

# MacLeod Watts

November 29, 2023

Chief Scott Lindgren  
Fire Chief  
Tahoe Douglas Fire Protection District  
PO Box 919  
Zephyr Cove, NV 89448

Re: **PEBP** Other Postemployment Benefits of Tahoe Douglas Fire Protection District  
GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2023

Dear Chief Lindgren:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of Tahoe Douglas Fire Protection District (the District). **This report covers only former employees and retirees covered by the Nevada Public Employees' Benefit Plan (PEBP).** Information regarding the OPEB liability relating to the Tahoe Douglas Fire Protection District Retiree Healthcare Plan (District RHP) is provided in a separate report.

The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending June 30, 2023, relating to District retirees covered by PEBP. The report's text describes our analysis and assumptions in detail.

Our calculations reflect that the District is financing this PEBP OPEB liability on a pay-as-you-go basis. The discount rate used has been updated, based on the change in the applicable municipal bond index. The exhibits presented are based on a roll forward of the December 31, 2021, valuation results and on the retiree data provided to us for that valuation. The District also provided information on retiree benefits paid for the current fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

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

Sincerely,



Catherine L. MacLeod, FSA, FCA, EA, MAAA  
*Principal & Consulting Actuary*

Enclosure



Tahoe Douglas Fire Protection District  
*PEBP Retirees*

GASB 75 Actuarial Report  
Measured as of December 31, 2022  
For Fiscal Year End June 30, 2023 Financial Reporting

Submitted November 2023

MacLeod Watts

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## A. Executive Summary

This report presents actuarial information for Tahoe Douglas Fire Protection District **about the other post-employment benefit liability for retirees covered by the Nevada Public Employees' Benefit Plan (PEBP)**. The purpose of this report is to provide information about this plan as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the District's fiscal year ending June 30, 2023. A separate GASB 75 report has been prepared for OPEB liabilities of the District RHP.

Important background information regarding the valuation process can be found in Appendix 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including requirements of GASB 75. The pages following this executive summary discuss the valuation results in detail and present various exhibits appropriate for disclosures under GASB 75.

This report is based on a roll forward of the December 31, 2021, valuation results. An updated valuation of the OPEB liability will need to be prepared as of December 31, 2023. The results of that valuation will first be applied to prepare the GASB 75 report for the District's fiscal year end June 30, 2024.

### OPEB Obligations of the District for PEBP Members

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).

For retirees and former employees covered by a medical plan offered through PEBP:

- **Explicit subsidy liabilities:** As noted above, the District is required to provide a monthly subsidy toward the cost of medical coverage for retirees and their dependents covered under PEBP. Liabilities relating to these projected benefits are included in this valuation. These benefits are described in Supporting Information, Section 2.
- **Implicit subsidy liabilities:** PEBP operates a separate pool from the State plan members for evaluating the claims and setting premiums for Nevada Public Agency PEBP participation. The Public Agency pool consists almost entirely of retired members. The level of District subsidy for Medicare eligible retirees suggests that even if any implicit subsidy exists for District retirees, the cost of the subsidy will not be paid by the District. Further, since the plan is a closed group, any pre-Medicare subsidy will be very short term. Therefore, we have not included any implicit subsidy liability in this situation.

### OPEB Funding Policy

The District's OPEB funding policy affects the calculation of liabilities by impacting the discount rate that is used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate which reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.



## Executive Summary

(Continued)

The District is financing this PEBP OPEB liability on a pay-as-you-go basis. With the District's approval, the discount rate used in this valuation is based on the Fidelity 20 Year AA General Obligation Municipal Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 1.84% on December 31, 2021, and 4.05% on December 31, 2022.

