

SENATE BILL NO. 484—COMMITTEE ON LEGISLATIVE
OPERATIONS AND ELECTIONS

(ON BEHALF OF THE DEPARTMENT OF ADMINISTRATION)

MARCH 29, 2005

Referred to Committee on Finance

SUMMARY—Revises provisions governing programs providing health insurance coverage to public personnel. (BDR 23-1364)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to programs for public personnel; providing that any state or local governmental officers or employees who are hired after July 1, 2006, are not entitled to receive a subsidy for coverage under the Public Employees' Benefits Program upon retirement; providing requirements concerning the rates of coverage for certain retirees under the Public Employees' Benefits Program or under group insurance, a plan of benefits or medical or hospital coverage of a local government; requiring the Program to comply with certain provisions governing insurers if health insurance is provided through a plan of self-insurance; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 287.023 is hereby amended to read as follows:
2 287.023 1. Whenever an officer or employee of the
3 governing body of any county, school district, municipal
4 corporation, political subdivision, public corporation or other local
5 governmental agency of the State of Nevada retires under the



1 conditions set forth in NRS 1A.350 or 1A.480, or 286.510 or
2 286.620 and, at the time of his retirement, was covered or had his
3 dependents covered by any group insurance, plan of benefits or
4 medical and hospital service established pursuant to NRS 287.010,
5 287.015, 287.020 or paragraph (b), (c) or (d) of subsection 1 of NRS
6 287.025, the officer or employee has the option upon retirement to
7 cancel or continue any such coverage or join the Public Employees'
8 Benefits Program to the extent that such coverage is not provided to
9 him or a dependent by the Health Insurance for the Aged Act, 42
10 U.S.C. §§ 1395 et seq.

11 2. A retired person who joins the Public Employees' Benefits
12 Program upon retirement pursuant to subsection 1 or continues
13 coverage under the Public Employees' Benefits Program shall
14 assume the portion of the premium or contribution costs for the
15 coverage which the governing body or the State does not pay on
16 behalf of retired officers or employees. A dependent of such a
17 retired person has the option, which may be exercised to the same
18 extent and in the same manner as the retired person, to cancel or
19 continue coverage in effect on the date the retired person dies. The
20 dependent is not required to continue to receive retirement payments
21 from the Public Employees' Retirement System to continue
22 coverage.

23 3. Notice of the selection of the option must be given in writing
24 to the last public employer of the officer or employee within 60 days
25 after the date of retirement or death, as the case may be. If no notice
26 is given by that date, the retired officer or employee and his
27 dependents shall be deemed to have selected the option to cancel the
28 coverage for the group insurance, plan of benefits or medical and
29 hospital service established pursuant to NRS 287.010, 287.015,
30 287.020 or paragraph (b), (c) or (d) of subsection 1 of NRS 287.025
31 or not to join the Public Employees' Benefits Program, as the case
32 may be.

33 4. The governing body of any county, school district,
34 municipal corporation, political subdivision, public corporation or
35 other local governmental agency of this State:

36 (a) May pay the cost, or any part of the cost, of coverage
37 established pursuant to NRS 287.010, 287.015 or 287.020 or
38 paragraph (b), (c) or (d) of subsection 1 of NRS 287.025 for persons
39 who continue that coverage pursuant to subsection 1, but it must not
40 pay a greater portion than it does for its current officers and
41 employees.

42 (b) Shall pay the ~~{same}~~ following portion of the cost of
43 coverage under the Public Employees' Benefits Program for persons
44 who join the Program upon retirement pursuant to subsection 1 ~~{as~~
45 ~~the State pays pursuant to subsection 2 of NRS 287.046 for persons~~



~~retired from state service who have continued to participate in the Program.~~

~~5.] :~~

(1) For a person who retires before January 1, 1994, 100 percent of the base amount provided by law, for the purposes of subsection 2 of NRS 287.046, for the applicable fiscal year for the State's share of the cost of premiums or contributions for group insurance for persons who have retired with state service and who elect to participate in the Program.

