MINUTES OF THE
NEVADA LEGISLATURE'S
INTERIM RETIREMENT AND BENEFITS COMMITTEE
(*Nevada Revised Statutes* 218E.420)
January 16, 2024

The first meeting of the Nevada Legislature's Interim Retirement and Benefits Committee (IRBC) was called to order at 9:18 a.m. on January 16, 2024, in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:
Senator Marilyn Dondero Loop, Chair
Assemblywoman Daniele Monroe-Moreno, Vice Chair
Senator James Ohrenschall
Senator Jeff Stone
Assemblyman Max Carter
Assemblyman Bert Gurr

STAFF MEMBERS PRESENT:
Wayne Thorley, Fiscal Analyst, Senate
Adam Drost, Principal Program Analyst, Fiscal Analysis Division
Jaimarie Mangoba, Principal Program Analyst, Fiscal Analysis Division
Jessica Dummer, Deputy Legislative Counsel, Legal Division
Basia Thomas, Committee Secretary, Fiscal Analysis Division
Carla Ulrych, Committee Secretary, Fiscal Analysis Division

EXHIBITS:
Exhibit A: Meeting Packet
Exhibit B: Public Employees' Benefits Program Presentation
Exhibit C-1: Public Comment – Terri Laird, Retired Public Employees of Nevada
Exhibit C-2: Public Comment – Tess Opferman, American Federation of State, County, and Municipal Employees Retirees

I. ROLL CALL.

BASIA THOMAS (Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]), called the roll; all members were present.

II. PUBLIC COMMENT.

TERRI LAIRD (Executive Director, Retired Public Employees of Nevada [RPEN]) provided public comment for the record (Exhibit C-1).

TESS OPFERMAN (American Federation of State, County, and Municipal Employees Retirees [AFSCME]) provided public comment for the record (Exhibit C-2).

KENT ERVIN (State President, Nevada Faculty Alliance):

State employee's health care benefits from the Public Employees' Benefits Program (PEBP) still have not been restored to pre-pandemic levels as employee premiums and deductibles are higher and long-term disability insurance was eliminated. There were large budget surpluses last session and historic cost-of-living adjustments (COLA) were approved for which employees are very grateful. Why were PEBP benefits not restored? Part of the reason is structural. Although the PEBP Board is supposedly responsible for plan design within available funds, the Governor's Finance Office (GFO) has dictated plan design during the Executive Budget process. Once the Governor's recommended budget is released in January of a legislative session year, PEBP and its actuaries set the rate in March for open enrollment in May. This is before budgets typically close during the legislative session, so the Legislature is restricted in making changes at that point. A resolution would be for PEBP to change the plan year start date from July 1 to January 1, but that would require a commitment from the state to fund PEBP at the same level for the next six months of the following biennium and to allow for fringe rates to change the following January. This solution could be done through legislation or budget policy. The status quo disenfranchises the PEBP Board from making decisions in the best interest of participants and it disfranchises the Legislature in the budgeting process.

The Public Employees' Retirement System (PERS) had another good investment year as far as its returns for Fiscal Year (FY) 2023. However, the contribution rates will likely go up again in FY 2024, because of the phased-in implementation of assumption changes from FY 2021. That will be a challenge for the state budget during the 83rd (2025) Legislative Session.

III. APPROVAL OF THE MINUTES OF THE DECEMBER 14, 2022, MEETING.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE THE MINUTES OF THE DECEMBER 14, 2022, MEETING.

SENATOR OHRENSCHALL SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

IV. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), JUDICIAL RETIREMENT SYSTEM AND LEGISLATORS' RETIREMENT SYSTEM.

1. Approval of executive staff salaries (NRS 286.160).

TINA LEISS (Executive Officer, PERS):

Agenda Item IV.1 begins on page 45 of the meeting packet and outlines the executive staff salaries that have been approved by the Retirement Board (Exhibit A). Pursuant to *Nevada Revised Statutes* (NRS) 286.160(2), the Retirement Board sets the salaries for the executive staff, or those positions that are created by statute, with the approval of the IRBC. The proposed FY 2024 and FY 2025 maximum salaries for all positions are listed on page 46 of the meeting packet (Exhibit A). The salaries approved by this Committee are stated in the maximum, but the Retirement Board has approved ten-step schedules, which lead to that maximum salary; therefore, not all employees are paid at the maximum salary.

The FY 2024 salaries reflect an increase of two steps to the maximum salary that was approved by the Retirement Board and approved by the 82nd (2023) Legislature. The Retirement Board also voted to increase the salaries by the COLAs that were granted to state employees generally by the 82nd (2023) Legislature. Thus, the maximum salaries show those two steps plus the 12% COLA that was given to state employees for FY 2024 and the 4% and 7% COLAs that were granted to state employees for FY 2025. The salaries are stated in the employer pay salary schedule because by law, executive staff is required to be paid under the employer-pay salary schedule. If the Committee approves the salaries that have been set by the Retirement Board, these will be effective July 1, 2023, so for the full FY 2024 and FY 2025. The Retirement Board respectfully requests that this Committee approve the salaries for all the statutory positions as fixed by the Retirement Board.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE AGENDA ITEM IV.1.

SENATOR OHRENSCHALL SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

2. Report on actuarial valuation for the Public Employees' Retirement System (PERS) as of June 30, 2023.

TINA LEISS (Executive Officer, PERS):

Agenda Item IV.2 begins on page 47 of the meeting packet with the FY 2023 actuarial valuation for PERS (Exhibit A). By policy, the Retirement Board conducts an annual actuary evaluation to monitor the assets and liabilities associated with the pension plan. By statute, contribution rates may only change on July 1 of each odd-numbered year as determined by the previous years or the even-year valuation. As FY 2023 is an odd-year valuation, this does not affect contribution rates, but it is used in planning and keeping track of what is going on with the fund.

To project the costs and liabilities of the system, assumptions are made about future events that may affect the timing, amount of benefits to be paid, and the assets that are accumulated. As part of the valuation process, actual experience is compared against projected experience and any deviations are recognized as gains or losses in the plan's experience. Each year's actual experience will impact the actuarially calculated contribution rate and ultimately may impact the statutory rates that will be seen the next fiscal year. The use of appropriate assumptions is very important in maintaining proper funding of the system, and to review the assumptions, the Retirement Board conducts an experience study every four-to-six years through its independent actuary. The last experience study was in 2021 and the actuary recommended that PERS phase in the impact of the assumption changes because those were very large impacts to the contribution rate. Proceeding with the actuary's recommendation, the Retirement Board approved a four-year phase in of the impacts of the assumption changes to the contribution rate, which is now 75.0% recognized through this contribution rate in the 2023 valuation. By 2024, the assumption changes will be completely recognized in the valuation.

