

# AB190 PENSION REFORM ACTUARIAL ANALYSIS

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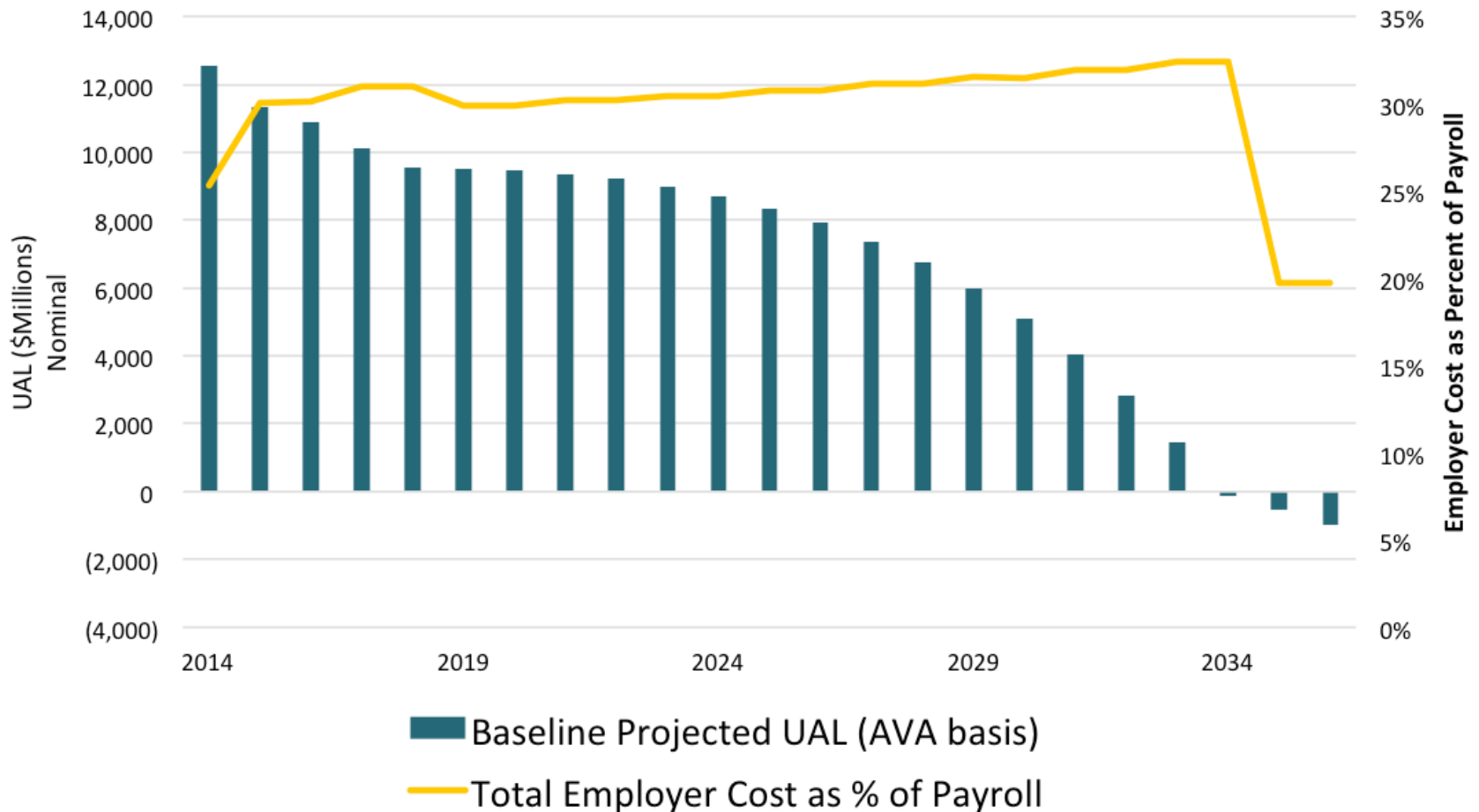
Nevada Assembly Committee on Ways and Means  
Reason Foundation | 04.15.15

# Key Considerations for AB190

1. The fiscal effects of the legislation;
2. How the legislation changes taxpayer risks;
3. How benefits for new employees would compare to legacy employees; and
4. Why the proposed amendments to AB190 are important for getting pension reform right

