

RETIREMENT NEWS - SUMMER 2003

2003 Legislative Wrap-Up

The 2003 legislative session ended June 2, 2003, but was followed by two special sessions to address certain appropriations and changes to the tax structure for the State. Throughout these sessions, PERS maintained its vigilance on issues of importance to our members, beneficiaries, and employers. The System did not propose any fiscal legislation this session, however our technical bill, Senate Bill 439 passed, making minor modifications to certain specific provisions within Chapter 286 of the Nevada Revised Statutes. Specifically, the bill:

- ◆ Modified the critical labor shortage exceptions to PERS' reemployment restrictions to require employers to recertify positions as critical after two years. The provisions pertaining to the critical labor shortage exemptions from PERS' reemployment restrictions will be subject to an experience study in 2004 to evaluate the costs, if any, of this benefit. The results of that study will be reported to the 2005 Legislature and any costs associated with the benefit must be recognized in the contribution rate for the benefit to be continued past July 1, 2005.
- ◆ Expanded the single survivor benefit to allow active members to designate a single survivor and alternate payees to receive a portion of the survivor benefit, in the event of a member's death while still actively employed with a participating public employer. This provides our members with greater flexibility in selecting beneficiaries than when the benefit was originally passed in 2001. **This benefit will not become effective until January 1, 2004.** Look for information on this benefit in a future newsletter and mailing from PERS.

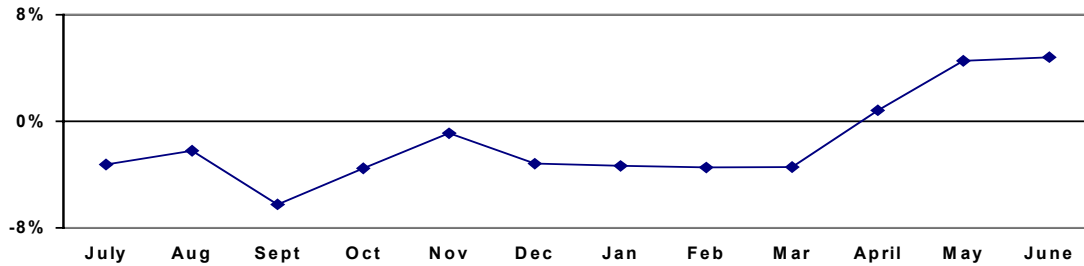
PERS Welcomes New Board Member

Governor Guinn recently appointed George Stevens, Chief Financial Officer for Clark County, to the Board of Trustees of the Public Employees' Retirement System. Mr. Stevens has eighteen years experience in public finance in the State of Nevada and begins his sixth year as CFO for Clark County. He replaces retired member Marvin Leavitt, formerly of the City of Las Vegas.

We want to welcome our newest board member to his duties as a trustee and thank Mr. Leavitt for his long and dedicated service to the members, beneficiaries, and employers of PERS.

Fiscal Year 2003 Investment Performance Review

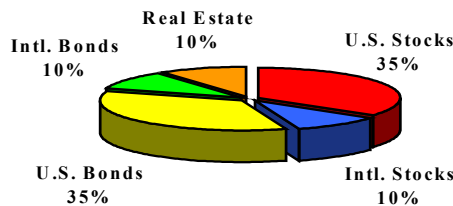
PERS ended fiscal year 2003 with \$14 billion in assets. Investment market volatility remains high, as evidenced by the chart below. The data reflects PERS' 2003 investment return on a month by month basis.



While the portfolio spent the majority of the period in negative territory, we were able to capitalize on a market rebound near the end of the year to generate a positive 4.8% return, net of fees. Our allocations to U.S. and international bonds were the key drivers of this performance, generating returns of 10.0% and 18.2%, respectively.

We remain competitive versus our peers for short-and long-term time frames. In fact, PERS' results exceed the performance of 72% of other public pension funds over the last nineteen years (our inception period). On a risk-adjusted basis, PERS surpasses 93% of its peers. PERS since inception return of 10.7% has captured the markets and remains above the 8% actuarial objective.

We have maintained a more conservative (i.e. lower) allocation to stocks compared to other funds. PERS' investment strategy as of June 30, 2003, is reflected below:



The future economic environment is expected to be one of lower growth and low inflation. As a result, we are considering lowering our expectations for total return in the capital markets, particularly bonds. To ensure the portfolio maintains a reasonable probability of meeting our actuarial funding objectives, the Board is contemplating a shift of 5% of our assets from U.S. bonds to U.S. stocks.

