AGENDA

WASHOE COUNTY, NEVADA OPEB TRUST FUND
BOARD OF TRUSTEES

December 3, 2012 at 9:30 a.m.

Room C-110 (Central Conference Room)
Washoe County Administrative Complex, Building C
1001 E. 9th Street - Reno, Nevada 89512

NOTE: Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another later meeting; moved to or from the Consent section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Items listed in the Consent section of the agenda are voted on as a block and will not be read or considered separately unless removed from the Consent section.

Facilities in which this meeting is being held are accessible to the disabled. Persons with disabilities who require special accommodation or assistance (e.g. sign language, interpreters or assisted listening devices) at the meeting should notify the Washoe County Manager's Office at 328-2000, 24 hours prior to the meeting.

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Time Limits. Public comments are welcomed during the Public Comment periods for all matters, whether listed on the agenda or not, and are limited to two minutes per person. Additionally, public comment of two minutes per person will be heard during individual action items on the agenda. Persons are invited to submit comments in writing on the agenda items and/or attend and make comment on that item at the Trustee's meeting. Persons may not allocate unused time to other speakers.

Forum Restrictions and Orderly Conduct of Business. The Washoe County OPEB Trust Board of Trustees conducts the business of the OPEB Trust Fund during its meetings. The presiding officer may order the removal of any person whose statement or other conduct disrupts the orderly, efficient or safe conduct of the meeting. Warnings against disruptive comments or behavior may or may not be given prior to removal. The viewpoint of a speaker will not be restricted, but reasonable restrictions may be imposed upon the time, place and manner of speech. Irrelevant and unduly repetitious statements and personal attacks which antagonize or incite others are examples of speech that may be reasonably limited.

Responses to Public Comments. The Board of Trustees can deliberate or take action only if a matter has been listed on an agenda properly posted prior to the meeting. During the public comment period, speakers may address matters listed or not listed on the published agenda. The Open Meeting Law does not expressly prohibit responses to public comments by the Board. However, responses from Trustees to unlisted public comment topics could become deliberation on a matter without notice to the public. On the advice of legal counsel and to ensure the public has notice of all matters the Board of Trustees will consider, Trustees may choose not to respond to public comments, except to correct factual inaccuracies, ask for staff action or to ask that a matter be listed on a future agenda. The Board may do this either during the public comment item or during the following item: "*Commissioners'/Manager's Announcements, Requests for Information, Topics for Future Agendas and Statements Relating to Items Not on the Agenda".

This Agenda for the meeting has been posted at the following locations: Washoe County Administration Building (1001 E. 9th Street, Bldg. A), Washoe County Courthouse-Second Judicial District Court (75 Court Street), Washoe County Downtown Reno Library (301 S. Center Street), Sparks Justice Court (630 Greenbrae Drive) and on the Washoe County Website at www.washoecounty.us/finance/OPEB.htm.

Supporting documentation for items on the Agenda provided to the Washoe County, Nevada OPEB Trust Board members is available for viewing by members of the public at the Washoe County Comptroller's Office, 1001 E. 9th Street, Room D-120 Reno, Nevada.

All items numbered or lettered below are hereby designated **for possible action** as if the words "for possible action" were written next to each item (NRS 241.020). An item listed with asterisk (*) is an item for which no action will be taken.

* 1. Roll call.

* 2. Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.

3. Approval of minutes from the August 10, 2012 meeting.

4. Review and approval of the amended budget for fiscal year 2012/2013.

5. Review and approval of claims processed, administrative expenditures and reimbursements to employers through September 30, 2012.

* 6. Review of interim financial statements for the period ending September 30, 2012.

7. Discussion and approval of the schedule of transfers from the Trust to the RBIF.

* 8. Discussion of status of actuarial valuations and receipt of actuarial valuations for the Sierra Fire Protection District and Truckee Meadows Fire Protection District Retiree Group Medical Plans.

* 9. Acknowledge receipt of the amended Administrative Rules and Procedures of the Board of Trustees of the Washoe County, Nevada Trust Fund.

* 10. Discuss State RBIF fiscal year information.

* 11. Acknowledge receipt of fiscal year 2011/2012 financial statements.

* 12. Trustee's/Staff Announcements, Requests for Information, Topics for Future Agendas, Statements relating to Items not on the Agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in providing for the benefits of Washoe County, Nevada OPEB Trust Participants in accordance with the Benefit Plans. (No discussion on this item will take place among Trustees.)

* 13. Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.

14. Adjourn

BOARD OF TRUSTEES, WASHOE COUNTY, NEVADA OPEB TRUST FUND

FRIDAY, AUGUST 10, 2012, 10:00 A.M.

Present:	**Staff:**
John Sherman, Chairman	Cynthia Washburn, Comptroller
Sheri Mendez, Trustee	Lynn Broyles, Assistant Comptroller
Trish Gonzales, Trustee	Mary Solorzano, Senior Accountant
	Sandra McGarva, Secretary
	Terrance Shea, Legal Counsel

The Board convenes in regular session at approximately 10:04 a.m. at the Washoe County Administrative Complex, 1001 East Ninth Street, Reno, Nevada, Building A, Room 210. Roll is called, and it is noted that Trustee Mendez is not present. Mary Walker of Walker and Associates is also in attendance.

Public comment.

There is no public comment.

Approve minutes from April 26, 2012 meeting.

There are no changes to the minutes as transcribed from the April 26, 2012 meeting. Trustee Gonzales moves to approve the minutes of April 26, 2012. Chairman Sherman seconds the motion. No objections are raised and the motion carries.

Review preliminary financial results and investment status for fiscal year 2011/2012.

The Comptroller directs all to page 10 of their packets for discussion on the Interim Financial Highlights for the year ended June 30, 2012. She indicates that the figures disclosed are preliminary for the year, adding that all possible accruals have not yet been finalized, so the numbers could change a little bit, but it is felt they are reasonably close. Net assets are up $13 million, mostly due to the Washoe County contributions and earnings on the investments. The Trust right now holds $96 million, or about 92% of what's invested in the state RBIF.

(Trustee Mendez arrives at approximately 10:08.)

Ms. Washburn continues with discussion of the Change in Plan Net Assets as identified on the table on page 10 of the packets. She explains that pre-funding from Washoe County represents the majority of the increase in net assets. The largest component of benefits paid is Washoe County health benefits to retirees.

Ms. Washburn directs the Board to the table identified as Budget Comparison on the same page, stating that Washoe County pre-funding contributions are on budget. Investment income net of expense was down. The RBIF had a huge swing in the unrealized gains and losses during the year. Calculating on an average cash basis, we estimated the RBIF earnings to be 2.93% vs. their 7% targeted rate. We have not yet received the full year analysis report from RBIF. The Trust assets in the Washoe County pooled investments earned an average of 2.6% for the year.

The million dollar variance in contributions for incurred costs was primarily due to the change in actual operations of the fire entities versus the initial budget assumptions. The Trust is paying the direct retiree costs for Sierra Fire this year.

Ms. Washburn concludes her overview of the preliminary investment status for 2011/2012 and adds that detailed financial statements follow in the packet if there are any questions.

In discussion, Chairman Sherman notes that it is interesting to see that we've finally exceeded the $100 million threshold in the Trust. He adds that the Trust could now engage in its own investment activity, the desire for which he does not have, nor does he suggest that we do that – but by law, we can.

There is more discussion with regard to who might raise the question of the OPEB Trust embarking on its own investment activity. It is the consensus of the Board that there would be no benefit to such action.

Chairman Sherman directs discussion to page 17 of the packet, noting the actuarial evaluations for Truckee Meadows FPD are large in comparison to other costs.

Mary Walker is recognized from the Chair, and she advises she is still waiting for the Actuarial Analysis for Truckee Meadows FPD.

There is brief discussion. Ms. Washburn notes that these costs are for the prior year end.

Review and approve claims and reimbursements to employers through June 30, 2012.

A detailed table located on page 18 of the Trustees' packet indicates, on a year-to-date basis, what has been spent so far, and what would be requested for reimbursement to Washoe County for these two Plans. It is noted that this will be the last payment for the year.

Trustee Mendez moves to approve payment of the claims and reimbursements to Washoe County for the period through June 30, 2012, in the amount of $2,948,684.71. Trustee Gonzales seconds the motion. All are in favor. The motion carries.

Discussion and updates on the status of actuarial reports for the Trust's plans.

Ms. Washburn asks Trustee Mendez to give an overview of the OPEB 2012 Actuarial Valuation, as she worked closely with the consulting actuary in putting it together. It is noted that copies of the Report will be e-mailed to the OPEB Trustees, as only one copy was brought to this meeting.

For the record, Mr. Shea, Legal Counsel for the Board, advises that supporting material for an item on the agenda, when provided to any member of the Board at a public meeting, must also be available for the general public at that meeting. There is discussion; it is noted there is no one from the general public at the meeting interested in obtaining a copy of the document, and the supporting-material requirement is duly noted for future reference.

Trustee Mendez points out a couple of items on the Actuarial Evaluation completed by Mr. John Botsford of Milliman. She advises that when the Trustees receive their copy, she's referring to information located on page 3.

The actuarial annual required contribution (ARC) went down significantly this year. The Actuarial Accrued Liability (AAL) increased, the daily required contribution decreased.

Chairman Sherman asks to know what the AAL is; Trustee Mendez states it is $287,185,000 and that the ARC is $18,447,000, which is a significant decline from prior year. In our estimate we were expecting that to come in at about $24,000,000.

Confirming it is valuated as a closed plan, Trustee Mendez explains that part of the reason why we had such a large decrease is because the current costs for providing employee benefits to those employees who are eligible currently and are still working, went down because our population of employees covered decreased. New employees coming in are not covered. Trustee Mendez responds to a question from the Chair, indicating that the Unfunded Actuarial Accrued Liability (UAAL) is $195,922,000, noting that this is for the Washoe County plan in fiscal year 2013.

Trustee Mendez states she would like to point out (on page 3) where the actuary, Botsford, identified a summary of changes since the last valuation and their approximate impact on the AAL. Some of them are fairly significant and she continues the overview:

The cost of benefit accruals since the last valuation, plus interest on the prior valuation's AAL due to the passage of time, less benefit payments, resulted in an increase in AAL of approximately $40 million.

Beginning in 2018, medical premiums that are above a certain threshold will be subject to an excise tax equal to 40% of the amount above the threshold. Trustee Mendez clarifies, stating that auditors are requiring the actuaries to value the excise tax associated with the Affordable Health Care Act. The adjustment made for this in this year's actuarial valuation is approximately $9 million.

Chairman Sherman asks if the Trust pays that, or the County, or do the employees pay that? She states it is part of the health care costs, so it is the employer who pays it, and it is the long-term cost of that which is being valued.

There is discussion. It is noted we were valuated as a "Cadillac plan," with a $9 million liability resulting from the anticipated excise tax.

Another piece of the Report includes a change in the mortality assumption to reflect a margin for improvement in future mortality, updating from the RP2000 Combined Mortality table for males and females to the RP2000 Combined Mortality table for males and females projected to 2015. It is anticipated that people are living longer, so this AAL shows an increase of approximately $10 million.

Trustee Mendez continues, noting that another change is the update to future health cost trend to reflect recent economic growth factors. This change resulted in an increase in AAL of approximately $3 million. She states other factors, such as changes to the County's demographic composition, actual increases in health costs compared to expected increases from the prior valuation and coverage changes since the last valuation resulted in a decrease in AAL of approximately $48 million. Trustee Mendez explains that this

decrease was due primarily to significantly lower than expected health costs projected from the prior valuation and lower County subsidies payable to Tier 2 retirees after age 65. She explains that the Tier 2 employees get an equal payment of whatever the subsidy would have been had they been in a State PEBP plan. That subsidy has gone down because the State now requires that anyone over the age of 65 enroll in Medicare. That lowered the subsidy for us since we match that subsidy as a payment to our employees who are participating in the Plan.

There is discussion. This information will be made available to the public, and Counsel advises that the Actuarial Valuation be captured as supporting documentation for the minutes.

Discussion and possible action to approve proposed fiscal year 2012/2013 budget.

Ms. Mendez begins a summary of the Washoe County, Nevada OPEB Trust Fund Budget for the Year Ended June 30, 2013, as reflected in the table provided within their packets.

Discussion ensues, and Chairman Sherman states we are pretty close to the ARC. It is clarified that the ARC included only Washoe County's Plan, but that added together with the PEBP Plan, it is slightly under, but not by much.

Trustee Sherman asks if we have budgeted interest in the past, and Ms. Washburn states we did budget it last year. She explains that given the low rate this year, we thought we'd present a zero base as a starting point. She asks if the Trustees would like an assumption for interest, or just leave it as favorable if we get it. A concern was the float of the unrealized gains and losses. The Trustees agree to leave a zero budget.

More discussion.

Ms. Washburn states that what is shown for administrative costs is a separate item on the agenda to approve the use of the Countywide Cost Allocation Plan (COWCAP) rate instead of direct charges.

Mary Walker is recognized; she states that TMFPD does continue to pay Reno for all their retirees and former TM employees if they retired prior to June 30, 2012. So there should be a budget of about $250,000 in there. It is confirmed that the City of Reno pays the retiree benefits costs, and then TMFPD pays their proportionate share to Reno.

Discussion follows with regard to paying ineligible retirees (those who have passed away) and how these are detected.

Trustee Gonzales moves to approve the Washoe County, Nevada OPEB Trust Fund Budget for the Year Ended June 30, 2013, amended to include the amount of $250,000 for proportionate benefits expense to Reno from Truckee Meadows FPD.

Trustee Mendez seconds the motion. All are in favor, the motion carries.

Discussion and possible action for approval to charge the Trust for administrative support and supplies using Countywide cost allocations plan (COWCAP) instead of direct-time charges.

Chairman Sherman asks for a motion to approve charging the Trust for administrative support and supplies using COWCAP instead of direct-time charges.

Trustee Mendez so moves. Trustee Gonzales seconds the motion. All are in favor, the motion carries.

Discussion and possible action on planned transfers to the State of Nevada Retiree Benefit Investment Fund.

Ms. Washburn states that a proposal has been laid out for timing of reimbursement transfers to the RBIF, who prefers that we spread them out evenly. As has been our practice, the County would plan on timing their pre-funding payments to help offset the cost reimbursement, so that the cash impact on the OPEB would be fairly neutral. That leaves the largest transfer portion towards the end of the year, keeping enough cash in the Washoe County pool to cover at least about a years' worth of expected expenses, in the event there are claims and untimely expenses, etc.

Trustee Mendez points out that she believes we've done that lump-sum more toward the end, in the past, from the County to the Trust, because of the uncertainty around cash flows and wherever we were headed with the associations. As some of those things get resolved, we might want to revisit this at our October meeting. She adds she is not comfortable with doing a lump-sum distribution all at one month in case we hit a down-cycle or an up-cycle – she'd rather see it spread it out.

It is noted that the average cash in the County pool is fairly high. There is discussion. It is decided to continue this discussion at the next meeting about the transfer schedules from the County into the Trust, and from the Trust to the RBIF, and how much we hold in the County pool.

Ms. Washburn notes that the RBIF wants at least a full month notification of any contribution, so if discussion is tabled until a decision can be made in October, the transfer cannot be made until almost December. If an amount to transfer between now and the next meeting is requested, RBIF could have a couple of months' notification. Ms. Solorzano explains that they tried to keep these transfers as level as possible.

There is discussion. Trustee Mendez states she would be comfortable with at least bumping up the October, January and April amounts to maybe $3.6 million, and that would lower June to $7.9 million. Chairman Sherman clarifies further that we would then have that incremental increase fall directly into RBIF.

Ms. Solorzano states she will take it straight across and add $1 million to each of those months for the RBIF. All are asked if there are any objections and there are none.

In discussion, the Trustees propose that the County transfers to the Trust will be $3.6 million in October, January and April, and $7.9 million in June and then that extra million dollars that comes in October, spread it out over the next 3 payments.

Ms. Washburn states she believes that if the Board agrees, staff could start with the first payment since there are sufficient funds from the prior years, starting in August. There is discussion on the exact amount to be transferred to the RBIF.

Trustee Mendez moves to approve the transfer schedule with transfers to RBIF at equal monthly payments at $855,900 with the prefunding contributions being increased to $3.6 million and the final contribution in June at $7.9 million.

Trustee Gonzales seconds the motion. All are in favor, the motion carries.

Discussion and possible action to amend administrative procedures for approval of claims between meetings.

Chairman Sherman states that there is a feature in the Trust document itself that procedurally allows the Trustees to make a change in the Administrative Rules and Procedures of the Board of Trustees of the Washoe County, Nevada OPEB Trust Fund.

Ms. Washburn confirms that the Administrative Rules document is the one that officially designated the Chairman as the authorized signor. She notes that it is shown edited at number 3 to designate one trustee as opposed to the Chairman, and she calls their attention to 6.c., which would include the amendment to use the COWCAP (County Wide Cost Allocation Plan) rate as has been just approved.

It is confirmed that this would not conflict with the Trust document. There is discussion.

Legal Counsel Shea addresses the Chair with questions pertaining to the proposal to change the Rules to allow "one trustee" as their agent to approve the payment of Trust administrative expenditures. He states that no change would be necessary if the Administrative Procedures as they are written were followed: in 1.c., where it states, "…the Vice Chairman shall perform the duties and acts authorized or required by the Chairman to be performed, as long as the inability of the Chairman to act may continue" reflects there is already an alternate signor in place.

Chairman Sherman clarifies the need for the change by stating that they are trying to make it so that the Finance Director (Trustee Mendez), who is at the Complex all the time, be authorized to sign in the Chairman's place, and that because Trustee Gonzales is the Vice Chair but also a retiree, she may be unavailable for the intermittent signature requirements, as well.

It is confirmed by Counsel that we will need to wait until the next meeting to effect the change. There is discussion.

It is suggested that it be left the way it is until the next meeting and place the items with the proposed changes on the next agenda for formal ratification. More discussion.

It is noted that any one of the Trustees could be asked to approve payments of administrative costs because it has to be reported at the next meeting; Counsel advises, as a matter of practice, that the Chairman be asked first.

There is lengthy discussion; Trustee Mendez moves to approve the changes to the Administrative Rules and Procedures of the Board of Trustees of the Washoe County, Nevada OPEB Trust Fund, with amendment to paragraph 3 that states, "any one of the Trustees may act as their agent to approve the payments of Trust administrative expenditures, provided that all expenditures are reported to and approved by the Trustees at its next regularly scheduled meeting." And the amendment to 6.c., "Time

spent by Washoe County staff to provide services will be tracked and billed to the Trust based upon Washoe County's Countywide Cost Allocation Plan (COWCAP) and amounts billed to the Trust will be reviewed and approved by the Trustees as part of their annual budget process to the extent the work performed is for the benefit of all plans, the costs will be allocated equally to each of the benefit plans funded through the Trust."

Chairman Sherman seconds the motion. He then questions if the COWCAP includes *just* staff time, or is it everything.

Trustee Mendez states it is everything, and returns to the motion to amend it by changing the first sentence to read: "Costs incurred by Washoe County to provide services ….."

> [The motion then should read: 'approve the changes to the Administrative Rules and Procedures of the Board of Trustees of the Washoe County, Nevada OPEB Trust Fund, with amendment to paragraph 3 that states, "any one of the Trustees may act as their agent to approve the payments of Trust administrative expenditures, provided that all expenditures are reported to and approved by the Trustees at its next regularly scheduled meeting." And the amendment to 6.c., "Costs incurred by Washoe County to provide services will be tracked and billed to the Trust based upon Washoe County's Countywide Cost Allocation Plan (COWCAP) and amounts billed to the Trust will be reviewed and approved by the Trustees as part of their annual budget process to the extent the work performed is for the benefit of all plans, the costs will be allocated equally to each of the benefit plans funded through the Trust."']

