Exhibit B

PENSION MANAGEMENT POLICY ADDENDUM

COUNTY OF NEVADA

NEVADA COUNTY
CALIFORNIA

Adopted by the Board of Supervisors of the County of Nevada

Pursuant to Resolution No.

October 14, 2025

Exhibit B

COUNTY OF NEVADA
PENSION MANAGEMENT POLICY ADDENDUM

Section 1. Purpose

The purpose of this Pension Management Policy (the "Policy") is to strategically address the existing and any future unfunded accrued liability (the "UAL") associated with the County of Nevada's (the "County") California Public Employees' Retirement System (CalPERS) pension plans (the "Pension Plans"). This Policy also addresses some of the principal elements and core parameters central to the policy objectives discussed in this Policy. In the development of this Policy, the County strives to reduce its UAL and the associated financing costs in the most cost-efficient and fiscally responsible manner possible.

The County is committed to fiscal sustainability by employing long-term financial planning efforts, striving to maintain appropriate reserve levels, and employing prudent practices in governance, management, budget administration, and financial reporting. This Policy is intended to make all relevant information readily available to decision-makers and the public to improve the quality of decisions and transparency, identify policy goals, and to demonstrate a commitment to long-term financial planning. Development of this Policy signals to rating agencies and capital markets that the County is willing to set policies that improve its ability to meet its obligations in a timely manner.

The Policy is intended to reflect a reasonable and conservative approach to managing the UAL costs associated with the Pension Plans. This Policy recognizes that the Pension Plans are subject to market volatility and that actual economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, it is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner. As such, the County will be required to continually monitor its Pension Plans and the corresponding UAL.

Section 2. Policy Goals and Objectives

The overarching goal of this Policy is to maximize the portion of the Pension Plans funding generated from investment returns in order to minimize relative and aggregate contributions required for both the employer and employee shares, thereby minimizing taxpayer and employee expense. The objectives of this Policy are as follows:

- Establish, achieve, and maintain targeted funding levels for the Pension Plans.
- Ensure sufficient assets are available to pay all benefits under the Pension Plans.
- Manage and control future contribution volatility to the extent reasonably possible.
- Strive to attain full funding status of pension liabilities to the extent possible.
- Provide guidance in making annual budget decisions.
- Support the creation of sustainable, fiscally responsible future budgets.
- Demonstrate prudent financial management practices.
- Enhance transparency regarding pension funding processes and rationale.

- Ensure that pension funding decisions protect both current and future stakeholders.

Section 3. Background and Discussion

In General. Each Pension Plan is a multiple-employer defined benefit pension plan administered by CalPERS. All full-time and certain part-time County employees are eligible to participate in the CalPERS retirement and disability benefits, annual cost of living adjustments and death benefits offered to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute.

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to ensure its financial soundness and sustainability, the plan should accumulate adequate resources in a systematic and disciplined manner to ensure sufficient resources are available to meet employee benefit requirements. This Policy outlines the practices the County will utilize to address its actuarially determined contributions to fund the long-term cost of benefits to the Pension Plan participants and annuitants.

Pension Costs and Liabilities. In order to fund its employees' pension benefits, the County is required to make annual contributions to CalPERS, a portion of which may be sourced from employee contributions. CalPERS then invests these contributions to generate returns that offset the overall pension costs. The required ongoing contributions, known as the "Normal Cost," are calculated as a percentage of salaries and represent the annual cost of service accrual for the upcoming fiscal year for active employees. However, if actual Pension Plan experience—such as investment performance or demographic factors—falls short of actuarial assumptions, the Pension Plan may become underfunded (i.e., the Pension Plan's Total Accrued Liability exceeds the Plan's Market Value of Assets). This shortfall is known as Unfunded Accrued Liability (UAL) which must be covered by the County through a series of UAL Payments, which are above and beyond the Normal Cost contributions. The UAL Payments are calculated in total dollar amounts, not as a percentage of salaries.

The UAL can be caused by multiple factors, including but not limited to, changes to actuarial policy, retroactive pension benefit enhancements, investment underperformance, actuarial assumption changes, demographic shifts, and discount rate reductions.

UAL is Debt. The UAL balance at any given point in time is a debt of the County owed to CalPERS which is amortized over a set period of time with interest accruing at the prevailing CalPERS discount rate (the "Discount Rate"). However, this debt can be prepaid at any time without penalties. Recognizing the UAL as debt helps the County identify proper steps to address it and minimize the associated financing costs.

