

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

LCB File No. R010-13

August 22, 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 obligations; providing standards and requirements for actuarial studies; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Chapter 617 of NRS sets forth various provisions concerning occupational diseases of firefighters and police officers. Under existing regulations, local governments are required to use and submit certain budget forms as provided by the Department of Taxation. (NAC 354.100) **Section 9** of this regulation requires the Department to include with those forms a form concerning occupational disease obligations that have been paid by local governments as the result of claims made by eligible persons pursuant to chapter 617 of NRS. **Section 10** of this regulation requires each local government which employs public safety employees for whom occupational disease obligations may be incurred to file a report concerning the local government's total discounted estimated actuarial liabilities associated with such obligations on the form prescribed by the Department. **Section 13** of this regulation sets forth the information that is required to be included in the report concerning such obligations. **Section 14** of this regulation sets forth additional information that is required to be included in the report if the local government participates in an association of self-insured public employers.

Section 11 of this regulation requires that the Department compile in summarized form the information submitted by each local government pursuant to **section 10** in an annual report. **Section 11** also requires the Department to publish the annual report on its Internet website. **Section 12** of this regulation provides that certain actuarial liabilities are not required to be reported in the financial statements of a local government unless otherwise required by the Governmental Accounting Standards Board.

Section 16 of this regulation establishes the manner in which the total discounted estimated actuarial liability for occupational disease obligations must be computed. **Section 16** also sets forth certain requirements concerning the performance and content of an actuarial study.

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. *“Funded ratio” means the ratio of the total reserves established by the local government divided by the total discounted estimated actuarial liability arising from occupational disease obligations.*

Sec. 5. *“Occupational disease obligation” means the total cost of any financial or monetary liability associated with the payment of a claim for compensation for an occupational disease described in NRS 617.453, 617.455, 617.457 and 617.485.*

Sec. 6. *“Pay-as-you-go funding” means any amount funded annually by a local government employer that chooses to pay for occupational disease obligations only when the occupational disease obligations 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 occupational disease obligations.*

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 occupational disease obligations that have been paid as the result of claims made by eligible persons.*

Sec. 10. *The governing body of a local government which employs public safety employees for whom occupational disease obligations may be incurred must file a report concerning the local government's total discounted estimated actuarial liabilities associated with such occupational disease obligations 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. *Except as otherwise required pursuant to the statements issued by the Governmental Accounting Standards Board, discounted estimated actuarial liabilities determined by an actuary are not required to be reported in the financial statements of a 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 occupational disease obligations are funded through a prefunding plan or pay-as-you-go funding;

(2) The number of eligible persons for whom the occupational disease obligations may be incurred, separately subtotaled for current and former public safety employees;

(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 occupational disease obligations, 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 for eligible persons;

(6) A 10-year history of payments made for occupational disease obligations 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 is insured through an association of self-insured public employers or any private insurer, 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 is insured through 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 which reports 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 is insured through an association of self-insured public employers must include in the report filed pursuant to section 10 of this regulation information regarding where the most recent actuarial study conducted pursuant to section 16 of this regulation and the funding report of the association of self-insured public employers plan may be obtained.*

Sec. 15. *1. To determine the total discounted estimated actuarial liabilities associated with occupational disease obligations that have been paid as the result of claims made by*

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 and the percent married and percent survivors of the eligible persons for whom occupational disease obligations have been incurred;

(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 employer, 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 occupational disease obligations 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 occupational disease obligation and the eligible persons for whom the occupational disease obligation may be incurred;

(c) Document the results of an actuarial valuation of employer-provided payments for occupational disease obligations; 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.