

ASSEMBLY BILL NO. 132—ASSEMBLYMAN MABEY

FEBRUARY 20, 2007

Referred to Concurrent Committees on
Government Affairs and Ways and Means

SUMMARY—Revises provisions governing programs providing health insurance coverage to public personnel. (BDR 23-830)

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; eliminating the entitlement of any state or local governmental officers or employees who are hired on or after July 1, 2008, to receive a subsidy for coverage under the Public Employees' Benefits Program upon retirement; revising the calculation of such a subsidy for certain persons hired before July 1, 2008, who have a break in service after that date; providing requirements concerning the rates of coverage for certain retirees under the Program or a health insurance plan 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.

Legislative Counsel's Digest:

1 Under existing law, a state officer or employee may continue to participate in
2 the Public Employees' Benefits Program upon retirement. (NRS 287.047) In
3 addition, an officer or employee of a local government who was covered at the time
4 of his retirement by a health insurance plan of the local government, including
5 under the Program, may elect upon retirement to join or continue participation in
6 the Program, as applicable. (NRS 287.023) If a state or local governmental retiree
7 elects to join or continue participation in the Program upon retirement, the
8 governing body of the local government or the Department of Personnel, as



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applicable, is required to pay a percentage of the cost of the officer's or employee's premiums or contributions for participation in the Program. (NRS 287.023, 287.046) **Sections 1 and 4** of this bill eliminate entitlement to such a subsidy upon retirement for persons hired initially by the State or a local government on or after July 1, 2008. **Sections 1 and 4** also exclude from the calculation of the subsidy for a person who is hired initially before July 1, 2008, has at least 5 years of service and has a break in service on or after July 1, 2008, any service earned after such a break in service.

Sections 1 and 2 of this bill require, respectively, that the governing body of a local government and the Board of the Public Employees' Benefits Program ensure that the rates for coverage for persons who are participants in the health insurance plan of the local government or the Program but whose primary health insurance coverage is provided by the Health Insurance for the Aged Act (Medicare) are less than the rates for other participants in the local governmental plan or the Program in a ratio that approximates the difference between what the governing body or the Board, as applicable, pays as a percentage, on average, for claims by persons for whom primary health insurance coverage is provided by the local governmental plan or the Program and persons for whom secondary health insurance coverage is provided by the local governmental plan or the Program. (NRS 287.023, 287.043)

Under existing law, if the Board of the Public Employees' Benefits Program provides health insurance through a plan of self-insurance, the Board is required to comply with certain statutory provisions in the same manner as an insurer licensed in this State. (NRS 287.04335) **Section 3** of this bill expands the provisions with which the Board is required to comply if the Board provides health insurance through such a plan to all provisions with which a licensed insurer is required to comply except certain provisions relating to the payment of fees and taxes.

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

Section 1. NRS 287.023 is hereby amended to read as follows:

287.023 1. Whenever an officer or employee of the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State of Nevada retires under the conditions set forth in NRS 1A.350 or 1A.480, or 286.510 or 286.620 and, at the time of his retirement, was covered or had his dependents covered by any group insurance, plan of benefits or medical and hospital service established pursuant to NRS 287.010, 287.015, 287.020 or paragraph (b), (c) or (d) of subsection 1 of NRS 287.025, the officer or employee has the option upon retirement to cancel or continue any such coverage or join the Public Employees' Benefits Program to the extent that such coverage is not provided to him or a dependent by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq.

2. A retired person who joins the Public Employees' Benefits Program upon retirement pursuant to subsection 1 or continues coverage under the Public Employees' Benefits Program shall assume the portion of the premium or contribution costs for the



1 coverage which the governing body or the State does not pay on
2 behalf of retired officers or employees. A dependent of such a
3 retired person has the option, which may be exercised to the same
4 extent and in the same manner as the retired person, to cancel or
5 continue coverage in effect on the date the retired person dies. The
6 dependent is not required to continue to receive retirement payments
7 from the Public Employees' Retirement System to continue
8 coverage.

9 3. Notice of the selection of the option must be given in writing
10 to the last public employer of the officer or employee within 60 days
11 after the date of retirement or death, as the case may be. If no notice
12 is given by that date, the retired officer or employee and his
13 dependents shall be deemed to have selected the option to cancel the
14 coverage for the group insurance, plan of benefits or medical and
15 hospital service established pursuant to NRS 287.010, 287.015,
16 287.020 or paragraph (b), (c) or (d) of subsection 1 of NRS 287.025
17 or not to join the Public Employees' Benefits Program, as the case
18 may be.

