



MEMBER NEWS

Spring 2007

State Legislation 2007

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Retirement Board

Charles A. Silvestri	Chairman
Sue DeFrancesco	Vice Chair
Elizabeth Fretwell	Member
Purisimo Hernandez	Member
David F. Kallas	Member
George W. Stevens	Member
Warren Wish	Member

Executive Staff

Dana K. Bilyeu	Executive Officer
Tina M. Leiss	Operations Officer
Ken Lambert	Investment Officer

March 26, 2007

The 2007 session began February 5th and the Retirement System continues to monitor the Bill Draft Request (BDR) list for potential bills that may affect the Retirement System. The following is a listing of bills and bill draft requests that by description appear to affect the Retirement System. The status of the bill is included after the description. Once the bill is presented to the Retirement Board and they adopt a position on the bill that will be posted after the bill status. The full bill language can be found on the Legislature's website (www.leg.state.nv.us).

Assembly Bill 85 (BDR #90) – Requested by Assemblywoman Gansert – Makes an appropriation to the Judicial Retirement fund for the unfunded accrued liability for the members of the Judicial Retirement System. This bill was introduced on February 9th and was referred to the Assembly Committee on Ways and Means. The bill was heard on February 23rd and no action was taken by the Committee. *The Retirement Board supports this legislation.*

Assembly Bill 167 (BDR #823) – Requested by Assemblyman Settlemeyer – Provides for the biennial transfer of a portion of the state surplus to the Public Employees' Retirement Fund and the Fund for the Public Employees' Benefits Program. This bill was introduced on February 23, and referred to the Assembly Committee on Ways and Means. *The Retirement Board's position is neutral on this bill.*

Assembly Bill 208 (BDR #674) – Requested by Assemblyman Goedhart – Revises provisions governing the Transportation Services Authority and the Taxicab Authority. This bill was introduced on February 28th and referred to the Assembly Committee on Transportation. *The Retirement Board is opposed to sections 9 and 16 of this bill.*

Assembly Bill 319 (BDR #750) – Requested by the Assembly Committee on Ways and Means – Pledges that the retirement benefits for certain public employees will not be increased without adequate funding. This bill was introduced on March 14th and referred to the Assembly Committee on Ways and Means. A hearing has been scheduled for March 28th. *The Retirement Board's position is neutral on this bill.*

Assembly Joint Resolution 8 (BDR #1123) – Requested by Assemblyman Settlemeyer – Proposes to amend the Nevada Constitution to provide for the use of the state budgetary surplus to fund the Public Employees' Retirement Fund and the Fund for the Public Employees' Benefits Program. This bill was introduced on March 15th and referred to the Assembly Committee on Elections, Procedures, Ethics and Constitutional Amendments. *The Retirement Board's position is neutral on this bill.*

Senate Bill 76 (BDR #23) – Requested by Senator Washington – Revises provisions governing the Transportation Services Authority and the Taxicab Authority. This bill was introduced on February 12th and referred to the Senate Committee on Transportation and Homeland Security. *The Retirement Board is opposed to sections 9 and 16 of this bill.*

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2006 Annual Report Summary

Each year the System publishes an annual report, which is submitted to the Governor, members of the Nevada Legislature, public employers, as well as employee and employer associations. The following is some of the pertinent information contained in our 2006 annual report. Any member who would like a copy of the report should contact the System.

Member/Retiree Demographics

The annual report shows interesting trends in membership and retirement data, as follows:

	<u>1997</u>	<u>2006</u>	<u>Annual Compound Increase (%)</u>
Active Members	70,726	98,187	3.7%
Public Employer Payroll (millions)	\$ 2,363.1	\$ 4,366.1	7.1
Average Annual Salary:			
Regular	\$ 31,149	\$ 41,929	3.4
Police/Fire	\$ 43,194	\$ 64,250	4.5
Retirees & Survivors	18,777	33,262	6.6
Ratio: Active Members/ Retirees & Survivors	3.8	3.0	
Average Annual Retirement Benefit:*			
Regular	\$ 16,788	\$ 25,632	4.8
Police/Fire	\$ 25,548	\$ 40,644	5.3
Total Benefits (millions)	\$ 300.1	\$ 832.6	12.1

*Excludes survivors and beneficiaries

In 1997, the System had 3.8 active members for each person drawing a benefit. This ratio decreased to 3.0 active members per benefit recipient by 2006. We anticipate that this trend will continue to decrease to about 2.9 active members per retiree within the next three years.

Principal Participating Employers

The number of participating employers has risen from 138 in 1997 to 163 in 2006, an increase of 18.1%. As the following chart shows, the make-up and ranking of our ten largest employers changed slightly from 1997 to 2006.

