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SENATE BILL 67

48TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2008

INTRODUCED BY

John Arthur Smith

FOR THE INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

AN ACT

RELATING TO RETIREE HEALTH CARE; CHANGING PROVISIONS REGARDING THE MEMBERSHIP AND DUTIES OF THE RETIREE HEALTH CARE BOARD; PROVIDING FOR ADDITIONAL DISTRIBUTIONS AND CONTRIBUTIONS TO THE RETIREE HEALTH CARE FUND; AMENDING PROVISIONS REGARDING RETIREE AND DEPENDENT PREMIUM AMOUNTS; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-1-6.56 NMSA 1978 (being Laws 2007, Chapter 168, Section 1) is amended to read:

"7-1-6.56. DISTRIBUTION--RETIREE HEALTH CARE FUND.--In addition to the distribution made pursuant to Section 7-1-6.30 NMSA 1978, [~~for the period~~] beginning July 1, 2007 [~~and ending June 30, 2010~~], a distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the retiree health care fund in the amount of two hundred fifty thousand dollars (\$250,000)."

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1 Section 2. Section 10-7C-1 NMSA 1978 (being Laws 1990,
2 Chapter 6, Section 1) is amended to read:

3 "10-7C-1. SHORT TITLE.--~~[Sections 1 through 16 of this~~
4 ~~act]~~ Chapter 10, Article 7C NMSA 1978 may be cited as the
5 "Retiree Health Care Act"."

6 Section 3. Section 10-7C-5 NMSA 1978 (being Laws 1990,
7 Chapter 6, Section 5, as amended by Laws 2002, Chapter 75,
8 Section 1 and by Laws 2002, Chapter 80, Section 1) is amended
9 to read:

10 "10-7C-5. AUTHORITY CREATED--DUTIES.--

11 A. There is created the "retiree health care
12 authority", which is established to provide for comprehensive
13 group health insurance programs under the Retiree Health Care
14 Act. The authority shall be administratively attached to the
15 public school insurance authority until December 31, 1993. The
16 director of the public school insurance authority shall be the
17 executive director of the retiree health care authority until
18 December 31, 1993. The board created by Section 10-7C-6 NMSA
19 1978 shall remain fully independent of the board of the public
20 school insurance authority.

21 B. The authority shall also administer the senior
22 prescription drug program in conjunction with or through the
23 consolidated purchasing process pursuant to the Health Care
24 Purchasing Act.

25 C. By December 15 of each year, the authority shall

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1 submit a report to the legislative finance committee and the
2 governor on the condition of the fund. The report shall
3 include at a minimum the following information:

- 4 (1) the fund balance;
- 5 (2) the amount of the unfunded accrued
6 actuarial liability;
- 7 (3) the annual required contribution;
- 8 (4) the current level of contributions from
9 participating employers; and
- 10 (5) the current premium structure."

11 Section 4. Section 10-7C-6 NMSA 1978 (being Laws 1990,
12 Chapter 6, Section 6, as amended) is amended to read:

13 "10-7C-6. BOARD CREATED--MEMBERSHIP--AUTHORITY.--

14 A. There is created the "board of the retiree
15 health care authority". The board shall be composed of not
16 more than [~~twelve~~] fourteen members.

17 B. The board shall include:

18 (1) one member who is not employed by or on
19 behalf of or contracting with an employer participating in or
20 eligible to participate in the Retiree Health Care Act and who
21 shall be appointed by the governor to serve at the pleasure of
22 the governor;

23 (2) the educational retirement director or the
24 educational retirement director's designee;

25 (3) one member to be selected by the [~~public~~

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1 ~~school superintendents' association of]~~ New Mexico coalition of
2 school administrators;

3 (4) one member who is a teacher who is
4 certified and teaching in elementary or secondary education to
5 be selected by a committee composed of one person designated by
6 the New Mexico association of classroom teachers, one person
7 designated by the national education association of New Mexico
8 and one person designated by the [~~New Mexico~~] American
9 federation of teachers-New Mexico;

