

**Spending and Government Efficiency (SAGE) Commission
PERSONNEL TASK FORCE PUBLIC HEARING
Grant Sawyer Building, 555 E. Washington St., Las Vegas, NV
Gaming Control Board Meeting Room, 2nd Floor
Tuesday, November 18, 2008, 10:00 am**

MINUTES

Personnel Task Force Members Present: Jan Jones, Task Force Chair; David Goldwater;
Steve Greathouse; Steve Hill.

Other Commissioners Present: Robert Feldman

Others Present: Perry Comeaux, Deputy Director; Suzanne Kilgore, General Manager

Task Force Chairperson Jan Jones called the hearing to order at 10:10 am. She opened the meeting by reading into the record the points open for discussion at the hearing, as outlined in the Agenda. Chairperson Jones advised that public comments would be heard in the order of the sign-in sheet for the hearing.

Mike Alastuey and Alyson Crisman of Applied Analysis presented an overview of the findings in two recent studies commissioned and published by the Las Vegas Chamber of Commerce. The overview included information on compensation in the public versus the private sector and in comparison to other states as well as information on benefits for retired state workers. In response to questions from Commissioners, the Applied Analysis representatives noted that local government employees were reported both separately and combined with state employees. The report did not differentiate between whether or not employees of other states used collective bargaining or not. The only differentiation made was that Nevada local government employees are subject to collective bargaining and Nevada state employees are not.

Steven Konowalow, Ph.D., College of Southern Nevada (CSN), presented information on the average salary needed to meet the cost of living in Las Vegas and stated the average salary at community colleges in Nevada is lower than that level. He feels public employee salary and benefit levels should be maintained to be able to continue recruiting faculty to the schools. College professors are paid considerably less than most other job classifications in the state requiring educational certification. In response to questions from Commissioners, Professor Konowalow replied that he did not factor in the number of two-income families and agreed to forward this information to the Task Force.

Carolyn Collins, faculty member at the College of Southern Nevada (CSN), stated she feels the Las Vegas Chamber study data is flawed. She feels a viable health and retirement package is critical to recruiting educators for the CSN faculty. The current PEBP Board proposal of \$55 million would be more than a fair share for the educators to bear.

Task Force Chairman Jones noted that although salary information was included in the Applied Analysis presentation, the focus of this hearing is possible modifications to the PERS and PEBP structures. The issue of salaries is not being addressed by the SAGE Commission.

Sandra Cosgrove, Faculty Senate Chair at the College of Southern Nevada (CSN), stated her faculty would like to help the state weather this economic downturn, but they feel every sector of the economy should be asked to share in the solutions required. She stated that educators like being partners with the business community and want to do their fair share to help during this economic crisis.

Chairperson Jones asked whether as a group they would be willing to sit at a table and discuss making modifications to either PERS or PEBP as long as it was equally shared across all sectors. Ms. Cosgrove replied they would be willing to consider modifications, as long as it was on a fair and equal basis.

Ron Cuzze, President of the Nevada State Law Enforcement Officers Association, stated his organization represents 18 law enforcement agencies at the state level, including corrections. He observed that the majority of his members are in the Police and Fire early retirement system where 8% to-9% more is paid out of each paycheck. He reported he delivered a list of nine cost-saving measures in June to SAGE Chairman Bruce James and gave them to the Governor the following day. He has not heard of action on any of these items. Mr. Cuzze stated it would be better to eliminate waste rather than cutting benefits, using an example of employers requiring their employees get a doctor's note if they take a day off, which costs the health care system money.

Chairperson Jones assured Mr. Cuzze that Chairman James had delivered the cost-saving ideas to the SAGE Commission and noted many of the suggestions required in-depth study and have been assigned to Task Forces. She asked him why the prison guard staff is down and for specific ideas for modification to the benefits plans. He replied that he feels the real problem with prison guards is bad management below the Director and sergeant level. An example of reducing waste is to find couples who are each in the PERS system and buy one out.

Veronica Meter, Vice President of Government Affairs, Las Vegas Chamber of Commerce, stated the current structures of PERS and PEBP represent a risk to the state's future fiscal health. The combined unfunded liability is more than \$10 billion. She stated it is important to provide good benefits to our public employees, but those benefits should be reasonable, affordable, and in line with what taxpayers who pay for those benefits can potentially expect to receive themselves. Currently suggested PERS modifications take the necessary steps to make this benefit more reasonable.

She stated the Chamber is concerned that currently suggested PEBP modifications may not be enough to prevent another economic crisis for the state which cannot afford to fund the health care liability. This liability, according to PEBP reports, will grow at an alarming rate. The Chamber recommends retirement health care subsidies be eliminated for all employees hired after June 30, 2009. We are promising benefits to our public employees that taxpayers cannot hope to have and impacting the state's ability to provide essential services. In making these promises and not fully paying for them, we are creating significant unfunded liabilities that future generations will be required to fund.

Candace Kant, a retiree from the College of Southern Nevada, urged that the PEBP proposal to achieve \$55 million in savings be looked at before further cuts or modifications were considered.

