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

		ORIGINAL DATE	01/22/15		
SPONSOR	Salazar, T.E./Roch	**LAST UPDATED**		**HB**	58
SHORT TITLE	Retiree Health Care Contribution Rates			**SB**	
				ANALYST	Hanika-Ortiz

REVENUE (dollars in thousands)

	Estimated Revenue			**Recurring or Nonrecurring**	**Fund Affected**
	FY18	**FY19**	**FY20**		
From teachers and other public employee contribution increases	$5,000.0	$10,000.0	$15,000.0	Recurring	RHCA Fund
From schools and other public employer contribution increases	$10,000.0	$20,000.0	$30,000.0	Recurring	RHCA Fund
Total	**$15,000.0**	**$30,000.0**	**$45,000.0**	Recurring	RHCA Fund

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY18	**FY19**	**FY20**	**Recurring or Nonrecurring**	**Funds Affected**
$3,560.0	$7,120.0	$10,680.0	Recurring	GF (schools)
$280.0	$560.0	$840.0	Recurring	GF (universities)
$1,400.0	$2,800.0	$4,200.0	Recurring	GF (state agencies)
$270.0	$540.0	$810.0	Recurring	Road Fund (NMDOT)
$2,500.0	$5,000.0	$7,500.0	Recurring	Local Governments

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Retiree Health Care Authority (NMRHCA)
New Mexico Department of Transportation (NMDOT)
New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

House Bill 58 amends the Retiree Health Care Act by increasing employee and employer contributions paid to the Retiree Health Care Authority (RHCA) Fund. The employee contribution rate increases from 1 percent to 1.375 percent of salary over 3 years, starting FY18. The employer contribution increases from 2 percent to 2.75 percent over this same time period.

For employees part of an enhanced retirement plan, the employer's contribution rate would increase from 2.5 percent of each public safety employee's salary to 3.438 percent by FY20.

FISCAL IMPLICATIONS

As reflected in the tables on page 1, the contribution increases in this bill from schools, state agencies and local government employers would result in an additional $30 million by FY20. The additional General Fund impact is $5.2 million for FY18, $10.5 million for FY19, and $15.7 million for FY20 and future years with the remainder coming from federal and other state funds.

The contribution increases from teachers and other public employees would result in an additional $15 million by FY20. Presently, a public employee earning $40 thousand pays $15.39 and the employer $30.77 for a total of $46.16 per pay period. Under the bill, the same employee will pay $21.15 and employer $42.31 for a total of $63.46. Overall, net take home pay will be reduced $1.92 per pay period in the first year, $3.84 the second year, and $5.76 in the third year.

SIGNIFICANT ISSUES

As of the most recent valuation dated June 30, 2014, the RHCA's unfunded actuarial accrued liability (UAAL) totaled $3.4 billion, a decrease of $324 million from 2012; the ratio of assets to liabilities totaled 10 percent, up from 6 percent; and the annual required contribution totaled $293 million, down from $354 million. An updated actuarial valuation will be performed at the end of FY16. The program has $430 million in invested assets and a positive trust fund balance until 2035 at which time expenditures will begin to exceed projected revenues by $300 million. The program reports that HB 58 will ensure the financial viability of the program through 2040.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates Senate Bill 35

OTHER SUBSTANTIVE ISSUES

NMRHCA serves almost 60,000 retirees, spouses and their eligible dependents with one-third participating in a non-Medicare eligible plan. In addition, 100,000 teachers and other state and local public employees from public schools, universities, state agencies and local governments continue to make payroll contributions for an expected health insurance benefit when they retire.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMRHCA may need to reconsider eligibility, reduce subsidies further or migrate to a DC plan.

AHO/jle