



# NMRHCA

Quarterly Online Newsletter  
January 2020

## NMRHCA's Minimum Age, Years of Service Rule Changes Go Into Effect on Jan. 1, 2021

**REMINDER:** In November 2018, the New Mexico Retiree Health Care Authority (NMRHCA) Board of Directors adopted a Rule Change effective Jan. 1, 2021 establishing a minimum age requirement of 55 and increasing the number of years required to receive the maximum subsidy provided by the agency. Please note this rule change does not apply to folks who retire from an enhanced retirement plan, i.e., firefighters, police officers or correctional officers.

Therefore, to receive a subsidy (NMRHCA's contribution toward your monthly health care premiums) from the program before the age of 55, your effective retirement date must be Dec. 1, 2020, and you must start receiving your pension. Retirements after Dec. 31, 2020 (effective Jan. 1, 2021 or later) will be subject to the rule change.

**UPDATE:** Back in December, NMRHCA had sought and received endorsement from the interim Investments and Pensions Oversight Committee (IPOC) regarding the proposed legislation to stabilize the financial structure of the program for current and future retirees. As many of you are aware, NMRHCA faces significant long-term financial challenges due to rising health care costs. In a world of limited resources, these challenges are not easily solved but can be managed, as demonstrated by continued improvements to the program over the past decade.

The NMRHCA program in 2007 was projected to become insolvent by 2014. As a result, the Legislature passed, and the Governor enacted, House Bill 728 that established a work group to study how to preserve benefits for current and future retirees. This work group consisted of agency heads from the Department of Finance and Admin-

istration, Legislative Council Service, Legislative Finance Committee, members of the NMRHCA Board of Directors, senior policy advisers to the Governor and a consulting actuary. As stated in the report, "this significant and unforeseen decline in the period in which the system would become insolvent became the catalyst for action by the Board, the Governor and the Legislature."<sup>(1)</sup>

Subsequently, during the 2009 legislative session, the Retiree Health Care Act was amended to increase employee and employer contributions to the program to support the pre-funding of future benefits. In addition, each year since this time, the Board of Directors has taken aggressive action to manage rising health care costs by reducing and eliminating certain subsidies, increasing members' cost share (copays, coinsurance and deductibles), increasing members' monthly premiums, and through its procurement activities.

Combined, these actions have boosted our trust fund balances from \$122 million in 2007 to over \$780 million at the end of 2019, extended the solvency of the program from 2014 to 2044 and reduced the long-term liabilities of the program from \$4.3 billion to just under \$4 billion currently. As previously mentioned, however, the long-term viability of the program remains uncertain as medical trends continue to outpace growth in the available resources used to support the program today.

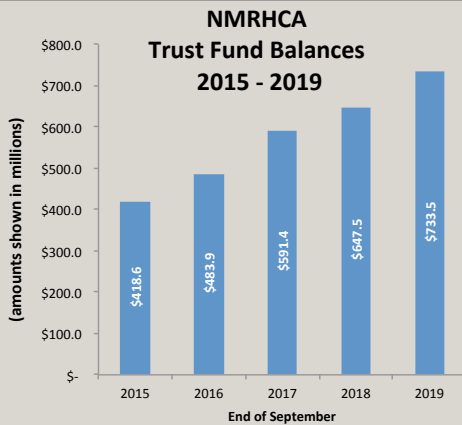
As such, House Bill 45 – Changes to the Retiree Health Care Fund (sponsored by Representatives Tomás Salazar and Raymundo Lara) was pre-filed on Dec. 18, 2019.

