

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

**Seventy-Eighth Session
March 30, 2015**

The Committee on Government Affairs was called to order by Chairman John Ellison at 8:03 a.m. on Monday, March 30, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. 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
Assemblywoman Victoria A. Dooling
Assemblyman Edgar Flores
Assemblywoman Amber Joiner
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Shelly M. Shelton
Assemblyman Stephen H. Silberkraus
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblyman Glenn E. Trowbridge
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None



GUEST LEGISLATORS PRESENT:

Assemblywoman Marilyn K. Kirkpatrick, Assembly District No. 1

STAFF MEMBERS PRESENT:

Jered McDonald, Committee Policy Analyst
Eileen O'Grady, Committee Counsel
Jordan Neubauer, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Jeff Church, Private Citizen, Reno, Nevada
Tray Abney, Director of Government Relations, Chamber of Commerce,
Reno, Sparks, and Northern Nevada; and representing Las Vegas
Metro Chamber of Commerce
Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro
Chamber of Commerce
Robert Fellner, Transparency Researcher, Nevada Policy Research
Institute
Priscilla Maloney, Government Affairs Retiree Chapter, Local 4041,
American Federation of State, County, and Municipal Employees
Ronald P. Dreher, Government Affairs Director, Peace Officers Research
Association of Nevada; and representing Combined Law
Enforcement Associations of Nevada, Washoe County Public
Attorneys' Association, and Washoe School Principals' Association
Martin Bibb, Executive Director, Retired Public Employees of Nevada
Marlene Lockard, representing Local 1107, Service Employees
International Union Nevada, and Retired Public Employees of
Nevada
Rusty McAllister, President, Professional Fire Fighters of Nevada
Melissa Johanning, President, Las Vegas Police Protective Association
Civilian Employees
Kevin Ranft, representing Local 4041, American Federation of State,
County, and Municipal Employees
Maurice White, Private Citizen, Carson City, Nevada
Patrick T. Sanderson, representing Nevada Alliance for Retired Americans
Dolly Rowan, Private Citizen, Las Vegas, Nevada
Tina M. Leiss, Executive Officer, Public Employees' Retirement System
Leonard Cardinale, President, North Las Vegas Police Supervisors
Association, and representing Local 56, International Union of
Police Associations

Chairman Ellison:

[Roll was called. Committee rules and protocol were explained.] I will open the hearing on Assembly Bill 312.

Assembly Bill 312: Revises provisions governing the Public Employees' Retirement System. (BDR 23-975)

Assemblyman Glenn E. Trowbridge, Assembly District No. 37:

Thank you Mr. Chairman and members of the Committee. I am here today to introduce Assembly Bill 312 concerning the Public Employees' Retirement System (PERS). This bill is presented for consideration and if approved will change certain provisions relating to the current PERS. [Continued to read from prepared text ([Exhibit C](#)).]

Chairman Ellison:

Are there any questions from the Committee?

Assemblyman Carrillo:

Will this affect every recipient in PERS? I know there have been bills that do not include the Judicial Branch and Legislative Branch.

Assemblyman Trowbridge:

No, this does not address the Judicial Branch or Legislative Branch, just the general employees. It affects the police officers and firefighters only in terms of going to five years rather than the three-year computation. The age requirement only applies to general employees, not police officers and firefighters.

Assemblyman Carrillo:

Why are you not including the Judicial Branch and Legislative Branch?

Assemblyman Trowbridge:

If that were the intent of the Committee, we would need an amendment. It was not the intent to leave them out. It was not thought of at the time.

Chairman Ellison:

What would happen if somebody is physically able to work but has health problems and she has to retire? Would this affect her if she were not at the age limit? This is not like social security where you can go in and tell them you need an early out because of health issues, correct?

Assemblyman Trowbridge:

As I understand it, the access to disability retirement is if employees were unable to perform their normal duties, they would then be eligible for disability

retirement. In the case of a heavy equipment operator that can no longer operate heavy equipment, he would have to leave that profession and become a sales clerk, or something less physically demanding. All employees would still be entitled to apply for disability retirement based upon inability to perform their current profession.

Chairman Ellison:

If someone started working for the state at age 17 and he worked for 30 years, he would not be eligible to retire?

Assemblyman Trowbridge:

At any age after 30 years of service, he can retire.

Assemblywoman Joiner:

With this approach, how much of the unfunded liability between zero and \$40 billion do you believe is the correct number and how much will this reduce it?

Assemblyman Trowbridge:

That is an extremely difficult question. There have been fiscal experts who cannot agree whether it is zero or \$41 billion; they are now saying \$41 billion instead of \$40 billion. I would venture to say it is contingent. The way they get to the high number, the \$41 billion we are talking about now, is if everybody stops working today, which is highly unlikely; a meteor would have to strike downtown Carson City for everyone to stop working on the same day. I think it is an extreme assumption. How much and how quickly this would address any potential unfunded liability depends upon how much is needed.

If you are looking at unfunded liability as it is today under the worst circumstances, I believe it is that way because of the earnings of the last six years. The last two years of earnings of the PERS investment portfolio have been quite healthy, but the three years before that they were the lowest they have been in ages. They were down around 4 to 5 percent, which was equal to what the private retirement system investment portfolios were earning. If you said we are going to slow down and look at the PERS portfolio and wait three or four more years with the last couple of year's worth of earnings, the entire unfunded liability would go away. If I knew what was going to happen in the next three or four years in the stock market, I would not be sitting here; I would be in the Bahamas on my big yacht.

The way this is presented, it would not affect anybody who is currently working or who is currently retired; it would only apply to newly hired people starting after July 1, 2016. Before those people would start to retire it could be as

short as a 5-year period or as long as a 30-year period, so to say how fast that reduced benefit would start to impact the unfunded liability is a considerable distance down the road. The short answer is I do not know.

Assemblyman Stewart:

I appreciate your honesty. Is the date of membership the date of hire or the date you begin work?

Assemblyman Trowbridge:

For social security, it is the date of birth that determines the age of retirement. When you start working for a government entity is irrelevant. In my circumstance, I started drawing full benefits at the age of 63, but now it is age 66 and soon to be age 67.

Assemblyman Stewart:

I was thinking about teachers. They are oftentimes hired in the spring, but they do not start work until August. If they were hired in May or June would that be their date of membership?

Assemblyman Trowbridge:

I think if they sign contracts it constitutes employment. The actual date they show up in the classroom could be later, but the day they sign the contracts they are employees.

Assemblywoman Neal:

I am looking at page 5, lines 18 through 26. When I read the entire bill in context, I understand section 1, which creates a delay, but whom do lines 18 through 26 apply to? It talks about what average compensation means for a member who has an effective date of membership before July 1, 2016, the average of the member's 36 consecutive months, so I am assuming that relates to the current members and it goes on to say 60 consecutive months. Can you talk to me about the purpose of lines 23 through 26 because now you have split provisions. Why did this change to the 60 highest months where the prior law was 36 months?

Assemblyman Trowbridge:

That is a very significant way to address the actual amount of retirement that a new person would receive. The retirement amount would be based upon the five highest years of earnings, while for people who are currently working it is based upon their three highest years of earnings.

Assemblywoman Neal:

Did you look at any numbers that show the last five years? Clearly you are not going to get retirement until you hit social security age, but when you say your five years of highest compensation, did you look at what those five years could look like? I am thinking about my own employment. You start out at a low number and then you go up. Let us say you leave the system, you still vest at five years, right? You could vest and let us say the highest compensation is about \$40,000, so you walk away with that? Do you have a chart? I would like to see a visual.

Assemblyman Trowbridge:

For each individual employee it would be different. I do not have any data on what the average retiree would look like. If you look at my case, during my last five years I received no promotions, but I did receive a 2 1/2 percent cost-of-living-allowance each of the three years. When we talk about going from three years to five years, years four and five would count into the calculations where now they do not. Clearly, the entire purpose of going from three years to five years is to reduce the average amount, five years of earnings versus the average of the three highest years of earnings. It would be a lesser amount. In my case, it would have worked out to a 2 1/2 percent difference.

Chairman Ellison:

Are there any more questions from the Committee? [There were none.] Those in favor of the bill please come forward.

