

PERS: Local Government Employees

Retirement benefits available to public employees through the Public Employees' Retirement System are financed by contributions from employees that are withheld from paychecks and from employers, frequently on a matching basis. These contributions provide the capital that PERS administrators then invest over time in order to build an asset capable of providing pension payments to the employee upon retirement.

Theoretically then, PERS retirements are financed jointly and equally by the employee and the employer. Each year, the system's actuary calculates the total annual contribution into the system that must be made in order to meet its future obligations and then breaks this amount down into a percentage of payroll. The current Actuarially Required Contribution amount is 33.5% of pay for regular employees and 50.0% of pay for police and firefighters. Of this amount, state law requires that employees contribute half, or 17.5% for regular employees and 25.75% for police and firefighters. The employing jurisdiction then matches this contribution.¹

In practice, however, many local-government employees do not contribute their half because they have secured provisions in their collective bargaining agreements stipulating that the employer will make the full contribution.

Key Points

Local-government employees already receive more in salary than state employees. According to data from the U.S. Department of Labor, Nevada's local-government employees receive an average salary that is 10th-highest in the United States. State employees, however, receive an average annual salary that ranks 25th nationally, while workers in private industry receive an annual salary ranking 28th nationally.²

This means that Nevada's local-government employees are paid disproportionately to their peers in state government and private industry even before accounting for any difference in benefits. Their ability to evade personal contributions into PERS through collective bargaining agreements further inflates their take-home pay amount, vis-à-vis state employees, by 17.5% for regular employees or 25.75% for police and firefighters.

Pay disparity belies claims on employer certification filings. In order to prevent local-government employees and their unions from forcing all retirement costs onto the employer, lawmakers began requiring local governments to certify that any amounts paid by the employer above 50% of contributions are (1) made in lieu of salary increases; or (2) offset by reductions in base salaries. While local governments file annually with PERS and make these claims, such claims are undermined by the pay disparity between state and local-government workers for similar work. Instead, the annual employer certification letters appear to be a formality for satisfying the conditions of union contracts while ostensibly following the law.

Nevada's local governments spent nearly \$1.5 billion during the 2015–2017 budget cycle to pay employees' share of PERS contributions. This amount is over and above what local governments pay to PERS on a matching basis with employees according to state law. This expense is for picking up the employees' portion of PERS contributions in addition to the employer's portion.³

Recommendations

¹Nevada Revised Statutes, 286.410.

²See "Employee Earnings."

Require local-government employees to make personal contributions toward their retirement, as intended. State employees already follow the spirit of the law by contributing half of annual PERS payments from their paychecks. Local-government employees should be required to contribute with no loopholes for union contracts to exploit.

State Controller Ron Knecht proposed to balance the state budget in 2015 without tax increases, largely by requiring that local-government employees come only halfway to parity with their peers at the state level, contributing 7.0% of pay to PERS for regular employees and 10.0% for police and fire.⁴

Example Employer Certification Letter to NV PERS

Public Employees' Retirement System of Nevada
 693 W. Nye Lane, Carson City, NV 89703 (775) 687-1200 Fax (775) 687-5131
 5820 S. Eastern Ave. Suite 200, Las Vegas, NV 89119 (702) 486-3900 Fax (702) 678-6934
 7455 W. Washington Ave. Suite 150, Las Vegas, NV 89128 (702) 486-3900 Fax (702) 304-0697
 Toll Free 1-866-473-7768 Website www.nvpers.org

2015 Contribution Rate Change Certification

Agency Name: **Clark County**
 Agency Number: **303**
 Contribution Report Affected By New Rate: **AUGUST 2015**

INSTRUCTIONS

NRS 286.421(3) requires each employee to cost share 50% in the contribution rate, including contribution rate increases, through one of two methods: (1) in lieu of equivalent basic salary increases or cost of living increases; or (2) by reduction of salary.

- A. In the box below, place an "L" in the space next to each employee group that paid the employee portion of the contribution rate increase "In Lieu Of" a promised pay increase effective July 1, 2015.
- B. In the box below, place an "R" in the space next to each employee group that paid the employee portion of the contribution rate increase by a salary reduction effective July 1, 2015.

Employee Group*	Indicate "L" or "R"
1. <i>Regular Members</i>	<i>R</i>
2. <i>Police/Fire Members</i>	<i>N/A - No rate change</i>
3.	
4.	
5.	
6.	

*Employee Group represents Regular & Police/Fire Members

[Signature]
 Liaison Officer Signature

07/09/15
 Date

RECEIVED
 JUL 09 2015
 PERS OF NEVADA

³ Nevada Controller's Office, "Balanced Plan for Growth," Presentation Delivered to Assembly Taxation Committee, May 14, 2015.

⁴ Ibid.