

## Inside This Issue

The Source of Your Retirement Benefit	2
Investment Officer Confirmed	2
Investment Performance Update	2
PERS Contact Information	2
PERS Compares Favorably in Benchmarking Service	3
Member and Retiree Services Director Named	3
In-House Programs	3
Additional Service Credit Available for Active Military Duty	4
Retirement Board Changes	4

## Retirement Board

Charles A. Silvestri  
Chairman  
Sue DeFrancesco  
Vice Chair  
Elizabeth Fretwell  
Member  
Purissimo 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

## Members Share in the Cost of Contributions

On July 1, 1975, the “Employer-Pay” contribution plan was added to the Retirement Act. While the name is somewhat confusing, this plan was designed to be a shared-cost plan—meaning that employees and employers each pay half the contribution rate, just like the employee/employer pay plan—but with a few variations. This article provides clarification on some of the unique features of “Employer Pay.”

### Some Frequently Asked Questions about “Employer Pay”

#### It’s called “Employer Pay,” how do I share in the cost?

Under this plan, an employee does not see an after-tax **deduction** from their paycheck for PERS’ contributions, instead, they take a pre-tax **reduction** in salary equivalent to half of the contribution rate. This reduction may be done one of two ways:

- 1) Foregoing pay raises (What’s called “in lieu of” salary increase) or
- 2) By direct salary reduction.

The employer is then charged with submitting the full contribution to PERS—in part funded by the member’s salary reduction and in part due to the employer’s responsibility to match that contribution. Every employer who participates in this contribution plan has a choice as to which mechanism to use in funding the employee’s portion of the rate. Some employers use direct salary reduction and some choose to certify that the employee’s portion is paid in lieu of promised salary increases.

#### How does PERS keep track of the salary reductions?

Every time there is a change in the contribution rate, our employers must certify which cost sharing method will be used to fund the employee’s half of the rate change. PERS uses this information to adjust the member’s reported wage when determining the member’s average compensation.

#### Does the salary reduction affect my retirement benefit?

No. The salary adjustment ensures your benefit will be based upon the same wage you would have received if you had not contributed in this pre-tax method. In other words, your benefit is the same regardless of whether you contributed under the after-tax employee/employer pay plan or the pre-tax employer-paid program.

#### What happens when contribution rates go down—does some of that rate reduction affect my pay?

Yes. Contribution rate reductions must be shared the same way contribution rate increases must be shared. When the contribution rate goes down, as the regular member rate did July 1, 2005, employers are responsible to boost the member’s salary by half the contribution rate reduction (if they used the salary reduction method for previous rate increases) **OR** they must give the promised salary increase they would have given but for the contribution rate increase.

For more information on the contribution rate plans please visit [www.nvpers.org](http://www.nvpers.org) and look in *Publications* for PERS’ Summary Plan Descriptions. ■

## The Source of Your Retirement Benefit

People are often surprised to find out that the majority of their retirement benefit does not come from their contributions into the PERS' fund. It is actually generated by the investment program, through the miracle of compound interest.

Albert Einstein stated that the most powerful force in the universe is compound interest. A great example of this power is found in history. If the Native American tribe that accepted goods worth 60 gold coins for the sale of Manhattan in 1626 had invested the money at 6.5% interest, compounded annually, in 2005 their investment would be worth over \$820 billion, more than the assessed value of all of the real estate in New York City.

In fact, over **80%** of the benefits PERS' retirees receive in their lifetime are generated by investment earnings. The remaining 20% is funded by employer and employee shared contributions. This fact underlies one of the key benefits, and efficiencies, of our retirement system structure. Essentially, the investment program is the engine that funds your retirement, and your contributions are the fuel that "primes the pump." ■

### PERS' Investment Officer Confirmed

The Retirement Board has confirmed the appointment of Ken Lambert, CFA as the Retirement System's Investment Officer.

Mr. Lambert worked for the Retirement System from 1995 to 2005, most recently serving as Assistant Investment Officer. During the past year, Mr. Lambert was the Executive Vice President of his family's winery in California. He received his degree in Business Administration from the University of Nevada, Reno, majoring in finance with a minor in economics. He received his Chartered Financial Analyst designation in 1999. ■

### Investment Performance Update

Despite recent volatility in the financial markets, PERS' investment program has maintained a steady course with regard to performance. For fiscal year 2006, the PERS' fund generated an 8.6% return, which is consistent with our long-term funding objective. The returns were driven by domestic and international stocks, accompanied by positive results from alternative investments.

