Retiree News

Summer 2010

Retirement Board

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Become a Retiree Ambassador

PERS has developed a program for retirees as a way for you to show your support for the System. The Retiree Ambassador program will provide retirees an opportunity to learn more about the system in the areas of the retirement security, maintaining an effectively run retirement system and the positive impact that PERS has on the Nevada economy. PERS will also address potential misunderstandings or incorrect information about the System.

Retiree Ambassadors are not lobbyists nor advocates of any positions adopted by the Retirement Board. Rather, Ambassadors are members of the community who may be a valuable resource where discussions of PERS arise.

Retirees who are interested in becoming an Ambassador are invited to contact any of the PERS' offices and register to attend one of several programs scheduled through the end of the year. in both Northern and Southern Nevada. The seminars completed earlier this year by PERS' staff have been very well received by our new Retiree Ambassadors.

The educational seminar will be approximately 1 1/2 hours in duration and audience participation is encouraged.

Retiree who have completed the program will receive on going communications from PERS regarding current issues that affect the system.

Reemployment after Retirement

Retirees who return to work for a PERS employer are subject to restrictions under NRS 286.520-525. In most situations, if you return to work for a public employer, your monthly retirement benefit is stopped or you are limited in the amount you can earn in the reemployment position. However, the following situations are exempt from these restrictions:

- Employment with either house of the Legislature or by the Legislative Counsel Bureau,
- Employment of certain retirees to fill positions for which there is a critical labor shortage, and
- Election to a public office, unless serving in the same office in which service credit was earned as a member.

In these situations, a retiree may be employed with no restrictions and continue to receive their monthly retirement benefit.

Returning to work for a public employer may have serious consequences on your retirement benefit. Written notification to PERS is always required by both you and your public employer. If you are considering returning to work with a Nevada public employer, you are strongly encouraged to first contact and discuss your reemployment scenario with a PERS representative at 1-866-473-7768.

Executive Officer Appointed to Federal Retirement Thrift Investment Board

Dana Bilyeu, Executive Officer of Nevada PERS, was nominated by President Obama for appointment to the Federal Retirement Thrift Investment Board (FRTIB). On June 24, 2010, her appointment was confirmed by the Senate. The position is advisory in nature.

The Federal Retirement Thrift Investment Board administers the Thrift Savings Plan (TSP) and is an independent Federal Government agency that is overseen by five presidentially appointed board members and an Executive Director. The TSP is a retirement savings and investment plan for federal employees and members of the uniformed services, including the Ready Reserve.

Mrs. Bilyeu was previously appointed by President Bush to the Social Security Advisory Board (SSAB). The SSAB was created in 1993 to advise the President, Congress and the Commissioner on all matters pertaining to Social Security. Her term on the SSAB expires in September 2010.

Defined Contribution Plan Study

In the spring of each even-numbered year, the Retirement Board begins the process of determining the anticipated costs associated with potential fiscal legislation. Requests for legislation may come from the Board, staff, members, retirees, employers, employee associations, and the public.

This year, given the severe budget crisis ongoing for the State and for local government, as well as the potential for an increase in the contribution rates for the System, staff does not anticipate any benefit improvement legislation will be introduced.

At this time, the main benefit modification that is actively being discussed by various associations and other members of the public is the proposal to convert the System from a defined benefit plan to a defined contribution plan.

Variations on this proposal include closing the current plan and providing only a defined contribution plan for new hires (this would not affect retirees). As the Retirement Board is aware, there are significant cost and policy issues related to such a conversion, both for current participants and for those who have not yet entered the workforce.

Such costs include the acceleration of the payment of the unfunded liability of the System as well as administrative and investments cost. While these types of proposals have been analyzed in other states, no formal cost and policy analysis has been prepared for Nevada.

Given the heightened interest in such a conversion, the PERS Board feels that it is time to provide a formal study of the ramifications of converting to a defined contribution plan.

Therefore, the Board has authorized staff to conduct a study using the system's actuary, the Segal Company. Broad policy analysis will be conducted in concert with staff, as well as other nationally recognized retirement policy experts. A formal report to the PERS Board will be provided in the fall.

Below is a comparison of the main differences of a defined benefit plan and a defined contribution plan.