The charts on pages 50 and 51 of the meeting packet show the results of the valuation itself with the changes to active members in the Regular Fund and the Police/Fire Fund (Exhibit A). The 2023 valuation shows an overall increase from 108,635 to 112,019 active members with the total salary for the fund increased by approximately 7.0%; however, the trend was slightly different between the Regular and the Police/Fire Funds. In the Regular Fund, active membership increased from 95,785 to 99,132, while the Police/Fire Fund active membership increased from 12,850 to 12,887. There was a very small increase in the active membership of the Police/Fire Fund. The high for the active membership of the Police/Fire Fund was in 2020, with about 13,500 members. Rate payroll increased by 7.83% in the Regular Fund and by 4.74% in the Police/Fire Fund. The difference between the two is the difference in the increase of the active membership where the Regular Fund had a larger increase in active membership than the Police/Fire Fund.

The chart on page 52 contains information on the retiree membership and average monthly benefit amounts for retired employees (Exhibit A). Page 53 contains information on all the benefit recipients including the service and disability retirees, beneficiaries, and survivors, all with their average monthly benefits. The actuary return on investments was 8.72%, which created a gain on investments. Due to the five-year smoothing process, the Regular and Police/Fire Funds have gains not yet recognized of $424 million and $122 million, respectively. That is compared to $216 million and $56 million from 2022. Currently, there are more in unrecognized gains in 2023 than 2022.

All funds had an actuarial loss from total plan experience. On the economic side, the losses were primarily due to contributions less than expected and individual salary increases higher than expected, which are partially offset by the investment gain. The total fund and the Regular Fund had a small gain on mortality and the Police/Fire Fund had a small loss. Both funds had a loss on post-retirement increases, or the COLAs, the retirees receive, but the losses were significantly less than in 2020 and 2021. Both funds also had a loss on age and service retirement.

The charts on pages 54 and 55 show the actuarially calculated contribution rates for 2023 (Exhibit A). The actuarially calculated rate reflects both the asset smoothing, or the five-year smoothing, on the investment gains and losses, and the rate impact smoothing of the assumption changes. The actuarially calculated rates would require an increase in contribution rates if this were a rate setting year. This is primarily due to the rate smoothing process, and as this is a non-rate setting year, there is no change to the statutory rate and the ultimate impact to the statutory rates will not be known until the 2024 actuarial valuation.

The chart on page 56 shows the change in the actuarially determined rates broken into experience categories to show the causes of the actuarial rates increases and decreases (Exhibit A). The actuarial rates on this chart are shown as the average rates between the employer-pay plan and the employee-employer pay plan, so they do not correspond exactly with either one of those rates. Investment gains, payroll growth, and changes in normal cost work to decrease the actuarial rate in both funds. Individual salary experience, contributions less than expected, post-retirement increases, and the impact of the phase in work to increase those rates.

Page 57 contains information on the actuarial funded ratio of the system, which is based on the ratio of the actuarial value of assets versus the accrued liabilities (Exhibit A). The actuarial value of assets is used for funding purposes because it smooths the five years of investment gains and losses in order to reduce volatility in the contribution rates. The actuarial liability includes all projected benefit payments for the current members and retirees. The overall actuarial funded raise increased from 74.7% to 75.4%. On a market value basis, the overall ratio increased from 75.1% to 76.2%. The effective amortization period decreased from 17.3 years to 16.4 years for the overall fund, while the Regular Fund is at 15.6 years, and the Police/Fire Fund is at 19 years.

SENATOR OHRENSCHALL:

If PERS' actuarial assumptions continue to be met, how will the employer-employee contribution rates be affected in the future?

MS. LEISS:

If the assumptions are met exactly, then the rates would remain stable. Then once the amortization period has ended, the rates would decline because the unfunded payment would be eliminated.

CHAIR DONDERO LOOP:

Please recap what factors are contributing to the actuarially determined contribution rates being greater than the statutory rates for the 2023-25 Biennium.

MS. LEISS:

The actuarial rate is going up, so it is higher than the statutory rate, because of the phase in of the impact of the assumption changes in 2021. In 2021, the actuary did an experience study where experience was taken from a five-year period to see how the experience has been going versus the assumption. From there, the actuary recommends changes to the assumptions to make sure that PERS is meeting the experience. This is because PERS' benefit payments are based on unknown factors such as how long a person will live, salary increases, retirement date, and if someone is retiring more expensively or less expensively than expected. PERS needs to make sure that the assumptions that are being used to fund are matching the experience as best as possible.

In the 2021 experience study, there were some very large changes to those assumptions, primarily to mortality and payroll growth. Regarding the history of payroll growth, there was high payroll growth from the 1970s through about 2008, and then the payroll growth plummeted, and was negative for a while. With a high payroll growth, contributions are higher than expected because PERS' contributions are a percentage of payroll, therefore if the payroll is growing higher than expected, then the contributions are higher. In the 2021 experience study that looked at the years 2008 through 2021, the payroll growth was low. One of the biggest assumption changes was going to a 3.5% payroll growth assumption when previously it was at 5.0% for the Regular Fund and 6.0% for the Police/Fire Fund. The assumption changed the payroll growth, going to a generational mortality table also had a big effect, and PERS had to make significant changes to the retirement because people were retiring more expensively than anticipated.

Those were some very significant changes to the assumptions that were made in 2021; however, since they are assumption changes, the actuary recommended that PERS phase in the impact of the changes over four years because it was a substantial impact to the contribution rate. The phase in of that is what is making the actuary rate higher than the statutory rate at this point. In the Regular Fund for this valuation, the rate change, the amount that the actuarial rate went up, was less than the phase-in amount. Therefore, the Regular Fund rate only went up because of the phase-in amount and the other experience worked to bring it down slightly. The Police/Fire Fund was the opposite, the rate change would have been slightly higher than the phase-in amount, but that is mainly to do with the fact that the payroll growth is not quite as high right now as the Regular Fund. The Police/Fire Fund's active membership is not growing, but salaries are growing, which is then increasing that liability. Thus, it is mainly the phase in.

ASSEMBLYWOMAN MONROE-MORENO:

How will the 11% and 12% COLAs affect the payroll growth?

MS. LEISS:

The 11% and 12% COLAs will have a large effect on the payroll growth. PERS will see even larger payroll growth in the current FY 2024 than this FY 2023 valuation, because it is not just the state that has received COLAs. The state is about 17% of the funds without the university system and 20% with the university system. Increasing people's salary, which ultimately increases liability, and how those both offset each other will also be important to payroll growth. The payroll growth will have a decreasing factor on the contribution rates.

There was no further discussion on this item.

3. Report on actuarial valuation for the Judicial Retirement System as of June 30, 2023.

TINA LEISS (Executive Officer, PERS):

Page 59 of the meeting packet is an update on the FY 2023 valuation for the Judicial Retirement System (JRS) (Exhibit A). Like PERS, the Retirement Board does an annual valuation for the JRS, but this does not affect rates for that fund. The JRS covers state judges, municipal judges, and justices of the peace of those local jurisdictions that have opted to participate. However, unlike PERS, the JRS is not a cost-sharing plan. The valuation provides information for the JRS as a whole and individually for the participating local government employers, but they each have their own valuation results and contribution rates.

