

**MINUTES OF THE
LEGISLATIVE COMMISSION'S INTERIM COMMITTEE TO STUDY
PENSION PLAN FOR CERTAIN JUSTICES AND JUDGES
(Assembly Bill 698 of the 1999 Legislative Session)
March 9, 2000**

A meeting of the Legislative Commission's Interim Committee to Study Pension Plan for Certain Justices and Judges (created as a result of Assembly Bill 698 – 1999) was held at 9:30 a.m. on March 9, 2000, in Room 4412, Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was video-conferenced to Room 2135 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Exhibit "A" is the Meeting Notice and Agenda; Exhibit "B" is the Attendance Record.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman Lynn Hettrick, Chairman
Senator Joseph M. Neal, Jr.
Assemblyman Bob Price

COMMITTEE MEMBERS ABSENT IN LAS VEGAS:

Senator William R. O'Donnell

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst, LCB Fiscal Analysis Division
Mary Matheus, Program Analyst, LCB Fiscal Analysis Division
Ginny Wiswell, Program Analyst, LCB Fiscal Analysis Division
Leslie Hamner, Senior Deputy Legislative Counsel, LCB Legal Division
Jo Rasey, Secretary, LCB Fiscal Analysis Division

Chairman Lynn Hettrick called the meeting to order at 9:40 a.m. Referring to the minutes of the February 11, 2000, meeting, he said page 9, the sentence beginning, "Senator O'Donnell remarked there are KEO plans," in the next to the last paragraph should be corrected to read, "Senator O'Donnell remarked there are Keogh plans."

**Senator Neal moved to approve the minutes of the February 11, 2000, meeting as corrected.
Assemblyman Price seconded the motion. The motion was unanimously approved.**

Chairman Hettrick confirmed all members had received a copy of the latest calculations, the letter from Leslie L. Thompson, Vice President and Consulting Actuary, The Segal Company, to George Pyne, Executive Director, Public Employees Retirement System (PERS), Re: "Addendum to the study on actuarial funding-Nevada Judges," dated March 7, 2000 (Exhibit "C"). This letter was Ms. Thompson's response to the Committee's February 11, 2000, request for various scenarios of investing \$10 million and \$23 million (the total amount of unfunded liability) into the judges' retirement system, and for print-outs of the \$10 million and \$23 million invested into Scenarios 1 and 3, as well as Scenarios 2 and 4.

Senator Neal remarked the scenarios given to the Committee members assume a payment date of July 1, 1999. He asked if one of the scenarios is decided upon, would it be retroactive to July 1, 1999, or would it be effective on July 1, 2000. If it become effective in 2000, would that change the figures?

George Pyne, Executive Officer, Public Employees Retirement System (PERS), responded that if and when a particular date is decided upon, the numbers will most certainly need to be updated. The July 1, 1999, numbers are already dated but give a picture of the financial dynamics occurring. When Ms. Thompson performed the valuation she used the most recent data available.

Mark Stevens, Assembly Fiscal Analyst, LCB Fiscal Analysis Division, pointed out that once the effective date is determined, the normal cost, or the contribution rate required for new retirees will remain virtually the same. The unfunded liability, however, will be higher the longer the wait. The contribution rate for the current costs of 27 percent would not change depending on the effective date.

Chairman Hettrick explained the original \$838,106 to finance the current costs of the retirement plan would not change, or would change very little. The \$10,082,411 and \$23,166,782 would partially or fully finance the unfunded liability and would increase if the effective date is extended.

Chairman Hettrick suggested the Committee ask Governor Guinn what he is willing to support within his budget to be submitted to the 2001 Legislature. His thought is that the State would soon be looking at a potential surplus. If surplus funds are used to finance the unfunded liability, actual operating cash goes back into the budget, which would be beneficial for the Governor. Otherwise, operating cash leaves the budget and increases on an ongoing basis forever. Given the latest projections, it is totally irresponsible, he thought, not to save almost \$200,000,000 over 40 years and at the same time to put money back into the operating budget.