Ongoing CalPERS Practices. Each year CalPERS prepares updated actuarial valuation reports for each of the County's Pension Plans wherein it calculates the County's total pension liability as of the end of the prior fiscal year (each a "Valuation Report"). If the investment performance during that fiscal year differs from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the Pension Plans diverges from the actuarial assumptions, new line items known as UAL amortization "bases," (referred to as a "Base" or "Bases") may be added to the plan and result in a change to the UAL balance. Such UAL amortization Bases may be positive (indicating funding shortfall for the Pension Plans) or negative (indicating funding surplus for the Pension Plans). Because CalPERS can add new UAL amortization Bases every year, the Pension Plans must be monitored annually and managed continuously – there is no one-time solution.

CalPERS amortizes each new Base over a 20-year period using level-dollar payments. Each Base accrues interest at the Discount Rate (currently 6.8%). This is similar to a 20-year fully amortizing home mortgage bearing an interest rate of 6.8%. However, the amortization methodology used by CalPERS for each Base differs from a home mortgage during the first five years in that initially, there is a ramp-up period: payments start at 20% of the required amount in the first year, increasing by 20% each year until reaching the full payment amount in the fifth year (hereafter referred to as "5-Year Ramping"). Afterward, payments stabilize at this level for the remaining 15 years. CalPERS has adopted this 5-Year Ramping practice in an effort to help public agencies "ease into" paying for UAL increases.

Because CalPERS immediately applies interest at 6.8% from the inception of each new Base, agencies incur "negative amortization" during the 5-Year Ramping period, meaning that accrued interest is added to the Base until payments reach full coverage in the fifth year. This delayed start to full payments increases the overall cost to member agencies as compounded interest accumulates on unpaid UAL balances.

To help reduce the overall costs of the UAL repayment, this Policy supports avoiding the 5-Year Ramping for new Bases whenever possible. By making full or accelerated payments, the County can reduce compounded interest costs and achieve faster progress toward full funding.

From a policy standpoint, structural mechanics (bases, ramps, amortization) apply similarly across Classic and PEPRA tiers. The framework herein is intended to function across tiers as plans mature and become equally exposed to market swings over time.

Section 4. Policy

A. Funding Level Objective. It is the County's policy to strive to achieve and maintain a Pension "Funded Ratio" (being the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or "Total Accrued Liability"—as set forth in the most recently published Valuation Report) for each Pension Plan. Development of this "Funding Level Objective" is dynamic and long-term in nature, that is, achieving the desired level is done over the period of amortization, generally 20 years.

Achieving and maintaining a Funding Level Objective ensures that the ongoing contributions of the County and its employees are properly and adequately funding the retirement benefits of today's workers. This concept is commonly referred to as "intergenerational equity." The reason for a Funding Level Objective of that is not equal to 100% is to allow some cushion for the possibility that good investment returns by CalPERS in a given year might push the funded level of a Pension Plan above 100% (commonly referred to as "superfunded status"), which means that the County and its employees had contributed into the Pension Plan more than was necessary. Thus, while the County remains committed to achieving a 100% funded level it is not uncommon for a pension plan to be maintained at a lower percentage. The County will strive to manage a balance between funds on deposit with CalPERS and invested with a "115 Trust Pension Reserve Fund" discussed below.

Guidance: To achieve the Funding Level Objective and ensure compliance with best management practices, this Policy provides the following guidance:

1. ***Avoiding 5-Year Ramping***. When CalPERS establishes new Bases that would otherwise be subject to 5-Year Ramping, every effort will be made to preemptively instruct CalPERS to fully amortize these Bases immediately, thereby avoiding the costs associated with delayed payments and negative amortization. This proactive approach requires careful evaluation to ensure Additional Discretionary Payments (ADPs) do not compromise the County's operational or fiscal health. Staff should annually reach out to the County's CalPERS actuary to request a calculation of flat payments (rather than ramp-up payments) for all outstanding and new Bases

2. ***Base Targeting Objectives***. Due to the compounding interest and extended accrual associated with new UAL Bases subject to CalPERS' 5-Year Ramping, the County will prioritize one of two (or some combination thereof) tactics each year:

   Option A — Longest/Newest Bases: Direct ADPs to newest/longest Bases to maximize present-value savings and avoid ramping on those dollars.