### Actuarial Assumptions

The basic mortality rates used in this report are the same as the rates used for the most recent valuation of the retirement plan(s) covering District employees, though a different table was applied to project future mortality improvement. Other assumptions, such as healthcare trend and retiree participation rates, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. These assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This program is (essentially) closed to new District retirees and only the retirees covered by PEBP as of the valuation date are considered.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

### Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2023
Measurement Date	December 31, 2022
Measurement Period	December 31, 2021, to December 31, 2022
Valuation Date	December 31, 2021

### Updates Since the Prior Report

This report is based on a roll forward of the December 31, 2021, valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts from those provided to us for the 2021 valuation. Accordingly, no new census data was gathered, and no plan experience was determined. No assumptions were changed, other than an update to the discount rate as described above.



## Executive Summary

(Concluded)

### Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2023

The impact to Net Position for District PEBP retirees will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. The plan's impact on Net Position on the measurement date can be summarized as follows.

Items	For Reporting At Fiscal Year Ending June 30, 2023
Total OPEB Liability	\$ 84,189
Fiduciary Net Position	-
<b>Net OPEB Liability</b>	<b>\$ 84,189</b>
<i>Adjustment for Deferred Resources:</i>	
Deferred (Outflows)	(3,808)
Deferred Inflows	-
<b>Impact on Statement of Net Position</b>	<b>\$ 80,381</b>
<b>OPEB Expense, FYE 6/30/2023</b>	<b>\$ (15,598)</b>

### 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. 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; MacLeod Watts 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. Results Measured as of December 31, 2022

The District's PEBP OPEB liability measured as of December 31, 2022, was determined based on a "roll-forward" of the December 31, 2021, valuation. A roll-forward valuation moves the plan liability forward based on expected changes. For this type of valuation, we do not collect new plan data, and we generally do not change any actuarial assumptions. One exception is that changes in the liability discount rate reflecting changes in the municipal bond index are reflected as of the new measurement date.

GASB allows roll-forward valuations to be performed in the year following the full biennial valuation if no material changes to the plan or the plan's members have occurred. Examples of material changes would include significantly different terminations or retirements during the year than were assumed, or a change in the retirement plan provisions. No such events or plan amendments were reported by the District in the current measurement period.

The chart below reconciles the liability reported last year to that obtained by the roll-forward valuation as of the end of the current fiscal year.

Reconciliation of Changes During Measurement Period	Total OPEB Liability
<b>Balance at Fiscal Year Ending 6/30/2022</b> <i>Measurement Date 12/31/2021</i>	\$ 106,866
<b>Expected Changes During the Period:</b>	
Service Cost	-
Interest Cost	1,901
Benefit Payments	(7,079)
<b>Total Expected Changes During the Period</b>	(5,178)
<b>Expected at Fiscal Year Ending 6/30/2023</b> <i>Measurement Date 12/31/2022</i>	\$ 101,688
<b>Unexpected Changes During the Period:</b>	
Change Due to Discount Rate Increase From 1.84% To 4.05%	(17,499)
<b>Total Unexpected Changes During the Period</b>	(17,499)
<b>Balance at Fiscal Year Ending 6/30/2023</b> <i>Measurement Date 12/31/2022</i>	\$ 84,189



### C. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 relating to retiree PEBP coverage for the fiscal year ending June 30, 2023. The District is classified for GASB 75 purposes as a single employer.

#### Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE June 30, 2023 <i>Measurement Date is December 31, 2022</i>		PEBP
<b>Items Impacting Net Position:</b>		
Total OPEB Liability	\$	84,189
Fiduciary Net Position		-
Net OPEB Liability (Asset)		84,189
<b>Deferred (Outflows) Due to:</b>		
Assumption Changes		-
Plan Experience		-
Investment Experience		-
Deferred Contributions		(3,808)
<b>Deferred Inflows Due to:</b>		
Assumption Changes		-
Plan Experience		-
Investment Experience		-
<b>Impact on Statement of Net Position, FYE 6/30/2023</b>	<b>\$</b>	<b>80,381</b>
<b>Items Impacting OPEB Expense:</b>		
Service Cost	\$	-
Cost of Plan Changes		-
Interest Cost		1,901
Expected Earnings on Assets		-
<b>Recognition of Deferred Outflows:</b>		
Assumption Changes		-
Plan Experience		-
Investment Experience		-
<b>Recognition of Deferred (Inflows):</b>		
Assumption Changes		(17,499)
Plan Experience		-
Investment Experience		-
<b>OPEB Expense, FYE 6/30/2023</b>	<b>\$</b>	<b>(15,598)</b>