The JRS was created in 2001. Prior to that, state judges that did not participate in PERS were not in a fund at all, instead judges were given a benefit upon retirement. It was an appropriation at each legislative session. The 71st (2001) Legislature created the pre-funded system for state judges that brought in the liability of all those judges prior to 2001 that had never been pre-funded before. Thus, the unfunded liability come from the JRS.

On the local government employer side, they decide whether to cover municipal judges or their justices of the peace. Currently, there are 11 employers in the JRS. Some of the local government employers are in PERS and some are in the JRS.

Pages 61 and 62 in the meeting packet show demographic information for both state and non-state judges (Exhibit A). Generally, the membership in payroll in this fund is stable. Variations in membership in payroll tend to only be when a JRS judge is replaced by a judge participating in PERS and vice versa. PERS has some local jurisdictions that may only have one or two members in the plan.

Page 63 shows benefit information for both state and non-state retiree judges (Exhibit A). The number of state retirees increased from 55 to 60. The state judge's total benefit payroll increased, with the average monthly benefit increasing from $8,703 to $8,982.

Page 64 shows contribution requirements for state judges (Exhibit A). The state contribution rate consists of a percentage of payroll for the normal cost in administrative expenses and an amortization payment that is paid as a lump sum once a year, which differs from PERS. The actuarial rate from this valuation is 23.86%, which is 0.61% higher than the statutory rate. Like PERS, this valuation does not impact the statutory rate or the amortization payment. The amortization payment was calculated as $1,854,093 compared to $1,551,796 from the prior valuation, and the change in that would be the same as PERS because JRS also had the assumption changes.

Page 65 shows the contribution requirements for the local jurisdictions in aggregate (Exhibit A). The funded ratio of JRS in aggregate has decreased from 92.2% to 92.0%. The funded ratio on a market value increased from 88.5% to 92.1%. The unfunded actuarial liability increased from $14.7 million to $16.2 million. Lastly, the actuarial accrued liability on a market value decreased from $21.6 million to $16.0 million. The JRS has approximately $240,000 in unrecognized investment gains.

There was no further discussion on this item.

4. Report on actuarial valuation for the Legislators' Retirement System as of June 30, 2023.

TINA LEISS (Executive Officer, PERS):

Agenda Item IV.4 begins on page 67 of the meeting packet with an update for the FY 2023 actuarial valuation for the Legislators' Retirement System (LRS) (Exhibit A). The even-numbered fiscal year valuation for the LRS determines the amount of the lump sum contribution made by the employer for each year of the biennium. As 2023 is an odd-numbered year, this does not affect that payment.

The provisions of the LRS allows legislators to opt out of participation in the system. In FY 2023, the active membership decreased from 25 to 24 members, the number of retirees increased from 53 to 55, and the number of overall beneficiaries, which includes survivors, increased from 69 to 70. The average monthly benefit decreased from $465 per month to $450 per month.

The actuarial funded ratio of the system increased from 97.6% to 105.5%. The funded ratio on a market value basis increased from 94.8% to 106.1%. The unfunded actuarial crude liability of $124,363, as of June 30, 2022, is now a surplus of $268,956. Under the Retirement Board's funding policy, a surplus has a longer amortization period than an unfunded liability. The elimination of the unfunded liability and creation of a surplus is primarily due to investment gains, a net liability gain, and greater contributions than expected. The LRS has approximately $30,000 in unrecognized investment gains. This may be the first time that PERS has a fund that has a surplus.

There was no further discussion on this item.

5. **Update on investment earnings – PERS, Legislators' Retirement and Judicial Retirement Funds.**

STEPHEN EDMUNDSON (Chief Investment Officer, PERS):

Agenda Item IV.5 includes a status update on the investment portfolios for the PERS, LRS, and JRS funds. The page titled *Investment Results* on page 79 of the meeting packet summarizes investment performance for all three funds for various time periods through FY 2023 (Exhibit A). The first column on the left represents returns for FY 2023, which was a strong year of investment performance. Nevada PERS' return was 9.3%, the Legislators' return was 12.4%, and the Judicial return was 12.8%. The PERS' portfolio ended FY 2023 at $58.1 billion in assets, the Legislators' portfolio ended the year with $5.2 million in assets, and the Judicial Fund as of June 30, 2023, stood at $184.3 million in assets.

Page 80 of the meeting packet shows the PERS investment returns for each of the last 39 fiscal years (Exhibit A). The horizontal line that runs across the center of the page represents PERS' long-term actuarial assumed rate of return of 7.25%, which was lowered from 7.5% because of the 2021 experience study. It is important to remember that the 7.25% long-term assumed rate of return is not what is expected in any single year, rather, it is what is expected to be achieved over a long-time horizon. Over the course of any kind of shorter period that is less than five years, PERS anticipates returns will vary dramatically both above and below that long-term 7.25% assumed rate of return. This is an expectation, and it is something that PERS has noticed in the actual returns over the years. This performance pattern is something that PERS anticipates will be experienced in the future as well.

Page 83 of the packet details PERS' investment strategy, which is unique in the industry (Exhibit A). PERS employs a much simpler approach than the broader industry in that PERS has a much larger allocation to high-quality, publicly traded United States stocks. PERS only owns U.S. government treasury bonds and does not have any credit in the portfolio. PERS is also the only large public fund in the industry that utilizes 100% index structure across all publicly traded asset classes in the portfolio.

In addition, PERS deliberately avoids riskier and often more expensive investment approaches such as the utilization of the total fund leverage. PERS' investment policies do not allow for the use of derivatives in the portfolio. Also, PERS does not have any short selling or exposure to hedge funds in the portfolio. In addition, PERS deliberately does not have exposure to any emerging market countries in the portfolio; therefore, PERS has been able to avoid some of the problems associated with having exposure to countries like Russia and China.

There are numerous advantages to the simple structure of the PERS' investment portfolio. There is a lot of liquidity in the portfolio; therefore, there are no liquidity constraints. It is important to add that PERS is much lower cost than the comparable industry portfolio of the median large public pension fund, which results in a cost savings of around $242 million relative to a comparable median-sized or large public pension plan.

PERS wants the dollars in the portfolio compounding for the benefit of members and beneficiaries rather than being paid out in fees. This fee savings of $242 million, if compounded over the course of a decade and assuming a 7.25% long-term actuarial return assumption, would equate to a savings of more than $3 billion over the course of a decade. Being that the numbers are so large, it is something that PERS takes very seriously, and it is one of the elements of PERS' portfolio that is seen as a competitive advantage relative to peers.

