

SENATE BILL NO. 513—COMMITTEE ON FINANCE**MAY 31, 2015**

Referred to Committee on Finance

SUMMARY—Makes various changes relating to the subsidies paid to the Public Employees' Benefits Program for insurance for certain active and retired public officers and employees. (BDR 23-1276)

FISCAL NOTE: Effect on Local Government: May have Fiscal Impact.
Effect on the State: Executive Budget.

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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; revising provisions relating to the subsidy paid for benefits for certain state employees who return to work for the State after a break in service; establishing for the 2015-2017 biennium the subsidies to be paid to the Public Employees' Benefits Program for insurance for certain active and retired public officers and employees; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Until 2011, existing law provided for a subsidy to be paid on behalf of retirees
2 who continued to participate in the Public Employees' Benefits Program. Existing
3 law creates the State Retirees' Health and Welfare Benefits Fund which was
4 created to set aside financial assets designated to offset the amount paid for such
5 benefits. (NRS 287.0436, 287.04364) In 2011, the Legislature amended provisions
6 of existing law to exclude employees of the State who were initially hired on or
7 after January 1, 2012, from receiving a subsidy. In addition, an employee of the
8 State initially hired on or after July 1, 2010, but before July 1, 2012, was made
9 ineligible from receiving a subsidy to participate in the Public Employees' Benefits
10 Program if the employee had not participated in the Program on a continuous basis
11 since retirement from such employment, or had less than 15 years of service and
12 continuous participation in the Program, except in certain limited circumstances.
13 (Chapters 453 and 503, Statutes of Nevada 2011) An employee initially hired
14 before July 1, 2010, however, continues to receive the subsidy so long as the
15 employee is continuously employed. (NRS 287.046) By regulation, the Board of
16 the Public Employees' Benefits Program has defined the term "initial date of hire"
17 to mean the first date on which a person who is eligible to participate in the
18 Program earns service credit during the person's last period of continuous



employment with a public employer. (NAC 287.059) The term “continuous employment” is defined by regulation as employment that is not interrupted by a break of 1 year or more. (NAC 287.021) Therefore, a person who worked as an employee of the State for many years before January 1, 2012, who has a break in service of longer than 1 year and then returns to work in state government will lose any subsidy that would have otherwise been paid, on behalf of the person when he or she retires, had the person not returned to state government employment. **Section 1** of this bill provides an exemption from this provision for former employees of the State so that if such a former employee returns to work for the same or another participating state agency after a break in service of more than 1 year, the employee does not risk losing the subsidy that would otherwise be paid towards his or her health benefits upon retirement. The exemption does not apply, however, if the employee withdrew from or was not eligible to participate in the Public Employees’ Retirement System before the break in service, and the exemption does not provide for a subsidy to be paid for any person employed on or after January 1, 2012. **Section 2** of this bill establishes the amount of the State’s share of the costs of premiums or contributions for group insurance for active state officers and employees who participate in the Public Employees’ Benefits Program. **Section 3** of this bill establishes the base amount for the share of the costs of premiums or contributions for group insurance under the Program that is required to be paid by the State and local governments for retired public officers and employees. **Section 3** also establishes the share of the cost of qualified medical expenses for individual Medicare insurance plans through the Program that is required to be paid by the State and local governments for retired public officers and employees.

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

Section 1. NRS 287.046 is hereby amended to read as follows:
287.046 1. The Department of Administration shall establish an assessment that is to be used to pay for a portion of the cost of premiums or contributions for the Program for persons who were initially hired before January 1, 2012, and have retired with state service.
2. The money assessed pursuant to subsection 1 must be deposited into the Retirees’ Fund and must be based upon a base amount approved by the Legislature each session to pay for a portion of the current and future health and welfare benefits for persons who retired before January 1, 1994, or for persons who retire on or after January 1, 1994, as adjusted by subsection 5.
3. Except as otherwise provided in subsections 7 and ~~8~~ 9, the portion to be paid to the Program from the Retirees’ Fund on behalf of such persons must be equal to a portion of the cost for each retiree and the retiree’s dependents who are enrolled in the plan, as defined for each year of the plan by the Program.
4. Except as otherwise provided in subsection 6, the portion of the amount approved by the Legislature as described in subsection 2 to be paid to the Program from the Retirees’ Fund for persons who



1 retired before January 1, 1994, with state service is the base funding
2 level defined for each year of the plan by the Program.

3 5. Except as otherwise provided in subsection 6, adjustments to
4 the portion of the amount approved by the Legislature as described
5 in subsection 2 to be paid by the Retirees' Fund for persons who
6 retire on or after January 1, 1994, with state service must be as
7 follows:

8 (a) For each year of service less than 15 years, excluding service
9 purchased pursuant to NRS 1A.310 or 286.300, the portion paid by
10 the Retirees' Fund must be reduced by an amount equal to 7.5
11 percent of the base funding level defined by the Legislature. In no
12 event may the adjustment exceed 75 percent of the base funding
13 level defined by the Legislature.

14 (b) For each year of service greater than 15 years, excluding
15 service purchased pursuant to NRS 1A.310 or 286.300, the portion
16 paid by the Retirees' Fund must be increased by an amount equal to
17 7.5 percent of the base funding level defined by the Legislature. In
18 no event may the adjustment exceed 37.5 percent of the base
19 funding level defined by the Legislature.