These potential changes are consistent with the Retirement Board's focus on our primary objective of maintaining a simple, diversified investment program designed to achieve PERS' long-term funding needs.

PERS' Benefit Check Mailing Dates for 2003

January 28th
February 25th
March 26th

April 25th
May 27th
June 25th

July 28th
August 26th
September 25th

October 27th
November 21st
December 26th

PERS to Study Disability Retirement Benefit Program

PERS' disability program provides a retirement benefit for members who are determined to be permanently and totally disabled from their current job or a comparable one. The monthly benefit under disability retirement is calculated the same as a regular service retirement, however it is not reduced for early retirement (4% for each year under the age of full eligibility). A member's disability does not have to be job related in order to apply for this benefit. To be eligible for disability retirement, a member must have at least 5 years of total service credit and still be employed with a participating public employer at the time of application. The Retirement Board considers disability retirement applications monthly, after staff and medical adviser review.

Senate Bill 345 of the 2003 session requires the Retirement System, **to the extent allowed by federal law**, to report to the Internal Revenue Service a disability benefit that is paid to a member of the System as a disability benefit instead of as retirement income. Currently, legal and benefit advisers to the System have indicated that PERS is reporting disability retirement income correctly under federal law. PERS' reporting method is a result of federal law changes passed by Congress in the 1980s.

SB 345 also requires PERS to seek an opinion from the Internal Revenue Service reviewing our current reporting practice. PERS began the process for this opinion with action at the July 2003 Board meeting.

Additionally, SB 345 calls for a study of alternative disability reporting methods allowed for under the Internal Revenue Code and to consider the feasibility of implementing any such method. The study must be completed and delivered to the Legislative Commission no later than July 1, 2004. PERS will review alternative approaches to disability retirement programs used by other public retirement systems and make recommendations to the Retirement Board if appropriate.

PERS' Executive Officer Retires

George Pyne, Executive Officer of PERS, retired in July 2003. George, 50, began his career at PERS in 1977 and became PERS' Executive Officer in 1995. His extensive knowledge of actuarial and investment trends in the public pension sector proved key to the success of the System during his tenure as Executive Officer. "His professionalism and personable style were tremendous assets to the System and will certainly be missed, but we understand and support his choice to retire," said Charles Silvestri, Chairman of the Retirement Board, "The entire Board and staff wish George continued success as he moves to a new chapter in his life." During Pyne's term as Executive Officer, retirees saw their benefits' inflation protected through greater post-retirement benefit increases and significant constitutional protections for the pension system were insured with the passage of Question 1 in 1996.

A subcommittee of the Retirement Board has been appointed to recommend a recruitment and selection process for PERS' new Executive Officer. The subcommittee met on July 10, 2003, to discuss the recruitment and selection process. At the Board's July 16th meeting, the

subcommittee recommended a nationwide search be performed with the subcommittee to identify no more than 6 candidates for interview that will be presented to the full Board at their September 2003 meeting. The timeline for completion of the process is for the Board to approve the finalists at the September meeting and interview and select PERS' new Executive Officer from these candidates at their October 2003 meeting.

LIMITATIONS ON REVIEW AND COPYING OF MEMBER/RETIREE RECORDS

In a world where the exchange of personal information is done at a fast and furious pace, it is comforting to know that individual member and retiree records at PERS are completely confidential. Protection of the confidentiality of records is guaranteed under Nevada Revised Statute 286.117. The statute limits the review and copying of the records maintained for a member, retired employee, or beneficiary to:

- ◆ The member or retired employee
- ◆ The member or retired employee's spouse
- ◆ The member's public employer
- ◆ PERS
- ◆ The beneficiary of a deceased member or retiree who is receiving benefits from the deceased member or retiree's account

The system is also obligated to provide for the review and copying of records pursuant to any court order.

If a member, retiree, or beneficiary wishes to have system records provided to any party not specified in the statute, he/she must submit a written waiver to the system. The written, signed waiver must specifically identify who is entitled to receive the records and what records can be released.

We know that the confidentiality of individual PERS' records is important to our members and retirees. The utmost care is taken in maintaining the confidential treatment of all individual PERS' records.