Not only has PERS' simple cost-effective approach proven to be lower cost, but it has also proven to be relatively competitive compared to more complex portfolios utilized in the industry. PERS' returns remain in the top 10th percentile or better over the last 5, 7, 10 years and since inception time periods. PERS expects a wide dispersion over single years and does not expect to be at the top of the public fund return databases every year. In about a third of the years, PERS has been towards the bottom of those databases, but PERS continues to believe that its simple low-cost approach will remain competitive and effective over a longer time horizon.

I will provide a brief update on the start of FY 2024. As of January 16, 2024, PERS' fund is up just over 4.5% with over $60 billion dollars in assets. Thus far, it has been a very volatile fiscal year similar to FY 2023. I would expect that the remainder of FY 2024 will experience some volatility as well. Stock valuations are currently elevated and PERS is in an uncertain outlook as it relates to the Federal Reserve's ongoing battle to reduce inflation. Where PERS stands today is not indicative of where it will be at the end of FY 2024, but the numbers are currently up.

The difficult thing about the recent environment in terms of financial markets has been the dramatic increase in interest rates that the United States has experienced over the last several years. Federal Fund's interest rates have gone from 0% to over 5% in 2024. However, the silver lining to that for Nevada PERS as well as the public pension fund industry in general is that the higher interest rate is from a longer-term perspective, it is a positive move at prospective returns going forward. In March 2020, U.S. Department of the Treasury bonds were yielding about 50 basis points, or 0.5%. As of January 16, 2024, bonds are about 4%, which is a positive event in terms of prospective returns going forward. It provides a much stronger foundation for forward-looking returns.

SENATOR STONE:

It has been projected that the Federal Reserve is going to entertain a few interest rate decreases over FY 2025. Since PERS is getting some good returns through federal investments, but that is probably going to decline; therefore, how does PERS plan to maintain that return on investment?

MR. EDMUNDSON:

Currently, markets are predicting that there will be numerous rate cuts to the federal fund's rate over calendar year 2024. More importantly will be what happens to longer dated maturity, such as ten-year, treasury bonds. In July 2023, PERS reduced the risk in the investment portfolio by taking out 3% of the equity linked risk. PERS reduced total portfolio risk by 3%, reallocating from equities into a shorter-term cash portfolio that should help offset some potential volatility in financial markets given the uncertain outlook. In addition, it provides additional liquidity to the fund to pay benefits.

On a longer-term basis, the most important thing is going to be what happens to the long end of the curve rather than the front end. Ideally, interest rates will normalize around 3.5% to 4.5% at the ten-year mark. If that were to transpire prospective returns, it is a much better foundation for the fund on a going forward basis.

Over the next 12 months one should expect some volatility given the uncertain outlook on the Federal Reserve's actions and how the market will respond to those actions. I am confident that the diversified nature of the PERS portfolio should be able to weather whatever volatility comes its way. PERS will not be immune to surprises or curve balls, which is inevitable. It does not mean PERS will avoid negative absolute returns, but the portfolio should continue to hold up throughout that volatile period.

There was no further discussion on this item.

6. Status report on one-fifth of a year purchase of service benefits for certain education employees provided under the former provisions of NRS 391.165.

TINA LEISS (Executive Officer, PERS):

Agenda Item IV.6 in the meeting packet begins on page 85 and explains an update on the benefit provided to certain education employees pursuant to *Nevada Revised Statutes* (NRS) 391.165 (Exhibit A). This benefit was designed to be an incentive to certain employees to work at schools that have been designated as needs improvement, or where at least 65% of the pupils are children who are at risk. Additionally, any teacher who holds an endorsement of mathematics, science, special education, or English as a second language, if all eligibility requirements are met, and the teacher has been employed for one year in an area of endorsement, the teacher may also be entitled to the benefit. Section 4 of Assembly Bill 1 (23rd [2007] Special Session) repealed this benefit effective July 1, 2007, and phases it out over time. If an employee elected to continue in the one-fifth of a year purchase program, participation ceases when the employee has received one full year of service credit pursuant to the program, after the election. At one-fifth of a year, that would be five purchases to get to one year. Employees go in and out of being eligible, so there are still some people for which the school district is required to purchase one-fifth of a year, even though the program was repealed in 2007.

The spreadsheet on page 87 reflects purchases for calendar years 2022 and 2023 (Exhibit A). Clark County School District (CCSD) is the only school district that must still make these purchases. In calendar year 2022, the CCSD had 39 purchases for $250,153 and in calendar year 2023 that increased to 65 purchases for $454,370. Since inception, there have been 41,836 purchases of approximately $149 million.

SENATOR OHRENSCHALL:

I would like to discuss the one-fifth of a year purchase for certain educational personnel. It was mentioned that Clark County School District is the only district that must still make these purchases. Does PERS expect that to be paid soon? If not, does PERS have a mechanism to compel that payment of the arrears in PERS contributions?

MS. LEISS:

The payment is not in arrears, it is whether the district still has people who are eligible for the one-fifth of a year purchase each school year. The program should be done soon because it is only five purchases, which means that anyone who is still eligible had purchases prior to 2007 but has not yet had five total purchases. It will be a matter of how many more school years the people who were in the program prior to 2007 need to reach that one year of total purchase.

There was no further discussion on this item.

7. **Status report on critical labor shortage exemptions for PERS' reemployment restrictions (NRS 286.523).**

TINA LEISS (Executive Officer, PERS):

Beginning on page 89 of the meeting packet is a memorandum outlying PERS' current reemployment restrictions and the critical labor shortage exemption from the reemployment restrictions (Exhibit A). Also included, pursuant to NRS 286.523, subsection 6, is a report on the compilation of the forms received from each designating authority that has designated a position as a critical needs position effective for the period July 1, 2021, to June 30, 2023.

Assembly Bill (A.B.) 488 (75th [2009] Legislative Session) significantly restricted the use of critical labor shortage exemptions from the PERS reemployment provisions. First, A.B. 488 declared the policy of the state to be to ensure that the reemployment of a retired public employee pursuant to this section is limited to positions of extreme need. Assembly Bill 488 requires employers that seek to declare positions of critical need make the determination based on the appropriate necessary delivery of services to the public, and for employers to hold a hearing in an open public meeting and make findings to support the designation. Employers must file a report with PERS as to the findings, and PERS must then prepare a report for this Committee on a biennial basis.

The critical provisions in A.B. 488 were scheduled to sunset June 30, 2015. Senate Bill 406 (78th [2015] Legislative Session) removed the sunset, which makes it a permanent feature of the plan. Effective for the period July 1, 2021, to June 30, 2023, 328 positions were declared as critical needs by 55 employers including 11 positions designated by the state, 250 positions by school districts and charter schools, 11 positions by counties, 50 positions by hospitals, 2 positions by cities, 1 position by a fire protection district, and 3 positions by other types of districts. Designations are valid for two years and then must be redesignated to remain in effect. The declaration of critical need is position driven, it is not specific to an individual; therefore, one position designation, for example, a special education teacher at a particular school district, may have more than one retiree under that one designation. In addition, a designated position is not necessarily filled with the retiree. Beginning on page 92 is a listing of all positions designated as critical needs affected during the period of this report along with the original date of designation.