Chairman Sherman seconds the motion to amend the motion. All are in favor, the motion carries.

Discussion and possible action to seek other vendor proposals for audit services for fiscal year 2012/201, and, if approved, direction to staff for possible inclusion in the County's RFP for audit services.

Ms. Washburn advises that the County will be going out for bid, and staff is suggesting that the Trustees approve the inclusion of the Trust in the bidding process for greater efficiency.

Chairman Sherman asks if the bids that come in will identify the Washoe County bid and the OPEB Trust bid separately. Ms. Washburn responded that separate bids will be requested. Washoe County can then process the request for proposal as a combined bidding approach, which would be less overhead than trying to do a standalone bid for the OPEB Trust.

Trustee Mendez asks for clarification - the RFP will state that we can accept the bid as a group or accept it separate? Ms. Washburn responded - Yes.

Chairman Sherman inquires if this Board of Trustees will have any role in the selection of the auditors. There is discussion. He asks if the Trustees have any issues with going with whatever staff recommends to the BCC.

Trustees Gonzales and Mendez are in agreement that since staff will be working with whatever auditor is chosen, it should be their recommendation.

Trustee Gonzales moves to approve staff to go forward with seeking vendor proposals for audit services for fiscal year 2012/2013, and directs staff to obtain approval for the OPEB Trust to be a part of the County's RFP package, but as a separate bid, and to make their vendor recommendation to the Board of County Commissioners on behalf of the Trust, and whatever the BCC approves will also apply to the Trust.

Trustee Mendez seconds the motion. All are in favor, the motion carries.

Update and discussion on Sierra Fire and Truckee Meadows Fire Protection Districts merger, and possible impact to the Trust.

Mary Walker of Walker and Associates, on behalf of Truckee Meadows Fire Protection District (TMFPD), is asked to provide an overview on the progress of the fire districts' merger. She begins by stating that per the Reno/TMFPD interlocal agreement, TMFPD is liable to pay Reno for any former TMFPD employees who were brought over in 2000 to the City of Reno, of which there are 97. And if they retired at any time during the term of that interlocal agreement (July 1, 2003 – June 30, 2012), then TMFPD would be responsible for their proportionate share of the costs of retiree health for those former TMFPD employees who retired.

The proportionate share is based on years of service, i.e., if someone had 10 years of service with TMFPD and 10 years of service with the City of Reno, then it would split 50/50, and it only applies to employees who retired prior to June 30, 2012. So the 97 employees that TMFPD were responsible for has decreased to 55. There were an original 45 already that TMFPD was paying for, 10 more Reno employees moved over to TMFPD and were offered – whether they were old TMFPD employees or not – retiree health benefits.

It is expected that TMFPD's actuarial report will be able to show there's a pretty sizeable reduction in liability.

Ms. Walker advises it is a closed Plan. She further states that the offer to Reno, as part of the mutual aid agreement, was that TMFPD would take over 100% of sick and annual leave buy-outs and assume the liability of retiree health, which was approximately $4 million. With the City receiving the award of the SAFER (Staffing for Adequate Fire and Emergency Response) Grant, they declined the offer. As a result, TMFPD hired new employees with zero beginning balances for vacation and sick leave.

Chairman Sherman asks for clarification on the terms of the SAFER grant.

Ms. Walker states that there can be no reduction in employees during the term of the Grant. The Grant is for 2 years, about $7 million per year, and Reno cannot lay off anyone within that 2-year term, but they can after that.

She continues, stating that they are expecting about 30 of those employees to retire, many of whom are probably TMFPD. The average length of service of these former TMFPD employees is over 20 years.

Chairman Sherman indicates that that still represents a liability to the Trust; except Reno still would need to pay their proportionate share.

Ms. Walker states no, Reno took those employees and retained the full responsibility the former TMFPD employees who stayed with the City.

It is noted the Trust is only liable for those that have already retired, and the amount that was included in the TMFPD 2012 OPEB budget earlier, on behalf of TMFPD, is the cash flow amount the Trust will distribute for the 45 retirees and 10 actives. Ms. Walker states last year they spent $221,000, and they added a couple of people.

There is discussion and speculation on why the negotiations for merger went the way they did.

Trustee Mendez states that TMFPD has a current net assets held in Trust of $3.3 million and that Sierra Fire no longer has employees.

The Trustees ask: what happens to the interlocal agreement between Sierra Fire and TMFPD: Sierra Fire Protection District (SFPD) is still a legal jurisdiction, each party retains certain liabilities and they each retain their own retiree health liabilities. For SFPD there were originally about 46 people transferred from the State who were eligible for retiree health. New employees did not get retiree health benefits. Through attrition, that number was dwindled to 30. With the employee transfer to TMFPD, done on April 9, 2012, existing SFPD employees who were coming to TMFPD were allowed retiree health benefits. That added 11 people, so SFPD's liability has gone up.

Chairman Sherman asks if we're going to differentiate the accounting records for the liabilities and payments of the two districts, two separate taxing districts, two separate plans, and is there some plan in the future to dissolve SFPD and absorb into TMFPD.

Ms. Walker states the plan is to complete that process on July 1, 2013. At that time, and per NRS 474 (they are both 474 fire districts), when one entity takes over the borders of another and a consolidation occurs, then all the liabilities and assets of that former entity would go to the new entity.

After discussion, the Trustees are in agreement that a trust attorney should be involved with the dissolution process.

Trustee Mendez suspects that, in the valuation report, TMFPD will be overfunded and SFPD will be underfunded, and if we let that be for at least a year, then we would probably see, when SFPD collapses into TMFPD, that that gap will narrow between the two.

Ms. Walker explains that there was actually about $5 million set aside through the years for TMFPD retiree health, based upon the actuarial reports and negotiations with Reno. The negotiations with Reno stipulated that if we stayed with them we were going to pay 100% of our liability and not just the proportionate share. When the Trust was set up, however, because of the uncertainties in the negotiations, only a portion of the funding available was transferred to the OPEB Trust, and $1.6 million was retained, in the TMFPD General Fund. If the actuarial report indicates the current funding is sufficient, then the $1.6 million may be available for other uses.

Chairman Sherman asks that Ms. Walker have that worked out during the course of this fiscal year. He adds that he will be very meticulous and mindful of the legal issues involved with merging the 2 fire districts and this Trust.

Discuss the process used by Health Benefits to identify retirees who have expired, or who should no longer receive health benefits payments.

Ms. Washburn explains that this item was added to the Agenda to make the Trustees aware of an internal audit of the Washoe County Health Benefits processes that was recently conducted. Specific points were raised as far as identifying retirees who are paid appropriately and those who aren't. The audit committee considered it a very important topic, has requested and did receive from Human Resources/Health Benefits staff a specific point-by-point explanation of what's being done to fix deficiencies in the process, and what internal procedures they've implemented to make sure that our retiree payments are accurate and timely. Ms. Washburn wanted to reassure this Board that since the internal audit is a public document, it is posted on the Web as part of a meeting presentation and she considered it important that they be apprised of that activity. She adds that the audit committee has asked for a follow-up and status in six months.

Trustee's/Staff Announcements, Requests for Information, Topics for Future Agendas, Statements relating to Items not on the Agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in providing for the benefits of Washoe County, Nevada OPEB Trust Participants in accordance with the Benefit Plans. (No discussion on this item will take place among Trustees.)

Chairman Sherman hopes the State RBIF fiscal year information will be available at the next meeting. Ms. Washburn states it came in last year toward the end of August and it is anticipated we will have it by the October meeting.

Ms. Solorzano states she's not sure if it was mentioned, but when the financial statements were presented today, they actually included the June earnings. The full analysis has not yet been received, however.

Brief discussion.

Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.

There is no public comment.

As there is no further business, the meeting is adjourned at 11:18 a.m.

Supplement to the Minutes of August 10, 2012, follow:

- Washoe County Actuarial Valuation as of July 1, 2012;
- Washoe County Actuarial Valuation for Former County Employees Enrolled in PEBP as of June 30, 2012.

Washoe County

GASB 45 Actuarial Valuation of
Post Employment Benefits Other than Pension as of July 1, 2012

Prepared by:

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June 8, 2012

Washoe County
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Washoe County –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2012

At the request of Washoe County, we have completed an actuarial valuation of post employment benefits as of July 1, 2012.

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45. The post-employment benefits valued in this report are described in Appendix A.

In preparing our report, we relied on financial information and employee data furnished to us by Washoe County. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the analysis is based are set forth in the following report. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based are set forth in the following report. In our opinion, all assumptions and methods used in this valuation are reasonable for this purpose and fall within a best estimate range of assumptions. The values provided in this report are estimates only. They represent results if actual experience exactly matches the assumptions used. Actual experience will likely differ and continued monitoring of experience should be performed and adjustments made to the assumptions as necessary. The actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein. Reliance on information contained in this report by anyone for anything other than the intended purpose puts the relying entity at risk of being misled.

Milliman's work is prepared solely for the internal business use of the Washoe County. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's

consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The County may provide a copy of Milliman's work, in its entirety, to Washoe County's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Washoe County.

(b) The County may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned actuary is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford, FSA, MAAA
Consulting Actuary

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Introduction

Milliman, Inc. ("Milliman") has been retained by the Washoe County ("County") to provide a GASB 45 actuarial valuation of its post employment benefit (OPEB) plans. In our valuation we:

- Project expected payouts for future years
- Calculate the present value of total benefits
- Calculate the actuarial liability (present value of benefits attributable to past service)
- Determine the Annual Required Contribution (ARC) and annual OPEB expense under GASB Statement No. 45
- Prepare the financial statement disclosures relating to the funded status of the plan

Background

Eligible retirees are allowed coverage in the County's health and life benefit programs. Retirees can choose between the Self Funded Group Health Plan (SFGHP) and an HMO Plan. Health benefits include medical, vision and dental coverage. Employees hired before 1997 (exact date varies by bargaining group) will receive a county paid benefit of 50% of the retiree's premium w/ 10 years of county service, 75% w/ 15 years and 100% w/ 20 or more years. Employees hired after 1997 (exact date varies by bargaining group) and before July 1, 2010, will receive a county paid benefit equal to the Non-State Retiree Subsidy Adjustment described in the Nevada PEBP. Employees hired on or after July 1, 2010, will receive no health care contributions by Washoe County.

Appendix A provides a more detailed summary of benefits.

Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Discount Rate. GASB 45 requires that the interest rate used to discount future benefit payments back to the present day be based on the expected rate of return on any investments set aside to pay for these benefits. A discount rate of 7.0% used in this valuation was selected by the County and reflects the investment policy of assets held in the State of Nevada's Retiree Benefit Investment Fund (RBIF). The stated annual investment return target for this fund is 7%.

Health Cost Trend. We derived the health cost inflation trend assumption based on the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for an explanation of the trend model.

Retirement, Withdrawal and Disability Rates. We are using the same rates Nevada PERS uses in their actuarial valuation of retirement benefits.

Mortality Rates. We used the RP 2000 Combined mortality table projected to 2015 for this valuation.

Spouse Coverage. Retirees pay 100% of any dependent coverage. However, the spouse rates charged to retirees are premium rates based on combined active and retiree (without Medicare) claims experience. Since retiree claims tend to be higher than active claims, the County is providing an implicit rate subsidy for spouses of retirees. GASB 45 requires that such a subsidy be valued in determining accounting liabilities and annual expense. The County provided us with actual spouse data for current retirees. Based on this data, we assumed that 25% of future retirees would elect health coverage for their spouses.

Health Plan Election. We have assumed that 60% of active employees will elect SFGHP coverage at retirement and 40% will elect HMO coverage, and that current retirees will remained enrolled in the same health plan that they are currently enrolled in. We have also assumed that 67% of the active employees will elect the Dental coverage upon retirement.

A complete summary of the actuarial assumptions is presented in Appendix B.

Results of Study

The valuation results are summarized in the following exhibit and use the following terms:

The **Present Value of Benefits** is the present value of projected benefits (projected claims less retiree contributions) discounted at the valuation interest rate (7.0%).

The **Actuarial Accrued Liability (AAL)** is the present value of benefits that are attributed to past service only. The portion attributed to future employee service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age.

The **Normal Cost** is the portion of the County provided benefit attributable to employee service in the current year. Employees who are not eligible for benefits are assumed to have an equal portion of the present value of benefits attributed to each year of service from date of hire to expected retirement age.

The **Annual Required Contribution (ARC)** (plus a small adjustment if the ARC in prior years is not fully funded) is the amount the County would be required to report as an expense for the 2012-2013 fiscal year under GASB 45. The ARC is equal to the Normal Cost plus an amount to amortize the Unfunded AAL over 30 years in a “closed” basis from June 30, 2011, i.e. the remaining amortization period as of June 30, 2012 is 29 years.

	July 1, 2012	July 1, 2010
Active Employees	2,184	2,541
Retirees and Surviving Spouses	1,285	1,169
Total Participants	3,469	3,710
Covered Retired Spouses	163	156
Present Value of Benefits	$ 349,987,000	$ 371,762,000
Actuarial Accrued Liability	$ 287,185,000	$ 273,801,000
Assets [1]	91,263,000	70,887,000
Unfunded Actuarial Accrued Liability	$ 195,922,000	$ 202,914,000
Normal Cost (as of end of year)	$ 7,366,000	$ 11,150,000
Annual Required Contribution (ARC)	$ 18,447,000	$ 22,400,000
Annual benefit payments	$ 13,510,000	$ 9,857,000

[1] Assets are reported as of March 31, 2012, the latest date they are available at the time this valuation was prepared.

Impact of Changes from Last Valuation

The Actuarial Accrued Liability increased by approximately $13 million since the last valuation. The following is a summary of changes since the last valuation and their approximate impact on the Actuarial Accrued Liability (AAL). See Exhibit 6 for a reconciliation of the Actuarial Accrued Liability:

- The cost of benefit accruals since the last valuation (i.e. the cost attributed to employee service since the last valuation) plus interest on the prior valuation's AAL due to the passage of time less benefit payments resulted in an increase in AAL of approximately $40 million.

- Beginning in 2018, medical premiums that are above a certain threshold will be subject to an excise tax equal to 40% of the amount above the threshold. The tax will be charged to insurers, and it is expected that such a tax will be loaded into the cost of premiums. Our valuation reflects the additional expected cost due to the excise tax by an adjustment to the medical trend assumption. This adjustment resulted in an increase in AAL of approximately $9 million.

- We recommend a change to the mortality assumption to reflect a margin for improvement in future morality. In this valuation, the mortality was updated from the RP2000 Combined Mortality table for males and females to the RP2000 Combined Mortality table for males and females projected to 2015. This resulted in an increase in AAL of approximately $10 million.

- The future health cost trend was updated to reflect recent economic growth factors. This change resulted in an increase in AAL of approximately $3 million.

- Other factors such as changes to the County's demographic composition, actual increases in health costs compared to expected increases from the prior valuation, and coverage changes since the last valuation resulted in a decrease in AAL of approximately $48 million. This decrease was due primarily to significantly lower than expected health costs projected from the prior valuation and lower County subsidies payable to Tier 2 retirees after age 65.

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Exhibit 1. Projected Pay-as-you-go County Costs

The table below illustrates the projected pay-as-you-go County costs of providing retiree health benefits. The projections only consider the closed group of existing employees and retirees. The projected County costs shown below are equal to the projected retiree claims costs less the expected premiums charged to retirees participating in the retiree health plan.

Year	FY Ending June 30	Projected County Costs
1	2013	$ 13,510,000
2	2014	14,570,000
3	2015	15,631,000
4	2016	16,530,000
5	2017	17,550,000
6	2018	18,591,000
7	2019	19,614,000
8	2020	20,646,000
9	2021	21,848,000
10	2022	22,729,000
11	2023	23,979,000
12	2024	25,357,000
13	2025	26,286,000
14	2026	27,391,000
15	2027	28,611,000

Exhibit 2. Liabilities and Normal Cost

The **Present Value of Benefits** is the actuarial present value of benefits expected to be paid for all retirees and covered employees.

The **Actuarial Accrued Liability (AAL)** is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement.

The **Normal Cost** is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero.

	July 1, 2012	July 1, 2010
Present Value of Benefits		
Actives	$ 160,059,000	$ 222,860,000
Retirees	189,928,000	148,902,000
Total	$ 349,987,000	$ 371,762,000
Actuarial Accrued Liability		
Actives	$ 97,257,000	$ 124,899,000
Retirees	189,928,000	148,902,000
Total	$ 287,185,000	$ 273,801,000
Normal Cost	$ 6,884,000	$ 10,421,000

Exhibit 3. Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability (UAAL) is the actuarial liability offset by any assets set-aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded. The UAAL must be amortized over a period not exceeding 30 years and included in the ARC amount (shown in Exhibit 5) each year. The UAAL is being amortized as a level percentage of payroll over 30 years on a "closed" basis from June 30, 2011, i.e. the remaining amortization period as of June 30, 2012 is 29 years. We have assumed the County's payroll will increase 3.5% per year for this purpose.

	July 1, 2012
Unfunded Actuarial Liability (UAAL)	
Actuarial Accrued Liability	$ 287,185,000
Reserve Fund [1]	91,263,000
Unfunded Actuarial Accrued Liability	$ 195,922,000
Funded percentage	31.8%
Amortization of UAAL for ARC	
UAAL	$ 195,922,000
Amortization Period	29 years
Level % of Payroll Amortization Factor	18.9179
Amortization Amount – July 1, 2012	$ 10,356,000
Interest to end of year	725,000
Amortization Amount – June 30, 2013	$ 11,081,000

[1] Assets are reported as of March 31, 2012, the latest date they are available at the time this valuation was prepared.

Exhibit 4. Required Financial Statement Disclosures

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	FOR THE FISCAL YEAR ENDING June 30, 2013	FOR THE FISCAL YEAR ENDING June 30, 2012
Determination of Annual Required Contribution		
Normal Cost at year end	$ 7,366,000	$ 11,931,000
Amortization of UAAL	11,081,000	11,953,000
Annual Required Contribution (ARC)	$ 18,447,000	$ 23,884,000
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 18,447,000	$ 23,884,000
Interest on prior year Net OPEB Obligation	TBD	(456,000)
Adjustment to ARC	TBD	337,000
Annual OPEB Cost	$ TBD	$ 23,765,000
County Contributions made *	TBD	TBD
Increase in Net OPEB Obligation	TBD	TBD
Net OPEB Obligation – beginning of year	$ TBD	$ (6,512,652)
Net OPEB Obligation – end of year	$ TBD	$ TBD

* Contributions for the 2011-2012 and 2012-2013 fiscal year will not be known until after the end of the fiscal year. GASB 45 defines contributions for this purpose to be the County's pay-as-you-go costs during the year and contributions made to a separate, irrevocable trust.

The following table shows the annual OPEB cost and net OPEB obligation for the prior 3 years.

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/2010	$29,461,000	267.99%	$(15,137,077)
06/30/2011	$22,124,000	61.02%	$(6,512,652)
06/30/2012	$23,765,000	TBD	TBD

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date, the plan was 31.8% funded. The actuarial accrued liability for benefits was $287.2 million, and the actuarial value of assets was $91.3 million, resulting in an unfunded accrued liability of $195.9 million.