Jeff Church, Private Citizen, Reno, Nevada:

I am here in favor of the bill. I do believe the hardworking men and women who are members of PERS deserve a stable system, and they justly deserve the retirement they earn. It is commonly perceived that upper management are the ones who are believed to occasionally abuse the system, such as spiking. I want to bring to your attention a specific example from the City of Reno: a deputy chief who made \$376,707.96 in 2009 only worked six months out of the year. Clearly, there is room for reform within PERS.

I had the benefit of retiring early. I was under the age of 50 with 25 years of service including 2 years that I bought. I have to admit, when I purchased the two years, I thought to myself that it did not seem right. It does seem that there is an unintended consequence. People can retire as a police officer or firefighter at age 41 with no penalties.

I teach police recruiting and police retention nationwide. If we want to retain people, then it is counterintuitive to give them a system where they can buy time and get out early. Every time we hire a new police officer or firefighter we

inherit the heart-lung problem of *Nevada Revised Statutes* (NRS) Chapter 617, so it seems counterintuitive to have people pay to leave early.

Tray Abney, Director of Government Relations, Chamber of Commerce, Reno, Sparks, and Northern Nevada:

We see this as reasonable reform. We have had many discussions in this Committee already about PERS. We believe we need to start taking steps to deal with the unfunded liability. We think this bill brings the public sector more in balance with the private sector. Obviously, it only affects future employees. We think it is a taxpayer-friendly bill and we have to realize every dollar we spend on PERS is one less dollar we have to spend on mental health, education, parks, salaries for current employees, and other things the state and local government pays for. We think it is a reasonable step on this issue, and we urge your support.

Assemblywoman Neal:

You believe there is a nexus between how much is in the unfunded liability and our ability to pay for parks, schools, et cetera?

Tray Abney:

Yes ma'am. The more money that a state or local government has to set aside, whether they keep increasing the match year after year or they have to set aside to pay for the unfunded liability, it is less money they have for the other things that must be funded.

Assemblywoman Neal:

People who are public employees work because they want to do a good job and have some sense of retirement. I just find it interesting that you think there is a nexus; the wages we pay on the public side have some direct relationship to our inability to take care of some of our needs and real issues.

Paul J. Moradkhan, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce:

We would like to offer our support to this bill. We believe that the proposals bring a different compensation component that should be discussed of how to address PERS. We believe that this is a practical and sensible approach to the discussion.

Chairman Ellison:

Is anyone else in favor of the bill?

Robert Fellner, Transparency Researcher, Nevada Policy Research Institute:

We are in favor of the bill. As we see it, the bill essentially modernizes PERS. It increases the retirement age, which is necessary as the result of a phenomenal occurrence: people are living longer. When PERS and most public retiree systems were founded, the age of retirement was mid-60s and life expectancy was roughly early 70s. Over time life expectancy has increased quite a bit and it is likely to continue to increase; right now life expectancy is in the early 80s. There are ways to retire as young as age 50, or if you purchase service credit, you can retire younger than age 50.

What has happened as a result of that is people are collecting retirement for many more years, which is increasing the cost of PERS exponentially. We think adjusting the age of retirement to match social security makes a lot of sense. In my understanding of reading the bill, people can still retire earlier, they just take a reduction in the amount of benefits, which makes sense because they will receive the benefits for a longer period of time.

The second aspect is to change the pensionable compensation to the five highest years of salary. For comparison, social security uses 35 years and for everyone in the private sector, it is based on your entire career because you get a matching contribution each year that is based on your salary. That is just a frame of reference. To meet parity with what everyone else gets, you would really be making it 30 years. Three years to five years is actually a small step forward, but it is a step in the right direction, so we certainly support that.

There has been a lot of talk about the unfunded liability. I just want to clarify that PERS estimates it to be at \$12.5 billion. If you use the methodology used and endorsed by the Congressional Budget Office, by the U.S. Bureau of Economic Analysis, as well as Moody's Investors Service, it rises to \$40 billion, but that is only one aspect. There is also an annual cost that every public agency in the state of Nevada has to pay as a percentage of payroll every year. This is separate from the unfunded liability; in real dollars it has increased over sixfold. When PERS started in 1949, the annual contribution rate was 5 percent of payroll. Today it is 30 percent of payroll for regular employees, and it is 40 plus percent of payroll for police officers and firefighters. The Public Employees' Retirement System projects that to rise.

The unfunded liability is a serious issue, but there is also the actual cost that has been rising dramatically every single year, and in real dollars it has increased substantially. As recently as last year, Henderson was proposing tax increases and cutting services because 80 percent of their budget is now going to salaries and benefits. That is another side that there is no dispute on. With the liability there are estimates, but if you look at the contribution rates and the amount of

taxpayer dollars that is going to fund PERS every year, it is just a historical record and has risen quite dramatically.

Chairman Ellison:

Is anyone else in favor of the bill? [There was no one.] Is anyone opposed to the bill?

Priscilla Maloney, Government Affairs Retiree Chapter, Local 4041, American Federation of State, County, and Municipal Employees:

We are in opposition to this bill for numerous reasons. Please note that I submitted the legislative history ([Exhibit D](#)) from Senate Bill No. 427 of the 75th Session, which was in response to a severe fiscal crisis across the state. It was a situation where the Legislature felt the need to not only look at PERS but also the Public Employees' Benefits Program (PEBP). There are portions of that bill that are not particularly relevant to this discussion because it had to do with PEBP rather than PERS.

The first thing to say about Assembly Bill 312 is there was a new tier created by S.B. No. 427 of the 75th Session for benefit reductions for employees hired after January 1, 2010. We now have a total of two bills in the Senate and three in the Assembly which are going to affect benefits for new hires. Someone might ask why we care; we care because the mission, which is statutorily defined and also in different policy documents with PERS, is to attract and retain state workers.

Our state workforce is the future of our governmental services in Nevada, and we believe it is inappropriate to draft legislation that pits one group against another, preserving the rights for constitutional and case law reasons of the vested and those who are benefit recipients of PERS against people who would be joining us. If they join us for their entire public service in the state of Nevada they will not, at least at this time, receive social security. In fact, we are 1 of 15 states that have an agreement with the federal government. The state of Nevada and public governments as the employer are not required to pay social security for their employees, nor do the employees receive social security benefits because PERS, as it stands today, is a qualified Internal Revenue Service plan. We have maintained from the beginning of this session on various bills that PERS is a well-funded, sound system, on track to reduce the unfunded liability. All of the bills do nothing more than chip away at what is already a sound system functioning properly.

In the legislative history ([Exhibit D](#)) you will find a link to the minutes of the May 21, 2009, Senate Committee on Finance meeting. On page 19 there is a good explanation from Dana Bilyeu, who was the Executive Director of PERS at

the time, that discusses exactly how the unfunded liability is calculated, "The unfunded liability of the PERS is a piece of the contribution rate. There are three components to our contribution rate: the normal cost of the benefit; payment on the unfunded accrued liability; and a small administrative piece designed to fund the agency over time. Senate Bill 427 [S.B. No. 427 of the 75th Session] affects the normal cost of the benefit." Then she goes on to say, "The most significant portion of the unfunded liability is due to market return. The only place the return of the system affects the contribution rate is the unfunded accrued liability of the system." Since S.B. No. 427 of the 75th Session was passed creating a first tier, and today we are looking at creating a second tier of state employees, the assets of PERS have grown because the market is recovering, from about \$18 billion to close to \$31 billion. The fund is recovering, and the system is working.

Assembly Bill 312 would create a second tier and, as Assemblyman Carrillo pointed out, there is no discussion as to what would happen to the Legislative Branch and Judicial Branch plans. Currently, Senate Bill 69 would actually increase benefits for judges by lowering retirement age. The larger issue here is there are multiple PERS bills, including Assembly Bill 190, which would completely change, gut, and destroy the efficacy of the PERS system, which has been rated best in class. I did not want to burden the Committee with the Aon Hewitt report, but the report was done in November 2013 and can be accessed on the PERS website. This was at the request of the Governor after the 2013 Legislative Session to look at the overall health of PERS, and they were rated best in class at that time. They are a stable, well-funded system. We also had another hearing where we had a labor economist who is internationally acclaimed come and tell us that PERS is one of the best and most conservatively run systems that she has ever seen.

