Bickmore

March 3, 2015

Ben Sharit
Fire Chief
Tahoe Douglas Fire Protection District
193 Elk Point
PO Box 919
Zephyr Cove, NV 89448

Re: Report on GASB 45 Retiree Benefit Valuation

Dear Ben:

We are pleased to enclose our report outlining the results of the January 1, 2015 actuarial valuation of other post-employment benefit (OPEB) liabilities for Tahoe Douglas Fire Protection District (the District). The report's text describes our analysis and assumptions in detail.

The primary purposes of the report are to develop:

- The value of future benefits expected to be provided by the District, and
- The current OPEB liability and the annual OPEB expense, which we anticipate will be reported in the District's financial statements for the fiscal years ending June 30, 2015, June 30, 2016 and June 30, 2017.

The majority of the exhibits included in this report reflect our understanding that the District intends to continue financing its OPEB liability on a prefunding basis with via its irrevocable OPEB trust account.

We have based our valuation on employee data and plan information provided by the District. To the best of our knowledge, there have been no changes in benefit amounts or eligibility, other than updates to the premiums themselves, since the prior valuation was prepared. We encourage the District to review our summary of the benefits described in Table 3A to be comfortable that we have captured these provisions correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the District's staff who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA
Director, Health and Benefit Actuarial Services

Enclosure

Bickmore

Tahoe Douglas Fire Protection District

Actuarial Valuation of the Other Post-Employment Benefit Programs As of January 1, 2015

Submitted March 2015

Table of Contents

.

A. Executive Summary

This report presents the results of the January 1, 2015 actuarial valuation of the other post-employment benefit (OPEB) programs of the Tahoe Douglas Fire Protection District (the District). Briefly, the District provides retirees with access to its medical, dental, and vision plans and a modest subsidy toward the premium and pays a required monthly subsidy toward the cost of coverage for retirees in PEBP. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement 45 of the Governmental Accounting Standards Board (GASB 45).

How much the District contributes each year affects the calculation of liabilities. The District is prefunding its OPEB obligations by consistently making contributions greater than or equal to the Annual Required Contribution (ARC) each year. Trust assets are invested in Nevada's Retirement Benefits Investment Fund (RBIF). The RBIF's stated long term annual return objective is 8% and the Nevada PERS Investment Office confirms the portfolio has been constructed in a manner it feels will meet this objective. Based on this information, the District has directed Bickmore to calculate the liabilities based on an 8% discount rate, which is the same rate used in the January 2012 valuation. Note that use of this rate is not a guarantee of future investment performance, but rather a reasonable assumption about the expected long term rate of return.

In its financial report for the period ending June 30, 2014, the District reported a net OPEB asset of $2,144,773, entirely attributable to the District plan liability ($0 attributable to retirees in PEBP). Since the 2012 valuation was prepared, the District has established and made substantial contributions to an irrevocable OPEB trust.

This January 1, 2015 actuarial valuation is expected to develop the OPEB liabilities and annual OPEB expense information needed for the District's reporting for its fiscal years ending June 30, 2015, 2016 and 2017. We calculate the following as of January 1, 2015:

Plan	PEBP	District	Combined
Actuarial Accrued Liability	$ 110,561	$ 11,118,816	$ 11,229,377
Actuarial Value of Assets	41,920	6,604,414	6,646,334
Unfunded Actuarial Accrued Liability	68,641	4,514,402	4,583,043

Results for the fiscal year ending June 30, 2015 can be summarized as follows:

Funding Approach	Prefunding Basis		
Plan	**PEBP**	**District**	**Combined**
Discount Rate	8.00%	8.00%	
Amortization method	Level Dollar	Level % of Pay	
Amortization period	25	25	
Total Participants	5	96	101
Annual Required Contribution (FYE 2015)	6,184	556,480	562,664
Expected payments on behalf of retirees	9,044	582,756	591,800
Expected contribution to OPEB trust	(2,860)	1,002,860	1,000,000
Current year's implicit subsidy credit	-	183,172	183,172
Projected Net OPEB Obligation, 6/30/2015	-	(3,374,201)	(3,374,201)

Executive Summary (Concluded)

Projected results for the fiscal years ending June 30, 2016 and June 30, 2017 are illustrated in exhibits beginning on page 14.

Liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. We also note that this valuation has been prepared on a closed group basis; no provision is made for new employees. Additional OPEB information for reporting in the District's financial statements is provided in Appendix 1.

An illustration of how results compare to those from the prior valuation is provided on page 7 and a description of assumption changes is provided on pages 8 and 26. An actuarial valuation is, by its nature, a projection and to the extent that actual experience is not what we assumed, future results will be different. Some possible sources of future differences may include:

- A significant change in the benefits required to be paid on behalf of the District's PEBP retirees or a significant increase in the number of the District's active or retired employees;
- Recognition of *additional* expected improvements in life expectancies of retirees;
- A recently adopted change in Actuarial Standards of Practice, which may require the District to include the implicit subsidy liability arising from retired employees participating in PEBP (see footnote [2] on page 4);
- Changes in the OPEB accounting standard (revisions to GASB 45), similar to changes adopted in GASB 68 for defined benefit retirement plan liabilities.

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The date of the next actuarial valuation should not be later than January 1, 2018. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

Important Notices: This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the District's financial statements and to provide the annual contribution information with respect to the District's current OPEB funding policy. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The District should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the District consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the District adopted GASB 45 for the fiscal year ended June 30, 2010.

For agencies with fewer than 200 members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every three years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the District's OPEB contributions had been equal to the ARC each year, the net OPEB obligation (asset) would equal $0.
- If the District's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation (asset) in addition to the ARC (see Table 1D).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust, such as that established by the District. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

The decision whether or not to prefund, and at what level, is at the discretion of the District, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the District's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription Drug
- Vision
- Life Insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave[1] or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy" and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

An exception may exist when the plan is part of a "community-rated" or a "cost-sharing multiple employer" program. Current GASB guidance[2] indicates that an agency whose membership represents a very small portion (e.g., less than 1%) of the total coverage of a multiple employer plan may reasonably conclude that any change in their group's mix of retirees and actives would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

Nevada Legislative Environment

Nevada has legislated certain unique rights to retiree medical coverage. Nevada Revised Statutes (NRS) 287.023 provide that, prior to December 1, 2008, (most) local agency retirees could elect to continue in their employer's health plan after retirement, or join PEBP, Nevada's health plan for non-State public agency employees (section 1). Therefore, almost every public entity in Nevada has an OPEB liability which must be disclosed, because almost every plan has at least the possibility that employees have retired and joined PEBP.