Chairman Hettrick continued, saying if there is no infusion of cash in the first projections received, the first year results in a net cost of \$1,163,000. If \$10 million is added, the first year results in a net cost of \$582,000, and if \$23,000,000 is added, the first year actually would result in a net positive cash flow of \$621,000 per year.

Going out to the year 2006, for example, with no infusion of cash, it would still cost \$850,000 yearly. If \$10 million was provided to partially finance the unfunded liability, it would cost \$151,000 a year, and if \$23 million was provided, \$1,000,000 a year would be saved by pre-funding. Cash flow-wise it looks very attractive. The year the two cross, with no infusion of money, is approximately the year 2016. Senator Neal, he agreed, is absolutely correct, the numbers would change and would probably move back two years. On the charts the Committee members have, for comparison purposes under Scenario 1, the year 2016 is the year the actuarial funding costs less than pay-as you-go funding of the retirement plan. At that year, there would still be a \$9,500 cost to the cash flow budgets if no cash were added. There would be plus \$854,000 with \$10 million added, and there would be plus \$1,751,000 if \$23,000,000 one-shot money was added (Scenario 2). This would have a significant impact on the budget. It was Chairman Hettrick's opinion the judges need to present their ideas on how they would like the system to operate to the Committee.

Chairman Hettrick stated that based on the initial report, payroll currently is \$3,246,756. The judges will probably receive a pay increase in the next session or two. If the increase is the same as was recently provided to the Constitutional Officers, the increase in the Consumer Price Index (CPI) since the last salary raise will be provided. CPI has averaged a little over 2 percent per year. If CPI is given, based on what is anticipated next month, judges would receive a pay increase of approximately 14 percent and judges' pay would rise from \$3,200,000 to \$3,700,000. If the contribution rate is 25.8 percent, plus a 1.2 percent for administrative costs, the total contribution rate would be 27 percent. That would generate \$999,000 based on \$3,700,000 at 27 percent. If we ask the judges for a 50 percent contribution at this point, it would be \$500,000. That 50 percent contribution rate would be 13.5 percent if it is half of 27 percent. If judges receive a 14 percent pay increase, the judges are held harmless in terms of income, but receive the benefits. The judges would be treated like everyone else, where virtually everyone else pays 50 percent of their retirement costs. Paying for the employees' share of retirement cost in lieu of a pay raise has been done in the past, and is not a new suggestion. It was done once before when there were adjustments made in PERS for another group. That is not something that is impossible to occur. The effect is to essentially add \$500,000 to the cash flow figures in each year for every scenario provided. This becomes very attractive in terms of what it does to the operating expenses. Human nature tells us the judges would prefer not to contribute because they do not currently contribute. This must be worked out based on how it affects the budget and what Governor Guinn thinks should be done.

In terms of the benefits side, Chairman Hettrick stated in the current judicial retirement plan the judges accrue service credit at the fifth year and each year thereafter at 4.166 percent per year. However, during the first four years no service credit is accrued. If a judge comes in and is either appointed or does not serve a full six years, or if elected and serves six years, the total accrual at the end of six years is 8.32 percent. If judges are put into the PERS plan, at the end of four years they would accrue service credit of 10 percent. Under PERS at the end of five years, should they be appointed, they would accrue service credit equal to 12.5 percent compared to 4.166 percent under the judicial retirement plan. It becomes even at the 10th year, a term and two-thirds for the average judge. PERS credit does not top out at 22 years but service credit does accrue faster at the start. It accomplishes part of what the judges want, that is to get an earlier start on accrual because judges can be appointed and because they do start in the system later, and they may have earlier retirements. This would be very simple to administer as it would be standardized for everyone, and that makes a lot of sense. Chairman Hettrick added it gives some money to judges earlier in terms of vesting, but funds slower at the other side to offset. He personally thought accruing service credit at 2.5 percent had merit.

Senator Neal asked if Chairman Hettrick's explanation was based upon retaining the two systems.