   Option B — Mid-Curve Targeting: Direct ADPs to selected mid-term Bases to flatten the payment "peak" and improve near-term budget predictability (recognizing PV savings may be lower with Option A).

   Annual Selection: Each year, staff will recommend Option A, Option B, or a blend, based on affordability and the County's forward payment profile.

3. ***Labor Cost Allocation Requirements***. The County is required to document how much time each County employee spends working within the general fund and/or each of the enterprise funds (the "Benefiting Funds"). This documentation is used to allocate labor costs appropriately among the various Pension Plans (the "Labor Cost Allocation Analysis"). This becomes the basis upon which Normal Cost and UAL payments are allocated and charged (the "Pension Cost Allocation") to the Benefitting Funds.

   The Labor Cost Allocation Analysis and Pension Cost Allocation are essential for compliance with legal issues associated with Proposition 218 ("Prop 2018") and the "Gift of Public Funds Doctrine."

   For example, if the water enterprise fund pays more than its fair share of Normal Cost or UAL, then the General Fund and/or any other enterprise funds will have likely unjustly benefited, potentially resulting in a Prop 218 violation for the water enterprise fund. Conversely, if the General Fund pays more than its fair share, then the enterprise funds will have likely unjustly benefited, possibly resulting in a violation of the Gift of Public Funds Doctrine due to the General Fund's overpayment. Therefore, it is crucial to ensure that the Labor Cost Allocation Analysis is current and accurate and that the Pension Cost Allocation methodology is being consistently applied. If one fund advances another's share of an ADP, the County will document an internal receivable with interest at an appropriate interest rate to avoid cross-subsidy.

4. ***Pre-Pay the Entire Annual UAL Payment by July 31st of each year.*** On or before July 31st of each year, the County receives its annual CalPERS UAL invoice. The County has two payments options. The invoice can (1) be paid in equal monthly increments or (2) be fully pre-paid at the beginning of the fiscal year by July 31st. By prepaying the entire invoice amount due by July 31st, the County can concurrently save approximately 3.3% compared to making the monthly payments. The County will make every effort to pre-pay the annual UAL invoice upon receipt, provided that cash flow considerations do not require otherwise (or at the earliest date permitted by CalPERS to capture timing savings).

5. ***Pre-Pay UAL from Reserves, One-Time Revenues and Fund Surpluses.*** Reserves regularly do not earn returns that can offset the interest rate that CalPERS charges on the outstanding UAL balance. Supplemental contributions into the Pension Plans and/or the 115 Trust Pension Reserve Fund (see Section 4.C. below entitled "Establishment and Operation of a 115 Trust Pension Reserve Fund") from available reserves, one-time revenues and fund surpluses can generate substantial long-term net savings. Each supplemental ADP contribution reduces the UAL balance, the Annual Required Contributions (ARC) for future years, and the total interest costs associated with the UAL. CalPERS does not apply any prepayment penalties to ADPs. Therefore, during each budget cycle, the County staff shall review all available reserves, one-time revenues and fund surpluses to determine whether any such funds could be used to make an ADP to pay down the UAL in accordance with Section 4.B., keeping in mind operational and capital budgetary constraints while maintaining adequate reserves and balancing the fiscal soundness of eliminating the high-interest UAL debt.

6. ***ADPs Shared Between All Benefiting Funds.*** Whenever an ADP or a contribution to the 115 Trust Pension Reserve Fund (see Section 4.C. below entitled "Establishment and Operation of a 115 Trust Pension Reserve Fund") is made, the County must ensure that all Benefitting Funds contribute their fair share in accordance with the County's Labor Cost Allocation Analysis and the Pension Cost Allocation method of charging off its pension costs.

   For example, if the water enterprise fund makes an ADP to CalPERS, the County must also collect and send an allocable share from the General Fund and any other enterprise funds. Similarly, if the water enterprise fund makes a contribution to the 115 Trust Pension Reserve Fund, the County must collect an allocable share from the General Fund and any other enterprise funds; however, in this case, the contribution will be made to the 115 Trust Pension Reserve Fund instead of being sent to CalPERS.

