

PERS NEWS

PERS News 2022



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Celebrating our 75th Anniversary

Seventy-Five years ago, the 1947 Session of the Nevada Legislature passed the Nevada Retirement Act. This Act created the Nevada Public Employees' System and was signed into law on March 27, 1947, by Governor Vail Pittman.

The adoption of a retirement program for Nevada's public employees was influenced by several factors. First, the Nevada Legislature realized that Nevada was one of the few states that did not have an employee pension plan. In addition, the Social Security Administration of the federal government did not allow local government employee participation. It was also known that the number of retirement plans in private industry was steadily increasing. All of these factors made government employment less attractive in states like Nevada that did not offer pension protection.

It was also known that States with established retirement programs had favorable experience meeting

their pension plan objectives. These included stabilization of employment conditions by reduction of personnel turnover, making long term employment attractive to persons of proven ability and capacity, improving employee morale with the promise of financial security at retirement, and the removal of "hidden pensioners" from employment.

The System started with approximately 3,000 members and 64 retirees. In 1949, the average retirement benefit was approximately \$90 per month, and the Retirement Act limited benefits to a maximum of \$200 per month. Keep in mind that in 1949, you could probably buy a pair of Levis for about \$3.00.

Today, the Public Employees' Retirement System has approximately 106,000 active members and over 76,000 benefit recipients. The average monthly benefit for regular members of the system is just over \$3,300, and the System maintains a strong financial standing with over \$54 billion in assets as of June 30, 2022.

Fiscal Year Investment Performance

Following an extended period of market strength, financial conditions deteriorated rapidly in the second half of the 2022 fiscal year resulting in a -5.2% return for the year ended June. Inflation stemming from pandemic related monetary and fiscal support along with supply chain constraints has proven to be stubbornly persistent. This period of elevated inflation has led to a sharp rise in interest rates and a contraction in stock market valuations.

Despite the difficult year it is not all bad news. PERS' 2022 fiscal year return represents the 5th negative fiscal year since inception (38 years). While they are never fun to experience, negative years are both expected and inevitable. And despite those five negative years, PERS' since inception return remains

above 9% annualized. In addition, PERS' 3, 5 and 10-year returns through June remain above PERS' 7.25% long-term assumption.

On a relative basis, PERS' portfolio continues to perform well compared to more complicated and costly investment structures utilized by industry peers. Despite PERS' larger allocation to publicly traded securities, PERS' 2022 fiscal year return ranked in the top 33rd percentile of large public pension funds. Over the past 3, 5, 7 and 10-year periods through June, PERS' returns rank in the top 10th percentile or better.

Looking forward, over the near-term, we anticipate continued volatility as inflation remains elevated and the Federal Reserve aggressively attempts to reduce it.

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However, longer-term, the market events of the past year have a silver lining for Nevada PERS and the public pension fund industry.

Specifically, declines in equity markets have resulted in U.S. stock valuations below their 25-year average. In addition, yields on 10-year Treasury bonds ended the fiscal year near

3%. The normalized interest rate environment combined with lower equity valuations has resulted in a much stronger foundation for long-term prospective returns.

Contribution Rates Effective July 1, 2023

By Constitution and statute, the Retirement Board must hire an independent actuary to perform actuarial valuations. While contribution rates are only set every other year, by Board policy, these valuations are performed on an annual basis. The Board adopted the annual valuation process in order to keep abreast of the assets and liabilities of the System, measure trends, and provide yearly detailed information to aid in the fiscally responsible management of the pension trust.

At its November 17, 2022, meeting, the Retirement Board approved the June 30, 2022, actuarial valuation report submitted by the System's actuary. The report reflects the actuarially determined contribution rates needed to fund the System on an actuarial

reserve basis for both Employer-pay (EPC) and Employee/Employer contribution plans.

The 2022 actuarial valuation shows contribution rate increases for both the Regular and Police/Fire funds. Factors to the increases include economic and demographic experience. In addition, there were significant assumption changes in the 2021 Experience Study, such as changes to inflation, investment return, and mortality tables.

Contribution rates for Regular and Police/Fire members contributing under the EPC and Employee/Employer plans are scheduled to increase. There will also be an increase in the rate for Volunteer Fire members. All rate changes are effective with the first monthly retirement reporting period beginning on or after July 1, 2023.

Contribution Rate Changes – Employee/Employer Contribution Plan

Regular Members – will increase from 15.5% to 17.5%.

Police/Fire Members – will increase from 22.75% to 25.75%.

