

Minutes of the Subcommittee Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
LCB FILE NO. R010-13 HEART – LUNG SUBCOMMITTEE
January 6, 2016
10:00 a.m.

The meeting was held at Reno City Hall located at 1 East First Street, 7th Floor Caucus Room, Reno, Nevada. This meeting was also part of a teleconference.

SUBCOMMITTEE MEMBERS PRESENT:

John Sherman, Chairman
Beth Kohn-Cole
Alan Kalt

COUNSEL TO COMMITTEE

Dawn Buoncristiani

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Kelly Langley
Bessie Wooldridge
Janie Ware
Christina Griffith

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Ron Dreher	Peace Officers' Research Association of Nevada
Raymond McAllister	Professional Fire Fighters of Nevada
Tim Ross	Washoe County Sheriff Deputies Association
Steve Leighton	Reno Fire Department Administrators Association
Leslee Shell	Clark County
Wayne Carlson	POOL/PACT
Jessica Colvin	Clark County
Patty Bianci	Pershing County General Hospital
Michael Sullivan	Town of Pahrump

Action may be taken on the items indicated in **BOLD**:

1. Roll Call and Opening Remarks

Chairman Sherman called the meeting to order at 10:02 a.m. Terry Rubald, Deputy Executive Director, Department of Taxation, took roll call. All Subcommittee members were present and there was a quorum.

2. Public Comment

There was no public comment.

3. **For Possible Action: Discussion and Consideration of Regulatory Matters – Reconsideration of adopted regulation concerning appropriate financial reporting and liability disclosure of local government obligations required by NRS Chapter 617 for local government public safety employees, LCB File No. R010-13.**

Raymond McAllister, representing the Professional Fire Fighters of Nevada, stated SB 153 made some substantial changes to the presumptive benefits for police and firefighters. It reduced the vesting benefit from 5 years to 2 years: a person only has to work for 2 years instead of 5 to get benefits. This was a recommendation from Senator Settlemeyer. The ultimate agreement was anyone who serves 20 years or more will have the benefit for life. Anyone who serves less than 20 years will have year for year coverage. For example; if you work for 5 years, you would have 5 years of coverage after you left.

Another change is a police officer or firefighter who retired is not entitled to receive any compensation for the disease other than medical benefits. He/she will not receive indemnity benefits.

The last significant change is that a retired police officer or firefighter who files a claim but there is evidence of regular and frequent tobacco use or he/she is not following a physician's plan of care, he/she can be excluded from the benefit.

Wayne Carlson, representing POOL/PACT, commented on the tobacco provision that they lose conclusive presumption but still have a rebuttable presumption. This will go into effect on January 1, 2017.

Ms. Kohn-Cole inquired if these benefits will be retroactive for those who have already retired.

Mr. McAllister answered yes. If they are already receiving the benefit, this does not affect them. If the person has less than 20 years of credible service, he/she would fall under the new rule. However, the 20 years need to be worked. None of the years can be bought.

Chairman Sherman asked if the data that was collected by the department under the temporary regulation was provided to the assembly and senate committees. He could find no exhibits or notations in the minutes of this particular data being provided in these meetings.

Mr. Carlson recalls referencing in his testimony that this data could be found on the department website. The PACT data was submitted.

Mr. Kalt commented the government needs to ensure there is adequate funding available to pay these benefits. A concern is the liability reporting requirement and the entity's share of that liability. PERS had done a study for Churchill that was available to all the local governments. Could the data for all local governments be collected from a credible resource, such as PERS?

Chairman Sherman stated although it is a relevant point, it isn't certain that PACT can get data from the PERS system to distinguish between multiple employers.

He has had some correspondence with GASB. They made it very clear they had no intent on producing a reporting standard as it relates to this liability since Nevada is the only one who has this particular version of workers compensation liability. There is a disconnect between pension reporting and retirement benefit reporting.

Mr. McAllister indicated that PERS would not necessarily be a good source for this. PERS only collects disability data for who they are paying and is not differentiated by the type of disability. Not all people who file a heart-lung claim leave the job or have a disabling claim that PERS would be affiliated with. Once the person retires, they are no longer a PERS disability retirement and are only entitled to medical benefits. The local governments who are not affiliated with PACT already have this data readily available.

Mr. Kalt responded that PERS would be able to show how many employees and the years of service as it relates to police and fire. Some people will have multiple employers. PERS would be the key to providing that data if a person has prior years of service in another local government. The local government entity would not have that information.

Mr. Carlson added if the person passes away, the dependents will continue to be covered. The spouse receives the benefit for life. The dependent's children receive benefits if they are not through college at that time.

Chairman Sherman speculated PERS either has concerns about confidentiality over the data that would be released or they don't want to spend the time and resources to collect the data.

Mr. Carlson said he believes it is more of a confidentiality issue. The data would be more accurate if there was a way to use identifying factors to not duplicate the data. The data is needed to go before the legislature to fix this.

Ms. Kohn-Cole stated the Committee on Local Government Finance does not have the authority to force PERS to provide this information.

