Street-type investments. I think this is a bad bill, and I think that there is an undercurrent of something going on in this building that is a direct attack against Nevada's families in the middle class, and I hope that this Committee can stop this bill in its tracks.

Chairman Ellison:

Are there any questions? [There were none.]

Cynthia Fischer, Private Citizen, Las Vegas, Nevada:

I am a supervisor at the Department of Family Services Child Haven campus, which is the shelter for abused and neglected children. I have been a county employee for 15 years. I serve willingly and with great pride, as do all of us who are tasked every day with the safety and care of Clark County's most vulnerable citizens. [Ms. Fischer continued reading from ([Exhibit H](#)).]

It is shocking to me to see the number of bill draft requests that are related to eliminating public employee rights across the board, as we have gone through this and heard other testimony. I am asking you today to advocate for protecting peoples' rights by not supporting the modification of PERS and allowing the government to borrow against these well-managed funds. Robbing Peter to pay Paul is not the answer for the financial woes of our state. [Ms. Fischer continued reading from ([Exhibit H](#)).]

Chairman Ellison:

Are there any questions? [There were none.]

Martin Bibb, representing Retired Public Employees of Nevada:

On behalf of our 8,800 members, many of whom are here today in the room, plus some in the overflow room, we strongly oppose A.B. 3, and the reasons are several. It is a vast departure from the system that provides benefits now to some 55,000 retirees, surviving spouses, and beneficiaries because it would require that a full one-third of the board come from outside the ranks of those who served and have contributed along with their employers. It would be a massive change to what was described by an earlier witness as the best-in-class system, as determined by a private actuarial study about a year and a half ago. The plain fact is that this system is now 70 percent funded and increasing to its full-funded level in stark contrast to some states, where systems have simply collapsed or are in serious trouble in the 40 or 50 percent funded ratio. I will not go into great detail, but they would include such places as Illinois and New Jersey.

Nevada PERS management is exemplary. PERS returns are better than average in most similar systems. The fees we pay for the investment expertise which is retained by PERS are less. The cost for administering PERS is very low among all other retirement systems of this nature and size. We have a history of conservative management. We have thoughtful boards and they change. Those boards are appointed by governors, some Democrats, some Republicans. But they all seem to develop the skill and talent that they already had by honing it with particular emphasis on board education and that sort of thing.

In 1993 and 1995, the Assembly twice approved a joint resolution, the last one in 1995 being Assembly Joint Resolution No. 19 of the 67th Session. It was sponsored by Republican Assemblyman Dean Heller, and Democratic Assemblywoman Marsha de Braga. It was supported on a bipartisan basis by a number of people. They included John Carpenter, Lynn Hettrick, John Marvel, Joe Dini, Jan Evans, and others. We believe that there is no need to politicize this retirement system. In the 1990s and the 1980s, when I appeared before Assembly Government Affairs, I can tell you there were efforts and bills introduced to place elected officials, including the treasurer, on the PERS board, and those were rejected by this Committee in those days.

Chairman Ellison:

Are there any questions? [There were none.]

Marlene Lockard, representing Service Employees International Union, and Retired Public Employees of Nevada:

Nevada is often said to be at the top of every bad list and at the bottom of every good list. The rare exception in the state is the Nevada PERS system. We are the envy of other states, and as you have heard here today, Nevadans had the foresight to pass a constitutional amendment to put the PERS investment funding budget out of reach so that a governor or others could not borrow from that PERS fund and use that funding for other purposes. Nevada is unlike other states where you hear that there are so many problems with their retirement systems. We are a very different animal, and we are managed very differently.

I wanted to respond to Assemblywoman Neal's question regarding the public policy issue here. I think that you will find if you do some research, and I have done considerable research of what is happening with public pension funds across the nation, that A.B. 3 would be the first step here in Nevada to begin to dismantle the structure of the Nevada PERS system and change it from a defined benefit system. You will see other legislation this session that will be proposed to change this to a defined contribution system. This is a very measured plan that has gone on nationally, and I would like to borrow liberally from the Desert Beacon blog. I think you can see that what is happening elsewhere has already begun to happen in this state. First, bash public employee unions, the organizations which negotiate defined benefit plans for retired public employees. Second, once the bashing begins, make sure to publish what retirees in Nevada receive to create an environment of jealousy among workers. Third, begin the assault on the defined benefits plan, and move to a defined contribution plan, which offers instability for retirees.