<u>1997</u>	<u>2006</u>
Clark County School District	Clark County School District
State of Nevada	State of Nevada
Washoe County School District	Clark County
Clark County	Washoe County School District
Las Vegas Metropolitan Police Dept.	Las Vegas Metropolitan Police Dept.
University Medical Center of So. Nevada	University Medical Center of So. Nevada
Washoe County	Washoe County
City of Las Vegas	City of Las Vegas
University of Nevada Reno	University of Nevada Reno
Department of Transportation	City of Henderson

The top ten participating employers at June 30, 2006 accounted for 75,680 members, or just over 77%, of the total System membership of 98,187.

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2006 Annual Report Summary (continued)

Contribution Rates

As of July 1, 2006, contribution rates for regular and police/fire members under the two contribution plans were:

<u>Contribution Rates:</u>	<u>7/1/06</u>
<u>Employer Pay</u>	
Regular	19.75%
Police/Fire	32.00%
<u>Employee/Employer (Matching Rates)</u>	
Regular	10.50%
Police/Fire	16.50%

Contribution rates will remain the same through June 2007 for all members regardless of contribution plan.

Investments

The System has a funding objective to provide a total rate of return which exceeds the Consumer Price Index (CPI) by 4.5% each year over the long-term future. Our investment objective to achieve that funding is to capture market returns for each asset class. For example, regarding domestic common stocks, it is the return of the S & P 500; for U.S. bonds, the Lehman Aggregate Index; and for real estate, the National Council of Real Estate Investment Fiduciaries (NCREIF) index. International stocks are measured against the Morgan Stanley Capital International Europe, Australia, Far East Index, and International Bonds against the Citigroup Non-Dollar Government Bond Index. Total return for the year was 8.8%.

Financial

During the 2006 fiscal year, the total fund balance changed as follows:

2006 Statement of Changes In Plan Net Assets

(\$ in millions)		
Fund Balance June 30, 2005		\$17,747.6
Revenues:		
Contributions	\$ 1,084.3	
Investments	1,567.3	
Other	3.1	
Total	2,654.7	
Expenses:		
Benefits	832.6	
Refunds	13.9	
Administration	8.2	
Transfers into PERS from JRS	4.7	
Total	\$ 859.4	
Excess, Revenues over Expenses		1,795.3
Fund Balance June 30, 2006		\$19,542.9

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2006 Annual Report Summary (continued)

Major Initiatives

Legislation

The Nevada Legislature convenes on a biennial basis in odd-numbered years. During the interim between legislative sessions, PERS worked with legislative staff on pension-related issues. During fiscal 2006, PERS implemented legislation from the 2005 legislative session that affected the System, including legislation providing for the inclusion of justices of the peace and municipal court judges in the Judicial Retirement System on a voluntary, employer by employer basis. The Retirement Board revised the System's Official Policies to reflect legislative changes made during the 2005 legislative session.

System Governance

The System increased emphasis on system governance in fiscal 2006. The Retirement Board adopted new charters for the Board, Board Chair, Board Vice-Chair, and the Executive Officer. In addition to the governance charters, the Board adopted governance policies in areas including board operations, policy development, strategic planning and budgeting, monitoring and reporting, education, travel, board self-assessment, and human resources. The Board readopted funding and fiduciary policies. The revised governance documents better define the role of the Retirement Board and executive management, guide the conduct and decision-making of the Retirement Board, and document and preserve the System's policies for current and future board members and executive staff. The Retirement Board also participated in a formal self-assessment process.

Operational Initiatives

Operations of the System are conducted in accordance with the Operational Yearly Plan. This plan is designed to organize all agency functions by department and to insure that all duties are performed within the fiscal year. PERS performance is measured, in part, by total member and retiree workload. During Fiscal 2006, staff performed over 99,000 transactions for members and beneficiaries. Seventy-seven percent of all transactions were performed within 10 working days of receipt. When a member request

could not be completed within 10 days, a letter was sent to the member explaining the reasons for the delay. Benefit payments were made to approximately 30,000 benefit recipients monthly.

In addition to customary workload, several projects impacting total workload were managed during fiscal 2006. School districts were required by legislation to purchase one-fifth of a year of service credit for certain professional employees employed at schools with certain designations. The System processed more than 6,000 of these purchases on behalf of the members.

Board policy calls for an examination of management's assertion about the effectiveness of the System's internal controls over financial reporting. This examination must be performed by an independent auditor at least every 5 years. Per this policy, a comprehensive review of internal controls throughout the operation was conducted during fiscal year 2006. While no material deficiencies were noted, the System is in the process of enhancing procedures and policies, as suggested as a result of the review, to further strengthen controls and improve operating efficiencies.

PERS continued participation in a performance benchmarking service designed to review the System's operational performance in the absence of a competitive marketplace. The analysis showed that PERS provides a good level of service at substantially lower administration costs than other peer retirement systems.

