PUBLIC EMPLOYEES' RETIREMENT SYSTEM

NVPERS

DEDICATED TO THOSE WHO SERVE NEVADA

Dedicated to those who serve Nevada

Nevada PERS' Mission

To furnish public workers and their dependents with a retirement program that provides a reasonable base income for retirement or for periods where a disability has removed a worker's earning capacity.

To encourage those workers to enter into and remain in government service for such periods of time to give public employers and the people of the State of Nevada the full benefit of their training a experience.

What is NVPERS?

- It is a multiple employer, cost sharing defined benefit pension plan
  - A ***defined benefit plan*** (***DB***) provides a steady and reliable source of income that can protect participants from inflation in retirement
- PERS is an effective tool for employers to recruit and retain quality employees

Retirement in the Public Sector

- Plans like Nevada PERS are the dominant retirement benefit among public employees
- Approximately 90% of all public employees in the United States participate in defined benefit plans

PERS and Social Security

- Nevada public employees do not participate in Social Security
- GPO-Government Pension Offset
- WEP-Windfall Elimination Provision

Review of Nevada PERS' Benefits

- Benefits are based upon a statutory formula:
  - A member's length of service, final average compensation, and a benefit multiplier
- It is a lifetime benefit, guaranteed by the trust
- Members qualify by vesting, attaining required levels of age and service
- Completely portable amongst Nevada public employers, with few exceptions

Regular Fund	**Retirement Eligibility/Regular Fund**	**Annuity Calculation**
Hire date on or after 1-1-2010 (and was not already a member of PERS)	Age 65 with 5 years of service Age 62, with at least 10 years of service; 30 years of service any age(6% annuity reduction per year under age eligibility)	Highest contiguous 36 months compensation (linked within 10% of the preceding 2 years salary) x Years of Service x Multiplier of 2.5% = benefit amount per month
Hire date prior to 1-1-2010	Age 65 with 5 years of service; Age 60 with at least 10 years of service; 30 years of service any age (4% annuity reduction per year under age eligibility)	Highest contiguous 36 months x Years of Service x Multiplier of 2.67% = benefit amount per month
Police/Fire Fund	**Retirement Eligibility/Police/Fire Fund**	**Annuity Calculation**
Hire date on or after 1-1-2010 (and was not already a member of PERS)	Age 65 with 5 years of service Age 60 with 10 years of service Age 50 with 20 years of service 30 years of service any age (6% annuity reduction per year under age eligibility)	Highest contiguous 36 months compensation (linked within 10% of the preceding 2 years salary) x Years of Service x Multiplier of 2.5% = benefit amount per month
Hire date prior to 1-1-2010	Age 65 with 5 years of service Age 55 with 10 years of service Age 50 with 20 years of service 25 years of service with any age (4% annuity reduction per year under age eligibility)	Highest contiguous 36 months x Years of Service x Multiplier of 2.67% = benefit amount per month

