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September 24, 2008

Las Vegas Review Journal Editorial Board  
P.O. Box 70  
Las Vegas, NV 89125

Dear Las Vegas Review Journal Editorial Board:

The recent editorial on IRS regulations and the call for pension reform is again filled with unfounded criticism and mistaken assumptions portraying the public employees who participate in and contribute to their own retirement security at a healthy rate throughout their working careers as somehow taking hard earned dollars out of taxpayers' pockets. The assertion that taxpayers are short-changed is not accurate. With reasonable, stable, predictable contributions invested over the long term career of an employee, a modest average retirement benefit of just over \$2,200 a month is provided to the average public servant.

The current contribution of a regular public employee toward their retirement is 10.25% of their pay, matched by 10.25% from their employer. Public employees are prudently reserving a significant amount of funds in lieu of take-home pay to provide for their pension in the future. That individuals can retire after 30 years at any age, is planned for in the contribution rate over time and adjusted based on actuarial data tracking death rates and projecting future costs based on the anticipated longevity of retirees. While your articles and editorials continue to create the image that public employees retire at age 50, the average public employee retires at age 60 with the reasonable benefit set forth above.

The pooled investments of the Retirement System, which are possible with the contributions of the employees into the system, have returned on average over 10% per year for the past 24 years. In fact in those 24 years, several key challenging market periods occurred, but, Nevada PERS is a long term investor and the Retirement Board, as fiduciaries, proceeds conservatively, not chasing returns, and thus, the PERS fund exceeds the required return of 8% which maintains the balance of the System and its ability to pay for the unfunded liability. There will not be a requirement for the taxpayer suddenly to find \$6 billion dollars to bail out the Retirement System. Your scare tactics aside, the economics, logic, and financial discipline in the operations of Nevada PERS are in good stead.

Moving to a defined contribution plan for new public employees has been shown to increase the costs of retirement by 46% according to a study conducted by the National Institute on Retirement Security. Additionally, a recent study by Watson Wyatt Worldwide indicates the average employer match to a 401(k) in the private sector is over 4%. Taking this average and coupling it with the Social Security tax rate of 12.4%, and you arrive at a contribution cost

(20.4%) that is greater than the cost to fund the pension of the average public employee in Nevada today.

It is difficult to understand how a lower cost, secure retirement benefit for public workers is the singular focus of such continued, baseless criticism.

Cordially,



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SUSAN DEFRANCESCO  
Chairwoman, Retirement Board