7. ***Capital Financing.*** When considering capital improvement projects, staff regularly reviews and plans for reserving cash to fund some or all of these capital improvement projects. When considering how to pay for current and future capital improvement projects, staff should review the current tax-exempt market to assess if it would be more cost effective to borrow at tax-exempt rates

to pay for the capital projects and redirect the reserved cash (and/or such other appropriate funds of the County) to make ADPs to CalPERS and/or the 115 Trust Pension Reserve Fund. As a guide, when the Discount Rate materially exceeds available tax-exempt borrowing rates (e.g., by ≥ ~200 bps), staff should consider presenting a coordinated plan to deploy capital financing and redirect cash toward UAL reduction.

8. ***Utilize Savings Achieved from Refunding Outstanding Non-Pension Related Debt to Pre-Pay UAL*.** During each budget cycle, staff should review all outstanding long-term non-pension related debt of the County to determine whether a refunding of such debt might result in net present value (NPV) savings of greater than 3%, and if so, consider a structure and strategy that frontloads the savings from such debt refunding, which can then be used to pay down the UAL or make a contribution to the 115 Trust Pension Reserve Fund discussed herein. This strategy should only be used if the interest rates on the currently outstanding debt is sufficiently below the then-current Discount Rate to ensure that overall NPV savings of greater than 3% are achieved by the County. Savings applied to ADPs shall follow the allocation rules in item Section 4.A.6.

9. ***Rates and Fees to Include Applicable Pension Costs*.** Whenever possible, all fees, rates and charges should incorporate forecasted applicable Normal Cost and UAL payments, as well as an ADP component. While funds cannot legally contribute more than their fair share, they must also never contribute less than their fair share. Staff will review rate studies and cost of service justification to ensure that forecasted Normal Cost and UAL payments are appropriately included. Given that UAL is treated as equivalent to debt, carrying an interest rate of 6.8% and amortizing over 20 years, it is prudent to include an amount in the pertinent fees, rates, and charges to facilitate ADPs. This proactive approach allows for the UAL debt to be paid down earlier than its scheduled amortization, thereby reducing overall costs, directly benefiting ratepayers.

10. ***Pension Obligation Financing*.** The County may consider issuing taxable municipal debt obligations (generically hereafter referred to as "Pension Obligations") to refinance the UAL, in part or in whole, if such bond obligations are expected to produce minimum cash flow savings of at least 10%, taking into account all debt service and costs of issuance associated with such bond obligations, in comparison to CalPERS' respective UAL amortization schedule and the then-current Discount Rate.

    Pension Obligations shall not utilize swaps or derivatives of any kind and should be structured with reasonable and flexible call provisions (with a maximum of 10-year call provision). Pension Obligations shall be used only to prepay the UAL liabilities and shall not be used to finance Normal Cost payments. The issuance of Pension Obligations must be voted upon and approved by the Board of Supervisors as well as the governing bodies of other plan participants.

    To the extent directed by the Board of Supervisors after due consideration, annual savings achieved by issuing the Pension Obligations should be used to either (i) directly prepay new UAL amortization Bases as they arise, (ii) make deposits into the 115 Trust Pension Reserve Fund, (iii) offset operational costs, and/or (iv) fund any other legally permissible activities of the County.

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11. ***Annual Review of the CalPERS Actuarial Valuation Reports and Associated Tasks*.** The County staff shall review or cause to be reviewed the annual CalPERS Valuation Reports once they are made public by CalPERS. The review should focus on identifying the annual changes to each of the Pension Plan's UAL and quantifying the associated cost impacts and the corresponding implications on the goals and objectives set forth in this Policy.

B. County Contributions. Recognizing the benefit of long-term returns and the need to proactively manage the high long-term costs associated with carrying UAL, the County will proactively contribute funds to the CalPERS Pension Plans and/or the 115 Trust Pension Reserve Fund based on a percentage of each Fiscal Year's forecasted payroll.

1. ***Annual Contribution*.** Each Fiscal Year where the Pension Plans total Market Value of Assets combined with the 115 Trust Pension Reserve Fund balance is less than 108% of the Entry Age Normal Accrued Liability (which summation is hereafter referred to as the "115 Trust Pension Reserve Fund Ceiling"), during the County's normal budget adoption process, beginning with the 2025-26 Fiscal Year budget, the County will strive to contribute annual amounts to the Pension Plans (and assuming that all Benefitting Funds are able to contribute their allocable fair share in accordance with Section 4.A.6.), and if not, the annual contribution may be made to the 115 Trust Pension Reserve Fund, in amounts that are between 1% and 6% of the forecasted payroll for that Fiscal Year (the "Annual Contribution"), as recommended by the County's Debt Advisory Committee and approved by the Board of Supervisors as part of the final Adopted Budget. Any ADPs made to the Pension Plans will adhere to the Base Targeting Objectives set forth in Section 4.A.2.