Further, the claims data of actives and retirees is required to be actuarially "commingled" (Section 5), so that the rates for actives and (at least pre-65) retirees are the same. For those retirees that elect to stay in their present plan, the Nevada requirement to allow retirees the opportunity to continue coverage at the same premium as is charged for actives will generally create an implicit subsidy.

As a consequence, whichever plan the retiree joins, a subsidy is likely to exist.

---

[1] When a terminating employee's unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

[2] A change in Actuarial Standards of Practice was recently adopted and a new GASB Statement for reporting of OPEB liabilities is under development. One important change is the elimination of the exception for disclosing the implicit subsidy liability for community rated plans. These changes could impact the OPEB liability with respect to PEBP to be reported by the District for the fiscal year ending June 30, 2017.

Sources of OPEB Liabilities (Concluded)

OPEB Liabilities of the District

For retirees and former employees that have chosen to join PEBP:

- The PEBP program for non-state employees is considered to be a community rated program. The District's retired or former employees comprise a negligible percentage of total PEBP membership; thus any implicit subsidy may currently be disregarded for GASB 45 purposes. Only the explicit subsidy required to be paid by the District is valued.

For future retirees who elect to remain covered under one or more of the District sponsored plans:

- The District contributes directly to the cost of healthcare benefits for retirees who satisfy certain age and service criteria. These benefits are described in Table 3A and projected liabilities for these contributions have been included in this valuation.
- The claims experience of active employees and retirees under age 65 are co-mingled in setting premium rates for the plans in which District employees and retirees participate.
    - We believe an implicit subsidy of premiums for retirees and their spouses under age 65 exists with respect to the medical plans, because we expect retiree claims to exceed retiree premiums. Since the two medical plans offered by the District do not appear to meet the community-rated plan exception, we have valued the implicit subsidy liability relating to this pre-65 retiree coverage and included it in the overall results of the valuation.
    - We believe no implicit liability exists with respect to dental benefits provided to retirees, or that it is insignificant.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the District in January 2015 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3A, based on information supplied to Bickmore by the District. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. These projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) that benefits will end. We then apply assumptions regarding the following:

- The probability that each individual employee will or will not continue in service with the District to receive benefits;
- To the extent assumed to retire from the District (or otherwise qualify for benefits), the probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated for active employees in the current year is referred to as the "normal cost". The remaining active cost to be assigned to future years is called the "present value of future normal costs".

In summary:	Actuarial Accrued Liability	Past Years' Costs
	plus Normal Cost	Current Year's Cost
	plus Present Value of Future Normal Costs	Future Years' Costs
	equals Present Value of Projected Benefits	Total Benefit Costs

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. In this valuation, we set the Actuarial Value of Assets equal to the market value of assets invested in in the District's OPEB trust account. The market value reported as of December 31, 2014 was $6,646,334. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Reconciliation of Trust Assets

At the time the January 1, 2012 actuarial valuation was prepared, the District had not yet formally established an irrevocable OPEB trust account. Since that time, the trust has been established and substantial contributions have been made thereto. The chart below summarizes the activity and trust balance at various dates between January 1, 2012 and January 1, 2015.

Summary of OPEB Trust Transactions			
Trust Account	RBIF	Edward Jones	Total
Balance on January 1, 2012	$ -	$ 3,000	$ 3,000
Contributions from the District to the trust	-	2,500,000	2,500,000
Transfers between trust accounts	2,500,000	(2,500,000)	-
Investment earnings net of trust expenses	(23,972)	(16)	(23,988)
Balance on June 30, 2012	$ 2,476,028	$ 2,984	$ 2,479,012
Contributions from the District to the trust	-	1,022,000	1,022,000
Transfers between trust accounts	1,000,000	(1,000,000)	-
Investment earnings net of trust expenses	300,214	*(1,153)*	299,062
Professional Service Fees Paid	-	*450*	450
Balance on June 30, 2013	$ 3,776,242	$ 24,281	$ 3,800,524
Contributions from the District to the trust	-	1,000,000	1,000,000
Transfers between trust accounts	1,000,000	(1,000,000)	-
Investment earnings net of trust expenses	760,535	(23)	760,512
Professional Service Fees Paid	-	(7,000)	(7,000)
Balance on June 30, 2014	$ 5,536,777	$ 17,258	$ 5,554,035
Contributions from the District to the trust	-	1,000,000	1,000,000
Transfers between trust accounts	1,000,000	(1,000,000)	-
Investment earnings net of trust expenses	100,322	(23)	100,299
Professional Service Fees Paid	-	(8,000)	(8,000)
Balance on December 31, 2014	$ 6,637,099	$ 9,235	$ 6,646,334

Italicized values were derived from other statements.

According to an Investment Officer at Nevada PERS, the investment portfolio of the Retirement Benefits Investment Fund (RBIF) has been constructed with a long term risk/return profile designed to meet a target 8% return objective. Based on our review of the District’s OPEB trust’s transactions over the prior 3 year period, the weighted average rate of return realized was roughly 11% per year.

F. Basic Valuation Results

The following chart compares the results of the January 1, 2012 valuation of OPEB liabilities to the results of the January 1, 2015 valuation.