Priscilla Maloney, representing the American Federation of State, County, and Municipal Employees, Retiree Chapter:

I was going to reference things from A. B. 390 of the 64th Session, but it looks like you folks have that now completely in your packets. I would respond to one of the things that was said by the bill's sponsor, that this was analogous to another situation where Senator Raggio was heavily involved with legislation changing the composition of the PEBP board. Comparing the nature of the PEBP board and the PERS board, I would submit, is like comparing apple and oranges. If you look at the legislative history of NRS 287.041 that controls the composition of the PEBP board, you will see that in the 2001 and 2003 session, both the State Industrial Insurance System and the PEBP program were in serious financial disrepair, and that was part of the legislative impetus for changing the PEBP board, not the PERS board. As far as A. B. 390 of the 64th Session goes, the sponsor of the bill says that Senator Raggio was

in favor of changing the PEBP board. Senator Raggio was heavily involved and shepherded the entire process through for A. B. 390 of the 64th Session.

I wanted to conclude with this. Much mention has been made of the constitutional amendment which initiated its process in 1993 with support from the Nevada Taxpayers Association for this amendment, and I would like to conclude by reading a brief statement by now-United States Senator Heller, then-Assemblyman Heller, about his proposal to amend the *Nevada Constitution* to protect PERS. This was called the Nevada Pension Protection Act. This is from the Senate Committee on Finance minutes, June 2, 1993.

Assemblyman Heller contended that the biggest threat to government pension funds today is not the fluctuation of the stock market, nor the fluctuation of interest rates, but the manipulation by government administrators. Assemblyman Heller declared the basic thrust of the initiative is to protect the Public Employees' Retirement System from raids orchestrated by either the administration or any legislative body. He explained to accomplish the objective, the state constitution would be strengthened in the following respects: the constitution would prohibit the administration or any legislative body from taking loans from the pension fund; the constitution would declare that a retirement board will have the sole and exclusive authority for managing the PERS assets and for administering the benefit delivery system; the *Constitution* would assure the independence of the executive director by requiring employment by a retirement board, and the constitution would also declare that a retirement board has the sole and exclusive power to provide for actuarial services.

Chairman Ellison:

You mentioned the Nevada Taxpayers Association?

Priscilla Maloney:

Yes, my understanding is that they supported the amendment to A.J.R. No. 19 of the 67th Session. I do not have a link or citation to that authority, because again I did a lot of legislative research on this whole thing, but I can certainly find it and get it to you. [Also provided ([Exhibit I](#)).]

Chairman Ellison:

Are there any questions? [There were none.]

Ruben Murillo, Jr., representing Nevada State Education Association:

I represent 24,000 members. No other group has a more vested interest in how these monies are invested than the people in this room and all the public employees who are taxpayers. We do not get Social Security. As somebody mentioned earlier, because of the Government Pension Offset Windfall Elimination Provision (GPO/WEP), we do not qualify for Social Security. This is our investment. We know exactly what impact any changes to the PERS plan or structure would have on us. As we talk about bringing in additional people who have other kinds of expertise, are these appointees also going to be impacted by the GPO/WEP, because until you walk in our shoes, you do not know. You can only guess, estimate, and hear stories. It has been said that taxpayers need a voice, but we are taxpayers, and we have a voice. We are stewards of our investment on the PERS board.

It has been said that these three non-PERS appointees would bring objectivity. I hope it is not the type that caused the issues with Wall Street and the banking industry. If they had consumers on their board, they might be in a better place. When other groups say that they bring in other members who are not business owners to sit in on their committees, my question is, why not bring the people who know best, the consumers, into those positions? The PEBP board was brought up as an example of such a hybrid board that is in existence now. Some woman behind me said, "And look how that turned out." By representing 24,000 teachers and support staff professionals, we request the Committee vote no on A.B. 3.

Assemblywoman Neal:

I was reading the PERS 2013 report, and it said that the current structure of PERS is very conservative when compared to other systems around the nation. Is there one example of how you believe it is conservative from your point of view?

Ruben Murillo:

I believe if you take a look at how PERS is structured and how we managed to weather the recession, and how we always come out as one of the top three examples of how investments should run, that is a good example. The training that was described and the investment of the members of the PERS board, along with going back to our constituents and finding out what they need and what is good for them is proof that it has been working. A lot of different PERS groups across the United States were impacted by the recession. I think the facts are that we have a good working PERS, we have a good board that knows what they are doing, and we have investments that are made conservatively and not made into hedge funds helps to prove that we are on the right path. [Also provided written testimony ([Exhibit J](#)).]

Kevin Ranft, representing the American Federation of State, County, and Municipal Employees:

Overwhelmingly today, it has just been opposition. I will kind of break it down 99 to 1. If you look at Wall Street's one percent, that is kind of what is going to happen. I do not want to play the political game, but our state employees have a different message. Representing the second-largest contributor to PERS, they advised me to come here to ask why would this change need to take place, and they just want to thank the PERS board. Overwhelmingly, this is what I have been getting. They just want to thank the PERS board for the hard work, for doing such a great service for their retirement and their future retirement. We are not just talking just new employees; we are talking employees that are getting ready to retire. They trust these PERS board members. They do not trust what is going to happen if we have newcomers coming in with different interests. They want to make sure that their voice is heard through our organization.