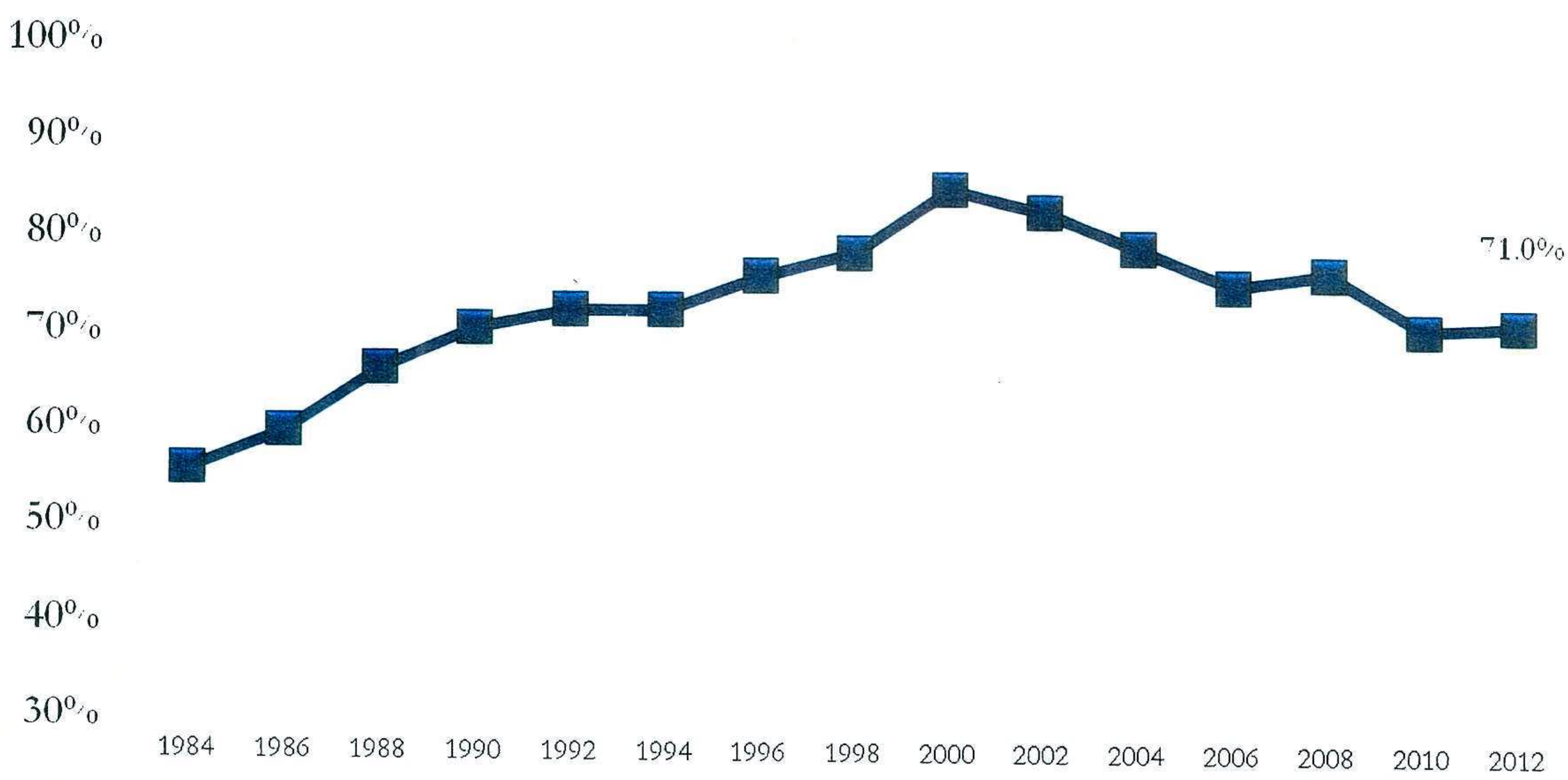
Demographic information as of June 30, 2012

	PERS Reg.	PERS P/F	JRS	LRS
Members				
Active contributing members	86,719	11,793	99	39
Average age	46.4	40.4	55.1	55.4
Average years of service	10.0	11.1	11.6	8.1
Average annual salary	$48,808	$72,523	$168,034	
Beneficiaries				
Annuitants	43,258	6,288	56	82
Average monthly annuity	$2,603	$4,487	$5,583	$506
Total Annual Benefits	$1.203M	$295.3M	$3.8M	$.498M