Chairman Hettrick clarified it would combine the two systems. He explained the system would have to be kept for the existing people within the judicial retirement plan. The benefits promised to an individual upon retirement cannot be changed, but anyone who has not yet retired, could simply be put into PERS, he felt.

Senator Neal questioned at what point the two systems would be combined.

Chairman Hettrick answered yes, assuming Governor Guinn agreed with recommending some one-shot funds, whatever the dollar amount would be, and 2003 was established as a start date, which he thought was when the pay raise would take affect. Otherwise, money would be taken from the judges' pockets and he did not believe the judges would agree with that. He did not believe that was the Committee's intent.

Mr. Neal again asked if Chairman Hettrick's suggestion would be to go with the PERS system rather than the other system.

Chairman Hettrick responded his personal opinion was that one system should be created. It should be simple and direct.

Mr. Neal agreed with Chairman Hettrick to go with one system, probably PERS, because it seemed to be well-managed and equitable in terms of retirement. He asked, assuming this was the decision, about the individual who came from a law firm, just getting into the system. How would that be handled? Would that create a problem?

Mr. Pyne responded he would not anticipate any problems. That individual would simply join the PERS plan like anyone else from the private sector and start to accrue benefits according to the rules of the Plan.

Mr. Neal questioned if there would be a problem like the one that currently exists with Judge Springer and Judge Young.

Mr. Pyne explained that was a salary issue and he was unfamiliar with it.

Sally Loehrer, District Court Judge, and President of the District Court Judges' Association, commented on Chairman Hettrick's suggestions that judges contribute 50 percent of their retirement and that if they receive a raise, it is an even financial event. If that were true, judges would, in fact, take a 14 percent reduction. Judges are paid \$100,000 per year. If they receive a 14 percent raise, that keeps them even, it does not move them along with the cost of living because they only receive raises every six years. What \$100,000 bought five years ago will only purchase \$86,000 worth of goods and services in 2003. In 2003, if judges receive \$114,000, \$13,500 will be taken away. In 2003, judges would actually have \$86,000 worth of buying power which means they have taken a \$14,000 hit over a 12-year period. This was a simplistic approach but correct, she believed. Judge Loehrer stated the judges would be totally opposed to contributing 50 percent to their retirement.

Judge Loehrer continued, stating she did not believe the retirement system could be changed for monies which have already accrued, or for credits that have already accrued. If a judge has been on the bench for 15 years and is in the judicial retirement plan, they have earned a service credit of "X." During that term of office, none of those percentages can be changed. If that were done, everyone would receive 2.5 percent. It could not begin until 2003. She thought a very good argument could be made that all judges presently in judicial retirement could not be changed at all because they came in with a certain expectation. That is why they accepted the job, that is why they accepted the Governor's appointment, and until all those people retire, she thought they might have to be maintained in judicial retirement. Certainly, the legislature could stipulate that for anyone entering into the judiciary after the law goes into effect that they would be entered into the new program. On behalf of the Judges' Association, she would be opposed to that for the reasons set forth in the paper she presented to the Committee at the February 11, 2000, meeting. This opposition is based on the advanced starting age for the average judge in the State of Nevada. Many judges come to the bench looking forward to retirement because retirement differs in various firms. If a judge is faced with the decision of becoming a judge at age 50 or 55, knowing that in the last years of his career he will be earning very little toward public retirement, it will, in Judge Loehrer's opinion, cause fewer people to be willing to accept appointments at a later age in life. The average judge starting in the PERS system today, she said, could not retire with full retirement benefits until 75 years of age. Judge Loehrer stressed she was not at that age yet, but stated in her personal opinion, not in the opinion of the Judges' Association, the useful life of a judge is approximately 20 years. Judges, she admitted, become crotchety. It is a high stress job. Everyone, she admitted, has stress, but judges sign death warrants to execute people. Nine percent of judges die on the bench and never receive a penny under judicial retirement. The legislature recognizes that fire and police members are high stress jobs and particular provisions are made for those job careers. That, she thought, was the reason, and it was a good reason, for a shorter accrual period for full retirement for the judiciary.