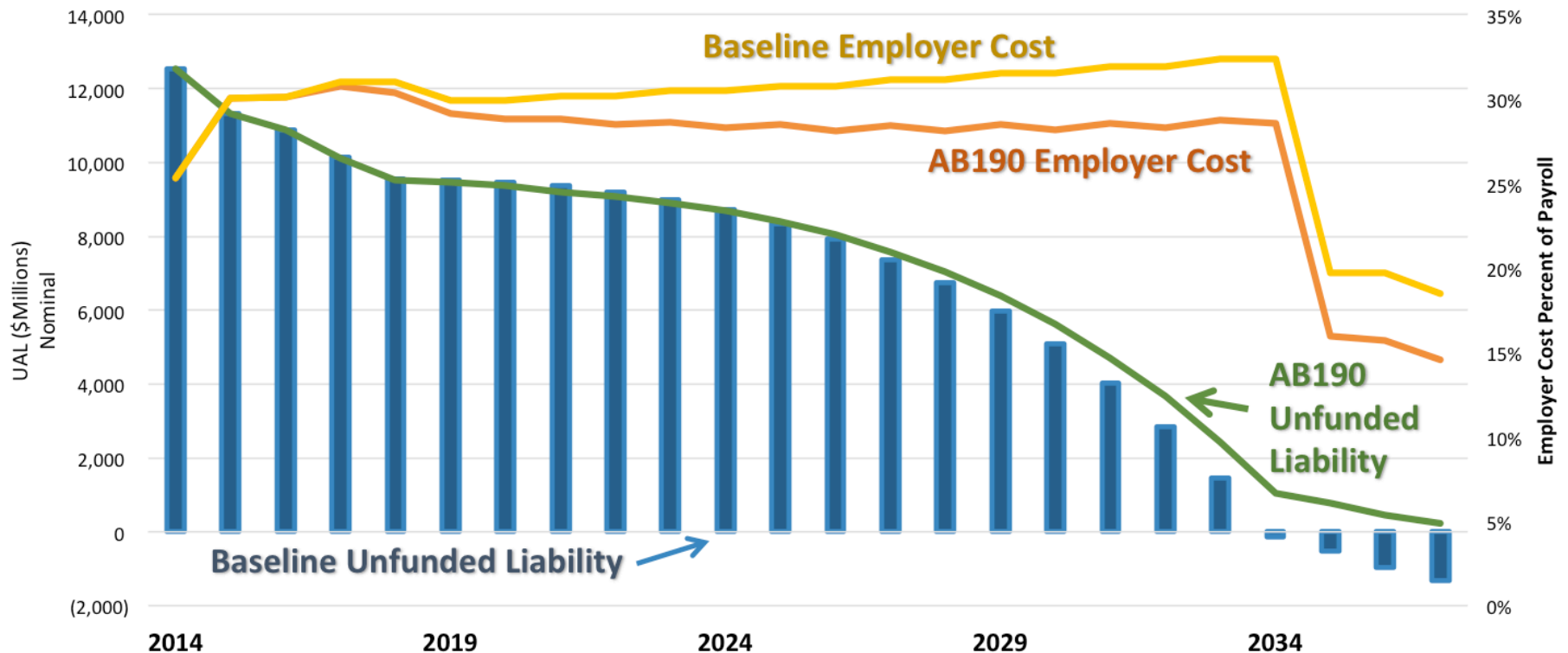
# Fiscal Effects: Baseline

**Projected Unfunded Liability (AVA basis) and Total Employer Cost  
NV PERS Current DB Plan (Regular & Safety Combined)**



# Fiscal Effects: Baseline v. AB190

Projected Unfunded Liability (AVA basis) and Total Employer Cost  
Current DB Plan (Combined) vs. AB190