(2) Except as otherwise provided in subparagraph (3), for a person who retires on or after January 1, 1994, and who was hired before July 1, 2006, and who has at least 5 years of service with the local government, 25 percent plus an additional 7.5 percent for each year of service with the local government in excess of 5 years to the maximum amount of 137.5 percent, excluding service purchased pursuant to NRS 1A.310 or 286.300, of the base amount provided by law, for the purposes of subsection 2 of NRS 287.046, for the applicable fiscal year for the State's share of the cost of premiums or contributions for group insurance for persons who have retired with state service and who elect to participate in the Program.

(3) For a person:

(I) Who retires on or after January 1, 1994;

(II) Who was initially hired before July 1, 2006;

(III) Whose employment with the local government ceased on or after July 1, 2006, and who was subsequently rehired by the local government; and

(IV) Who had at least 5 years of service with the local government when his employment ceased,

↳ 25 percent plus an additional 7.5 percent for each year of service with the local government in excess of 5 years to the maximum amount of 137.5 percent, excluding service purchased pursuant to NRS 1A.310 or 286.300 and any years of service with the local government that were earned after the person was rehired by the local government, of the base amount provided by law, for the purposes of subsection 2 of NRS 287.046, for the applicable fiscal year for the State's share of the cost of premiums or contributions for group insurance for persons who have retired with state service and who elect to participate in the Program.

5. Any person who is initially hired by a county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of this State on or after July 1, 2006, is not entitled upon retirement to any payment pursuant to paragraph (b) of subsection 4 toward the cost of the



premiums or contributions of the person for the Public Employees' Benefits Program upon retirement.

6. The governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of this State shall, for the purpose of establishing actuarial data to determine rates and coverage for persons who continue coverage for group insurance, a plan of benefits or medical and hospital service with the governing body pursuant to subsection 1, commingle the claims experience of those persons with the claims experience of active officers and employees and their dependents who participate in the group insurance, a plan of benefits or medical and hospital service.

7. *The governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of this State shall ensure that the rates for coverage established for persons who continue coverage for group insurance, a plan of benefits or medical and hospital service with the governing body pursuant to subsection 1 and for whom their primary health insurance coverage is provided by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., are less than the rates for persons for whom primary health insurance coverage is provided under the group insurance, plan of benefits or medical and hospital service by an amount which approximates the difference between the average percentage of a claim that is paid by the governing body for persons for whom primary health insurance coverage is provided and the average percentage of a claim that is paid by the governing body for persons for whom secondary health insurance coverage is provided.*

Sec. 2. NRS 287.043 is hereby amended to read as follows:

287.043 1. The Board shall:

(a) Establish and carry out a program to be known as the Public Employees' Benefits Program which:

(1) Must include a program relating to group life, accident or health insurance, or any combination of these; and

(2) May include a program to reduce taxable compensation or other forms of compensation other than deferred compensation, for the benefit of all state officers and employees and other persons who participate in the Program.

(b) Ensure that the Program is funded on an actuarially sound basis and operated in accordance with sound insurance and business practices.

2. In establishing and carrying out the Program, the Board shall:

(a) For the purpose of establishing actuarial data to determine rates and coverage for active and retired state officers and



1 employees and their dependents, commingle the claims experience
2 of such active and retired officers and employees and their
3 dependents.

4 (b) Except as otherwise provided in this paragraph, negotiate
5 and contract pursuant to paragraph (a) of subsection 1 of NRS
6 287.025 with the governing body of any county, school district,
7 municipal corporation, political subdivision, public corporation or
8 other local governmental agency of the State of Nevada that wishes
9 to obtain group insurance for its active and retired officers and
10 employees and their dependents by participation in the Program.
11 The Board shall establish separate rates and coverage for active and
12 retired officers and employees of those local governmental agencies
13 and their dependents based on actuarial reports that commingle the
14 claims experience of such active and retired officers and employees
15 and their dependents.