10 (5) one member who is an eligible retiree of a
11 public school and who is selected by the New Mexico association
12 of [~~retired educators~~] educational retirees;

13 (6) the executive secretary of the public
14 employees retirement association or the executive secretary's
15 designee;

16 (7) one member who is an eligible retiree
17 receiving a benefit from the public employees retirement
18 association and who is selected by the retired public employees
19 of New Mexico;

20 (8) one member who is an elected official or
21 employee of a municipality participating in the Retiree Health
22 Care Act and who is selected by the New Mexico municipal
23 league;

24 (9) the state treasurer or the state
25 treasurer's designee; [~~and~~]

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1 (10) the secretary of finance and
2 administration or the secretary's designee;

3 (11) the chief financial officer of a public
4 post-secondary educational institution to be appointed by the
5 governor; and

6 [~~(10)~~] (12) one member who is a classified
7 state employee selected by the personnel board.

8 C. The board, in accordance with the provisions of
9 Paragraph (3) of Subsection D of Section 10-7C-9 NMSA 1978,
10 shall include, if they qualify:

11 (1) one member who is an eligible retiree of
12 an institution of higher education participating in the Retiree
13 Health Care Act and who is selected by the New Mexico
14 association of [~~retired educators~~] educational retirees; and

15 (2) one member who is an elected official or
16 employee of a county participating in the Retiree Health Care
17 Act and who is selected by the New Mexico association of
18 counties.

19 D. Every member of the board shall serve at the
20 pleasure of the party that selected that member.

21 E. The members of the board shall begin serving
22 their positions on the board on the effective date of the
23 Retiree Health Care Act or upon their selection, whichever
24 occurs last, unless that member's corresponding position on the
25 board has been eliminated pursuant to Subsection D of Section

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1 10-7C-9 NMSA 1978.

2 F. The board shall elect from its membership a
3 president, vice president and secretary.

4 G. The board may appoint such officers and advisory
5 committees as it deems necessary. The board may enter into
6 contracts or arrangements with consultants, professional
7 persons or firms as may be necessary to carry out the
8 provisions of the Retiree Health Care Act.

9 H. The members of the board and its advisory
10 committees shall receive per diem and mileage as provided in
11 the Per Diem and Mileage Act but shall receive no other
12 compensation, perquisite or allowance."

13 Section 5. Section 10-7C-8 NMSA 1978 (being Laws 1990,
14 Chapter 6, Section 8) is amended to read:

15 "10-7C-8. FUND CREATED--INVESTMENT--PREMIUMS--
16 APPROPRIATION.--

17 A. There is created the "retiree health care fund".
18 All money in the fund shall be invested as provided for in
19 Subsection [D] E of this section. All income earned from
20 investment of the fund shall be credited to the fund. Except
21 as otherwise specifically provided [~~herein~~] in the Retiree
22 Health Care Act, the money in the fund is appropriated to the
23 board to carry out the provisions of [~~the Retiree Health Care~~]
24 that act. Any funds remaining at the end of any fiscal year
25 shall not revert to the general fund.

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1 B. The board shall provide for the collection of
2 premiums from eligible retirees and eligible dependents, which
3 money when combined with other money appropriated to the fund
4 shall be sufficient to provide the required insurance coverage
5 and to pay the expenses of the authority. All premiums and
6 other money appropriated to the fund shall be credited to the
7 fund.

8 C. Money in the fund from the following sources
9 shall be used exclusively for prefunding of future liabilities:

10 (1) the additional contributions to the fund
11 pursuant to Subsection C of Section 10-7C-15 NMSA 1978; and

12 (2) beginning July 1, 2010, the distribution
13 to the fund pursuant to Section 7-1-6.56 NMSA 1978.

14 ~~[G.]~~ D. All premiums and other money collected by
15 the authority shall be received and disbursed directly by the
16 authority. Receipts and disbursements are subject to audit by
17 the state auditor.