Projected UAL (AVA basis) - Baseline

Projected UAL (AVA basis) - AB190

Total Employer Cost as % of Total Payroll - AB190

Total Employer Cost as % of Payroll - Baseline

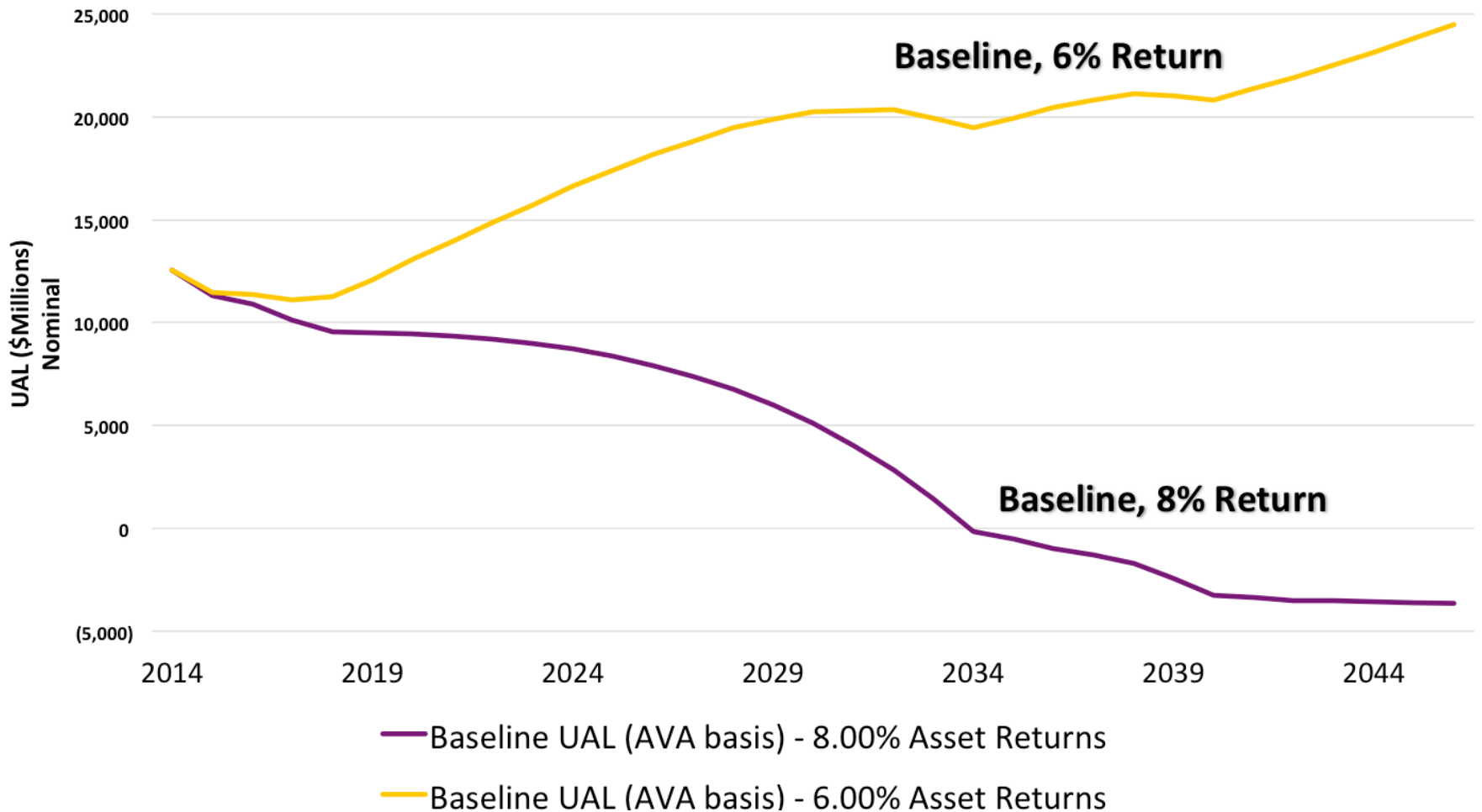
# Fiscal Effects: (Cost)/Savings

(Inflation adjusted)

Fiscal Year	Regular	Public Safety	Combined Savings
FY2017	<b>\$12</b> million	<b>\$2</b> million	<b>\$14</b> million
FY2018	<b>\$27</b> million	<b>\$6</b> million	<b>\$33</b> million
<i>Cumulative Savings</i>			
FY2017-2021 (5yrs)	<b>\$177</b> million	<b>\$39</b> million	<b>\$216</b> million
FY2017-2026 (10yrs)	<b>\$604</b> million	<b>\$150</b> million	<b>\$754</b> million
FY2017-2036 (20yrs)	<b>\$1.85</b> billion	<b>\$576</b> million	<b>\$2.42</b> billion