Chairman Sherman said SB 153 has made some significant changes in that actuarial studies will have to be done in the future based on the new configuration of the benefit. The material changes are the years of employment, taking up smoking, and splitting off disability payments from medical payments. He is looking to the members of the committee to see if this assertion makes sense or not.

Mr. Carlson responded this is a substantial change. The risk is increased to some degree with the eligibility requirement being reduced from 5 to 2 years. Not everyone is going to be eligible for life after 2 years. They will only be eligible for the period of time they work on a year for year basis until they hit the 20 year mark and become eligible in the same manner they are now. There will probably be some reduction in the long-term liability depending on the amount of turnover in the first 20 years. The demographic factors will also need to be taken into account.

The individual self-insured governments may be doing it on a pay as you go basis. PACT has chosen to build reserves instead of using a pay as you go basis. He wanted to clarify that Carson City is not a member of theirs and went back to being self-insured in 2010.

Chairman Sherman gave a final observation about the new configuration of this benefit. The smoking matter doesn't take effect until January of 2017. These factors have not had time to play out to gain the experience of having hard data about cases that get filed under this workers compensation regime. A number of years will need to go by once this is passed to actually get hard data.

Mr. Carlson stated the smoking exclusion only applies to those that are no longer employed. It is precluded if a current employee is ordered to quit smoking by a physician. It is hard to predict when these claims will come in.

Tom Dunn, Vice President of the Reno Firefighter's Association, came forward saying it is important to understand there will be potential anomalies that may or may not be identified in the data. The city of Reno has not hired a single firefighter from 2008 until January 2016. As their population has gotten older and people have left employment, the exposure for the existing employees has increased significantly. The city of Reno has had 152 accepted heart-lung and cancer claims from 1900 to date. This is a substantially low number compared to how many employees there have been. This needs to be taken into account when the actuarial studies are done.

Mr. McAllister stated PERS is just one actuary. The local governments don't use the same data or actuary.

Chairman Sherman said new actuarial studies are going to be required and data will need to be obtained through experience based on the requirements of SB 135. Experience will be needed going forward to understand how SB 153 affects these costs and liability.

Mr. Kalt stated the local governments need to have the money available to pay the claims so when a qualified benefit is determined the money is there to pay it. PERS constantly adjusts their rates up and down to account for this.

Chairman Sherman requested to discuss the regulation itself. Section 5 ties in the changes to SB 153 and sections 9 and 10 deal with form 33. There is no other distinction in this document relating to the changes made by SB 153 pertaining to medical versus disability and the exclusion for tobacco use.

The form itself is very well put together. Part 5b and 5c need to be updated to reflect the changes with medical and disability. The dates will have to be changed every year in part 7.

Ms. Kohn-Cole does not feel the form is needed. The information is in the CAFRS or in the PACT. Having the local governments or the Department of Taxation collect the data is unnecessary.

Mr. Kalt is concerned about knowing what the liability is and having the money in the bank. Having the data is important. The local governments need to know and understand the importance of putting this money aside so they can fulfill these obligations.

Chairman Sherman suggested putting a pause on this regulation for a few years while data is collected from the events that occur. He is inclined to make a recommendation to the full committee to not have this regulation go back to the Legislative Commission. It can be revisited in a few years once the data has been collected.

Mr. Kalt agrees it will take some time to see what these changes will be. This regulation has no impact on whether these entities fund these benefits or not. He would like it revisited to smooth out the financial planning once some time has elapsed.

Ms. Rubald suggested asking the department for a special study from time to time to collect the data that is available. The data can be collected in a uniform manner.

Chairman Sherman suggested using the form as a survey.

Mr. McAllister agreed with Mr. Sherman about waiting a couple years to account for the people who have already left employment. Local employers could gather that information if they really wanted to know by asking if the employer had previous employment with another public employer in Nevada. Most entities are not going to change what they are doing with the pay as you go.

A survey was sent out to all the local government employers for police and firefighters in 2003. 9 entities responded back. The results showed the liability was not as large as it was anticipated. He will send a copy of this data to Ms. Rubald.

Mr. Carlson stated the public should know what the long-term liability is, what the risk is, and how it will be funded.

Ron Dreher, representing the Peace Officers' Research Association of Nevada, wanted it on the record that Mr. McAllister has done a tremendous job working with Senator Settelmeyer and he has their full support.

Ms. Kohn-Cole made a motion to recommend to the full committee that this regulation not be submitted to the Legislative Commission. Chairman Sherman seconded the motion.

Mr. Kahl asked for the motion to be amended to have the committee come back to reevaluate this topic after a set amount of time.

Ms. Kohn- Cole amended the motion to have the committee bring this up again after the next legislative session. Chairman Sherman seconded the amended motion.

4. BRIEFING TO AND FROM THE SUBCOMMITTEE ON LOCAL GOVERNMENT FINANCE AND

LOCAL GOVERNMENT FINANCE STAFF

a) Discussion of Matters Affecting Local Governments

b) For Possible Action: Schedule Date and Review Agenda Topics for the Next Meeting

There was no discussion.

There are no further meetings at this time.

5. Public Comment

There was no public comment.

6. For Possible Action: ADJOURNMENT

The meeting adjourned at 11:42 a.m.