This bill would add a third tier. We have the employees who were hired before January 1, 2010, the employees who were hired after January 1, 2010, and before July 1, 2016, and a new tier, which would be employees hired after July 1, 2016. Those are the reasons we oppose this bill.

Also in the legislative history I provided ([Exhibit D](#)) is a link to the written testimony of Dana Bilyeu on S.B. No. 427 of the 75th Session. If you look on the first page, she states that at that time, even though it was late in the session, and again it was an emergency situation because of the dire fiscal problems in the state of Nevada, PERS had the ability to have their actuarial cost changed. There has been no such actuary study for any of these bills as of yet. Maybe it will be done in the future with the bills that are currently present in this pending Legislature, but it is not just a fiscal note that captures the costs of a bill. It is my understanding from attending PERS Board meetings and

talking to PERS staff that every time you change a benefit for one group or another or for existing employees, it affects the actuarial calculation. By law, at a certain point they have to re-cost the entire program for the benefits. None of that has been done. There has been a lot of haste this session to get things done and I understand the urgency, but we are tinkering with some sophisticated systems that will not be easy to replace if they are destroyed or harmed.

Chairman Ellison:

Did you say that there is a bill in the Senate that increases the PERS benefit for judges?

Priscilla Maloney:

Senate Bill 69 lowers the retirement age for judges. It is scheduled for a hearing tomorrow morning.

Chairman Ellison:

In the Senate Committee on Government Affairs?

Priscilla Maloney:

No, the Senate Committee on Finance, which is not a policy committee, and I am not sure why the bill is scheduled to be heard there.

Assemblywoman Dooling:

Who completed the report which ranked PERS best in class?

Priscilla Maloney:

Aon Hewitt was commissioned and did their final report in November 2013. Their report is posted on the PERS website. It is not a quick read. It is about 166 pages, but the good news is the first 50 pages is the policy discussion and from about page 50 to the end are tables, graphs, and charts. They compared our PERS with I believe 126 other plans in the country, and of those plans, my recollection is that only 28 of the plans that they looked at and compared our PERS to states had qualified plans like ours, so they also do not get social security.

Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada, and representing Combined Law Enforcement Associations of Nevada, Washoe County Public Attorneys' Association, and Washoe School Principals' Association:

We have a pretty good public coalition that we work together on, and I will tell you that about 99 percent of us are opposed to A.B. 312. I am not going to repeat a lot of the things Ms. Maloney stated, but we are supportive of every piece of information she provided this Committee going back to 2009, the PERS changes that were made to stop the spiking on PERS, retirement after 25 years of service with full benefits, and other types of situations that this bill talks about.

One of the concerns with A.B. 312 that we have right off the bat deals with police officers and firefighters. If you were to look at the original bill the way it was written, the age would go to 10 years less than the age of social security, which would be roughly 57. The purpose of this provision in PERS, and the purpose that I know personally as I am a retired law enforcement officer from Reno, is that we do not want old cops. It is not in the best interest of what PERS' objectives are. This bill would do away with retiring after 20 years at the age of 50.

You can see in section 1 the bill talks about what it is going to do. I think it will be a huge mistake, but more importantly, the position we are taking, as you heard Teresa Ghilarducci state in her testimony in front of this Committee several weeks ago, we have one of the best systems, if not the best PERS in the United States. There is no reason to change our system. With all of the bills that are coming in front of this Committee as well as in the Senate, why would we change a system that is not broken? I heard The Chamber talk about saving money and how this is going to give money to parks and recreation, but we do that at the negotiations table. We do all kinds of things for our state employees. The state employees have taken furloughs. Every law enforcement agency and every group that I collectively bargain for has taken concessions over the years during the economic hard times.

In an effort to educate this entire Committee, Chris Collins with the Las Vegas Police Protective Association and Rusty McAllister with the Professional Fire Fighters of Nevada provided flash drives to all of you that have the Aon Hewitt report on it. We wanted to give you the ability to look at the best in class. Teresa Ghilarducci, one of the leading economists in the United States who has testified around the world, got up here and told you the same thing. We have a great system; there is no reason to change it, and for that reason as well as others we are opposed to A.B. 312.

Chairman Ellison:

Do the police officers and firefighters have a different agreement with PERS? They can retire after 20 years with full benefits, correct?

Ronald Dreher:

That is correct, at age 50 they can retire if they have 20 years of service.

Chairman Ellison:

However, other employees cannot?

Ronald Dreher:

You are correct. The law was changed in 2001 so that we could retire with full benefits after 25 years of service. Due to all of the changes we agreed to in 2009, that part of the bill was left out. The current bill has it listed here as if it is still in effect. I believe effective July 15, 2009, that was removed, so police officers and firefighters hired after that period of time do not qualify for retiring with full benefits after 25 years of service.

Assemblyman Stewart:

If we left the first part out, which ties into social security and just kept the last part with changing the three years to five years, would you consider supporting this bill or are you opposed to any change?

Ronald Dreher:

We would still be opposed to the bill for the reasons I have stated. We do not believe any changes to PERS are needed.

Priscilla Maloney:

Our position would be in opposition because it would still create a new tier. I attended the PERS Board meeting on Wednesday, March 18, and one of the policy discussions with the Board from staff was that there is a public policy desire to keep the tiers at a minimum and in a perfect world, have no tiers. We do not want to pit one group against another. There are some historical reasons, very good public policy reasons for carving out police officers and firefighters, bless their hearts for what they do, and they often die at an earlier age. We do not mean to suggest that they should not be treated differently based on the scientific evidence over the years that supported those lower retirement ages, but globally what all of these bills do is they start talking about a new tier for people who are hired after July 1, 2016, in some bills and July 1, 2015, in other bills. Creating more tiers is our concern.

Martin Bibb, Executive Director, Retired Public Employees of Nevada:

I am here on behalf of our nearly 9,000 members. We are opposed to A.B. 312. We do not believe that any of the changes proposed need to be made. In 1994 through 1996, the Retired Public Employees of Nevada were involved in Ballot Question No. 1 of the 1996 general election to put some protections into the *Nevada Constitution* relative to PERS. It was enacted specifically so that monies not be lent to the state, invested in state bonds, or used to balance the budget. Those were the general intentions and that was the environment that surrounded that situation.

Others have referred to the best-in-class rating of PERS that was made by the actuary in 2013. I should add that it was an independent actuary who found the best-in-class finding, not the regular actuary retained by PERS. They dealt with the financial policies of this retirement system and what they have done. That is why they were rated best in class.

I believe someone alluded to the social security status. I believe Nevada is one of about eight or ten states whose retirement system does not include social security. When a person considers retirement benefits in Nevada, they are higher than in some other states, but when you look at total retirement benefits, meaning social security plus their state retirement benefit amount, we are in the bottom 20 percent in terms of total amount of money.

There was reference made earlier to the national expert, Teresa Ghilarducci, who addressed this Committee a month ago, and one of the findings that she put on record in terms of her prepared testimony was that PERS provides good pension hygiene. Good pension hygiene basically means they have a plan in place to reduce their unfunded liability. For the past two years, the funded level has increased and the unfunded level has decreased. Part of good pension hygiene is having a plan in place to reduce the unfunded liability, and this system does. This system has stayed the course in terms of what the actuary suggests with correct contribution rates, and that goes into good pension hygiene as well. This is a system that serves 100,000-plus active employees for cities, counties, the state, the school districts, police officers and firefighters, local districts and boards, and it serves nearly 50,000 retirees.

One of the things that makes it a good system are the managers of the system. The current managers and those that have been alluded to in previous testimony have stayed the course, and they have resisted the siren song to get involved in risky investments and into speculative types of things that do not make sense. I want to refer you specifically to some systems which have overwhelmingly gotten involved in hedge funds while this system has not. We think that is prudent.

We do not want to be like New Jersey or Illinois, systems that are on the rocks. They have not stayed the course with actuarially recommended contribution rates and for that reason, we oppose this bill.

