



NEVADA FACULTY ALLIANCE

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Date: December 14, 2024

To: Interim Retirement and Benefits Committee

From: Kent Ervin, Nevada Faculty Alliance

Subject: PERS Actuarial Report and Retirement Contribution Increases

The Nevada Faculty Alliance (NFA) is the independent statewide association of professional employees at the colleges and universities of the Nevada System of Higher Education (NSHE). All of our Classified colleagues and about 15% of NSHE academic and administrative faculty are members of the Nevada Public Employees' Retirement System (PERS). The other faculty members have a defined contribution retirement plan with contribution rates identical to PERS rates per statute.

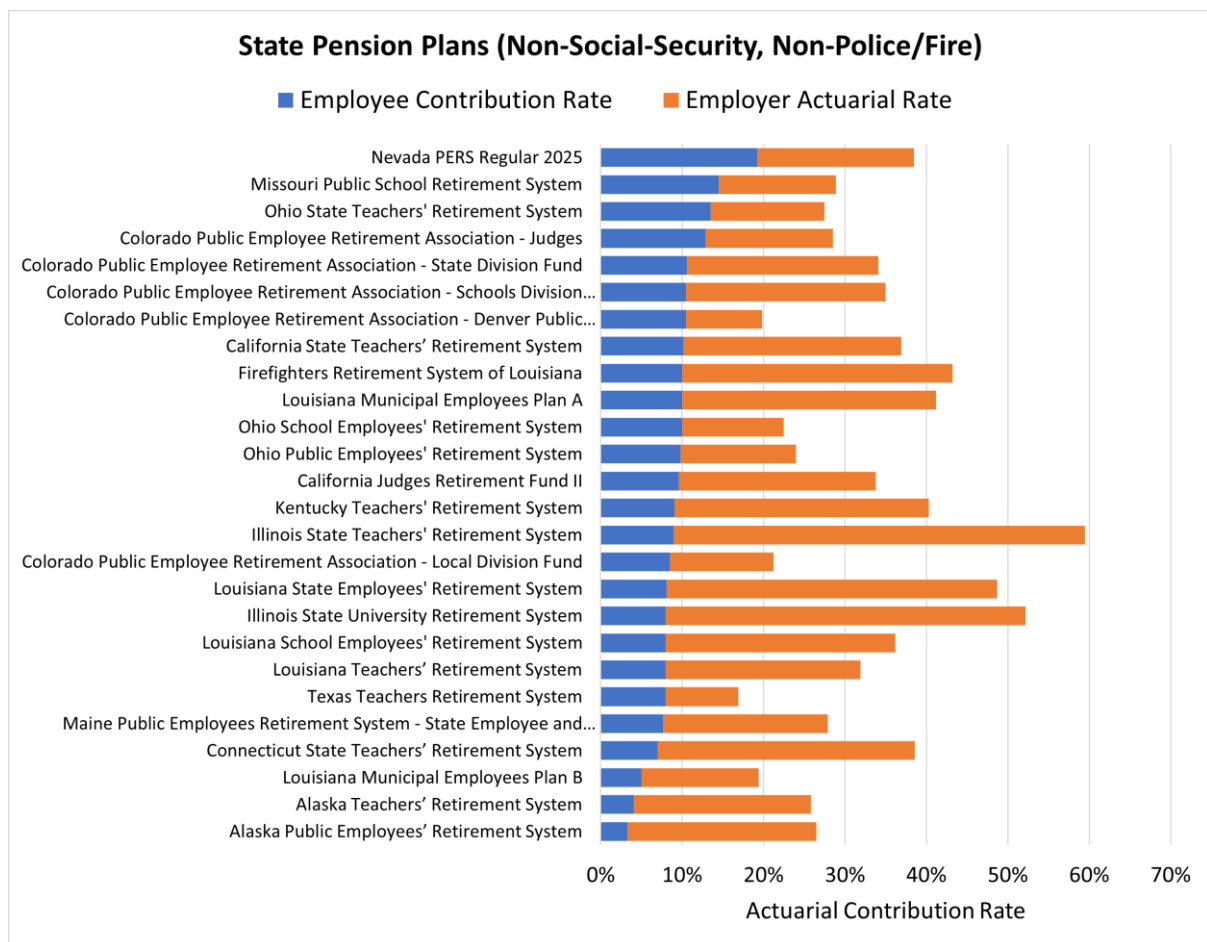
First, kudos to PERS for its low-cost, disciplined investment approach. Its investment returns have exceeded peers, placing in the top decile over the past 5, 10, 20, and 40 years. PERS has just two investment professionals on state salaries with no bonuses, unlike some other state pension funds with investment staffs of 10s or 100s and millions paid out in performance bonuses. PERS's overall expense ratio of 0.129% is one of the lowest in the nation.

