

Retirement Board

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Memorandum

To: Liaison Officers

From: Tina Leiss, Operations Officer

Date: July 1, 2009

Re: Senate Bill 427

The 2009 Legislature passed Senate Bill 427 making various changes to the Public Employees' Retirement System (System), the Public Employees' Benefits Program, and relations between local government employers and employee organizations. Sections 1.5 to 7 pertain to the System, including changes to:

- Employer responsibilities to employees
- Contribution rate rounding mechanism
- Benefits for members with effective dates of membership on or after January 1, 2010
- Police and Firefighters' Advisory Fund Committee member terms

Employer Responsibilities to Employees

Section 5 of Senate Bill 427 amends NRS 286.460 of the Retirement Act to include a new subsection as follows: "If an employer reports wages pursuant to this section that are ineligible pursuant to the definition of compensation under NRS 286.025, the public employer is responsible to the employee for the impact to the member's benefit, if any, that results from the erroneously reported wages." This provision became effective upon passage and approval, June 3, 2009.

Contribution Rate Rounding Mechanism

Sections 4.3, 4.5, and 4.7 of Senate Bill 427 amend NRS 286.410, 286.421, and 286.450 to provide that the statutory contribution rate will not be adjusted if the actuarially determined rate is below the existing statutory contribution rate but within 2 percent of the existing rate (employer pay plan) or within 1 percent of the existing matching rate for employers and employees (employer/employee pay plan). If the actuarially determined rate is more than 2 percent lower than the existing rate (employer pay plan) or the actuarially determined matching

rate is more than 1 percent lower (employer/employee pay plan), the existing rate will be reduced by the amount it exceeds the 2 or 1 percent threshold.

Section 3 requires the System to post on its website any document that a public employer is required to submit relating to the contribution rate mechanism used by the employer to implement changes in the contribution rate. Sections 3, 4.3, 4.5, and 4.7 are effective on January 1, 2010.

Benefits for members with effective date of membership on or after January 1, 2010

Senate Bill 427 makes a number of modifications to benefits for members with an effective date of membership on or after January 1, 2010, only. *The benefit modifications set forth below do not apply to employees who are currently members of PERS or who become members of PERS prior to January 1, 2010, and do not apply to retirees.*

Section 1.8 changes the post-retirement increase formula to eliminate the possibility of a 5 percent annual increase following the 14th anniversary of the commencement of retirement benefits, leaving the maximum post-retirement increase at 4% annually following the 12th anniversary of the commencement of retirement benefits.

Section 2 amends the definition of compensation in NRS 286.025(2)(b) as it applies to call-back pay by removing the phrase “returning to duty after one’s regular working hours” and replacing it with “returning to duty within 12 hours after one’s regular working hours to respond to an emergency.” Emergency is defined as “a sudden, unexpected occurrence that is declared by the governing body or chief administrative officer of the public employer to involve clear and imminent danger and require immediate action to prevent and mitigate the endangerment of lives, health or property.”

Section 6 amends the retirement eligibility provisions in NRS 286.510(1) and (2). Retirement eligibility for any member will be at age 65 with at least five years of service, at age 62 with at least 10 years of service, and at any age with at least 30 years of service. Retirement eligibility for police/fire members will be age 65 with at least 5 years of service, at age 60 with at least 10 years of police/fire service, and at age 50 with at least 20 years of police/fire service.

Section 6 also amends the early retirement reduction in NRS 286.510(6) from 4% per year to 6% per year for each year that a member is under the appropriate retirement age. For each additional month under the appropriate retirement age, the reduction is changed from 0.33% to 0.50%.

Section 7 amends NRS 286.551(1) to change the service time multiplier to 2.50% for each year of service earned. Section 7 also amends NRS 286.551(4) to include a provision to limit increases in the member’s 36-month average compensation period and the 24 months preceding the average compensation period to no more than 10% of the prior 12 month’s compensation using the first 12 months of the 60-month period as the base amount. Compensation attributable to promotion and assignment–related compensation is excluded when calculating these limits.

Section 1.7 adds a provision to the Retirement Act to allow for the refund of the employee's portion of contributions under the employer/employee contribution plan attributable to compensation that was excluded from the calculation of the member's retirement allowance as a result of the limits imposed by NRS 286.551(4).

Sections 1.7, 1.8, 2, 6, and 7 become effective on January 1, 2010.

Police and Firefighters' Advisory Fund Committee member terms

Section 4 of Senate Bill 427 amends NRS 286.227 to provide 4-year terms for members of the Police and Firefighters' Advisory Fund Committee. Section 4 also provides that these members may be removed by the Retirement Board for cause. Section 4 becomes effective on January 1, 2010.