16 (c) Except as otherwise provided in paragraph (d), provide
17 public notice in writing of any proposed changes in rates or
18 coverage to each participating public agency that may be affected by
19 the changes. Notice must be provided at least 30 days before the
20 effective date of the changes.

21 (d) If a proposed change is a change in the premium or
22 contribution charged for, or coverage of, health insurance, provide
23 written notice of the proposed change to all participants in the
24 Program. The notice must be provided at least 30 days before the
25 date on which a participant in the Program is required to select or
26 change his policy of health insurance.

27 (e) Purchase policies of life, accident or health insurance, or any
28 combination of these, or, if applicable, a program to reduce the
29 amount of taxable compensation pursuant to 26 U.S.C. § 125, from
30 any company qualified to do business in this State or provide similar
31 coverage through a plan of self-insurance established pursuant to
32 NRS 287.0433 for the benefit of all eligible participants in the
33 Program.

34 (f) Except as otherwise provided in this title, develop and
35 establish other employee benefits as necessary.

36 (g) Investigate and approve or disapprove any contract proposed
37 pursuant to NRS 287.0479.

38 (h) Adopt such regulations and perform such other duties as are
39 necessary to carry out the provisions of NRS 287.0402 to 287.049,
40 inclusive, including, without limitation, the establishment of:

41 (1) Fees for applications for participation in the Program and
42 for the late payment of premiums or contributions;

43 (2) Conditions for entry and reentry into the Program by
44 local governmental agencies that wish to enter or reenter the
45 Program pursuant to paragraph (a) of subsection 1 of NRS 287.025;



(3) Procedures by which a group of participants in the Program may leave the Program pursuant to NRS 287.0479 and conditions and procedures for reentry into the Program by those participants; and

(4) Specific procedures for the determination of contested claims.

(i) Appoint an independent certified public accountant. The accountant shall:

(1) Provide an annual audit of the Program; and

(2) Report to the Board and the Interim Retirement and Benefits Committee of the Legislature created pursuant to NRS 218.5373.

(j) Appoint an attorney who specializes in employee benefits. The attorney shall:

(1) Perform a biennial review of the Program to determine whether the Program complies with federal and state laws relating to taxes and employee benefits; and

(2) Report to the Board and the Interim Retirement and Benefits Committee of the Legislature created pursuant to NRS 218.5373.

3. *The Board shall ensure that the rates for coverage established for participants in the Program for whom their primary health insurance coverage is provided by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., are less than the rates for persons for whom primary health insurance coverage is provided under the Program by an amount which approximates the difference between the average percentage of a claim that is paid by the Program for persons for whom primary health insurance coverage is provided and the average percentage of a claim that is paid by the Program for persons for whom secondary health insurance coverage is provided.*

4. The Board shall submit an annual report regarding the administration and operation of the Program to the Director of the Legislative Counsel Bureau not more than 6 months before the Board establishes rates and coverage for participants for the following plan year. The report must include, without limitation:

(a) The amount paid by the Program in the preceding plan year for the claims of active and retired participants in the Program; and

(b) The amount paid by the Program in the preceding plan year for the claims of retired participants in the Program who were provided coverage for medical or hospital service, or both, by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., or a plan that provides similar coverage.

~~[4-]~~ 5. The Board may use any services provided to state agencies and shall use the services of the Purchasing Division of the



1 Department of Administration to establish and carry out the
2 Program.

3 ~~{5.}~~ 6. The Board may make recommendations to the
4 Legislature concerning legislation that it deems necessary and
5 appropriate regarding the Program.

6 ~~{6.}~~ 7. A participating public agency is not liable for any
7 obligation of the Program other than indemnification of the Board
8 and its employees against liability relating to the administration of
9 the Program, subject to the limitations specified in NRS 41.0349.

10 ~~{7.}~~ 8. As used in this section, "employee benefits" includes
11 any form of compensation provided to a public employee except
12 federal benefits, wages earned, legal holidays, deferred
13 compensation and benefits available pursuant to chapter 286 of
14 NRS.