Chairman Hettrick stated he appreciated Judge Loehrer's comments. He had not expected her to agree that the judges were in favor of this. He stated his intent was to inform her where the Committee stood and the direction they were headed. He wanted to be up front with her and not tell her something else. She was, he admitted, totally correct on the pay. Whether or not someone decides there is enough money to give a pay increase in addition to it, he did not know. He acknowledged a special accrual rate exists for fire and police members, but they contribute half of the total contribution required to finance their retirement. Somewhere, he thought, there must be some equity. Maybe the judges will ultimately be given a faster accrual rate, but at the same time, maybe that is offset and they will be required to contribute 50 percent of the contribution rate paid into the system. He asked Judge Loehrer to advise the Committee what the judges would prefer. If the Committee is to do what the judges want, that is survivor benefits, an actuarial system that is funded, and assurance they will receive benefits and not have to worry about the economy killing that sometime in the future because there is no money, then there may need to be offsets so the State of Nevada can afford to do that.

Judge Loehrer stated she and all the judges understood that. She suggested that paying part of retirement benefits may or may not be part of Governor Guinn's budget. The judges have received information, correct or incorrect, that the Governor's budget is going to propose the State pay all of the retirement, for all State employees. It was her recollection that at the time each State employee group made the decision whether they wanted to take a pay raise and pay part of their retirement, or whether they wanted the State to continue to pay their retirement and take a smaller pay raise, the legislature did not make the decision for them. That was her understanding of how each employee group made its decision, it was voted on, and the legislature, to her knowledge, did not make that decision, which was what she thought the Committee was proposing.

Senator Neal asked Judge Loehrer if she was opposed to the plan presented by Chairman Hettrick because it would create inequities in the system in terms of the years a judge would have to serve to be able to retire or was there another reason?

Judge Loehrer replied the rate at which service credit accrued was a very important item. Another reason was the proposal the judiciary pay 50 percent of their retirement based on the fact they would receive a pay raise. In the scenario Chairman Hettrick presented, whatever pay raise the judges receive is not really a pay raise, it is simply "staying even with the cost of living." The Committee then proposes taking that "staying even with the cost of living" away and put it into the 50 percent of funding the retirement. Judges have not stayed even, they have gone backward by

six years because of lack of cost of living increases. That would be totally unacceptable to the judiciary. It would be totally unacceptable to any employee in any situation.

Senator Neal asked if it was the inequity, or was it unconstitutional as she saw it to do it that way?

Judge Loehrer responded that to do what Chairman Hettrick suggested was simply inequitable and would be unfair to this particular group of employees. What she saw was a desire of the Committee to bring these two systems together. She felt the judiciary would also like to see the two systems come together. She did not know if the fix, however, is that judges elected on or after July 1, 2001, go automatically into PERS. All judges who did not come from the public sector, who came from the private sector, would have to know going in that they will accrue at a higher rate for the first four years, but their accrual is a 30-year accrual. The 29 judges who are in judicial retirement now accrue at 4.166 percent per year. There is a lot of difference between having total accrual in 22 years versus 30 years.

Senator Neal asked Judge Loehrer if she had a suggestion for the Committee as to what accrual rate, in terms of years, would be suitable.

Judge Loehrer stated her group would like to see full accrual in 18 years as that represented three six-year terms. Her personal opinion was that the useful life of a judge is about 20 years. The judges would certainly never agree to go out farther than 22 years, and the Committee probably does not want to go less than 22 years, but the judges would not want to lose ground.

Senator Neal said the judicial retirement plan fully accrues at 22 years.

Judge Loehrer said a difference with that plan is that under judicial retirement a judge retires with the highest one-year salary; under PERS the highest three years are averaged. That is another fundamental difference between PERS and judicial retirement.

Senator Neal asked if the Committee decided on the 22-year accrual rate, could equity still be achieved.

