MINUTES OF THE MEETING OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON FINANCE
SUBCOMMITTEES ON GENERAL GOVERNMENT

Seventy-Ninth Session
May 10, 2017

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government was called to order by Chair Heidi Swank at 8:10 a.m. on Wednesday, May 10, 2017, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/79th2017.

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Heidi Swank, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Olivia Diaz
Assemblyman Chris Edwards
Assemblyman John Hambrick
Assemblywoman Ellen B. Spiegel

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator David R. Parks
Senator Becky Harris

SUBCOMMITTEE MEMBERS EXCUSED:

Senator Aaron D. Ford, Chair

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Cathy Crocket, Program Analyst
Janice Wright, Committee Secretary
Lisa McAlister, Committee Assistant

After a call of the roll, Chair Swank asked to begin the budget closings for the accounts listed on the agenda.

Minutes ID: 1077

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - PUBLIC EMPLOYEES BENEFITS PROGRAM (625-1338)
BUDGET PAGE ADMIN-29

Cathy Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1338 funded the operations of the Public Employees' Benefits Program (PEBP). The budget provided various insurance coverages for state employees, state retirees who were ineligible for Medicare, dependents, and certain local government employees and retirees.

The eight major closing issues included:

1. PEBP premiums for nonstate, non-Medicare retiree participants.
2. Plan reserve levels.
3. 2017-2019 biennium plan design.
4. Plan trend and inflation adjustments.
5. 2017-2019 biennium Active Employee Group Insurance Subsidy (AEGIS) and Retired Employee Group Insurance (REGI) contribution rates.
6. PEBP enrollment changes.
7. Continuing education.
8. PEBP budget account structure.

Ms. Crocket stated that the first major closing issue was the PEBP premiums for nonstate, non-Medicare participants. A discussion at the April 25, 2017, work session related to the affordability of participant premiums for nonstate, non-Medicare retiree participants, which had been discussed during previous legislative sessions. The premiums were higher for nonstate, non-Medicare retiree participants than for state non-Medicare retiree participants for the same insurance coverage. Pursuant to paragraph (b) of subsection 2 of *Nevada Revised Statutes* (NRS) 287.043, PEBP was required to establish separate rates and coverage for nonstate, non-Medicare retiree participants and their dependents, and the comingled claims experience served as the basis for those rates (and participant premiums). Therefore, nonstate, non-Medicare retiree participants were calculated separately, which meant that premiums for state and nonstate participants would be different for the same insurance coverage.

Ms. Crocket mentioned that the Legislature approved Senate Bill (S.B.) 544 of the 74th Session (2007) to allow nonstate retirees to join PEBP only if the active employees of their former employer participated in PEBP. Over time, the provisions of S.B. 544 of the 74th Session (2007) had the effect of creating a high-risk pool for nonstate participants. Active employees (younger individuals) generally had lower health-care costs than retirees. The lower cost of healthcare for active employees offset the higher cost of retiree healthcare when active employees and retirees were comingled in a single risk pool. Few employers obtained insurance coverage for their active employees through PEBP (PEBP currently had nine nonstate active employee participants), and the cost per participant per month for nonstate participants was higher than the cost per participant per month for state participants. The ratio of active nonstate employees to non-Medicare retirees demonstrated the degree to which active employees offset non-Medicare retiree health-care costs. In fiscal year (FY) 2018, the nonstate risk pool was projected to contain nine nonstate active employee participants and 1,193 nonstate, non-Medicare retiree participants (a ratio of 0.007 active employees per non-Medicare retiree). The state risk pool was projected to contain 26,841 active employee participants and 4,025 non-Medicare retiree participants (a ratio of 6.7 active employees per non-Medicare retiree).

Ms. Crocket continued that pursuant to paragraph (b) of subsection 4 of NRS 287.023, local governments should contribute the same portion of the cost of PEBP coverage for retirees as the state contributed for its retirees, and former employers of nonstate, non-Medicare retirees contributed the same years-of-service percentage applied to state retirees as provided in NRS 287.046. As a result, local governments were unable to provide relief to their retirees by contributing additional funding to lower the premiums their retirees otherwise paid. She noted that the participant premium for a state non-Medicare retiree with retiree-only coverage on the high-deductible, high-premium (HDHP) plan would be $209.08 per month in plan year 2018. The participant premium for a nonstate retiree with the same coverage would cost $391.67 per month, which was $182.59 more, or 87.3 percent higher than the premium for state retirees. For the health maintenance organization (HMO) preferred plan, the participant premium for state retirees would be $397.99 per month, while the nonstate retiree participant premium would be $439.31 per month or 10.4 percent more.

Ms. Crocket commented that at the work session, the Subcommittees discussed options presented by PEBP at the February 22, 2017, budget hearing to address the affordability of nonstate, non-Medicare retiree participant premiums. The Subcommittees expressed an interest in requiring local governments to contribute additional funding for their retirees' healthcare, recognizing that this option would:

- Maintain nonstate and state PEBP participants in separate risk pools.
- Provide relief to nonstate retirees by aligning their participant premiums with state retiree participant premiums.
- Require nonstate retirees' previous employers to pay the cost for their retirees, which was consistent with the policy put into place when the Legislature approved establishing separate risk pools for state and nonstate participants.
- Protect the state and state PEBP participants from bearing a portion of the cost of health-care coverage for local government retirees.
- Protect the state from other post employment benefits liability increases associated with other options to address nonstate, non-Medicare retiree premiums.

Ms. Crocket explained that to provide relief to nonstate retirees, paragraph (b) of subsection 4 of NRS 287.023 could be amended to align the monthly premium paid by a nonstate, non-Medicare retiree participant with a similarly participating (same plan and tier) non-Medicaid retiree. The result would be lower participant premiums for nonstate, non-Medicare retiree participants, and the former employers of nonstate, non-Medicare retiree participants would contribute additional funding to provide the difference between the state premium and the nonstate premium. It might be feasible to put this option into effect on July 1, 2017, contingent upon passage and approval of enabling legislation.

Ms. Crocket noted that paragraph (b) of subsection 4 of NRS 287.023 required a 30-day written notice of a proposed change in premiums before the date on which a participant was required to select or change the participant's policy of health insurance. Because PEBP's open enrollment period for fiscal year (FY) 2018 ran from May 1 to May 31, the 30-day requirement could not be met for FY 2018, unless PEBP offered a supplemental open enrollment period for nonstate, non-Medicare retiree participants in June 2017. The Legal Division of the Legislative Counsel Bureau advised Fiscal Analysis Division staff that a one-time exception to the 30-day requirement could be authorized in enabling legislation. Information system programming changes would be required to revise nonstate retiree premiums, and the required changes could be accomplished within 30 days.

Ms. Crocket spoke about the effect to nonstate retiree premiums and local government employer contributions of aligning the premiums of state and nonstate retirees for retiree-only coverage for the HDHP and HMO preferred plan. As an example, the participant premium for the HDHP plan would decrease from $391.67 to $209.08, a decrease of $182.50. The participant premium for the HMO preferred plan would decrease from $439.31 to $397.99, for a decrease of $41.32. Former employers would contribute an additional $182.59 monthly for the HDHP plan or $41.32 monthly for the HMO preferred plan for retirees with retiree-only coverage.