Funding Policy	Prefunding Basis							
Plan	**PEBP**	**District**	**District**	**Combined**	**PEBP**	**District**	**District**	**Combined**
Valuation date	**1/1/2012**				**1/1/2015**			
Subsidy	Explicit	Explicit	Implicit	Total	Explicit	Explicit	Implicit	Total
Discount Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Number of Covered Employees								
Actives	-	41	41	41	-	51	51	51
Retirees	5	36	33	41	5	40	37	45
Total Participants	5	77	74	82	5	91	88	96
Actuarial Present Value of Projected Benefits								
Actives	$ -	$ 3,355,055	$ 823,665	$ 4,178,720	$ -	$ 4,748,477	$ 1,274,844	$ 6,023,321
Retirees	132,987	5,992,397	1,362,470	7,487,854	110,561	6,191,376	1,416,402	7,718,339
Total APVPB	132,987	9,347,452	2,186,135	11,666,574	110,561	10,939,853	2,691,246	13,741,660
Actuarial Accrued Liability (AAL)								
Actives	-	2,336,348	568,563	2,904,911	-	2,795,620	715,418	3,511,038
Retirees	132,987	5,992,397	1,362,470	7,487,854	110,561	6,191,376	1,416,402	7,718,339
Total AAL	132,987	8,328,745	1,931,033	10,392,765	110,561	8,986,996	2,131,820	11,229,377
Actuarial Value of Assets	-	-	-	-	41,920	5,556,561	1,047,853	6,646,334
Unfunded AAL (UAAL)	132,987	8,328,745	1,931,033	10,392,765	68,641	3,430,435	1,083,967	4,583,043
Normal Cost	-	101,701	25,335	127,036	-	183,161	51,558	234,719
Benefit Payments	9,895	470,059	118,034	597,988	9,044	582,756	183,172	774,972
Percent funded	0.0%	0.0%	0.0%		37.9%	61.8%	49.2%	
Reported covered payroll	N/A	3,138,529	3,138,529		N/A	3,933,282	3,933,282	
UAAL as percent of payroll	N/A	265.37%	61.53%		N/A	87.22%	27.56%	

The combined funded ratio for the District plan (i.e., the ratio of trust assets allocated to implicit plus explicit District plan costs divided by the sum of the implicit plus explicit District plan AAL) is 59.4% as of January 1, 2015.

Basic Valuation Results (Concluded)

Changes Since the Prior Valuation

Generally speaking, the AAL increases over time as additional years' costs accrue for active employees and all remaining benefits get closer to the date they are expected to be paid. For an essentially closed plan, such as PEBP, there are no active employee accruals and the AAL should gradually decrease over time as benefits are paid out.

In comparing results shown in the exhibit on the preceding page, we can see that the Actuarial Accrued Liability (AAL) for PEBP retirees decreased by approximately $22,000 over the three year period between January 1, 2012 and January 1, 2015, while the AAL for the District plan increased by approximately $854,000 over the same period. Some of this difference was expected, based on the assumptions we made in the prior valuation; some of the difference was not anticipated, such as employee decisions affecting coverage or premium increases that were different than we assumed.

Given the uncertainties involved and the long term nature of these projections, our prior assumptions were not and are likely never to be exactly realized. Comparing the expected AAL as of January 1, 2015, projected from the prior valuation, with the actual AAL as of January 1, 2015, we see the following differences:

As of January 1, 2015	PEBP	EXP	IMP
Actual AAL	$ 110,561	$ 8,986,996	$ 2,131,820
Expected AAL	133,825	9,197,569	2,083,913
Difference	(23,264)	(210,573)	47,907

The principal reasons for the differences from what we projected are:

For PEBP retirees,

1) Updates in members covered and in the amount of their monthly subsidy from the District. Specifically, the total monthly subsidy payments have decreased.
2) Projection of future improvements in retiree mortality, i.e., longer life expectancies.

For the District Plan,

1) Updates to employee and premium data since the prior valuation was prepared. While the number of eligible active employees increased by 11 (28%) and the number of participating retirees increased by 4 (11%), new employees add little to the AAL (past service liability)[3]. In addition, the HSA and HRA benefit levels increased by less than we projected in the 2012 valuation;
2) Updates to the assumed rates of retirement and termination to be consistent with those used in the most recent retirement plan valuations covering District employees.
3) Additional projection for future mortality improvement (i.e., longer life expectancies).

[3] The normal cost did increase noticeably, reflecting the addition of these new employees, however.

G. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. Contributing an amount greater than or equal to the ARC each year is referred to as "prefunding". This generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. "Pay-as-you-go" funding is the term used when the agency contributes only the amount required to pay retiree benefits during the current year and sets aside no additional amounts in a trust toward the cost of future retiree benefits. The specifics for developing the amortization of the unfunded actuarial accrued liability are also part of the funding policy.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the District's fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The District is following a prefunding policy. ARCs for the fiscal years ending June 30, 2015, 2016 and 2017 were developed on this basis and are presented in Tables 1A, 1B and 1C.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, such as PEBP, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

The unfunded actuarial accrued liabilities for both the PEBP and District plans are being amortized over a closed 30 year period; 25 years remain in determining the annual OPEB expense for the fiscal year ending June 30, 2015. The unfunded PEBP liability is amortized with level dollar payments and the unfunded liability from the District plan is being amortized with payments determined as a level percent of payroll.

Funding of the Implicit Subsidy

The implicit subsidy liability created when expected retiree medical claims exceed the retiree premiums was described earlier in Section C. In practical terms, when the District pays the premiums for active employees each year, their premiums include an amount expected to be transferred to cover the portion of the retirees' claims not covered by their premiums. This transfer represents the current year's implicit subsidy. GASB 45 provides for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution to the ARC. We recommend netting our estimate of each year's implicit subsidy against the funding requirement for the implicit subsidy (see Table 1D).

H. Choice of Actuarial Funding Method and Assumptions

The ultimate real cost of an employee benefit plan is the present value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the incidence of cost. Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods, is generally one of the more stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

Factors Affecting Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the District In general, we have based the actuarial assumptions used for this valuation on the actuarial assumptions used for the actuarial valuations of the Nevada Public Employees' Retirement System (PERS) and on the actuarial assumptions used for the OPEB valuations for Nevada PEBP. In Nevada, every local retiree had the option to join the PEBP program through September 1, 2008. However, the District subsidizes retiree healthcare coverage through its plans as well and this has limited the number of retirees who selected coverage through PEBP. We have made an assumption as to future retiree and spouse participation rates in the District plans based on plan experience to date, and will continue to monitor this assumption for future valuations, as more experience develops.