ASSEMBLYWOMAN MONROE-MORENO:

Has there been any increase in staffing for state positions since the COLAs and increases in pay for certain positions were approved during the 82nd (2023) Legislative Session?

MS. LEISS:

PERS does not have that information.

CHAIR DONDERO LOOP:

Please clarify the dates regarding open positions within charter schools or public schools. For example, if there is an elementary teacher in White Pine County School District on January 5, 2016. Is this the date it was designated or is it still open?

MS. LEISS:

The date reflects when the public body originally designated the job as a critical need. If the job is still on this list, it means the employer has done the two-year redesignation, so it is still officially designated. That gives the employer the opportunity to fill the position with a retiree without the retiree losing their benefit; however, the position could also be filled with someone who is not a retiree. The job may be open or filled, but it just means that the employer has the opportunity to hire a retiree for the position.

CHAIR DONDERO LOOP:

To confirm, the date does not necessarily mean that a certain position would be still needed, it just means the employer can fill the position if it becomes open.

MS. LEISS:

That is correct.

CHAIR DONDERO LOOP:

Returning to my previous question, there are a couple of school districts listed that have dates that were redesignated during the 82nd (2023) Legislative Session. For example, on page 99 (Exhibit A), Lyon County has a Plans Examiner position with the date of April 6, 2023. There are a couple of similar examples. Are school districts required to have a conversation with the Committee first, or can the district go directly to PERS to redesignate a position?

MS. LEISS:

Under NRS 286.523, the process is that the public body that is the authority under the statute for school districts, which is the school board. Thus, the school board makes the determination and all the required findings and then sends the information to PERS. Therefore, it is not a conversation that would necessarily be had with the Legislature.

There was no further discussion on this item.

8. Status report on administration and investment of the Retirement Benefits Investment Fund (NRS 355.220).

RICK COMBS (Contract Administrator, PERS):

Agenda Item IV.8 discusses non-retirement benefits. The Retirement Benefits Investment Fund (RBIF) was established during the 74th (2007) Legislative Session at the request of the Committee on Local Government Finance to address two purposes related to local government and state employee non-retirement benefits. These benefits typically include life insurance, accident insurance, and primarily health insurance.

The two purposes for which the fund was established was 1) in response to Government Accounting Standards Board changes at that time. In order for assets that were held by a governmental entity to offset future liabilities for those post-employment benefits, the assets were required to be placed in irrevocable trusts. The Committee on Local Government Finance wanted statute to authorize government entities to create those irrevocable trusts; and 2) because these are considered long-term liabilities, the Committee on Local Government Finance also wanted the funds to be able to be invested in longer-term investments rather than the short-term investments to which local governments are normally restricted. The solution was to go to the Legislature and ask for statutory language, which at the time was Senate Bill 457 (74th [2007] Legislative Session). Senate Bill 457 authorized the creation of post-employment benefit trusts at the local government and PEBP level. Each trust fund must be administered by a board of trustees that are appointed by the governing body of the local government or government entity. The board of trustees acts in a fiduciary responsibility and once funds have been contributed to those trusts, the irrevocable nature means that funds cannot be withdrawn and used for any purpose other than providing benefits and then paying any reasonable administrative expenses associated with providing of those benefits.

In addition to authorizing the creation of the post-employment benefit trusts, the legislation also created the RBIF. The RBIF was established for the investment of money from the Other Post-Employment Benefits (OPEB) trusts and assets from the public and benefits program, into an optional investment mechanism. The local governments are not required to invest with the RBIF, but it is an available option. The RBIF money must be invested according to statute in the same manner as money in the PERS fund is invested. That is the connection between these non-retirement benefits and PERS.

The fund is managed by the Retirement Benefits Investment Board (Board), which is made up of the same membership as the PERS Board, except it is a separate legal entity with its own agendas and minutes. The RBIF is managed by the Board; however, management is limited to ensuring that the RBIF complies with the statutory requirement that the funds be invested the same as the PERS money and to ensure that any other expenses are for the proper administration of the fund.

From the time of the RBIF's inception until October 2020, the Board administered the funds using solely the management investment accounting staff of PERS and has been assessing charges for those services to the RBIF. In October 2020, the Board voted to approve a contract for the administration of the RBIF and my position as a contract Administrator was established. The investment, legal, and accounting services are all still provided by PERS staff.

On page 104 of the meeting packet, the fund balance at the end of FY 2023 is shown as approximately $789 million, the return was 12.9%, and the return since inception has been 7.0% annualized (Exhibit A). On the bottom of page 104, the only 12 local government entities that can participate in the RBIF have been included in a table with their market values in the fund as of June 30, 2023.

There are three additional slides regarding the RBIF in the meeting packet (Exhibit A). On page 105 are the investment results for the fund for FY 2023, as well as 3, 5, and 10 years and since inception. On page 106 is the RBIF annual performance graph since it was created in 2008. On page 107 is the RBIF investment strategy that looks like the investment strategies for both the JRS and LRS. Given the size of the RBIF, it is not identical to PERS, because there is no investment in PERS' private equity component, making it almost identical to the JRS and LRS.

ASSEMBLYMAN GURR:

It was mentioned that only 12 government entities participate in the RBIF. Is there a limitation to participate in this program?

MR. COMBS:

Only 12 local government entities have chosen to participate in this voluntary program. When the RBIF was first created, the state, through PEBP, invested at that time as well, but the state has since removed its money from the fund. Even though there are 12 entities currently, that does not mean that the other local government entities throughout the state are not addressing their liability for these types of expenses, but they are not using the RBIF to do so.

ASSEMBLYMAN GURR:

I was wondering if there was a limitation and if that is why the smaller counties were not involved. I will go back to the local boards to see why smaller counties are not involved.

CHAIR DONDERO LOOP:

Related to Assemblyman Gurr's question, is an entity such as the Clark County Fire Department part of Clark County, or would the fire department have to participate in the RBIF separately?

MR. COMBS:

For this example, I believe if the Clark County Fire Department is part of the Clark County government, then the fire department would be included as part of Clark County. That is the case with many of the fire departments. However, some of the local improvement district-type areas would participate separately.

There was no further discussion on this item.

9. Status report on the implementation of PERS' pension administration system first authorized by the 2019 Legislature.

KABRINA FESER (Operations Officer, PERS):

Agenda Item IV.9 is an update on the status of the new pension administration system (PAS). Work began with the vendor, Tegrit Software Ventures, on February 22, 2021. An employer advisory group was established and meets monthly. This has been a beneficial resource for communication and collaboration. Data cleansing efforts have been ongoing since 2019. In preparation of the new PAS, 97.57% of the data from the current system is ready to transition to the target staging database.

