

<b>LFC Requester:</b>	<b>Simon, Joseph</b>
-----------------------	----------------------

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**AgencyAnalysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Check all that apply:  
**Original**    \_\_\_ **Amendment** **X** \_\_\_  
**Correction**    \_\_\_ **Substitute**    \_\_\_

**Date** 2/8/24  
**Bill No:** SB 128

**Agency Name and Code Number:** 343 – Retiree Health Care Authority

**Sponsor:** Senator Michael Padilla  
**Short Title:** State Fire Retirement

**Person Writing** Keith Witt  
**Phone:** 505-222-6416 **Email** [keith.witt@rhca.nm.gov](mailto:keith.witt@rhca.nm.gov)

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	0	0	0	\$250-\$350	Recurring	RHCA trust

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

SB 128 amends PERA Act Section 10-11-2 NMSA 1978 to create a State Fire Member and defines the term and changes the name of the “State Police Member, Correctional Officer member and Probation and Parole Officer Member Coverage Plan 1” to “State Public Safety Member Coverage Plan 1” and includes State Fire Members.

Age and service credit requirements for the new Plan remain the same as the prior plan as will the pension multiplier, employer and employee contribution rates. The bill removes reference to Juvenile Correctional Officers.

The credited service of a state fire member accrued after July 1, 2024, shall be increased by 20% and shall only apply to a member under plan 1 coverage who was retired on or before June 30, 2013.

**FISCAL IMPLICATIONS**

The increase in liabilities to NMRHCA associated with this change for State Fire Members who will become members under plan 1 coverage is substantial and multifaceted.

Per NMAC 2.81.11.8, “NMRHCA will contribute the following percentages of the subsidy to the monthly premiums according to the corresponding numbers of years of credited service with an NMRHCA-participating employer”.

<b>Enhanced Retirement Plan</b>		<b>Non-Enhanced Retirement Plan</b>	
Years of credited service	Percentage of subsidy	Years of credited service	Percentage of subsidy
5	6.25	5	4.76
6	12.50	6	9.52
7	18.75	7	14.29
8	25.00	8	19.05
9	31.25	9	23.81
10	37.50	10	28.57
11	43.75	11	33.33
12	50.00	12	38.10
13	56.25	13	42.86
14	62.50	14	47.62
15	68.75	15	52.38
16	75.00	16	57.14
17	81.25	17	61.90
18	87.50	18	66.67
19	93.75	19	71.43
20	100.00	20	76.19
		21	80.95
		22	85.71
		23	90.48
		24	95.24
		25	100.00

NMRHCA currently subsidizes the premiums of a non-Medicare retiree with the maximum years of service at a rate of 64% of the premium. As indicated in the above NMAC, for an Enhanced Retirement Plan member, the maximum years of service required to receive the 100% of the 64% subsidy is twenty years. For a Non-Enhanced Retirement Plan retiree, 25 years of service are required for the maximum 100% of the 64% subsidy and at 20 years of service the subsidy is 76.19% of the 64% subsidy equaling a 48.76% premium subsidy.

For Non-Enhanced Retirement Plan members, a minimum age of 55 is required to receive subsidies from the NMRHCA. Retirees may elect to enroll if under age 55, however, no subsidy

is provided. Enhanced Retirement Plan members do not have a minimum age requirement to receive a subsidy, the subsidy amount is directly related to the years of service at retirement.

The proposed changes in SB 128 will have a fiscal impact on NMRHCA as it excludes the State Fire members from deferring benefits from the program until the age of 55, resulting in an increase in liabilities to the program. NMRHCA will be required to subsidize premium at a minimum of five years earlier for Enhanced Retiree Plan members. NMRHCA will also be financially liable for the additional claims costs associated with the members vs if they had remained a Non-Enhanced Retirement Plan member subject to the additional 5 years of service and minimum age of 55 to receive a subsidy.

Based on a previous analysis completed in 2020 and not having demographic and career longevity information, we anticipate the overall impact to be between \$250,000 and \$350,000. This calculation reflects the assumption that Enhanced Retiree Plan members retire earlier on average.

An actuarial analysis would be required to determine the actuarial present value of the amount of the increase required to meet the Retiree Health Care Act.

### **SIGNIFICANT ISSUES**

SB 128 does not include an appropriation amount for the actuarial present value of the amount of the increase in overall health care benefits.

### **ADMINISTRATIVE IMPLICATIONS**

None

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None

### **TECHNICAL ISSUES**

None

### **OTHER SUBSTANTIVE ISSUES**

None

### **ALTERNATIVES**

None

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

State Fire Members continue benefits under their current coverage plans.

### **AMENDMENTS**