Exhibit 5. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	Actuarial Value of Assets [1]	AAL Unit Credit	UAAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/2008	$ 0	$ 276,684,000	$ 276,684,000	0.00%	$ 181,855,000	152.15%
07/01/2010	70,887,000	273,801,000	202,914,000	25.89%	163,749,753	123.92%
07/01/2012	91,263,000	287,185,000	195,922,000	31.8%	TBD	TBD

[1] Assets reported for 7/01/2012 are as of March 31, 2012, the latest date they are available at the time this valuation was prepared.

Exhibit 6. Reconciliation of the Actuarial Accrued Liability

The following table shows a reconciliation of the Actuarial Accrued Liability (AAL) from 2010 to 2012.

		(in Millions)
Actuarial Accrued Liability as of July 1, 2010	**$**	**273.8**
Value of Benefits Accrued (Normal Cost for 2 years from July 2010 to June 2012)		22.4
Increase in AAL due to 2 year decrease in discount period when future benefit payments are due		39.0
Decrease due to expected retiree benefits from July 2010 to June 2012		(21.0)
Increase due to updated mortality		10.0
Increase due to change in health trend from prior valuation		2.6
Increase due to valuation of excise tax starting in 2018		8.6
Other changes (i.e. health costs, demographic, coverage, etc.)		(48.2)
Actuarial Accrued Liability as of July 1, 2012	$	287.2
Total change in Actuarial Accrued Liability from 2010 to 2012	$	13.4

Appendix A. Summary of Benefits

Below is a summary of our understanding of the County's retiree benefit program. Special provisions apply to persons employed by the County between May 3, 1977 and January 13, 1981, under which such persons retain the County subsidy even if employment is terminated prior to retirement. Special provisions also apply to elected officials. The effects of these special provisions are not being valued within this actuarial study.

Eligibility

All employees who retire from County employment and receive monthly payments under the Public Employees Retirement System (PERS) of Nevada are eligible to participate in the plan.

In addition, employees who have terminated employment prior to retirement may enroll in the County's health coverage upon commencing retirement if the County is that individual's last public employer. These persons must show evidence of good health and are subject to a 12 month pre-existing condition limitation.

Retiree health and welfare benefits are provided under three contribution "tiers". Tier 1 includes all employees employed on July 1, 1996 and hired prior to the dates shown in the table. Tier 2 includes all employees hired after the Tier 1 "exclusion" dates in the table below and before July 1, 2010. Tier 3 includes all employees hired on or after July 1, 2010.

Employee Association	Tier 1 Exclusion Date for Employees Hired After
Confidential (non-represented)	September 17, 1997
WCEA (non-supervisory)	September 17, 1997
WCEA (supervisory)	September 17, 1997
WCSDA (non-supervisory)	January 1, 1998
WCSSDA (supervisory)	July 1, 1998
WCDA (investigators)	February 11, 1998
WCPAA (attorneys)	April 29, 1998
Non-represented attorneys in DA/PD	April 29, 1998
WCNA (nurses)	August 26, 1998
WC Elected Officials	September 29, 1999

In order to draw a PERS benefit, an employee must meet certain age and service requirements described below:

Regular Members — age 65 with 5 years service, or age 60 with 10 years service, or at any age with 30 years service.

Sheriffs — age 65 with 5 years service, or age 55 with 10 years service, or age 50 with 20 years service, or at any age with 30 years service.

Disabled Members — 5 years service and totally unable to perform current job or any comparable job for which the member is qualified by training and experience, because of injury or illness of a permanent nature.

Benefit Plans

Medical	Identical benefits as provided to active employees. Retirees can elect coverage under either the Self-Funded Group Health Plan or the HMO Health Plan. Medicare eligible retirees may also choose the Senior Coverage Plan. The Group Health Plan has full coordination of benefits integration with Medicare.
Prescription Drug	Identical benefits as provided to active employees.
Vision	Identical benefits as provided to active employees.
Dental	Retirees after 1/1/96 have the option, upon retirement, to retain dental benefits with the retiree paying the full premium. Since there is no County subsidy, these benefits are not valued.

Life Insurance

Life insurance coverage is provided to those retirees enrolling in either of the health care benefit plans offered by the County. The amount of coverage provided for the retiree varies according to the retiree's age as indicated below:

Under age 65	$ 20,000
Age 65 to 69	13,000
Age 70 and over	7,000

The amount of coverage provided to covered dependents and surviving spouses of deceased retirees is indicated below:

Spouse	$ 1,000
Child under 14 days	none
Child 14 days to 6 months	100
Child 6 months and over	1,000

Dependents' Benefits

Coverage is available for dependents of the retiree including a spouse and any unmarried children who are under age 19, age 19 through 24 if full-time students, or disabled and incapable of self-support.

Survivor Benefits

Upon the death of the retiree, benefits may be continued to the surviving spouse for his/her remaining lifetime. Spouses are required to pay 100% of the premium.

Retiree Contributions

For eligible retirees, the County pays a portion of the retiree's premium based on years of County service. Retirees pay 100% of the premium for dependent coverage. Employees must retire directly from the County to be eligible for the County contribution (i.e., individuals seeking reinstatement are not eligible for this payment regardless of their prior years of service with the County).

Exception: Persons employed by the County between May 3, 1977 and January 13, 1981, retain the County subsidy even if employment is terminated prior to retirement.

For Tier 1 retirees, the retiree's contribution is determined as follows, except for the cost of dental benefits which is 100% paid for by the retiree, regardless of service:

Years of Service	Tier 1 Retiree Contribution
Less than 10	100%
10 but less than 15	50%
15 but less than 20	25%
20 or more	0%

For Tier 2 retirees, the retiree's contribution is the monthly premium amount set by the County less a County paid premium subsidy equal to the Non-State Retiree Subsidy Adjustment described in the Nevada PEBP. For Tier 2 retirees under the age of 65, the County's monthly subsidy for the 2012-2013 fiscal year is $649.88 per month reduced by 5.45% for each year of service less than 20 years. For Tier 2 retirees over the age of 65, the County's monthly subsidy for the 2012-2013 fiscal year is $200 per month reduced by 5.00% for each year of service less than 20 years.

Tier 3 employees are not eligible for any County contribution toward retirement health benefits but may elect to continue coverage in the County health plans upon retirement at the retiree's own expense.

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method described below is one of several acceptable costs methods described in GASB 45, and the assumptions represent our best estimate of anticipated future experience based on information provided to us. Note, that the ultimate responsibility of selecting/approving the actuarial cost method and assumptions lies with the County and its auditor.

Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data described this report. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level percentage of expected payroll over 30 years on a closed basis from June 30, 2011, i.e. the remaining amortization period as of June 30, 2012 is 29 years.

Economic Assumptions

Discount Rate (liabilities)	7.0% effective annual rate
Expected Payroll Increases	3.5% effective annual rate (for actuarial cost method)

Demographic Assumptions.

Mortality — RP 2000 Combined Mortality Table Projected to 2015 – Male and Female

Retirement — Below table list the probabilities an active employee retire from the county:

	REGULAR		SHERIFFS	
Age	< 30 Years	30 or More	< 20 Years	20 or More
50-54	4%	25%	6%	20%
55-59	5%	30%	20%	20%
60	30%	30%	20%	20%
61	20%	20%	25%	25%
62-64	25%	25%	25%	25%
65	30%	30%	100%	100%
66-69	30%	30%		
70	100%	100%		

Withdrawal

LESS THAN 5 YEARS OF SERVICE		
Service	Regular	Sheriffs
0	16%	13%
1	12%	9%
2	9%	6%
3	7%	4%
4	6%	3%

AT LEASE 5 YEARS OF SERVICE		
Service	Regular	Sheriffs
22	14.5%	5.9%
27	10.5%	4.6%
32	7.7%	3.7%
37	6.1%	3.3%
42	4.6%	2.9%
47	4.2%	3.2%
52	0.0%	0.0%
57	0.0%	0.0%

Disability

Age	Regular	Sheriffs
22	0.03%	0.05%
27	0.03%	0.05%
32	0.05%	0.06%
37	0.07%	0.09%
42	0.14%	0.37%
47	0.25%	0.53%
52	0.44%	0.66%
57	0.85%	0.96%

Other Assumptions

Benefit Costs

Below is a summary of the monthly budgeted premium costs of all retiree benefits per retiree and per dependent for fiscal year 2012/2013 for the self funded health plan and HMO plan that the County Health Insurance negotiation Committee approved as of April 23, 2012.

Plans	Medicare Ineligible	Medicare Eligible
Self-Funded Group Health Plan		
Retiree	$591.83	$498.82
Dependent	593.73	500.71
HMO		
Retiree	$557.89	$440.09
Dependent	544.65	409.85
Senior Care Plus		
Retirees	N/A	$100.31
Dependent	N/A	90.49
Dental		
Retiree	$54.11	$54.11
Dependent	54.11	54.11

Retiree Contribution Basis

The retiree's contribution is based on the actual budget rates.

Health Costs

Washoe County sets the same premiums (SFGHP and HMO) for retirees (without Medicare) as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. (Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums.)

To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members (employees/retirees and dependents), and based on relative cost factors by age. The relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the approved premium rates for the 2012-2013 fiscal year and relative age cost factors assumptions, we developed age adjusted monthly PMPM health and dental costs for the 2012-2013 fiscal year as shown in the following table:

Self Funded Health Plan Age Adjusted Medical PMPM Costs for FY 2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
55	$ 628	$ 659	$ 688	$ 721
60	819	787	879	848
64	1,030	946	1,090	1,007
65	315	300	315	300
70	385	359	385	359
75	466	427	466	427
80	545	494	545	494
85	621	564	621	564

HMO Health Plan Age Adjusted Medical PMPM Costs for FY 2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
55	$ 731	$ 769	$ 748	$ 787
60	954	917	971	934
64	1,200	1,103	1,216	1,119
65	272	259	272	259
70	333	310	333	310
75	403	369	403	369
80	471	427	471	427
85	537	488	537	488

Future Retirees - Age Adjusted Medical PMPM Costs for FY 2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
55	$ 669	$ 703	$ 712	$ 748
60	873	839	916	882
64	1,098	1,009	1,141	1,052
65	298	284	298	284
70	364	340	364	340
75	441	404	441	404
80	515	467	515	467
85	588	534	588	534

Age Adjusted Dental PMPM Costs for FY 2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
55	$58	$62	$65	$69
60	61	64	68	71
65 and Over	63	64	70	71

Participation The assumed participation is as follows:

County Payment	% of Retirees Participating
100%	100%
75%	100%
50%	100%
0%	0%

Plan Election

Employees are assumed to elect the following plan in retirement:

SFGHP	60%
HMO	40%
Dental	67%

Dependent Coverage

25% of future retirees are assumed to elect coverage for their spouses.

Medicare Eligibility

95% of active employees hired prior to April 1, 1986, and 100% hired thereafter are assumed to become eligible for Medicare Parts A&B at age 65.

Of current retirees under age 65, 95% are assumed to become Medicare eligible at age 65. For retirees and spouses age 65 and over, we have assumed the Medicare status provided by the County.

Spouse Age

Female spouses are assumed to be three years younger than male spouses, on average. Actual age used for current spouses receiving benefits from the County.

Reinstatement

Persons terminating County employment prior to retirement are assumed not to apply for reinstatement.

Medical Inflation

The medical cost inflation trend used in this valuation was derived from the "Getzen Model" published by the Society of Actuaries for developing long term medical cost trends. The "Getzen Model" was then updated to reflect the latest economic growth factors, and an adjustment was made to reflect the value of expected excise tax payable in 2018 and later.

FISCAL YEAR	% INFLATION
2012 – 2013	7.00%
2013 – 2014	6.50%
2014 – 2015	6.00%
2015 – 2021	5.75%
2021 – 2027	6.00%
2027 – 2028	6.25%
2028 – 2035	6.50%
2035 – 2037	6.25%
2037 – 2041	6.00%
2041 – 2049	5.75%
2049 – 2065	5.50%
2065 – 2075	5.25%
2075 – 2080	5.00%
2080 and beyond	4.75%

Dental Inflation 3.00%

Appendix C. Summary of Participant Data

The employee and retiree census was provided by the County as of April 2012, and is assumed to be representative of the participants as of July 1, 2012.

Regular Employees

	YEARS OF SERVICE							
Age	Under 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30&Over	Total
Under 25	3	1	0	0	0	0	0	4
25-29	16	29	0	0	0	0	0	45
30-34	20	101	16	0	0	0	0	137
35-39	22	113	73	5	2	0	0	215
40-44	16	106	87	59	8	0	0	276
45-49	11	91	76	63	42	9	0	292
50-54	17	91	77	57	47	24	4	317
55-59	4	80	70	73	45	13	6	291
60-64	6	58	44	22	23	9	2	164
65-over	1	19	21	14	3	2	0	60
Totals	116	689	464	293	170	57	12	1,801
Average Age:		48.0						
Average Year of Service:		11.8						

Sheriffs

	YEARS OF SERVICE							
Age	Under 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30&Over	Total
Under 25	0	0	0	0	0	0	0	0
25-29	17	10	0	0	0	0	0	27
30-34	14	42	7	0	0	0	0	63
35-39	3	30	28	14	0	0	0	75
40-44	2	26	28	54	5	0	0	115
45-49	2	6	10	16	23	3	0	60
50-54	1	2	6	3	6	8	0	26
55-59	0	1	1	4	2	4	2	14
60-64	0	0	0	1	0	1	1	3
65-over	0	0	0	0	0	0	0	0
Totals	39	117	80	92	36	16	3	383
Average Age:		40.5						
Average Year of Service:		12.4						

County Plan Retirees and Surviving Spouses

	HEALTH PLAN ELECTION			
Age	SFGHP	HMO	SCP	Total
Under 50	15	15	0	30
50-54	57	28	0	85
55-59	123	52	0	175
60-64	185	76	0	261
65-69	215	77	16	308
70-74	128	51	10	189
75-79	90	27	1	118
80-84	46	11	1	58
85 & Over	52	8	1	61
Totals	911	345	29	1,285

Average Retirees' Age: 66.5

Note: We also valued 163 spouses for current retirees and 16 surviving spouses in this valuation.

Washoe County

GASB 45 Actuarial Valuation of
Post Employment Benefits Other than Pensions for
Former County Employees Enrolled in PEBP as of June 30, 2012

Prepared by:

John R. Botsford
FSA, MAAA

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June 8, 2012

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June 8, 2012

Washoe County
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Washoe County - PEBP –
GASB 45 Actuarial Valuation of Post Employment Benefits for Former County Employees Enrolled in PEBP as of June 30, 2012

At the request of Washoe County - PEBP, we have completed an actuarial valuation of post employment benefits as of June 30, 2012, for former County employees who are enrolled in the Nevada Public Employees Benefit Plan (PEBP).

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45. The post-employment benefits valued in this report are described in Appendix A, and only include former County employees who are retired, enrolled in the PEBP, and the County is paying a portion of their monthly premiums.

In preparing our report, we relied on financial information and employee data furnished to us by Washoe County - PEBP. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the analysis is based are set forth in the following report. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based are set forth in the following report. All costs, liabilities, and other factors under the Plan have been determined on the basis of actuarial assumptions and methods which are reasonable and consistent with our understanding of GASB 45. In our opinion, all assumptions and methods used in this valuation are reasonable for this purpose and fall within a best estimate range of assumptions. The values provided in this report are estimates only. They represent results if actual experience exactly matches the assumptions used. Actual experience will likely differ and continued monitoring of experience should be performed and adjustments made to the assumptions as necessary. The actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein. Reliance on information contained in this report by anyone for anything other than the intended purpose puts the relying entity at risk of being misled.

Milliman's work is prepared solely for the internal business use of Washoe County. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The County may provide a copy of Milliman's work, in its entirety, to Washoe County's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Washoe County.

(b) The County may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford, FSA, MAAA
Consulting Actuary

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Exhibit 1. Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability (UAAL) is the actuarial liability offset by any assets set-aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded. The County amortizes the UAAL as a level dollar amount over 30 years from June 30, 2011, on a "closed" basis. The remaining amortization period as of June 30, 2012 is 29 years.

	July 1, 2012
Unfunded Actuarial Liability (UAAL)	
Actuarial Accrued Liability	$ 6,108,685
Assets [1]	1,635,802
Unfunded Actuarial Accrued Liability	$ 4,472,883
Funded percentage	26.8%
Amortization of UAAL for ARC	
UAAL	$ 4,472,883
Amortization Period	29 years
Level Dollar Amortization Factor	13.1371
Amortization Amount – July 1, 2012	$ 340,477
Interest to End of Fiscal Year	23,833
Amortization Amount – June 30, 2013	$ 364,311

[1] Assets are reported as of March 31, 2012, the latest date they are available at the time this valuation was prepared.

Exhibit 2. Required Financial Statement Disclosures

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	Fiscal Year Ending June 30, 2013	Fiscal Year Ending June 30, 2012
Determination of Annual Required Contribution		
Normal Cost at year end	$ 0	
Amortization of UAAL	364,311	
Annual Required Contribution (ARC) [1]	$ 364,311	$ 493,000
Determination of Net OPEB Obligation		
Annual Required Contribution	$ 364,311	$ 493,000
Interest on prior year Net OPEB Obligation	TBD	(29,059)
Adjustment to ARC	TBD	31,265
Annual OPEB Cost	TBD	495,206
Contributions made [2]	TBD	TBD
Increase in Net OPEB Obligation	TBD	TBD
Net OPEB Obligation – beginning of year	$ TBD	$ (415,125)
Net OPEB Obligation – end of year	$ TBD	$ TBD

[1] The County prepares actuarial valuations every other year. In interim years, we have estimated the ARC under a roll forward method allowed by GASB 45 from the County's prior GASB 45 Actuarial Valuation.

[2] GASB 45 defines contributions for this purpose to be actual benefit payments made directly by the County during the year and contributions made to a separate, irrevocable trust. This exhibit will need to be completed at the end of the fiscal year once actual contributions are known.

The following table shows the annual OPEB cost and net OPEB obligation for the prior years.

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
06/30/2010	$ 674,049	241%	$(357,764)
06/30/2011	446,064	113%	$ (415,125)
06/30/2012	495,206	TBD	TBD

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the plan was 26.8% funded. The actuarial accrued liability for benefits was $6.1 million, and the actuarial value of assets was $1.6 million, resulting in an unfunded accrued liability of $4.5 million.

Exhibit 3. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	Actuarial Value of Assets [1]	AAL Unit Credit	UAAL	Funded Ratio
06/30/2008	$ 0	$9,717,075	$9,717,075	0.0%
06/30/2010	1,925,471	$7,437,111	$5,511,640	25.9%
06/30/2012	1,635,802	$6,108,685	$4,472,883	26.8%

[1] Assets reported for 6/30/2012 are as of March 31, 2012, the latest date they are available at the time this valuation was prepared.

Appendix A. Summary of Benefits

Under Nevada State Law, the County is required to pay a portion of monthly premiums for former County employees who retired and enrolled in the State PEBP health plan pool for local government agencies. The PEBP sets the same premium structure for all retirees who are enrolled in this pool, and the portion charged to the County is based the retiree's years of service with the County. Since the PEBP health premiums are community rated (same rates charged for all retirees), we have not valued any implicit rate subsidy as permitted under GASB 45 for community rated health plans. Effective September 1, 2008, no employees retiring from the County on or after that date will be eligible to participate in the PEBP plan as a retiree at the County's expense.

The County has provided us with a copy of the PEBP bill for retiree health plan premiums for each retiree as of April 2012. The results in this valuation reflect the retirees listed on this bill. We have assumed that the County will not have any obligation for PEBP premiums for any future retirees not included on this listing.