There are seven phases to the project and PERS is currently on phase 4.2. Several milestones were accomplished since the last IRBC meeting on December 14, 2022, such as age calculators and workflow and user interfaces that have been tested and are programmed in the PAS. In addition, user acceptance testing has been finalized and bridging functionality is in place in preparation for the first group of employers, which is scheduled to transition reporting monthly retirement reports in the PAS in February 2024.

The Retirement Board authorized the upgrade from the Arrivos 2.0 product to the Arrivos.NXT version during the July 20, 2023, meeting. This is the newest framework and technology, which will allow many benefits to the end user, including but not limited to streamline workflow design and improved validation and calculation engines. In addition, the upgrade to the framework will be a benefit to the maintenance of the new system over the long term.

ASSEMBLYWOMAN MONROE-MORENO:

There seems to have been a delay in the system's modernization project because of the employer contribution rate change. Does PERS anticipate any change or delay in the system's modernization project as it was originally scheduled?

MS. FESER:

With the changes identified in the memo, PERS is waiting to hear from the vendor regarding the impact to the completion of the project timeline. Once that is completed, PERS will provide that information to the Committee.

ASSEMBLYWOMAN MONROE-MORENO:

Does PERS anticipate remaining within the approved budget? Will there be a need for more money, or will there be a savings?

MS. FESER:

The Retirement Board has already authorized that in the next programming the budget was increased because it was a $230,000 improvement. PERS will know more once more information is received from Tegrit about any future costs.

ASSEMBLYWOMAN MONROE-MORENO:

I am hopeful the future costs are not much higher than what was budgeted and the increase that was already had.

MS. FESER:

The system update is still within the budget.

ASSEMBLYMAN CARTER:

In November 2023, there were several charter school entities becoming delinquent or grossly delinquent in their contributions to PERS. Is there an enforcement mechanism that is effective? If so, is there a set interest rate calculation for delinquent contributions? Is there a provision that provides for liquidated damages to the fund that are made by these delinquent contributions?

TINA LEISS (Executive Officer, PERS):

PERS has provisions in the statute whereby if an entity is behind on contributions, penalties plus interest are assessed. PERS needs to have the reporting itself to be able to calculate the interest in the penalties. Before PERS gets the actual reporting from the employer, PERS estimates penalties and interest. Therefore, yes, there are penalties and interest, and ultimately, there is even a criminal provision, but that would be very severe and has never come into play.

There is also a provision where if an employer is more than 90 days behind in contributions, PERS is to notify the Department of Taxation, and then the Department of Taxation is usually able to help through funding sources. PERS has found that with charter schools the Department of Taxation is not able to help like it would be able to help with other local governments. PERS has had some discussions about this, and that statute predates charter schools. PERS notified the Department of Taxation when the charter schools and a local government entity were delinquent. The local government entity became current very quickly; however, the Department of Taxation does not have authority of the charter schools. PERS is working with the State Public Charter School Authority to address that issue. There have been internal discussions about amending the statute that involves the Department of Taxation for the appropriate authority over charter schools so that there will be a similar provision for enforcement. This intends to be discussed further at the 83rd (2025) Legislative Session.

PERS is closely tracking the issue and working with the charter schools. The Retirement Board approved a repayment plan for the interest, penalties, and contributions with one charter school. PERS has been working with the charter schools to get them up to date with their payments.

There was no further discussion on this item.

V. PUBLIC EMPLOYEES' BENEFITS PROGRAM (PEBP).

CELESTENA GLOVER (Executive Officer, PEBP):

Agenda Item V will be a presentation of PEBP plan design changes, the FY 2022 financial statements, and the most recent OPEB valuation.

PEBP is a program that provides health insurance benefits for retirees and active employees. PEBP covers medical, dental, vision, and basic life insurance for both groups. Voluntary benefits, such as long-term disability, additional life insurance, vision buy up, auto insurance, etc., are also available through a contracted vendor.

PEBP's funding is primarily from employer contributions, a subsidy that is typically legislatively approved, and from employee premiums. PEBP provides coverage for state employees and retirees, as well as non-state employees and retirees, which are local governments. Currently, there are only eight actual local government employees in the plan and there are several thousand local government retirees. Most of those individuals came on the plan prior to November 30, 2008, when the Legislature changed the ability for those retirees to access the plan. Should a local government join PEBP's plan, then their retirees would be eligible at that point; however, if the local government entity leaves PEBP, their retirees go with that entity.

PEBP administers three self-insured plans. First, there is the Consumer Driven High Deductible Plan (CDHP), which is eligible for health savings account (HSA) contributions. PEBP also provides a health reimbursement arrangement for those individuals who are either retirees or do not qualify for an HSA. Second, is the Exclusive Provider Organization (EPO) Plan, which is primarily for Northern Nevada, because there is not a health maintenance organization (HMO) plan available in Northern Nevada. The EPO plan is comparable with the HMO in Clark County. Lastly, there is a Low-Deductible Plan. It is referred to as a Low-Deductible Plan, but it is really a zero deductible plan now. However, it did have a low deductible when it was first created.

PEBP also has a Medicare Exchange plan. All retirees who qualify for Medicare Part A for free and are required to purchase Part B go on to the Medicare Exchange plan, unless there are dependents that keep them on a primary plan. In addition, PEBP has a group of retirees that never paid into Medicare. Those individuals, although still required to purchase Medicare Part B, are allowed to stay on one of PEBP's self-funded or HMO plans rather than moving on to the Medicare Exchange plan.

There was no further discussion on this item.

1. **Presentation on the health (medical, pharmacy, dental) and life insurance plan design and policy changes considered, and adopted, by the Board of the Public Employees' Benefits Program for the plan year beginning July 1, 2024 (PY 2025).**

CELESTENA GLOVER (Executive Officer, PEBP):

PEBP spends the year considering if/what needs to be changed within the future plan designs, the costs of those changes, and the requirements to implement any changes. Those suggestions are then presented to the PEBP Board (Board), which reviews and approves the suggestions. PEBP works with consultants to help analyze those recommended changes before bringing things to the Board for consideration. PEBP then takes the considered changes back for analysis again after the Board gives its approval. Lastly, PEBP will go before the Board with recommendations on whether the changes should be made.

Since 2012, PEBP has used the CDHP with the HSA. This generated a significant number of excess reserves, which have been used to fund additional benefits throughout the years. In 2023, PEBP's claims experience came in higher than expected; thus, PEBP utilized $14 million in excess reserves that were available at the time. PEBP needed approximately $10 million of that to pay out the final medical claims for Plan Year (PY) 2023 (July 1, 2022, to June 30, 2023). In PY 2023, PEBP exhausted its reserves because income came in lower than expected. PEBP was legislatively approved for $144 million to begin the year and the end amount was approximately $124 million; therefore, PEBP needed to use reserves to pay the claims and to adjust the fact that PEBP did not have that full beginning balance. Consequently, the amount in the end was zero. PEBP was aware that eventually excess reserves would be exhausted, it just took longer than expected.