Summary Results of Actuarial Valuations of NVPERS Plans as of June 30, 2012

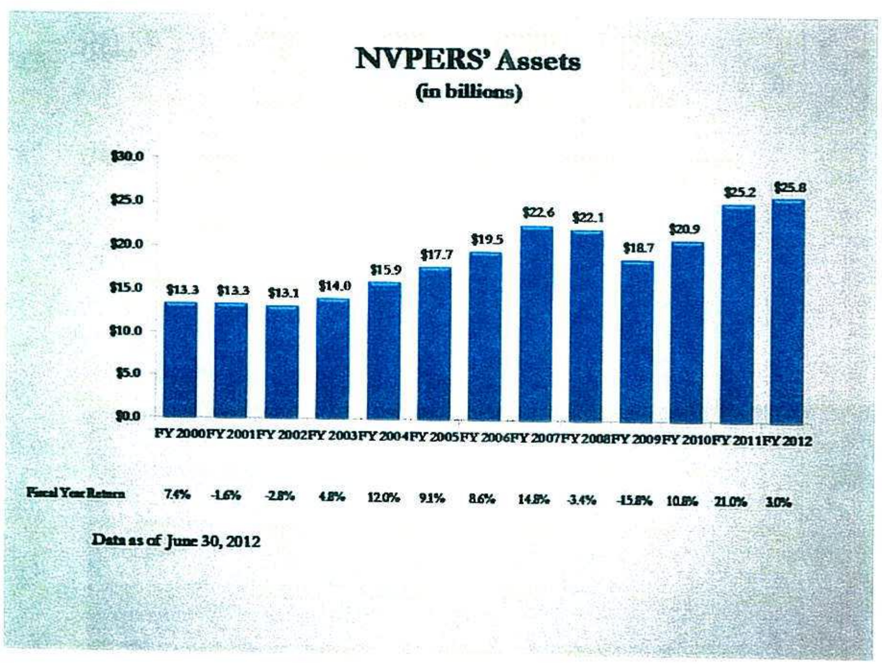
Liabilities	**PERS Regular**	**PERS P/F**	**JRS**	**LRS**
Accrued Liability	$30.3 B	$8.3 B	$93 M	$5.5 M
Actuarial Value of Assets	$21.6 B	$5.8 B	$63 M	$3.8 M
Unfunded Liability	$8.7 B	$2.4 B	$29 M	$1.7 M
Funded Ratio	71.2%	70.6%	68.6%	68.2%
Contribution costs	**PERS Regular**	**PERS P/F**	**JRS**	**LRS**
Normal Cost Rate (Cost of benefits being earned)	16.36%	28.44%	22.82%	$48,558
Actuarial Sound Contribution (Normal Cost + paying unfunded liability pursuant to funding policy)	25.72%	40.54%	22.90% (UAAL paid in lump sum)	15.00% Statutory Rate + lump sum UAAL payment
FY 2013 Total Contribution Rate	**25.75%**	**40.50%**	23.00%	15.00% + $213,351 UAAL payment

Funded ratio and funding trend are two measures (among others) of the plan's long term health. As NVPERS moved through the Great Recession, the funded ratio decreased, but that trend has reversed in 2012.



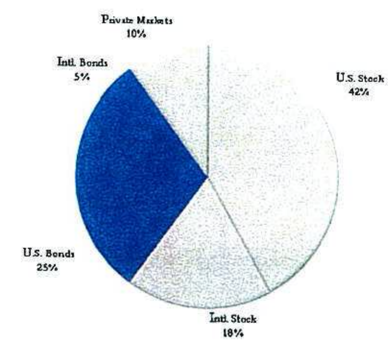
NVPERS' investment program results

	1 Year	3 Years	5 Years	10 Years	28 Years (Inception)
Net of Fee Return	3.0%	11.4%	2.4%	6.0%	9.3%
Return Peer Percentile Ranking	15	55	23	71	48
Risk Adjusted Return Peer Percentile Ranking	18	34	20	45	13



NVPERS' Investment Strategy

Total assets $25.8 billion



- Emphasis on high quality assets – government securities, blue chip stocks, investment grade bonds, fully leased real estate
- Primarily index management

Responsible Stewardship

- Cost effective delivery of retirement benefits
  - Conservative view on benefit modifications
- Funding to provide intergenerational equity to all stakeholders
- All employers and employees treated equally
  - One group cannot act to the detriment of another group

Nevada Public Employees' Benefits Program
PEBP
Health Matters.

We're in it together

Public Employees' Benefits Program (PEBP)

Presentation to:
New Legislators

December 6, 2012

Topics

- **Agency Overview**
  - **Governance**
  - **Eligible Participants**
  - **Current Benefit Options**
  - **Funding and Reserves**
- **Hot Topics**
  - **Benefits Changes from 2011**
  - **Affordable Care Act**
  - **Other Post-Employment Benefits Liability**
  - **PEBP Legislative Platform**
- **Questions**