Chairman Ellison:

Are there any questions? [There were none.]

Lonnie Shields, representing the Nevada Association of School Administrators:

I wanted to thank Assemblyman Kirner for taking time when he was busy campaigning to meet with me one afternoon at the Nugget. We spent about three hours discussing this very PERS issue. Unfortunately, I did not change his mind, and he definitely did not change mine. But I really do want to thank him for the opportunity and for that discussion. Mr. Chairman, I am going to say something that you asked for about eight or nine speakers ago: ditto.

Danielle Munroe-Murano, Private Citizen, North Las Vegas, Nevada:

I am a PERS member and a 20-year employee with the City of North Las Vegas Police Department as a corrections officer. I speak for myself, but I believe that what I say will represent the people that I work with. We are the public. I am a mother, I am a grandmother, I am a taxpaying member of this community. I believe that the makeup of our current PERS system is excellent. Nevada is at the bottom of so many categories and lists in this country. We shine with our PERS system, and we are the envy of others throughout the country. We may not be experts in accounting or the management of money, but we are experts in our chosen career fields. In doing that, members who are on this board have taken the responsibility to learn what needs to be done to manage this fund, and they have done an excellent job. We should not make changes.

I ask you to vote no on A.B. 3. We have a vested interest because this is our retirement. We have a vested interest because this is the future of Nevada, and this is the only way we are going to bring young people to this state to work in

our chosen career fields to replace us. If we make changes now in A.B. 3, what changes will we be making in the future to also weaken what we have in this state?

Keishe Caruthers, Private Citizen, Las Vegas, Nevada:

I began my career with Clark County in 2008. I left my previous employment to pursue the benefits of PERS for my family. I took the job with Clark County with a substantial decrease in income, but the long term benefits outweighed the pay. Trying to eliminate something that has been around for decades is ludicrous. Now that A.B. 3 is placed on the Legislature's radar to destroy the working class, I am here to testify to how detrimentally this would affect families and suggest that a 401(k)-style retirement plan would not be a beneficial factor for the working class. I have stressed to my children what benefits hard work and dedication would bring you, but I guess I was wrong. Please do not consider using PERS as a scapegoat.

Ashley Rhea, Private Citizen, Las Vegas, Nevada:

I have been employed with the Clark County Department of Family Services as a permanency case manager since April 2009. As a member of this community, a taxpayer, and a contributor to PERS, I think A.B. 3 is an attack, not a reform, on our secured retirement. This is an attack on hardworking Nevadans, teachers, public service employees, firefighters, police officers, and nurses, Nevadans who work hard and selflessly for our community and the state's most vulnerable, and you want to take our retirement away? Every Nevadan has a right to a secured retirement. I did not become an employee with Clark County for PERS. I was young and fresh out of college, but I have built a life, a career, and a family here. You are taking my family's future and everybody's families' futures away from us if you choose to go with A.B. 3. I am here as a mother and as a taxpayer, opposing A.B. 3. [Also provided written testimony ([Exhibit K](#)).]

Chairman Ellison:

Are there any questions? [There were none.] We are trying to stay focused on the bill itself, which is the implementation of more people on to the board.

Fabiola Pavel, Private Citizen, Las Vegas, Nevada:

I am an 18-year employee of Clark County. I am a custodian at the Regional Justice Center in Las Vegas. PERS has a good track record, why fudge with it? [Mrs. Pavel continued to read from ([Exhibit L](#)).]

Chairman Ellison:

Are there any questions? [There were none.]

Thomas Nicholson, Private Citizen, Las Vegas, Nevada:

I am a University Medical Center clinical laboratory assistant. I am here to oppose A.B. 3 for two good reasons. First of all, let us talk about secure payment and secure retirement. A secure retirement means that investments are secure, they are not out there floating. The investments are where the investments need to be and not at high risk. Secondly, let us talk about having political paybacks. Everybody is human; let us talk about the moral factor. When you have a bucket full of candy and you have children, you would not put a child in charge of that candy because that candy would definitely be touched. We are talking about wisdom. Let us make a wise choice here. These people have upheld PERS for this long. We have heard lots about what they have been doing, and now we are offering to change it? When a child has done well, according to the Bible, you do not take that child and say you have done good, now I will put you in the swamp. You do not do that. You look at that child and say, good. You have done an excellent job. Here today, we hide behind the pinnacle principle that we are not going to say that. They were doing good all along, and we are going to add something to it? Instead of adding something to it, let us go back to wisdom and understanding.