In August and September 2023, PEBP began plan design discussions. PEBP presented ideas to the Board in December 2023. In the plan design discussions, several things were reviewed, including specialty drug cost, Mental Health Parity and Addiction Equity Act compliance, the cost of the HMO, and changes to deductibles. The Board approved implementing a minimum and maximum copay structure for the specialty drug program. There is currently a coupon program, SaveOnSP, that is offered through PEBP's pharmacy benefits manager. SaveOnSP allows members access to coupon programs that help with a portion of the cost of specialty drugs, which are very expensive. With SaveOnSP, copays are often very low or no cost; however, there are some medications that do not qualify for those plans. Unfortunately, some of these medications can cost several thousand dollars per month. Thus, PEBP recommended that the Board implement a minimum and maximum copay. The minimum copay would be $100, and the maximum copay would be $250. There would be minimal cost to the plan, estimated at approximately $20,000 per plan year; however, it should help those members who cannot access the SaveOnSP program.

The next item that was brought before the Board was the Mental Health Parity and Addiction Equity Act compliance. There was discussion in previous IRBC meetings regarding PEBP's plan to opt out but still comply with the requirements of the Mental Health Parity and Addiction Equity Act; however, the option to opt out has been removed. PEBP will be complying, although this was always the intention. PEBP asked its consultants to look at the plan and confirm where there was a lack of compliance. The results found that with the CDHP, because of the way the plan is designed, the deductible must be met first, and then coinsurance kicks in. With coinsurance, the plan will typically pay 80% and the member pays the remaining 20%. Regardless of whether it is a medical benefit or a mental health benefit, that is across the board, and the CDHP is following the requirements. PEBP is treating both types of benefits in a similar manner.

The EPO and the Low-Deductible Plans are structured differently than the CDHP. When PEBP looked at outpatient services and compared copays, some services required a copay, others had an 80%/20% distribution, and some copays where different than others. PEBP determined that some modifications were necessary, such as eliminating the mental health services copay for in-network services, which will cost the plan about $300,000 to $400,000 per year. This cost is a range because it will depend on the number of people accessing mental health benefits, how often, and the cost. The copay is being eliminated to bring the mental health side of the benefits more in line with the medical benefits.

The HMO plan in Southern Nevada was the next program to be reviewed with the Board. In discussions with the HMO, the organization was considering a potential rate increase of 28.0% due to utilization; however, after review, the rates will increase by 12.09%. The Board agreed to accept the renewal at 12.09%, which is a significant increase, but not as high as the contract could have allowed, which is 20.0%. PEBP continues to review the experience with the HMO and will be presenting ideas to the Board to determine if there are alternatives to the HMO. PEBP is aware there are many people in the Clark County area that access the HMO and like that model of care, so it is important to keep that in mind. However, if there is a potential rate increase of 20.0% to 28.0% in future years, the HMO plan may become unaffordable for most members. PEBP will continue to bring this issue back to the Board as more information becomes available concerning experience.

For PY 2025, which begins July 1, 2024, PEBP will be accepting the 12.09% increase in HMO rates so PEBP can continue the plan and have more time to consider options in the future. Ultimately and ideally, nothing may change. If the experience continues to be positive then PEBP would remain with the HMO plan, which has been a good partner, and members like the HMO plan. PEBP wants to ensure members receive the benefits they really want.

The IRS sets the limits for deductibles to allow a plan to be qualified for HSAs. Currently the CDHP has a $1,500 deductible for individuals and a $3,000 deductible for the spouse, family, and children tiers. Those deductibles will increase to $1,600 and $3,200, respectively. The Board approved these increases to be able to continue to offer HSAs; however, the out-of-pocket maximums will remain the same.

ASSEMBLYMAN CARTER:

Please elaborate on the changes to PEBP's plan for PY 2025 as well as other changes being considered for the 2025-27 Biennium.

MS. GLOVER:

There have not yet been any discussions on the changes for PY 2026 nor PY 2027. PEBP will start presenting that information to the Board as the budget is built and come back with some ideas on what is believed to be most positive for members.

For PY 2025, the primary changes are to the copays for the mental health services, the increase to the deductibles for the CDHP, and the copays for specialty drugs. There will not be any major plan changes for FY 2025, because excess reserves are not available to pay for those changes. Anything that PEBP does to increase benefits, potentially raises the rates. Since the subsidy is already set, if that is not enough to offset it, then it means the members must pay the difference. Therefore, PEBP is not making any major changes.

ASSEMBLYMAN CARTER:

Is PEBP anticipating the need to go before the Interim Finance Committee (IFC) to talk about additional reserves and funding for the reserves?

MS. GLOVER:

PEBP does not typically come before the IFC to increase reserves during the interim. PEBP would only come before the IFC to take money out of the reserve categories to pay for other expenses for which authority is not already available. If claims come in higher than expected, then PEBP would come to the IFC to move funds around and would go into the excess reserves, which are not currently available; however, there are other reserve categories. If excess reserves were available and benefits like HSAs and health reimbursement arrangements were going to be increased, then PEBP would come before the IFC.

ASSEMBLYMAN CARTER:

About two years ago, the Las Vegas Metropolitan Police Department's (LVMPD) health trust broke ground in Nevada for reducing the costs of specialty drugs. The LVMPD modified the plan language to enable members to take advantage of these quasi-charitable foundations set up by the drug manufacturers to substantially reduce the cost that the fund is having to pay out for specialty drugs. Has there been any consideration of that type of plan design change within PEBP?

MS. GLOVER:

There has not been any discussion specifically in that area. The only program currently in place is through PEBP’s pharmacy benefits manager and provides access to coupons for members.

CHAIR DONDERO LOOP:

Does PEBP foresee any substantial changes in the rates to be charged to participants in FY 2025 based on recent trends?

RICHARD WARD (Segal Consulting):

Segal Consulting anticipates there will be some increases in the premiums, which will be based off projected expenses compared to the anticipated increases in revenue, the Active Employee Group Insurance (AEGIS) and the Retired Employee Group Insurance (REGI) rates. That detailed work is underway right now; therefore, I do not have a final determination. That issue will be brought before the Board at the March 28, 2024, meeting.

There was no further discussion on this item.

2. **Reports from an independent certified public accountant regarding audited financial statements, for the fiscal year ending June 30, 2022 (FY 2022), pursuant to NRS 287.0425 for:**

   a) Fund for the Public Employees' Benefits Program (NRS 287.0435).

   b) State Retirees' Health and Welfare Benefits Fund (NRS 287.0436).

