



March 25, 2012

Dear Colleagues,

We are writing to inform you of important upcoming changes to the retiree medical benefits program.

AUI provides medical insurance benefits to retired employees and their dependents at the same level provided to active employees, subject to certain eligibility requirements based on, among other things, age and years of continuous service. Over the past several months, AUI and NRAO have been analyzing the financial impact of the cost of this benefit. It has become clear that the cost of the existing Retiree Health Plan has become financially unsustainable.

NRAO telescopes extend across two continents; these facilities and the science they produce have placed NRAO at the forefront of astronomy. As NRAO nears the end of two major construction projects, it is also entering a new era of fiscal constraint, and faces increasing budget pressure. As announced in the February 15th "FY 2013 Budget News" all-employee email, NRAO cannot rely completely on the traditional NSF funding to support NRAO operations in the future. Efforts have been underway to identify and seek alternate additional funding and to effectively manage costs. A major cost challenge facing NRAO, and the entire country, is to maintain strong health care coverage in an environment of continually increasing costs.

One particular area where actions must be taken to reduce future costs is in retiree medical coverage. The intent to redesign the Retiree Health Plan was first announced to NRAO employees in October 2011 during the Benefits Open Enrollment meetings. AUI and NRAO understand the importance of this benefit to our employees, but we have to note that very few private companies and none of our peer organizations offer benefits as generous as this. We are amending the existing plan, but will continue to cover all current retirees. We will also cover approximately half of current benefits-eligible employees. Changes include a modification to retiree medical eligibility requirements, initiation of premiums for Medicare eligible coverage starting on January 1, 2013 for new retirees, and the establishment of a new medical plan that allows non-eligible employees to save for future retiree medical costs. A Q&A document has been prepared to provide you with some insight into the plan changes and can be accessed here: <https://staff.nrao.edu/hr/RetireemedFAQ.pdf>

We realize employees will have many questions about the changes and how they impact their medical coverage and costs. NRAO HR will conduct employee meetings at each site in early April to discuss the changes in detail and answer your questions. Meeting locations, dates, and times will be announced.

We regret having to take these actions, but we must. As most of our peer organizations have already recognized, failure to take action will steadily erode the resources available to carry out our prime mission and keep NRAO at the forefront of research.

Sincerely,

A handwritten signature in black ink, appearing to read "Ethan J. Schreier".

Ethan J. Schreier

A handwritten signature in black ink, appearing to read "Fred K.Y. Lo".

Fred K.Y. Lo