Ms. Crocket explained the fiscal effect of increasing the local government contributions for nonstate, non-Medicare retiree participants was dependent on the number of nonstate, non-Medicare retiree participants and the cost of coverage for those retirees. The Executive Budget anticipated the enrollment would decrease for nonstate, non-Medicare retiree participants in the 2017-2019 biennium. In FY 2017, nonstate, non-Medicare retiree participant enrollment was currently projected to be 1,761 and The Executive Budget projected enrollment of 1,193 in FY 2018 and 757 in FY 2019. The nonstate, non-Medicare retiree participant group was continually decreasing because participants sought coverage elsewhere, became eligible for Medicare, or left PEBP for some other reason (for example, mortality). However, it was uncertain whether the projected enrollment decrease would materialize to the degree anticipated if premiums for non-Medicare retirees decreased.

Ms. Crocket asked PEBP to reevaluate its enrollment projections. On April 28, 2017, PEBP revised enrollments for nonstate, non-Medicare retiree participants for the

2017-2019 biennium of 1,351 in FY 2018 and 985 in FY 2019. The revised enrollment projections represented decreases of 23.3 percent in FY 2018 and 27.1 percent in FY 2019. By comparison, FY 2017 enrollment was projected to decrease to 1,761, or by 16.3 percent, when compared with actual FY 2016 enrollment of 2,104.

Ms. Crocket mentioned that historically, nonstate, non-Medicare retiree participant enrollment decreases had not materialized to the degree originally anticipated. For FY 2017, the legislatively approved budget included 1,410 nonstate, non-Medicare retiree participants. By comparison, the current FY 2017 enrollment was 1,761, which was 24.9 percent higher than projected during the 78th Session (2015). Therefore, it appeared reasonable to adopt a conservative approach in projecting nonstate, non-Medicare retiree participant enrollment. Fiscal Analysis Division staff calculated revised enrollment projections of 1,476 in FY 2018 and 1,260 in FY 2019, based on a 16.2 percent decrease in FY 2018, and a 14.6 percent decrease in FY 2019, based on a 1.3 percent monthly enrollment decrease, which was equivalent to the average monthly decrease experienced year-to-date in FY 2017.

Ms. Crocket recommended using the revised Fiscal Analysis Division staff projections of 1,761 for plan year (PY) 2017, 1,476 for PY 2018, and 1,260 for PY 2019. Regarding the budgeted trend, Budget Amendment A172151338, received by Fiscal Analysis Division staff on April 10, 2017, included a medical trend of 18.85 percent, a dental trend of 3.94 percent, and a prescription drug trend of 16.63 percent in PY 2018 for nonstate retirees. The "trend" included both inflation and usage changes. In PY 2019, The Executive Budget recommended a medical trend of 6 percent, a dental trend of 3 percent, and a prescription drug trend of 8 percent. She asked PEBP to review the FY 2019 projected trend with the agency's actuary because PEBP had said nonstate retiree costs were escalating. On May 5, 2017, PEBP provided revised trend projections for FY 2019. She recommended using the revised trends for FY 2019 of 11.41 percent for medical, 16.9 percent for prescription drug, and 5.92 percent for dental. Ms. Crocket referred to the following chart reflecting the revised trend projections for FY 2018 and FY 2019 provided by PEBP on May 5, 2017.

Nonstate Non-Medicare Retiree Participants – Projected Trend

	FY 2018 Gov. Rec.	FY 2019 Gov. Rec.	FY 2018 Projected Revised	FY 2019 Projected Revised
PPO – Medical	11.93 percent	6 percent	18.85 percent	11.41 percent
PPO – Prescription Drug	1.11 percent	8 percent	16.63 percent	16.9 percent
PPO - Dental	1.84 percent	3 percent	3.94 percent	5.92 percent
HMO Plan Hometown Health	5.38 percent	4 percent	No change	No change
HMO Plan Health Plan of Nevada	14.59 percent	4 percent	No change	No change

Ms. Crocket continued that based on the updated enrollment projections and the FY 2019 revised trend provided by PEBP, the estimated cost increase to local governments would be $2.4 million in each year of the 2017-2019 biennium. There would be a corresponding decrease in participant premiums paid by nonstate, non-Medicare retiree participants. She referenced the nonstate, non-Medicare retiree participant costs for the 2017-2019 biennium, the portion of total projected costs contributed by former employers and participants under existing statutory provisions, the costs contributed by former employers and participants under a revised version of NRS 287.023, and the difference between the two based upon FY 2018 and FY 2019 rates provided by PEBP as shown below.

Increase to Local Government Contribution

	FY 2018	FY 2019
Total Projected Nonstate Non-Medicare Retiree Costs	$19,739,648	$18,191,910
Current Statute - NRS 287.023(4) - Employer contributes the same percentage as the state.		
Former Employer	$10,951,120	$9,885,193
Participant Premiums	$8,788,528	$8,306,717
Totals	$19,739,648	$18,191,910
Employer contributes an amount so that participant premium equals state participant premium.		
Former Employer	$13,356,345	$12,294,931
Participant Premiums	$6,383,303	$5,896,979
Totals	$19,739,648	$18,191,910
Difference		
Increase to Former Employer	$2,405,225	$2,409,738
Decrease to Participant Premiums	($2,405,225)	($2,409,738)

Ms. Crocket said the actual cost to local governments would vary if participant enrollment or the cost of coverage varied from the projected level. The costs to local governments would be higher if participant enrollment fees did not decrease to the degree anticipated, participants enrolled in tiers of coverage that were more costly, or the trend was higher than anticipated in FY 2019.

Ms. Crocket asked PEBP to project the annual cost increase to each local government in the 2017-2019 biennium, but PEBP said it was unable to project a reliable cost to each local government because of potential variances in participant enrollment and the cost of coverage. However, PEBP provided information about the potential distribution of cost increases among local government entities. A list had been created of the local governments that currently had non-Medicare retirees who participated in PEBP, the number of current retirees, the estimated annual additional costs to local governments based on current retirees, FY 2018 rates, and the percentage of total additional costs attributable to each local government. She noted that the information did not reflect FY 2018 and FY 2019 amounts because PEBP's projection did not account for projected decreases in participant enrollment or FY 2019 projected rates.

Ms. Crocket stated that during the work session, the Subcommittees expressed concern about cost increases imposed on school districts. Total expenditures incurred by a school district or charter school in the even numbered year of a biennium were combined together and used as the base budget in building the Distributive School Account (DSA) budget from which the state's share of the basic support per pupil was funded. Expenditures for retiree health premium contributions were currently funded through the base budget of the DSA. The total combined expenditures of all school districts and charter schools in FY 2016 was used to develop the DSA's base budget for the 2017-2019 biennium, including retiree health-care costs. Similarly, school district or charter school expenditures incurred in FY 2018 for retiree health premium contributions, including any potential cost increase, would be continuing costs funded as part of the DSA's base budget for the 2019-2021 biennium.