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method described below is one of several acceptable cost methods described in GASB 45, and the assumptions represent our best estimate of anticipated future experience based on information provided to us. Note, that the ultimate responsibility of selecting/approving the actuarial cost method and assumptions lies with the County and its auditor.

Actuarial Cost Method

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data described this report. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level dollar amount over 30 years from June 30, 2011 on a "closed" basis. The amortization period remaining is 29 years as of June 30, 2012.

Economic Assumptions

Discount Rate (liabilities)	7.0% effective annual rate

Demographic Assumptions.

Mortality	RP 2000 Combined Mortality Table Projected to 2015 – Male and Female

Health Cost Inflation

The health cost inflation trend shown below was derived from the "Getzen Model" published by the Society of Actuaries for developing long term health cost trends. The "Getzen Model" used in the current valuation was updated to reflect latest economic growth factors.

FISCAL YEAR	% INFLATION
2012 – 2013	7.00%
2013 – 2016	6.00%
2016 – 2027	5.75%
2027 – 2034	5.50%
2034 – 2039	5.25%
2039 – 2049	5.00%
2049 and beyond	4.75%

Appendix C. Summary of Participant Data

The County provided us with a copy of its monthly bill prepared by PEBP for the County's share of PEBP premiums for the month of March, 2012. The bill includes a listing of retirees and County's share of the monthly PEBP premium for each retiree. Separately, PEBP provided the County with birth dates for each retiree. The following table is a summary of retirees by age:

Age	Count
Under 50	1
50-54	10
55-59	19
60-64 *	77
65-69	73
70-74	49
75-79	34
80-84	10
85 & Over	3
Totals	276

* *There were 30 retirees without a date of birth in the data, we assumed an average age of 61 for these retirees at the valuation date.*

WASHOE COUNTY, NEVADA OPEB TRUST FUND
BUDGET
FOR THE YEAR ENDED JUNE 30, 2013
Revised to reflect updated estimate of TMFPD Benefits

DRAFT

	Washoe Co Retiree Health Benefit Program	State of Nevada Public Employee Benefit Plan	Truckee Meadows FPD Retiree Group Medical Plan	Sierra Fire Retiree Group Medical Plan	2013 Total
Additions					
Contributions					
Employer:					
Prefunding	$ 18,700,000	$ -	$ -	$ -	$ 18,700,000
Contributions for incurred cost	-	-	-	-	-
Plan member	2,871,000	-	-	8,400	2,879,400
Other	545,000	-	-	-	545,000
Total Contributions	22,116,000	-	-	8,400	22,124,400
Investment Income:					
Interest and dividends	-	-	-	-	-
Less investment expense	-	-	-	-	-
Net Investment Income	-	-	-	-	-
Total Additions	22,116,000	-	-	8,400	22,124,400
Deductions					
Benefits	13,370,600	400,000	250,000	10,800	14,031,400
Administrative expense	24,140	12,140	18,139	18,139	72,558
Total Deductions	13,394,740	412,140	268,139	28,939	14,103,958
Net Change in Plan Net Assets	8,721,260	(412,140)	(268,139)	(20,539)	8,020,442
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	95,775,845	1,838,283	3,399,332	537,447	101,550,907
End of year	$ 104,497,105	$ 1,426,143	$ 3,131,193	$ 516,908	$ 109,571,349

WASHOE COUNTY, NEVADA OPEB TRUST
BUDGET
FISCAL YEAR ENDING JUNE 30, 2013
Approved by OPEB Board of Trustees at 8/10/12 Meeting

	Washoe Co Retiree Health Benefit Program	State of Nevada Public Employee Benefit Plan	Truckee Meadows FPD Retiree Group Medical Plan	Sierra FPD Retiree Group Medical Plan	2012 Total
Administrative Expenses					
Actuarial valuations	$ 15,000	$ 3,000	$ 9,000	$ 9,000	$ 36,000
Accounting and administrative services	7,340	7,340	7,339	7,339	29,358
Audit fees	1,500	1,500	1,500	1,500	6,000
Trustee fees	100	100	100	100	400
Operating Expenses	200	200	200	200	800
	$ 24,140	$ 12,140	$ 18,139	$ 18,139	$ 72,558

WASHOE COUNTY, NEVADA OPEB TRUST
Review of Washoe County Request for Reimbursement of Plan Expenses
For the Quarter Ended September 30, 2012

	Washoe Co. Retiree Health Benefit Plan	State of Nevada Public Employee Benefit Plan	Total
Retiree health benefits costs	$ 2,157,310	$ 86,996	$ 2,244,306
Contributions:			
Plan members	(679,500)	-	(679,500)
Other	(96,216)	-	(96,216)
Net retiree health benefits costs	1,381,594	86,996	1,468,590
YTD Reimbursements to County	-	-	-
Requested reimbursement	$ 1,381,594	$ 86,996	$ 1,468,590

WASHOE COUNTY, NEVADA OPEB TRUST
Administrative Expense Detail - YTD Actual vs. Annual Budget
For the Year Quarter Ended September 30, 2012 - unaudited

	Washoe Co Retiree Health Benefit Program	State of Nevada Public Employee Benefit Plan	Truckee Meadows FPD Retiree Group Medical Plan	Sierra FPD Retiree Group Medical Plan	2013 Total
BUDGET					
Administrative Expenses					
Actuarial valuations	$ 15,000	$ 3,000	$ 9,000	$ 9,000	$ 36,000
Accounting and administrative services	7,340	7,340	7,339	7,339	29,358
Audit fees	1,500	1,500	1,500	1,500	6,000
Trustee fees	100	100	100	100	400
Operating Expenses	200	200	200	200	800
	$ 24,140	$ 12,140	$ 18,139	$ 18,139	$ 72,558
ACTUAL					
Administrative Expenses					
Actuarial valuations	$ 16,000	$ 4,500	$ -	$ -	$ 20,500
Accounting and administrative services	1,835	1,835	1,835	1,835	7,340
Audit fees	-	-	-	-	-
Trustee fees	40	40	40	40	160
Operating Expenses	-	-	-	-	-
	$ 17,875	$ 6,375	$ 1,875	$ 1,875	$ 28,000
VARIANCE					
Administrative Expenses					
Actuarial valuations	$ (1,000)	$ (1,500)	$ 9,000	$ 9,000	$ 15,500
Accounting and administrative services	5,505	5,505	5,504	5,504	22,018
Audit fees	1,500	1,500	1,500	1,500	6,000
Trustee fees	60	60	60	60	240
Operating Expenses	200	200	200	200	800
	$ 6,265	$ 5,765	$ 16,264	$ 16,264	$ 44,558

Washoe County, Nevada OPEB Trust Fund

Interim Financial Highlights for the Three Months Ended September 30, 2012 - Unaudited

All $ in Thousands unless otherwise noted.

Net Assets by Plan

Net Assets by Plan

	State RBIF	WC-Pool	Other-Net	Net Assets
WC-RHBP	$ 95,498	$ 2,918	$ (1,359)	$ 97,057
WC-PEBP	1,770	113	(87)	1,796
TMFPD	2,982	461	3	3,446
SFPD	514	35	-	549
	$ 100,764	$ 3,527	$ (1,443)	$ 102,848

- Net assets have increased by $1.3 million year-to-date to $102.9 million, primarily due to unrealized gains of $2.3 million on RBIF investments. The trust holds $100.8 million or 97% of total investments in the State RBIF pool.
- Other net assets include interest receivable and balances due to Washoe County for retiree health benefits.

Change in Plan Net Assets

	WC-RHBP	WC-PEBP	TMFPD	SFPD	TOTAL
Additions:					
Prefunding	$ -	$ -	$ -	$ -	$ -
Investment income, net of expense	2,681	51	85	14	2,831
Plan members, other	776	-	-	2	778
	3,457	51	85	16	3,609
Deductions:					
Benefits Paid	2,157	87	36	3	2,283
Administrative	18	6	2	2	28
	2,175	93	38	5	2,311
Net change in Plan Net Assets	$ 1,282	$ (42)	$ 47	$ 11	$ 1,298

- Prefunding contributions have not yet begun for the current fiscal year.
- Investment income includes $2.8 million from the State RBIF pool due to unrealized gains from fluctuations in the fair value of investments.

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Budget Comparison

	Budget	YTD	Act % Bud	Variance
Additions:				
Prefunding	$ 18,700	$ -	0%	$ (18,700)
Investment income, net of expense	-	2,831	0%	2,831
Plan members, other	3,424	778	23%	(2,646)
Contrib. for incurred cost	-	-	0%	-
	22,124	3,609	16%	(18,515)
Deductions:				
Benefits Paid	14,031	2,283	16%	11,748
Administrative	73	28	38%	45
	14,104	2,311	16%	11,793
Net change in Plan Net Assets	$ 8,020	$ 1,298	16%	$ (6,722)

- Prefunding contributions from Washoe County are expected to commence in October with an initial contribution of $3.6 million.
- Investment income is currently averaging 18% due to market conditions.

WASHOE COUNTY, NEVADA
OPEB TRUST FUND
INTERIM STATEMENTS OF PLAN NET ASSETS
As of September 30, 2012 - unaudited

	Washoe Co. Retiree Health Benefit Plan	State of Nevada Public Employee Benefit Plan	TMFPD Retiree Group Medical Plan	SFPD Retiree Group Medical Plan	Total
Assets					
Cash and investments:					
Washoe County Investment Pool	$ 2,918,110	$ 112,858	$ 461,384	$ 35,331	$ 3,527,683
State of NV RBIF	95,497,891	1,769,786	2,982,083	513,968	100,763,728
Interest receivable	22,656	691	2,511	169	26,027
Total Assets	98,438,657	1,883,335	3,445,978	549,468	104,317,438
Liabilities					
Accounts payable	1,381,594	86,996	-	27	1,468,617
Net assets held in trust for other postemployment benefits	$ 97,057,063	$ 1,796,339	$ 3,445,978	$ 549,441	$ 102,848,821

WASHOE COUNTY, NEVADA OPEB TRUST FUND
Fiscal Year 2012 / 2013
Interim Statement of Changes in Plan Net Assets
For the Quarter Ended September 30, 2012 - Unaudited
(With Comparative Amounts for the Year Ended June 30, 2012)

	Combined Trust				
	Budget	**Actual**	**Act %**	**Variance**	**2012**
Additions					
Contributions					
Employer:					
Prefunding	$ 18,700,000	$ -	0.00%	$ (18,700,000)	$ 20,400,000
Plan member	2,879,400	681,800	23.68%	(2,197,600)	3,036,190
Other	545,000	96,216	17.65%	(448,784)	728,039
Total Contributions	22,124,400	778,016	3.52%	(21,346,384)	24,164,229
Investment Income					
Interest and dividends	-	481,579		481,579	2,676,970
Net increase (decrease) in fair value of investments	-	2,358,083		2,358,083	742
	-	2,839,662		2,839,662	2,677,712
Less investment expense	-	8,837		(8,837)	41,757
Net Investment Income	-	2,830,825		2,830,825	2,635,955
Total Additions	22,124,400	3,608,841	16.31%	(18,515,559)	26,800,184
Deductions					
Benefits	14,031,400	2,282,927	16.27%	11,748,473	13,599,952
Administrative expense	72,558	28,000	38.59%	44,558	26,119
Total Deductions	14,103,958	2,310,927	16.38%	11,793,031	13,626,071
Net Change in Plan Net Assets	8,020,442	1,297,914	16.18%	(6,722,528)	13,174,113
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	101,550,907	101,550,907		-	88,376,794
End of Period	$ 109,571,349	$ 102,848,821		$ (6,722,528)	$ 101,550,907

WASHOE COUNTY, NEVADA OPEB TRUST FUND
Fiscal Year 2012 / 2013
Interim Statement of Changes in Plan Net Assets
For the Quarter Ended September 30, 2012 - Unaudited
(With Comparative Amounts for the Year Ended June 30, 2012)

	Washoe County - Retiree Health Benefit Plan				
	Budget	**Actual**	**Act %**	**Variance**	**2012**
Additions					
Contributions					
Employer:					
Prefunding	$ 18,700,000	$ -	0.00%	$ (18,700,000)	$ 19,776,106
Plan member	2,871,000	679,500	23.67%	(2,191,500)	3,028,163
Other	545,000	96,216	17.65%	(448,784)	728,039
Total Contributions	22,116,000	775,716	3.51%	(21,340,284)	23,532,308
Investment Income					
Interest and dividends	-	454,465		454,465	2,521,550
Net increase (decrease) in fair value of investments	-	2,234,498		2,234,498	(4,034)
	-	2,688,963		2,688,963	2,517,516
Less investment expense	-	8,276		(8,276)	38,965
Net Investment Income	-	2,680,687		2,680,687	2,478,551
Total Additions	22,116,000	3,456,403	15.63%	(18,659,597)	26,010,859
Deductions					
Benefits	13,370,600	2,157,310	16.13%	11,213,290	13,050,667
Administrative expense	24,140	17,875	74.05%	6,265	3,736
Total Deductions	13,394,740	2,175,185	16.24%	11,219,555	13,054,403
Net Change in Plan Net Assets	8,721,260	1,281,218	14.69%	(7,440,042)	12,956,456
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	95,775,845	95,775,845		-	82,819,389
End of Period	$ 104,497,105	$ 97,057,063		$ (7,440,042)	$ 95,775,845

WASHOE COUNTY, NEVADA OPEB TRUST FUND
Fiscal Year 2012 / 2013
Interim Statement of Changes in Plan Net Assets
For the Quarter Ended September 30, 2012 - Unaudited
(With Comparative Amounts for the Year Ended June 30, 2012)

	Washoe County - NV PEBS Plan				
	Budget	**Actual**	**Act %**	**Variance**	**2012**
Additions					
Contributions					
Employer:					
Prefunding	$ -	$ -		$ -	$ 623,894
Total Contributions	-	-		-	623,894
Investment Income					
Interest and dividends	-	8,972		8,972	47,165
Net increase (decrease) in fair value of investments	-	42,629		42,629	3,742
	-	51,601		51,601	50,907
Less investment expense	-	174		(174)	726
Net Investment Income	-	51,427		51,427	50,181
Total Additions	-	51,427		51,427	674,075
Deductions					
Benefits	400,000	86,996	21.75%	313,004	325,503
Administrative expense	12,140	6,375	52.51%	5,765	3,736
Total Deductions	412,140	93,371	22.66%	318,769	329,239
Net Change in Plan Net Assets	(412,140)	(41,944)	10.18%	370,196	344,836
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	1,838,283	1,838,283		-	1,493,447
End of Period	$ 1,426,143	$ 1,796,339		$ 370,196	$ 1,838,283

WASHOE COUNTY, NEVADA OPEB TRUST FUND
Fiscal Year 2012 / 2013
Interim Statement of Changes in Plan Net Assets
For the Quarter Ended September 30, 2012 - Unaudited
(With Comparative Amounts for the Year Ended June 30, 2012)

	Truckee Meadows FPD - Retiree Group Med Plan				
	Budget	**Actual**	**Act %**	**Variance**	**2012**
Additions					
Contributions					
Employer:					
Prefunding	$ -	$ -		$ -	$ -
Total Contributions	-	-		-	-
Investment Income					
Interest and dividends	-	15,717		15,717	93,736
Net increase (decrease) in fair value of investments	-	69,198		69,198	241
	-	84,915		84,915	93,977
Less investment expense	-	342		(342)	1,812
Net Investment Income	-	84,573		84,573	92,165
Total Additions	-	84,573		84,573	92,165
Deductions					
Benefits	250,000	36,052	14.42%	213,948	211,297
Administrative expense	18,139	1,875	10.34%	16,264	14,599
Total Deductions	268,139	37,927	14.14%	230,212	225,896
Net Change in Plan Net Assets	(268,139)	46,646	(17.40%)	314,785	(133,731)
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	3,399,332	3,399,332		-	3,533,063
End of Period	$ 3,131,193	$ 3,445,978		$ 314,785	3,399,332

WASHOE COUNTY, NEVADA OPEB TRUST FUND
Fiscal Year 2012 / 2013
Interim Statement of Changes in Plan Net Assets
For the Quarter Ended September 30, 2012 - Unaudited
(With Comparative Amounts for the Year Ended June 30, 2012)

	Sierra FPD - Retiree Group Med Plan				
	Budget	**Actual**	**Act %**	**Variance**	**2012**
Additions					
Contributions					
Plan member	$ 8,400	$ 2,300	27.38%	$ (6,100)	$ 8,027
Total Contributions	8,400	2,300	27.38%	(6,100)	8,027
Investment Income					
Interest and dividends	-	2,425		2,425	14,519
Net increase (decrease) in fair value of investments	-	11,758		11,758	793
	-	14,183		14,183	15,312
Less investment expense	-	45		(45)	254
Net Investment Income	-	14,138		14,138	15,058
Total Additions	8,400	16,438	195.69%	8,038	23,085
Deductions					
Benefits	10,800	2,569	23.79%	8,231	12,485
Administrative expense	18,139	1,875	10.34%	16,264	4,048
Total Deductions	28,939	4,444	15.36%	24,495	16,533
Net Change in Plan Net Assets	(20,539)	11,994	(58.40%)	32,533	6,552
Net Assets Held in Trust for Other Postemployment Benefits					
Beginning of year	537,447	537,447		-	530,895
End of Period	$ 516,908	$ 549,441		$ 32,533	$ 537,447

Washoe County - OPEB Trust
Planned Transfers to the State Investment Fund (RBIF) for FY 2012/2013
Updated 10/17/12
Pending Approval

		Prefunding Contributions	Direct Expenses	Reimburse Employers	Cash Change	Trsfrs to RBIF	Cash in WC Pool	Cash in RBIF	Total Cash & Invest.
Beginning balance							$ 8,199,636	$ 93,548,373	$ 101,748,009
Jul	Trustee Meeting	-	(27,781)	(2,935,672)	(2,963,453)	-	5,236,183	93,548,373	98,784,556
Aug		-	(27,781)	-	(27,781)	855,900	4,352,502	94,404,273	98,756,775
Sep		-	(27,781)	-	(27,781)	855,900	3,468,821	95,260,173	98,728,994
Oct	Trustee Meeting	3,600,000	(27,781)	(2,588,650)	983,569	855,900	3,596,490	96,116,073	99,712,563
Nov		-	(27,781)	-	(27,781)	855,900	2,712,809	96,971,973	99,684,782
Dec		3,600,000	(27,781)	-	3,572,219	855,900	5,429,128	97,827,873	103,257,001
Jan	Trustee Meeting	-	(27,781)	(2,588,650)	(2,616,431)	855,900	1,956,797	98,683,773	100,640,570
Feb		-	(27,781)	-	(27,781)	855,900	1,073,116	99,539,673	100,612,789
Mar		3,600,000	(27,781)	-	3,572,219	855,900	3,789,435	100,395,573	104,185,008
Apr	Trustee Meeting	-	(27,781)	(2,588,650)	(2,616,431)	855,900	317,104	101,251,473	101,568,577
May		-	(27,781)	-	(27,781)	-	289,323	101,251,473	101,540,796
Jun		7,900,000	(27,767)	-	7,872,233	-	8,161,556	101,251,473	109,413,029
	Total	18,700,000	(333,358)	(10,701,622)	7,665,020	7,703,100			

Key Assumptions:

Inflows:

Washoe County contribution for future funding: $ 18.7 million, quarterly until year-end.

Outflows:

TMFPD - Updated to reflect of addn of $250,000 budgeted exp.