PERS continues to monitor utilization of modifications to PERS' retiree re-employment restrictions passed by the 2001, and extended by, the 2005 Nevada Legislature. This legislation was designed to assist Nevada public employers with re-employment of retirees in areas of critical labor shortage, but remains on a sunset limitation. Utilization review and cost will be delivered to the 2009 legislative session for consideration.

Other initiatives included the continuing movement of employers to web-based reporting for efficiency in payroll and contribution reporting. This effort continues into the coming year.

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PERS Contact Information



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Reno or Carson City (775) 687-4200
Toll Free 1-866-473-7768



www.nvpers.org



693 W. Nye Lane, Carson City, NV 89703
5820 S. Eastern Ave., Suite 220, Las Vegas, NV 89119



FAX

(775) 687-5131
(702) 678-6934

State Legislation 2007 (continued)

Senate Bill 156 (BDR #808) – Requested by Senator Matthews – Revises provisions regarding eligibility of police officers and firefighters to receive disability retirement allowances. This bill was introduced on February 26th and referred to the Senate Committee on Finance. *The Retirement Board is opposed to this legislation.*

Senate Bill 183 (BDR #281) – Requested by PERS – Revises provisions governing administrative positions in the Public Employees' Retirement System. This bill was introduced on March 1, and referred to the Senate Committee on Finance. The bill was heard by Senate Finance on March 19th and passed out of Committee the same day. The bill was voted on by the Senate on March 21st and passed unanimously. The bill was transmitted to the Assembly on March 21st. The bill was introduced on March 22nd in the Assembly and referred to the Assembly Committee on Government Affairs. *The Retirement Board requested this bill.*

Senate Bill 287 (BDR #976) – Requested by Senator Matthews – Revises the requirements concerning eligibility to participate in the Public Employees' Retirement System as a police officer under certain early retirement provisions. This bill was introduced on March 15th and referred to the Senate Committee on Finance. *The Retirement Board is opposed to this legislation.*

BDR #160 – Requested by Assemblywoman McClain – Makes various changes concerning Public Employees' Retirement System.

BDR #327 – Requested by the Nevada Sheriff's and Chief's Association – Revises provisions governing retirement compensation of elected officers to credit prior PERS service.

BDR #1074 – Requested by Senate Minority Leader – Revises provisions governing the Public Employees' Retirement System.

BDR #1123 – Requested by Assemblyman Settlemeyer – Proposes to amend the Nevada Constitution concerning the Public Employees' Retirement System. ■

Tax Credit for Retired Public Safety Officers

Section 845 of the Federal Pension Protection Act allows for eligible retired public safety officers to exclude up to \$3,000 of the taxable income they receive from PERS based on health insurance premium deductions being withheld from their monthly PERS checks. Retirement plans like PERS may elect whether or not to participate in this program. Eligible insurance vendors must

also indicate their willingness to participate in order for the retiree to claim the exemption.

Retiree and vendor election forms are currently being developed and will soon be available so that eligible retirees may take advantage of this benefit starting with the 2007 tax year. ■

Retirement Board Meeting Dates

April 18, 2007 • 693 W. Nye Lane, Carson City
 May 17, 2007 • 693 W. Nye Lane, Carson City
 June 20, 2007 • 693 W. Nye Lane, Carson City
 July 18, 2007 • 5820 S. Eastern Ave., Suite 220, Las Vegas

2006 Annual Report Summary (continued)

Information Technology

Highlighting technology this fiscal year, the System continued improvements to the disaster recovery site. That site is now providing virtual immediate continuity of services should the main PERS site be damaged. Web functionality was expanded for our benefit recipient population. In addition, PERS created its own intranet that enabled PERS to organize all applications in a common location improving the efficiency of the users.

PERS remains committed to the integrity of our member and retiree information. Many security precautions have been implemented over time to insure the privacy of member records. Each year new testing and recommendations are implemented to continue our vigilance in this area. The System made several upgrades to the security of our information based upon this continual testing and review by staff and the System's security consultant.

Strategic Planning

Strategic and tactical planning are key to the successful management of the System. These plans must address both external and internal elements ranging from financial market analysis to federal legislative efforts to member relations.

PERS' current strategic plan encompasses issues such as Social Security reform, system governance, economic and actuarial management, staffing, operational performance benchmarking, pension portability and preservation of benefits, and plan design. Strategic investment management includes validating our long-term return and risk assumptions for our various asset classes. ■



**Happy
Anniversary
PERS!**

It's our 60th year serving as your pension fund! Over the years we have seen many changes to the plan, but one thing remains the same: Our dedication to providing the best service possible to the participants of the plan.

This publication is intended to provide general information. If there is any conflict between this information and Nevada laws or PERS policies, the laws and policies will supersede this information.

Member News is a quarterly newsletter for members of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703

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We're on the Web!
www.nvpers.org