



Memorandum

To: Public Employers  
Employer and Employee Associations

From: Public Employees' Retirement System

Date: June 17, 2004

Re: Actuarial Cost Studies for 2005 Legislative Session

**RETIREMENT BOARD**

CHARLES A. SILVESTRI  
Chairman  
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L. MARK BALEN  
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WARREN WISH

**EXECUTIVE STAFF**

DANA K. BILYEU  
Executive Officer

TINA M. LEISS  
Operations Officer

LAURA B. WALLACE  
Investment Officer

693 W. Nye Lane  
Carson City, Nevada  
89703  
(775) 687-4200  
Fax: (775) 687-5131  
Toll Free: 1-866-473-7768

5820 S. Eastern Avenue  
Suite 220  
Las Vegas, Nevada  
89119  
(702) 486-3900  
Fax: (702) 678-6934

Website: [www.nvpers.org](http://www.nvpers.org)

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In June of each even-numbered year, the Retirement Board begins the process of determining costs associated with potential fiscal legislation. Requests for legislative changes may come from several sources, including the Board, staff, members, retirees, employers, employee/employer associations, and the public. At the June Board meeting the Retirement Board approved the following cost studies to be conducted by the System's consulting actuary, in preparation for the 2005 legislative session.

**Note: The appearance on this list of any benefit modification does not indicate the Retirement Board's support for the modification. The Retirement Board will determine what modifications, if any, will be proposed as PERS' fiscal legislation at a later date.**

**Plan Amendments:**

***Increase benefit percentage caps:***

- ✓ Increase benefit limits for members hired after July 1, 1985, to 80%, 85%, or 90%

***Modify retirement age:***

- ✓ 28 years retirement at any age – regular members
- ✓ 75% accumulated service multiplier for retirement eligibility
- ✓ Rule of 75 for retirement eligibility (age + service = 75)
- ✓ 25 years retirement at any age – regular members
- ✓ 20 years retirement at age 55 – regular members

***Modify the multiplier:***

- ✓ 2.70%, 2.75%, and 3.00% for regular and police/ fire members all new years of service

***Work after retirement:***

- ✓ Experience rate critical labor shortage provision to extend benefit beyond sunset date of July 1, 2005<sup>1</sup>
- ✓ Lower the restriction on returning to work for a participating public employer from 90 days to 30 days
- ✓ Modify earnings limitation to match pre-age 65 Social Security approach

***Change definition of compensation:***

- ✓ Revise the average compensation period from 36 months to 12 months

***Revise vesting and termination benefits:***

- ✓ Revise vesting from 5 years to 3 years
- ✓ Index deferred vested benefits at 1%, 2%, and CPI average, preceding 3 years

***Change the early retirement reduction factors:***

- ✓ Revise the reduction for retirement at an early age from the lesser of the member's age or years of service needed to receive an unreduced benefit. (Current practice is to reduce strictly from age). For example, for a regular member with 29 years of service at age 53, rather than reduce a benefit 28% (7 years from age 60 x 4%), reduce it by 4% (1 year from 30 years of service).

***Add health care subsidy:***

- ✓ \$2.00 per month/per year of service
- ✓ \$5.00 per month/per year of service

**Post Retirement Increases:**

Provide the following changes to PERS' current post retirement increase formula:

- ✓ .5%, 1%, 2% years 1 through 3
- ✓ 3% years 1 through 6
- ✓ 3% all years
- ✓ 3.75% all years
- ✓ 4% all years
- ✓ 6% all years

Please let us know if you are requesting consideration of any other proposed amendments to be considered by the Retirement Board. Deadline for submission is July 9, 2004.

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<sup>1</sup> Required by the provisions of AB 555 of the 2001 legislative session