The actuarial pre-funded ratio for PERS is stable at 75.6%. The more fiscally conservative assumptions adopted in 2022 to estimate future liabilities mean its financial strength actually has improved.

However, another consequence of those assumption changes, phased in over two biennia, is that contribution rates for Regular employees increased sharply by 2.00%+2.00% (Employee+Employer) on 7/1/2023 and will increase again by 1.75%+1.75% on 7/1/2025. For Police/Fire employees, the increases are 3.00%+3.00% on 7/1/2023 and 4.25%+4.25% on 7/1/2025. **These contribution increases place a significant burden on the state budget and on the paychecks of state employees.**

The Nevada PERS Board must accept the actuaries' recommendations, per statute and the constitution. The actuaries recommended assumption changes for PERS to be more fiscally conservative in 2021. After a two-biennium phase-in period, the higher contribution rates will be fully in effect as of July 2025.

The chart below shows employee contribution rates and employer actuarial contribution rates for the 26 state pension systems for employees who don't pay into Social Security. Nevada PERS's total actuarial contribution rate ranks higher than 77% of the plans. That is probably not out of line given its mature population (lots of retirees) and fiscally conservative actuarial assumptions. However, Nevada PERS has the very highest pension contribution rate for state employees among the comparable pension systems. The employee contribution is set by statute at 50% of the total actuarial rate. The 19.25% (regular) or 30.0% (police/fire) employee contributions make already below-average wages even lower in take-home pay. This places Nevada state employees at a significant disadvantage compared with county and municipal