And to complete a phrase that was used today from Matthew 25:23 "a good and faithful servant," the word that he messed up was "faithful." The Bible wrote how faithful means to go into the heart of what people are looking for and to provide for them. How can this board be changed to provide? I think at the end of the day, when we look back on it, your faith will tell you that God will look down upon you and say, "How faithful were you with handling these peoples' money? How faithful were you in doing what we have done all along?" So I urge you to oppose this bill for one important reason: they have done a faithful job, and we should commend them, not hinder them by putting more people on the board to just undermine what they have already established.

Chairman Ellison:

I know there are a lot of people who signed in to speak. All those in Las Vegas that are in opposition, can you please stand. [They stood.] How about those in favor? Those in Carson City in opposition, please stand. [They stood.] Thank you guys. If there is anything that is relevant to the point, please speak up.

Stan Olsen, representing the Nevada Association of State Public Safety Officers:
We stand in opposition to the bill. Ditto.

Pat Sanderson, representing Laborers Union Local 872, Laborers International Union:

We have gone through at least a six-year depression. Our trust funds are looking fantastic. To make it through all of this and still be strong is outstanding. You never bring someone in to a fiduciary responsibility that is not tied in to it, that does not understand it, and will not work for the betterment of the people who are getting their retirement. It just is not done. All of these other boards that you talked about are not tied in with fiduciary responsibility, the contractor's board, all of the other boards. They can have people sit down, talk, and go over these things. I would like to say that this board has done an excellent job. We have had three fantastic directors in a row. I would just like to say thank you to them, and please think about these people and their retirement and how much it means to you when you get older. I am in that older state now. I know how important it is. It is what pays my mortgage payments, what feeds my families, and gives me pride when I look in the mirror and say, hey, I made it. So do not take it away from us.

Fred Sewe, Private Citizen, Carson City, Nevada:

In my family, public service is a family affair. I am a member of the Retired Public Employees of Nevada (RPEN) and the American Federation of State, County, and Municipal Employees (AFSCME) retirees. My wife and brother are also retirees, but I do not want to speak on their behalf. I want to speak on behalf of my three daughters, my son-in-law, my niece, and my nephew, who are all state employees. Any time they see discussion about changing anything about PERS, they consider it a personal assault on their pension. In family discussions, what I have come to learn is that they do not work for the state of Nevada for the money. They work for the pension. They believe that if they worked in private sector, they could make more money, but nothing drives them to work more for the state than the pension plan. My daughter will not appreciate me saying this, but she is an attorney. She worked in private practice for five years. She took a 50 percent cut in pay after five years of badgering from me because I convinced her the pension made it worth working for the state of Nevada. What I can tell you is if there are any more assaults on public pay, public benefits, public pensions, my kids will leave state service, and worse, they will leave the state of Nevada. I hope you will believe me when I tell you that not only do I not want them to leave the state of Nevada, you do not want them to leave the state of Nevada. These are the best and the brightest.

Teresa Twitchell, Private Citizen, Sparks, Nevada:

I am in Senate District 14 and Assembly District 32, and I work for Washoe County Social Services. I do attend the PERS board meetings when I can. I am trying to learn more about what it is about government pensions that

we are trying to get private specialists to have decision-making opportunities on our boards. I would just like to plead that you do not pass A.B. 3.

[Assemblyman Moore assumed the Chair.]

Peggy Bowen, Private Citizen, Reno, Nevada:

First and foremost, thank you for your past care of the PERS program in past meetings as elected members. You too are part of this family. The family was made so that the state of Nevada stands strong for Nevadans being Nevadans, and that is why we do not participate in Social Security. We take care of our own, we have taken care of our own, and I want to compliment you today for your past service and your past vigilance to protect this PERS board. The three member increase and deletion of one member would create a one-third vote on our PERS board of those who do not have a buy-in to this program, who do not have a commitment. What if the changes they make have our investment go south? They still go home at night and have the wherewithal to pay their bills. It is not just paying their bills. In every community in this state, Yomba or Las Vegas, we have commitment and money going from these people into those communities that keep those communities solvent. You keep the state of Nevada solvent by keeping PERS solvent and making sure those who are involved in PERS have a direct buy-in in PERS, and you do not put us in jeopardy because somebody is an expert in something somewhere. We have all heard different definitions of expert. I think you know that.

I think this is thinly guised methodology to literally put Nevada's welfare, and I mean as a state, not just PERS employees or PERS beneficiaries and participants, but this state at its very foundation and what we believe, in jeopardy by giving a one-third vote to those who have no consequences based on any decisions they might make or seeds they might plant. I suggest very strongly that you do what your predecessors have done and keep Nevada strong and keep PERS strong and do not take away from PERS by adding or changing the membership or its type of enrollment. That is why even Dean Heller could say we need to make this so it is non-rateable, non-useable by others and have it there for your benefit when you do not participate in Social Security and want to have a career in public service for this state because we believe it is great.