2. ***Other Contributions*.** Any other discretionary contributions above and beyond the Annual Contributions (the "Other Contributions") made by the County (i) to the extent the Funded Ratio is below the objective will be allocated to the CalPERS Pension Plans as an ADP (Note: ensure that all Benefitting Funds are able to contribute their allocable fair share in accordance with Section 4.A.6.), and (ii) to the extent the Funded Ratio is at or above 100%, then such Other Contribution will be directed to the 115 Trust Pension Reserve Fund.

C. Establishment and Operation of a 115 Trust Pension Reserve Fund.

1. ***Establishment of a 115 Trust Pension Reserve Fund*.** The County has or will have established a 115 Trust Pension Reserve Fund which is managed by a third-party investment manager (the "Investment Manager"). The 115 Trust Pension Reserve Fund may receive funds deposited into it at the discretion of the Board of Supervisors, based on recommendations made by the County's Debt Advisory Committee during the annual budget process. Funds in the 115 Trust Pension Reserve Fund shall only be used for the County's pension benefits costs (i.e., UAL and Normal Costs) associated with the County's Pension Plans in accordance with the goals and objectives set forth in this Policy.

2. ***Funding the 115 Trust Pension Reserve Fund*.**

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(a) *Annual Contributions and Other Contributions*. The County will strive to make Annual Contributions and Other Contributions in the amounts and manner specified in Section 4.B. above until such time that the 115 Trust Pension Reserve Fund reaches the 115 Trust Pension Reserve Fund Maximum (as outlined in section 4.C.3. below).

(b) *Sequestered Savings*. Upon the issuance of each series of Pension Obligations, for each of the ensuing ten (10) consecutive years (or such other period of years as deemed appropriate by the Board of Supervisors at the time of any subsequent issuances of Pension Obligations) following such issuance, a fixed dollar amount equal to 50% (or such other percentage as deemed appropriate by the Board of Supervisors at the time of any subsequent issuances of Pension Obligations) of the "Total Sequestered Savings" (as calculated in the manner set forth below) achieved by issuing Pension Obligations (the "Annual Sequestered Savings Savings"), shall be transferred from the Benefiting Funds (in accordance with Section 4.A.6. above) and deposited into the 115 Trust Pension Reserve Fund until such time that the 115 Trust Pension Reserve Fund reaches the 115 Trust Pension Reserve Fund Maximum (as outlined in Section 4.C.3. below), and thereafter all Sequestered Savings will be directed to a "Pension Obligation Prepayment Fund" which will be established and maintained by the County for the purpose of prepaying any outstanding Pension Obligations.

$$Annual\ Sequestered\ Savings\ = SSP\ x(\frac{UALDS - DS}{Y})$$

SSP = Sequestered Savings Percentage
UALDS = Scheduled UAL debt service being paid off by the Pension Obligations
DS = Total principal amount of Debt Service on the Pension Obligations
Y = Number of years to pay back Sequestered Savings

Example of Annual Sequestered Savings Calculation

A $5M Pension Obligation was issued for the purpose of prepaying UAL. The total UAL debt service (UALDS) paid off with the Pension Obligation was $8,000,000 and the total debt service (DS) on the Pension Obligation is $7,000,000. The County elected to sequester 50% of the total savings over a 10-year period (Y), which in this example results in Annual Sequestered Savings of $50,000.

$$Annual\ Seq. Savings\ = 0.5x(\frac{8{,}000{,}000 - 7{,}000{,}000}{10})$$

$$= \$50{,}000$$

3. ***Operation of the 115 Trust Pension Reserve Fund***. All Annual Contributions and Other Contributions that have been directed to the 115 Trust Pension Reserve Fund, along with all applicable Sequestered Savings, shall be used solely for the purpose of making ADP's (and Normal

Cost payments during a Fiscal Hardship, as defined below) to CalPERS for the purpose of achieving and maintaining the Funding Level Objective.