Ms. Crocket said if the Subcommittees wished to provide local governments time to allocate additional funding to retiree health-care costs, it might consider making statutory changes effective FY 2019 or providing State General Fund appropriations to phase in increased local government contributions over time. If the Subcommittees preferred a phased-in approach, staff suggested a four-year phase-in period if statutory changes became effective July 1, 2017, or a three-year phase-in period if statutory changes were effective July 1, 2018. She spoke about the estimated effect of the two phase-in scenarios in the 2017-2019 biennium. The effect for biennia beyond FY 2019 could not be estimated because participant enrollment and cost projections were not available. With the four-year phase-in approach, in FY 2018 local governments would contribute 0 percent, and the state would contribute 100 percent. In FY 2019, local governments would contribute 25 percent, and the state would contribute 75 percent. In FY 2020, local governments would contribute 50 percent, and the state would contribute 50 percent. In FY 2021, local governments would contribute 75 percent, and the state would contribute 25 percent. In FY 2022, local governments would contribute 100 percent, and the state would contribute 0 percent.

Ms. Crocket stated that if the Subcommittees wished to appropriate General Funds in support of local government retiree health-care costs, Fiscal Analysis Division staff suggested the Subcommittees approve creating a new PEBP nonstate retiree rate mitigation budget to receive General Fund appropriations. Funding would be transferred by PEBP from this budget account on a reimbursement basis. Ms. Crocket suggested the Subcommittees approve back language in the Appropriations Act that restricted the use of funding and allowed the appropriation to be transferred between FY 2018 and FY 2019. To track the use of General Fund appropriations, the Subcommittees might wish to recommend that the full money committees issue a letter of intent instructing PEBP to report to the Interim Retirement and Benefits Committee annually on its use of General Fund appropriations.

Ms. Crocket commented that if the Subcommittees wished to amend the statute to align nonstate and state retiree participant premiums, following consultation with the Legal Division, Legislative Counsel Bureau, Fiscal Analysis Division staff suggested a bill draft request (BDR) to amend paragraph (b) of subsection 4 of NRS 287.023 to align nonstate and state retiree participant premiums. The BDR would also allow a one-time exception to the 30-day notice requirement outlined in paragraph (d) of subsection 2 of NRS 287.043, if the Subcommittees wished to enact changes in FY 2018.

Ms. Crocket provided the following options for consideration by the Subcommittees:

1. Approve addressing nonstate retiree premiums effective FY 2018:

   a. Reduce nonstate, non-Medicare retiree participants' premiums effective July 1, 2017, and require local governments to pay the entire premium difference:

   Recommend that the full money committees request a bill draft to amend paragraph (b) of subsection 4 of NRS 287.023 to align the monthly premium paid by a nonstate, non-Medicare retiree participant with a similarly participating (same plan and tier) state, non-Medicare retiree participant, effective July 1, 2017, and amend paragraph (d) of subsection 2 of NRS 287.043 to authorize a one-time exception to the 30-day noticing rule outlined in NRS 287.043.

   b. Reduce nonstate, non-Medicare retiree participant premiums effective July 1, 2017, and use a four-year phase-in approach:

   Recommend that the full money committees request a bill draft to amend paragraph (b) of subsection 4 of NRS 287.023 to align the monthly premium paid by a nonstate, non-Medicare retiree participant with a similarly participating (same plan and tier) state, non-Medicare retiree participant, effective July 1, 2017; amend paragraph (d) of subsection 2 of NRS 287.043 to authorize a one-time exception to the 30-day noticing rule outlined in NRS 287.043; and establish the four-year phase-in approach.

   Approve establishing a new PEBP nonstate retiree rate mitigation budget account.

   Approve General Fund appropriations of $2,405,225 in FY 2018 and $1,807,304 in FY 2019 for the new budget account.

Approve back language in the Appropriations Act that restricts the use of General Funds to costs associated with nonstate, non-Medicare retiree rate mitigation resulting from amendments to paragraph (b) of subsection 4 of NRS 287.023 and allows appropriations to be transferred between FY 2018 and FY 2019.

Recommend that the full money committees issue a letter of intent instructing PEBP to report to the Interim Retirement and Benefits Committee annually on its use of General Fund appropriations.

2. Approve addressing nonstate, non-Medicare retiree participant premiums effective FY 2019:

a. Reduce nonstate, non-Medicare retiree participant premiums effective FY 2018 and require local governments to pay the entire premium difference:

Recommend that the full money committees request a bill draft to amend paragraph (b) of subsection 4 of NRS 287.023 to align the monthly premium paid by a nonstate, non-Medicare retiree with a similarly participating (same plan and tier) state, non-Medicare retiree effective July 1, 2018.

b. Reduce nonstate, non-Medicare retiree participant premiums effective July 1, 2018, and use a three-year phase-in approach:

Recommend that the full money committees request a bill draft to amend paragraph (b) of subsection 4 of NRS 287.023 to align the monthly premium paid by a nonstate, non-Medicare retiree with a similarly participating (same plan and tier) state, non-Medicare retiree effective July 1, 2018.

Approve establishing a new PEBP nonstate retiree rate mitigation budget account.

Approve General Fund appropriations of $2,409,738 in FY 2019 for the new budget account.

Approve back language in the Appropriations Act that restricts the use of General Funds to costs associated with nonstate, non-Medicare retiree rate mitigation resulting from amendments to paragraph (b) of subsection 4 of NRS 287.023.

Recommend that the full money committees issue a letter of intent instructing PEBP to report to the Interim Retirement and Benefits Committee annually on its use of General Fund appropriations beginning July 1, 2019.

3. Take no action regarding nonstate, non-Medicare retiree participants.

Ms. Crocket requested authority to make technical adjustments to nonstate, non-Medicare retiree participant enrollment and trends based on the Subcommittees' closing actions.

Chair Swank thanked Ms. Crocket for her work. Chair Swank said that since she had been a member of the Legislature, she had heard about those problems and the best methods to fix the problems. She knew there were no perfect choices, but she wanted to find the least harmful solution. She considered the best choice was option 1.b to reduce nonstate, non-Medicare retiree participant premiums effective July 1, 2017, and use a four-year phase-in approach. This option would allow more time for the previous employers to plan and collaborate with the state on a transition to move the costs over the next two biennia to the former employers. She asked the Subcommittees' members for their comments.

Assemblywoman Diaz acknowledged Chair Swank's leadership in ensuring that the Subcommittees took action to resolve the nonstate, non-Medicare participant situation. The goal was to ensure that the retirees were taken care of and would not have to pay additional out-of-pocket expenses for the insurance coverage. The Subcommittees had addressed her major concerns about the school districts being aware that employees would be taken care of financially. She believed that the solution was a good compromise for the retirees.

ASSEMBLYWOMAN DIAZ MOVED THAT THE SUBCOMMITTEES:

1. APPROVE OPTION 1.B. TO REDUCE NONSTATE, NON-MEDICARE RETIREE PREMIUMS EFFECTIVE JULY 1, 2017, AND USE A FOUR-YEAR PHASE-IN APPROACH.
2. RECOMMEND THAT THE FULL MONEY COMMITTEES REQUEST A BILL DRAFT TO AMEND PARAGRAPH (B) OF SUBSECTION 4 OF NRS 287.023 TO ALIGN THE MONTHLY PREMIUM PAID BY A NONSTATE, NON-MEDICARE RETIREE WITH A SIMILARLY PARTICIPATING (SAME PLAN AND TIER) STATE, NON-MEDICARE RETIREE, EFFECTIVE JULY 1, 2017; AMEND PARAGRAPH (D) OF SUBSECTION 2 OF NRS 287.043 TO AUTHORIZE A ONE-TIME EXCEPTION TO THE 30-DAY NOTICING RULE OUTLINED IN NRS 287.043; AND ESTABLISH A FOUR-YEAR PHASE-IN APPROACH.
3. APPROVE ESTABLISHING A NEW PEBP NONSTATE RETIREE RATE MITIGATION BUDGET ACCOUNT.