SFPD - Net expenses of $ 23,039 to be paid directly by trust.

Minimum cash target in WC pool for each plan approximately equal to current year's direct expenses.

Cash transfers to RBIF in equal increments August - May.

	WCRHBP	PEBP	WC Total	
WC contribution	18,282,610	417,390	18,700,000	Allocated based on UAAL
WC reimbursements - FY13 expenses	9,954,600	400,000	10,354,600	
Average quarterly exp reimbs	2,488,650	100,000	2,588,650	

WASHOE COUNTY, NEVADA
OPEB TRUST FUND
SUMMARY OF MOST RECENT ACTUARIAL VALUATIONS - UNAUDITED

The annual OPEB cost and related information for employers for each plan for the fiscal year ended June 30, 2012 are as follows:

	RHBP	PEBP	TMFPD RGMP	SFPD RGMP
Determination of Annual Required Contribution:				
Normal cost	$ 11,931,000	$ -	$ 39,310	$ 129,234
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	11,953,000	493,000	(16,211)	183,302
Annual Required Contribution (ARC)	$ 23,884,000	$ 493,000	$ 23,099	$ 312,536
Determination of Net OPEB Obligation:				
Annual Required Contribution	$ 23,884,000	$ 493,000	$ 23,099	$ 312,536
Interest on Net OPEB Obligation	(456,000)	(29,059)	(93,981)	37,050
Adjustment to ARC	337,000	31,265	118,440	(46,693)
Annual OPEB Cost	23,765,000	495,206	47,558	302,893
Contributions Made to Trust	(19,776,106)	(623,894)	-	-
Increase (Decrease) in Net OPEB Obligation	3,988,894	(128,688)	47,558	302,893
Net OPEB Obligation (Asset), Beginning of Year	(6,512,652)	(415,125)	(1,342,589)	529,288
Net OPEB Obligation (Asset), End of Year	$ (2,523,758)	$ (543,813)	$ (1,295,031)	$ 832,181

These valuations were based on the following assumptions:

	RHBP	PEBP	TMFPD RGMP	SFPD RGMP
Valuation date	7/1/2010	6/30/2012	7/1/2011	7/1/2011
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level percentage of pay, open	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed
Remaining amortization period	30 years	29 years	20 years	20 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	7%	7%	7%	7%
Healthcare cost trend rate**	10% initial 4.75% ultimate	7% initial 4.75% ultimate	7.25% initial 4.75% ultimate	7.25% initial 4.75% ultimate

**The healthcare cost trend rate for all plans includes an inflation component of 2.75%

Membership of each plan consisted of the following as of the date of the latest actuarial valuation:

	RHBP July 1, 2010	PEBP June 30, 2012	TMFPD RGMP July 1, 2011	SFPD RGMP July 1, 2011	Total
Retirees and beneficiaries receiving benefits	1,169	276	45	5	1,495
Active plan members	2,541	-	11	40	2,592
Total	3,710	276	56	45	4,087

WASHOE COUNTY, NEVADA
OPEB TRUST FUND
SUMMARY OF MOST RECENT ACTUARIAL VALUATIONS - UNAUDITED
(Contined)

An overview of the trend for actuarial valuations for each plan follows:

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Actuarial Value of Assets	Funded Ratio	Annual Required Contribution
RHBP				
July 1, 2008	$ 276,684,000	$ -	0.00%	$ 25,601,000
July 1, 2010	273,801,000	70,887,000	25.89%	22,400,000
July 1, 2012	287,185,000	91,263,000	31.78%	18,447,000
PEBP				
June 30, 2008	9,717,075	-	0.00%	633,732
June 30, 2010	7,437,111	1,925,471	25.89%	682,000
June 30, 2012	6,108,685	1,635,802	26.78%	493,000
TMFPD RGMP				
July 1, 2009	4,472,236	-	0.00%	665,302
July 1, 2011	3,361,331	3,533,063	105.11%	23,099
SFPD RGMP				
July 1, 2007	1,296,221	-	0.00%	243,566
July 1, 2009	1,769,515	-	0.00%	305,218
July 1, 2011	2,472,793	530,895	21.47%	312,536

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September 18, 2012

Ms. Mary Walker
Walker & Associates
661 Genoa Lane
Minden, Nevada 89423

Truckee Meadows Fire Protection District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

Dear Ms. Walker:

As requested, I have prepared and enclosed a revised actuarial valuation of Truckee Meadows Fire Protection District's Retiree Health Plan Liabilities as of July 1, 2011. The original July 1, 2011 valuation was prepared on June 24, 2011. The District subsequently adopted changes to its retire health plan liabilities during the 2011-12 fiscal year and requested that a revised valuation as of July 1, 2011 be prepared to reflect the following changes:

- Any District employee retiring on or after June 30, 2012 will not be eligible for coverage under the City of Reno Retiree Health Plan. The District identified 45 retirees who are eligible for the City of Reno Health Plan as of June 30, 2012.
- The District also identified 9 active employees who will be eligible for retiree health coverage under the District's self funded health plan assuming they satisfy age and service requirements upon retirement. No other active District employees other than those identified by the District are eligible for retiree health plan benefits. A description of the self funded plan is contained in this revised report.
- The amortization method of any unfunded liability was changed from 10 years on an "open" basis to 20 years on a "closed" basis.

A revised valuation report dated August 21, 2012, reflected the above changes. This revision includes two additional Truckee Meadows employees who were originally classified as employees who would be covered by the City of Reno. If you have any questions, please give me a call at (415) 394-3740.

Sincerely,

John R. Botsford, FSA, MAAA

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Truckee Meadows Fire Protection District

GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

Prepared by:

John R. Botsford
FSA, MAAA

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September 18, 2012

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September 18, 2012

Truckee Meadows Fire Protection District
P.O. Box 11130
Reno, Nevada 89520

Truckee Meadows Fire Protection District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

At the request of the Truckee Meadows Fire Protection District, we have completed an actuarial valuation of post employment benefits as of July 1, 2011.

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45.

In preparing our report, we relied on financial information and employee data furnished to us by the Truckee Meadows Fire Protection District. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the analysis is based are set forth in the following report. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions upon which the valuation is based are set forth in the following report. In our opinion, all assumptions and methods used in this valuation are reasonable for this purpose. The values provided in this report are estimates only. They represent results if actual experience exactly matches the assumptions used. Actual experience will likely differ and continued monitoring of experience should be performed and adjustments made to the assumptions as necessary. The actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

Milliman's work is prepared solely for the internal business use of the Truckee Meadows Fire Protection District. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) Truckee Meadows Fire Protection District may provide a copy of Milliman's work, in its entirety, to District's professional service advisors who are subject to a duty of confidentiality

and who agree to not use Milliman's work for any purpose other than to benefit the Truckee Meadows Fire Protection District.

(b) Truckee Meadows Fire Protection District may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford, FSA, MAAA
Principal and Consulting Actuary

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Introduction

Milliman, Inc. ("Milliman") has been retained by the Truckee Meadows Fire Protection District ("District") to provide a GASB 45 actuarial valuation of its post employment benefit (OPEB) plan. In our valuation we:

- Calculate the present value of total benefits.
- Calculate the actuarial accrued liability (present value of benefits attributable to past service).
- Determine the Annual Required Contribution (ARC).

Background

Eligible retirees are allowed coverage in the City of Reno's health and life benefit programs. The exact coverage depends on whether the retiree was a member of Local #731 or Local #39. Fire chiefs are eligible for the same coverage as those in Local #731.

Local #731 retirees prior to age 65 or eligibility for Medicare are required to pay for 40% of their benefits as well as their spouse's. Thereafter, they are required to pay for 50% of their coverage and 100% of their spouse's.

Local #39 retirees prior to age 65 or eligibility for Medicare are required to pay for 25% of their coverage if they have at least 15 but less than 30 years of service and 0% if they have over 30 years of service. There is no coverage after age 65, and spouses are not covered.

Health benefits include medical, vision, dental and drug coverage. The District commenced prefunding the normal cost portion of these benefits on July 1, 1996.

For the purpose of this report, we have only included retirees on or after July 1, 2000. Employees who retired prior to July 1, 2000 have been excluded from this report as the City of Reno is paying for their costs.

Effective in 2004, the employer portion of the benefit costs are apportioned between Truckee Meadows Fire Protection District and the City of Reno based on service where service earned prior to July 1, 2000, is considered to be service with Truckee Meadows. The liabilities and costs shown in this report are based only on Truckee Meadows Service.

Revised July 1, 2011 Actuarial Valuation

At the request of Mary Walker, Milliman has prepared a revised actuarial valuation of Truckee Meadows Fire Protection District's Retiree Health Plan Liabilities as of July 1, 2011. The original July 1, 2011 valuation was prepared on June 24, 2011. The District subsequently adopted changes to its retire health plan liabilities during the 2011-12 fiscal year and requested that a revised valuation as of July 1, 2011 be prepared to reflect the following changes:

- Any District employee retiring on or after June 30, 2012 will not be eligible for coverage under the City of Reno Retiree Health Plan. The District identified 45 retirees who are eligible for the City of Reno Health Plan as of June 30, 2012.

- The District also identified 9 active employees who will be eligible for retiree health coverage under the District's self-funded health plan assuming they satisfy age and service requirements upon retirement. No other active District employees other than those identified by the District are eligible for retiree health plan benefits. A description of the self-funded plan is contained in this revised report.
- The amortization method of any unfunded liability was changed from 10 years on an "open" basis to 20 years on a "closed" basis.

The valuation was revised again to include two additional Truckee Meadows employees who were originally classified as employees who would be covered by the City of Reno.

Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Discount Rate. GASB 45 requires that the interest rate used to discount future benefit payments back to the present day be based on the expected rate of return on any investments set aside to pay for these benefits. The District has established a retiree health fund to prefund future retiree health benefit payments. We have used a discount rate of 7.0% for this valuation based on an investment policy with significant weight in equities. The discount rate used in the prior valuation (July 1, 2009) was 4.5%.

Health Cost Trend. We have assumed health costs will increase according to the health cost inflation trend derived by using the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for an explanation of this trend model.

Demographic Rates. The assumptions for turnover, retirement, and mortality used in this valuation are described in Appendix B of this report.

Results of Study

The valuation results are summarized in the following exhibit and use the following terms:

The **Present Value of Benefits** is the present value of projected benefits (projected claims less retiree contributions) discounted at the valuation interest rate (7.0%).

The **Actuarial Accrued Liability (AAL)** is the present value of benefits that are attributed to past service only. The portion attributed to future employee service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age.

The **Normal Cost** is that portion of the District provided benefit attributable to employee service in the current year. Employees who are not eligible for benefits are assumed to have an equal portion of the present value of benefits attributed to each year of service from date of hire to expected retirement age.

The **Annual Required Contribution (ARC)** is equal to the Normal Cost plus an amount to amortize the unfunded AAL over a period of 10 years on an "open" level dollar basis (prior valuation) and over a period of 20 years on a "closed" basis (current valuation).

	July 1, 2011	July 1, 2009
Active Employees	11	61
Retirees	45	25
Total Participants	56	86
Present Value of Benefits	$ 3,815,853	$ 4,961,527
Actuarial Accrued Liability	$ 3,361,331	$ 4,472,235
Assets	3,533,063	0
Unfunded Actuarial Accrued Liability	$ (171,732)	$ 4,472,235
Normal Cost	$ 36,738	$ 95,796
Annual Required Contribution (ARC)	$ 23,099	$ 665,302

Changes from the Prior Valuation

The Actuarial Accrued Liability (AAL) decreased by approximately $1.2 million since the last valuation. Liabilities would have increased by about $0.8 million since the last valuation due to benefit accruals since the last valuation and a greater number of new retirees (who retired earlier than expected). However, the increase in discount rate from 4.5% to 7.0% (to reflect the investment policy of plan assets) resulted in a decrease in AAL of about $1.4 million. As a result of the revised actuarial valuation as of July 1, 2011, (reflecting plan changes) the AAL decreased by an additional $0.6 million. This was due primarily to a significant reduction in the number of active employees (from 44 to11) who would be eligible for retiree health coverage under the District's health plan upon satisfying age and service requirements.

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Exhibit 1. Projected Benefit Payments

The table below illustrates the projected pay-as-you-go District costs of providing retiree health benefits.

Year	FY Ending June 30	Future Retirees	Current Retirees	Total
1	2012	$510	$214,098	$214,608
2	2013	1,678	219,017	220,695
3	2014	2,935	223,217	226,152
4	2015	4,799	226,054	230,853
5	2016	7,408	233,410	240,818
6	2017	10,233	236,159	246,392
7	2018	13,273	233,993	247,266
8	2019	16,554	230,796	247,350
9	2020	20,304	228,028	248,332
10	2021	24,624	222,743	247,367

Exhibit 2. Liabilities and Normal Cost

The **Present Value of Benefits** is the actuarial present value of benefits expected to be paid for all retirees and covered employees.

The **Actuarial Accrued Liability (AAL)** is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement.

The **Normal Cost** is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement.

	July 1, 2011	July 1, 2009
Present Value of Benefits		
Actives	$ 860,566	$ 2,846,708
Retirees	2,955,287	2,114,819
Total	$ 3,815,853	$ 4,961,527
Actuarial Accrued Liability		
Actives	$ 406,044	$ 2,357,416
Retirees	2,955,287	2,114,819
Total	$ 3,361,331	$ 4,472,235
Normal Cost	$ 36,738	$ 95,796

Exhibit 3. Unfunded Actuarial Accrued Liability and Annual Required Contribution

The **Unfunded Actuarial Accrued Liability (UAAL)** is the actuarial accrued liability offset by any assets set aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded. The UAAL must be amortized over a period specified by the District (20 year level dollar amortization on a "closed" basis) and included in the ARC amount (shown below) each year.

The **Annual Required Contribution (ARC)** is equal to the Normal Cost plus an amount to amortize the unfunded AAL.

	July 1, 2011 (for 2011-12 FY)	July 1, 2009 (for 2009-10 FY)
Unfunded Actuarial Liability (UAAL)		
Actuarial Accrued Liability	$ 3,361,331	$ 4,472,235
Assets	3,533,063	0
Unfunded Actuarial Accrued Liability	$ (171,732)	$ 4,472,235
Funded percentage	105.1%	0.0%
Amortization of UAAL		
UAAL	$ (171,732)	$ 4,472,235
Amortization Period	20 years	10 years
Level Dollar Amortization Factor	11.3356	8.2688
Amortization Amount (Beginning of Fiscal Year)	$ (15,150)	$ 540,857
Interest to end of Fiscal Year	$ (1,061)	$ 24,339
Amortization Amount (End of Fiscal Year)	$ (16,211)	$ 565,196
Annual Required Contribution (ARC)		
Normal Cost (at End of Fiscal Year)	$ 39,310	$ 100,106
Amortization of UAAL	(16,211)	565,196
ARC	$ 23,099	$ 665,302

Exhibit 4. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	Actuarial Value of Assets	AAL Unit Credit	UAAL	Funded Ratio
07/01/2009	$ 0	$ 4,472,235	$ 4,472,235	0.0%
07/01/2011	$ 3,533,063	$ 3,361,331	$ (171,732)	105.1%

Appendix A. Summary of Benefits

Below is a summary of our understanding of the retiree health benefit program sponsored by Truckee Meadows Fire Protection District (TMFPD).

Eligibility

All employees who retire from TMFPD employment prior to June 30, 2012 and receive monthly payments under the Public Employees Retirement System (PERS) of Nevada are eligible for retiree medical coverage under the City of Reno plan. .Coverage is funded by the District as described in this Appendix. The District identified 45 retirees eligible for City of Reno coverage. No other current of future retirees are eligible for City of Reno coverage under the District's retiree health plan.

The District also identified 9 current employees who upon meeting certain age and service conditions. will be eligible for retiree health benefits under a self funded health insurance program managed by the District. No other current of future retirees are eligible for City of Reno coverage under the District's Retiree Health Plan.

Regular Members	Age 65 with 5 years service, or age 60 with 10 years service, or at any age with 30 years service.
Firefighters	Age 65 with 5 years service, or age 55 with 10 years service, or age 50 with 20 years service, or at any age with 30 years service.
Disabled Members	5 years service and totally unable to perform current job or any comparable job for which the member is qualified by training and experience, because of injury or illness of a permanent nature.

Benefit Plans

City of Reno Plan

Medical, Dental, and Vision benefits are provided under that plan. The rates charged by the City of Reno for medical, dental, and vision for the 2011-12 fiscal year are as follows:

	2011-2012	
	Retiree	Dependent
Reno Health Plan		
Pre-65	$ 568.04	$ 409.71
Post-65	466.22	305.71

The employer portion of the premium rates are apportioned between Truckee Meadows Fire Protection District and the City of Reno based on service with each entity.

District Plan

Medical coverage is self funded up to $30,000 individual stop loss during the year. Stop loss reinsurance provides coverage for claims in excess of $30,000. The budgeted monthly medical premiums shown in the table below include expected claims estimated by the District and the cost of stop loss reinsurance and claims administration. Fully insured dental and vision is also offered to retirees. The rates shown below are for the period from June 1, 2011, to May 31, 2012.

	Medical	Dental	Vision	Total
Retiree	511.74	29.72	8.37	549.83
Spouse	388.21	34.32	5.02	427.55

Life Insurance

Life insurance coverage is provided to those retirees who retire before June 30, 2012 and are covered under the City of Reno health care benefit plan. The amount of coverage provided for the retiree is $20,000.

Retiree Contributions

Retirees under City of Reno Plan

The required contribution is a percentage of the budgeted costs determined as follows:

		REQUIRED CONTRIBUTION	
Group	Years of Service	Retiree Coverage	Dependent Coverage
Local #39 (Pre-65)	Less than 15	100%	100%
	>15 but less than 30	25%	100%
	30 or more	0%	100%
Local #39 (Post-65)	n/a	100%	100%
Local #731 (Pre-65)	n/a	40%	40%
Local #731 (Post-65)	n/a	50%	100%

Future Retirees under District's Self Funded Plan

The District will pay 50% of the retirees' health insurance premium. Retirees must pay the full cost of the monthly health insurance premium for spouses. The same insurance premiums apply for actives and retirees without Medicare, meaning that a retiree implicit rate subsidy applies for retirees and spouses even though the District pays for 50% of the premiums for retirees and 0% of premiums for spouses.

Dependents' Benefits

Coverage is available for dependents of the retiree including a spouse and any unmarried children who are under age 19, age 19 to 24 if full-time students, or disabled and incapable of self-support. The retiree must contribute 100% of the cost.

Survivor Benefits

Upon the death of the retiree, benefits may be continued to the surviving spouse for the spouse's remaining lifetime. Spouses are required to pay 100% of the budgeted cost.

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method with benefits prorated over the period from the employee's date of hire to expected retirement date. The actuarial assumptions are summarized below.