In selecting an appropriate discount rate, GASB states that this rate should be based on the expected long-term yield of investments used to finance the benefits. The District has established an irrevocable OPEB trust with assets invested entirely in the Retirement Benefit Investment Fund (RBIF). The current investment return objective of the RBIF, as stated in the investment policy, is an 8% return objective and the Investment Office at Nevada PERS confirms that the RBIF investment portfolio has been constructed with a long term risk/return profile designed to meet this 8% target return objective. At the District's direction, we have used an 8% discount rate in developing results on a prefunded basis.

I. Certification

This report presents the results of our actuarial valuation of the other postemployment benefits provided by the Tahoe Douglas Fire Protection District. The purpose of this valuation was to provide the actuarial information required for the District's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligation (Asset) for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the District. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: March 3, 2015

J. Kevin Watts, FSA, MAAA

Catherine L. MacLeod, FSA, EA, MAAA

Table 1A
Results for the Fiscal Year Ending June 30, 2015

The table provides separate valuation results for PEBP and District benefits determined on a prefunding basis. Amortization of the unfunded actuarial accrued liability (UAAL):

- From PEBP subsidies – level dollar basis; closed period, 25 years remaining
- From District subsidies – level percent of pay basis, closed period, 25 years remaining

Funding Approach	**Prefunding Basis**			
Valuation date	**1/1/2015**			
Plan	**PEBP**	**District**	**District**	**Total**
Subsidy	Explicit	Explicit	Implicit	Total
For fiscal year beginning	7/1/2014	7/1/2014	7/1/2014	7/1/2014
For fiscal year ending	6/30/2015	6/30/2015	6/30/2015	6/30/2015
Discount rate	8.00%	8.00%	8.00%	8.00%
Number of Covered Employees				
Actives	-	51	51	51
Retirees	5	40	37	45
Total Participants	5	91	88	96
Actuarial Present Value of Projected Benefits				
Actives	$ -	$ 4,748,477	$ 1,274,844	$ 6,023,321
Retirees	110,561	6,191,376	1,416,402	7,718,339
Total APVPB	110,561	10,939,853	2,691,246	13,741,660
Actuarial Accrued Liability (AAL)				
Actives	-	2,795,620	715,418	3,511,038
Retirees	110,561	6,191,376	1,416,402	7,718,339
Total AAL	110,561	8,986,996	2,131,820	11,229,377
Actuarial Value of Assets	41,920	5,556,561	1,047,853	6,646,334
Unfunded AAL (UAAL)	68,641	3,430,435	1,083,967	4,583,043
Benefit Payments				
Actives (in retirement)	-	22,508	4,499	27,007
Retirees	9,044	560,248	178,673	747,965
Total	9,044	582,756	183,172	774,972
Amortization Basis				
Amortization method	Level Dollar	Level % of Pay	Level % of Pay	
Initial amortization period (in years)	30	30	30	
Remaining period (in years)	25	25	25	
Determination of Amortization Payment				
UAAL	68,641	3,430,435	1,083,967	4,583,043
Factor	11.5288	14.9963	14.9963	14.9290
Payment	5,954	228,753	72,283	306,990
Annual Required Contribution (ARC)				
Normal Cost	-	183,161	51,558	234,719
Amortization of UAAL	5,954	228,753	72,283	306,990
Interest to fiscal year end	230	15,934	4,791	20,955
Total ARC at fiscal year end	6,184	427,848	128,632	562,664

Projected covered payroll	-	3,933,282	3,933,282	
Normal Cost as a percent of payroll	N/A	4.7%	1.3%	

Table 1B
Results for the Fiscal Year Ending June 30, 2016

The table below breaks out PEPB and District liabilities and calculates the ARC on a prefunding basis, determined by rolling forward the valuation results from the prior year. Amortization of the unfunded actuarial liability continues as described above Table 1A.

	Prefunding			
Valuation date	**1/1/2015**			
Plan	**PEBP**	**District**	**District**	**Total**
Subsidy	Explicit	Explicit	Implicit	Total
For fiscal year beginning	7/1/2015	7/1/2015	7/1/2015	7/1/2015
For fiscal year ending	6/30/2016	6/30/2016	6/30/2016	6/30/2016
Discount rate	8.00%	8.00%	8.00%	8.00%
Number of Covered Employees				
Actives	-	51	51	51
Retirees	5	40	37	45
Total Participants	5	91	88	96
Actuarial Present Value of Projected Benefits				
Actives	$ -	$ 5,105,847	$ 1,372,333	$ 6,478,180
Retirees	110,362	6,126,439	1,351,041	7,587,842
Total APVPB	110,362	11,232,286	2,723,374	14,066,022
Actuarial Accrued Liability (AAL)				
Actives	-	3,194,575	823,835	4,018,410
Retirees	110,362	6,126,439	1,351,041	7,587,842
Total AAL	110,362	9,321,014	2,174,876	11,606,252
Actuarial Value of Assets	42,303	7,099,389	1,075,031	8,216,724
Unfunded AAL (UAAL)	68,059	2,221,625	1,099,845	3,389,528
Benefit Payments				
Actives (in retirement)	-	50,425	11,221	61,646
Retirees	10,337	554,792	173,401	738,530
Total	10,337	605,217	184,622	800,176
Amortization Basis				
Amortization method	Level Dollar	Level % of Pay	Level % of Pay	
Initial amortization period (in years)	30	30	30	
Remaining period (in years)	24	24	24	
Determination of Amortization Payment				
UAAL	68,059	2,221,625	1,099,845	3,389,528
Factor	11.3711	14.6757	14.6757	14.5906
Payment	5,985	151,381	74,943	232,309
Annual Required Contribution (ARC)				
Normal Cost	-	190,487	53,620	244,108
Amortization of UAAL	5,985	151,381	74,943	232,309
Interest to fiscal year end	232	13,224	4,973	18,429
Total ARC at fiscal year end	6,217	355,092	133,536	494,846

Projected covered payroll	-	4,090,613	4,090,613	
Normal Cost as a percent of payroll	N/A	4.7%	1.3%	

Table 1C
Results for the Fiscal Year Ending June 30, 2017

The table below breaks out PEPB and District liabilities and calculates the ARC on a prefunding basis, determined by rolling forward the valuation results from the prior year. Amortization of the unfunded actuarial liability continues as described above Table 1A.