4. APPROVE GENERAL FUND APPROPRIATIONS OF $2,405,225 IN FISCAL YEAR 2018 AND $1,807,304 IN FISCAL YEAR 2019 FOR THE NEW BUDGET ACCOUNT.
5. APPROVE BACK LANGUAGE IN THE APPROPRIATIONS ACT TO RESTRICT THE USE OF GENERAL FUNDS TO COSTS ASSOCIATED WITH NONSTATE, NON-MEDICARE RETIREE RATE MITIGATION RESULTING FROM AMENDMENTS TO PARAGRAPH (B) OF SUBSECTION 4 OF NRS 287.023 AND ALLOW FOR APPROPRIATIONS TO BE TRANSFERRED BETWEEN FISCAL YEAR 2018 AND FISCAL YEAR 2019.
6. RECOMMEND THAT THE FULL MONEY COMMITTEES ISSUE A LETTER OF INTENT INSTRUCTING PEBP TO REPORT TO THE INTERIM RETIREMENT AND BENEFITS COMMITTEE ANNUALLY ON ITS USE OF GENERAL FUND APPROPRIATIONS.
7. AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS TO NONSTATE PARTICIPANT ENROLLMENT AND TREND BASED ON THE SUBCOMMITTEES' CLOSING ACTIONS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

Chair Swank thanked Fiscal Analysis Division staff for all the work to develop the different options. She thanked Assemblywoman Diaz for her efforts on the matter to ensure that the Subcommittees found a more equitable way to proceed. She wanted to ensure that Fiscal Analysis Division staff was recognized for all their work to ensure that the nonstate, non-Medicare PEBP participant problem was resolved during the 79th Session (2017). She called for the vote.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained that the second major closing issue related to the plan reserve levels. The plan maintained four actuarially determined reserve levels. Two budget amendments were received for the reserves. In the 2017-2019 biennium, The Executive Budget as amended recommended combined reserves at $89.9 million, a 7.3 percent decrease compared with the FY 2017 reserve level of $97 million.

Ms. Crocket continued noting The Executive Budget, as submitted, recommended budgeting the Health Reimbursement Arrangement (HRA) reserves at 85 percent of the unexpended prior year HRA account balances. Budget amendment #2 reversed that to maintain budgeting the reserve at 100 percent of the unexpended prior year HRA account balance for the Public Employees' Benefits Program.

Ms. Crocket revealed that on April 11, 2017, PEBP updated reserve projections. The ending FY 2019 excess reserve was projected to be $33.1 million or $26 million more than the $7.1 million work program excess reserve for FY 2017. The agency projected that continuing certain enhanced benefits approved by the Board of the Public Employees' Benefits Program for FY 2018 with excess reserves in FY 2019 (life insurance, Medicare participant fees, and enhanced health savings account and HRA funding) would require funding of $8.9 million. In addition, PEBP said its actuary was reevaluating the catastrophic reserve, and an increase to the catastrophic reserve might be warranted in the 2017-2019 biennium. She asked whether the Subcommittees wished to approve the program reserve levels as recommended by the Governor and adjusted by budget amendments A171101338 and A172151338, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE THE PROGRAM RESERVE LEVELS AS RECOMMENDED BY THE GOVERNOR AND ADJUSTED BY BUDGET AMENDMENTS A171101338 AND A172151338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained the third major closing issue related to the 2017-2019 biennium plan design. The plan year 2018 open enrollment period began on May 1, 2017; therefore, it was no longer possible to modify the plan year 2018 plan design without delaying the open enrollment period. The Subcommittees reviewed the plan design in detail at their work session.

Ms. Crocket mentioned that an enhanced HSA/HRA contribution of $200 per primary participant insured with a high-deductible, high-premium (HDHP) preferred provider organization (PPO) would be provided upon completion of four annual preventive services: an annual medical exam, laboratory tests, dental exam, and four dental cleanings. If all HDHP participants received the enhanced contribution, PEBP projected the cost would be $4.5 million in plan year (PY) 2018. There would be no cost to the participant for completing the four preventive services, but there would be a cost to the plan because 100 percent of the cost of preventive services was covered with no participant contribution. The average cost for those four preventive services would be $246 per participant. Fiscal Analysis Division staff adjusted PEBP's calculations because it would be more accurate to base the cost on the projected number of participants who would complete the four screenings multiplied by the $200 increase in the HRA contributions and the projected increase in preventive services claims. She recommended budgeting $2,649,971 for the enhanced HRA contribution compared with the $4.5 million originally recommended. The $1,842,779 difference would be placed in the excess reserve.

Ms. Crocket noted that budget amendment #2 contained $656,931 in savings associated with applying an HRA rollover cap. However, the Board of the Public Employees' Benefits Program did not approve the HRA rollover cap, and an adjustment was necessary to eliminate the associated savings from decision unit Enhancement (E) 275. The recommended adjustment to HSA/HRA enhanced contributions created $1.8 million in excess reserves, which could be used to offset the $656,931 in savings, which should have been removed through budget amendment #2. She recommended eliminating the $656,931 savings from decision unit E-275 because the HRA rollover cap would not be put into place. After the adjustments recommended by Fiscal Analysis Division staff for enhanced HSA/HRA contributions and the HRA rollover cap savings, decision unit E-275 would include excess reserve reductions totaling $7.9 million over the 2017-2019 biennium.

Ms. Crocket asked whether the Subcommittees wished to approve the use of excess reserves totaling $7.9 million over the 2017-2019 biennium to fund enhanced benefits including paying increased fees for certain Medicare retirees, life insurance increases to $25,000 for active employees and $12,500 for retirees, and an enhanced HSA/HRA contribution of $200 per primary participant tied to participant actions, as recommended in budget amendment A172151338, with adjustments for enhanced HSA/HRA contributions and HRA rollover caps recommended by Fiscal Analysis Division staff, and authorize Fiscal Analysis Division staff to make other technical adjustments.

> ASSEMBLYWOMAN SPIEGEL MOVED TO APPROVE THE USE OF EXCESS RESERVES TOTALING $7.9 MILLION OVER THE 2017-2019 BIENNIUM TO FUND ENHANCED BENEFITS INCLUDING PAYING INCREASED FEES FOR CERTAIN MEDICARE RETIREES, INCREASED LIFE INSURANCE BENEFITS OF $25,000 FOR ACTIVE EMPLOYEES AND $12,500 FOR RETIREES, AND AN ENHANCED HSA/HRA CONTRIBUTION OF $200 PER PRIMARY PARTICIPANT TIED TO PARTICIPANT ACTIONS, AS RECOMMENDED IN BUDGET AMENDMENT A172151338, WITH ADJUSTMENTS FOR ENHANCED HSA/HRA CONTRIBUTIONS AND HRA ROLLOVER CAPS RECOMMENDED BY FISCAL STAFF, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.
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> SENATOR PARKS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained the fourth major closing issue was the plan trend and inflation adjustments. The Governor recommended adjustments for preferred provider organizations (PPO) medical trend, dental trend, prescription drug trend increases, and inflation increases for fully insured products, including the HMO plans. The trend inflation included both inflation and usage changes. At its March 23, 2017, meeting, the Board of the Public Employees' Benefits Program adopted revised FY 2018 projected trend based on actuarial projections updated for plan experience. Budget amendment #2 revised projected trend based on actuarial projections. Over the 2017-2019 biennium, decision unit Maintenance (M) 101, as amended, included revenues of $69 million, claim expenditures of $49.3 million, and a $19.7 million increase to excess reserves. The excess reserves were used primarily to fund adjustments to other reserve categories in decision unit M-102.