AGENCY OVERVIEW

Governance

- Chapter 287 of NRS and Administrative Code
  - Non-state benefit plans
  - PEBP
- Board - Nine members appointed by Governor
  - Leo Drozdoff, Director, Department of Conservation and Natural Resources (Chair)
  - Jacque Ewing-Taylor, NSHE representative (Vice-Chairman)
  - Ronald Bratsch, employee representative
  - Jeffery Garofalo, private representative
  - Romaine Gilliland, retiree representative
  - Robert Moore, private representative
  - Mike Torvinen, Director of Administration designee
  - Vacant, management representative
  - Vacant, non-state representative

Eligible Participants

- **State**
  - Active employees
  - Retirees
    - at the time of retirement, or
    - Re-enroll during an annual open enrollment period
- **Non-state**
  - Actives if employer "participates" in the Program
  - Retirees
    - Eligibility frozen at those enrolled as of 11/30/08 except from any "participating" entity
    - "All in or all out" policy of SB 544 (2007)

Eligible Participants

- As of November 1, 2012
  - 23,453 Active Employees
    - 23,364 State; 89 Non-State
  - 8,767 State Retirees
    - 3,657 Non-Medicare; 5,110 Medicare
  - 8,087 Local Government Retirees
    - 3,555 Non-Medicare; 4,532 Medicare
- About 1,000 who will never have Medicare Part A