Contribution Rate Changes – Employer-Pay Contribution (EPC) Plan

Regular Members – will increase from 29.75% to 33.50

Police/Fire Members – will increase from 44.00% to 50.00%

Volunteer Fire Members – will increase from 31.00% to 35.00%

IRS to Begin Using Updated Form W-4P in 2023

The IRS is implementing some changes to tax withholding forms in 2023 that could affect retirees who receive benefit payments from plans like the Public Employees' Retirement System of Nevada (NVPERS). The IRS is implementing a new W-4P form, which is used to determine tax withholdings for pension and annuity accounts. The new form no longer allows tax filers to adjust their withholdings by electing a specific number of

withholding allowances. Instead, the W-4P form has new input fields for increasing or decreasing the amount of withholding, including fields for tax credits and deductions. If you are retired and have already completed a tax withholding election, you are not required to complete the new W-4P form at this time. However, if you are a current retiree, you have every right to make changes to your tax withholding, but after December 16, 2022 you

will be required to do so using the new W-4P form. Please note that NVPERS cannot provide tax advice, including advice about how to complete these forms. If you have questions about your particular situation, please contact a tax or legal advisor. For more information on the W-4P form, visit <https://www.irs.gov/forms-pubs/about-form-w-4-p>

Retiree and/or Beneficiary Benefit Verification Requests

As a retiree or beneficiary of the Public Employees' Retirement System, you may be required to complete and return a Benefit Verification Form. This form requires a notarized statement verifying that you are in fact receiving an allowance or benefit. Failure

to provide this statement may result in the allowance or benefit being withheld.

This request is in accordance with NRS 286.190 (3) (d). NRS 286.190 (3) (d) states, "The Board may require an annual notarized statement from a retired employee

or beneficiary that the retired employee or beneficiary is in fact receiving an allowance or benefits and withhold the allowance or benefits if the retired employee or beneficiary fails to provide the statement."

The Public Employees' Retirement System requires this form to safeguard your account from identity fraud and pension theft. PERS is

dedicated to protecting our member, retiree, and beneficiary accounts. We appreciate your cooperation and understanding. Not everyone

will receive this form in the mail this year. However, as a friendly reminder, please always keep PERS up to date with address changes.

Post-Retirement Increases and new C.P.I. Cap % for Fiscal year 2023

Post-retirement increases are due in the month following the month in which you retired starting the fourth year of retirement. For example, if your retirement effective date is January 1, your post-retirement increase would be effective February 1, and paid with your February benefit at the end of February.

As required by NRS 286.5756 2(b), the cap is based on the average rate of inflation

as provided by the Consumer Price Index (All Items) for 3 preceding years. Using the published percentages, we calculate the three-year average by comparing percentages in effect for June of the first year and June of the following year. This calculation is completed for three consecutive years and the totals from each year are averaged together. The result is the new PRI cap which becomes effective for

the next 12 months starting in September and ending in August of the following year. We have verified that the new 3-year capped average to be 5.00% effective 9/1/2022. Everyone will receive their scheduled post retirement increase this Fiscal year.

Ready to Retire?

Once you are within six months of the date you plan to retire, you should contact our office and request a benefit estimate and the retirement application packet to be completed and submitted to our office prior to your retirement date.

The benefit estimate will give you the approximate amount of the highest benefit available based on your average salary and projected service credit. We can also provide you with a breakdown of the optional benefit amounts that provide a continuing benefit upon your death as a retired member to

one beneficiary of your choice. Your benefit will be actuarially reduced to pay for the beneficiary protection based on yours and your beneficiary's age.

Benefit estimates may also be calculated by you, through your on-line member account at www.nvpers.org. You may submit your retirement application to the PERS office by mail, PERS will then confirm the receipt of your application in writing.

Retiring members should read the Pre-Retirement Guide provided with your retirement application packet or the version

available on our website. Your retirement date will be the day following your termination date, the day immediately following the expiration of your service credit, the date your application is received in the PERS office, or a future date you specify on your application. You should also notify your public employer of your retirement date, contact the administrator of your health insurance plan and the Social Security Administration, if applicable. If you have questions about retiring, please contact our office.

2022 Liaison Officer Conference

Public employees who oversee their agency's reporting in the Public Employees' Retirement System of Nevada gathered earlier this year for our Liaison Officer Conferences. The first was held at the Casino Fandango

in Carson City, Nevada, on June 29, 2022, to accommodate our Northern Nevada region agencies. The second was held at South Point Hotel & Casino in Las Vegas, Nevada, on July 20, 2022, for our Southern Nevada region

agencies. This one-day conference is for PERS Liaison Officers, Human Resource and Payroll Professionals. This year's focus was on the preparation and implementation of our new Pension Administrative System.

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This publication is intended to provide general information. If there is any conflict between this information and Nevada law or PERS' policies, the laws and policies will supersede this information. *PERS News* is a newsletter for benefit recipients and 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.



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Benefit Check Mail Dates for 2023

PERS benefits are mailed or electronically deposited to your bank account four working days before the end of each month. Check mail dates can be found on the PERS website homepage under the Benefit Recipient link. The check mail dates for 2023 are listed below:

January 26, 2023

May 25, 2023

September 26, 2023

February 23, 2023

June 27, 2023

October 25, 2023

March 28, 2023

July 26, 2023

November 27, 2023

April 25, 2023

August 28, 2023

December 26, 2023