Vice Chairman Moore:

Are there any questions? [There were none.]

Colleen Brown, Private Citizen, Henderson, Nevada:

I am a 31-year, non-state public employee retiree having retired as city clerk for the City of Henderson. I am here today to speak in opposition to A.B. 3. [Ms. Brown continued to read from ([Exhibit M](#)).]

Vice Chairman Moore:

Are there any questions? [There were none.]

Vicky Cameron, Private Citizen, Las Vegas, Nevada:

I am a lifelong resident of the state of Nevada. I live in Assembly District 29, and I am a registered voter. I am in opposition of A.B. 3, which changes the makeup of the PERS board. PERS is one of the top pension plans in the country. They have withstood the ups and downs of the economy by using sound investment practices. I feel any change would weaken the strong leadership the board now has, thus weakening the entire system.

[Assemblyman Ellison reassumed the Chair.]

Chairman Ellison:

Are there any questions? [There were none.]

Sharon Erlandson, Private Citizen, Las Vegas, Nevada:

I work for CCSD. Change the current PERS system? I remind you that PERS is contractual between employers and employees as an incentive for employment. [Ms. Erlandson continued to read from ([Exhibit N](#)).]

Steve Spindel, Private Citizen, Las Vegas, Nevada:

I am a member of SEIU Local 1107. I am getting ready to start my eighteenth year next year working for Clark County, which means I work for all of you. I am a working member here in the community, and I am a voting member. I do not like the idea that anything that could affect my pension or other peoples' pensions in retirements could be done to me or others by people who have no vested interest in this system. We do not have Social Security like other people, as has been said before. For those who may have enough quarters in the system, they will get a reduced amount because they have pension through PERS. That is not negative. I have listened, watched, and I have been reading how this could be affected with Wall Street investments and people touching our money who do not have a right to touch the money. This is material that has already been voted for in legal binding and negotiated union contracts. This affects thousands of families, here and in the north. Stripping Nevadans of their job's pay and health insurance in the event of a crisis hurts the very people the state should be protecting. In closing, we did not create this problem; the system is not broken.

I remember when my grandfather, who is long gone, used to work in a factory in New York City. I used to see tape lines going across where people were picketing and holding signs, and I used to ask him, Grandpa Benny, what is that? And he said, those are people working for wages and benefits. Do not ever cross that line, do not ever let anybody touch their money or your money if you ever get one of those jobs. Well, I just turned 60, and I have one of those jobs. This is serious, this is me, and this is personal. This is my money, my retirement, and my pension. I do not know most of you up there in Carson City, and I just want to say, do not balance the budgets or change the system on the backs of the hardworking people of Carson City, the City of Las Vegas, Clark County, and the rest of the state of Nevada. I say vote no on A.B. 3. [Also provided written testimony ([Exhibit O](#)).]

Victoria Harding, representing Service Employees International Union Nevada:

I am an elected official within the SEIU 1107. I work for the Southern Nevada Health District. I am a vested member in PERS. I ditto everything that everybody said earlier. I do not want to repeat that. As an elected official, a lot of times with contract negotiations and things of that nature, things are put across to you and you have to look at them, whether you think they are good or bad, you still have to look at them and see if they will work. I have asked the same questions that you have asked here today. Who does this benefit? Who does this hurt? We have heard numerous times here who it will hurt. I feel that it would hurt me personally in my retirement. I still have not figured out who this benefits other than possibly Wall Street or some special interests. For that reason alone, I would ask you to oppose A.B. 3. I just cannot find a benefit from the bill. PERS has been working great, and thank God I live in the state of Nevada and have this retirement.

Chairman Ellison:

Are there any questions? [There were none.] Neutral?

Victor Joecks, representing Nevada Policy Research Institute:

There would be great value to taxpayers in having members of the public on the PERS board. While PERS appears to be competently run, here are two reasons why taxpayers need a voice.

Chairman Ellison:

Are you speaking as neutral?

Victor Joecks:

I am neutral, yes.

First, outside of the CCSD, PERS is one of the least transparent government organizations in the state. For instance, PERS recently spent several years fighting the release of retiree payout information, losing multiple battles at the District and Supreme Courts, with the District Court all but accusing PERS officials of perjury. Now, PERS is changing how it creates reports in order to avoid releasing retiree names. In doing so, it recently released over 100 Social Security numbers to the Nevada Policy Research Institute in one of those changed reports in a mistake, which we of course destroyed. Having a taxpayer presence on the board could give PERS some good insight into why it is important to have transparency.