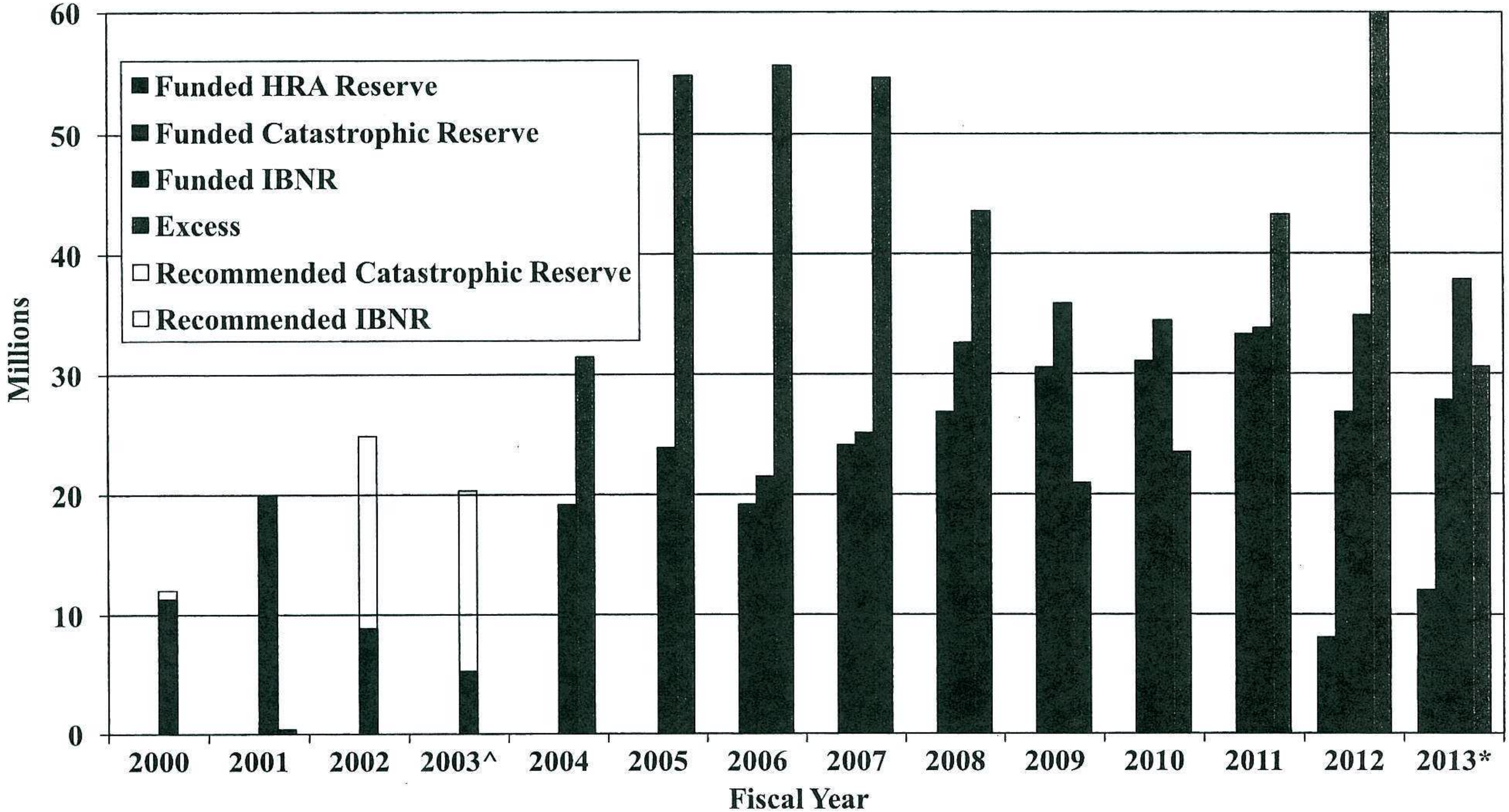
Current Benefit Options

- **Medical Coverage (Including Prescription Drugs)**
  - **Active Employees and Non-Medicare Retirees:**
    - **Self-funded Consumer Driven Preferred Provider Organization High Deductible Health Plan Option coupled with Health Savings Accounts or Health Reimbursement Arrangements**
    - **Health Maintenance Organization (HMO) Option**
  - **Medicare Retirees eligible for Premium Free Part A:**
    - **Medicare Advantage or Medicare Supplement (Medigap) and Part D RX plans through a private market Medicare Exchange**
- **Dental**

Current Benefit Options

- **Basic Life Insurance**
- **Long Term Disability**
- **Voluntary Products**
  - **Flexible Spending Accounts – Medical, Limited Purpose and Dependent Care**
  - **Additional Life Insurance**
  - **Long Term Care**
  - **Short Term Disability**
  - **Home & Auto**

Reserves by Fiscal Year



^Supplemental Appropriation

*Projected as of January 3, 2011

HOT TOPICS

Benefit Changes Implemented July 1, 2011

- Status of transition to:
  - Consumer Driven Health Plan for active employees and early retirees
  - Medicare Exchange for Medicare Retirees
- Reserves

Affordable Care Act Implementation

- Mandatory Coverage:
  - Children to age 26
  - Preventive Care
  - Pre-existing conditions
  - Elimination of lifetime maximums
- Fees
  - Patient Centered Outcomes Research Institute
  - Transitional Reinsurance Program
- Impact of the Silver State Health Insurance Exchange

Other Post-Employment Benefits (OPEB)

- **Liability to the State of the cost to provide subsidized health insurance to retirees**
  - **Comprised of cash subsidy and benefit of commingling experience with less expensive active employees ("implicit" subsidy)**
  - **Earned during working career and considered "deferred compensation" since it is provided after retirement**
  - **Governmental Accounting Standards Board (GASB) requires recognition of cost when incurred not paid**
  - **Record liability in financial statements or footnotes**

Other Post-Employment Benefits (OPEB)

- **OPEB liability is actuarially calculated based on current plan design and these components:**
  - The number of employees and retirees eligible for the retiree health insurance benefit;
  - The amount of the benefit already earned;
  - The life expectancy of the employees and retirees;
  - The estimate of how long employees/retirees will receive the benefit in the future;
  - The investment earnings of any funds set aside to cover the long term liability, and
  - The estimated medical trend rate associated with the medical plan in future years.

Other Post-Employment Benefits (OPEB)

- **Current eligibility for cash subsidy**
  - Five years of service total with Nevada public system(s)
  - Fifteen years of service if hired after January 1, 2010
  - No subsidy for employees hired after January 1, 2012
  - Everyone receives implicit subsidy

- **"Base" amount established each Legislative session for following two years**
  - Amount received based upon date of retirement and years of service (for post 1/1/94 Retirees)

GASB OPEB Valuation – July 1, 2010

- Present Value of Benefits $1.8 Billion
  - Total amount of the expected benefits to be paid in the future including amounts earned by existing employees throughout the remainder of their working career
- Actuarial Accrued Liability $977 Million
  - Snapshot of the liability for benefits earned as of 7/1/10
- Annual Required Contribution $119.9 Million
  - Cost of benefits earned during FY 10 plus 30 year amortization payment on previous unfunded liabilities
  - "Pay-as-you-go" subsidy payments about $47 million

Questions?