**(see Rule Changes on page 2)**

<sup>(1)</sup> [https://www.nmlegis.gov/Publications/studies\\_research\\_reports/Retiree%20Health%20Care%20Authority%20HB%20728%20Work%20Group%20\(2007%20interim\).pdf](https://www.nmlegis.gov/Publications/studies_research_reports/Retiree%20Health%20Care%20Authority%20HB%20728%20Work%20Group%20(2007%20interim).pdf)

*The New Mexico Retiree Health Care Authority fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families.*

## Investments



## NMRHCA's Legislation Effect on Active Employees

If House Bill 45 — NMRHCA's bill pre-filed for the 2020 New Mexico Legislative Session — is passed, here is what it means for active employees.

A passage of the measure would increase mandatory employee contributions to NMRHCA by 0.17% (and employer contributions by 0.33%).

As a result, an employee making \$40,000 per year with a PERA or ERB entity participating with NMRHCA would see a \$2.62 reduction in their biweekly paychecks.

The additional money to NMRHCA would make the program 50% funded in less than 30 years, up from the current 18.9% today.

That would help ensure that you and future retirees have access to our plans for the duration of your retirement.

### Important Links:

New Mexico Retiree Health Care Authority:  
[www.nmrhca.org](http://www.nmrhca.org)

New Mexico Educational Retirement Board:  
[www.nmerb.org](http://www.nmerb.org)

Public Employees Retirement Association:  
[www.nmpera.org](http://www.nmpera.org)

## Rule Changes, Legislative Proposal Part of Immediate NMRHCA Future

(from page 1)

In addition to increasing employee and employer contributions from 3% to 3.5% (a 0.5% increase) beginning FY21, HB45 also proposes a \$12.4 million general fund appropriation, or a small fraction of the amount taken from the program during the 2016 special legislative session.

Passage of HB45 is critical to long-term

sustainability of the program, absent significant reductions to the value of the benefits provided to current and future retirees. Examples of reductions may include: raising the minimum retirement age closer to the age of Medicare eligibility, reducing or eliminating subsidies for spouses and domestic partners and/or limiting access to care by narrowing the network of providers made available through the health plans.

## Here Are Your Health Insurance Options If You Choose To Retire Under Age 55 in 2021 or Later

1. You can purchase unsubsidized health insurance coverage through NMRHCA, and a subsidy will automatically be applied on the month of your 55th birthday. Currently, NMRHCA subsidizes up to 64 percent of a retiree's non-Medicare eligible premium for medical coverage each month. For example, if the total cost of providing coverage for a retiree is \$900 per month, NMRHCA contributes \$576 and the retiree pays \$324. After Jan. 1, 2021, if you retire before the age of 55, you would pay 100% (\$900 per month) until the month of your 55th birthday. This change does not apply to current participants or to individuals retiring from an enhanced retirement plan.

2. Purchase a plan through the open market or the health care exchange. For more information, visit [bewellnm.com](http://bewellnm.com). If you get on a plan through the open market or the exchange, you can enroll with NMRHCA within 31 days of your 55th birthday. If you miss this qualifying event period, you must wait until the next open enrollment period (scheduled for the month of January in every odd year, i.e., 2021, 2023, 2025, etc.).

3. Upon retirement, if you return to work for a private or government employ-

er that offers health insurance benefits, you are required to enroll in the coverage offered. You can purchase coverage through NMRHCA, but it will still be unsubsidized until the month of your 55th birthday and NMRHCA will become a secondary payer of benefits.

4. Join your spouse's/domestic partner's insurance plan through their employer.

5. Stay at your current NMRHCA-participating ERB/PERA job until age 55 to receive the subsidy you've earned based on years of service.

Remember — the years of service to receive the maximum subsidy NMRHCA offers will increase in 2021 from 20 to 25 years. Active employees are eligible to participate with NMRHCA upon retirement after five years of service and will earn a larger subsidy with each additional year.

Currently, employees with five years of service earn 6.25% of the maximum subsidy available. Each additional year of service adds a 6.25% increase in subsidy toward the maximum, up to 20 years. For those retiring in 2021 or later, five years of service earn approximately 4.76% of the maximum subsidy, and each additional year adds 4.76%, up to 25 years of service.