Economic Assumptions

Discount Rate 7.0% effective annual rate

Demographic Assumptions

Mortality

Healthy Life: RP2000 Combined Mortality – Male and Female
Disabled Life: 1977 Railroad Retirement Board

Retirement

	REGULAR		FIRE	
Age	< 30 Years	30 or More	< 20 Years	20 or More
50-54	4%	25%	6%	20%
55-59	5%	30%	20%	20%
60	30%	30%	20%	20%
61	20%	20%	25%	25%
62-64	25%	25%	25%	25%
65	30%	30%	100%	100%
66-69	30%	30%		
70	100%	100%		

Withdrawal

In lieu of the PERS of Nevada rates, TMFPD provided the following withdrawal rates to be used:

Age	Regular	Firefighters
22-29	3.0%	3.0%
30-39	2.0%	2.0%
40-49	1.0%	1.0%
50 & over	0.0%	0.0%

Demographic Assumptions (continued)

Disability

Age	Regular	Fire
22	0.03%	0.05%
27	0.03%	0.05%
32	0.05%	0.06%
37	0.07%	0.09%
42	0.14%	0.37%
47	0.25%	0.53%
52	0.44%	0.66%
57	0.85%	0.96%

Life Insurance

For the City of Reno Health Plan retirees, we have valued life insurance monthly costs by age in accordance with the following table:

Age	Male	Female
50	$ 3.54	$ 2.79
55	6.04	4.53
60	11.25	8.43
65	21.23	16.18
70	37.01	27.90

Other Assumptions

Participation

100% in the City of Reno Health Plan

Dependent Coverage

Employees are assumed to have the following dependent status in retirement (no dependent children are assumed):

Single 20%
Employee + 1 80%

Spouse's Age

Female spouses are assumed to be three years younger than male spouses on average.

Medicare Eligibility

TMFPD did not indicate which employees are anticipated to be ineligible for Medicare. We have assumed 100% of retirees will be eligible for Medicare once they reach age 65.

Reinstatement

Persons terminating TMFPD employment prior to retirement are assumed not to apply for reinstatement.

Attribution Period

An equal amount of the expected postretirement benefit obligation is attributed to each year of service from age at hire to expected retirement age.

Valuation of Retiree Premium Subsidy

For retirees covered under the City of Reno Health Plan, our understanding is that the Reno Health Plan charges the same premiums for TMFPD District retirees as for all other employer member groups. In other words, the rates charged to the District are not based on District's own claim experience or demographics, but on the experience of the entire pool covered under the Reno Health Plan. It is also our understanding that the TMFPD District retirees make up a very small portion (less than 2%) of total members covered under the Reno plan. Based on this understanding, we have assumed that the District's premiums under City of Reno Plan are community rated, and therefore, we have not included in our valuation the value of any implicit rate subsidy for retirees (covered under the City of Reno Health Plan) whose premium rates are the same as active employees.

For future retirees covered under the District's own self funded Health Plan, we have valued an implicit rate subsidy to reflect the higher expected costs for retirees than actives. The District sets the same premiums for retirees (without Medicare) as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. (Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums.)

To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members (employees/retirees and dependents), and based on relative cost factors by age. The relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the premium rates for the 2011-2012 premium year and relative age cost factors assumptions, we developed age adjusted monthly PMPM health, dental, and vision costs for the 2011-2012 fiscal year as shown in the following table:

Age Adjusted Medical, Dental, and Vision PMPM Costs for 2011-2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
50	$591	$695	$591	$700
55	767	805	767	807
60	977	937	977	938
64	1213	1109	1213	1109

Since retirees are assumed to enroll in Medicare after age 65, and be covered under a Medicare Supplemental plan, no implicit rate subsidy exists for retirees after age 65 and none was valued.

Self Funded Plan Coverage After Medicare Eligibility

Once a retiree covered under the District's Self Funded Plan reaches Medicare age (age 65), we have assumed the retiree will enroll in Medicare, and that the District will continue to pay a premium for Medicare supplemental coverage up to 50% of the single coverage retiree health premium.
Currently there are no retirees that are over age 65. We have assumed that 100% of retirees will be eligible for and enroll in Medicare upon reaching age 65. We have assumed that TMFPD will require retirees to enroll in a Medicare supplemental policy upon reaching age 65, and that TMFPD will cover 50% of the single party premium for Medicare retirees. We have estimated the cost of a Medicare supplemental premium using Milliman's Health Cost Guidelines assuming the Medicare supplemental

policy will be secondary to Medicare and will provide similar coinsurance, deductibles, etc. as the medical insurance provided to current non-Medicare retirees. Our estimated monthly premium for a Medicare supplemental policy is $331 per month based on the current single party retiree insurance coverage. We have estimated the cost of the Medicare supplemental insurance assuming the policy would coordinate with Medicare under a "Maintenance of Benefits" structure. A summary of the current single party retiree insurance coverage is stated below:

Deductible:	$ 0
Co-Insurance:	85% (after $500 copay for Hospital)
Annual Out of Pocket Maximum:	$3,000 / $6,000 plus Copays
Lifetime Maximum:	Unlimited

Health Cost Inflation

We assumed future increases to the health premiums based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. Dental and vision premiums are assumed to increase at 4% per year. The following table shows the assumed weighted average rate increases for combined medical, dental, and vision costs in future years.

Fiscal Year	% Inflation
2011	7.25%
2012	6.50%
2013	6.00%
2014 – 2035	5.75%
2036 – 2039	5.50%
2040 – 2069	5.25%
2070 – 2077	5.00%
2078 and beyond	4.75%

Appendix C. Summary of Participant Data

The following census of participants who are eligible to receive retiree health insurance was used in the actuarial valuation and provided by the Truckee Meadows Fire Protection District.

Covered Active Employees

Age	Count
Under 25	0
25 – 29	1
30 – 34	3
35 – 39	4
40 – 44	1
45 – 49	1
50 – 54	1
55 – 59	0
60 – 64	0
65 & Over	0
Total	9

Average Age at Valuation Date: 37.7

Covered Retirees

Age	Count
Under 55	12
55 – 59	18
60 – 64	9
65 & Over	6
Total	45

Average Age at Valuation Date: 58.8

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milliman.com

September 12, 2012

Ms. Mary Walker
Walker & Associates
661 Genoa Lane
Minden, Nevada 89423

Sierra Fire Protection District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

Dear Ms. Walker:

I am pleased to enclose the above-titled Milliman report. This report contains the District's Actuarial Liability as of July 1, 2011, and the Annual Required Contribution for the 2011-2012 fiscal year. This is a revised report from our report dated August 13, 2012 to reflect 11 District employees who are now covered under the plan in accordance with a labor agreement effective April 1, 2012. If you have any questions, please give me a call at (415) 394-3740.

Sincerely,

John R. Botsford, FSA, MAAA

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Sierra Fire Protection District

GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

Prepared by:

John R. Botsford
FSA, MAAA

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September 12, 2012

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September 12, 2012

Sierra Fire Protection District
4000 Joy Lake Road
Reno, Nevada 89511

Sierra Fire Protection District –
GASB 45 Actuarial Valuation of Post Employment Benefits as of July 1, 2011

At the request of the Sierra Fire Protection District, we have completed an actuarial valuation of post employment benefits as of July 1, 2011.

The purpose of this report is to determine the Annual Required Contribution and required financial disclosures under the Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). Our determinations reflect the procedures and methods prescribed in GASB 45.

In preparing our report, we relied on financial information and employee data furnished to us by the Sierra Fire Protection District. The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the analysis is based are set forth in the following report. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in our opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions upon which the valuation is based are set forth in the following report. In our opinion, all assumptions and methods used in this valuation are reasonable for this purpose. The values provided in this report are estimates only. They represent results if actual experience exactly matches the assumptions used. Actual experience will likely differ and continued monitoring of experience should be performed and adjustments made to the assumptions as necessary. The actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB 45. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported herein.

Milliman's work is prepared solely for the internal business use of the Sierra Fire Protection District. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) Sierra Fire Protection District may provide a copy of Milliman's work, in its entirety, to District's professional service advisors who are subject to a duty of confidentiality and who

agree to not use Milliman's work for any purpose other than to benefit the Sierra Fire Protection District.

(b) Sierra Fire Protection District may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

John R. Botsford, FSA, MAAA
Principal and Consulting Actuary

JRB:tah
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Section **Page**

Introduction

Milliman, Inc. ("Milliman") has been retained by the Sierra Fire Protection District ("District") to provide a GASB 45 actuarial valuation of its post employment benefit (OPEB) plan. In our valuation we:

- Calculate the present value of total benefits.
- Calculate the actuarial accrued liability (present value of benefits attributable to past service).
- Determine the Annual Required Contribution (ARC).

Background

Employees who transferred to the District as of July 1, 2006 and retire directly from the District are eligible for retiree health benefits if they meet certain age and service eligibility requirements. The District pays for 50% of the cost of retiree health premiums (medical, dental, and vision) for retirees who retire from the District with 10 or more years of service. Appendix A provides a more detailed summary of benefits.

Assumptions

With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. The following assumptions should be reviewed for appropriateness.

Discount Rate. GASB 45 requires that the interest rate used to discount future benefit payments back to the present day be based on the expected rate of return on any investments set aside to pay for these benefits. The District has established a retiree health fund to prefund future retiree health benefit payments. We have used a discount rate of 7.0% for this valuation based on an investment policy with significant weight in equities. The discount rate used in the prior valuation (July 1, 2009) was 4.5%.

Health Cost Trend. We have assumed health costs will increase according to the health cost inflation trend derived by using the "Getzen" model developed by the Society of Actuaries. Please see Appendix B for an explanation of this trend model.

Demographic Rates. The assumptions for turnover, retirement, and mortality used in this valuation are described in Appendix B of this report.

Results of Study

The valuation results are summarized in the following exhibit and use the following terms:

The **Present Value of Benefits** is the present value of projected benefits (projected claims less retiree contributions) discounted at the valuation interest rate (7.0%).

The **Actuarial Accrued Liability (AAL)** is the present value of benefits that are attributed to past service only. The portion attributed to future employee service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age.

The **Normal Cost** is that portion of the District provided benefit attributable to employee service in the current year. Employees who are not eligible for benefits are assumed to have an equal portion of the present value of benefits attributed to each year of service from date of hire to expected retirement age.

The **Annual Required Contribution (ARC)** is equal to the Normal Cost plus an amount to amortize the unfunded AAL. For the July 1, 2009 valuation the amortization period was 10 years on an "open" level dollar basis. At the request of Mary Walker, we calculated the ARC using a 20 year amortization period on a "closed" basis, meaning that the amortization period will decline each year from July 1, 2011.

	July 1, 2011	July 1, 2009
Active Employees	40	31
Retirees	5	4
Total Participants	45	35
Present Value of Benefits	$ 3,448,379	$ 2,341,320
Actuarial Accrued Liability	$ 2,472,793	$ 1,769,515
Assets	530,895	0
Unfunded Actuarial Accrued Liability	$ 1,941,898	$ 1,769,515
Normal Cost	$ 129,234	$ 81,589
Annual Required Contribution (ARC)	$ 312,536	$ 305,218

Changes from the Prior Valuation

The Actuarial Accrued Liability (AAL) increased by approximately $700,000 since the last valuation. Liabilities would have increased by about $300,000 since the last valuation due to benefit accruals since the last valuation. However, the combination of an increase in discount rate from 4.5% to 7.0% (to reflect the investment policy of plan assets), updated health plan costs and valuation of an implicit rate subsidy under the new health plan design and rate structure, and the inclusion of 11 District employees now covered under the Plan under a labor agreement effective April 1, 2012, resulted in an additional increase in AAL of about $400,000.

Variability of Results

The results contained in this report represent our best estimates. However, variation from these or any other estimates of future retiree medical costs is not only possible but probable. Actual future costs may vary significantly from estimates in this report.

Exhibit 1. Projected Benefit Payments

The table below illustrates the projected pay-as-you-go District costs of providing retiree health benefits.

Year	FY Ending June 30	Future Retirees	Current Retirees	Total
1	2012	$1,865	$14,460	$16,325
2	2013	7,112	16,137	23,249
3	2014	14,115	17,876	31,991
4	2015	24,193	19,701	43,894
5	2016	38,057	21,650	59,706
6	2017	54,136	23,779	77,914
7	2018	72,301	26,164	98,465
8	2019	93,196	28,774	121,970
9	2020	119,023	31,616	150,639
10	2021	152,681	34,701	187,382

Exhibit 2. Liabilities and Normal Cost

The **Present Value of Benefits** is the actuarial present value of benefits expected to be paid for all retirees and covered employees.

The **Actuarial Accrued Liability (AAL)** is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement.

The **Normal Cost** is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement.

	July 1, 2011	July 1, 2009
Present Value of Benefits		
Actives	$ 3,141,444	$ 2,159,043
Retirees	306,935	182,277
Total	$ 3,448,379	$ 2,341,320
Actuarial Accrued Liability		
Actives	$ 2,165,858	$ 1,587,238
Retirees	306,935	182,277
Total	$ 2,472,793	$ 1,769,515
Normal Cost	$ 129,234	$ 81,589

Exhibit 3. Unfunded Actuarial Accrued Liability and Annual Required Contribution

The **Unfunded Actuarial Accrued Liability (UAAL)** is the actuarial accrued liability offset by any assets set aside to provide retiree health benefits. This is equal to the value of the retiree health benefits accrued to date that has not been funded. The UAAL must be amortized over a period of years and included in the ARC amount each year. For the July 1, 2009 valuation the amortization period was 10 years on an "open" level dollar basis. At the request of Mary Walker, we calculated the ARC assuming a 20 amortization period on a "closed" basis, meaning that the amortization period will decline each year from July 1, 2011.

The **Annual Required Contribution (ARC)** is equal to the Normal Cost plus an amount to amortize the unfunded AAL.

	July 1, 2011 (for 2011-12 FY)	July 1, 2009 (for 2009-10 FY)
Unfunded Actuarial Liability (UAAL)		
Actuarial Accrued Liability	$ 2,472,793	$ 1,769,515
Assets	530,895	0
Unfunded Actuarial Accrued Liability	$ 1,941,898	$ 1,769,515
Funded percentage	21.5%	0.0%
Amortization of UAAL		
UAAL	$ 1,941,898	$ 1,769,515
Amortization Period	20 years	10 years
Level Dollar Amortization Factor	11.3356	8.2688
Amortization Amount (Beginning of Fiscal Year)	$ 171,310	$ 213,999
Interest to end of Fiscal Year	$ 11,992	$ 9,630
Amortization Amount (End of Fiscal Year)	$ 183,302	$ 223,629
Annual Required Contribution (ARC)		
Normal Cost (at End of Fiscal Year)	$ 129,234	$ 81,589
Amortization of UAAL	183,302	223,629
ARC	$ 312,536	$ 305,218

Exhibit 4. Required Supplementary Information

The following table shows a schedule of Funding Progress required under GASB 45.

Actuarial Valuation Date	Actuarial Value of Assets	AAL Unit Credit	UAAL	Funded Ratio
07/01/2009	$ 0	$ 1,769,515	$ 1,769,515	0.0%
07/01/2011	$ 530,895	$ 2,472,793	$ 1,941,898	21.5%

Appendix A. Summary of Benefits

Below is a summary of our understanding of the retiree health benefit program sponsored by Sierra Fire Protection District (SFPD).

Eligibility

All employees who transferred from the State of Nevada into the District as of July 1, 2006, retire from District, and receive monthly payments under the Public Employees Retirement System (PERS) of Nevada with at least 10 years of service are eligible. No employees hired subsequent to July 1, 2006 shall be eligible for this benefit.

Benefit Plans

Medical, Dental, Vision

The District offers retiree medical, dental, and vision coverage to retirees and their spouses. The District will pay 50% of the retirees' health insurance premium. Retirees must pay the full cost of the monthly health insurance premium for spouses. The same insurance premiums apply for actives and retirees without Medicare, meaning that a retiree implicit rate subsidy applies for retirees and spouses even though the District pays for 50% of the premiums for retirees and 0% of premiums for spouses. These insurance premiums are described in the table below.

Health Premiums

Medical coverage is self funded up to $30,000 individual stop loss during the year. Stop loss reinsurance provides coverage for claims in excess of $30,000. The budgeted monthly medical premiums shown in the table below include expected claims estimated by the District and the cost of stop loss reinsurance and claims administration. Fully insured dental and vision is also offered to retirees. The rates shown below are for the period from June 1, 2011, to May 31, 2012.

	Medical	Dental	Vision	Total
Retiree	511.74	29.72	8.37	549.83
Spouse	388.21	34.32	5.02	427.55

PEBP

Three SFPD retirees have elected health coverage through Nevada PEBP. SFPD is required to pay a portion of the PEBP premiums based on the retirees' service with SFPD. SFPD provided us with its portion of premiums payable to PEBP for each retiree. Effective September 1, 2008, no other active employees will be eligible to elect PEBP coverage upon retirement.

Appendix B. Actuarial Cost Method and Assumptions

The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method with benefits prorated over the period from the employee's date of hire to expected retirement date. The actuarial assumptions are summarized below.

Economic Assumptions

Discount Rate 7.0% effective annual rate

Demographic Assumptions

Mortality

Healthy Life: RP2000 Combined Mortality – Male and Female
Disabled Life: 1977 Railroad Retirement Board

Retirement

	Rate	
Age	< 20 Years	20 or More
50-54	6%	20%
55-60	20%	20%
61-64	25%	25%
65+	100%	100%

Withdrawal

Age	Rate
22-29	3.0%
30-39	2.0%
40-49	1.0%
50 & over	0.0%

Disability

Age	Rate
22	0.05%
27	0.05%
32	0.06%
37	0.09%
42	0.37%
47	0.53%
52	0.66%
57	0.96%

Other Assumptions

Participation

Retirees electing coverage will be charged 50% of the retiree premium as a condition of participation. We have assumed that 90% of new retirees will elect coverage.

Dependent Coverage

We have assumed that 25% of retirees will elect dependent coverage for their spouses. Retirees are responsible for 100% of spouse health insurance costs. However, the health insurance premiums charged to retirees (prior to reaching age 65 and becoming eligible for Medicare) and spouses are the same as the health insurance premiums charged to active employees and spouses. Therefore, an implicit rate subsidy must be valued for both retirees and their spouses.

Coverage After Medicare Eligibility

Once a retiree reaches Medicare age (age 65), we have assumed the retiree will enroll in Medicare, and that the District will continue to pay a premium for Medicare supplemental coverage up to 50% of the single coverage retiree health premium.

Currently there are no retirees that are over age 65. We have assumed that 100% of retirees will be eligible for and enroll in Medicare upon reaching age 65. We have assumed that SFPD will require retirees to enroll in a Medicare supplemental policy upon reaching age 65, and that SFPD will cover 50% of the single party premium for Medicare retirees. We have estimated the cost of a Medicare supplemental premium using Milliman's Health Cost Guidelines assuming the Medicare supplemental policy will be secondary to Medicare and will provide similar coinsurance, deductibles, etc. as the medical insurance provided to current non-Medicare retirees. Our estimated monthly premium for a Medicare supplemental policy is $331 per month based on the current single party retiree insurance coverage. We have estimated the cost of the Medicare supplemental insurance assuming the policy would coordinate with Medicare under a “Maintenance of Benefits” structure. A summary of the current single party retiree insurance coverage is stated below:

Deductible:	$ 0
Co-Insurance:	85% (after $500 copay for Hospital)
Annual Out of Pocket Maximum:	$3,000 / $6,000 plus Copays
Lifetime Maximum:	Unlimited

Attribution Period

An equal amount of the expected postretirement benefit obligation is attributed to each year of service from age at hire to expected retirement age.

Valuation of Retiree Premium Subsidy

The District sets the same premiums for retirees (without Medicare) as for active employees. Therefore, the retiree premium rates are being subsidized by the inclusion of active lives in setting rates. (Premiums calculated only based on retiree health claims experience would have resulted in higher retiree premiums.)