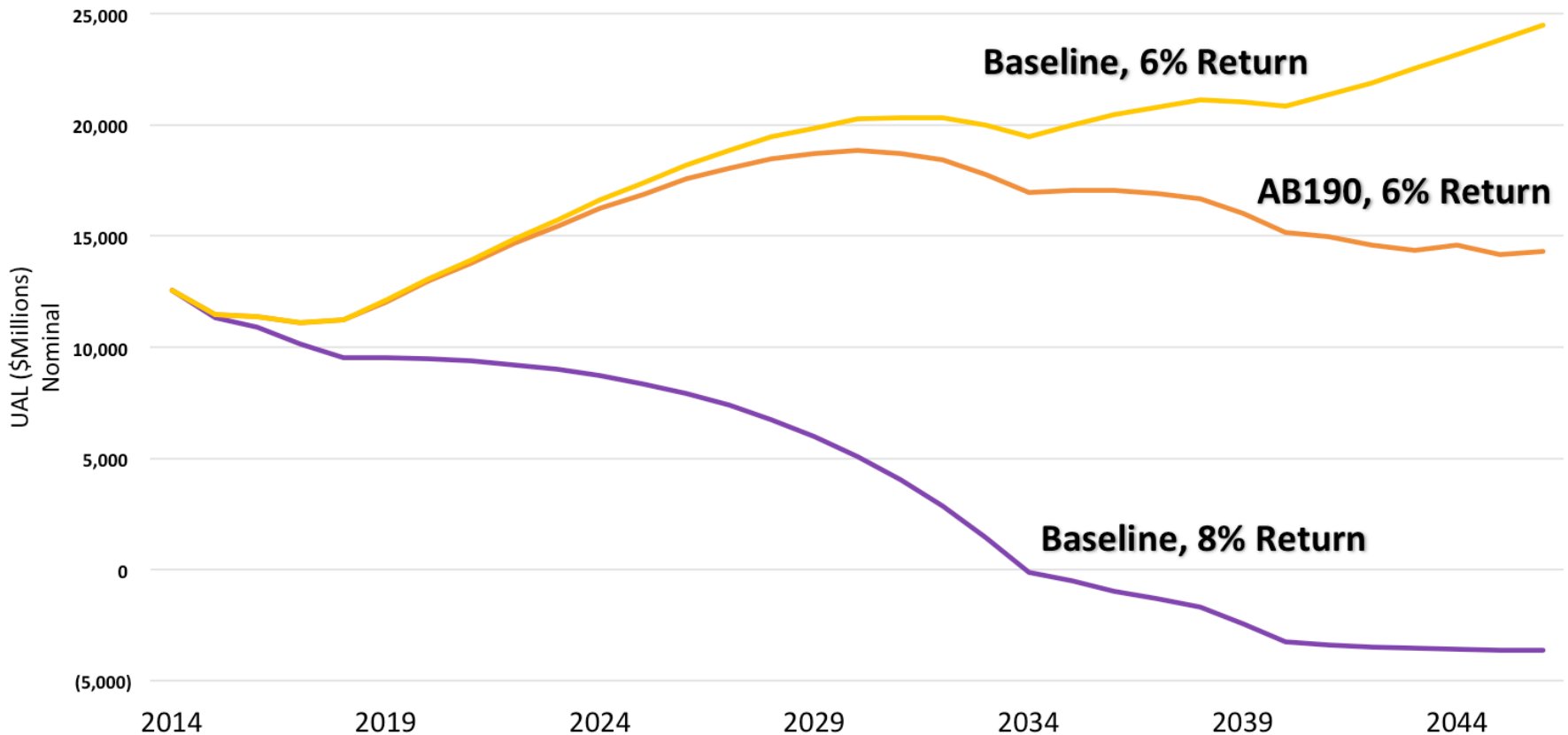
# Risk Effects: Debt Growth Exposure

Projected Unfunded Liability (AVA basis) for Current DB Plan  
8.00% vs. 6.00% Asset Returns



# Risk Effects: Debt Growth Exposure

Projected Unfunded Liability (AVA basis) under AB190  
8.00% vs. 6.00% Asset Returns



— Baseline UAL (AVA basis) - 8.00% Asset Returns

— AB190 UAL (AVA basis) - 6.00% Asset Returns

— Baseline UAL (AVA basis) - 6.00% Asset Returns

# Benefit Replacement Rate

Retirement Age	Regular Employees		Public Safety Employees	
	Baseline	AB190	Baseline	AB190
52	41%	45%	64%	64%
57	72%	59%	71%	98%
62	72%	79%	71%	127%
67	72%	117%	71%	166%

- Sample Employee: Age 25; starting salary \$30,000
- Assumptions: 3.5% inflation; 8% DC investment returns
- Ratio based on a 4% annuity conversion rate for DC account



# Amendments in Our Model

- Our model and analysis are consistent with all amendments being offered on AB190 today

(1) We keep the amortization schedule for the legacy pension debt the same as the status quo. This means amortization costs won't go up.

- There is *no requirement* that Nevada changes how the legacy debt is amortized and paid if AB190 is adopted.
- Changing the amortization schedule as Segal did in their analysis for the fiscal note on AB190 is a possible policy choice: it means increasing near-term employer costs, but with the benefit of paying off the pension debt faster.

(2) We keep the same D&D benefits and COLAs as for current employees

(3) We adopt actuarially equivalent retirement factors for hybrid employee early retirement

# Thank You

AB190 Actuarial Analysis

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