## Accounting Information

(Continued)

### Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End <i>Measurement Date</i>	6/30/2022 <i>12/31/2021</i>	6/30/2023 <i>12/31/2022</i>	Change During Period
Total OPEB Liability	\$ 106,866	\$ 84,189	\$ (22,677)
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	106,866	84,189	(22,677)
<i>Deferred (Outflows) Due to:</i>			
Assumption Changes	-	-	-
Plan Experience	-	-	-
Investment Experience	-	-	-
Deferred Contributions	(3,452)	(3,808)	(356)
<i>Deferred Inflows Due to:</i>			
Assumption Changes	-	-	-
Plan Experience	-	-	-
Investment Experience	-	-	-
Impact on Statement of Net Position	<u>\$ 103,414</u>	<u>\$ 80,381</u>	<u>\$ (23,033)</u>

### Change in Net Position During the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2022	\$ 103,414
OPEB Expense (Income)	(15,598)
Tahoe Douglas FPD Contributions During Fiscal Year	<u>(7,435)</u>
Impact on Statement of Net Position, FYE 6/30/2023	<u>\$ 80,381</u>

### OPEB Expense

Tahoe Douglas FPD Contributions During Fiscal Year	\$ 7,435
Deterioration (Improvement) in Net Position	<u>(23,033)</u>
OPEB Expense (Income), FYE 6/30/2023	<u>\$ (15,598)</u>



## Accounting Information

(Continued)

### Recognition Period for Deferred Resources

Liability changes due to plan experience that differs from what was assumed in the prior year and/or due to assumption changes during the year are recognized over the Expected Average Remaining Service Life ("EARSLS"). The period for recognizing differences between expected and actual experience and/or changes in assumptions in a closed plan with no active members, such as PEBP, is 1 year.

### Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end June 30, 2023.

Tahoe Douglas FPD	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ -
Differences Between Expected and Actual Experience	-	-
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	3,808	-
<b>Total</b>	<b>\$ 3,808</b>	<b>\$ -</b>

### Schedule of Deferred Outflows and Inflows of Resources

Other than deferred contributions, there are no deferred resource bases which extend beyond the current measurement period for pay-as-you-go plans in which all participants are retired.

Measurement Date: December 31, 2022

Deferred Outflow or (Inflow)						Balance as of Dec 31, 2022
Date Created	Source	Impact on Net OPEB Liability (NOL)	Initial Amount	Period (Yrs)	Annual Recognition	
12/31/2022	Assumption Changes	Decreased NOL	\$ (17,499)	1.00	\$ (17,499)	\$ -



**Accounting Information**  
(Continued)

**Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate**

The discount rate used for the fiscal year end 2023 is 4.05%. Healthcare cost trend rate prior to eligibility for Medicare was assumed to start at 6.0% (increase effective July 1, 2022) and fluctuate down to the ultimate rate of 3.9% for years 2076 and later; medical cost inflation for those covered by Medicare is 4.5% per year. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 3.05%	Current 4.05%	Current + 1% 5.05%
<b>Net OPEB Liability (Asset)</b>	91,378	84,189	78,035
Increase (Decrease)	7,189		(6,154)
% Increase (Decrease)	8.5%		-7.3%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
<b>Net OPEB Liability (Asset)</b>	77,229	84,189	92,171
Increase (Decrease)	(6,960)		7,982
% Increase (Decrease)	-8.3%		9.5%



**Accounting Information**  
(Continued)

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Years since GASB 75 was implemented are shown in the table.

