Senate Committee on Government Affairs
Senate Bill 418, March 28, 2025
Teresa Chalmers, Chief Administrative Analyst

Chair Flores, members of the committee, Teresa Chalmers, Chief Administrative Analyst of the Public Employees' Retirement System. Also here with me today is Ian Carr, the Retirement System's General Counsel.

Senate Bill 418 was requested by the Retirement System to strengthen the procedures available to the System to collect delinquent contributions due from public employers and to apply those procedures equally across the more than 200 public employers that participate in the System. This bill is important for the protection of all public employees' retirement accounts and the trust fund from which public employees' retirement benefits are paid. I will first provide the Committee with the background that led to the request for this bill and then I will go through the provisions of SB 418.

Public employee retirement benefits are funded by employer and employee contributions required by NRS 286.410, NRS 286.421, and NRS 286.450 and the investment earnings on those contributions. NRS 286.460 requires public employers to submit accurate payroll reports, along with the contributions due on a monthly basis no later than 15 days after the end of the reporting period, with an extension for any legal holiday that falls with that period. The employers remit both the employee and employer contributions to PERS, regardless of whether the employee pays the employee portion by a reduction of salary or by after tax deductions from their salaries. These payroll reports and contributions are necessary for the System to build and maintain the employees' retirement accounts. This includes the information and amounts necessary for crediting the service and salary to calculate retirement benefits and the amount of employee contributions available for an employee to withdraw, should they choose to terminate employment and refund their contributions rather than to collect a retirement benefit.

PERS cannot credit employees with service credit or employee contributions until PERS has actually received the contributions due. While a vast majority of our public employers are very responsible in making their contributions, some have proven to be problematic. Consequently, if employers are delinquent in paying the contributions, that will delay employees' retirements or withdrawal of contributions. This can be the case even though the employer has already withheld those employee contributions from the employees' paychecks and the employee has had federal taxes withheld.

Investment earnings fund the majority of the retirement benefits that are ultimately paid to PERS' retirees. The foundation of the investment earnings are the contributions that are invested. Late contributions may lead to lost investment opportunity for the trust fund. In addition, PERS receives and pays out hundreds of millions of dollars monthly. Late contributions may impact PERS' cash flow management. Thus, timely contribution payments from public employers are important to our public employees and the trust fund.

Soon after an employer is detected as late in remitting contributions, PERS' staff engages with the public employer to determine the cause of the delinquency and if there is anything PERS can do to help the employer to pay the contributions. Oftentimes, this initial engagement will resolve the issue. Other times, PERS staff must continually engage the public employer without positive results. If staff engagement is unsuccessful, PERS staff brings the delinquency to the Retirement Board's attention.

NRS 286.460 provides the Retirement Board with the authority to assess penalties to a public employer for late contributions. This is an important provision to mitigate the risk of late contributions. However, if PERS is having trouble collecting the contributions, the penalties can likewise be difficult to collect. NRS 286.462 does provides a collection procedure. This statute requires PERS to notify the Department of Taxation if an employer is 90 days delinquent in contributions and request the department to take actions necessary in accordance with NRS 354.665. By the time contributions are 90 days delinquent allowing for a complaint to the Department of Taxation, PERS has typically spent significant staff time trying to resolve the issue, particularly when that employer has employees attempting to retire or refund contributions during that time period.

The Department of Taxation has always been extremely responsive and this process has worked well for certain types of employers. More recently, the Department of Taxation has not been able to assist with the collection of delinquent contributions because the Department of Taxation does not have authority over certain types of public employers. This may leave the Retirement Board with few options outside of litigation. This led to the request for SB 418 to provide a similar procedure to the current mechanism that will allow PERS to seek assistance from the appropriate agency with statutory authority over each of our different types of public employers, whether it be a state agency, local government, school district, charter school, or the judicial or legislative branch. Over the last two years, we have had 9 public employers 90 days to 1 year late in making contributions that Department of Taxation was unable to assist PERS with. This can be a particularly difficult situation if it involves a certain public employer, such as a charter school, which can cease to exist with little advance notice and without paying for all of its liabilities.

Section 1 of SB 418 amends NRS 286.462 to require PERS to notify the appropriate authority when a public employer is delinquent by more than 90 days in paying contributions as follows: the State Board of Examiners for State executive branch agencies, the Office of Court Administrator for the State judicial branch, the Director of LCB for the State legislative branch, the Department of Taxation for local governments, and the Superintendent of Public Instruction for school districts and charter schools. Section 1 always provides a source of payment for any agency reported to the State Board of Examiners. Section 2 amends NRS 353.264 to allow the State Board of Examiners to expend funds from the Reserve for Statutory Contingency Account.

Section 3 amends NRS 354.671 to include contributions owed to PERS in an existing procedure in place for the Department of Taxation to collect delinquent amounts owed to the Public Employees' Benefits Program by local governments. Section 4 amends NRS 387.1244 to provide a mechanism for the Superintendent of Public Instruction to deduct amounts otherwise payable to a school district or charter school to pay the contributions due. Section 5 provides that SB 418 would be effective upon passage and approval.

That concludes my prepared remarks. I would be happy to answer any questions.

For the record, Teresa Chalmers. We would like to thank the Senate Committee on Government Affairs for allowing us to present SB 418 today and Senator Dondero Loop and the Senate Committee on Finance for sponsoring this bill and for giving this important issue the attention we strongly feel it deserves. Thank you!