	Prefunding			
Valuation date	**1/1/2015**			
Plan	**PEBP**	**District**	**District**	**Total**
Subsidy	PEBP	Explicit	Implicit	Total
For fiscal year beginning	7/1/2016	7/1/2016	7/1/2016	7/1/2016
For fiscal year ending	6/30/2017	6/30/2017	6/30/2017	6/30/2017
Discount rate	8.00%	8.00%	8.00%	8.00%
Number of Covered Employees				
Actives	-	51	51	51
Retirees	5	40	37	45
Total Participants	5	91	88	96
Actuarial Present Value of Projected Benefits				
Actives	$ -	$ 5,463,890	$ 1,470,898	$ 6,934,788
Retirees	108,854	6,061,762	1,285,723	7,456,339
Total APVPB	108,854	11,525,652	2,756,621	14,391,127
Actuarial Accrued Liability (AAL)				
Actives	-	3,605,443	936,431	4,541,874
Retirees	108,854	6,061,762	1,285,723	7,456,339
Total AAL	108,854	9,667,205	2,222,154	11,998,213
Actuarial Value of Assets	41,408	7,407,540	1,107,972	8,556,919
Unfunded AAL (UAAL)	67,446	2,259,665	1,114,182	3,441,294
Benefit Payments				
Actives (in retirement)	-	77,998	19,514	97,512
Retirees	10,511	574,609	195,164	780,284
Total	10,511	652,607	214,678	877,796
Amortization Basis				
Amortization method	Level Dollar	Level % of Pay	Level % of Pay	
Initial amortization period (in years)	30	30	30	
Remaining period (in years)	23	23	23	
Determination of Amortization Payment				
UAAL	67,446	2,259,665	1,114,182	3,441,294
Factor	11.2007	14.3395	14.3395	14.2612
Payment	6,022	157,583	77,700	241,305
Annual Required Contribution (ARC)				
Normal Cost	-	198,107	55,765	253,872
Amortization of UAAL	6,022	157,583	77,700	241,305
Interest to fiscal year end	233	13,759	5,163	19,155
Total ARC at fiscal year end	6,255	369,449	138,628	514,332

Projected covered payroll	-	4,254,238	4,254,238	
Normal Cost as a percent of payroll	N/A	4.7%	1.3%	

Table 1D
Expected OPEB Disclosures

The following three charts develop the annual OPEB expense and net OPEB obligation.

For the fiscal year ending June 30, 2015:

Funding Approach	**Prefunding**			
Plan	**PEBP**	**District**	**District**	**Combined**
Subsidy	Explicit	Explicit	Implicit	Total
Discount rate	8.00%	8.00%	8.00%	8.00%
Amortization method	Level Dollar	Level % of pay	Level % of Pay	
Amortization period	25 year closed	25 year closed	25 year closed	
1. Calculation of the Annual OPEB Expense				
a. ARC for current fiscal year	$ 6,184	$ 427,848	$ 128,632	$ 562,664
b. Interest on Net OPEB Obligation (Asset)	-	(171,582)	-	(171,582)
c. Adjustment to the ARC	-	154,462	-	154,462
d. **Annual OPEB Expense** (a. + b. + c.)	6,184	410,728	128,632	545,544
2. Calculation of Expected Contribution				
a. Expected payments on behalf of retirees	9,044	582,756	-	591,800
b. Expected contribution to OPEB trust	(2,860)	1,057,400	(54,540)	1,000,000
c. Current year's implicit subsidy credit	-	-	183,172	183,172
d. **Total Expected Employer Contribution**	6,184	1,640,156	128,632	1,774,972
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-	(1,229,428)	-	(1,229,428)
Net OPEB Obligation (Asset), beginning of fiscal year	-	(2,144,773)	-	(2,144,773)
Net OPEB Obligation (Asset) at fiscal year end	-	(3,374,201)	-	(3,374,201)

Results for fiscal years ending June 30, 2016 and 2017 are developed on the following page.

Table 1D – Expected OPEB Disclosures (Concluded)

For the fiscal year ending June 30, 2016:

Funding Approach	Prefunding			
Plan	**PEBP**	**District**	**District**	**Combined**
Subsidy	Explicit	Explicit	Implicit	Total
Discount rate	8.00%	8.00%	8.00%	8.00%
Amortization method	Level Dollar	Level % of pay	Level % of Pay	
Amortization period	24 year closed	24 year closed	24 year closed	
1. Calculation of the Annual OPEB Expense				
a. ARC for current fiscal year	$ 6,217	$ 355,092	$ 133,536	$ 494,845
b. Interest on Net OPEB Obligation (Asset)	-	(269,936)	-	(269,936)
c. Adjustment to the ARC	-	248,311	-	248,311
d. **Annual OPEB Expense** (a. + b. + c.)	6,217	333,467	133,536	473,220
2. Calculation of Expected Contribution				
a. Expected payments on behalf of retirees	10,337	605,217	-	615,554
b. Expected contribution to OPEB trust	(4,120)	(250,125)	(51,086)	(305,331)
c. Current year's implicit subsidy credit	-	-	184,622	184,622
d. **Total Expected Employer Contribution**	6,217	355,092	133,536	494,845
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-	(21,625)	-	(21,625)
Net OPEB Obligation (Asset), beginning of fiscal year	-	(3,374,201)	-	(3,374,201)
Net OPEB Obligation (Asset) at fiscal year end	-	(3,395,826)	-	(3,395,826)

For the fiscal year ending June 30, 2017:

Funding Approach	Prefunding			
Plan	**PEBP**	**District**	**District**	**Combined**
Subsidy	Explicit	Explicit	Implicit	Total
Discount rate	8.00%	8.00%	8.00%	8.00%
Amortization method	Level Dollar	Level % of pay	Level % of Pay	
Amortization period	23 year closed	23 year closed	23 year closed	
1. Calculation of the Annual OPEB Expense				
a. ARC for current fiscal year	$ 6,255	$ 369,449	$ 138,628	$ 514,332
b. Interest on Net OPEB Obligation (Asset)	-	(271,666)	-	(271,666)
c. Adjustment to the ARC	-	255,761	-	255,761
d. **Annual OPEB Expense** (a. + b. + c.)	6,255	353,544	138,628	498,427
2. Calculation of Expected Contribution				
a. Expected payments on behalf of retirees	10,511	652,607	-	663,118
b. Expected contribution to OPEB trust	(4,256)	(283,158)	(76,050)	(363,464)
c. Current year's implicit subsidy credit	-	-	214,678	214,678
d. **Total Expected Employer Contribution**	6,255	369,449	138,628	514,332
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	-	(15,905)	-	(15,905)
Net OPEB Obligation (Asset), beginning of fiscal year	-	(3,395,826)	-	(3,395,826)
Net OPEB Obligation (Asset) at fiscal year end	-	(3,411,731)	-	(3,411,731)

Please note: The PEBP and explicit District contributions (payments for retirees) shown above for fiscal years ending June 30, 2015, 2016 and 2017 are projections and should be replaced with the actual payments for financial statements.