<b>Fiscal Year Ending June 30</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Measurement Date</i>	<i>12/31/2022</i>	<i>12/31/2021</i>	<i>12/31/2020</i>	<i>12/31/2019</i>	<i>12/31/2018</i>	<i>12/31/2017</i>
<i>Discount Rate on Measurement Date</i>	<i>4.05%</i>	<i>1.84%</i>	<i>2.00%</i>	<i>2.75%</i>	<i>3.71%</i>	<i>3.31%</i>
<b>Total OPEB liability</b>						
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,901	2,853	3,913	4,109	4,120	4,829
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(17,827)	-	7,604	-	-
Changes of assumptions	(17,499)	(14,560)	10,380	34,243	(4,024)	5,407
Benefit payments	(7,079)	(13,083)	(14,231)	(14,552)	(13,089)	(11,920)
<b>Net change in total OPEB liability</b>	<b>(22,677)</b>	<b>(42,617)</b>	<b>62</b>	<b>31,404</b>	<b>(12,993)</b>	<b>(1,684)</b>
<b>Total OPEB liability - beginning</b>	<b>106,866</b>	<b>149,483</b>	<b>149,421</b>	<b>118,017</b>	<b>131,010</b>	<b>132,694</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 84,189</b>	<b>\$ 106,866</b>	<b>\$ 149,483</b>	<b>\$ 149,421</b>	<b>\$ 118,017</b>	<b>\$ 131,010</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 84,189</b>	<b>\$ 106,866</b>	<b>\$ 149,483</b>	<b>\$ 149,421</b>	<b>\$ 118,017</b>	<b>\$ 131,010</b>

*There is no covered payroll in this plan; all members are retired.*



**Accounting Information**  
(Continued)

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**  
(concluded)

<b>Fiscal Year Ending June 30</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<i>Measurement Date</i>	<i>12/31/2022</i>	<i>12/31/2021</i>	<i>12/31/2020</i>	<i>12/31/2019</i>	<i>12/31/2018</i>	<i>12/31/2017</i>
<i>Discount Rate on Measurement Date</i>	<i>4.05%</i>	<i>1.84%</i>	<i>2.00%</i>	<i>2.75%</i>	<i>3.71%</i>	<i>3.31%</i>

**Notes to Schedule**

Valuation Date	12/31/2021	12/31/2019	12/31/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation	Level % of Pay 2.50%	Level % of Pay 2.50%	Level % of Pay 2.75%
Healthcare cost trend rates	Pre-Medicare: 6.0% effective January 2022 fluctuating down to 3.9% by 2076. Post-Medicare: 4.5%	Pre-Medicare: 5.4% effective July 2021 fluctuating down to 4.0% by 2076. Post-Medicare: 4.5%	Pre-Medicare: 6.5% effective July 2018 grading down to 5.0% by 2024. Post-Medicare: 4.5%
Salary increases	N/A; All Retired	N/A; All Retired	N/A; All Retired
Retirement age	N/A; All Retired	N/A; All Retired	N/A; All Retired
Mortality	NVPERS 2021 Experience Study	RPH-2014 Healthy Annuitant	RP-2000 Combined Healthy Annuitant
Mortality Improvement	MW Scale 2022 Generationally	MW Scale 2020 Generationally	MW Scale 2017 Generationally

**Schedule of Contributions**

This schedule is not required to be provided for unfunded OPEB plans.



Accounting Information  
(Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Tahoe Douglas FPD	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows:				(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience	Investment Experience	
Balance at Fiscal Year Ending 6/30/2022 <i>Measurement Date 12/31/2021</i>	\$ 106,866	\$ -	\$ 106,866	\$ -	\$ -	\$ -	\$ 3,452	\$ -	\$ -	\$ -	\$ 103,414
Changes During the Period:											
Service Cost	-		-								-
Interest Cost	1,901		1,901								1,901
Expected Investment Income		-	-								-
Tahoe Douglas FPD Contributions		7,079	(7,079)								(7,079)
Changes of Benefit Terms	-		-								-
Benefit Payments	(7,079)	(7,079)	-								-
Assumption Changes	(17,499)		(17,499)					17,499			-
Plan Experience	-		-						-		-
Investment Experience		-	-							-	-
Recognized Deferred Resources				-	-	-	(3,452)	(17,499)	-	-	(14,047)
Contributions After Measurement Date							3,808				(3,808)
Net Changes in Fiscal Year 2022-2023	(22,677)	-	(22,677)	-	-	-	356	-	-	-	(23,033)
Balance at Fiscal Year Ending 6/30/2023 <i>Measurement Date 12/31/2022</i>	\$ 84,189	\$ -	\$ 84,189	\$ -	\$ -	\$ -	\$ 3,808	\$ -	\$ -	\$ -	\$ 80,381