Yes, Judge Loehrer responded, and stated the judges had discussed that issue with Mr. Pyne who expressed concern about certain tax ramifications which, to date, have not applied to State retirement. She believed it would not be a problem if judicial retirement funds were in a separate trust fund. Mr. Pyne, she continued, had a concern with some people being funded at a different accrual rate than others. Judge Loehrer believed that as long as the judges' retirement was held in a separate trust fund and under separate statutes, no problem would exist.

Mr. Pyne stated that if the judges' plan remained a separate trust fund, an actuarially funded trust fund or even as this is today, there is some insulation or separation from the PERS plan with respect to the accrual rate of 4.166 percent. Although Mr. Pyne could not speak for the Board, he said staff would be very opposed to any occupation group accruing benefits at a higher rate than any other group. Police and fire members do not accrue benefits at a higher rate than other members do. All members accrue benefits at 2.5 percent per year. Police and fire members retire earlier as a matter of policy. The PERS plan is a uniform plan for the most part. Uniform benefits and uniform structure across all occupation groups. Many occupation groups need additional education or certification to become doctors, nurses, lawyers, CPA's, judges, etc. They all are in PERS. They all accrue benefits at the same rate. Mr. Pyne was certain the Board would not want to veer from that as it would set a very dangerous precedent for splintering a very uniform, defined benefit plans.

Senator Neal emphasized he understood Mr. Pyne but said it was already split within the judicial system. There are two retirement plans for the judges and the Committee was endeavoring to find a way to bring those two together and make them mesh into one suitable for the judges.

Mr. Pyne reiterated that if the Committee wanted to treat the judges differently, he asked that it be done in their own retirement system.

Judge Loehrer acknowledged she understood exactly what Mr. Pyne had said. However, he said everyone accrues at the

same rate, across the board. It is not consistent and perhaps is only because PERS has done such an outstanding job with investments that PERS is able to do the things it does for police workers without raising the money that must go in on their side at the 2.5 percent accrual. The difference is when police workers retire, at whatever age, they receive the full retirement they are entitled to at that time. When they die, their spouse continues to receive that retirement during the spouse's lifetime. Whereas, every other State employee, if they wish to elect a survivor benefit for their spouse, must take a reduced amount of money, depending on the ages of the spouses.

Mr. Pyne remarked he did not want to argue over PERS benefits, but said the Nevada Revised Statutes stipulate the police officers themselves, as employees, pay for the full cost of that benefit, determined to be 1 percent (of contribution rate) by the system's actuary back in 1981.

Chairman Hettrick responded police and fire employees have a higher contribution rate to help offset that benefit. It is true, there are differences in some of the benefits, but it is being paid for by the participants in the PERS plan.

Senator Neal said he was trying to determine some means by which the Committee could cure the problem and do no harm to anyone. He asked Mr. Pyne if he had a problem with the full accrual rate of 18 or 22 years for judges.

No, Mr. Pyne replied, he did not have a problem with the accrual rate. He did not have a problem with the judges' plan as it exists today. He thought the primary issue with that plan was it needed to be funded on an actuarial reserve basis rather than on a pay-as-you-go basis. Obviously, the discussion had veered away into a benefits discussion. His only comment was that the PERS plan is a very uniform plan in terms of benefit structure. He did not believe the Board would like to see exceptions carved out there. If the judges' plan is actuarially funded, and it gives them benefits that accrue at different rates for whatever reasons the legislature deems appropriate, he stressed keeping them in a separate actuarially reserved plan. The pension system could still administer it. He thought the legislature would be bombarded with requests for separate types of benefits if this precedent were established. The statute states 2.5 percent for each year of service and you will not find any other number in statute with respect to the accrual rate for benefits or the service time factor for benefits in our system.

Judge Loehrer suggested the simple answer was instead of the money going into PERS because it is a defined entity, judges would be accruing in the judicial retirement system. That would begin accruing on an annual basis and the money, the \$10 million or the \$23 million, would be put into that system. It would be a separate retirement system.

Senator Neal questioned how Judge Loehrer and Chairman Hettrick could agree on one plan.