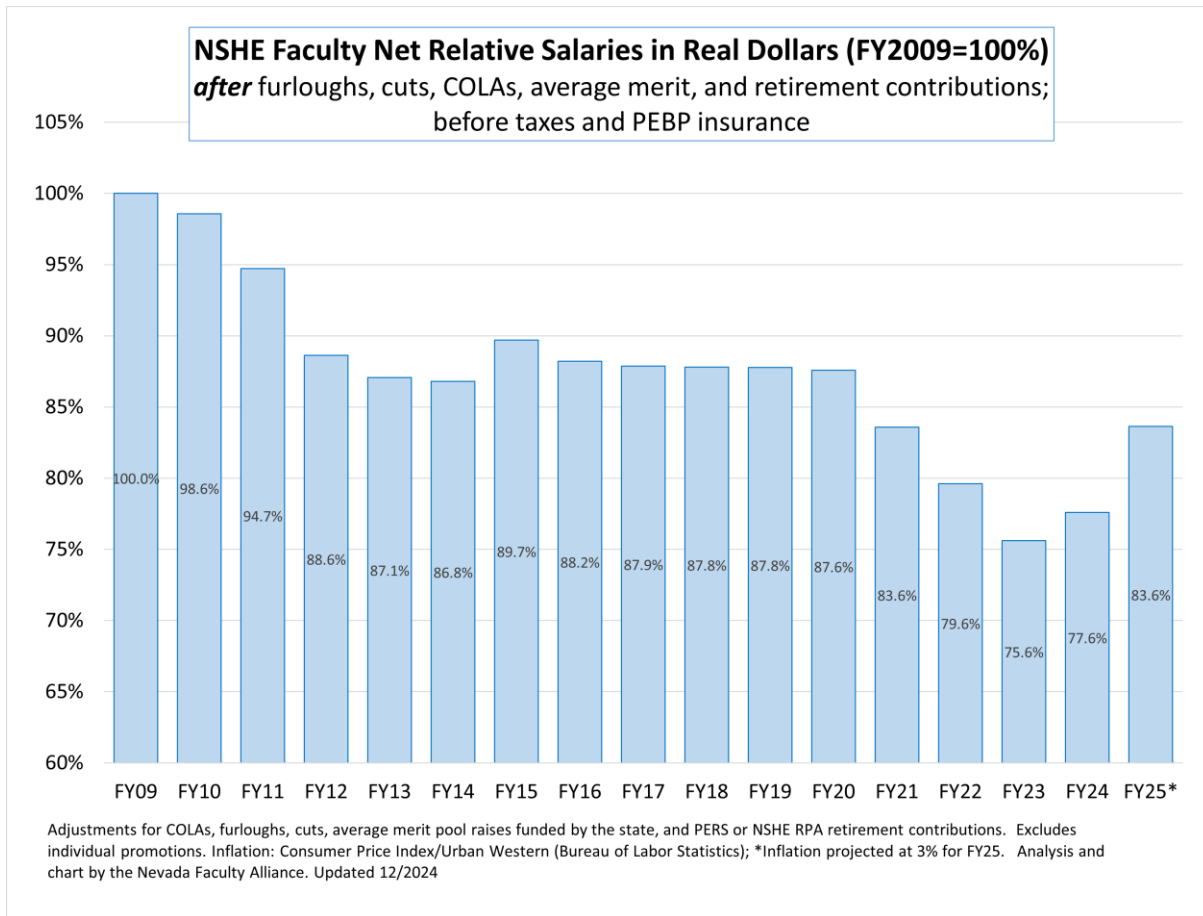
Pension plan contribution rates for 2022 in states whose employees are not covered by Social Security. Data source: <https://equable.org/pension-contributions-by-state-2022>. Chart created by NFA.

employees and for NSHE faculty compared with higher education faculty in other states. Most states without social security limit employee contributions to about 10% or less.

With AB522 of 2023, the Legislature passed cost-of-living adjustments (COLAs) for state employees, 12% (offset by the 2% increase in retirement contributions) on 7/1/2023 and 11% on 7/1/2024 (delayed to 10/1/2024 for NSHE faculty). Those were historic adjustments, but still only partially offset years of state employee compensation lagging inflation. Comparing state COLAs to CPI Urban/West inflation from FY2009 through FY2025, state employee salaries have lost 8.2% in purchasing power. In addition, employee retirement contributions have increased from 10.5% to 19.5% over the same period. As shown in the chart below, real take-home pay for NSHE faculty has declined 16.4% since FY2009 after accounting for inflation, COLAs, retirement plan contributions, and state-funded merit raises. Without additional COLAs for 2025-2027, take-home pay for state employees will decline again.

To prevent real take-home pay for state employees from further deteriorating due to inflation and the retirement contribution rate increase, the Nevada Faculty Alliance advocates for a 5% cost-of-living adjustment for 7/1/2025 and a 3% COLA for 7/1/2026 for all state employees. The COLAs for NSHE should be fully funded by the state to avoid further burdening students with increased registration fees.

Thank you for the opportunity to provide this information and analysis.



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The [Nevada Faculty Alliance](#) is the independent statewide association of professional employees of the colleges and universities of the Nevada System of Higher Education. The NFA is affiliated with the [American Association of University Professors](#), which advocates for academic freedom, shared governance, and faculty rights, and the [American Federation of Teachers/AFL-CIO](#), representing over 300,000 higher education professionals nationwide. The NFA works to empower our members to be wholly engaged in our mission to help students succeed.