Ms. Crocket asked whether the Subcommittees wished to approve $25.4 million for FY 2018 and $43.6 million for FY 2019, or $69 million over the biennium, funded with $20.2 million in premium income and $48.9 million in state contributions to fund inflationary and trend changes in budget amendment A172151338, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

> SENATOR PARKS MOVED TO APPROVE $25.4 MILLION FOR FY 2018 AND $43.6 MILLION FOR FY 2019, OR $69 MILLION OVER THE 2017-2019 BIENNIUM, FUNDED WITH $20.2 MILLION IN PREMIUM INCOME AND $48.9 MILLION IN STATE CONTRIBUTIONS TO FUND INFLATIONARY AND TREND CHANGES IN BUDGET AMENDMENT A172151338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.
>
> ASSEMBLYWOMAN DIAZ SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained the fifth major closing issue was the 2017-2019 biennium Active Employee Group Insurance Subsidy (AEGIS) and Retired Employee Group Insurance (REGI) contribution rates. The state contribution percentages determined the percentage of group insurance costs that were funded by the state or local governments for state and nonstate participants. For plan year (PY) 2018, the Board of the Public Employees' Benefits Program adopted state contribution percentages that were higher than the percentages recommended in The Executive Budget. The percentages adopted by the Board for PY 2018 and the percentages included in budget amendment #2 for PY 2019 were intended to align with the amount of AEGIS and REGI funded in The Executive Budget. The state contribution percentages determined the total state contributions in support of AEGIS and REGI, which was converted to a per-person per-month (PPPM) state contribution for active employees and a base state contribution amount for retirees. The Executive Budget as amended recommended a monthly rate for AEGIS of $743 in FY 2018 and $740.92 in

FY 2019. The REGI was calculated as a percentage of gross salaries in each budget account. The recommended assessments for the 2017-2019 biennium were 2.66 percent for FY 2018 and 2.55 percent for FY 2019. Those percentages did not consider the cost-of-living salary adjustment recommended by the Governor. The final REGI assessment calculation would be completed by the Office of Finance, Office of the Governor, following the Legislature's decision on cost-of-living adjustments for the 2017-2019 biennium. The retiree contribution would be $445.03 in FY 2018 and $451.23 in FY 2019.

Ms. Crocket asked whether the Subcommittees wished to accept the amended AEGIS and REGI insurance state contribution rates as recommended by the Governor and revised by budget amendments A171101338 and A172151338, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

> SENATOR PARKS MOVED TO ACCEPT THE AMENDED ACTIVE EMPLOYEE GROUP INSURANCE SUBSIDY AND RETIRED EMPLOYEE GROUP INSURANCE STATE CONTRIBUTION RATES AS RECOMMENDED BY THE GOVERNOR AND REVISED BY BUDGET AMENDMENTS A171101338 AND A172151338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.
>
> ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained that the sixth major closing issue was PEBP enrollment changes in decision units Maintenance (M) 200 and M-201. She had compared the enrollment trends for the upcoming biennium with actual PY 2016 and PY 2017 enrollment in decision unit M-200 for active employee and retiree participants. To support projected increases in state active employee and retiree participant enrollment in the 2017-2019 biennium, <u>The Executive Budget</u> recommended an increase in state contributions of $16.4 million in FY 2018 and $18.6 million in FY 2019 and an increase in premium income of $5.7 million in FY 2018 and $6.5 million in FY 2019 to fund anticipated increases in state active and retiree participants. She asked whether the Subcommittees wished to approve net revenue and expenditures of $22.1 million in FY 2018 and $24.8 million in FY 2019 to fund the state active and retiree caseload changes as recommended by the Governor and revised by budget amendment A172151338, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

ASSEMBLYWOMAN DIAZ MOVED TO APPROVE NET REVENUE AND EXPENDITURES OF $22.1 MILLION IN FISCAL YEAR 2018 AND $24.8 MILLION IN FISCAL YEAR 2019 TO FUND THE STATE ACTIVE AND RETIREE CASELOAD CHANGES AS RECOMMENDED BY THE GOVERNOR AND REVISED BY BUDGET AMENDMENT A172151338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR HARRIS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket mentioned that decision unit M-210 related to the nonstate active employee and retiree participant enrollment. As amended, The Executive Budget recommended decreases in premium income of $10.8 million in FY 2018 and $16.9 million in FY 2019 based on projected decreases in plan administrative and medical costs. She asked whether the Subcommittees wished to approve nonstate participant premium income revenue reductions of $10.8 million in FY 2018 and $16.9 million in FY 2019 to fund nonstate participant caseload changes as recommended by the Governor and revised by budget amendment A172151338, with authority for Fiscal Analysis Division staff to make technical adjustments as necessary.

SENATOR HARRIS MOVED TO APPROVE NONSTATE PARTICIPANT PREMIUM INCOME REVENUE REDUCTIONS OF $10.8 MILLION IN FISCAL YEAR 2018 AND $16.9 MILLION IN FISCAL YEAR 2019 TO FUND NONSTATE PARTICIPANT CASELOAD CHANGES AS RECOMMENDED BY THE GOVERNOR AND REVISED BY BUDGET AMENDMENT A172151338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN DIAZ SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket continued that the seventh major closing issue was continuing education funded in decision unit Enhancement (E) 225. Pursuant to NRS 287.0428, the Executive Officer and each member of the Board of the Public Employees' Benefits Program should complete at least 16 hours of continuing education related to public employee benefits annually. Decision unit E-225 recommended eliminating continuing education for the Board of the Public Employees' Benefits Program members, which would result in savings of $16,445 in each year of the 2017-2019 biennium. The Executive Budget included expenditures of $3,831 in each year of the 2017-2019 biennium for training for PEBP staff.

Senate Bill (S.B.) 502 (1st Reprint) proposed to repeal NRS 287.0428, and continuing education would no longer be required for the Executive Officer or the Board of the Public Employees' Benefits Program. Testimony by the agency at the January 31, 2017, meeting of the Legislative Commission's Budget Subcommittee stated that PEBP did not believe that other state boards required continuing education, and the Board of the Public Employees' Benefits Program members were not obtaining the required number of continuing education hours annually. Ms. Crocket found that the Chair of the State Board of Parole Commissioners was required by NRS 213.1088 to develop a written continuing education plan requiring a minimum of 16 hours of continuing education annually for State Board of Parole Commissioners. In a February 14, 2017, follow-up memo, PEBP provided information regarding the hours of continuing education received by each board member in FY 2015 and FY 2016. Of the ten board members, three members received the statutorily required 16 hours of continuing education hours in FY 2015, and the remaining seven members received zero hours. In FY 2016, PEBP reported that seven board members received 16 hours of continuing education, and three board members received zero hours.