Assemblywoman Neal:

At the end of the day, I strongly believe you should come here in opposition and you should have your say on the PERS bills, but what if you lose this fight? If you had to pick what poisoned bill you would like to walk out the door with, which one would it be? Because at the end of the day something is coming out, you know that. You can get this version, you can get Assemblyman Kirner's thank-you-Jesus bill, or whatever else is coming down the pike from the Senate. At some point we have to be real about if we had to choose and we were going to try to amend something and work with something, which bill would it be? I know the answer is none of the above, but if you had to suck it up for two years, which one would you pick?

Martin Bibb:

We do not know. There are potential issues and potential amendments that could still be added. I think for us to make a decision now long before the thorough fleshing out of all of the potential issues and bills would be irresponsible on our part. The organizations represented here today are willing to look at other considerations. I do not think we have seen them all, and that is not intended to be an evasive answer, simply intended to be what is.

Assemblywoman Neal:

I am fine with that answer; I just wanted to put the question out there.

Marlene Lockard, representing Local 1107, Service Employees International Union Nevada, and Retired Public Employees of Nevada:

I am now speaking on behalf of Service Employees International Union. I just want to put into context what we are dealing with here. My hat goes off to the American Legislative Exchange Council and the Nevada Policy Research Institute (NPRI). Over many months they have been able to create this big straw man called the PERS unfunded liability. No one can put a number on it, but it is a big boogeyman that has everybody running around with their hair on fire thinking if something does not happen during this legislative session, we are all going to go to somewhere in a handbasket.

We brought in an expert, Teresa Ghilarducci. We are not talking about someone like me coming in here and telling everyone there is no unfunded liability problem. We are talking about people who deal with this each and every day. It is their livelihood. They know the numbers and they know the economics. This is just not an issue. If I were to recommend a book to you it would be the

Retirement Heist by Ellen E. Schultz; this book went into history. It is about how the private sector meticulously went in and tried to defuse and diminish public sector pensions. Airline companies merge and go into bankruptcy. The first thing they do in bankruptcy is renegotiate everyone's benefit package, retirement benefits, et cetera. Now that movement has crossed nationwide going after public entities. All retirement systems are not equal. Nevada is not New Jersey or some of the others you have read about. Nevada has never missed a payment to its retirement fund. It is not in crisis; it is a well-funded, well-managed system, as you have heard from everyone here today.

What I am asking for is for all of you to be very deliberate in what you are doing with the PERS system this session. There are no fewer than 11 bills right now that have been introduced that deal with PERS. The other side has been masterful in creating a "hair on fire" environment that we are dealing with.

In 2011, when we had the fiscal crisis in this state, a lot of hits were taken by the Public Employees' Benefits Program (PEBP) and one of the things that they were able to get enacted, and that this Legislature approved, is that all new hires would not be eligible for health benefits when they retire. Think about that for a minute. I know some local governments are moving in that direction and other entities are doing that as well.

Just a couple of floors down are the money committees. They are dealing with state budgets and are trying to attract and retain staff to do the very important work public employees do. They are not people leaning on shovels standing in the rain; these are people who are going to determine whether your health facility is regulated appropriately so that you will not get hepatitis C or they are your State Gaming Control Board.

I am trying to make a point that we can react to a public crisis that was invented and do real harm prospectively. Down the road I think you are really going to want to think about what kind of a compensation package you are going to be able to offer to hire and retain new employees. This bill applies to people hired after July 1, 2016. You are diminishing the return of making public employee work attractive. I think we really need to be very careful in moving forward on some of these bills.

Assemblyman Carrillo:

You mentioned how this will affect the attractiveness of public service and it is hard enough already to find good people. Of course, as people get older it is all about the benefits. When you realize there is an attack on the benefits and they are going to diminish, unless there is something on the backside, what do you feel is going to happen with less opportunity in the public sector versus the

private sector? Are we just going to fall on our face and feel that we are not going to have the good quality people like a lot of the ones that serve in the Legislature? They could go to the private sector instead of coming here and working. There are a lot of different options that these people have, but they decide that they want to go for the benefits because they see the big picture and they look 30 or 40 years down the road. They realize that some type of retirement is what they want.

Marlene Lockard:

Absolutely, I think and as we all know, the attractive call of public service has always been that you are not going to get rich or retire a millionaire, but you will have good benefits and a meaningful career doing something in the science arena or wherever. Remember, most of our jobs require not just a degree, but also a graduate degree for what state and public employees are hired to do. I said all retirement systems are not created equal; all public employees are not created equal either. The municipalities and the county employees have far more benefits than the state employees do. When you continue to whittle down these kinds of things, look in the money committees and talk to your colleagues. There are so many jobs unfilled that they simply cannot recruit. That is a fact; I did not make that up.

Rusty McAllister, President, Professional Fire Fighters of Nevada:

I want to echo the comments of the previous speakers and bring up one point that is one of the main reasons we are opposed to this bill: the language within this bill is contrary to the 1986 study that was done by PERS that dealt with police officers and firefighters. The ultimate result of that study was the need to create a youthful and vigorous workforce for the frontline protection of the public. That is what the study was about and that is what it came back and said. That is why some of these benefits are available to police officers and firefighters. They allow us to retire at a younger age with fewer years of service. This would change that with nothing to back it up and no reason for being contrary to that study. From that standpoint, we are opposed to this bill.

Assemblywoman Neal:

It has been interesting to me that there has been a lack of public policy purpose and benefit established on a lot of these bills. I am looking for someone to prove there is a problem and prove that somehow the public is going to benefit from the changes. I have been trying to figure out how to move forward. We talk about NPRI and these other groups who strongly believe in something, but they do not necessarily have to establish that something is real. The private sector says that it is real, and public employees are wreaking havoc in the system and milking the cow. I keep trying to figure out what we are supposed to do. We have the hearings and we put all of the information on the record

that says this is not true with studies from 1986 and all the way through saying that the system is good. There were rough years, but they are stable and on the upswing. I am trying to figure out how to move forward and fight policy that you know in effect does not even serve a public purpose at the end of the day.

Rusty McAllister:

Assemblyman Trowbridge is an honorable man. We met with him prior to this hearing and talked with him about this bill and our concerns with regard to the points that I brought up, and he was receptive to listening to what we had to say. I agree with you; it seems that there has been discussion on a lot of things. There is a study that was done a short time ago by Aon Hewitt, an outside actuarial firm that came in neutral and basically looked at the system and said they are best in class, they have a plan for paying off the unfunded liability, they have not missed payments, and they are not doing the things that are being done across the United States and in other plans that are causing problems. There is documentation that shows that we have a good system.

Melissa Johanning, President, Las Vegas Police Protective Association Civilian Employees:

I represent about 1,400 Las Vegas Metropolitan Police Department employees who do the civilian work. I do not want to reiterate everything my colleagues have said because I think it is clear that we all agree that there is not an issue with PERS. They are one of the most stable systems in the country.

We work in stressful, critical jobs as the support staff. We are a 24/7 operation and when you are on a 911 call and your shift ends, you cannot leave. For years, we had people in our communications center working up to 15-hour days, 6 days a week. To think that these people would have to work to the age of 67 to get retirement is absolutely unacceptable. We have crime scene investigation people who are out there crawling around on the ground and in trash dumpsters collecting evidence, and to think that they would be required to work to the age of 67 with this bill is not something we are amenable to.

Because of the stress of this job, a lot of people leave early. It is very easy to recruit people. We get many applications for these positions, but the problem is they wash out in the academy. They do not know what the real job entails and then they get into it, and it takes a toll when you are working those long hours and having one day off per week to get the job done. In our field, there is no guarantee that you have Saturday and Sunday off; it is not a guarantee that you get to leave at the end of your shift.

Assemblywoman Spiegel:

Do you have a concern that there would be increased workers' compensation claims? What kind of effect that would have on the state and on the workers' compensation system if employees were crawling around on the ground and in trash dumpsters at the age of 60 and getting harmed if this bill were to pass?

Melissa Johanning:

Absolutely. We have people who crawl up on roofs now that are falling off and hurting themselves, and they are not 67 years old. I think it is common sense that as we get older we are not quite as limber as we were when we were younger.