Table 2
Summary of Employee Data

The District reported 51 active employees and 40 retirees participating in the District's healthcare plans or receiving Medicare HRA contributions. In addition, there were 5 retirees for whom the District was paying a required subsidy toward the cost of PEBP coverage on the valuation date. Information on these individuals is summarized in the charts below and on the following page.

Distribution of Benefits-Eligible Active Employees

Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25		2					2	4%
25 to 29		9					9	18%
30 to 34		4	2	1			7	14%
35 to 39		8	3	4			15	29%
40 to 44	1			2		1	4	8%
45 to 49		1			3	2	6	12%
50 to 54					2	3	5	10%
55 to 59					1	1	2	4%
60 to 64						1	1	2%
65 to 69							0	0%
70 & Up							0	0%
Total	1	24	5	7	6	8	**51**	**100%**
Percent	2%	47%	10%	14%	12%	16%	**100%**	

Valuation	January 2012	January 2015
Annual Covered Payroll	$3,138,529	$3,933,282
Average Attained Age for Actives	44.4	38.7
Average Years of Service	6.4	9.7

District Retirees by Age

Current Age	Number	Percent
Below 50	0	0%
50 to 54	7	18%
55 to 59	16	40%
60 to 64	10	25%
65 to 69	6	15%
70 to 74	1	3%
75 to 79	0	0%
80 & up	0	0%
Total	**40**	**100%**
Average Attained Age for Retirees:		60.2

PEBP Retirees by Age

Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	2	40%
60 to 64	0	0%
65 to 69	1	20%
70 to 74	2	40%
75 to 79	0	0%
80 & up	0	0%
Total	**5**	**100%**
Average Attained Age for Retirees:		65.7

Table 2
(Concluded)

The chart below reconciles the number of active and retirees included in the January 1, 2015 valuation of the District plan with those included in the January 1, 2012 valuation:

Reconciliation of District Plan Members Between Valuation Dates				
Status	Covered Actives	Waiving Actives	Covered Retirees	Total
Number reported as of January 1, 2012	40	1	36	77
New employees	19	-	-	19
Terminated employees	(2)	-	-	(2)
New retiree, elected coverage	(4)	-	4	0
Data corrections	(2)	(1)	-	(3)
Number reported as of January 1, 2015	**51**	**0**	**40**	**91**

From the above, we can see that there were a substantial number of new hires during the three year period, with a net increase of 11 active employees (about a 28% increase). All 36 of the prior retirees continue to be covered and there were also 4 new retirees who elected coverage.

The change in PEBP coverage is summarized below. While the plan is generally closed to District retirees after September 1, 2008, former employees covered by PEBP at the time of their retirement (through a subsequent employer) may join the plan and the District is assessed a portion of their cost.

Reconciliation of PEBP Retiree Population	
Retirees as of January 2012	5
Decreased or dropped coverage	(1)
Added to PEBP invoice	1
Retirees as of January 2015	5

Table 3A
Summary of Retiree Benefit Provisions

OPEB provided: Employees who retire from the District are eligible to continue their coverage under the medical, dental and vision plans offered by the District to its active employees or, if they retired prior to September 1, 2008, could elect to participate in the Public Employees' Benefit Plan (PEBP).

Benefits for PEBP retirees: Those retirees who were eligible and elected PEBP coverage are entitled to a subsidy toward their premium cost based on their years of covered employment under Nevada PERS. The subsidy is borne on a pro-rata basis by the employers for which the retiree has worked and earned PERS service credit. Thus, the District is obligated to subsidize health care premiums for former employees as well as those who retired directly from the District. Additional details on the benefits provided to PEPB retirees are described in Table 3B.

Access to District plan coverage and benefits paid: Retirees and their spouses under age 65 may elect to continue their medical, dental, vision coverage under the programs made available to the District's active employees. The District currently contributes toward the cost of retiree healthcare coverage as follows:

- Employees hired prior to June 1, 2003 retiring from the District after June 30, 1999 at age 50 or older with at least 15 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premiums paid by the District for their lifetimes. The percentage is based on the following service schedule:

Years of District Service	% of Employee Premium Paid	% of Spouse Premium Paid
Less than 15	0%	0%
15	50%	50%
16	60%	60%
17	70%	70%
18	80%	80%
19	90%	90%
20 or more	100%	100%

- Employees hired on or after June 1, 2003 and retiring from the District at age 55 or older with at least 20 years of service who elect to remain in the District's plans receive a percentage of the employee and spouse premiums paid by the District until they become eligible for Medicare benefits after which the District contribution ceases. The percentage is based on the following service schedule:

Years of District Service	% of Employee Premium Paid	% of Spouse Premium Paid
Less than 20	0%	0%
20	100%	0%
21	100%	20%
22	100%	40%
23	100%	60%
24	100%	80%
25 or more	100%	100%

Table 3A: Summary of Retiree Benefit Provisions (Concluded)

- If an employee completes the minimum service requirement (as determined based on his or her employment date), but terminates employment with the District prior to reaching the minimum required age, the employee may still remain qualified for future postemployment healthcare benefits from the District. If, after leaving District employment, the employee retains District coverage and pays the entire premium, once the employee reaches the minimum required benefit age, the District will provide the postemployment healthcare benefits to which the employee would have been entitled had he or she terminated employment after meeting the minimum age requirement.
- Retirees are no longer permitted to remain on the District's plans after age 65
    - Upon eligibility for Medicare, the District's monthly allowance toward health insurance for a retired employee is equal to $225 multiplied by his or her vested percentage (see tables above). Similarly, eligible spouses receive a monthly health insurance allowance equal to $225 multiplied by their applicable vested percentage.
    - The District will also pay the same vested percentage of Medicare Part A premiums for retired employees and their spouses who are not Part A Medicare premium qualified. The premium is $451 in 2015.