With the goal of achieving and maintaining the Funding Level Objective, each year during the budget cycle, County staff shall calculate, or cause to be calculated, the upcoming Fiscal Year's estimated Funded Ratio by taking into account the most recent Valuation Report's statement of Funded Ratio and adjusting for the estimated UAL amortization Base that will be either added or subtracted due to the prior Fiscal Year's investment result of either exceeding or falling short of the then current Discount Rate for that Fiscal Year (the "Estimated Funded Ratio"). If the Estimated Funded Ratio is projected to be less than the Funding Level Objective, to the extent funds are available in the 115 Trust Pension Reserve Fund, the appropriate member of staff may either make, or may direct the Investment Manger to make, an ADP to CalPERS in the amount necessary to bring the Funded Ratio back up to the Funding Level Objective. Additionally, if sufficient funds are available in the 115 Trust Pension Reserve Fund, staff may assess whether to fully amortize any new UAL amortization Bases in order to reduce the long-term interest costs associated with the 5-Year Ramping procedures used by CalPERS, as outlined in Section 4.A.1.

Except in the case of a Fiscal Hardship, as defined below, moneys in the 115 Trust Pension Reserve Fund shall not be used to pay Normal Costs until such time as the amount therein, when combined with the Market Value of Assets (as set forth in the most recently published Valuation Report) exceeds the 115 Trust Pension Reserve Fund Maximum. To the extent monies in the 115 Trust Pension Reserve Fund on June 30th exceed the 115 Trust Pension Reserve Fund Maximum (after consideration has been given to the amounts therein required to be paid to CalPERS for the ensuing Fiscal Year to maintain the Estimated Funded Ratio at or above the Funding Level Objective), any accrued surplus over 108% may be used to offset the County's Normal Cost payment made to CalPERS in such Fiscal Year, and any applicable Sequestered Savings will be directed to the Pension Obligation Prepayment Fund.

4. ***Fiscal Hardship***. "Fiscal Hardship" means an economic hardship, or other unanticipated fiscal emergency, that has been declared by resolution of the Board of Supervisors.

D. Transparency and Reporting. Funding of the Pension Plans should be transparent to all stakeholders, including plan participants, annuitants, the Board of Supervisors, and County residents. To achieve this Policy objective:

1. **Annual Website Postings.** Copies of the annual actuarial valuation reports for each Pension Plan shall be made available to the Board of Supervisors and posted on the County's website. The County's audited financial statements shall also be posted.

2. **Annual Staff Report.** Each fiscal year during budget season, staff will publish a pension policy compliance report including (i) current and anticipated (based upon most recent investment returns achieved by CalPERS) Funded Ratio; (ii) ADPs proposed to be made, along with the corresponding intended base-targeting objectives; (iii) 115 Trust balances, deposits/withdrawals, and investment

posture; (iv) allocation schedules across funds; and (vi) any policy variances and an updated timeline to return achieve Funding Level Objective and other key Policy objectives.

E. **Annual Budget to Contain Policy Directed Information.** The County's annual operating budget shall consider the items specified in this Policy for inclusion in each such annual budget.

F. **Review of Policy.** Funding a defined benefit pension plan requires a long-term horizon planning approach. This Policy is intended to provide general objectives and guidelines, which will require periodic review to consider changes in the County's financial position and Pension Plan funded status over time. As such, County staff will review this Policy for implementation of new best practices and will provide such proposed changes to the Board of Supervisors for adoption on an as needed basis, not to exceed 5 years.

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Glossary of Terms

115 Trust Pension Reserve Fund: A reserve fund established by the County and managed by an Investment Manager to provide additional pension funding. This fund aims to support the County's Funding Level Objective through ADPs and other strategic contributions.

5-Year Ramping: The phased approach to UAL amortization used by CalPERS, where payments start at 20% in the first year, increasing annually by 20% until reaching full payment in year five. This structure creates negative amortization, increasing the County's total interest costs over the repayment period.

ADP: Means each Additional Discretionary Payment made by the County toward reducing UAL, aiming to lower interest costs by accelerating debt reduction. ADPs are prioritized to meet Base Targeting Objectives and avoid 5-Year Ramping.

Annual Contribution: The recurring annual payment made by the County to CalPERS or the 115 Trust Pension Reserve Fund, typically set at 2–6% of payroll, as approved during the budget process.

Annual Required Contribution (ARC): The actuarially determined amount that the County is required to contribute each year to fund its pension obligations.

