F I S C A L I M P A C T R E P O R T

SPONSOR:	Sandel	DATE TYPED:	02/04/00	HB	195
SHORT TITLE:	Amend Retiree Health Care Act			SB	
			ANALYST:	Carrillo	

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring	Fund
FY00	**FY01**	**FY00**	**FY01**	**or Non-Rec**	**Affected**
			*	Recurring	Retiree Health Care Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

***See Fiscal Impact**

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY00	FY01			
		*	Recurring	Retiree Health Care Fund

(Parenthesis ( ) Indicate Revenue Decreases)

***See Fiscal Impact**

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

Retiree Health Care Authority

LFC Files

SUMMARY

Synopsis of Bill

House Bill 195 proposes to amend Section 10-7C-13 NMSA 1978 (Retiree Health Care Act) to authorize premiums based on years of credited service. The bill includes an effective date of July 1, 2001.

Significant Issues

The Retiree Health Care Act provides health insurance benefits to eligible retirees and their eligible dependents. Prepayment contributions are made to the Retiree Health Care Fund (RHCF) by active employees and their employer. Employees are vested into the RHCF after five years. Currently, the Act does not provide a ratio for years of service and benefits received. In other words, an employee who works five years is entitled to the same benefits as an employee who has worked for 25 years. Career state employees subsidize those employees who serve as employees for an abbreviated period. In addition, the current active employees are subsidizing those employees who retired prior to 1991, the year the Retiree Health Care Act was enacted.

According to the Retiree Health Care Authority staff, enactment of this legislation would reward career state workers and function as a retention tool to encourage employees to continue employment with state government or another eligible employer.

FISCAL IMPLICATIONS

The Retiree Health Care Authority staff comments that being a pre-payment program, the RHCF is required to maintain a solvency period. The Retiree Health Care Authority board has elected to maintain a solvency period of 25 years. The current actuarial projections indicate the RHCF solvent until 2014 or 14 years, 11 years shy of its target 25 years. HB 195 will extend the solvency period of the RHCF by five years.

ADMINISTRATIVE IMPLICATIONS

Retiree Health Care Authority staff states that HB 195 will not have any administrative impact on the agency.

WJC/njw