Chairman Hettrick agreed that both sides must be willing to compromise. A part of the problem is that it is not simply up to this Committee, the Governor must also agree to a budget number and all this Committee can do is go with the recommendation. Chairman Hettrick had recently spoken with Judge Michael Gibbons in Gardnerville who had expressed concern that if \$10 million were placed into this plan, it might be suggested judges do not even deserve a pay raise. Chairman Hettrick stressed he totally disagreed because the \$10 million or the \$23 million is one-shot money. It is not pay raise money which is paid from the on-going revenue stream. However, on the same note, that is a difference in terms of funding a plan that was never done for anyone else where, to go back, get it onto an actuarial basis, and fund the unfunded liability. There is a difference. What the Committee is talking about is paying the pay increase and the \$10 million. What the judges have to decide at that point if they were to agree, is whether or not it is worth it to have an actuarially funded plan that provides the benefits they want. That is the decision. You are buying something, you are not losing the money, you are buying something. It is not as if judges would not get it, they would receive it in benefits. It is a determination that must be made whether or not it is worth it to buy that benefit for those dollars.

Judge Loehrer responded that if the pay raise is large enough that judges stay with the cost of living, actually put a couple more dollars in their pockets, and there is enough money to pay part of retirement, absolutely no one would be opposed to that. It would depend on how large the pay raise is. Judges cannot look into a crystal ball.

Chairman Hettrick replied the judges probably could look into a crystal ball because pay raises were given to Constitutional Officers in 1997, and the increase in CPI was provided. An exception was made for the Lt. Governor. That position is becoming much more full time and an adjustment was made specific to that office. Beyond that, CPI

was provided. It has averaged a little over 2 percent. It has not been done for six years. You are looking at about a 12 percent increase. Chairman Hettrick did not think there would be a huge movement by anyone to go beyond that number.

Judge Loehrer stated the judges would suggest a salary that is specified at whatever the legislature says, and then an annual cost of living increase. Cost of living increases, she said, are given to all other State employees, it happens every year or every other year. Judge Loehrer said when judges are given a cost of living increase, because there is a constitutional provision which disallows them receiving a pay raise during a term of office, they are always that many percentage points behind. It may be increased this year, but the judges did not get a pay increase this year. It is going to increase next year, but the judges will not get a pay increase next year. Judges are always behind the curve. The judges ask that whatever their pay is, that it contain a provision that annually it is increased by the cost of living increase, or CPI, so that judges do not sit for six years while the cost of living increases, and while other State employees receive cost of living increases. Judges are the only group that sits for six years and gets nothing. At the end of six years when the judges ask for a pay raise of \$20,000, \$25,000, or \$30,000, it is a huge unsaleable number. People get in an uproar because of the large number. It would not be that large a number if judges received annual cost of living increases.

Chairman Hettrick stated he understood, but cost of living increases were outside the discussion of this Committee. He reported that last year State employees did not receive any increase in pay, and the judges will most likely receive their 2.5 percent. He could not resist telling Judge Loehrer that legislators had not received a pay increase in 16 years – none whatsoever.

Judge Loehrer countered that legislators vote on that issue, judges do not have any vote.

Chairman Hettrick responded legislators could not even receive 20 percent and that number is not one tenth of what judges were asking. He argued this simply because he felt sooner or later a pay adjustment must be made for legislators, not for his benefit for he would be in the same position as Judge Loehrer, he would have to run for election again. It is not an argument to be discussed in this Committee. It is highly unlikely, he continued, an automatic COLA for CPI would be approved for any group in the State. If it were done for one group, every other group would want an automatic COLA for CPI. If that were done, there might as well not be a legislature and a Governor with a budget because there would be no control. Everything would be automatic. It would increase whether anyone liked it or not. In addition, it is a guarantee that taxes would increase or services would need to be cut. The legislature is supposed to make those decisions. If that is not done, if it is simply automatic, the legislature is not needed.