Ms. Crocket said that during the budget hearing, the Subcommittees noted that health insurance plans were relatively complex, and some degree of expertise was required to interpret the financial health of the plan, plan rates, and actuarial projections. Should S.B. 502 (R1) be enacted as currently written and NRS 287.0428 repealed, continuing education for the Executive Officer and the Board of the Public Employees' Benefits Program would be discretionary rather than mandatory.

Ms. Crocket presented two options for the Subcommittees' consideration:

a. Approve the Governor's recommendation to eliminate continuing education for the Board of the Public Employees' Benefits Program members for a savings of $32,890 over the 2017-2019 biennium, contingent upon the passage and approval of S.B. 502 (R1) or other enabling legislation.

b. Do not approve the Governor's recommendation to eliminate continuing education for Board of the Public Employees' Benefits Program members. If S.B. 502 (R1) was approved as currently written, continuing education for members of the Board of the Public Employees' Benefits Program would be funded as a discretionary item in the budget.

Chair Swank said she was uncomfortable making continuing education for the Board of the Public Employees' Benefits Program discretionary. There were federal requirements that needed to be met. Health insurance was a complex matter, and she thought the best choice was option b, but she was interested in the concerns of the members of the Subcommittees.

Senator Parks commented that S.B. 502 (R1) had been extensively changed. The active members of the Board of the Public Employees' Benefits Program were retained in the bill, which was making its way through the legislative process. However, he was confident that the agreements with the Department of Administration would allow the state to retain a strong Board of the Public Employees' Benefits Program. He suggested that the training and continuing education be retained and required of the Board members.

Senator Harris believed that if the Legislature funded continuing education, it should be mandatory as a directive from the Subcommittees and in S.B. 502 (R1) as well.

Ms. Crocket explained that S.B. 502 (R1) as currently written proposed to repeal the section of statute that required continuing education. By approving the funding for continuing education, the Subcommittees would be expressing support and the intent that continuing education hours should be completed by the Board of the Public Employees' Benefits Program members.

Chair Swank said the comments of Senator Parks were important. The Board would not become an advisory board and would have more latitude. However, serious responsibilities remained for the Board of the Public Employees' Benefits Program, and it was important to ensure the Board members were educated.

> ASSEMBLYWOMAN SPIEGEL MOVED TO APPROVE OPTION B AND NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE CONTINUING EDUCATION FOR THE MEMBERS OF THE BOARD OF THE PUBLIC EMPLOYEES' BENEFITS PROGRAM.
>
> SENATOR PARKS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket explained that the eighth major closing issue was the PEBP budget account structure. Testimony by PEBP at the budget hearing was that expected claims costs associated with nonstate, non-Medicare retiree participants were absorbed by the state. In a March 22, 2017, follow-up memo, PEBP said that the state (and, it appeared to Fiscal staff, state PEBP participants) absorbed $56.5 million in claims costs associated with nonstate participants from FY 2013 to FY 2016. However, following questions by Fiscal staff, PEBP subsequently said that it was uncertain whether its calculations were accurate. The agency was unable to provide Fiscal Analysis Division staff further information regarding actual revenues and costs associated with nonstate retiree participants because of its existing operating budget structure. For increased tracking and transparency purposes, Fiscal Analysis Division staff suggested establishing separate revenue general ledgers and expenditure categories for PEBP participant groups.

Ms. Crocket continued that the Subcommittees might wish to approve back language in the Authorizations Act instructing the Office of Finance, Office of the Governor, to develop revenue general ledgers and expenditure categories to enhance tracking and transparency in the PEBP budget. The agency should submit a work program and a plan for tracking administrative expenditures by participant group to the Interim Finance Committee for consideration at its August 2017 meeting. The final proposed structure would be determined by the Office of Finance, Office of the Governor, after reviewing PEBP's budget and revenues.

Ms. Crocket asked whether the Subcommittees wished to approve back language in the Authorizations Act instructing the Office of Finance, Office of the Governor, to develop revenue general ledgers and expenditure categories to enhance tracking and transparency in the PEBP budget. The agency should submit a work program and a plan for tracking administrative expenditures by participant group to the Interim Finance Committee for consideration at its August 2017 meeting.

> SENATOR PARKS MOVED TO APPROVE BACK LANGUAGE IN THE AUTHORIZATIONS ACT INSTRUCTING THE OFFICE OF FINANCE, OFFICE OF THE GOVERNOR, TO DEVELOP REVENUE GENERAL LEDGERS AND EXPENDITURE CATEGORIES TO ENHANCE TRACKING AND TRANSPARENCY IN THE PUBLIC EMPLOYEES' BENEFITS PROGRAM BUDGET. THE AGENCY SHOULD SUBMIT A WORK PROGRAM AND A PLAN FOR TRACKING ADMINISTRATIVE EXPENDITURES BY PARTICIPANT GROUP TO THE INTERIM FINANCE COMMITTEE FOR CONSIDERATION AT ITS AUGUST 2017 MEETING.
>
> ASSEMBLYWOMAN DIAZ SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket said there were three other closing items in budget account 1338:

1. Salary adjustment for information technology positions.
2. Replacement equipment.
3. Position reclassification.

Ms. Crocket said the three other closing items appeared reasonable to Fiscal staff. Fiscal Analysis Division staff recommended that other closing item 2 be closed as recommended by the Governor, requested authority to make the technical adjustment noted in other closing item 3, defer other closing item 1, and authorize Fiscal Analysis Division staff to make other technical adjustments as necessary.

ASSEMBLYWOMAN DIAZ MOVED TO APPROVE OTHER CLOSING ITEM 2 AS RECOMMENDED BY THE GOVERNOR, AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE THE TECHNICAL ADJUSTMENT NOTED IN OTHER CLOSING ITEM 3, DEFER OTHER CLOSING ITEM 1, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR HARRIS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - RETIRED EMPLOYEE GROUP INSURANCE (680-1368)
BUDGET PAGE ADMIN-38

Cathy Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1368 funded the retired employee group insurance (REGI). The Subcommittees had not previously reviewed this budget account, and Fiscal Analysis Division staff was responsible for developing closing recommendations for the budget. This budget collected REGI contributions from state agencies and transferred funding to Public Employees' Benefits Program (PEBP) BA 1338 where claims and administrative costs were paid. The decision units in BA 1368 provided the REGI portion of funding for companion decision units within PEBP BA 1338. Fiscal Analysis Division staff recommended that the budget be closed in accordance with the Subcommittees' closing actions for Public Employees' Benefits Program BA 1338 with authority for Fiscal Analysis Division staff to adjust revenues and expenditures and make technical adjustments as necessary.