18 ~~[D.]~~ E. The board shall determine which money in
19 the fund constitutes the long-term reserves of the authority.
20 The state investment officer shall invest the long-term
21 reserves of the authority in accordance with the provisions of
22 Sections 6-8-1 through 6-8-16 NMSA 1978. The state treasurer
23 shall invest the money in the fund that does not constitute the
24 long-term reserves of the fund in accordance with the
25 applicable provisions of Chapter 6, Article 10 NMSA 1978."

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1 Section 6. Section 10-7C-13 NMSA 1978 (being Laws 1990,
2 Chapter 6, Section 13, as amended) is amended to read:

3 "10-7C-13. PAYMENT OF PREMIUMS ON HEALTH CARE PLANS.--

4 A. Except as otherwise provided in this section,
5 each eligible retiree shall pay a monthly premium for the basic
6 plan in an amount set by the board not to exceed fifty dollars
7 (\$50.00) plus the amount, if any, of the compounded annual
8 increases authorized by the board, which increases shall not
9 exceed nine percent until fiscal year 2008 [~~after which the~~
10 ~~increases shall not exceed the authority's group health care~~
11 ~~trend~~]. Beginning in fiscal year 2009, the monthly premium
12 shall be set by the board in an amount based on the age of the
13 retiree that will result in the aggregate amount paid by all
14 retirees in the designated age category totaling not less than
15 the specified percentage of the total projected cost of the
16 basic plan for those retirees, as follows:

17	<u>retiree under age 50</u>	<u>one hundred percent</u>
18	<u>retiree aged 50 to 54</u>	<u>seventy-five percent</u>
19	<u>retiree aged 55 to 59</u>	<u>sixty percent</u>
20	<u>retiree aged 60 and over</u>	<u>fifty percent.</u>

21 B. In addition to the monthly premium for the basic
22 plan, each current retiree and nonsalaried eligible
23 participating entity governing authority member who becomes an
24 eligible retiree shall also pay monthly an additional
25 participation fee set by the board. That fee shall be five

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1 dollars (\$5.00) plus the amount, if any, of the compounded
2 annual increases authorized by the board, which increases shall
3 not exceed nine percent until fiscal year 2008, after which the
4 increases shall not exceed the authority's group health care
5 trend. The additional monthly participation fee paid by the
6 current retirees and nonsalaried eligible participating entity
7 governing authority members who become eligible retirees shall
8 be a consideration and a condition for being permitted to
9 participate in the Retiree Health Care Act.

10 C. A legislative member or a former participating
11 employer governing authority member shall pay a monthly premium
12 for any selected plan equal to one-twelfth of the annual cost
13 of the claims and administrative costs of that plan allocated
14 to the member by the board. In addition, a legislative member
15 or a former participating employer governing authority member
16 shall pay the additional monthly participation fee set by the
17 board pursuant to ~~[this]~~ Subsection B of this section as a
18 consideration and condition for participation in the Retiree
19 Health Care Act.

20 D. Eligible dependents shall pay monthly premiums
21 in amounts that with other money appropriated to the fund shall
22 cover the cost of the basic plan for the eligible dependents.
23 Beginning in fiscal year 2009, the monthly premium to be paid
24 by eligible dependents shall be set by the board in an amount
25 based on the age of the retiree that will result in the

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1 aggregate amount paid by all dependents in the designated age
2 category totaling not less than the specified percentage of the
3 total projected cost of the basic plan for those dependents, as
4 follows:

5 retiree under age 50 one hundred percent
6 retiree 50 and over seventy-five percent.

7 ~~[B.]~~ E. Eligible retirees and eligible dependents
8 shall pay monthly premiums to cover the cost of the optional
9 plans that they elect to receive, and the board shall adopt
10 rules for the collection of additional premiums from eligible
11 retirees and eligible dependents participating in the optional
12 plans. An eligible retiree or eligible dependent may authorize
13 the authority in writing to deduct the amount of these premiums
14 from the monthly annuity payments, if applicable.