The plans currently available to employees before Medicare eligibility include a low-deductible PPO and a high deductible PPO plan. In addition to the applicable percent of premium (described above based on the employee's employment date and retirement date), the District also makes contributions to a Health Savings Account (HSA) for pre-65 retirees who elect the high deductible PPO. The amount of the District's subsidy to the HSA is the applicable *vested percent* of:

- $185 per month for those with single plan coverage
- $370 per month for those covering a spouse.

District health plan premium rates: The premium rates applicable to retirees not yet eligible for Medicare are the same as those for active employees. The monthly premium rates for the District in effect on January 1, 2015 were:

Tahoe Douglas FPD Monthly Health Premium Rates				
	Anthem PPO	Anthem HSA	Sun Life	VSP
Plan	Medical		Dental	Vision
Employee	$ 707.35	$ 439.38	$ 39.39	$ 7.54
Employee & Spouse	1,556.16	966.64	78.52	12.07
Employee & Child(ren)	1,273.22	790.87	86.38	12.32
Family	2,192.77	1,362.05	139.44	19.86

Table 3B
Summary of Selected PEBP Retiree Benefit Provisions

Eligibility

For a retiree to participate in the PEPB program, the participant must be receiving a PERS benefit. PERS eligibility requirements vary by employee group and benefit type.

PEBP Closure

PEBP closed to non-State public agency retirees on September 1, 2008 unless the agency's active employees are participating in PEBP. However, the District would be responsible for a portion of the PEBP subsidy for a former employee retiring after September 1, 2008 from the State or from a Non-State public agency whose active employees participate in PEBP.

Employer-paid Subsidy

Substantial changes in the monthly subsidy paid to PEBP retirees became effective on July 1, 2011. The monthly subsidy continues to be based on years of credited service under Nevada PERS, though the level differs for pre-Medicare and Medicare eligible retirees. The subsidy ends at the earlier of the retiree's death or the date he or she discontinues coverage.

There are exceptions to the amounts shown below:

(a) Participants who retired before January 1, 1994 receive the 15 year subsidy, regardless of their years of covered service and

(b) Participants do not receive a subsidy if they were hired by their last employer on or after January 1, 2010, retired with less than 15 years of service and were not disabled.

*Agency Subsidy for PEBP Coverage
For non-State pre-Medicare retirees:*

PEBP Service	July 2014 Amount	PEBP Service	July 2014 Amount
5	$ 115.55	13	$ 392.87
6	150.22	14	427.54
7	184.88	15	462.20
8	219.55	16	496.87
9	254.21	17	531.53
10	288.88	18	566.20
11	323.54	19	600.86
12	358.21	20 +	635.53

*HRA Contributions for non-State Medicare
Retirees covered by Exchange*

PEBP Service	July 2014 Amount	PEBP Service	July 2014 Amount
5	$ 55.00	13	$ 143.00
6	66.00	14	154.00
7	77.00	15	165.00
8	88.00	16	176.00
9	99.00	17	187.00
10	110.00	18	198.00
11	121.00	19	209.00
12	132.00	20 +	220.00

Table 4
Actuarial Methods and Assumptions

Valuation Date	January 1, 2015
Funding Method	Entry Age Normal Cost, closed group, level percent of pay[4]
Asset Valuation Method	Market value of assets
Discount Rate	8.0%
Participants Valued	Only current active employees and retired participants and covered spouses are valued. No future entrants are considered in this valuation.
Salary Increase	4.0% per year
Assumed Increase for Amortization Payments	3.0% per year where determined on a percent of pay basis
General Inflation rate	3.0% per year

The demographic actuarial assumptions used in this valuation are based on the most recently published actuarial valuation report (June 30, 2013) of the Nevada Public Employees Retirement System which covers the employees included in this valuation.

Mortality: Note that the rates described below were projected using Scale AA on a fully generational basis.

Non-disabled life rates for Regular employees:

Males: RP-2000 Combined Healthy Table

Females: RP-2000 Combined Healthy Table set back 1 year

Non-disabled life rates for Safety employees:

Males and Females: RP-2000 Combined Healthy Table, set forward 1 year

[4] The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

Table 4 - Actuarial Methods and Assumptions (Continued)

Termination Rates

Years of Service	Regular Employees	Police/Fire
0	16.50%	14.00%
1	12.50%	6.50%
2	9.70%	5.75%
3	7.30%	4.75%
4	6.60%	4.25%
5	5.00%	3.50%
6	4.00%	3.00%
7	3.50%	2.25%
8	3.25%	1.90%
9	3.00%	1.75%
10	2.75%	1.50%
11	2.50%	1.25%
12	2.25%	1.00%
13	2.00%	0.90%
14	1.75%	0.80%
15 & Over	1.50%	0.50%

Retirement Rates

Regular Employees					
	Years of Service				
Age	5-9	10-19	20-24	25-29	30 or more
45-49	0%	0%	1%	7%	20%
50-54	1%	2%	2%	10%	20%
55-59	2%	4%	6%	13%	25%
60-61	8%	12%	18%	25%	25%
62-64	10%	14%	18%	25%	25%
65-69	20%	20%	22%	25%	25%
70-74	40%	40%	60%	60%	60%
75 & Over	100%	100%	100%	100%	100%

Police/Fire Employees					
	Years of Service				
Age	5-9	10-19	20-24	25-29	30 or more
40-44	0%	1%	3%	0%	0%
45-49	0%	1%	5%	15%	15%
50-54	2%	5%	13%	18%	27%
55-59	4%	11%	20%	25%	35%
60-64	10%	18%	25%	32%	35%
65-69	60%	60%	65%	70%	70%
70 & Over	100%	100%	100%	100%	100%

Table 4 - Actuarial Methods and Assumptions (Continued)

Healthcare Trend

District plan healthcare premiums and HSA contributions for pre-65 retirees are assumed to increase at the following rates:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2016	7.75%	2020	5.75%
2017	7.25%	2021	5.25%
2018	6.75%	2022	5.00%
2019	6.25%	& later	5.00%

Required subsidies for PEBP plan participants are assumed to increase at the following rates:

Effective July 1	Subsidy Increase	Effective July 1	Subsidy Increase
2015	8.00%	2019	6.00%
2016	7.50%	2020	5.50%
2017	7.00%	2021	5.00%
2018	6.50%	& later	5.00%

Dental and vision plan premiums are assumed to increase by 4.5% annually.

