

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

LCB File No. R010-13

(This regulation was previously adopted as LCB File No. T003-12)

EXPLANATION – Matter in *bold italic* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1-7, NRS 354.107;

A REGULATION relating to governmental financial administration; requiring a report of the total estimated liability for current and retired public safety employees relating to the heart-lung-hepatitis benefits provided in NRS Chapter 617; providing standards and requirements for actuarial studies; and providing other matters relating properly thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto the provisions set forth as sections 1 to 17, inclusive, of this regulation.

Sec. 2. *As used in Sections 1 to 17, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 9, 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 having the Associate of the Society of Actuaries (ASA) designation or similar credentials from other professional organizations of actuaries. The report must document the results of an actuarial valuation of employer-provided current and post-employment medical and disability benefits to be paid to current and eligible non-current local government public safety employees per NRS 617.453, 617.455, 617.457, or 617.485 and discounting those payments back to the present.*

Sec. 4. *“Funded ratio” means the ratio of the total reserves established divided by the total discounted estimated actuarial liability for NRS Chapter 617 medical and disability benefits.*

Sec. 5. *“Last injurious exposure rule” means a judicially-created doctrine whereby full liability for an occupational disease resulting from the claimant’s exposure to injurious stimuli during more than one period of employment or insurance coverage is assigned to a single employer or insurer. Under the rule, any exposure to harmful stimuli during an insurer’s coverage period will lead to liability if the employee becomes disabled during that period by an exposure-caused injury, even if the most recent exposure was not the primary or triggering cause for the disability. [For example, see Bath Iron Works Corp. v. Dir., OWCP, 244 F.3d 222, 228-229 (1st Cir. Mass. 2001)].*

Sec. 6. *“NRS Chapter 617 benefit” means the compensation and medical benefits provided by local government employers to eligible public safety employees pursuant to NRS 617.453, 617.455, 617.457, and 617.485.*

Sec. 7. *“Pay-as-you-go funding” means the amounts funded annually by an employer who chooses to pay for the current cost of the benefits only when they become due and payable.*

Sec. 8. *“Pre-funding plan” means payments to an internal service fund or other designated fund to build reserves to pay for the total actuarially estimated liabilities arising from NRS Chapter 617 benefits.*

Sec. 9. *“Public safety employees” mean those employees subject to the occupational diseases described in NRS 617.453, 617.455, 617.457, and 617.485.*

Sec. 10. *The Department shall include in the budget forms required by NAC 354.100 a form requiring information on the NRS Chapter 617 benefits provided to eligible current and non-current local government public safety employees.*

Sec. 11. *Each local government which employs public safety personnel subject to the NRS Chapter 617 benefits must file a report about the local government's actuarially estimated liabilities associated with the NRS Chapter 617 benefits on a form prescribed by the Department. The form must be submitted with the tentative budget required by NRS 354.596.*

Sec. 12. *The information submitted by each local government pursuant to Section 11 must be compiled by the Department in an annual report in summarized form. The Department shall publish the report on its website.*

Sec. 13. *The objective in reporting NRS Chapter 617 benefit 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 NRS Chapter 617 benefits over time. Estimated liabilities determined by an actuary are not required to be reported in the financial statements of the local government.*

Sec. 14. 1. *The report on the NRS Chapter 617 benefits must at a minimum include:*

- (a) How the benefit is funded, such as through a pre-funding plan recorded as contributions to an internal service fund or other reserve fund; self-funded pay-as-you-go plan; payments to an association of self-insured public employers plan; or other private insurer plan;*
- (b) The number of current and eligible non-current public safety employees subject to the benefit, separately stated;*
- (c) The number and amount of known and accepted claims paid by a local government net of reinsurance during the prior 10 years, if available, and separately stated for*

eligible current public safety employees and eligible non-current public safety employees;

- (d) The estimated total actuarial liability for the medical and disability benefits required by NRS Chapter 617, separately stated for current public safety employees and eligible non-current public safety employees;*
- (e) The basis for the estimated actuarial liability, such as an actuarial study, including the date the actuarial study was prepared, the frequency of preparation of the actuarial study, and whether the actuarial study separately reported on eligible current and eligible non-current public safety employees;*
- (f) A ten-year history of current benefit payments made and reserves established and identification of the funds from which payments were made or to which reserves were contributed;*
- (g) The funded ratio of the present value of contributions plus investment return compared to the present value of the accrued liabilities; and*
- (h) How the full and complete actuarial study may be obtained.*

2. Local governments having less than ten years of historical records for purposes of providing the information required in subsection 1 must provide the information for as many years for which records have been maintained. The first report 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. Local governments reporting historical information of less than 10 years must begin maintaining the information required in subsection 1 until 10 years of information is continuously available.

Sec. 15. *Employers that participate in an association of self-insured public employers plan must:*

1. Report benefit expenditures/expense equal to the employer's contractually required contributions. Recognition should be on the modified accrual or accrual basis, depending on the fund type or type of entity; and

2. Report where the actuarial study and funding report of the association of self-insured public employers plan may be obtained.

Sec. 16. *1. In order to determine the actuarial accrued liability associated with the current and post-employment NRS Chapter 617 benefits, the best practice for an actuarial valuation should consider and define the following inputs:*

(a) Participant demographic data including, but not limited to, current age, gender, service retirement, terminations with benefit eligibility, salary increases, percent married, and percent survivors of the public safety employees subject to the benefit;

(b) Reasonable assumptions about the interest rate (investment return), health care inflation rates, general inflation rates, 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 by public safety employees and which considers the last injurious exposure rule.

Sec. 17. *1. The actuarial accrued liability must at a minimum be computed using the probability of occurrence over a 30 year period, using confidence levels of 50% and 75%.*

2. An actuarial study establishing the actuarial accrued liability must be performed at least once every five years.

3. An actuarial study must identify the type of benefit and the public safety employees subject to the benefit.

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

Sec. 18. *This regulation applies to the 2013-2014 fiscal year.*