Secondly, PERS quite simply is broken. I think as we have heard from some of the testimony today, there is not a realization among the members of PERS of the facts. PERS smooths investment returns over five years, and does what is called actuarial rate of return. Since 2002, it has only met its 8 percent rate of return target twice. Over the same period, required contributions have gone from 18.75 percent of regular employee pay in 2002 to 25.75 percent. At the end of this session, it is going to be 28 percent. That is a 37 percent increase in just 13 years. For police and fire employees, the contribution rate has gone from 28.5 percent in 2002 to 40.5 percent currently. That is a 42 percent increase.

The last thing I would point out is that really, this is just a very modest reform. Substantial reform would look like removing all board members who have a vested interest in the PERS system. There is no harm to the retirees. Their payouts are guaranteed by the taxpayers, but what this would do is allow taxpayers to share in what is actually happening.

Assemblywoman Spiegel:

What in the Aon Hewitt report did you find problematic? I do not understand the respected actuaries.

Victor Joecks:

What the Aon Hewitt report finds is that the system is well-run, which is true, which is very good. But if you look at page 25 of that report and you look at the discount rate used to come up with the unfunded liability, Aon Hewitt estimates that at a 5 percent discount rate the unfunded liability is \$35 billion. What Aon Hewitt says is that PERS' path to 100 percent funding is increasing those contribution rates even further, and then averaging 8 percent for 20 years with no breaks. As we have seen over the last 13 years, that has only happened twice.

Assemblywoman Spiegel:

If I got the number right, the portfolios increased 37.5 percent in 5 years? If that is true, that is astounding. I have been in 401(k)s, and I am just getting back to break even from where I was after the market crashed in 2008.

Victor Joecks:

I apologize for what I apparently did not say. What I meant to say is that the required contribution rate has increased substantially since 2002. If you go back and look at it, for regular employees the combined contribution rate was 18.75 percent in 2002. Currently, it is 25.75 percent. The PERS board has recommended that by the end of the session it be 28 percent going forward. That is a 37 percent increase, not in retirement rates of return, but in how much taxpayers are putting in to the system. If someone is making \$10,000 and there is an 18.75 percent requirement, that is \$1,875. That same requirement at the end of this session is going to be \$2,800. PERS is doing a good job in not having money be funneled or wasted, but the returns simply have not been there, and to make up for that, those contribution rates have increased dramatically over the last decade.

Assemblywoman Spiegel:

What I am hearing you saying is that it is not that PERS is not being well run, it is that you would like to see a different makeup of the board so that a different philosophical investment and management approach can be put in.

Victor Joecks:

I think there is a lot of reform that PERS needs to see. I think the reason there need to be some taxpayer advocates in there is because of what PERS has been telling its employees and the public: everything is fine. Their spin on the Aon Hewitt report is that everything is fine. They said everything is fine if you average 8 percent for 20 years in a row, and you increase contribution rates. That is not fine for the taxpayers of Nevada.

Assemblywoman Spiegel:

If my retirement investments increase by 8 percent a year, I would be able to retire. I am not going to be able to retire.

Victor Joecks:

That is precisely the point. Their assumption is that they are going to receive an 8 percent rate of return. They have not been receiving that return. If you look at their actuarial rate of return, they have only met that 8 percent target twice since 2002. I encourage you to ask PERS. These numbers do not come from me, they come from me asking PERS those same questions. The problem is that PERS is not reaching that 8 percent rate of return.

Assemblyman Trowbridge:

You state that it requires an 8 percent return each and every year. I believe it is the average return. Some years, when we receive more than 8 percent, it is an offset for the years where we receive less than 8 percent. It is an average of 8 percent. If you look at the record, it shows that PERS has been receiving 9.3 percent for an extended period of time. It is 1.3 percent beyond what you yourself state is necessary.

Victor Joecks:

If you go back and look at PERS' historical investment returns, they were 14 percent in the 1980s and 1990s, but they have been around 5 or 6 percent for the 2000s. That is what their problem is. The 30-year record looks great, but it is a downward trend.

Assemblyman Trowbridge:

We have had this discussion many times, and you have refused to listen to the facts.

Assemblywoman Joiner:

I am wondering if we should give the witness the opportunity to put his testimony under opposition if he would like, now that the conversation has developed. I am not sure if that was neutral.

Chairman Ellison:

Is anybody else to testify neutral? [There were none.] Assemblyman Kirner?

Assemblyman Kirner:

You have heard quite a bit of opposition today. I think all of it comes from public employees, which is impressive. I would say that this change has nothing to do with Wall Street. It has nothing to do with the constitutional amendment to place additional restrictions on the use of money paid to the fund or to administer the fund. This has nothing to do with critiquing the board's performance or any of that sort of thing. This is intended to add, as I think Mr. McAllister said, civilian or general public representation, given the magnitude of the investment and of the unfunded liability, and the promise that we make. I have found personally that the reason the PEBP board was reconstituted in 1999 was to fix it. We did fix it, and unfortunately in recent times the state has not funded it very well. But we turned it around, and we made some very important changes that were very effective for RPEN members and other retirees.