Assemblyman Carrillo:

You said you deal with your support staff, which is like the people behind the window at a substation and that type of work, correct?

Melissa Johanning:

That is correct.

Assemblyman Carrillo:

However, it is not necessarily just sitting at a desk and taking information from people that are asking to fill out a report, correct?

Melissa Johanning:

That is correct. We represent 95 civilian classifications at the Las Vegas Metropolitan Police Department. We represent everyone from the person taking your report to the person booking your property in at the jail. We have people assigned to the Clark County Detention Center, people doing the evidence at the forensic lab, the dispatchers, the crime scene investigators, and I think we do everything other than patrolling and the detective work.

Assemblyman Carrillo:

You said you get many people applying for jobs who find out what is behind the scenes in regard to their work detail and they realize this is not what they put in for. They also realize the benefits, but changes to PERS might affect the retention as well.

Melissa Johanning:

Absolutely. It makes me question whether people would even want to come here in the beginning to do some of the critical jobs we have, knowing that they would have to work to the age of 67. As my colleagues have testified, depending on whether or not you worked any place prior determines whether or not you would even be able to draw social security. We all know because of

the federal windfall that even if you did, you do not get your full social security if you have a public pension.

Kevin Ranft, representing Local 4041, American Federation of State, County, and Municipal Employees:

I represent state employees. I would like to ditto Ms. Maloney's testimony, Mr. Dreher's testimony, and the other colleagues that spoke this morning. They have some strong language and research they presented to you. Please take a few moments and seriously read the information. The changes that are before you today and other changes this session are going to have a seriously negative impact on PERS and the future retention of state workers. If PERS changes this session, there will be minimal hires to state government and local government based off the fact that there are uncertainties. When you have uncertainties, new hires are not going to come and stay with the state because they see the breakdown of what is going on with the benefits. Some state and local government jobs are being paid at \$9, \$10, \$12 per hour. The benefits in the state are something that the state and local government employees look at, specifically state employees. The state employees represent nearly half of PERS.

The state has a serious problem with retention of their employees. If we change these tiers repeatedly, we are not going to have state employees. We are not going to have PERS because there will be a negative gross impact on PERS. What will cause havoc from then on is you are going to see a contribution rate increase for the active employees on both sides: police officers and firefighters and regular members. That has already been discussed earlier this session because you are not going to have people working in these positions, and when you do not have people paying into the system, somebody has to pay for it. If we want a solid program, leave it alone. That is what I am asking, please leave PERS alone. You are going to have unintended consequences that we may not realize now, but I tell you, it is going to be a broken system. Some of these changes sound good, but there will be many unintended consequences because of retention issues. For those reasons, we oppose the bill.

Maurice White, Private Citizen, Carson City, Nevada:

I am a retired government employee. I also oppose A.B. 312. The reason being is that I find it patently unfair to think about moving this to a five-year average. I got this number this morning from the PERS website: the average PERS pension is \$2,568 per month. The average social security amount is \$1,285 per month. If I might be so bold as to remind you again, PERS is a social security replacement. So what is the PERS retirement that we receive? I suggest to you that it would be proper to figure that out by removing the

average social security amount from the average PERS pension check. If you subtract \$1,285 from \$2,568, you get \$1,283 per month, which is what PERS really is. The large numbers we keep hearing about are because we add the social security numbers into it. Why would you want to further reduce the PERS recipients' monies?

I want to give you some personal history. I stayed in government employment for a host of reasons and one of those was not retirement. Had I gone into the private sector, I would have made a lot more money and had the ability to create a better retirement for myself. At this point, my government pension qualifies me for low-income housing. I am not complaining; I chose to go the direction I did. A few weeks ago, I delivered some documents that I prepared to the offices of each one of you. They are my own ideas and concepts about things we can do for PERS to make it better. I would ask that you read those and you can contact me at any time.

Assemblyman Carrillo:

The social security benefit was \$1,285 and what was the PERS benefit?

Maurice White:

Social security is \$1,285 and PERS is \$2,568. The report on PERS comes from a document right on the PERS website called "2014 Pensionomics" completed by the National Institute on Retirement Security.

Chairman Ellison:

If anyone else wants to speak on this bill, please come to the table.

Patrick T. Sanderson, representing Nevada Alliance for Retired Americans:

My father was a four-term elected sheriff. He lost two elections, so he was sheriff for 16 years. Had this bill been in effect, he would not have been able to draw his retirement. He was a very prideful man, he paid all of his bills, and he took care of himself. He was happy to be able to do this and it was because of PERS. When you are a sheriff and you get unelected in your county or back when you were a police officer and you got a new sheriff, you wound up with all new cops that had to move to a different county to go to work. No one wanted a sheriff that had been unelected, so you did not go somewhere because they were afraid maybe you would take his place.

On changing three years to five years, you are elected for a four-year term. Your best four years are usually your last four years. My father would win an election then lose an election and then win an election and lose an election and then he won two in a row. There are many unintended consequences in this bill all the way through. I hope you think it through. I like

Assemblyman Trowbridge, but I do not think his bill does enough good to balance the bad that it is going to do to the people who work for the state of Nevada.

Dolly Rowan, Private Citizen, Las Vegas, Nevada:

I am a Clark County School District teacher and a Clark County Education Association member. I oppose A.B. 312. The reason why my colleagues are retired and are able to collect their retirement benefit is because I pay into PERS, and I want the same for me. A presentation at the recent town hall meeting stated that this bill will not affect me, but it will affect me. If there is no funding coming in, there is no pay for me.

In regard to the future of the students of Nevada, we cannot recruit teachers now; why would anyone want to work for our district once this bill is passed? We are underfunded and we are paid remarkably less than others are. I am not an expert at anything other than my own life and I am still trying to figure that out, but it does not make any sense to me that we want to require teachers to be held accountable for 50 percent of their students' achievement, make less pay, and now not even have a state retirement? By the way, I devote weekends and nights, the hours never end. Right now, I have two buckets of curriculum to work on at my home waiting for me. The only thing I have at the end of the day is the hope that I will have a retirement and the future educators of Nevada will have retirement too. We need to provide a secure retirement system, and the only way to do it is to pay into it and keep it rolling.

My brother started working at the same time I did, but I have a retirement, his did not remain secure. He has no retirement because they went bankrupt. He has worked twice as hard as I have and he has nothing. Are you going to do that to our future? Please reconsider and allow us to maintain PERS as it is. I sincerely hope that you will not gamble with my future and the future of the children of Nevada.

Tina M. Leiss, Executive Officer, Public Employees' Retirement System:

The Public Employees' Retirement Board has not taken a position on this bill. We are not in support or opposition at this point because the Board has not taken a position. We are neutral. The Board has not had a chance to review this bill.

When looking at benefit modifications of any sort, the Board asks that the policy behind PERS be considered when making those benefit modifications and that there is a discussion of that policy. The mission of the system is to attract and retain quality employees, to provide a reasonable base income, and to allow an orderly retirement. I am not making any sort of opinions as to whether this

bill does or does not do that. I would just like the Committee to take that into consideration.

There have been some comments here that are not exactly accurate as to unfunded liabilities or contribution rates. I do not know if it is relevant to this particular bill, but I just wanted to make myself available to you if you have any questions along those lines.

From the policy perspective, I want to make sure this Committee is aware that the policy perspective for the early retirement for the police officers and firefighters is for the benefit of the public. It is so they have a youthful and vigorous frontline public safety force capable of protecting the public from physical harm.

Chairman Ellison:

Thank you, I appreciate that. When you get an answer from the Board, could you please let my office know?

Tina Leiss:

Certainly.

Chairman Ellison:

I think it is important, it will weigh on this. Does the Committee have any questions? [There were none.] Does anyone else want to testify in neutral? [There was no one.] Assemblyman Trowbridge, do you have any closing comments?

Assemblyman Trowbridge:

As you can see, there is a lot of discussion on this particular issue. For clarification on the proposed bill, the provision that was initially submitted that addressed police officers and firefighters has been removed in recognition of the youthful and vigorous workforce required to do the public safety tasks. The bill is also silent regarding the Judicial Branch and Legislative Branch of government concerns that some people legitimately had. There is also the possibility of other issues that need to be addressed, and I am more than happy to meet with anybody who has suggestions and would hopefully consider them as friendly amendments.