Other Employer Cost-Sharing in the District plan

The District's subsidy toward post-Medicare coverage (HRA contribution) is assumed to increase by 5% annually.

Participation Rate

Active employees: 100% who qualify for coverage in retirement assumed to elect such coverage.

Active employees who terminate prior to the minimum retirement age but who will be eligible for a District subsidy upon reaching the minimum age if they pay their own premiums until such age are assumed to elect the District healthcare coverage at the following rates:

Years Before Subsidy Starts	5	4	3	2	1
% Assumed to elect to continue District health coverage until minimum benefit age	5%	10%	20%	40%	80%

Current retirees: All are assumed to retain their existing election until death.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Spouse Coverage	*Active employees:* 90% of those assumed to elect coverage in retirement are assumed to be married participants eligible for coverage or HRA contributions for their spouse until their death. Male employees are assumed to be 3 years older than their wives, and female employees are assumed to be 3 years younger than their husbands. *Retired employees*: Existing elections for spouse coverage are assumed to continue until age 65 and HRA contributions are assumed to apply until the spouse's death. Actual spouse information is used where available; otherwise the assumptions for spouses of active employees are applied.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 65. Retirees over age 65 who are not eligible for Medicare are assumed to remain ineligible.
Development of Age-related Medical Premiums	*Medical premiums*: Actual premium rates were adjusted to an age-related basis by applying the rates per the "Representative Curve for General Use" as presented by Petertil, August 2003, Society of Actuaries. Rates between 50 and 64 were averaged and rounded to the nearest .5%. A uniform rate was developed and applied prior to age 50 following analysis of plans offered for pre-Medicare eligible individuals. The result of this analysis is that premiums are assumed to increase at the rate of 3.5% per year of age for all ages prior to age 65.

Changes since the prior valuation:

Demographic Assumptions	The assumed rates of retirement and termination were updated to be consistent with those used in the most recent retirement plan valuations covering District employees.
Mortality Improvement	Future improvement in mortality rates was projected by applying Scale AA on a fully generational basis to the RP 2000 mortality tables used in the most recent Nevada PERS valuation.

Table 5
Projected Annual Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District.

- No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection.
- No benefits for potential future employees have been included.

Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

Projected Annual Benefit Payments						
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy		Total
	PEBP Retirees	Current Retirees	Future Retirees	Current Retirees	Future Retirees	
2015	$9,044	$560,248	$22,508	$178,673	$4,499	$774,972
2016	10,337	554,792	50,425	173,401	11,221	800,176
2017	10,511	574,609	77,998	195,164	19,514	877,796
2018	11,010	569,539	107,731	196,626	29,474	914,380
2019	11,457	576,421	135,198	209,836	41,208	974,120
2020	11,842	539,053	163,913	169,945	48,540	933,293
2021	12,150	521,174	196,227	156,924	57,179	943,654
2022	8,715	504,898	226,538	145,485	72,686	958,322
2023	8,610	480,519	247,229	116,887	81,735	934,980
2024	8,636	479,446	259,110	116,657	84,955	948,804

Appendix 1
General OPEB Disclosure and Required Supplementary Information

The Information necessary to complete the OPEB footnote in the District's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section G; details are provided also at the top of the exhibit in Table 1A
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.
Funding Status and Funding Progress:	See Section F – Basic Valuation Results

Schedule of Funding Progress - PEBP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ -	$ 520,787	$ 520,787	0%	$ -	N/A
1/1/2012	$ -	$ 132,987	$ 132,987	0%	$ -	N/A
1/1/2015	$ 41,920	$ 110,561	$ 68,641	38%	$ -	N/A

Schedule of Funding Progress - District Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ -	$ 20,765,892	$ 20,765,892	0%	$ 3,971,354	522.89%
1/1/2012	$ -	$ 10,259,778	$ 10,259,778	0%	$ 3,138,529	326.90%
1/1/2015	$ 6,604,414	$ 11,118,816	$ 4,514,402	59%	$ 3,933,282	114.77%

Appendix 1 – Required Supplementary Information

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

OPEB Cost Contributed - PEBP

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 11,363	$ 31,600	278%	$ -
6/30/2013	$ 9,798	$ 9,798	100%	$ -
6/30/2014	$ 9,834	$ 9,834	100%	$ -
6/30/2015	*$ 6,184*	*$ 6,184*	*100%*	*$ -*
6/30/2016	*$ 6,217*	*$ 6,217*	*100%*	*$ -*
6/30/2017	*$ 6,255*	*$ 6,255*	*100%*	*$ -*

OPEB Cost Contributed - District Plan

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 827,838	$ 3,066,388	370%	$ (206,548)
6/30/2013	$ 696,210	$ 1,674,851	241%	$ (1,185,189)
6/30/2014	$ 685,582	$ 1,645,166	240%	$ (2,144,773)
6/30/2015	*$ 539,360*	*$ 1,768,788*	*328%*	*$ (3,374,201)*
6/30/2016	*$ 467,003*	*$ 488,628*	*105%*	*$ (3,395,826)*
6/30/2017	*$ 492,172*	*$ 508,077*	*103%*	*$ (3,411,731)*

Italicized values above are estimates which may change if contributions are other than projected.

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see "Actuarial Present Value"

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to assumed exit age

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Glossary (Continued)

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Nevada Public Employees' Retirement System (NPERS) – In Nevada, a unified retirement system covers all State and local agency employees

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

Public Employees' Benefit Plan (PEBP) – A healthcare plan covering Nevada State employees and retirees, the active employees of agencies who elect to participate, and local agency retirees who (individually) elect to participate. Benefits include medical, dental, vision and life insurance

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Glossary (Concluded)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility