NSHE PEBP Benefits Task Force Meeting – December 10, 2010
Summary Notes by G. Bomotti

(Note: One task force member was unable to attend this meeting)

1. **Status update on work of consultant, Don Heilman, specifically on data gathering and options for supplemental NSHE programs.**

We reviewed the extensive draft that Don provided and had significant discussions about each of the key elements. Highlighted below are some comments from the discussion.

*We really need to make sure we update this report in February 2011, after the PEBP rates are announced. It is very important to have this data for comparative purposes with the data from other institutions.
*We will ask Don to add the "benefit" summary data that Pat LaPutt gathered from western institutions of higher education. This data highlighted that NSHE benefit rates are (even after adjusting for FICA) below the average of other institutions.
*We asked Don to make some adjustments in the presentation of the executive summary, to help capture the appropriate comparisons with the public institutions of higher education split out from other public institutions in Nevada. Additionally, it is important to highlight the comparisons with the survey information for calendar year 2011 plan year information compared with the proposed PEBP plan for FY12.
*There have been some excellent options identified for how the Board of Regents, if it chose to and if funds could be identified, to offer supplemental benefits for NSHE employees. The main challenge in offering supplemental benefits is finding the resources within this environment. Another issue highlighted is the fact that the Board of Regents' authority to offer supplemental benefits for academic and administrative faculty is pretty straightforward, but not as simple for state classified staff working within the NSHE.
*There was discussion about how and/or whether to make any comments about the current fact that NSHE has a defined contribution retirement program, and NSHE and other State of Nevada workers have a different option for PERS contributions compared with other public entities in the state. The following information was drafted and each Task Force member will be asked to review and comment:

> It is important to note that NSHE is the only public entity in Nevada that has a defined contribution retirement program. This program covers all academic and administrative professional staff (with small exceptions for those grandfathered in PERS), but all NSHE state classified obviously participate in the PERS retirement system. For all NSHE and State of Nevada employees under PERS, an employee contribution is made either through a payroll deduction or the employer pays the entire contribution on behalf of the employee and the employee's salary is reduced to reflect that contribution. For all other public employees in Nevada there is no election and the employer covers the PERS contributions.

Listed below is an update on the NSHE activities to gather information from major Nevada private firms. We agreed it would be great to add 1-2 additional firms to this list before it is finalized (and Jim Richardson was able to get information from IGT to add to our original list).

Company	NSHE Contact	Employer Contact by NSHE
MGM	Neal Smatresk	Follow-up by P. LaPutt **complete**
Harrah's	Gerry Bomotti	Follow-up by P. LaPutt in progress
IGT	Jim Richardson	Follow-up identified
Mining	Jim Richardson	No contact person identified
Microsoft	Tim McFarling	Follow-up by M. Kelley **complete**
NV Energy	Tim McFarling	Follow-up by M. Kelley in progress
Southwest Gas	Gerry Bomotti	Follow-up by P. LaPutt **complete**
Wells Fargo	Gerry Bomotti	Follow-up by P. LaPutt **complete**
Bank of America	Gerry Bomotti	Follow-up by P. LaPutt **complete**

2. Status update on analysis of information from PEBP on NSHE experiences/ transactions.

Bart Patterson noted this is on a longer schedule, and likely will not be completed until first quarter 2011. He also indicated that at some time in the first quarter of 2011 the Chancellor may ask the Task Force to come back together in a meeting to discuss the report/recommendations, etc.

3. Plan for final Task Force Meeting – December 17, 2010.

a. Finalize discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE (see **attachment #1** for current draft).
Task Force Members should come to the next meeting prepared to finalize our votes on these priorities.

b. Finalize report from Don Heilman, and data collected from private employers in Nevada.

We hope to get Don's updated presentation in the near future, and this will be a key part of the final report to the Chancellor.

c. Final plan/proposal on analysis of information from PEBP on NSHE experiences/transactions.

d. Discussion about the Draft report to the Chancellor and ideas for what might be included. (see **attachment #2** for current draft, which will be a major focus of discussion on December 17, 2010).

Each Task Force member was asked to carefully review the attachment prior to next Wednesday, December 15, 2010, and provide any additional ideas for final recommendations to the Chancellor to Gerry Bomotti, so these could be included in the agenda for the 12/17 meeting. This attachment should be considered a menu of options for consideration to be included in the final report to the Chancellor.

Attachment #1:

Follow-up discussion on identifying and prioritizing adjustments to the existing PEBP plan that would be important to NSHE. The initial draft listing is highlighted below. Each Task Force member voted again for the three (3) top priorities, and the votes are included in the "( )" in front of each item below. We will finalize votes on these items at the December 17 meeting as well, working towards a consensus that we can provide to the Chancellor.