15 ~~[C.]~~ F. The participating employers, active
16 employees and retirees are responsible for the financial
17 viability of the program. The overall financial viability is
18 not an additional financial obligation of the state.

19 ~~[D.]~~ G. For eligible retirees who become eligible
20 for participation on or after July 1, 2001, the board may
21 determine monthly premiums based on the retirees' years of
22 credited service with participating employers."

23 Section 7. Section 10-7C-15 NMSA 1978 (being Laws 1990,
24 Chapter 6, Section 15, as amended) is amended to read:

25 "10-7C-15. RETIREE HEALTH CARE FUND CONTRIBUTIONS.--

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1 A. Following completion of the preliminary
2 contribution period, each participating employer shall make
3 contributions to the fund in the amount of:

4 (1) one percent of each participating
5 employee's annual salary for the period July 1, 1990 through
6 June 30, 2002; ~~and~~

7 (2) up to one and three-tenths percent of each
8 participating employee's annual salary beginning July 1, 2002;
9 and

10 (3) beginning July 1, 2008, an additional
11 three-tenths percent of each participating employee's annual
12 salary to be used exclusively for prefunding of unfunded
13 liabilities for active employees.

14 Each employer that chooses to become a participating
15 employer after January 1, 1998 shall make contributions to the
16 fund in the amount determined to be appropriate by the board.

17 B. Following completion of the preliminary
18 contribution period, each participating employee, as a
19 condition of employment, shall contribute to the fund an
20 employee contribution in an amount equal to:

21 (1) one-half of one percent of the employee's
22 salary for the period July 1, 1990 through June 30, 2002; ~~and~~

23 (2) up to sixty-five hundredths of one percent
24 beginning July 1, 2002; and

25 (3) beginning July 1, 2008, an additional

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1 fifteen-hundredths percent of the employee's annual salary to
2 be used exclusively for prefunding of unfunded liabilities for
3 active employees.

4 As a condition of employment, each participating employee
5 of an employer that chooses to become a participating employer
6 after January 1, 1998 shall contribute to the fund an amount
7 that is determined to be appropriate by the board. Each month,
8 participating employers shall deduct the contribution from the
9 participating employee's salary and shall remit it to the board
10 as provided by any procedures that the board may require.

11 C. Beginning July 1, 2008, each participating
12 employer, other than the state or a school district, shall make
13 an additional contribution to the fund, in an amount determined
14 by the board, to be used exclusively for prefunding of future
15 liabilities. The aggregate amount of the additional
16 contribution pursuant to this subsection shall be one million
17 dollars (\$1,000,000) annually.

18 [~~C.~~] D. A participating employer that fails to
19 remit before the tenth day after the last day of the month all
20 employer and employee deposits required by the Retiree Health
21 Care Act to be remitted by the employer for the month shall pay
22 to the fund, in addition to the deposits, interest on the
23 unpaid amounts at the rate of six percent per year compounded
24 monthly.

25 [~~D.~~] E. The employer and employee contributions

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1 shall be paid in monthly installments based on the percent of
2 payroll certified by the employer.

3 ~~[F-]~~ F. Except in the case of erroneously made
4 contributions or as may be otherwise provided in Subsection D
5 of Section 10-7C-9 NMSA 1978, contributions from participating
6 employers and participating employees shall become the property
7 of the fund on receipt by the board and shall not be refunded
8 under any circumstances, including termination of employment or
9 termination of the participating employer's operation or
10 participation in the Retiree Health Care Act.

11 ~~[F-]~~ G. Notwithstanding any other provision in the
12 Retiree Health Care Act and at the first session of the
13 legislature following July 1, 2010, the legislature shall
14 review and adjust the distribution pursuant to Section 7-1-6.1
15 NMSA 1978 and the employer and employee contributions to the
16 authority in order to ensure the actuarial soundness of the
17 benefits provided under the Retiree Health Care Act."

18 Section 8. EFFECTIVE DATE.--The effective date of the
19 provisions of this act is July 1, 2008.