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

22 (a) May pay the cost, or any part of the cost, of coverage
23 established pursuant to NRS 287.010, 287.015 or 287.020 or
24 paragraph (b), (c) or (d) of subsection 1 of NRS 287.025 for persons
25 who continue that coverage pursuant to subsection 1, but it must not
26 pay a greater portion than it does for its current officers and
27 employees.

28 (b) Shall pay the ~~same~~ *following* portion of the cost of
29 coverage under the Public Employees' Benefits Program for persons
30 who join the Program upon retirement pursuant to subsection 1 ~~as~~
31 ~~the State pays pursuant to subsection 2 of NRS 287.046 for persons~~
32 ~~retired from state service who have continued to participate in the~~
33 ~~Program.~~

34 ~~—5.1:~~

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

41 *(2) Except as otherwise provided in subparagraph (3), for a*
42 *person who retires on or after January 1, 1994, and who was hired*
43 *before July 1, 2008, and who has at least 5 years of service with*
44 *the local government, 25 percent plus an additional 7.5 percent for*
45 *each year of service with the local government in excess of 5 years*



1 *to the maximum amount of 137.5 percent, excluding service*
2 *purchased pursuant to NRS 1A.310 or 286.300, of the base*
3 *amount provided by law, for the purposes of subsection 2 of NRS*
4 *287.046, for the applicable fiscal year for the State's share of the*
5 *cost of premiums or contributions for group insurance for persons*
6 *who have retired with state service and who elect to participate in*
7 *the Program.*

8 (3) *For a person:*

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

10 (II) *Who was initially hired before July 1, 2008;*

11 (III) *Whose employment with the local government*
12 *ceased on or after July 1, 2008, and who was subsequently rehired*
13 *by the local government; and*

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

16 *↳ 25 percent plus an additional 7.5 percent for each year of*
17 *service with the local government in excess of 5 years to the*
18 *maximum amount of 137.5 percent, excluding service purchased*
19 *pursuant to NRS 1A.310 or 286.300 and any years of service with*
20 *the local government that were earned after the person was*
21 *rehired by the local government, of the base amount provided by*
22 *law, for the purposes of subsection 2 of NRS 287.046, for the*
23 *applicable fiscal year for the State's share of the cost of premiums*
24 *or contributions for group insurance for persons who have retired*
25 *with state service and who elect to participate in the Program.*

26 5. *Any person who is initially hired by a county, school*
27 *district, municipal corporation, political subdivision, public*
28 *corporation or other local governmental agency of this State on or*
29 *after July 1, 2008, is not entitled to any payment pursuant to*
30 *paragraph (b) of subsection 4 toward the cost of the premiums or*
31 *contributions of the person for the Public Employees' Benefits*
32 *Program upon retirement.*

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

43 7. *The governing body of any county, school district,*
44 *municipal corporation, political subdivision, public corporation or*
45 *other local governmental agency of this State shall ensure that the*



1 *rates for coverage established for persons who continue coverage*
2 *for group insurance, a plan of benefits or medical and hospital*
3 *service with the governing body pursuant to subsection 1 and for*
4 *whom their primary health insurance coverage is provided by the*
5 *Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., are*
6 *less than the rates for persons for whom primary health insurance*
7 *coverage is provided under the group insurance, plan of benefits*
8 *or medical and hospital service by an amount which approximates*
9 *the difference between:*

10 (a) *The average percentage of a claim that is paid by the*
11 *governing body for persons for whom primary health insurance*
12 *coverage is provided; and*

13 (b) *The average percentage of a claim that is paid by the*
14 *governing body for persons for whom secondary health insurance*
15 *coverage is provided.*

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

17 287.043 1. The Board shall:

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

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

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

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

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

31 (a) For the purpose of establishing actuarial data to determine
32 rates and coverage for active and retired state officers and
33 employees and their dependents, commingle the claims experience
34 of such active and retired officers and employees and their
35 dependents.

