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**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**BILL ANALYSIS**  
**55th Legislature, 2nd Session, 2022**

**Bill Number** SB112                      **Sponsor** Gonzales  
**Tracking Number** .221896.2              **Committee Referrals** SHPAC/SFC  
**Short Title** Retiree Health Care Fund Contributions  
**Analyst** Williams                              **Original Date** 1/28/2022  
**Last Updated** \_\_\_\_\_

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**BILL SUMMARY**

Synopsis of Bill

Senate Bill 112 (SB112) amends the Retiree Health Care Act (RHCA) to increase employer and employee contributions to the New Mexico Retiree Health Care Authority (NMRHCA) effective July 1, 2022.

Employer contributions would increase to 2.33 percent and employee contributions would increase to 1.17 percent of a participating employee’s salary for those who are not members of an enhanced retirement plan. For those who are members of an enhanced retirement plan, employer contributions would increase to 2.93 percent and employee contributions would increase to 1.47 percent of a participating employee’s salary.

SB112 amends the definition of “member of an enhanced retirement plan” to include probation and parole officers.

**FISCAL IMPACT**

SB112 does not contain an appropriation.

**NMRHCA Contributions**

	<b>Current Rates</b>	<b>Proposed Rates</b>
<b>Non-Enhanced Retirement Plan</b>		
Employer	2.00%	2.33%
Employee	1.00%	1.17%
<b>Enhanced Retirement Plan</b>		
Employer	2.50%	2.93%
Employee	1.25%	1.47%

SB112 would require employers and employees to increase their retirement contributions and would increase the amount RHCA receives beginning in FY23 and thereafter. According to the Public Education Department (PED) data, public school employers contributed \$43.26 million in FY21 while employees contributed \$21.6 million. With the increases of SB112, employer

contributions based on FY21's total would increase to \$50.4 million, an increase of \$7.1 million, and employee contributions would increase to \$25.3 million, an increase of \$3.7 million. A public school employee earning \$50 thousand per year contributes \$500 per year to the retiree healthcare fund, and under SB112, the employee would contribute an additional \$85 per year.

According to RHCA, the retiree authority collected \$96.5 million from employer contributions and \$48.3 million from employee contributions, totaling \$144.8 million. The authority estimates, with the proposed increases in contributions, it will collect \$24.6 million more in FY23 than in FY21.

## **SUBSTANTIVE ISSUES**

RHCA was established in 1990 to assist retired public employees in securing health, dental, vision, and life insurance for around 64 thousand retired public employees and their dependents—including public school educators. The healthcare fund subsidizes retiree health coverage while retirees pay health insurance premiums. However, the law makes clear the fund is not intended to create a trust relationship.

## **RELATED BILLS**

House Bill 74 (HB74) is identical to SB112.

## **SOURCES OF INFORMATION**

- LESC Files
- NM Retiree Health Care Authority (NMRHCA)

**EW/hfg/mb**