## Accounting Information

(Continued)

### District Contributions to the Plan

District contributions to the Plan occur as benefits are paid to retirees and/or to the OPEB trust. Benefit payments may occur in the form of direct payments for premiums (“explicit subsidies”) and/or indirect payments to retirees in the form of higher premiums for active employees (“implicit subsidies”). For details, see Appendix 1: Important Background Information.

Benefits paid to PEBP retirees during the measurement period (1/1/2022 – 12/31/2022):	\$7,079
Benefits paid to PEBP retirees during the current fiscal year (7/1/2022 – 6/30/2023):	\$7,435
Deferred contributions (paid 1/1/2023 – 6/30/2023):	\$3,808



## Accounting Information

(Continued)

### Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees covered by PEBP. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

Projected Annual Benefit Payments	
Fiscal Year Ending June 30	PEBP Subsidy
2023	7,435
2024	7,416
2025	7,349
2026	7,240
2027	7,088
2028	6,893
2029	6,654
2030	6,375
2031	6,062
2032	5,722
2033	5,362
2034	4,994
2035	4,628
2036	4,279
2037	3,797



## Accounting Information

(Concluded)

### Sample Journal Entries

#### OPEB Accounts at

#### Beginning of Fiscal Year

	<i>By Source</i>		<i>Sources Combined</i>	
	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
Net OPEB Liability		106,866		106,866
<i>Deferred Outflow:</i>				
Assumption Changes	-			
Plan Experience	-			
Investment Experience	-			
Contribution Subsequent to MD	3,452			
<b>Deferred Outflows</b>			3,452	
<i>Deferred Inflow:</i>				
Assumption Changes		-		
Plan Experience		-		
Investment Experience		-		
<b>Deferred Inflows</b>				-

#### Record Benefits Paid to Retirees

	<b>Debit</b>	<b>Credit</b>
Net OPEB Liability	7,435	
Cash		7,435

#### Record End of Year

#### Updates to OPEB Accounts

	<i>By Source</i>		<i>Sources Combined</i>	
	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>
Net OPEB Liability	15,242		15,242	
<i>Deferred Outflow:</i>				
Assumption Changes				
Plan Experience				
Investment Experience				
Contribution Subsequent to MD	356			
<b>Deferred Outflows</b>			356	
<i>Deferred Inflow:</i>				
Assumption Changes	-			
Plan Experience	-			
Investment Experience	-			
<b>Deferred Inflows</b>			-	
OPEB Expense		15,598		15,598



## **D. Funding Information**

Our understanding is that the District is currently financing its PEBP OPEB liability on a pay-as-you-go basis. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes.

Should the District wish to explore potential future prefunding for this plan we can prepare illustrations of various funding levels and, if appropriate, perform a formal funding valuation at that time. Results under a funding scenario may be materially different from the results presented in this report.



## E. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by Tahoe Douglas Fire Protection District for retired employees covered by PEBP. We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the District. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the District and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions: the District may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the District may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. Both actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: November 29, 2023



Catherine L. MacLeod, FSA, FCA, EA, MAAA



Michael J. Papendieck, EA, ACA, MAAA



## F. Supporting Information

### Section 1 - Summary of Employee Data

**Active members:** There are no active District employees covered by or eligible for coverage under PEBP.

**Retired members:** As of the December 2021 valuation date, there were 4 former employees or retirees for whom the District pays a subsidy toward the cost of PEBP coverage.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	0	0%
60 to 64	2	50%
65 to 69	0	0%
70 to 74	0	0%
75 to 79	2	50%
80 & up	0	0%
<b>Total</b>	<b>4</b>	<b>100%</b>
Average Attained Age for Retirees:		71.9

While the plan is generally closed to District retirees after June 30, 2008, former employees covered by PEBP at the time of their retirement (through a subsequent employer) may join the plan and, if this occurs, the District is assessed a portion of their cost.

