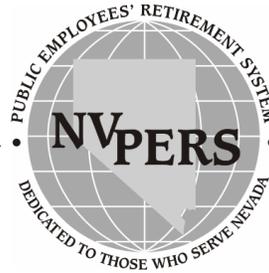


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Memorandum

To: Retirement Board

From: Staff

Date: May 10, 2010

Re: Analysis of Possible Benefit Legislation

In the spring of each even-numbered year, the Board begins the process of determining anticipated costs associated with potential fiscal legislation. Requests for legislation may come from the Board, staff, members, retirees, employers, employee associations, and the public.

This year, given the severe budget crisis ongoing for the State and for local government, as well as the potential for an increase in the contribution rates for the System, staff does not anticipate any benefit improvement legislation will be introduced. At this time, the only benefit modification that is actively being discussed is the proposal to convert the System to a defined contribution plan. Variations on this proposal include closing the current plan and providing only a defined contribution plan for new hires. As the Retirement Board is aware, there are significant cost and policy issues related to such a conversion, both for current participants and for those who have not yet entered the workforce. Such costs include the acceleration of the payment on the unfunded liability of the System as well as administrative and investment costs. While these types of proposals have been analyzed in other states, no formal cost and policy analysis has been prepared for Nevada.

Given the heightened interest in such a conversion, it may be time to provide a formal study of such a conversion. The cost components, as well as regulatory requirements, Governmental Accounting Standard Board requirements, Social Security coverage, as well as Internal Revenue Code analysis could be conducted by The Segal Company. Broad policy analysis would be conducted in concert with staff, as well as other nationally recognized retirement policy experts. A formal report to the Retirement Board would be provided in the fall.

RECOMMENDATION: Motion authorizing staff, working in concert with the System's actuary and benefits consultant to conduct a fiscal and policy review of the proposal to convert the System into a defined contribution plan.