

March 31, 2009

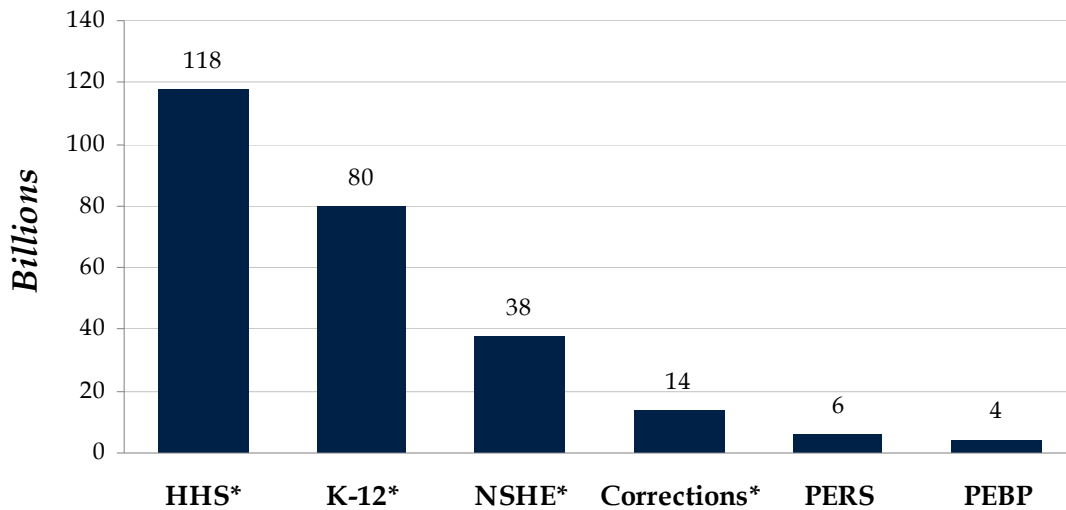
To members of Senate Finance and Assembly Ways and Means:

The Benefits Coalition that has formed as a result of the draconian changes in PEBP recommended in the Executive Budget understands that these issues will be considered at the April 1 joint meeting of Senate Finance and Assembly Way and Means. The Coalition represents a broad spectrum of employee and retiree groups that are involved with PEBP. The organizations and names of representatives present at today's meeting where these principles were considered are listed below.

Here are key principles on which any changes in PEBP should be based.

- 1. The PEBP Board should retain authority over plan design, using whatever funds are made available. This is a very important principle to all of us. The concept of a health plan being designed in the heat of a legislative session is not appealing, as you would understand.**
- 2. Retirees and actives should be treated proportionally in whatever cuts and rate changes that are required within the funds provided. The PEBP Board took this approach, but the Executive Budget does not, as it lowers subsidy levels for retirees much more than for actives.**
- 3. Current employees and retirees should have honored the implicit and explicit commitments made to them during their careers as public employees. Those commitments include that they would receive substantial assistance toward health care costs as active employees and when they retire, as well as during their retirement. This does not mean that a specific percentage of costs can be guaranteed, but it would mean that no current employee or retiree would be completely cut off from a reasonable subsidy and a health plan comparable to that of other participants in PEBP.**
- 4. The process and structure set up last session by the Governor and the Legislature to deal with the GASB liability should be left in place (the GASB trust fund, managed by PERS). In better times, we hope that more funding can be directed toward the GASB liability. (We also urge that the nearly \$4 billion in liability be placed in a context that involves the real and quite large liabilities associated with other State obligations. See attached table.)**
- 5. All should be reminded that, at the direction of the Governor, the PEBP Board cut more than \$50 million from what would be required to maintain the current plan design and rate structure. This should be kept firmly in mind as consideration is given to any further cuts in the PEBP budget.**
- 6. As is implicit in # 3 above, the proposals in the Executive Budget to completely disallow subsidies for some current and future retirees, and to dramatically lower the subsidy amounts for active employees and other current retirees should be rejected. These proposals, if adopted, will cause hardship to many loyal employees, forcing**

Thirty Year Cumulative Totals for Selected Liabilities Associated Major Functions for Nevada State Government, in Billions, 2008-2038



*Uses approved General Fund amount for 2008 and assumes annual 3% inflation rate and no case load growth

many to consider retiring very soon, which also could be disruptive of the delivery of public services for many state entities. Such proposals would also make employment with entities of the State of Nevada much less attractive, causing recruitment and retention difficulties in the future. We would welcome the chance to discuss any proposed changes in PEBP practices and policies with you soon.

Sincerely,

Jim Richardson

Marty Bibb, Bob Johnston, Terry Laird

Terry Hickman, Craig Stevens

Lonnie Shields

Ron Dreher

Dennis Mallory

Danny Coyle, Roger Maillard

Nevada Faculty Alliance

Retired Public Employees of Nevada

Nevada State Education Association

Nevada Association of School Administrators

Peace Officers Research Association of Nevada

AFSCME Local 4041

AFSCME Retirees