Chairman Ellison:

You are a member of PERS?

Assemblyman Kirner:

Only as a legislator. And I doubt very seriously whether I will get ten years at the rate this is going. We have heard about candy jars, and I got a lesson from the preacher. It has been a busy morning.

Chairman Ellison:

Questions from the Committee for Assemblyman Kirner? We are going to close the hearing on A.B. 3 and take a two-minute recess to talk to the Committee members to see what their schedule looks like if we can squeeze in Assembly Bill 54.

[Letters from Lynne Ballatore ([Exhibit P](#)) and Kevin Campbell ([Exhibit Q](#)) were submitted but not discussed.]

[The Committee was recessed at 11:17 a.m. and reconvened at 11:26 a.m.]

Chairman Ellison:

We are going to open the hearing on A.B. 54, and what we are going to do is take the testimony from those who traveled a long distance to get it on the record, and then we are going to bring it back and reschedule the rest of the hearing. We will at least get the testimony of those who have come a long way. Will the bill sponsor please come up and invite your guests?

Assembly Bill 54: Revises provisions relating to local governments existing in a severe financial emergency. (BDR 31-308)

Terry Rubald, Deputy Executive Director, Local Government Services, Department of Taxation:

I am going to keep my remarks short. My actual presentation is about 15 to 20 minutes long, but I did want to introduce it to say the vast majority of this bill has to do with the update of the laws regarding severe financial emergency and technical financial assistance, including the processes used to arrive at a determination of when a local government is in severe financial emergency, what happens during severe financial emergency, and what needs to happen to end it. Today we have some speakers who wanted to make remarks in regard to proposals that have been made having to do with debt management and the like in severe financial emergency.

Joshua Hicks, representing the National Public Finance Guarantee Corporation:

Before turning it over to Ms. Flickinger, I wanted to thank Deputy Director Rubald. Ms. Flickinger's comments might be getting into some of the weeds in this bill that we will back into later.

Barbara Flickinger, representing the National Public Finance Guarantee Corporation:

For over 40 years, National Public Finance Guarantee Corporation (National) and its predecessor, the Municipal Bond Insurance Association, have been providing bond insurance for state and local government bonds. In Nevada we have issued guarantees or bond insurance benefitting over 20 different cities, counties, school districts, water districts, and the state itself, totaling over \$2.3 billion of bonds currently outstanding. In fact, National insures over \$220 billion in bonds across the whole United States. In terms of the whole market, 20 percent of all municipal bonds are insured either from us or other similar companies. We feel that we do represent the market in general in terms of our comments.

Just to explain the financial guarantee a little bit further, municipal bonds are perceived to be a safer investment, so municipal issuers are able to pay lower interest rates when they sell their bonds to investors. Although we are an insurance company, we are not like car insurance where the purchaser of the insurance benefits only if they need the insurance. Instead, a municipality that purchases bond insurance benefits immediately because of the lower borrowing cost over the life of the bonds. It is a little different than car insurance also because when a bond insurer pays a claim, meaning they are paying the investor because the municipality has defaulted, the insurer still has a claim against that municipality for reimbursement of that payment. Over the 40 years we have been in business, we have observed firsthand the economic cycles and struggles that municipalities have gone through.

We very much appreciate the effort Nevada is making to lay a foundation for its own cities and counties to recover from this very deep recession. Long ago, we chose to partner with Nevada and its municipalities, and we are here today in support of this proposal to provide a framework to aid municipalities in times of distress. I would also say that we very much appreciate the time the Department of Taxation has spent with us to hear our concerns and explanations for some of the things we have proposed. We understand that our revisions are going to be submitted as friendly amendments, and we certainly intend them to be as such. They are also helpful in allaying some of our concerns about the legislation. From our perspective, for municipalities to recover and rebuild for the future, it is critical that they maintain the ability to access the capital markets, whether to build a new fire station, add classrooms, upgrade water and wastewater treatment plants, or simply to refinance their existing debt the way you would refinance your mortgage and lower your cost. As a result, we believe that the approach Nevada, or any state for that matter, takes to oversee the financial health of local governments must

ensure that access to the capital markets at attractive borrowing rates is maintained.

National has proposed amendments on the following matters. There is a provision currently in the severe financial emergency statutes that if the local government fails to file certain statements or reports, the Department may withhold distributions from the local government tax distribution account. We respectfully wish to point out that numerous municipalities have pledged some of the same revenues to pay their bonds. While we understand the need for timely reporting, we do not believe it is the state's intention to also create a bond default, which is why we suggested carving out amounts needed to meet existing obligations. There is another issue having to do with pension contributions, which has the same withholding that we will discuss further with the Department.