- **a.** **(12)**: Prescription Drug Coverage.
- **b.** **(9):** Overall affordability of the Plan/deductibles. There is a major concern that the PEBP plan may not be perceived as affordable, especially for lower paid individuals, and whether we will see many more opt out of coverage (which in some cases could mean no medical coverage, with an expectation that when they consume medical care it is paid for through other sources, including the public hospital and other state/county health and human services programs). It is noted that while we do not have premium rates, the assumption is that there will be significant increases combined with significant decreases in the value of the program.
- **c.** **(9)**: LTD reduction, and the note about many NSHE employees not being eligible for LTD under Social Security.
- **d.** **(2)**: Dental Coverage (Note: there is confusion as to why PEBP proposes 4 cleanings per year and whether a change to 2 would allow a redirection of funds to some other higher priority area).
- **e.** **(4):** HMO issues, including overall affordability and the blended rate north and south (and what the rate will be, for those who are concerned about the CDHP as a viable alternative), but also wondering if there are options to strengthen the HMO offerings with more doctors in the plan. It should also be noted that there is a split on the reception of this issue, with those in the north (in general) supporting the PEBP plan and those in the south (in general) being against it. A concern also is being expressed as to whether the HMO programs would even be able to support any significant increase in participants (given the number of health care providers now supporting those programs), especially a migration from the PPO plan, and how the premiums might impact any possible migration. The current assumption is that both the northern and southern HMO plans currently suffer from a significant lack of access to medical providers.
- **f.** Eligibility of spouse/domestic partner, or at least requiring comparable coverage for non-eligible (also added question about spouses on a CY vs FY plan basis – how is PEBP going to address this? It was noted that PEBP is now aware of the question, but they have not provided a response). It was also noted that this change will have an even greater impact on employees where the spouse/domestic partner also works for NSHE or another state agency, as the cumulative deductible for a family under this circumstance will be $6,000 (individual of $2,000 and then family of $4,000).

Note: The two items listed below may be treated differently from the plan issues highlighted above. The Task Force will discuss this at future meetings.

- **g.** A discussion of whether it would be better to delay the Medicare Exchange program implementation for a year, so that more information and understanding of the change could be effectively communicated to faculty and staff.
- **h.** Extend the enrollment period, as was done last legislative session. Concern is being expressed about how easily employees will be able to adjust to the radical changes in the PEBP plan, and still have July 1, 2011 implementation date.

Attachment #2:

Potential Issues for Final Recommendations to Chancellor Klaich

a. Highlight the critical nature of health care benefits for the retention and recruitment of NSHE faculty and staff, and the fact that NSHE is unique amongst public employers in this state relative to having a defined contribution retirement program for its professional staff and faculty (and which does not contribute to the future state financial liability for PERS).
b. Potential recommendations on supplemental contribution options/alternatives for NSHE to employees within PEBP?
c. Potential recommendations on NSHE proposed actions during the 2011 legislatives session, relative to the PEBP plan.
d. Task Force recommendation option. Health Care benefits are a critical and required offering for our faculty and staff, in order to retain and recruit quality employees. NSHE needs to take a more active and consistent role in tracking our health care programs, as the near term projections appears to suggest on-going challenges. NSHE could be in the position of having a similar task force in another two years, unless there is some focused effort to remain engaged in this activity. NSHE should consider developing options for NSHE employees for the following biennium (2013-2015).
e. Option to consider Retirement and Health Care programs as a package, given they are the two largest benefit programs by far. Additionally, there may well be an added opportunity this coming legislative session with an expected significant increase required for the PERS employee/employer contributions. Most NSHE professional/faculty do not participate in PERS, thus NSHE is rather unique in this area compared with other state/public employees in the state, and we therefore do not contribute to any future state retirement liability. If NSHE received the normal funding for retirement and health care, but was given the flexibility to manage them as needed, we would have the option of increasing health care contributions while setting the defined contribution retirement rate as a market level.
f. Potential recommendation to develop a communications plan with an external focus, to highlight that NSHE employees do not have high benefits, and are in the PERS retirement program (except for classified).
g. Potential recommendation to identify health care providers in the state (especially dentists) who might well claim that they, as small businesses, will likely suffer financially (and eliminate positions) due to significant changes in health care coverage like this.
h. Potential recommendation on the option for a graduated rate/premium structure based on income levels (or allocation of supplemental benefits from NSHE based on the same).
i. Initiate activities to determine the feasibility of withdrawal from PEBP at some future point, and either setting up own self-funded program or partnering with some other public employer. This will require NSHE to complete the review of the PEBP data for NSHE participants.
j. Potential recommendation for NSHE to argue for alternative approaches to what exists now relative to how PEBP negotiates rates for medical procedures (and including overhead and profit costs). It appears that PEBP takes the rates provided to them by the health care providers and does not actively engage in any negotiations.
k. Potential recommendation of phase in the HMO rates in the North, if in fact these rates drop over what exists now.
l. Potential recommendation for spouse or domestic partners that are covered under non PEBP plans, to allow flexibility for the six (6) month period of overlap between those on calendar year