To account for the fact that per member health costs vary depending on age (higher health costs at older ages), we calculated equivalent Per Member Per Month (PMPM) costs that vary by age based on the age distribution of covered members (employees/retirees and dependents), and based on relative cost factors by age. The relative cost factors were developed from the Milliman Health Cost Guidelines. Based on the premium rates for the 2011-2012 premium year and relative age cost factors assumptions, we developed age adjusted monthly PMPM health, dental, and vision costs for the 2011-2012 fiscal year as shown in the following table:

Age Adjusted Medical, Dental, and Vision PMPM Costs for 2011-2012

	RETIREES		SPOUSES	
Age	Male	Female	Male	Female
50	$591	$695	$591	$700
55	767	805	767	807
60	977	937	977	938
64	1213	1109	1213	1109

Since retirees are assumed to enroll in Medicare after age 65, and be covered under a Medicare Supplemental plan, no implicit rate subsidy exists for retirees after age 65 and none was valued.

Health Cost Inflation

We assumed future increases to the health premiums based on the "Getzen" model published by the Society of Actuaries for purposes of evaluating long term medical trend. Dental and vision premiums are assumed to increase at 4% per year. The following table shows the assumed weighted average rate increases for combined medical, dental, and vision costs in future years.

Fiscal Year	% Inflation
2011	7.25%
2012	6.50%
2013	6.00%
2014 – 2035	5.75%
2036 – 2039	5.50%
2040 – 2069	5.25%
2070 – 2077	5.00%
2078 and beyond	4.75%

Appendix C. Summary of Participant Data

The following census of participants who are eligible to receive retiree health insurance was used in the actuarial valuation and provided by the Sierra Fire Protection District.

Covered Active Employees

Age	Males	Females	Total
Under 25	1	0	1
25 – 29	2	0	2
30 – 34	5	0	5
35 – 39	8	0	8
40 – 44	8	0	8
45 – 49	11	0	11
50 – 54	5	0	5
55 – 59	0	0	0
60 – 64	0	0	0
65 & Over	0	0	0
Total	40	0	40

Average Age at Valuation Date: 41.3
Average District Service at Valuation Date: 12.6

Covered Retirees

Age	Males	Females	Total
Under 55	2	0	2
55 – 59	3	0	3
60 – 64	0	0	0
65 & Over	0	0	0
Total	5	0	5

Average Age at Valuation Date: 56.0

Administrative Rules and Procedures of the Board of Trustees of the Washoe County, Nevada OPEB Trust Fund

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Terms and abbreviations are used as defined in the Trust Agreement unless otherwise indicated.

1. The Trustees shall elect one Trustee to serve as Chairman and one Trustee to serve as Vice Chairman from among their membership.

    a. The term of the Trust Chairman and Vice Chairman shall be two years or the remaining time of his or her tenure as Trustee, whichever is less. An individual may serve any number of terms as Chairman and Vice Chairman, if selected by the Trustees.

    b. The Chairman and Vice Chairman serve at the pleasure of the Trustees and may be removed from those positions at any time by the Trustees.

    c. The Chairman shall preside at all meetings of the Trustees. In case of the absence of the Chairman from any meeting of the Trustees or in case of the inability of the Chairman to act, the Vice Chairman shall perform the duties and acts authorized or required by the Chairman to be performed, as long as the inability of the Chairman to act may continue.

2. The meetings shall be held quarterly or at the call of the Chairman whenever business is presented in accordance with the Trust Agreement.

    a. A calendar shall be established annually and approved by the Trustees.

    b. The Trustees shall conduct the meetings in accordance with NRS Chapter 241.

    c. The Trustees shall require minutes to be recorded and published of all meetings.

    d. The trustees will be paid reasonable compensation for attendance at meetings pursuant to NAC 287.786 and for the reimbursement of necessary and reasonable expenses as defined by the Trust Agreement and NAC 287.786.

    e. In accordance with the Article 6.3(d) of the Trust Agreement and the NAC, Washoe County will provide staff to organize and notice meetings and take minutes. Costs associated with providing these services will be billed and accounted for in accordance with the provisions of 6 (c) below.

3. The Trustees designate that any one of the Trustees may act as their agent to approve the payment of Trust administrative expenditures, provided that all expenditures are reported to and approved by the Trustees at its next regularly scheduled meeting.

4. Payments directed by the Employer in accordance with Article 5.1 of the Trust Agreement must be approved by the Trustees at their next regularly scheduled meeting or other time deemed necessary by the Chairman.

5. Annually, the Trustees will submit a tentative budget to the governing bodies of the participating employers that include the amount of the contributions to the trust and the amount of the distribution from the trust to the participating employers determined by each governing body and the amount of all administrative expenses.

6. Books and Accounts of the Trust shall be kept in accordance with generally accepted accounting principles and shall comply with all applicable statutes and regulations, including NRS Chapter 354.

    a. In accordance with Article 6.3(d) of the Trust Agreement, Washoe County will receive and disseminate financial reports of financial managers to the Trustees and prepare financial reports and budgets for the Trustees.

    b. Each participating employer's interest in the Trust will be accounted for separately from the interest of any other employer and will be reported to the Trustees by Washoe County staff in that manner.

    c. Costs incurred by Washoe County to provide services will be tracked and billed to the Trust based upon Washoe County's Countywide Cost Allocation Plan (COWCAP). Amounts billed to the Trust will be reviewed and approved by the Trustees as part of their annual budget process. To the extent the work performed is for the benefit of all plans, the costs will be allocated equally to each of the benefit plans funded through the Trust.

    d. Other indirect expenses of the trust, except for investment fees, will be allocated equally to the benefit plans funded through the Trust.

    e. Money not invested with the Retirement Benefits Investment Fund will be held in the Washoe County Investment Trust fund. Investment earnings and investment fees for both the Washoe County Investment Trust and the Retirement Benefits Investment Fund not directly allocable to a participating benefit plan will be allocated based on the monthly average cash and investment balances.

7. With the exception of the year of execution of the trust, the Trustees shall engage the auditors no later than March 31st of each year.

8. When Trustee sends out correspondence stating that Trustee's official position regarding the Washoe County OPEB Trust, a copy of said correspondence, either paper or electronic, will be retained on file in the County Comptroller's Office and copies sent to the other Trustees.

9. A motion to reconsider any action taken by the Trustees may be made only during the meeting at which the action was taken or at the next regularly scheduled meeting, within no more than ninety (90) days of the meeting at which the action was taken. A motion to reconsider must be made by a Trustee who voted on the prevailing side of the motion being reconsidered, but a motion to reconsider may be seconded by any member of the Boart of Trustees. A previous motion failing by virtue of a tie vote may be reconsidered upon motion of any Trustee. If a motion for reconsideration relates to an item requiring legal notice, only the motion itself shall be debated and, if passed, reconsideration of the item continued to a future date to allow for the provision of legal notice.

10. These procedures may be amended by a motion passed by a meeting of the Trustees, as long as they remain consistent with the terms of the Trust Agreement.

Passage and Effective Date

Adopted May 20, 2010.
Amended October 25, 2012

Retirement Benefits Investment Board

Memorandum

To: Retirement Benefits Investment Board

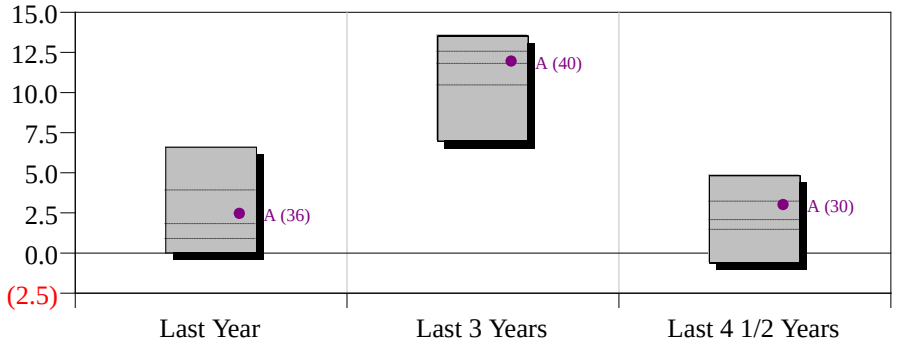
From: Staff

Date: August 7, 2012

Re: Fiscal Year 2012 Performance Review

The Retirement Benefits Investment Fund ended fiscal year 2012 with $149 million in assets and a 2.4% return. The fund ranks in the top 36% among mid- sized public pension funds for the fiscal year and well above median for longer term periods. It should be noted that this comparison is before fees. The average management fee expense for mid-sized pension plans is approximately 0.50%, and RBIF pays 0.03% for management. This fee advantage puts RBIF in an even more competitive position versus other similar sized investors on an after fee basis.

Returns
for Periods Ended June 30, 2012
Group: CAI Public Fund - Mid (100mm-1B)



	Last Year	Last 3 Years	Last 4 1/2 Years
10th Percentile	6.60	13.53	4.82
25th Percentile	3.86	12.50	3.17
Median	1.77	11.75	2.02
75th Percentile	0.84	10.41	1.41
90th Percentile	0.01	6.97	(0.62)
Member Count	37	34	33
NEV RBIF-Total Fund ● A	2.41	11.89	2.96

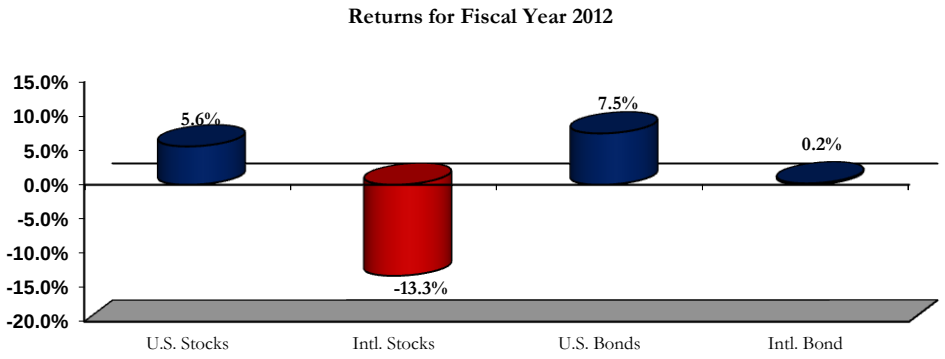
5820 S. Eastern Avenue, Suite 220
Las Vegas, NV 89119
(702) 486-3900
Fax: (702) 678-6934

693 W. Nye Lane
Carson City, NV 89703
(775) 687-4200
Fax: (775) 687-5131

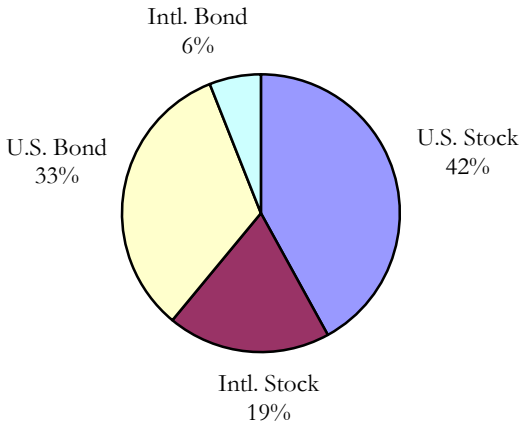
7455 W. Washington Avenue, Suite 150
Las Vegas, NV 89128
(702) 486-3900
Fax: (702) 678-6934

Toll Free: 1-866-473-7768 Website: www.nvpers.org

The chart below includes returns by asset class for fiscal year 2012.

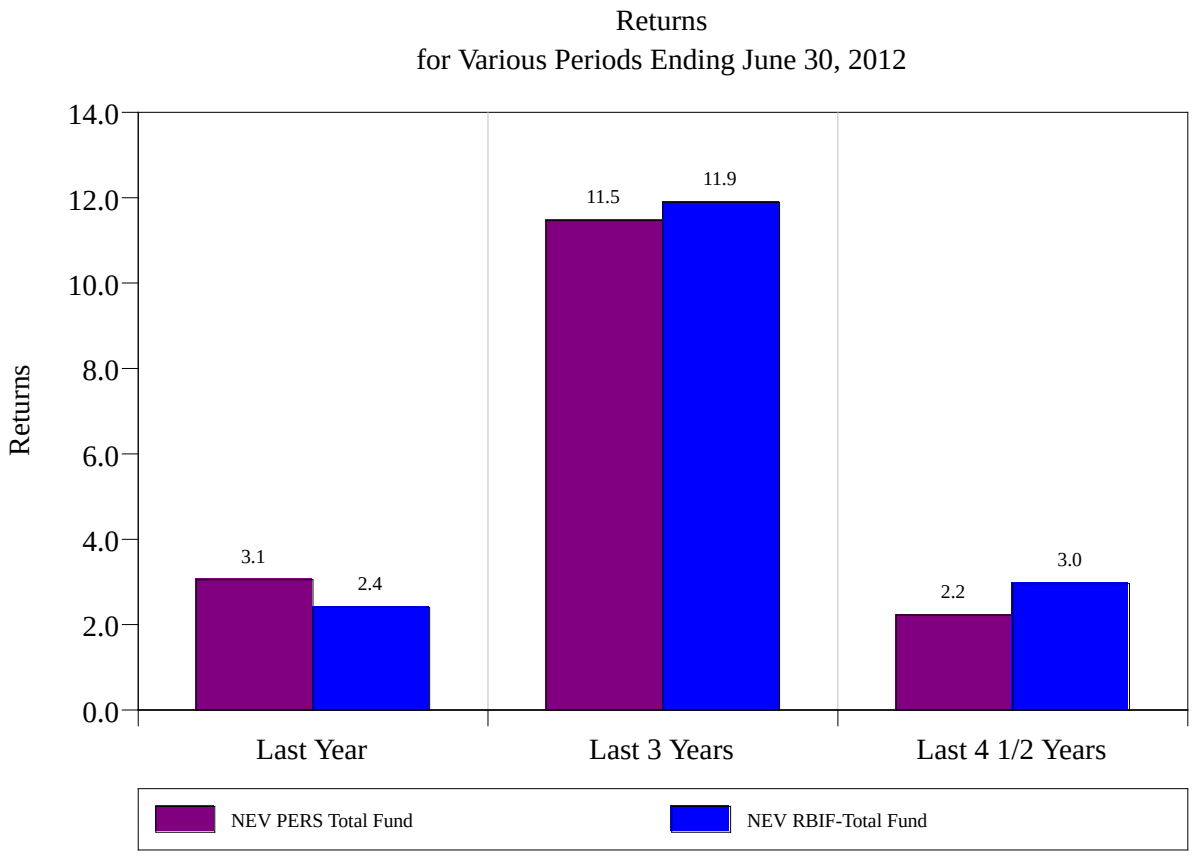


RBIF's investment strategy is detailed below.



RBIF's mandate is to be invested in a like manner to the Public Employees Retirement System investment program. Due to its smaller size and low management fee structure, it doesn't make mathematical sense at this time to include illiquid assets such as private real estate and private equity (which are both in the PERS portfolio) in RBIF. For this reason, the portfolio compositions are modestly different, which result in variances in short term performance.

Fiscal year 2012 is a good example. Because RBIF has a higher stock allocation (including a higher international stock allocation), the portfolio underperformed PERS by 0.6% for the fiscal year. However, as detailed in the chart below, this differences balance out over time. In fact, since the inception of RBIF the program has outperformed PERS by 0.8% per year.



Summary

RBIF has navigated a challenging market environment well. The program has generated competitive returns using a simple, liquid investment strategy. Concurrent with the Board's review of PERS' asset allocation strategy this fall, we will also evaluate RBIF's investment strategy for possible enhancements.

ANNUAL FINANCIAL REPORT
of the
RETIREMENT BENEFITS INVESTMENT FUND

(a Component Unit of the State of Nevada)

For the Fiscal Year Ended
June 30, 2012

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Page

EGGHART | CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Retirement Benefits Investment Board

We have audited the accompanying financial statements of the Retirement Benefits Investment Fund ("RBIF"), a component unit of the State of Nevada, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of RBIF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from RBIF's 2011 financial statements and, in our report dated September 26, 2011, we expressed an unqualified opinion on such information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Benefits Investment Fund as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RBIF's financial statements as a whole. The supplementary schedule of participating entities on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of participating entities is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly, LLC, CPAs

Reno, Nevada
October 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the financial performance of the Retirement Benefits Investment Fund (RBIF or Fund) provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2012. The MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow the MD&A.

RBIF was created during the 2007 Legislative Session, was effective July 1, 2007, and received its first investment contribution in January 2008. The purpose of the Fund is to invest contributions made by participating entities to support financing of other post employment benefits at some time in the future. Monies received by the Fund from participating entities are not held in a fiduciary capacity. At June 30, 2012, there were six participating entities: the Public Employees' Benefits Program of Nevada, Washoe County School District, Truckee Meadows Water Authority, Washoe County, the City of Las Vegas, and the Tahoe Douglas Fire Protection District.

Overview of Financial Statements

The basic financial statements consist of: the Statement of Net Assets, the Statement of Changes in Net Assets, the Notes to the Financial Statements, and Supplementary Information.

The **Statement of Net Assets** includes all of the Fund's assets, liabilities, and the net assets available at the end of the fiscal year.

The **Statement of Changes in Net Assets** reports additions to and deductions from the Fund during the fiscal year presented. Over time the increase or decrease in net assets serves as a useful indicator of the health of the Fund's financial position.

The **Notes to the Financial Statements** provide additional information that is required by generally accepted accounting principles.

The **Supplementary Information** following the notes to the financial statements consists of a schedule of participating entities.

Financial Highlights

- Total contributions were $21,437,080 during fiscal year 2012, a decrease of 75.3% from fiscal year 2011. In 2011 Washoe County (WCOT) joined RBIF and made an initial contribution of $76.1 million.

- There were no distributions in fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net investment gain was $3,669,944 during fiscal year 2012, as compared to a gain of $11,373,154 during fiscal year 2011.

- Total investments at fair value as of June 30, 2012, were $145,751,032, an increase of 19.4% from fiscal year 2011.

Financial Analysis

The following are summary comparative statements of the Fund:

CONDENSED STATEMENTS OF NET ASSETS

	As of June 30, 2012	As of June 30, 2011	As of June 30, 2010	Percentage Increase/ (Decrease) from 2011 to 2012
Cash and cash equivalents	$ 10,725,936	$ 13,305,789	$ 5,969,877	(19.4) %
Receivables	749,458	892,192	37,763	(16.0)
Investments, at fair value	145,751,032	122,037,264	25,406,181	19.4
Total assets	157,226,426	136,235,245	31,413,821	15.4
Accounts payable and accrued expenses	22,648	15,082	14,321	50.2
Pending trades payable	7,944,288	12,034,491	5,475,724	(34.0)
Total liabilities	7,966,936	12,049,573	5,490,045	(33.9)
Net assets	$ 149,259,490	$ 124,185,672	$ 25,923,776	20.2 %

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended June 30,

	2012	2011	2010	Percentage Increase/ (Decrease) from 2011 to 2012
Contributions	$ 21,437,080	$ 86,923,111	$ 5,866,227	(75.3) %
Net investment income	3,669,944	11,373,154	6,527,185	(67.7)
Other income	312	1,235	53	(74.7)
Total additions	25,107,336	98,297,500	12,393,465	(74.5)
Distributions to public entities	-	-	24,700,000	-
Administrative expense	33,518	35,604	45,711	(5.9)
Total deductions	33,518	35,604	24,745,711	(5.9)
Increase (decrease) in net assets	25,073,818	98,261,896	(12,352,246)	(74.5)
Net assets, beginning of year	124,185,672	25,923,776	38,276,022	379.0
Net assets, end of year	$ 149,259,490	$ 124,185,672	$ 25,923,776	20.2

The net assets increased by $25.1 million during fiscal year 2012. This can be attributed primarily to two items: contributions of $21.4 million (versus $86.9 million in fiscal year 2011) and net investment income of $3.7 million during fiscal year 2012.