Second, section 8 in Assembly Bill 54 provides that when the Department takes over a local government, the Department shall meet with creditors to form a debt liquidation plan. We respectfully suggest adding a requirement that the Department and all the participating creditors negotiate in good faith. Negotiating in good faith means that the debt liquidation plan is developed by consensus. We believe that if we are given the opportunity to enter into constructive discussions in good faith, National and the other stakeholders can provide expertise and options that may not be initially apparent, and that would result in a better outcome for all parties.

Third, we note that to achieve a successful outcome, the communication, disclosure, and coordination among the Department, the Nevada Tax Commission, local government, and key creditors is important. It is for this reason that in section 1 of A.B. 54, National suggests that the existing statutory definition of holder is expanded to include trustees, guarantors, insurers, and other key parties. This is because as an insurer of the bonds, we step into the shoes of the bondholders upon default. The bonds of the municipality are typically held by a wide group of stakeholders, and our involvement in representation can help make resolving the problem more efficient. In other words, the expansion of the term holder is designed to make the statute consistent with the rights granted to insurers and to insurers seated at the table if there are negotiations.

Finally, National suggests that A.B. 54 include a new section, which is section 19, to clarify that it is not interpreted to be inconsistent with Nevada's own local government securities law. It is pursuant to this law that Nevada's local governments issued bonds. We believe this clarification is important for local governments interested in accessing the market after A.B. 54 is

implemented. Investors and insurers of Nevada's local government bonds would be reassured that the provisions in this existing securities law can be relied on, and that what they relied on would not be nullified. [Also provided written testimony ([Exhibit R](#)).]

Chairman Ellison:

For about 25 years I had the chance to work with a lot of bonding agencies: wastewater, courthouses, and that kind of thing. It is actually a great tool for municipalities. Without it, we would be in trouble. Is the amendment you talked about a friendly amendment that you are proposing?

Terry Rubald:

Yes, in fact all of the proposals made by National Public Finance have been incorporated in a handout ([Exhibit S](#)) that was brought today, along with some amendments from the Department of Taxation as well. We consider them all to be friendly amendments.

Assemblyman Trowbridge:

I have read the bill several times, and I cannot find where I have heard something mentioned that causes me concern. What I have heard mentioned is that if this bill does pass, where does it permit suspension of labor contracts during severe financial emergency?

Terry Rubald:

It is in section 8, subsection 2. It has to do with the duties and responsibilities of the department during severe financial emergency.

Chairman Ellison:

Any questions from the Committee? We will reschedule this for another day. Public comment in Las Vegas or Carson City? [There was none.] [The following were submitted but not discussed: a letter from Ruben Murillo, Jr. ([Exhibit T](#)); proposed amendments from Clark County Chief Financial Officer Yolanda King ([Exhibit U](#)); a letter from Kevin Campbell ([Exhibit V](#)).]

Meeting adjourned [at 11:39 a.m.].

RESPECTFULLY SUBMITTED:

Erin Barlow
Committee Secretary

APPROVED BY:

Assemblyman John Ellison, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: February 16, 2015

Time of Meeting: 9:02 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 3	C	Dan Schwartz / Office of the State Treasurer	Proposed Amendments
A.B. 3	D	Rusty McAllister / Professional Fire Fighters of Nevada	A.B. 390 of the 64th Session Legislative History
A.B. 3	E	Tina Leiss / Nevada Public Employees' Retirement System	Testimony
A.B. 3	F	Mike Malone / Las Vegas Police Protective Association	Testimony
A.B. 3	G	Autumn Tampa / Private Citizen	Testimony
A.B. 3	H	Cynthia Fischer / Private Citizen	Testimony
A.B. 3	I	Priscilla Maloney / American Federation of State, County, and Municipal Employees, Retiree Chapter	Documents
A.B. 3	J	Ruben Murillo, Jr. / Nevada State Education Association	Letter
A.B. 3	K	Ashley Rhea / Private Citizen	Testimony
A.B. 3	L	Fabiola Pavel / Private Citizen	Testimony
A.B. 3	M	Colleen Brown / Private Citizen	Testimony
A.B. 3	N	Sharon Erlandson / Private Citizen	Testimony
A.B. 3	O	Steve Spindel / Private Citizen	Testimony
A.B. 3	P	Lynne Ballatore / Private Citizen	Letter
A.B. 3	Q	Kevin Campbell / Private Citizen	Letter

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A.B. 54	R	Barbara Flickinger / National Public Finance Guarantee Corporation	Testimony
A.B. 54	S	Terry Rubald / Department of Taxation	Proposed Amendments
A.B. 54	T	Ruben Murillo, Jr.	Letter
A.B. 54	U	Yolanda King / Clark County	Proposed Amendments
A.B. 54	V	Kevin Campbell / Private Citizen	Letter