15 **Sec. 3.** NRS 287.04335 is hereby amended to read as follows:

16 287.04335 If the Board provides health insurance through a
17 plan of self-insurance, it shall comply with the provisions of *title 57*
18 *of* NRS ~~{689B.255, 695G.150, 695G.160, 695G.164, 695G.170,~~
19 ~~695G.173, 695G.200 to 695G.230, inclusive, and 695G.241 to~~
20 ~~695G.310, inclusive.}~~ *, except the provisions of chapter 680B of*
21 *NRS*, in the same manner as an insurer that is licensed pursuant to
22 title 57 of NRS is required to comply with those provisions.

23 **Sec. 4.** NRS 287.046 is hereby amended to read as follows:

24 287.046 1. Except as otherwise provided in subsection ~~{6.}~~ 7,
25 any active state officer or employee who elects to participate in the
26 Program may participate, and the participating state agency that
27 employs the officer or employee shall pay the State's share of the
28 cost of the premiums or contributions for the Program from money
29 appropriated or authorized as provided in NRS 287.044. State
30 officers and employees who elect to participate in the Program must
31 authorize deductions from their compensation for the payment of
32 premiums or contributions for the Program. Any deduction from the
33 compensation of a state officer or employee for the payment of a
34 premium or contribution for health insurance must be based on the
35 actual amount of the premium or contribution after deducting any
36 amount of the premium or contribution which is paid by the
37 participating state agency that employs the employee.

38 2. The Department of Personnel shall pay ~~{a percentage}~~ *the*
39 *following percentages* of the base amount provided by law for that
40 fiscal year toward the cost of the premiums or contributions for the
41 Program for persons who have retired with state service and who
42 elect to participate in the Program : ~~{. Except as otherwise provided~~
43 ~~in subsection 3, the percentage to be paid must be calculated as~~
44 ~~follows:}~~



(a) For ~~[those persons who retire]~~ *a person who retires* before January 1, 1994, 100 percent of the base amount provided by law for that fiscal year.

(b) ~~[For those persons who retire]~~ *Except as otherwise provided in paragraph (c), for a person who retires on or after January 1, 1994, [with] and who was hired before July 1, 2006, and who has at least 5 years of state service, 25 percent plus an additional 7.5 percent for each year of state service in excess of 5 years to a maximum of 137.5 percent, excluding service purchased pursuant to NRS 1A.310 or 286.300, of the base amount provided by law for that fiscal year.*

(c) *For a person:*

(1) *Who retires on or after January 1, 1994;*

(2) *Who was initially hired on or before July 1, 2006;*

(3) *Whose employment with the State ceased on or after July 1, 2006, and who was subsequently rehired by the State; and*

(4) *Who had at least 5 years of service with the State when his employment ceased,*

↳ 25 percent plus an additional 7.5 percent for each year of state service in excess of 5 years to the maximum amount of 137.5 percent of the base amount provided by law for that fiscal year, excluding service purchased pursuant to NRS 1A.310 or 286.300 and any years of state service that were earned after the person was rehired by the State.

3. *Any person who is initially hired by the State on or after July 1, 2006, is not entitled upon retirement to any payment pursuant to subsection 2 toward the cost of the premiums or contributions of the person for the Program upon retirement.*

4. If the amount calculated pursuant to subsection 2 exceeds the actual premium or contribution for the plan of the Program that the retired participant selects, the balance must be credited to the Fund for the Public Employees' Benefits Program created pursuant to NRS 287.0435.

~~[4.]~~ 5. For the purposes of subsection 2:

(a) Credit for service must be calculated in the manner provided by chapter 286 of NRS.

(b) No proration may be made for a partial year of state service.

~~[5.]~~ 6. The Department shall agree through the Board with the insurer for billing of remaining premiums or contributions for the retired participant and his dependents to the retired participant and to his dependents who elect to continue coverage under the Program after his death.

~~[6.]~~ 7. A Senator or Assemblyman who elects to participate in the Program shall pay the entire premium or contribution for his insurance.



1 **Sec. 5.** This act becomes effective on July 1, 2006.



