

**ADOPTED REGULATION OF
THE COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R010-13

Effective March 28, 2014

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-16, NRS 354.107.

A REGULATION relating to governmental financial administration; requiring local governments to provide a total discounted estimated actuarial liabilities report concerning certain benefits; providing standards and requirements for actuarial studies; and providing other matters properly relating thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 16, inclusive, of this regulation.

Sec. 2. *As used in sections 2 to 16, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 8, inclusive, of this regulation have the meanings ascribed to them in those sections.*

Sec. 3. *“Actuarial study” means a report prepared and signed by an actuary who is designated as an Associate of the Society of Actuaries or has a similar credential from a similar professional organization of actuaries.*

Sec. 4. *“Compensation and medical benefits” means the compensation and medical benefits provided by a local government employer to eligible persons pursuant to NRS 617.453, 617.455, 617.457 and 617.485.*

Sec. 5. *“Funded ratio” means the ratio of the total reserves established by the local government divided by the total discounted estimated actuarial liability for compensation and medical benefits.*

Sec. 6. *“Pay-as-you-go funding” means any amount funded annually by a local government employer that chooses to pay for the current cost of compensation and medical benefits only when the compensation and medical benefits become due and payable.*

Sec. 7. *“Prefunding plan” means payments to an internal service fund or other designated fund to build reserves to pay for the total discounted estimated actuarial liabilities arising from compensation and medical benefits.*

Sec. 8. *“Public safety employee” means a person subject to an occupational disease described in NRS 617.453, 617.455, 617.457 and 617.485.*

Sec. 9. *The Department shall include in the budget forms required by NAC 354.100 a form requiring information on the compensation and medical benefits provided to eligible persons.*

Sec. 10. *The governing body of a local government which employs public safety employees who are eligible for compensation and medical benefits must file a report concerning the local government’s total discounted estimated actuarial liabilities associated with such compensation and benefits on a form prescribed by the Department. The form must be submitted as part of the tentative budget required by NRS 354.596.*

Sec. 11. *The information submitted by each local government pursuant to sections 10 and 13 of this regulation must be compiled by the Department in an annual report in summarized form. The Department shall publish the report on its Internet website.*

Sec. 12. *The objective in reporting compensation and medical benefits information on a form attached to the tentative budget is to provide information which will enhance financial transparency and clarity to taxpayers, local government employers and employee groups by showing the true cost of compensation and medical benefits over time. Total discounted*

estimated actuarial liabilities determined by an actuary are not required to be reported in the financial statements of the local government.

Sec. 13. 1. *The report filed pursuant to section 10 of this regulation must include, at a minimum:*

(a) For a local government employer that is self-insured through a prefunding plan or pay-as-you-go funding:

(1) An explanation of whether the compensation and medical benefits are funded through a prefunding plan or pay-as-you-go funding;

(2) The number of eligible persons subject to compensation and medical benefits, separately stated;

(3) The number and amount of known and accepted claims paid by the local government net of reinsurance during the immediately preceding 10 years, if available, and separately stated for eligible persons;

(4) The total discounted estimated actuarial liability for compensation and medical benefits, separately stated for eligible persons;

(5) The basis for the total discounted estimated actuarial liability, such as an actuarial study, including the date the actuarial study was prepared, the frequency of preparation of an actuarial study and whether the actuarial study separately reported on eligible persons;

(6) A 10-year history of payments made for compensation and medical benefits and reserves established and identification of the funds from which such payments were made or to which reserves were contributed;

(7) The funded ratio of the present value of contributions plus investment return compared to the present value of the total discounted estimated actuarial liabilities; and

(8) How the full and complete actuarial study may be obtained.

(b) For a local government employer that participates in an association of self-insured public employers plan or any private insurer plan, proof of a requirement by the local government employer that the association of self-insured public employers or the private insurer provide to the Department the information required by subparagraphs (2) to (7), inclusive, of paragraph (a). A copy of the local government's letter, notice or other communication requiring the association of self-insured public employers or the private insurer to provide the information must be submitted to the Department as part of the tentative budget required by NRS 354.596.

(c) For a local government employer that participates in an association of self-insured public employers, an indication by the local government employer that it required the association to provide to the Department a current list of public employers who are members of the association.

2. A local government employer that has been both self-insured through a prefunding plan or pay-as-you-go funding and insured through an association of self-insured public employers or any private insurer during the immediately preceding 10-year reporting period must ensure that the information required by subsection 1 is provided to the Department for:

(a) The years during which the local government was self-insured; and

(b) The years during which the local government was insured through an association of self-insured public employers or by a private insurer.

3. A local government employer having less than 10 years of historical records for purposes of providing the information required by subsection 1 must provide the information for as many years as the records have been maintained. The first report submitted pursuant to

this section and each subsequent report must identify the number of years of information reported, if less than 10 years, until 10 years of information is obtained. A local government reporting historical information for less than 10 years must begin maintaining the information required by subsection 1 until 10 years of information is continuously available.

Sec. 14. A local government employer that participates in an association of self-insured public employers plan must report where the most recent actuarial study conducted pursuant to section 16 of this regulation and funding report of the association of self-insured public employers plan may be obtained.

Sec. 15. 1. In order to determine the total discounted estimated actuarial liability associated with compensation and medical benefits made to eligible persons, the best practice for an actuarial valuation must consider and define the following inputs:

(a) Participant demographic data, including, without limitation, current age, gender, service retirement, terminations with benefit eligibility, salary increases, percent married and percent survivors of the eligible persons subject to the compensation and medical benefits;

(b) Reasonable assumptions concerning the interest rate, health care inflation rates, general inflation rates and decrement rates, such as the mortality rates for heart disease in the general population; and

(c) Claims experience which considers historical information based on actual claims incurred by the local government, including subsequent employment of public safety employees, and which considers the last injurious exposure rule.

2. As used in this section, “last injurious exposure rule” means full liability being assigned to a single local government employer or insurer for an occupational disease resulting from the claimant’s exposure to injurious stimuli during a local government

employer or insurer's coverage period, even if the most recent exposure was not the primary or triggering cause for the disease.

Sec. 16. 1. *The total discounted estimated actuarial liability for compensation and medical benefits must, at a minimum, be computed using the probability of occurrence over a 30-year period, using confidence levels of 50 percent and 75 percent.*

2. An actuarial study must:

(a) If it establishes the total discounted estimated actuarial liability, be performed at least once every 5 years;

(b) Identify the type of compensation and medical benefits and the eligible persons subject to the compensation and medical benefits;

(c) Document the results of an actuarial valuation of employer-provided compensation and medical benefits to be paid to eligible persons; and

(d) Include the results of the discount process used to determine the present value of the payments.

3. A projection of new employees that may be hired over the 30-year period is not required for an actuarial study.