The Fund generated a 2.4% return this year, which is below the investment objective of 8.0%. During the fiscal year RBIF's U.S. stocks were up 5.6%, international stocks decreased 13.3%, and U.S. bonds increased 7.5%. RBIF's portfolio had 94% of its assets allocated to these securities.

STATEMENT OF NET ASSETS

June 30, 2012

(With Comparative Totals for June 30, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	$ 10,725,936	$ 13,305,789
Receivables	749,458	892,192
Investments, at fair value:		
Fixed income securities	44,101,191	35,646,746
Marketable equity securities	60,117,375	51,933,856
International securities	41,532,466	34,456,662
Total investments	145,751,032	122,037,264
Total assets	157,226,426	136,235,245
LIABILITIES		
Accounts payable and accrued expenses	22,648	15,082
Pending trades payable	7,944,288	12,034,491
Total liabilities	7,966,936	12,049,573
NET ASSETS HELD IN FUND	$ 149,259,490	$ 124,185,672

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
ADDITIONS		
Contributions from public entities	$ 21,437,080	$ 86,923,111
Investment income:		
Net appreciation (depreciation) in fair value of investments	(123,491)	9,161,184
Interest and dividend income	3,824,600	2,225,494
	3,701,109	11,386,678
Less investment expense	31,165	13,524
Total net investment income	3,669,944	11,373,154
Other income	312	1,235
Total additions	25,107,336	98,297,500
DEDUCTIONS		
Other expenses	33,518	35,604
Total deductions	33,518	35,604
INCREASE IN NET ASSETS	25,073,818	98,261,896
NET ASSETS HELD IN FUND		
Beginning of year	124,185,672	25,923,776
End of year	$ 149,259,490	$ 124,185,672

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies and Fund Asset Matters

Financial Reporting Entity

The Retirement Benefits Investment Fund (RBIF) is governed by a seven-member Board. The Board consists of the same governor-appointed individuals who serve on the Public Employees' Retirement Board. Furthermore, they serve on the Retirement Benefits Investment Board (RBIB or Board) in an ex officio capacity and without any additional compensation.

The Board currently consists of the following members:

Mark R. Vincent	Chairman	2014
James Green	Vice Chairman	2013
Chris Collins	Member	2014
Bart T. Mangino	Member	2013
Rusty McAllister	Member	2015
David Olsen	Member	2013
Katherine Ong	Member	2015

Terms expire on June 30 of the year noted.

The Fund has developed criteria in accordance with standards issued by the Governmental Accounting Standards Board (GASB) to determine whether participating state or public agencies, boards, and commissions should be included within its financial reporting entity as component units. A component unit is defined as a legally separate organization for which officials of the Fund are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the Fund are such that exclusion would cause the Fund's financial statements to be misleading or incomplete.

In accordance with GASB, the following criteria are used when evaluating financial accountability: The ability of the Fund to appoint a voting majority of the organization's governing body and (1) the ability to impose its will on the other organization, or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Fund. In addition, RBIF may be financially accountable if an organization is fiscally dependent on the Fund regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

RBIF has no relationship with another entity that meets the above criteria and has not included any other entity as a component unit of its financial reporting entity.

RBIF is classified as a component unit of the State of Nevada for financial reporting purposes in accordance with the provisions of GASB.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

The accompanying financial statements of RBIF have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. RBIF has adopted the pronouncements of GASB, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Fund uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned and become measurable. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Financial Statement Presentation

Comparative data shown for the prior year has been extracted from the June 30, 2011 financial statements and has been presented to facilitate financial analysis but is not considered full disclosure of transactions for that year.

Fund Oversight

The Fund was established per NRS 355.220 and is administered by RBIB. An annual financial report, which includes the independent auditor's opinion, is presented to and accepted by RBIB. RBIF is not registered with the Securities and Exchange Commission (SEC) as an investment company, nor is it so required, as it is a public fund.

Cash, Cash Equivalents, and Derivatives

Cash and cash equivalents (other short-term investments) include cash on deposit and highly liquid financial instruments with original maturities of one year or less.

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels or currency exchange rates, and are reported at fair value. The types of derivatives used and limits on their use are defined in the Fund's Investment Objectives and Policies. Only foreign currency forward contracts are permitted to reduce foreign currency risk. All other derivatives are prohibited within the Fund.

Investments

The Board serves as the administrator of the Fund. RBIF's assets are managed in accordance with RBIF's investment objectives and policies. In general, the authorized investments include: fixed income, both U.S. and non-U.S.; domestic and international equity; money market funds; and cash equivalents (other short-term investments).

NOTES TO FINANCIAL STATEMENTS

Investments are reported at fair value. Fair value is defined as the price at which an asset passes from a willing seller to a willing buyer. It is assumed that both buyer and seller are rational and have a reasonable knowledge of relevant facts. The fair values of investments in securities are based on published market prices and quotations from major investment firms. Many factors are considered in arriving at fair value. In general, however, fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The investments are marked-to-market daily.

RBIF's policy regarding amortizing cost applies to mortgage-backed assets or collateralized mortgage obligations (CMO) only.

Realized gains and losses on securities are calculated by subtracting the security cost from the price of the asset at the point of sale. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of the investments (unrealized gains/losses). Unrealized gains and losses are calculated by subtracting the cost of the security from the fair value of the asset at the end of the month. Realized gains and losses on investments that are held in more than one fiscal year and sold in another are included as a net change in the fair value of the investments in the year they are sold.

Earned Income and Expenses

RBIF is designed to value participants' shares in the Fund according to the contributions of each entity. Specifically, on a pro-rata basis for each entity's participation, RBIF allocates earnings (which include realized and unrealized gain or loss, interest, and other income) and expenses (both administrative and investment) to each entity according to their proportional share in the Fund. As of June 30, 2012, six entities participated in the Fund. A schedule of participating entities is reported in the Supplementary Information section of this report. This schedule lists the contributions made since inception by each participating entity.

NOTE 2 – Fund Description

History and Purpose

The Nevada Legislature established the Fund with an effective date of July 1, 2007. The purpose of the Fund is to invest contributions made by participating public entities, as defined in Section 355.220 of the Nevada Revised Statutes (NRS), to enable such entities to support financing of other post employment benefits at some time in the future. Per NRS 355.220(2) monies received by RBIB from participating entities are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the Fund.

NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions received by the Fund are for investment purposes only and are not held in any fiduciary capacity by RBIF. Any money in the Fund must be invested in the same manner as money in the Public Employees' Retirement System of Nevada (PERS) Investment Fund is invested.

To enable maximum investment return and consistent reporting on such, participating entities are required to provide advance notification to RBIF of the amount of contributions or distributions the entity wishes to make during any given month. RBIF has no direction or control over amounts the participating entities choose to contribute or distribute.

NOTE 3 – Deposit and Investment Risk Disclosures

NRS 355.220(2) requires that any money in the Fund must be invested in the same manner as money in the PERS Investment Fund is invested. The PERS Investment Fund is governed primarily by the "prudent person" standard. The prudent person standard, as set forth by NRS 286.682, authorizes the Retirement Board to invest PERS' funds in "every kind of investment which persons of prudence, discretion, and intelligence acquire or retain for their own account." PERS has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm.

Given the Fund's significantly smaller size than the PERS Investment Fund, there are differences in structure between the two portfolios. However, both portfolios maintain a similar statistical return and risk profile.

The majority of the Fund's investments are held by the Depository Trust Company (DTC) in DTC's nominee name, and trading is conducted through DTC's book-entry system. The holder of record for the Fund is The Bank of New York Mellon (BNYM).

NOTES TO FINANCIAL STATEMENTS

A summary of investments as of June 30, 2012, is as follows:

Investment Type	Par Value/ No. of Shares	Maturity Date Range	Interest Rate Range	Fair Value at June 30, 2012
Cash and cash equivalents				
Commercial bank				$ 4,144
Custodial bank				174,992
Short-term treasuries	10,546,800	7/2012		10,546,800
Total cash and cash equivalents				$ 10,725,936
Investments				
Fixed income, domestic and international	311,579,543	7/2012 to 4/2055	0.3 to 9.7%	$ 55,341,132
Equity, domestic and international	4,837,952			90,409,900
Total investments				$ 145,751,032

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of its depository financial institution, the Fund will not be able to recover its deposits.

At June 30, 2012, the carrying amount of the Fund's commercial cash deposits and commercial bank balance was $4,144. Amounts reported as cash and cash equivalents on the accompanying statement of net assets also include $174,992 of amounts held in custodial accounts by BNYM, as well as $10,546,800 of money market funds at June 30, 2012. The bank balance was fully insured by the Federal Deposit Insurance Corporation (FDIC). The commercial bank balance is, according to a depository pledge agreement between the Fund and the Fund's commercial bank, collateralized at 102% of the collected funds on deposit (increased by the amount of accrued but uncredited interest, reduced by deposits covered by FDIC). These collateral securities are held by the Fund's agent in the Fund's name.

Custodial cash is swept nightly from the custodial bank to an overnight short-term investment fund held outside the bank. Monies arriving at the bank after the overnight sweep deadline are part of the custodial bank cash reserve and are covered up to the FDIC limit of $250,000. Any amount in the cash reserve in excess of $250,000 is subject to custodial credit risk.

The custodial bank also carries insurance covering destruction of cash or securities on or off premises (including securities or others held in custody) with a limit of $850,000,000 per occurrence.

NOTES TO FINANCIAL STATEMENTS

Credit Risk - Investments

Credit risk for investments is the risk that an issuer or other counterparty will not fulfill its obligations to the Fund and c*ustodial credit risk for investments* is the risk that, in the event of the failure of the counterparty to a transaction, RBIF will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

RBIF policies provide protection from undue investment credit risk as follows:

- Investment in commercial paper provided it, or the guarantor, is rated A1, F1, and P1, or the equivalent, by at least two of Moody's, Standard & Poor's or Fitch.

- Certificates of deposit, bankers' acceptances, and time deposits of banks with a minimum of $10 billion in bank capital which have a quality rating of A or better by at least two of Moody's, Standard & Poor's or Fitch.

- Repurchase agreements with banks or dealers provided the agreement is collateralized by 102% with U.S. Treasuries or Government Sponsored Enterprise (GSE) and such collateral is delivered to the Fund's bank or its correspondent.

- Money market mutual funds that are SEC registered 2(a)-7 and AAA rated by at least two of Moody's, Standard & Poor's or Fitch whose investment guidelines are substantially equivalent to and consistent with the Fund's overall short-term investment criteria.

- Bonds and notes of United States corporations and asset-backed instruments which are rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.

- Debt issued in the United States by foreign entities located in countries in the Citigroup Non-Dollar Government Bond Index, provided that both interest and principal are payable in U.S. dollars in the United States and provided that such debt is rated investment grade (BBB- or better by Standard & Poors/Fitch, Baa3 or better by Moody's). If the security is rated by all three agencies, at least two of the three must be investment grade. If the security is rated by either one or two of the rating agencies, all ratings must be investment grade.

- To Be Announced (TBA) mortgage transactions are utilized to provide access to mortgage securities. Outstanding TBA positions with a single broker may not exceed 10% of the manager's portfolio.

- Bonds, notes, and deposits of foreign governments and government agencies included in the Citigroup Non-Dollar Government Bond Index and warranted by Counsel to be of the same investment quality as Moody's Aa3 and Standard and Poor's/Fitch's AA- ratings. At least two of the three ratings must be above the policy minimum.

The following table shows Standard and Poor's (S & P) credit quality ratings of the Fund's investments in fixed income securities as of June 30, 2012.

QUALITY RATING

Investment Type (in thousands)	**AAA**	**AA**	**A**	**BBB**	**BB**	**Not Rated**	**Total**
Cash equivalents	$ -	$ 1,500.0	$ -	$ -	$ -	$ 9,046.8	$ 10,546.8
Collateralized mortgage obligations	215.9	238.8	-	221.9	-	205.9	882.5
Corporate bonds and other	552.4	1,201.5	4,758.9	2,832.9	109.2	20.6	9,475.5
Non-U.S. markets	765.1	559.0	893.4	1,132.1	-	6,795.0	10,144.6
Treasuries	-	17,300.3	-	-	-	-	17,300.3
U.S. Government	-	15,406.6	-	-	-	2,131.6	17,538.2
Total	$ 1,533.4	$ 36,206.2	$ 5,652.3	$ 4,186.9	$ 109.2	$ 18,199.9	$ 65,887.9

The above table does not include commercial cash of $4.1 thousand and cash in custodial of $174.9 thousand.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. RBIF policy limits corporate issuers to 5% per issuer (including all subsidiaries for parent/subsidiary relationships). Asset-backed, commercial mortgage-backed, and private label mortgage-backed securities are limited to 5% per issuer (each pool or trust shall be considered a separate issuer for this purpose). RBIF policies also require the manager's portfolio shall be suitably diversified as to assets with any single issuer (except U.S. government obligations) or class of issuers so that an adversity affecting a particular sector will not impact a disproportionate share of the total portfolio.

The Fund combined with the Judicial Retirement System, Legislators' Retirement System, and PERS shall not permanently constitute more than 25% of any firm's assets within the asset class (equity, bonds, real estate, or alternative investments) managed. Staff shall provide an annual report of combined assets to the Board consistent with this policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Fund mitigates interest rate risk through portfolio diversification. The Fund's investment policy and investment portfolio manager mandates permit investment in all securities within the Barclays Aggregate Index benchmark. If securities purchased are outside the Barclays Aggregate Index, they must be of investment grade rating by at least two of Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

NOTES TO FINANCIAL STATEMENTS

The following table shows the fair value of fixed income securities and the applicable investment maturities, as of June 30, 2012.

INVESTMENT MATURITIES
(in years)

Investment Type (in thousands)	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**	**Total**
Cash equivalents	$ 10,546.8	$ -	$ -	$ -	$ 10,546.8
Collateralized mortgage obligations	-	-	-	882.5	882.5
Corporate bonds and other	-	3,949.5	2,788.5	2,737.3	9,475.3
Non-U.S. markets	312.1	4,417.0	2,762.4	2,653.2	10,144.7
Treasuries	1,982.6	9,182.3	2,454.2	3,681.3	17,300.4
U.S. Government	768.3	2,364.5	642.8	13,762.6	17,538.2
Total	$ 13,609.8	$ 19,913.3	$ 8,647.9	$ 23,716.9	$ 65,887.9

NOTES TO FINANCIAL STATEMENTS

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund mitigates foreign currency risk through portfolio diversification as discussed previously. Foreign currency deposits (non USD securities) and in countries in the Citigroup Non-Dollar Government Bond Index are authorized. Highly speculative positions in currency are not permitted.

The Fund's exposure to foreign currency risk in U.S. dollars as of June 30, 2012, is summarized in the following table.

CURRENCY BY INVESTMENT AND FAIR VALUE

Currency Type	Fixed Income	Equity	Cash	Total
Australian Dollar	$ 104,635	$ 2,514,234	$ 5,565	$ 2,624,434
Canadian Dollar	207,840	-	12,365	220,205
Danish Krone	50,932	328,241	13,177	392,350
Euro	2,879,110	7,768,760	13,412	10,661,282
Hong Kong Dollar	-	859,664	5,824	865,488
Israeli Shekel	-	148,419	183	148,602
Japanese Yen	3,515,679	6,272,628	55,944	9,844,251
Malaysian Ringgit	35,346	-	2,356	37,702
Mexican New Peso	62,826	-	9,375	72,201
New Zealand Dollar	-	34,603	-	34,603
Norwegian Krone	15,883	261,050	2,465	279,398
Polish Zloty	47,937	-	3,806	51,743
Pound Sterling	576,839	6,688,007	29,494	7,294,340
Singapore Dollar	18,046	524,174	12,874	555,094
Swedish Krona	40,683	906,947	3,600	951,230
Swiss Franc	26,895	2,465,515	4,203	2,496,613
Total	$ 7,582,651	$ 28,772,242	$ 174,643	$ 36,529,536

NOTES TO FINANCIAL STATEMENTS

Derivatives

Foreign exchange forward contracts are periodically employed by the Fund to hedge currency risk of investments in foreign currencies. No other derivatives are permitted within the Fund's portfolio.

Generally, derivatives are subject to both market and counterparty risk. The derivatives utilized by the Fund typically have no greater market risk than their physical counterparts and, in many cases, are offset by exposures elsewhere in the portfolio. *Counterparty risk*, the risk that the "other party" to a contract will default, is managed by careful screening of counterparties.

Derivative securities are priced and accounted for at fair value. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offsets in the forward markets.

The Fund's derivative transactions for fiscal year 2012 are summarized in the following table.

FOREIGN EXCHANGE CONTRACTS
For Year Ended June 30, 2012

Currency	Purchases	Realized Gain / Loss	Sells	Realized Gain / Loss	Total Realized Gain / Loss
Australian Dollar	$ 733,022	$ 648	$ (130,725)	$ 1,326	$ 1,974
Canadian Dollar	42,331	(44)	(28,022)	(566)	(610)
Danish Krone	94,774	(78)	(16,368)	(322)	(400)
Euro	2,834,854	(2,066)	(569,277)	(3,228)	(5,294)
Hong Kong Dollar	225,685	35	(18,623)	8	43
Israeli Shekel	47,100	10	(4,856)	(68)	(58)
Japanese Yen	2,247,279	(3,018)	(250,894)	563	(2,455)
Malaysian Ringgit	22,558	(200)	-	-	(200)
Mexican New Peso	19,138	27	(10,007)	(318)	(291)
New Zealand Dollar	4,782	(35)	-	-	(35)
Norwegian Krone	75,737	255	(17,270)	(403)	(148)
Polish Zloty	16,796	(25)	(17,307)	(186)	(211)
Pound Sterling	1,770,486	3,207	(198,618)	861	4,068
Singapore Dollar	133,869	(10)	(18,174)	64	54
Swedish Krona	253,614	1,036	(35,459)	(433)	603
Swiss Franc	632,623	(2,077)	(81,048)	123	(1,954)
Total	$ 9,154,648	$ (2,335)	$ (1,396,648)	$ (2,579)	$ (4,914)

NOTES TO FINANCIAL STATEMENTS

The Fund did not have any derivative transactions pending as of June 30, 2012.

Management believes that it is unlikely that any of the derivatives in the Fund's portfolio could have a material adverse effect on the financial condition of the Fund. In addition, the credit, market, or legal risks are not above and beyond those risks apparent by the nature of the type of investment for any of the securities contained within the portfolio.

SUPPLEMENTARY INFORMATION

PARTICIPATING ENTITIES

Participating Entities	Net Contributions from Inception through June 30, 2012	Market Value as of June 30, 2012
Public Employees' Benefits Program (PEBP)	$ 1,348,775	$ 940,236
Washoe County School District (WCSD)	32,685,602	38,029,957
Truckee Meadows Water Authority (TMWA)	4,506,824	6,181,506
Washoe County (WCOT)	88,014,002	96,276,406
City of Las Vegas (LVOT)	5,000,000	5,373,861
Tahoe Douglas Fire Protection District (TDFP)	2,500,000	2,476,028
Totals	$ 134,055,203	$ 149,277,994

Net Contributions include both contributions and distributions for each participating entity from the inception of the Fund through the end of the current fiscal year.

The market value for each participating entity includes the market value of all assets held at the custodial bank, BNYM, based on their net contributions. This amount does not include any assets or transactions outside of BNYM.