ASSEMBLYWOMAN DIAZ MOVED TO APPROVE CLOSING BUDGET ACCOUNT 1368 IN ACCORDANCE WITH THE SUBCOMMITTEES' CLOSING ACTIONS FOR THE PUBLIC EMPLOYEES' BENEFITS PROGRAM BUDGET ACCOUNT 1338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO ADJUST REVENUES AND EXPENDITURES AND MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - ACTIVE EMPLOYEES GROUP INSURANCE (666-1390)
BUDGET PAGE ADMIN-42

Cathy Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1390 funded the active employee group insurance (AEGIS) subsidy. The Subcommittees had not previously reviewed this budget account, and Fiscal Analysis Division staff was responsible for developing closing recommendations for BA 1390. The AEGIS account provided a centralized collection mechanism for the state contributions paid by state agencies for each employee in each budget. Funding was transferred to the Public Employees' Benefits Program (PEBP) BA 1338. The decision units in BA 1390 provided the AEGIS portion of funding for companion decision units within PEBP BA 1338. Fiscal Analysis Division staff recommended BA 1390 be closed in accordance with the Subcommittees' closing actions for PEBP BA 1338 with noted technical adjustments and authorize Fiscal Analysis Division staff to adjust revenues and expenditures and make technical adjustments as necessary.

> ASSEMBLYWOMAN SPIEGEL MOVED TO APPROVE CLOSING BUDGET ACCOUNT 1390 IN ACCORDANCE WITH THE SUBCOMMITTEES' CLOSING ACTIONS FOR THE PUBLIC EMPLOYEES' BENEFITS PROGRAM BUDGET ACCOUNT 1338 AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO ADJUST REVENUES AND EXPENDITURES AND MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.
>
> SENATOR HARRIS SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Ford was not present for the vote.)

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - DEFERRED COMPENSATION COMMITTEE (101-1017)
BUDGET PAGE ADMIN-48

Cathy Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1017 funded the Committee on Deferred Compensation for State Employees program. The Subcommittees had not previously reviewed this budget account, and Fiscal Analysis Division staff was responsible for developing closing recommendations for BA 1017. The Committee on Deferred Compensation for State Employees program was a voluntary, tax-deferred supplemental retirement savings program for state employees and other local government employees. The major closing issue was the reorganization. Currently, the Deferred Compensation program was a separate special purpose agency governed by the Governor-appointed Deferred Compensation Committee (DCC). The program only had two staff positions and used centralized fiscal and human resource services provided by the Department of Administration. The DCC appointed an Executive Director to manage the Committee, monitor the program's operations, and provide education and outreach to program participants and prospective participants. The Executive Budget recommended moving the Deferred Compensation program and the Public Employees' Benefits Program to the Department of Administration. The Department of Administration requested Senate Bill (S.B.) 502 (1st Reprint) to enact the recommendation.

Ms. Crocket stated that S.B. 502 (R1) proposed to move the Deferred Compensation Program and the Public Employees' Benefits Program to the Department of Administration and transition the governing boards of both programs from governing roles to advisory roles. However, during the work session before the Senate Committee on Government Affairs on April 14, 2017, the Director of the Department of Administration supported an amendment to S.B. 502 (R1) that eliminated provisions of the bill that would transfer PEBP and DCC to the Department of Administration and transition the governing boards of both programs from governing roles to advisory roles. Therefore, the Deferred Compensation Committee would continue in a governing role in the 2017-2019 biennium.

Ms. Crocket mentioned that testimony by the Director of the Department of Administration stated that the DCC voted to support S.B. 502 (R1) and support the move of the budget to the Department of Administration. The amended legislation in S.B. 502 (R1) included the following provisions related to the Deferred Compensation program:

- Located the Deferred Compensation program within the Department of Administration.
- Required the Director of the Department of Administration to appoint, with the concurrence of the Governor and the DCC, an unclassified Executive Officer for the program.
- Specified that the Deferred Compensation Program budget include an amount to support the Program's share of the Department's centralized accounting services.
- Specified that the Deferred Compensation Program was subject to the State Purchasing Act.
- Revised the membership of the DCC to specify that one member either be employed by a state agency whose payroll was administered by the Division of Human Resource Management (DHRM), Department of Administration, or a political subdivision that participated in the program.

Ms. Crocket mentioned that testimony by the Director of the Department of Administration at the January 26, 2017, meeting of the Legislative Commission's Budget Subcommittee and the March 9, 2017, budget hearing noted that the intent of the DCC reorganization was to locate agencies that managed employee benefits, including the DCC, within the same department as the DHRM. The Director said that the intent of the reorganization was not to change the performance of the DCC program.

Ms. Crocket noted that the retirement benefits, which were also part of the state employee total compensation package, were managed by the Public Employees' Retirement System (PERS), a separate special purpose agency. The structure and employer contribution rates for PERS were specified in *Nevada Revised Statutes* (NRS) Chapter 286, and the Governor lacked authority to adjust total employee compensation as it related to PERS without enabling legislation. Furthermore, pursuant to Article 9, Section 2 of the *Nevada Constitution* that established PERS, a constitutional change might be required to consolidate PERS within the Department of Administration or combine PERS with the Deferred Compensation Program.

Ms. Crocket clarified that, according to the Department of Administration, the transfer of the DCC Program was part of a broader initiative by the Governor to reform boards and commissions, such as the transfer of the Commission on Off-Highway Vehicles to the State Department of Conservation and Natural Resources. Small boards and commissions such as DCC had limited administrative resources, and consolidating small boards within the Executive Branch agencies could provide enhanced administrative oversight and support. The DCC said the program was currently projected to have over $1 billion in assets in approximately five years.

Ms. Crocket mentioned that the Subcommittees expressed an interest in knowing the structures other states had in place for DCC. She presented the following table to show the details.

Current Deferred Compensation Program Structures in the United States

Location within State Government	**States**	**Percent**
Combined with retirement programs	27	54 percent
Combined with administrative functions	13	26 percent
Combined with retirement programs and administrative functions	7	14 percent
Separate agency	3	6 percent

Ms. Crocket stated that The Executive Budget did not contain any changes to enact the reorganization of the Deferred Compensation Program. The Department of Administration Director's Office provided oversight and management to the Department's divisions, which would include the staff of the DCC if reorganization legislation was approved. The Director's Office was supported by a cost-allocation reimbursement from the Department's divisions, and it would be appropriate to include the cost-allocation if the reorganization was approved. The Fiscal Analysis Division staff estimated the Director's Office cost-allocation would require reserves of $2,152 in FY 2018 and $2,394 in FY 2019. She asked whether the Subcommittees wished to approve locating the Deferred Compensation Program within the

Department of Administration, contingent upon the passage and approval of S.B. 502 (R1) or other enabling legislation with authority for Fiscal Analysis Division staff to make technical adjustments as necessary to establish the Department of Administration Director's Office cost-allocation in the budget.

ASSEMBLYWOMAN SPIEGEL MOVED TO APPROVE LOCATING THE DEFERRED COMPENSATION PROGRAM WITHIN THE DEPARTMENT OF ADMINISTRATION, CONTINGENT UPON PASSAGE AND APPROVAL OF SENATE BILL 502 (1ST REPRINT) OR OTHER ENABLING LEGISLATION, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO ESTABLISH THE DEPARTMENT OF ADMINISTRATION DIRECTOR'S OFFICE COST-ALLOCATION IN BUDGET ACCOUNT 1017 AND MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

Senator Parks stated that his second on the motion was contingent upon the passage and approval of S.B. 502 (R1) as amended.

Chair Swank asked Assemblywoman Spiegel whether that addition to Senator Parks' second was acceptable to her. Assemblywoman Spiegel confirmed that was acceptable.