Danny Thompson, speaking on behalf of the AFL-CIO, stated the problem with the State is that it does a two-year guess on income that has never been right and makes a budget based on that guess. Better forecasts on revenue are needed. A move to diversify the tax base in this state is needed, along with halting tax abatements. For example, Nevada's highways are funded by gasoline taxes yet tax breaks are given for vehicles that use less gasoline. Taking away insurance and retirement benefits from people is not the solution since these people rely solely on PEBP and PERS because they don't get social security.

Chairperson Jones stated that the SAGE Commission is not recommending doing away with any health care or retirement benefits; it is simply looking at possible modifications to the system. She asked Mr. Thompson if he agreed with some of the issues such as not adding enhancements. Mr. Thompson replied that he feels the biggest mistake the state made was to enact legislation requiring a two-thirds majority for approval of increases in taxes or fees, which he feels put the minority in charge of the majority and neutralizes the majority rule concept. He added that they are aware that everything is on the table and his organization is not afraid to talk about any position.

Commissioner Hill commented that the only suggestion of diminishing benefits of current employees would be the issue of no retirement subsidies if you retire with less than 20 years of service. Mr. Thompson replied that the possible recommendations have changed from what he originally heard them to be.

Marty Bibb, representing the Retired Public Employees of Nevada, observed that while the inflation rate is generally 5% and lower, medical insurance rate increases are in the double digits and will likely continue. The PEBP Board has proposed some important reductions and cuts to its program and while no one likes those kinds of cuts we recognize those kinds of things have to be done. He pointed out that the \$24 million that was contributed to the system toward the unfunded liability puts Nevada ahead of many other states. He described PEBP and PERS as rather large boats that should be turned slowly.

John White, Dean of the William S. Boyd School of Law, noted that the 10-year-old school has a unique situation because it recruited seasoned and senior faculty. Most of the faculty of 30 can retire within five to ten years and none of them worked for the state 30 years ago so they will have less than 15 years of service. Commissioner Hill asked what Mr. White thinks of the private sector concept that employees can achieve 100% benefits in 15 years. Mr. White replied that what other states and private law schools do is of more interest to them. He feels there is a substantial policy issue in the proposal of eliminating the sliding scale for vesting between five and 15 years and expressed his hope that any Commission recommendation would include sensitivity to special cases.

Commissioner Goldwater asked if Dean White felt graduates lean toward public or private sector jobs. Dean White replied salary is not always the determinant. The public sector offers more experience opportunities particularly trial experience. In Nevada, public sector opening positions pay an average of \$40-70,000 and private sector pay is closer to \$100,000, a considerably narrower gap than on the East and West coasts. Benefits and retirement programs are not as important to young people.

Gregory Brown of UNLV spoke on behalf of the Nevada Faculty Alliance. He noted that the PEBP Board has already proposed reducing benefits and increasing employee costs as much as three-fold. He cited studies placing Nevada's benefit plan and percentage of premiums paid by the state in the middle or lower rank compared with other state systems and that health care benefits are crucial to recruitment and retention.

Leslie Johnstone, Executive Officer of the Public Employees Benefits Program (PEBP), distributed copies of the current PEBP Budget Update (available on their website). The memo summarized the cost shift and plan design changes currently being considered to meet the \$55 million dollar subsidy cuts mandated by the Governor. She noted they are only making two-year projections because current variables make anything beyond that time frame unlikely to be valid.

The summary of the PEBP Board's proposals include:

- 1) Maintain Reserves for Rate Stabilization to smooth the impact of rate and plan changes to participants.
- 2) Reduce the percentage of costs paid by the state subsidy in all tiers of all plan options. The final amount is yet to be adopted but will be proportionate for actives and retirees.
- 3) Adjust allocations of Medicare Part D subsidy revenues for retirees.
- 4) Propose a legislative change eliminating the State subsidy for individuals retiring after June 30, 2010 with less than 15 years of service.
- 5) Remove the Health Assessment Questionnaire and its incentives. This will save PEBP considerable cost.
- 6) Change the structure of the self-funded plan from a high and low deductible option to a single deductible level of \$725 for individuals and \$1450 for families.
- 7) Implement a new policy to index the deductible, co-payments and annual out-of-pocket maximum amounts. These numbers have not been changed significantly in the past 10 years.

- 8) Take back the neurotherapy and psychotherapy benefits for ADD/ADHD that were added as of July 1, 2008.
- 9) Hold HMO premium increases to a maximum of 5% for FY 2010.

At its December meeting the PEBP Board will likely finalize the percentage increases which will generate about \$23 million of the needed cuts. Actuaries will update unfunded liability projections with and without the plan changes in time for the Legislature. It will likely be lower with the plan changes but will still be in the billions.

Ms. Johnstone noted it has been reported that serious additional reductions may be required before the Governor's Budget comes out and stated she is comfortable with the process PEBP is using to address these issues. Most of PEBP's vendors also provide services to the state's largest private employers so her office gets a lot of feedback on plan design.

Commissioner Feldman commended Ms. Johnstone for her cooperation. He observed the PEBP web site carries a study of retirement eligibility and average salary. Ms. Johnstone noted that salary information is not within PEBP's purview and that the data reported there came from PERS. Commissioner Feldman asked if the deductible increase would drive more people to the HMO plan. Ms. Johnstone replied they estimated an approximate shift of 6% to 7% in the South because HMO costs in the south are substantially lower. In the north they consider it a minimal factor.

There being no further business before the Task Force, the hearing was adjourned at 12:20 pm.