Chairman Ellison:

Could you please meet with Ms. Leiss and Mr. Bibb in case there are any amendments?

Assemblyman Trowbridge:

Yes, thank you.

Assemblyman Carrillo:

I know in your previous life you had affiliation with Retired Public Employees of Nevada, correct?

Assemblyman Trowbridge:

Yes I did.

Assemblyman Carrillo:

They were neutral on this bill, correct?

Assemblyman Trowbridge:

No, they are adamantly opposed.

Chairman Ellison:

I will close the hearing on A.B. 312. I will open the hearing on Assembly Bill 387.

Assembly Bill 387: Revises provisions relating to the calculation of the years of service of certain members of the Public Employees' Retirement System, the Judicial Retirement Plan and the Legislators' Retirement System. (BDR 23-1061)

Assemblywoman Marilyn K. Kirkpatrick, Assembly District No. 1:

I truly believe in the Public Employees' Retirement System (PERS), whether or not other people in this building agree or disagree with me. It has worked for a very long time and has some stability. As the former Speaker of the Nevada Assembly, I met with all of the other speakers from across the country in 2011 when they were faced with different issues on their public employee systems. The one thing I found with all of the speakers is that people never actually committed the dollars they were supposed to. Indiana made the first big change to their PERS and what really happened is for 50 years, they did not contribute to the system as they were supposed to. That is why other states across the country are seeing the issues they are.

However, I do think that there are some minor policy changes that we can put into place to ensure we are keeping long-term employees for our state. We want people to stay with the state and counties. It is good to have roots. It is getting harder and harder to get people to come and work for our state. I will tell you, on Friday we had a discussion because we are having a lot of people getting buyout through the system, which is typical when we have

constitutional officer changes, but the question that I asked Mr. Wells was: in the next five years how many people within the state are eligible for retirement? He said over 40 percent of the staff are eligible. That scares me when we have that many vacancies. People are not jumping on board as they did in the 1980s to work for the state.

I would like to turn your attention to Assembly Bill 387. The intent of the bill is to ensure that you do not get to buy your last five years of retirement and call it your full retirement. My husband worked for a private sector union and five years ago he retired, but he retired with 30-plus years in the system and had 38 years with credits based on a formula. I want to try to bring the same thing to our public employees. I do not care how many years you have or how many years you buy, you physically have to stay with the public entities as long as possible. We have seen in the past and you had read in the *Reno Gazette-Journal* that somebody had worked 15 years, bought 5 years, and then retired. Ninety percent of our public employees do not have that kind of money. It is very expensive at the end of your career to buy years. I am sure some of you on this Committee could attest to that. This bill does not prohibit them from buying time as long as they meet the requirement to physically stay within our public bodies. The intent is to keep our public employees longer.

I received an email from a constituent saying that she has a medical situation where she needs to retire, and she worked eight years and planned to buy her last two years. I believe that she can still do that with this bill, but because she reached out to me, I would like to look into that.

Now you know the intent of A.B 387. I want to make it fair to every entity that is affected by PERS. I have included police officers and firefighters, regular public employees, and the Judicial Branch and Legislative Branch. Many times we leave out the Judicial Branch and Legislative Branch, and I believe if we are looking for changes, everybody should be affected equally.

Section 1, subsection 1, paragraph (c), talks about the time frame. There are some different time frames on when you can retire. In 2009, we increased the age of when you can retire. You can retire at the age of 65 if you have at least 5 years, the age of 62 if you have 10 years, or any age if you have 30 years. Section 1, subsection 2, paragraph (c) is specific to police officers and firefighters. They have always had a different time frame because of their job requirements, but the age was also increased in 2009. Then again in 2011 for both of these.

Section 2, subsection 1 talks about the Judicial Retirement Plan. Section 3, subsection 1 talks about all Legislators. Back in the day people had a lot more

years of service. With term limits at 12 years it is pretty hard for some people to fully benefit from the system. This is a very simple, passionate bill.

Chairman Ellison:

Can you go back to section 2, subsection 1 and section 1, subsection 1, paragraph (c)? Are you saying if they have five years of service they can put that towards their retirement?

Assemblywoman Kirkpatrick:

No.

Chairman Ellison:

It would not be a full retirement, it would be based on the amount of time they paid into the system?

Assemblywoman Kirkpatrick:

Correct. There are different sections for the different people who are affected. Section 1, subsection 1, paragraph (c) is for all public employees with the exception of the others listed. Section 1, subsection 2, paragraph (c) is for police officers and firefighters. It goes on to the Judicial Branch and the Legislative Branch. It is the same thing for everybody. You have to have five years to be vested and then ten years before you can actually move to collect it. You have to be at a certain age and those are changes that we already made within the system in 2009 and 2011.

I will give you a simple example. We have had some people retire fairly early in their career. They work 15 years, buy the last 5 years, and then they go and get another job to pay off the 5 years that they bought. Ninety percent of the employees cannot do that. This top 1 percent can afford to do it because it is very expensive. This is just to ensure that they actually work the time we want. I do not care how often they buy their credits, but it has to count at the end. As long as they have the physical ability to work.

Chairman Ellison:

What does it cost to buy a year?

Assemblywoman Kirkpatrick:

I have no idea. I only know the Legislative cost. We get \$25 per year served if we make it to 10 years.

Assemblyman Carrillo:

You mentioned how in the 80s there were a lot of people who wanted to work these types of jobs, but now they are having a hard time filling the positions.

What are we going to do when these people realize there is no benefit to come into these types of jobs? What will make these jobs attractive to people?

Assemblywoman Kirkpatrick:

We have always used PERS as one of the benefits. We have always been able to give them a decent salary; however, all of that has changed since 2009 when times were tough. I personally worry about how we will go out and get people to stay and retain them for the long term. Last Friday they said that 40 percent of our state staff is eligible for retirement within the next five years. That is a real eye-opener for people, and we had better do something to ensure that people come to work at the state.

The rate is based on when you start. It is cheaper to buy time when you first start. I have a friend who works at the Department of Business and Industry and she makes \$38,000 per year. She cannot afford to participate within the program for anything additional because \$38,000 gross as an administrative assistant is not a lot of revenue to take home. The problem we have is in the beginning of a career it is hard for people to spend their money to buy time and at the end of a career it is very expensive, so only a few, the top 1 percent, can do it. This ensures that the top 1 percent actually stay as long as they can.

This is a long answer to your questions and I do not have the answer. I do not know what it is. Getting rid of furloughs this session is a good start. At the end of the day, we are getting rid of furloughs and making them work a full eight hours. We are giving them back their 2 1/2 percent and taking half of that for this. I do not know what they see different except now they have to pay for day care on Friday and make other adjustments.

Assemblyman Carrillo:

As you stated, someone who is making \$38,000 a year is probably not going to be buying years. The upper echelon will probably do that. You mentioned how your husband had credits, and I understand that sometimes you get more credits based on how much you are actually working. Anyone who is working at the Legislature during session puts in more hours in a week than they would normally during the interim. How do you feel that this would be beneficial by putting the strengths on the buyout?

Assemblywoman Kirkpatrick:

What I say is not going to be popular, and it might get me in hot water with some people, but I will tell you, this is to appease the press. At the end of the day, we have amazing public employees across our state. One person retires and every single employee across our state has a black eye, and I do not think that it is fair. At the very least I have fought for our state employees who get

nothing and live on nothing and over the last 11 years, I went back and looked at the terrible history. They have seen more of a pay cut than a pay increase in 11 years, and I do not think that is fair. If this gets after the 1 percent so that the press will stop blaming everybody through the system as being bad, I am willing to take it on because I guarantee all of the people behind me do not want any changes and rightfully so; they should not have to. They have been having changes since 2009 and 2011 just to get us through sunsets and just to get us across the board and this really is to let the press know that this 1 percent that they do 19 articles about in one week, this bill fixes it. This does not penalize our everyday people; they cannot afford it. If you can show me a state employee who within their first five years can buy any years of service, or even a public employee, I will take you to lunch, whatever you want. I have never seen anybody produce that information. I get tired of people picking on our public employees; there is a sacrifice to doing that. Now you got the passion side out of me by asking that question, but this really is to appease the press, and I hope it makes them happy. One percent gives the black eye to everyone else.