Annual Sequestered Savings: The fixed annual amount of savings, calculated using a prescribed formula, that is directed to the 115 Trust Pension Reserve Fund or Pension Obligation Prepayment Fund following the issuance of Pension Obligations.

Base Targeting Objectives: The County's approach for prioritizing ADPs to reduce the cost impact of new UAL Bases by focusing on the most recent ones. It also aims to stabilize annual pension contributions and prevent cost volatility.

Bases: Means the individual segments of UAL created when plan assumptions, investment returns, or demographics deviate from projections. Each Base is amortized over a 20-year period with 5-Year Ramping, adding complexity to the County's pension obligations.

Benefiting Funds: The general fund and enterprise funds within the County that contribute to Normal Cost and UAL payments based on the Labor Cost Allocation Analysis.

CalPERS: Means the California Public Employees' Retirement System, being the state agency that manages pension and health benefits for California public employees, retirees, and their families. It invests contributions made by the County and employees to generate returns for funding pension benefits.

County: Refers to the County of Nevada, the government entity responsible for the administration of pension benefits for its employees through the CalPERS system.

Discount Rate: The expected rate of return on investments used by CalPERS to calculate liabilities. Currently set at 6.8%, it determines the interest rate applied to UAL balances.

Fiscal Hardship: A significant economic challenge or emergency, formally recognized by the Board of Supervisors, that allows flexibility in using the 115 Trust Pension Reserve Fund to cover Normal Costs.

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Funded Ratio: Is the ratio by which the Market Value of Assets—as set forth in the most recently published Valuation Report—compares to the Entry Age Normal Accrued Liability or "Total Accrued Liability"—as set forth in the most recently published Valuation Report.

Funding Level Objective: The County's goal to maintain a Pension Funded Ratio to ensure adequate funding for retiree benefits without reaching superfunded status. This target accounts for potential positive investment returns by CalPERS.

Gift of Public Funds Doctrine: A constitutional principle prohibiting government entities from making payments that do not serve a valid public purpose or that unfairly benefit a private party.

Labor Cost Allocation Analysis: A documentation process that allocates pension costs among County funds in proportion to employees' time worked within each fund, ensuring that each Benefiting Fund covers its fair share of pension costs.

Normal Cost: The annual cost of pension benefits accrued by active employees, calculated as a percentage of salaries. This amount represents the baseline contribution for covering future retirement benefits.

Other Contributions: Any discretionary contributions made by the County above and beyond the Annual Contribution.

Pension Cost Allocation: The method used to distribute pension costs across Benefiting Funds based on the Labor Cost Allocation Analysis, ensuring compliance with Prop 218 and the Gift of Public Funds Doctrine.

Pension Obligations: Taxable municipal debt obligations issued by the County to refinance the UAL, structured to generate cost savings relative to CalPERS amortization.

Pension Obligation Prepayment Fund: A fund established to accumulate excess Sequestered Savings, which are used to prepay Pension Obligations and further reduce the County's UAL.

Pension Plans: The defined benefit plans administered by CalPERS in which County employees are enrolled. These plans provide retirement, disability, and death benefits to plan members and their beneficiaries.

Policy: Means the Pension Management established by the County to strategically address the Unfunded Accrued Liability (UAL) and other critical elements related to its Pension Plans. This Policy defines objectives, procedures, and responsibilities for managing pension-related costs and promoting fiscal responsibility.

Proposition 218 (Prop 218): A voter-approved constitutional amendment in California that requires certain charges, assessments, and fees to be proportionally allocated and voter-approved.

Sequestered Savings: Savings generated from issuing Pension Obligations, a portion of which is deposited into the 115 Trust Pension Reserve Fund to further reduce the UAL.

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Total Accrued Liability (Entry Age Normal Accrued Liability): The actuarial present value of benefits earned to date for all plan participants, calculated using the entry age normal cost method.

UAL: Means the County's Unfunded Accrued Liability, being the difference between the Total Accrued Liability and the Market Value of Assets in the Pension Plans, representing the shortfall that the County must cover through UAL Payments. It arises when actuarial assumptions differ from actual performance or demographic changes.

Valuation Report: The annual actuarial report prepared by CalPERS, which calculates the County's pension liabilities, asset values, and the resulting UAL. This report helps the County monitor its funding progress and adjust contributions as necessary.