The chart below summarizes the change in the number of PEBP retirees between valuations:

Reconciliation of PEBP Retiree Population	
Retirees as of December 2019	5
Deceased or dropped coverage	(1)
Added to PEBP invoice	0
<b>Retirees as of December 2021</b>	<b>4</b>



## Supporting Information

(Continued)

### Section 2 - Summary of Retiree Benefit Provisions

**PEBP Eligibility:** 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 is 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.

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

**Benefits for PEBP retirees:** Those retirees and former employees 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 shared 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.

The Nevada Legislature changes the benefit subsidies from time to time. 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 June 30, 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 June 30, 2010, retired with less than 15 years of service and were not disabled.

#### **Agency Subsidy for PEBP Coverage for Non-State pre-Medicare retirees:**

The subsidy provided to pre-Medicare retirees varies based on the type of plan selected (PPO or HMO) and by the level of coverage taken (e.g., single, two party, family, etc.). This chart shows the monthly amounts payable beginning July 2021 for those with 15 years of PERS service. Actual pre-Medicare subsidies for Dec 31, 2021, as invoiced to the District by individual, were used for the valuation.

Coverage Level	PPO CDHP	PPO Low Deductible	Statewide EPO/HMO
	Base Subsidy	Base Subsidy	Base Subsidy
<i>For 15 years of PERS service</i>			
Retiree Only	\$ 747.69	\$ 773.78	\$ 593.39
Retiree + Spouse	1,386.95	1,439.20	1,078.41
Retiree + Children	987.39	1,023.31	775.27
Retiree + Family	1,626.68	1,688.73	1,260.28

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

Amounts paid for Medicare eligible retirees covered by the Exchange do not vary by type of plan or coverage level; they vary only by years of PERS membership service.

On December 31, 2021, the monthly subsidy for retirees on the Medicare Exchange was \$13 per month per year of PERS service, with a maximum benefit payable of \$260 per month.



## Supporting Information (Continued)

### Section 3 - Actuarial Methods and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

#### Important Dates

Valuation Date	December 31, 2021
GASB 75 Measurement Date	December 31, 2022
Fiscal Year End	June 30, 2023

#### Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay <sup>1</sup>
Asset Valuation Method	Not applicable (\$0, no OPEB trust has been established)
Participants Valued	Only current PEBP retirees are valued.

#### Economic Assumptions

Municipal Bond Index	Fidelity 20 Year AA General Obligation Municipal Bond Index
Discount Rate	4.05% as of December 31, 2022, 1.84% as of December 31, 2021
General Inflation Rate	2.5% per year
Salary Increase	Not applicable; there are no active employees in the valuation
Healthcare Trend	The District's subsidy toward the cost of PEBP retiree coverage <i>prior to Medicare</i> is assumed to increase at the following rates:

Effective July 1	Premium Increase	Effective July 1	Premium Increase
2022	6.0%	2044-2049	4.7%
2023	5.8%	2050-2059	4.6%
2024	5.6%	2060-2066	4.5%
2025	5.4%	2067-2068	4.4%
2026-2027	5.2%	2069-2070	4.3%
2028-2029	5.1%	2071	4.2%
2030-2038	5.0%	2072-2073	4.1%
2039	4.9%	2074-2075	4.0%
2040-2043	4.8%	2076 & later	3.9%

<sup>1</sup> 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 the determination of amortization payments.