Chairman Ellison:

Is there any other discussion from the Committee? [There was none.] Those in favor of the bill please come forward.

Tray Abney, Director of Government Relations, Chamber of Commerce, Reno, Sparks, and Northern Nevada; and representing Las Vegas Metro Chamber of Commerce:

We are definitely supporting this bill. We think it makes sense as not every employee can afford to buy out their time. This would allow them to stay on the job. It limits the overreach that we have all read about in the press. We think it is a very reasonable proposal and we urge passage.

Chairman Ellison:

Is there anyone else in favor? [There was no one.] If you are in opposition, please come forward.

Marlene Lockard, representing Local 1107, Service Employees International Union Nevada:

We are in opposition to this bill for all of the reasons I have previously stated.

Priscilla Maloney, Government Affairs Retiree Chapter, Local 4041, American Federation of State, County, and Municipal Employees:

Ditto what Ms. Lockard said. In terms of what I said, it is a policy matter on Assembly Bill 312 with regard to this bill. That might be surprising to some. Circling back to what Assemblywoman Neal said in the prior hearing and

Chairman Ellison, you brought up this point too, how do we move forward with this perception that we must do something about PERS? Well you just heard it from the sponsor of this bill, we are trying to find some room for compromise on a perception, not a reality, that PERS has broken pieces that need to be fixed.

Chairman Ellison, you brought up the point on A.B. 312 that somebody who has a medical condition that would not qualify them for a PERS disability might not be lucky enough to have worked in a disability retirement under some other system like social security.

Nevada Revised Statutes (NRS) 286.3007, which you will see captured in section 1, subsection 1, paragraph (c) says, "For the purposes of this paragraph, any year or part of a year of service purchased by a member pursuant to subsection 2 or 3 of NRS 286.300 or purchased on behalf of the member pursuant to subsection 4 of NRS 286.300 or as authorized by NRS 286.3005 and 286.3007 must not be considered in determining the number of years of service of the member." The Assemblywoman's analysis of who would be impacted by the changes proposed in this bill does not address a possible other scenario that we actually faced in 2011.

If you look at NRS 286.3007, subsection 3 includes a little-known fact for state workers if the state has a reduction in force. We were looking at that when we were closing the state prison. We had a lot of very frightened older corrections officers who were not in the position of quite being where they needed to be to get an unreduced benefit for their retirement age and yet there was serious discussion of layoffs. It was my understanding that we were kicking around the number of almost 200 people at that time because of the cutbacks specifically and especially in corrections. They would have been able to avail themselves of this subsection. I checked with PERS informally. It does not come up all that often, but this is a safety net for this scenario. It says, "If a state agency is required to reduce the number of its employees, it shall purchase credit for service pursuant to NRS 286.300 for any member who: (a) Is eligible to purchase credit; (b) Is eligible to retire or will be made eligible by the purchase of the credit; (c) Agrees to retire upon completion of the purchase; and (d) Has been employed by the agency for 5 or more years."

We do have another bill, Senate Bill 406, which is Senator Roberson's bill; it takes some if not most of what Assemblywoman Kirkpatrick is trying to do and pulls it into his bill. That circles me back to our policy discussion earlier. We have all of these bills. Some people are trying to do things for the right reasons and with some others I do not know what their reasoning is, but the bottom line is this is no way to make policy.

Assemblywoman Neal, you asked what we do to move forward; we take a stand. We say no, this is compromise; it is trying to address concerns from the press, the uninformed portion of the public, or people with certain political ideology. We do not drive our policy decisions that way; we say no and take a stand.

Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada; and representing Combined Law Enforcement Associations of Nevada, Washoe County Public Attorneys' Association, and Washoe School Principals' Association:

We stand in opposition to A.B. 387 for the reasons you heard previously. I have met with Assemblywoman Kirkpatrick and explained our concerns with this bill. We believe our system is best in class and things do not have to change. We talk about the changes that were made in 2009 and 2011, where we took action, reaction, and had a lot of hearings on PERS. In 2009, there were a series of issues that we undertook and a series of changes we made. In 2011, we specifically addressed the supervisors' issue. It was a huge thing and took the entire session of us meeting in the back room. All labor, management, attorneys, certified public accountants, you name it, we tried to figure out how to address the issues that dealt with PERS.

With the ability to retire after working for 25 years going away for police officers and firefighters, I have to tell you, if this bill were to pass, a law enforcement agency would not be able to purchase time for an officer that gets to 25 years because they do not get to retire after working for 25 years anymore. If they can afford to purchase time in their first five years of service, they could purchase it then and use it to get to 30 years. It is a problem we have because we do want the law enforcement officers out of here. The same thing applies to other people.

When we have had issues in discipline discharge cases, I have had discussions where part of the compromise is to have the local governments purchase time, kind of like what Ms. Maloney just talked about, to provide them an avenue to get someone out of the system. This would eliminate that. I think it is something this Committee has to look at. We understand what the sponsor of the bill is trying to do and what others are trying to do and I go back to where I started: we believe PERS is best in class, and it does not need to be changed. I appreciate what Assemblywoman Neal said as well, but it goes back to the fact that someone needs to tell us a really good reason for changing this. The reason has not been brought forward. As a matter of fact, the experts in the United States that we brought before you said to leave PERS alone.

Assemblywoman Neal:

This has been such an interesting session and I have learned so much. Last week Assemblywoman Kirkpatrick had to get me off a ledge because I was so mad. I am trying to negotiate my decorum and willingness to fight for people. I am trying to find a balance in between. It has been so hard because I feel like working families are taking hits. I get so mad and I am trying to have humor in the middle of wanting to just have an all-out brawl on the floor. I feel for all of you and I understand. I figure that we are just in it for another 60 days to keep fighting and pushing back to try and make sure that families in this state can stay together. I have a problem when you come into state employees' houses and try to burn down their benefits. I have a problem when they work for us every day and you want to come into their houses and tell them what you are going to take away from them. I am really trying to control my behavior because I really do like my Chairman a lot, and I try to respect him. I just wanted to say that, because it is difficult, because I think these proposed changes are flat-out wrong. You are telling the people who are typing your minutes that you are going to take away their benefits. I think it is flat-out disrespectful.

Ronald Dreher:

I can tell you a friend of mine, the previous president of the Nevada Highway Patrol Association, lost his home. He had many years with the Highway Patrol. He told me a while back and I was in shock. He is a state employee, and he lost his home three years ago. I bet if you asked Mr. Ranft, he is going to tell you a lot of other state employees have lost their homes because of the economy, the downturn, and because of the benefits that they sacrificed, the compensation concessions they gave and many others in this state that gave and gave and gave when management came to us and said they needed us to come to the plate and take benefit reductions. Everyone that I am aware of did that. We share what you say and the compassion you have. We are up here on behalf of defending what we have had for these years to keep our employees in those homes so that we are not the number one state in the United States for home foreclosures. I will bet you many of the homes that were foreclosed on were public employees' homes. We do not know why this attack is on us, but it is, so we are in front of you constantly trying to tell you all to please leave PERS alone. That is why we provided the expert to come before you. We have the best system nationwide, why change it?

Chairman Ellison:

I understand Assemblywoman Neal; she has a strong compassion for those she represents. It goes to show the strength in the individual.

Martin Bibb, Executive Director, Retired Public Employees of Nevada:

We are opposed to A.B. 387 for many of the reasons we enumerated in the previous hearing. I remember in 2009 the adjustments that were made to PERS, and they were not done easily or haphazardly; it took a lot of time. There was a great deal of teeth gnashing. It involved an awful lot of people. I believe the same is true here. There is a time-tested saying: A conclusion based on faulty premises is a faulty conclusion. We would think in this instance that a decision made on partial information is going to be a partial conclusion or a partial decision. We think that holds true. As others have said, we believe you have to approach this very carefully in the system. We are opposed to the bill, but we are not opposed to considering a variety of things.