36 (b) Except as otherwise provided in this paragraph, negotiate
37 and contract pursuant to paragraph (a) of subsection 1 of NRS
38 287.025 with the governing body of any county, school district,
39 municipal corporation, political subdivision, public corporation or
40 other local governmental agency of the State of Nevada that wishes
41 to obtain group insurance for its active and retired officers and
42 employees and their dependents by participation in the Program.
43 The Board shall establish separate rates and coverage for active and
44 retired officers and employees of those local governmental agencies
45 and their dependents based on actuarial reports that commingle the



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1 claims experience of such active and retired officers and employees
2 and their dependents.

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

8 (d) If a proposed change is a change in the premium or
9 contribution charged for, or coverage of, health insurance, provide
10 written notice of the proposed change to all participants in the
11 Program. The notice must be provided at least 30 days before the
12 date on which a participant in the Program is required to select or
13 change his policy of health insurance.

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

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

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

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

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

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

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

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

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

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

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



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(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:*

(a) *The average percentage of a claim that is paid by the Program for persons for whom primary health insurance coverage is provided; and*

(b) *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 Department of Administration to establish and carry out the Program.

~~[5.]~~ 6. The Board may make recommendations to the Legislature concerning legislation that it deems necessary and appropriate regarding the Program.

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



~~[7-]~~ 8. As used in this section, "employee benefits" includes any form of compensation provided to a public employee except federal benefits, wages earned, legal holidays, deferred compensation and benefits available pursuant to chapter 286 of NRS.

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

287.04335 If the Board provides health insurance through a plan of self-insurance, it shall comply with the provisions of *title 57 of NRS* ~~[689B.255, 695G.150, 695G.160, 695G.164, 695G.170, 695G.173, 695G.200 to 695G.230, inclusive, 695G.241 to 695G.310, inclusive, and 695G.405,]~~ *, except the provisions of chapter 680B of NRS,* in the same manner as an insurer that is licensed pursuant to title 57 of NRS is required to comply with those provisions.

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

287.046 1. Except as otherwise provided in subsection ~~[6-]~~ 7, any active state officer or employee who elects to participate in the Program may participate, and the participating state agency that employs the officer or employee shall pay the State's share of the cost of the premiums or contributions for the Program from money appropriated or authorized as provided in NRS 287.044. State officers and employees who elect to participate in the Program must authorize deductions from their compensation for the payment of premiums or contributions for the Program. Any deduction from the compensation of a state officer or employee for the payment of a premium or contribution for health insurance must be based on the actual amount of the premium or contribution after deducting any amount of the premium or contribution which is paid by the participating state agency that employs the employee.

2. The Department of Personnel shall pay ~~[a percentage]~~ *the following percentages* of the base amount provided by law for that fiscal year toward the cost of the premiums or contributions for the Program for persons who have retired with state service and who elect to participate in the Program : ~~[. Except as otherwise provided in subsection 3, the percentage to be paid must be calculated as 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, 2008, 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



1 NRS 1A.310 or 286.300, of the base amount provided by law for
2 that fiscal year.

3 *(c) For a person:*

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

5 *(2) Who was initially hired on or before July 1, 2008;*

6 *(3) Whose employment with the State ceased on or after*
7 *July 1, 2008, and who was subsequently rehired by the State; and*

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

10 *↳ 25 percent plus an additional 7.5 percent for each year of state*
11 *service in excess of 5 years to the maximum amount of 137.5*
12 *percent of the base amount provided by law for that fiscal year,*
13 *excluding service purchased pursuant to NRS 1A.310 or 286.300*
14 *and any years of state service that were earned after the person*
15 *was rehired by the State.*

16 3. *Any person who is initially hired by the State on or after*
17 *July 1, 2008, is not entitled to any payment pursuant to subsection*
18 *2 toward the cost of the premiums or contributions of the person*
19 *for the Program upon retirement.*

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

25 ~~[4-]~~ 5. For the purposes of subsection 2:

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

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

29 ~~[5-]~~ 6. The Department shall agree through the Board with the
30 insurer for billing of remaining premiums or contributions for the
31 retired participant and his dependents to the retired participant and
32 to his dependents who elect to continue coverage under the Program
33 after his death.

34 ~~[6-]~~ 7. A Senator or Assemblyman who elects to participate in
35 the Program shall pay the entire premium or contribution for his
36 insurance.

37 **Sec. 5.** This act becomes effective on July 1, 2008.