## Supporting Information (Continued)

### Section 3 - Actuarial Methods and Assumptions (continued)

Healthcare Trend (concluded)	<p>The trend shown on the previous page was developed using the Getzen Model 2022_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2028 20.0%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2076.</p> <p>PEBP subsidy increases for Medicare-eligible retirees covered on the Exchange are assumed to increase by 4.5% per year.</p>
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### Participant Election Assumptions

Participation Rate	<i>Retirees:</i> All retirees currently covered by PEBP are assumed to retain their existing election until death.
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.

### Demographic Assumptions

Mortality	<p><i>The basic mortality rates used in this valuation are based on the most recently published report of the Nevada Public Employees Retirement System, issued September 2021.</i></p> <p><i>Males:</i> Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30%</p> <p><i>Females:</i> Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 15%</p>
Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2010 (see Appendices)

### Software and Models Used in the Valuation

**ProVal** - MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

**Getzen model** – published by the Society of Actuaries; used to derive medical trend assumptions described earlier in this section



**Supporting Information**  
(Concluded)

**Section 3 - Actuarial Methods and Assumptions (concluded)**

**Assumption Changes Since the Prior Valuation**

Discount Rate	Changed from 1.84% as of December 31, 2021, to 4.05% as of December 31, 2022, based on the published change in return for the municipal bond index.
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## Appendix 1: Important Background Information

### General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an “explicit subsidy”. In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, 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 retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Expected retiree claims		
Premium charged for retiree coverage		Covered by higher active premiums
Retiree portion of premium	Agency portion of premium Explicit subsidy	Implicit subsidy

*This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The implicit subsidy is not affected by how much or little of the premium might be paid by the District.*

For virtually all Nevada public agencies with retirees in PEBP, these retirees are in a separate pool consisting almost exclusively of retirees. The claims experience of this pool is developed separately from that of other PEBP members; thus, no implicit subsidy liability exists or is insignificant for these retirees.

### Valuation Process

The valuation was based on retiree census data and benefits provided by the District. A summary of this data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual retiree records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the District as to its accuracy. The valuation was also based on the actuarial methods and assumptions described in Section 3.

We first determine an expected benefit stream over the retiree’s expected remaining lifetime. The projected benefits are projected Agency payments to PEBP and include assumed trends (increases) in the cost of those benefits and assumptions as to the expected date(s) when benefits will end.

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. Final payments for retirees may not be made for 25 years or more.



## **Important Background Information**

(Continued)

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 "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost". *Note that there is no service cost in a closed plan with only retirees (such as PEBP) because there are no active employees.*

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members
- A change in the subsidy provided by the District toward PEBP coverage
- Longer life expectancies of retirees
- Establishment of and recurring the District contributions to an irrevocable OPEB trust, and
- Changes in the discount rate used to value the OPEB liability

## **Requirements of GASB 75**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

## **Important Dates**

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").



## Important Background Information (Continued)

### Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition:* Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.
- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.  
Difference between projected and actual trust earnings: 5 year straight-line recognition  
All other amounts: Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. Because PEBP is closed and there are no active members, all differences between expected and actual experience and/or changes in assumptions are recognized immediately.

### Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

### Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the 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”. GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period’s service cost determined as a level percent of pay.

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.



## Appendix 2: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

- (1) Short-term mortality improvement rates should be based on recent experience.
- (2) Long-term mortality improvement rates should be based on expert opinion.
- (3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions used in generating Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the age 95 improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.



## Glossary

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 of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

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

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

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

Discount Rate – Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – 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 the last age at which benefits can be paid

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position – The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

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.

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.



**Glossary**  
**(Continued)**

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

NV PERS – Many state governments maintain a public employee retirement system; NV PERS is the Nevada program, covering all eligible state government employees as well as other employees of other governments within Nevada who have elected to join the system

OPEB Expense – The OPEB expense reported in the Agency's financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

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

Plan Assets – The value of cash and investments considered as 'belonging' to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Public Employees' Benefit Plan (PEBP) – The state of Nevada's health plan for State and non-State public agency employees. This program is generally closed to non-State employees who retired after November 30, 2008.

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)

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

Total OPEB Liability (TOL) – 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; a subset of "Actuarial Present Value"

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

