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HOUSE JOINT MEMORIAL 1

53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017

INTRODUCED BY

Tomás E. Salazar

A JOINT MEMORIAL

RECOGNIZING THE IMPORTANCE OF AFFORDABLE HEALTH INSURANCE FOR
RETIRED PUBLIC EMPLOYEES AND EDUCATORS; REQUESTING LEGISLATION
TO IMPROVE AND ENSURE THE LONG-TERM FINANCIAL VIABILITY OF THE
RETIREE HEALTH CARE AUTHORITY.

WHEREAS, in enacting the Retiree Health Care Act, the
state committed to providing comprehensive core group health
insurance for persons who have retired from certain public
service in New Mexico; and

WHEREAS, that act created the retiree health care
authority and its governing board to fulfill that commitment;
and

WHEREAS, the authority provides health care coverage to
more than sixty thousand retired public employees and educators
and their eligible family members; and

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1 WHEREAS, more than one hundred thousand active employees
2 make contributions to the authority with the expectation of a
3 reasonable benefit upon retirement; and

4 WHEREAS, more than ten percent of New Mexico's adult
5 population is or will soon be covered by the authority; and

6 WHEREAS, the authority's program serves as an important
7 tool in the effective recruitment and retention of qualified
8 public employees; and

9 WHEREAS, the program has faced financial solvency issues
10 as recently as 2007, when actuaries predicted a complete
11 depletion of the program trust fund by 2014; and

12 WHEREAS, in 2009, the legislature and the authority's
13 board jointly implemented changes, which consisted of increases
14 in retiree-paid premium costs and in employee and employer
15 contributions, to extend the life of the trust fund to 2026;
16 and

17 WHEREAS, in 2012, the authority's board adopted a
18 five-year strategic plan to further improve the program's
19 solvency; and

20 WHEREAS, the plan called for the following changes:

21 A. increase pre-medicare cost sharing by raising
22 deductibles and copayments;

23 B. decrease the subsidy, or percentage of premiums
24 paid on behalf of, pre-medicare retirees;

25 C. decrease the subsidy for pre-medicare spouses of

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1 retirees;

2 D. eliminate the subsidy for retirees with multiple
3 dependent children;

4 E. beginning in 2020, implement a minimum
5 retirement age of fifty-five for new, non-public safety
6 retirees to receive a subsidy;

7 F. beginning in 2020, increase from twenty to
8 twenty-five the years of service required for new, non-public
9 safety retirees to receive the maximum subsidy;

10 G. eliminate the six-thousand-dollar (\$6,000) basic
11 life insurance benefit for members retiring on or after January
12 1, 2012; and

13 H. increase the amount eligible members pay toward
14 prescription drugs; and

15 WHEREAS, those changes resulted in a projected extension
16 in the life of the trust fund to 2036 and in deposits of more
17 than two hundred one million dollars (\$201,000,000) into the
18 fund; and

19 WHEREAS, governmental accounting standards board rules
20 have required the authority since 2006 to biannually report its
21 actuarially accrued unfunded liability; and

22 WHEREAS, in 2006, that liability was four billion one
23 hundred million dollars (\$4,100,000,000); and

24 WHEREAS, measures taken by the authority and the
25 legislature have reduced the trust fund's actuarially accrued

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1 unfunded liability by three hundred million dollars
2 (\$300,000,000) to three billion eight hundred million dollars
3 (\$3,800,000,000) as of June 30, 2016; and

4 WHEREAS, beginning in fiscal year 2018, governmental
5 accounting standards board rules will require full
6 acknowledgment of actuarially accrued unfunded liability on
7 each participating entity's balance sheet; and

8 WHEREAS, for the past four regular legislative sessions,
9 legislators from both political parties have introduced
10 legislation to improve the program's long-term viability by
11 increasing the contributions required of active employees and
12 their employers; and

13 WHEREAS, none of that legislation has been enacted; and

14 WHEREAS, Senate Bill 7 of the 2016 fifty-second
15 legislature, second special session, as enacted, reduces
16 projected future revenue to the authority by three hundred
17 fifty million dollars (\$350,000,000) over the life of the trust
18 fund; and

19 WHEREAS, that reduction will decrease the program's
20 projected solvency by between three and four years;

21 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
22 STATE OF NEW MEXICO that it be requested to pass legislation
23 that would, by adjusting employee and employer contributions,
24 improve the long-term financial viability of the retiree health
25 care authority, increase the program's funding ratio and ensure

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that the program's benefits continue for future participants.