20 6. The portion to be paid to the Program from the Retirees'
21 Fund on behalf of a retired person whose coverage is provided
22 through the Program by an individual medical plan offered pursuant
23 to the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq.,
24 must be:

25 (a) For persons who retired before January 1, 1994, the base
26 funding level defined by the Legislature multiplied by 15.

27 (b) For persons who retired on or after January 1, 1994, the base
28 funding level defined by the Legislature multiplied by the number of
29 years of service of the person, excluding service purchased pursuant
30 to NRS 1A.310 or 286.300, up to a maximum of 20 years of service.

31 ➤ The Board may approve the payment of an additional amount to
32 retired persons described in this subsection that is in excess of the
33 amount paid pursuant to paragraph (a) or (b), or both, for those
34 persons from any money that is available for that purpose.

35 7. ~~No~~ Except as otherwise provided in subsection 8, no
36 money may be paid by the Retirees' Fund on behalf of a retired
37 person who is initially hired by the State:

38 (a) On or after January 1, 2010, but before January 1, 2012, and
39 who:

40 (1) Has not participated in the Program on a continuous basis
41 since retirement from such employment; or

42 (2) Does not have at least 15 years of service, which must
43 include state service and may include local governmental service,
44 unless the retired person does not have at least 15 years of service as
45 a result of a disability for which disability benefits are received



under the Public Employees' Retirement System or a retirement program for professional employees offered by or through the Nevada System of Higher Education, and has participated in the Program on a continuous basis since retirement from such employment.

(b) On or after January 1, 2012. The provisions of this paragraph must not be construed to prohibit a retired person who was hired on or after January 1, 2012, from participating in the Program until the retired person is eligible for coverage under an individual medical plan offered pursuant to the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq. The retired person shall pay the entire premium or contribution for his or her participation in the Program.

8. The provisions of subsection 7 do not apply to a person who was employed by the State on or before January 1, 2012, who has a break in service and returns to work for the State at the same or another participating state agency after that date, regardless of the length of the break in service, so long as the person did not withdraw from and was eligible to participate in the Public Employees' Retirement System before or during the break in service.

9. If the amount calculated pursuant to subsection 5 or 6 exceeds the actual premium or contribution for the plan of the Program that the retired participant selects, the balance must be credited to the Program Fund.

~~9.1~~ 10. For the purposes of this section:

(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 service.

~~10.1~~ 11. The Department shall agree through the Board with the insurer for billing of remaining premiums or contributions for the retired participant and the retired participant's dependents to the retired participant and to the retired participant's dependents who elect to continue coverage under the Program after the retired participant's death.

Sec. 2. 1. For the purposes of NRS 287.044 and 287.0445, the State's share of the cost of premiums or contributions for group insurance for each active state officer or employee who elects to participate in the Public Employees' Benefits Program is:

(a) For the Fiscal Year 2015-2016, \$701.73 per month.

(b) For the Fiscal Year 2016-2017, \$699.25 per month.

2. If the amount of the State's share pursuant to this section exceeds the actual premium or contribution for the plan of the Public Employees' Benefits Program that the state officer or employee selects less any amount paid by the state officer or employee toward the premium or contribution, the balance must be



credited to the Fund for the Public Employees' Benefits Program created by NRS 287.0435, which may be used to pay a portion of the premiums or contributions for persons who are eligible to participate in the Public Employees' Benefits Program through such a state officer or employee.

Sec. 3. 1. Except as otherwise provided in subsection 2, for the purposes of NRS 287.023 and 287.046, the base amount for the share of the cost of premiums or contributions for group insurance for each person who has retired with state service and continues to participate in the Public Employees' Benefits Program to be paid by the State or a local government, as applicable, is:

(a) For the Fiscal Year 2015-2016, \$425.57 per month.

(b) For the Fiscal Year 2016-2017, \$451.15 per month.

2. For the purposes of NRS 287.023 and 287.046, the share of the cost of qualified medical expenses for each person who has retired with state service and whose coverage is provided through the Public Employees' Benefits Program by an individual medical plan offered pursuant to the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., for Fiscal Year 2015-2016 and Fiscal Year 2016-2017 to be paid by the State or a local government, as applicable, is:

(a) For those persons who retired before January 1, 1994:

(1) For the Fiscal Year 2015-2016, \$165 per month.

(2) For the Fiscal Year 2016-2017, \$180 per month.

(b) For those persons who retired on or after January 1, 1994:

(1) For the Fiscal Year 2015-2016, \$11 per month per year of service, up to 20 years, excluding service purchased pursuant to NRS 1A.310 or 286.300, up to a maximum of \$220 per month.

(2) For the Fiscal Year 2016-2017, \$12 per month per year of service, up to 20 years, excluding service purchased pursuant to NRS 1A.310 or 286.300, up to a maximum of \$240 per month.

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

Sec. 4. The provisions of section 1 of this act apply to an employee who is reemployed by the State before, on or after July 1, 2015.

Sec. 5. This act becomes effective on July 1, 2015.