Since inception (June 1984), PERS' average annual return is 10.6%. At the end of June, assets totaled \$19.5 billion. ■

### PERS Contact Information



Las Vegas (702) 486-3900  
 Reno or Carson City (775) 687-4200  
 Toll Free 1-866-473-7768



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

## PERS Compares Favorably in Benchmarking Service

PERS strives to deliver accurate and timely service to our members, retirees, and employers while focusing on containing costs. PERS has participated in an independent performance benchmarking service for the last three years. This service provides us with an analysis of the effectiveness and efficiency of our service delivery processes. The purpose of the analysis is to help us determine how our total administration costs and service levels compare to public retirement systems in other states. This comparison is important because PERS has no peers in state and local government against which to judge our performance in fulfilling the mission of PERS in a cost-effective manner. The analysis helps us refine customer service standards, provides insights into best practices, and identifies those areas needing improvement.

The benchmarking analysis compares PERS to a peer group of 11 public pension systems of simi-

lar size nationwide and a universe of 53 public pension systems worldwide. The analysis for fiscal year 2005 shows that PERS provides a good level of service at a lower administration cost than our peers. PERS scored higher than the peer average in many key service areas, including paying pensions, counseling, mass communication, and service to employers. Our administration cost per active member and retiree was 25% lower than the peer median and 40% lower than the peer average. Our staff administered 2,058 active members and retirees per full-time equivalent employee versus the peer median of 1,873. PERS will participate in this benchmarking service annually in our continuing efforts to provide accurate and timely service while keeping administration costs down. ■

## Member and Retiree Services Director Named

Lynette Jones has been selected as the new Director of Member and Retiree Services. As the Director, she will manage the Las Vegas office, Carson City Counseling Services Division, and the Support Services Division. The Member and Retiree Services Department focuses on providing information to our members, retirees and the public. This is accomplished through informational programs, group counseling sessions, individual counseling, publications and newsletters.

Ms. Jones' career with PERS started in 1984 as a student worker. Over the years, she has held various positions and worked in multiple departments, most recently as the Manager of Production Services. ■

### In-House Programs:

- September 14—4:00  
Carson City PERS Office
- September 14—12:00 & 4:00  
Las Vegas PERS Office
- October 12—4:00  
Carson City PERS Office
- October 12—12:00 & 4:00  
Las Vegas PERS Office
- November 9—4:00  
Carson City PERS Office
- November 9—12:00 & 4:00  
Las Vegas PERS Office

## Additional Service Credit Available For Active Military Duty

In accordance with NRS 286.300, any member of the system who has 5 years of creditable service may purchase up to an additional 5 years of service credit. However, in addition to the 5-year maximum, any member who has 5 years of creditable service and served on Active Military Duty during Operation Desert Storm, Operation Enduring Freedom, or Operation Iraqi Freedom may purchase up to 3 additional years of service credit. A vested member who has served in any of these conflicts may purchase an additional month of service for each month they served up to a 3-year maximum, provided they were honorably discharged or released from active duty.

For example, a member has 5 years of creditable service and participates in the purchase of service program by purchasing the maximum 5 years of service credit. He also served in Operation Desert Storm for 2 years and was honorably discharged. This member can now purchase 2 additional years of service credit, making his total service credit 12 years (5 worked + 5 purchased under purchase of service program + 2 purchased for Operation Desert Storm). The member must pay the full actuarial cost for military time, which is the same as a regular purchase.

If you are interested in purchasing time for military service during Operation Desert Storm, Operation Enduring Freedom, or Operation Iraqi Freedom, you may submit your request in writing along with a copy of your DD214 for verification. Please be advised that you must purchase the 5 years allowable to all members of PERS before you purchase military time. ■

### Retirement Board Changes

PERS would like to express our gratitude to outgoing Chairman Mark Balen. Mr. Balen served the Retirement System since November 2002 as a Board Member and most recently as Board Chairman.

PERS welcomes Elizabeth Fretwell to the Retirement Board. Ms. Fretwell's appointment as a Board Member is effective September 1, 2006. Look for her biography in our Fall newsletter and on our website.

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

NV PERS  
693 W. Nye Lane  
Carson City, NV 89703  
(775) 687-4200

We're on the Web!  
[www.nvpers.org](http://www.nvpers.org)