Chairman Hettrick asked Judge Loehrer to have a discussion with the members of the Judges' Association concerning the 2.5 percent 30-year accrual. He stated he understood it was a 30-year accrual, but is faster through the first 10 years and equal at the 10th year. It actually increases costs slightly for the State because currently there is no funding requirement the first four years. The whole issue comes down to dollars – where the money comes from. There are only so many dollars. Tradeoffs will have to be made.

Judge Loehrer stated she understood and acknowledged this was not a salary committee. She said the legislature looks at attorneys, and perhaps doctors who work for the university medical center, as being the highest paid employees. Everyone else receives less pay. The thought is the attorneys and doctors are already high paid, so why not just leave them along, do not give them a raise. Half the judges live in Clark County. The North Las Vegas city judge, who does not have to be a lawyer, who works four days a week, earns \$96,000 a year while Judge Loehrer admitted she earns \$100,000 a year. The largest case the city judge handles is a six-month sentence in jail for drunk driving and a six-month sentence in jail for domestic violence. That it all. The Committee must consider where the judges live and what the market is.

Chairman Hettrick appreciated Judge Loehrer's comments and stated the same problem exists repeatedly. Clark County, he said, quite frankly has much more money than the legislature does.

Judge Loehrer suggested the legislature make the judges county employees. It would take a constitutional change, but let the counties pay their judges.

Chairman Hettrick suggested perhaps the judges need to tell the Committee they would take care of their own retirement, and buy their own plan in exchange for \$150,000 a year. Give the Committee some idea of what the judges want. He felt Governor Guinn would ask, and the Committee has begun to explore, whether or not there is any way to provide this pension plan in the private sector. Whether there is a way to make a one time funding, or purchase, or take the money that would be added annually and put it into a privately funded or annuity-type situation where it would be guaranteed through the private sector. Chairman Hettrick felt certain Governor Guinn would ask if the Committee had explored any possibility of this being done in the private sector.

Judge Loehrer appreciated Chairman Hettrick's comments, and stated the judges would work on that and come back with suggestions or proposals for the next meeting.

Senator Neal questioned what Chairman Hettrick meant when he referred to the private sector.

Chairmen Hettrick said it was possible to obtain annuities or whole life insurance policies which insure the life of a judge the day that judge begins working for the State of Nevada. The State would pay the premiums. When the judge retired, if the money had not been used for a death benefit, the cash value remains in certain types of insurance products. The cash value might fund some portion, or all, of benefits or survivor benefits.

Senator Neal said that in other words the Committee would gamble with their retirement.

No, Chairman Hettrick replied, it is not a gamble because it is moved to the private sector and is guaranteed through an annuity. He did not suggest this be done, he only suggested the Governor might question if the Committee has explored that avenue. This possibility must at least be explored.

Judge Loehrer responded she would return to the Committee with some scenarios from the Judges' Association. She would also speak with the insurance industry to see what types of proposal they suggest.

Senator Neal said he had a problem with the question even being asked as it relates to judges, tying them into a private system rather than putting the responsibility on the State where it belongs. Judges answer to the people of the State of Nevada.

Chairman Hettrick assured Senator Neal the State would not abandon any responsibility because the State would pay for it, it would simply be a retirement benefit purchased in annuity form rather than putting it into a pension system. That would be the only difference between the two systems. The State would still be responsible and would still have control.

Senator Neal questioned what would happen if the insurance company went out of business, and it then became a problem for the State to deal with. He felt if the State has the responsibility, it should take the responsibility fully.

Chairman Hettrick asked for comments from the public, or from anyone in Carson City. There were none.

The next meeting of the Committee was scheduled for June 8, 2000, at 9:30 a.m. in Las Vegas. Chairman Hettrick suggested Judge Loehrer be prepared to present the Judges' Association's plan on what they prefer to the Committee. Discussion would follow and a meeting would be scheduled 30 days later at which time the Committee would make its recommendation.

The meeting adjourned at 10:35 a.m.

Respectfully submitted,

Jo Rasey, Secretary

Fiscal Analysis Division

Approved:

Lynn Hettrick, Chairman
Legislative Commission's Interim Committee to Study
Pension Plan for Certain Justices and Judges

Date: _____