Chairman Ellison:

I think that is how we get there. We need to sit down and make it work.

**Leonard Cardinale, President, North Las Vegas Police Supervisors Association;
and representing Local 56, International Union of Police Associations:**

We are opposed to this bill. During the 75th and 76th Sessions, I testified on more than one occasion with regard to PERS, and so even though I am no expert, I do have some years of relevant experience.

Purchasing service credits has always been directed toward helping some employees retire early. In the law enforcement line of work, I can tell you it is a young person's game. You can only chase bad people for so many years, get in and out of a car for 10 to 12 hours a day, carry injured children out of a house, and physically protect those who cannot protect themselves.

Part of PERS was designed with public safety in mind. It was designed to allow a police officer or firefighter the dignity of retiring with a decent way of life for, in most cases, 25 years of dedicated service protecting the community. As I always say, police work is definitely for the young.

In the North Las Vegas Police Department, we, to this day, have officers as well as sergeants and lieutenants who are still working the streets after more than 20 years of service and in some cases more than 27 years of service. Every day they go to work and answer calls for service in the City of North Las Vegas.

This piece of legislation does not save money; in fact, it will cost more money. For example, if a sergeant or lieutenant purchases five years of service, they can retire at 20 years, instead of 25 years, of service. In all of the cases I am familiar with, the service credits are paid by the individual and they are expensive, so there is no cost to the local government employer.

In fact, if a sergeant or lieutenant were to retire after 20 years by paying their service credits, the city or county would no longer be paying the sergeant and lieutenant's salaries and there would be no annual leave, sick leave, holiday leave, or other type of leave being accrued. The employer would not have to pay into PERS for the five years that the employee left early.

Why would an employer want to retain an employee after they have purchased their service credits when the employer can get rid of the pay and benefits for the employee with no cost to the employer? The employee is using their own money and paying for themselves to leave early. Much like paying into an individual retirement account (IRA), it is your money that you are investing and senior employees are the most expensive.

Doing some rough math, mostly because each sergeant and lieutenant's pay varies, I came up with some calculations as to how much a city might save by having a supervisor leave five years early. These numbers can hopefully provide some perspective. By taking the average for two lieutenants and three sergeants over a five-year period, the savings to the employer is approximately \$5,875,000, which is combining their pay and benefits. So, close to \$6 million for a relatively small agency. This is pay and benefits that the employer would be forced to pay if the law is changed to force employees to remain employed even after paying for service credits that would allow them to leave.

Kevin Ranft, representing Local 4041, American Federation of State, County, and Municipal Employees:

I just want to ditto Ms. Maloney's and Mr. Dreher's testimony. Mr. Dreher talked about a lot of individuals losing their homes. I was one of them. I lost my home due to the crisis back in 2009. I was one of many correctional peace officers in the state that lost their homes. We made the concessions for PERS. There is a lot of talk about concessions on PERS bills this session. I sat in on the back door discussions in 2009 and 2011 for days and days and days. We discussed what we were going to do for the state and what the local government employees were going to give. A lot of ideas were put forward, but PERS is known as one of the best pension systems in the nation.

What else is there to do? Just keep kicking local governments down by taking their benefits? No. Again, the concessions were made in 2009 and 2011. I just ask you to please take into consideration what the local government employees have done for the state and will continue to do for the state, but if things are changing the way they are, it is not going to be camaraderie, it is just going to be bitterness. It is really sad actually. I really ask you to consider voting in opposition on all PERS bills.

Chairman Ellison:

Do you happen to know what the top ten most dangerous jobs in America are?

Kevin Ranft:

I do know. I can probably name about eight of them, correctional peace officer is one along with law enforcement. I think fisherman is one of them too.

Chairman Ellison:

Police officers and firefighters are on there as well as construction. Construction workers are not even considered in this discussion today. Go online and check out the top ten most dangerous jobs in America.

Kevin Ranft:

I was a correctional peace officer, and I was attacked at work. I am here today, but I went through many surgeries because of it. It was not a fun process. I gave the state 14 years as a correctional peace officer. You go to work knowing this can happen and your family thinks you are going to come home. Time and time again officers throughout the state and the country, on the street or in the field of corrections do not go home. Go look at the memorial for law enforcement officers in the courtyard. I just ask, please take the time and consideration. It is not even just a PERS issue, it is a pay issue and a health insurance issue. We have to look at all of them and see how much the state employees have already given. It has been enough. I was one of those who almost did not go home.

Chairman Ellison:

I had three friends who were officers and killed in the line of duty. I also lost many friends in construction. Is anyone here to testify neutral?

Tina M. Leiss, Executive Officer, Public Employees' Retirement System:

The Public Employees' Retirement Board has not had an opportunity to take a position on this bill, so I am here at this point, in what would be staff's most likely recommendation, neutral. I will point out that purchase of service is cost neutral to the system on a plan-wide basis. The members pay the actuarial cost, but given that the members pay the actuarial cost, there will always be winners and losers in the purchase of service provisions. The system itself does not have a cost because of the purchase service program.

I will mention on the policy consideration side that if you allow the purchase of service, it would still continue in the benefit calculation provision, so it would still allow employees to fill holes in their careers where they do not have social security for the benefit calculation side, but it would also serve the policy of keeping employees on the job longer and that is what this provision does.

Service credits are expensive to purchase; they are based on the member's age. When they purchase they have to be vested, they have to have five years before they can purchase and depending on age, it can run anywhere from around 20 percent of salary to purchase a year of service credit up to around 40 percent. It tops out at age 54 on the regular fund and 50 in the police officers and firefighters fund. Essentially, a 50-year-old police officer wishing to purchase one year of service would pay about 42 percent of salary.

Chairman Ellison:

That is rough for a working person to come up with that kind of money.

Assemblyman Carrillo:

Can an individual buy time anytime during their tenure? Let us say five years in a person wanted to buy a couple of years when the cost is lower, is that something that can be done instead of waiting until the last five or ten years?

Tina Leiss:

Yes, any member that is vested, which is five years of service, can then purchase service. The reason it is going to be less expensive at that point is the further they are from retirement, the longer we have the contribution, the longer we have the money to invest and make money on, the longer it will be before we pay their benefit out, so that is why it is cheaper in the beginning of their career. The other portion of that is that your salary is lower. It is based on salary and age. Typically it will be cheaper in the beginning; however, in the beginning of their careers a lot of people either do not have the funds or have not planned that far out. A lot of times you will see that it is closer to the end when they have seen the need to want to purchase and at that point, it is extremely expensive.

Chairman Ellison:

Some people told me recently that when they started working they had about five years in before they changed the rules of when you can retire; first it was 20 years, then it was 25, and next thing we know it is basically at 30 years before they can have enough credits. Now we are talking \$20,000 per year to buy time. They just have to suffer for the next four or five years. It is pretty rough.

Is anyone else neutral? [There was no one.] Will the sponsor of the bill please provide us with closing remarks?

Assemblywoman Kirkpatrick:

Thank you for the opportunity to present this bill. I am open to questions at any time. I look forward to further discussion.

Chairman Ellison:

Does the Committee have any comments? [There were none.] I am going to close the hearing on A.B. 387. Is there any public comment? [There was none.] We are adjourned [at 10:15 a.m.].

[([Exhibit E](#)), ([Exhibit F](#)), and ([Exhibit G](#)) were presented but not discussed and are included as exhibits for this meeting.]

RESPECTFULLY SUBMITTED:

Jordan Neubauer
Committee Secretary

APPROVED BY:

Assemblyman John Ellison, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: March 30, 2015

Time of Meeting: 8:03 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 312	C	Assemblyman Glenn E. Trowbridge	Prepared Text
A.B. 312	D	Priscilla Maloney / Government Affairs Retiree Chapter, Local 4041, American Federation of State, County, and Municipal Employees	Legislative History
A.B. 312	E	Vicki Cameron / Private Citizen, Henderson, Nevada	Letter
A.B. 312	F	Ruben Murillo, Jr. / Nevada State Education Association	Letter
A.B. 387	G	Ruben Murillo, Jr. / Nevada State Education Association	Letter