CELESTENA GLOVER (Executive Officer, PEBP):

Agenda Item V.2 begins on page 119 of the meeting packet and is PEBP's audited financial statements for FY 2022 (Exhibit A). CliftonLarsonAllen LLP was PEBP's auditor at the time; however, the entity is no longer an auditor and is not available to answer questions. The audit for FY 2023 is ongoing and should be ready for presentation at the PEBP Board meeting on March 28, 2024.

ASSEMBLYWOMAN MONROE-MORENO:

What is PEBP's plan if the excess reserves are depleted in FY 2025?

MS. GLOVER:

The excess reserves have been depleted since the beginning of FY 2024. If there are excess reserves by the end of FY 2024, PEBP would likely not do anything with those funds until PY 2026.

ASSEMBLYWOMAN MONROE-MORENO:

Previously when there were excess reserves, they were used to help offset benefits for the members. To confirm, if there are excess reserves soon, PEBP will allow them to accumulate.

MS. GLOVER:

If PEBP does get any reserves, it would be late in FY 2024 before PEBP would know for certain what those reserves look like. Therefore, there would not be time to do anything for PY 2025.

There was no further discussion on this item.

3. **Report on utilization of PEBP by participants for the plan year ending June 30, 2023 (PY 2023), including an assessment of the actuarial accuracy of reserves (NRS 287.0425).**

CELESTENA GLOVER (Executive Officer, PEBP):

Beginning on page 178 of the meeting packet are the utilization reports for PEBP's various plans (Exhibit A). Beginning with the CDHP, PEBP has noticed significant decreases in enrollment. For PEBP's primary members, employees and retirees, there was a 13.4% decrease in enrollment. When including primary members' dependents, there was a 16.8% decrease. There has been movement between PEBP's plans, such as many members changing to the Low-Deductible Plan because it is a better fit. The plan spend per member has decreased by 2.5% for the primary members, but overall, an increase of 1.5%. It seems that part of what is driving the cost are the dependents, spouses and children that are on the plan. For the total spend for the CDHP, there was an overall increase of 15.5%. The employee share also saw a 15.8% increase in their overall spend in the plan.

The new Low-Deductible Plan became available in PY 2022. Enrollment for primary members increased by 69.8%, which is a significant increase. Many people did not enroll in the plan early on because it was unfamiliar. Also, people often prefer the copay model despite a higher premium, so they know exactly what they will pay every time they have a medical appointment. Enrollment for dependents, including spouses and children, saw a 64.0% increase. The total plan spend, also driven by enrollment, increased 62.6%, where the employee saw a 44.0% increase. Since PEBP is comparing the previous year to the current year, and because enrollment is so much different, the total dollar amounts that are going out are also showing it is driven by enrollment.

In the Low-Deductible Plan, there have also been some high-costs claimants, where it shows that the plan is paying 23.0% of the cost, but it is an overall decrease on a per-member basis. Comparing the two plan years, 2022 and 2023, there was a slight decrease in the number of high-cost claims, but significant decrease in the cost of those claims.

For the EPO Plan, enrollment was similar to the CDHP. There was a 14.3% decrease for primary members and also when considering spouses and children enrolled with those members. For the total spend for the plan, there was a 7.5% increase while the employee saw a 13.0% decrease. The employee's portion of the cost decreased, and the plan's portion increased. On a per-member basis, there was an overall increase at 25.4% for the member themselves, and the same type of increase when considering dependents, spouses, and children.

Lastly, the HMO plan experienced a decrease in enrollment, but not as significant as the other two plans. There was a 4.3% decrease in enrollment for primary members, and there was an overall decrease in enrollment of 4.5% . For the total spend, the plan saw a 29.0% decrease and the employee saw a 27.1% decrease in their portion of the cost. The plan spend for the employee and retiree only saw a 25.9% decrease. The plan spend overall with the offset of the spouses and children on the plan saw a 25.7% decrease.

CHAIR DONDERO LOOP:

Do all the plans include mental health services?

MS. GLOVER:

That is correct.

There was no further discussion on this item.

4. Report on material provided generally to participants or prospective participants in connection with enrollment in PEBP for the plan year beginning July 1, 2023 (PY 2024) (NRS 287.0425).

CELESTENA GLOVER (Executive Officer, PEBP):

Agenda Item V.4 begins on page 287 of the meeting packet with the schedule for the member communication plan (Exhibit A). The schedule lists all the communications, types, and methods, for PY 2023, including virtual and in-person meetings. Information that PEBP needs to communicate to members is sent via quarterly newsletters, letter, emails, and correspondence from various vendors about changes to plans. PEBP is also holding meetings with stakeholder groups and human resource representatives. I would note that PEBP is seeing more individuals attending meetings in person.

ASSEMBLYWOMAN MONROE-MORENO:

In the document that was provided to the Committee, the calendar only goes to June 2023. Has the calendar for FY 2024 been established?

MS. GLOVER:

There is a calendar with the meetings that PEBP plans on having in FY 2024. The FY 2023 calendar shows the meetings that actually occurred.

ASSEMBLYWOMAN MONROE-MORENO:

Would PEBP be willing to share that proposed FY 2024 calendar with the Committee? Members can help get the word out if there is a meeting in their jurisdictions.

MS. GLOVER:

Yes, I will share the FY 2024 calendar with the Committee.

There was no further discussion on this item.

5. **Report on the independent actuarial valuation of post-employment health and welfare benefits for current and future state retirees provided by the State of Nevada, pursuant to Statement Number 75 of the Governmental Accounting Standards Board (GASB) for Employer Reporting as of June 30, 2023 (NRS 287.0425).**

CELESTENA GLOVER (Executive Officer, PEBP):

Agenda Item V.5 begins on page 295 in the meeting packet with an overview of the OPEB valuation (Exhibit A). Per the Governmental Accounting Standards Board requirements, valuations are required every two years; however, PEBP does annual valuations. The results of those valuations are entered as disclosures on the financial statement that is provided to other entities such as the Nevada System of Higher Education and the Office of the State Controller. Other entities use the information PEBP provides for their own financial statements. The results of that valuation are also used when PEBP talks to rating agencies. The rating agencies want to see what PEBP's liability looks like because that is used to set PEBP's credit grade.

The valuation provides the estimate of the total OPEB liability, which is the present value of future benefits for current employees and retirees. PEBP pays for benefits as they occur, nothing is pre-funded. This is an unfunded liability. This is common, about 66% of state governments do not pre-fund. Like many other entities, PEBP is taking steps to address the liability. One of those changes, which occurred in 2011, was that new employees hired after January 1, 2012, are not eligible for subsidies on the health care plan upon retirement. Those new hires can access the plan, they just would not receive any employer contributions toward the plan once they are a retiree.

There was no further discussion on this item.

VI. PUBLIC COMMENT.

There was no public comment.

VII. ADJOURNMENT.

The meeting was adjourned at 11:14 a.m.

Respectfully submitted,

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Basia Thomas, Secretary

APPROVED:

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Senator Marilyn Dondero Loop, Chair

Date: ____________________________

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