Defined Benefit Plan vs. Defined Contribution Plan

Defined Benefit Plan (NVPERS)

- Your benefit is guaranteed for your lifetime
- Your contributions are invested by investment experts
- PERS absorbs the investment risk

Defined Contribution Plan

- Your benefit stops when your funds are gone
- You decide how, when and where to invest contributions
- You absorb the investment risk

PERS' Funding Facts

***The system is sustainable in the short-term and in the long-term.**

The PERS' trust currently holds $22 billion in assets to support its ability to pay retirement benefits, and the actuarial funding mechanism absorbs current and future pension costs in today's contribution rate. The System's finances are measured, reviewed and audited on an annual basis and comply with all applicable accounting requirements and disclosures.

***There is no funding crisis at PERS.**

The most significant portion of PERS' unfunded liability is being retired over the course of the next 26 years in a prudent and methodical manner that ensures intergenerational equity among current and future employees. PERS is well-positioned to pay retirement benefits in the short and long-term through the current financing mechanism.

***The contribution rate is shared equally between the employer and employee.**

All PERS members share one-half the cost of financing their retirement. The contribution rate is set based on valuations conducted by independent actuaries so that each employee, along with his employer, prefunds his retirement benefit throughout his entire career. Each employee shares equally with his employer in any contribution rate increases or decreases that the independent actuary determines is necessary to prefund the benefit.

***PERS' retirement benefits are reasonable.**

Nevada law states that part of the mission of PERS is to attract and retain quality public employees by providing a reasonable base income in retirement, and the facts confirm that PERS is accomplishing that mission in a very prudent, cost effective manner. The average teacher or state employee retires at age 61 and receives a monthly PERS' benefit of $2,428.00, without a Social Security benefit.

PERS Generates 10.8% Return for Fiscal Year 2010

Stock markets rebounded from their lows of the prior year, helping PERS generate a 10.8% return for fiscal year 2010 (net of fees). The PERS fund ended the 2010 fiscal year with $20.9 billion in assets, and for the last 26 years PERS has generated an average annual return of 9.1%.

Through one of the most volatile investment markets in history the fund has generated better returns than its peers with less risk. For the last 3 years (encompassing the recent bear market and recovery), PERS' investment return ranks in the top 30% with the associated risk ranking in the bottom 23% versus large public pension funds. PERS' risk profile is one of the lowest among state pension plans for long term periods, and the fund ranks in the top 20% in terms of risk/return efficiency.

Warren Buffett said, "*the stock market is designed to transfer money from the active to the patient.*" At Nevada PERS, our patience is our competitive advantage. The uncertainty of today's investment environment has caused some investors to drastically alter their strategy. It is precisely at times like this that the disciplined implementation of PERS' long term investment plan is most critical.

Many investors are betting that stocks will not recover after a decade of poor returns. As a result, some institutions are reducing their allocations to U.S. stocks and adding riskier and more expensive alternative strategies such as hedge funds.

However, after the last three recessions (1982, 1994 and 2002), U.S. stocks generated an average 5 year annualized return of 19.3%. Given that this most recent recession was deeper and stocks fell further, historical experience bodes well for future return expectations. In addition, when compared to bonds, stocks are trading near their cheapest valuation levels in the last 20 years. PERS' consistent commitment to stocks supports the Board's strategy of investing in assets before they become popular, not the other way around.

PERS' common sense investment philosophy of maintaining consistent exposure to the capital markets and systematically buying assets at lower prices and selling them at higher prices is simple, but effective. It has been the formula for success for PERS in the past, and we expect that will continue to be the case going forward.

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Tax Credit for Retired Public Safety Officers

An annual tax exclusion up to $3000 is allotted for retired public safety officers who have a deduction from their PERS check for medical, dental, vision and/or long-term care insurance. Section 845 of the Pension Protection Act allows for this benefit which includes the a deduction that provides coverage for the public safety officer, the spouse, and dependents.

A public safety officer includes law enforcement officers, firefighters, chaplains for a police or fire department, and members of a rescue squad or ambulance crew. In order to qualify for the tax exclusion, an individual must be in a public safety officer position at the time of retirement and receive a benefit that has not been reduced for early retirement or be retired under a disability retirement with PERS.

If a retiree meets the conditions outlined, a Public Safety Officers Tax Exclusion Agreement should be completed and submitted to the PERS office. This form can be mailed to you or it can be accessed through our website: www.nvpers.org . Retirees' who have already submitted the form to the PERS office need not do so again.

Your health plan or insurance carrier must also enroll in the program with PERS. Once you have submitted your form, we will verify that your insurance carrier is enrolled as well.

Once all the required paperwork has been submitted to PERS, the retired public safety officer will be eligible to take a tax credit equal to the amount of insurance deducted from the monthly check during the tax year not to exceed $3000. The tax credit starts in the calendar year in which the retiree enrolled in the program.