plan schedule. For a participant who covers their spouse or domestic partner, PEBP coverage will be eliminated for the spouse or domestic partner who have or who are eligible for overage under their own employer sponsored health plan (this policy exists now for any PEBP covered individuals). The PEBP plan year is on a fiscal year basis, where it appears the plan year for many employers is on a calendar year basis, meaning the spouse or domestic partner may face challenges in claiming a qualifying event for opting into their employer health plan midyear. The PEBP could resolve this issue by being flexible during the six (6) month overlap period.

m. Highlight the expected change in retirements for NSHE faculty and staff that may have concerns about lack of adequate retiree health care benefits, and the projected impact of less turnover and less opportunity to rehire at lower salary levels.

Potential Supplemental Information to Help Frame our Data Presentation (Las Vegas Chamber Information; SAGE Report Information; and Nevada Taxpayer Association Data).

<u>2008 State and Local Employee Compensation and Benefits Analysis – Las Vegas Chamber of Commerce:</u>

These reports from the Las Vegas Chamber have driven some of the debate about public employee compensation and benefits in Nevada. One of these reports looks specifically at retiree health care benefits. The last report listed below is the Analysis Brief, Volume 2, Issue 1 State-to-State Comparison of Public Employee Compensation Levels – 2008, Updated in January 2010. Pasted below are some quotes from this report below, which are important background and context for the NSHE employee benefits.

"Nevada's state and local government employees were paid more than the national averages in all but four job classifications: 1) air transportation (94.6 percent of the national average); 2) social insurance administration (96.6 percent of the national average); 3) elementary and secondary instruction (95.3 percent of the national average); and 4) higher education instruction (95.0 percent of the national average)."

"There continued to be notable variances between wages earned by state and local employees. State workers' average annual salary of $55,300 was 107 percent of the national average and ranked 9th highest nationally. By contrast, public employees classified as "local" reported earning salaries 117 percent of the national average, which placed the group 8th highest nationally. Worth noting is that the U.S. Census Bureau data classified K-12 teachers as "local" employees. If teachers are removed from the "local" calculation, Nevada's local government workers report wage payments 131 percent of the national average."

"Also worth noting is that approximately 82 percent of state and local government employees participate in the "Employer-Pay" plan offered by Nevada Public Employees' Retirement System (PERS), as opposed to the "Employer/Employee-Pay" plan. Those participating in the "Employer-Pay" plan receive a lower salary in exchange for contributions to be made on their behalf to their own retirement fund by their employer. Both the "Employer-Pay" plan and the "Employer/Employee-Pay" plan have unique advantages and disadvantages, but what is relevant to this analysis is the fact that the majority of government employees in Nevada "earn" higher salaries than what is generally reported as take home pay."

http://www.lvchamber.com/files/pdf/FAB-public-private-comp-analysis.pdf

http://www.lvchamber.com/files/pdf/FAB-state-to-state-comparison.pdf

http://www.lvchamber.com/files/pdf/FAB-retiree-health-subsidy.pdf

http://www.lvchamber.com/files/pdf/FAB-public-employee-comp-update.pdf

Information from final SAGE Report – Nevada Spending and Government Efficiency Commission. Page 18-19.

"In 2008, the Las Vegas Chamber commissioned Hobbs, Ong & Associates and Applied Analysis to analyze state and local fiscal issues including public sector employee compensation levels with particular emphasis on wage, salary and benefit parity between public and private sector employees in Nevada…………..It is important to note that SAGE was primarily concerned with state employees, who are paid significantly less than their counterparts working for city and county jurisdictions in Nevada. For example, state workers were paid at 102% of the national average, ranking 15th nationally among the 50 states and District of Columbia, while "local" public sector employees in Nevada earned 116% of the national averages, making them 8th highest paid in the nation. If Nevada's teachers, who are paid 6.5% less than the national average, are removed from this "local" employee category, the state's local government workers report wages which are 131% of the national average."

<u>NEVADAISSUES = A publication of the Nevada Taxpayers Association, Issue 7, July 2010, page 7</u>

"20. Both the employer and the employee should share all retirement contributions.

Reason: In Nevada, the Public Employee Retirement System (PERS) functions in place of Social Security for government employees. State employees make their employee contribution either through a payroll deduction reflected on their pay stud, or by being placed on a lower salary scale. <u>*The same is not true for local government employees*</u> who collectively bargain and are permitted to declare their employee contribution as being "in lieu of equivalent basic salary increases or cost-of-living increases, or both." This effectively shields local government employees from sharing the cost of their retirement, contrary to the intent of the law."