SENATOR PARKS SECONDED THE MOTION CONTINGENT UPON THE PASSAGE AND APPROVAL OF S.B. 502 (R1) AS AMENDED.

Chair Swank asked whether there was any further discussion, and there was none. She called for the vote.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Ms. Crocket added that there were two other closing items:

1. Travel
2. Replacement Equipment

Ms. Crocket said both other closing items appeared reasonable. Fiscal Analysis Division staff requested authority to make technical adjustments noted in other closing item 1 and recommended other closing item 2 be closed as recommended by the Governor with authority for Fiscal Analysis Division staff to make other technical adjustments as necessary.

SENATOR HARRIS MOVED TO APPROVE OTHER CLOSING ITEM 1 WITH THE TECHNICAL ADJUSTMENTS NOTED BY FISCAL STAFF, APPROVE OTHER CLOSING ITEM 2 AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN DIAZ SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Ford was not present for the vote.)

Chair Swank said the Subcommittees had closed all the budget accounts listed on the agenda. She opened the meeting for public comment.

Priscilla Maloney, representing Government Affairs Retiree Chapter, American Federation of State, County, and Municipal Employees, (AFSCME) Local Chapter 4041, AFL-CIO, thanked the Subcommittees' members for their hard work and thoughtful discussion on the budget. Health-care plans in today's climate were a complex subject, whether it was a public or private employer-sponsored plan. She submitted Exhibit C, a document titled, "Questions for the Joint Finance/Ways and Means Committee re: Proposed PEBP Budget," signed by Roger Bremner, Executive Vice President, AFSCME 4041 Retirees. The list of written questions from AFSCME addressed the concerns of AFSCME.

Ms. Maloney said question number 1 was based on Senate Bill (S.B.) 513 of the 78th Session (2015), an appropriation from the previous session. Currently, $451.15 per month was budgeted pursuant to the NV PEBP appropriations bill, S.B. 513 of the 78th Session (2015), for the cost of premiums or group health insurance. Medicare retirees were provided a maximum premium assistance of $240 per month. What happened to the excess monies? How was it spent? Was it used to fund the "Excess Reserves"?

Ms. Maloney mentioned that this question was a continuing concern for retirees. At the March 23, 2017, Board of the Public Employees' Benefits Program (PEBP) meeting, a presentation was made in response to the concerns of AFSCME. A PowerPoint presentation titled "How Employer Contributions Work" prepared by PEBP contained page 6, which provided more insight on the matter. The staff at PEBP used the total cost to all retirees, both Medicare and non-Medicare retirees, and averaged that cost. However, there were fewer or no costs associated with the handling of the Medicare retirees. The pre-Medicare retirees shifted the costs by combining the pool, and the average cost was used. She wanted to make the Subcommittees aware of the problem, even if this might not be the proper venue or forum. Her continuing concern was how that appropriation was allocated and the difference between the $451.15 and the $240.

Marlene Lockard, Principal, The Lockard Group, representing Retired Public Employees of Nevada (RPEN), thanked the Subcommittees for their work on the budget and resolving the nonstate, non-Medicare participant issue that affected RPEN's members.

Chair Swank also thanked Ms. Lockard for her work on behalf of the retirees.

Nicole Rourke, Associate Superintendent, Clark County School District (CCSD), thanked the Subcommittees for the hard work to resolve problems for the retirees and the nonstate, non-Medicare participants from the CCSD. The budgets were tight, and CCSD contributed millions of dollars to PEBP. Clark County School District wanted to ensure its retirees were taken care of as well as its students and other staff. She appreciated all the research that went into the Subcommittees' efforts.

Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada, also represented Reno Police Protective Association, RPEN, and the Washoe School Principals' Association. He testified that since 2003, much had happened with the problem of the nonstate, non-Medicare participant retirees. The original subsidies from local governments to PEBP were about $600 per month. When the retiree reached Medicare age, the retiree thought that subsidy would continue. However, the subsidy did not continue. When the PEBP retiree reached Medicare age, the retiree received a subsidy of $240 per month. The local government did not have to pay the difference of $380 and the retiree did not receive that difference. That fact was often overlooked. The nonstate, non-Medicare participant population reduced from over 4,000 to about 1,400. The Subcommittees needed to look at the history over the years because it represented a lot of money that the local governments did not have to pay. That was not right. There were many individuals in education who had made retirement decisions in 2007, and after the $240 subsidy was put into effect, the difference was ignored. He thanked Ms. Lockard and RPEN for the work to represent the retirees. The Subcommittees had not been made aware of some missing elements. Over the next couple of years as the nonstate, non-Medicare retiree participant population shrank, some problems would go away.

Roger Bremner, Executive Vice President, Government Affairs Retiree Chapter, American Federation of State, County, and Municipal Employees, (AFSCME) Local Chapter 4041, AFL-CIO, testified that some of his concerns were outlined in Exhibit C. The list of written questions highlighted the concerns of AFSCME. The Subcommittees were in a better position to get answers to those questions. He expressed concern that Medicare retirees were neglected and received little or no service from PEBP. Medicare retirees were forced to work with an out-of-state insurance broker over the telephone or over the Internet. Medicare retirees were the oldest and most vulnerable group. Most of them were unfamiliar with group health insurance because they had worked for a public entity that provided packaged health insurance benefits most of their lives. They did not understand the terminology because benefits had been presented as a package of benefits from the public employer. Retirees needed some in-state representation. He understood that PEBP had tried to work on some representation, but PEBP did not work quickly. The out-of-state insurance broker should provide in-state representation. The state insurance contract included over 12,000 Medicare retirees who spent a minimum of $240 per month, and that contract generated a large profit for the broker. Mr. Bremner had been a licensed insurance broker in Nevada for many years, and he would love to have had that type of lucrative account. Retirees deserved better service than what they received. He asked for a review to ensure that Medicare retirees received a more equitable share of the money that was provided for their benefit. He thought those funds were not being used fairly. Retirees paid a Medicare premium of at least $109 per month and purchased most of their insurance coverage independently. Retirees were not reimbursed for that expense, but should be. He requested that the Subcommittees ask PEBP for answers to the questions posed in Exhibit C. He thanked the Legislators for the work they had done.

Chair Swank thanked him for his work as the former Chair of the Assembly Committee on Ways and Means and his later work with AFSCME.

Natha C. Anderson, President, Washoe Education Association, representing the Nevada State Education Association, thanked the Subcommittees for the work done to resolve the problem with the nonstate, non-Medicare participants and retired members.

There being no more public comment or work before the Subcommittees, Chair Swank adjourned the meeting at 9:10 a.m.

RESPECTFULLY SUBMITTED:

____
Janice Wright
Committee Secretary

APPROVED BY:

____
Assemblywoman Heidi Swank, Chair

DATE: ______________________________

____
Senator Aaron D. Ford, Chair

DATE: ______________________________

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is a document titled, "Questions for the Joint Finance/Ways and Means Committee re: Proposed PEBP Budget," submitted by Priscilla Maloney, representing Government Affairs Retiree Chapter, American Federation of State, County, and Municipal Employees, (AFSCME) Local Chapter 4041, AFL-CIO, and signed by Roger Bremner, Executive Vice President, AFSCME 4041 Retirees.