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### **Background Information:**

The New Mexico Retiree Health Care Authority (“NMRHCA”) subsidizes health insurance coverage for certain individuals who retired after working for eligible public employers (“Retirees”) and their dependents. Eligible public employers include all state agencies, all public school districts and charter schools, some higher education institutions, and some local government entities like cities and counties. To receive a subsidy from NMRHCA, an individual normally must receive a pension through either the Public Employee Retirement Association (“PERA”) or the Educational Retirement Board (“ERB”) and meet participation requirements. The amount of credible years of service attributable to a Retiree determines the amount of subsidy an individual receives from NMRHCA.

On November 9, 2018, the NMRHCA Board of Directors revised the New Mexico Administrative Code (“NMAC”) to ensure future financial solvency. This revision changed the years of service requirement to receive the maximum subsidy and established a minimum age requirement for an individual to receive a subsidy.

This document provides an overview of the rule but is not a comprehensive review of all possible occurrences and does not supersede any NMAC provision or NMRHCA policy.

If you have any questions, please contact NMRHCA at 1-800-233-2576.

### **Applicability:**

Generally, Retirees become eligible to participate in NMRHCA on the first day of the month following their separation from employment with a PERA or ERB affiliated employer. This is typically the first month an individual qualifies to receive a pension.

This revision affects Retirees who become eligible to participate in NMRHCA **on or after August 1, 2021**. Retirees who become eligible to participate in NMRHCA **on or before July 31, 2021** are “grandfathered” under the previous rule and are **NOT** affected by these changes. Additionally, members of an “**enhanced retirement plan**” as defined in NMSA 1978, Section 10-7C-15 are also grandfathered under the previous rule and are not affected by these changes, regardless of when they received their first pension payment.

### Years of Service Revisions Explained:

The amount of subsidy NMRHCA provides is related to the number of years a Retiree worked for a participating public employer and whether an individual is eligible for Medicare, up to a defined maximum subsidy. The maximum subsidy for pre-Medicare plans (for individuals who are younger than age 65 and are not disabled) is 64% of the benefit cost. The maximum subsidy for Medicare plans (for individuals who are over age 65 or are disabled) is 50% of the plan cost.

Individuals who become eligible to participate in NMRHCA **on or before July 31, 2021** must have at least **20 years** of service to qualify for the maximum subsidy. Individuals in this category with between 5 and 20 years of service may qualify to receive a lower subsidy.

Individuals who become eligible to participate in NMRHCA **on or after August 1, 2021** must have at least **25 years** of service to qualify for the maximum subsidy. Individuals in this category with between 5 and 25 years of service may qualify to receive a lower subsidy.

Members of an **“enhanced retirement plan”** as defined in NMSA 1978, Section 10-7C-15 who become eligible to participate in NMRHCA **on or after August 1, 2021** may receive a full subsidy with at least **20 years** of service. Individuals in this category with between 5 and 20 years of service may qualify to receive a lower subsidy.

### Minimum Age Requirement Revision Explained:

Currently, NMRHCA provides subsidies to eligible Retirees who receive a pension from PERA or ERB regardless of age. The 2018 NMAC revision changes this by creating a minimum age requirement for new Retirees to receive a subsidy based on when that Retiree received their first pension payment.

Retirees who become eligible to participate in NMRHCA **on or before July 31, 2021** can receive subsidies from NMRHCA regardless of age.

Retirees who become eligible to participate in NMRHCA **on or after August 1, 2021** cannot receive subsidies until they are age 55. Members who retire before age 55 will still have access to health insurance through NMRHCA but will not receive a subsidy until the month the retiree turns 55.

Members of an **“enhanced retirement plan”** as defined in NMSA 1978, Section 10-7C-15 who become eligible to participate in NMRHCA **on or after August 1, 2021** may receive a subsidy before they reach age 55.

### Summary:

If you who become eligible to participate in NMRHCA **on or before July 31, 2021** or you **ARE** a member of an **“enhanced retirement plan”**, the 2018 NMAC revisions do not apply to you. If you who become eligible to participate in NMRHCA **on or after August 1, 2021** and **ARE NOT** a member of an **“enhanced retirement plan”**, the 2018 NMAC revisions do apply to you.

**Example 1:** Following 25 years of service, a 43 year old state employee submits her retirement paperwork on June 1, 2021 and separates effective June 15, 2021. This person receives her first pension payment from PERA in July 2021. This person is not a member of an “enhanced retirement plan”.

**Result:** This person can receive the maximum subsidy from NMRHCA. This person can also receive an immediate subsidy.

**Explanation:** Because this person became eligible to participate in NMRHCA **on or before July 31, 2021**, she is grandfathered under the previous rule. The new time in service rules and minimum age requirement do not apply to her and she can receive a full subsidy before age 55.

**Example 2:** Following 20 years of service, a 60 year old state employee submits his retirement paperwork on June 15, 2021 and separates effective July 15, 2021. This person receives his first pension payment in August 2021. This person is not a member of an “enhanced retirement plan”.

**Result:** This person cannot receive the maximum subsidy from NMRHCA. This person can receive an immediate subsidy.

**Explanation:** Because the person became eligible to participate in NMRHCA **on or after August 1, 2021**, the new time in service and age rules apply. He can receive an immediate subsidy because he is over age 55 but must have at least 25 years of service to receive the maximum subsidy.

**Example 3:** Following 26 years of service, a 47 year old state employee submits her retirement paperwork on July 1, 2021 and separates effective July 31, 2021. This person receives her first pension payment in August 2021. This person is not a member of an “enhanced retirement plan”.

**Result:** This person is eligible based on years of service to receive the maximum subsidy from NMRHCA but cannot receive that subsidy immediately.

**Explanation:** Because this person became eligible to participate in NMRHCA **on or after August 1, 2021**, the new time in service and age rules apply. She can purchase health insurance coverage through NMRHCA but will not receive a subsidy until the month she turns 55. However, the month she turns 55, she can receive the maximum subsidy because she has over 25 years of service.

**Example 4:** Following 40 years of service, a 60 year old state employee submits his retirement paperwork on June 23, 2021 and separates effective July 9, 2021. This person receives his first pension payment in August 2021. This person is not a member of an “enhanced retirement plan”.

**Result:** This person can receive the maximum subsidy from NMRHCA and will receive that subsidy immediately.

**Explanation:** Because this person became eligible to participate in NMRHCA **on or after August 1, 2021**, the new time in service and age rules apply. He will receive a subsidy immediately because he is over age 55 and will receive the maximum subsidy because he has over 25 years of service.

### **Frequently Asked Questions:**

**Question:** *Why were the rules changed to increase the years-of-service and establish a minimum age requirement?*

**Answer:** Other Post-Employment Benefits, like those offered through NMRHCA are under significant financial strain from long-term liabilities. Because of these financial issues, other states have significantly altered the benefits offered to their retirees or eliminated the benefit altogether. NMRHCA wants to preserve the benefits it offers to current Retirees and ensure that future Retirees have access to the program.

**Question:** *What if I submit my retirement paperwork on July 15, 2021 and work through July 23, 2021? Will I be grandfathered under the old rules?*

**Answer:** No. You are eligible to participate in the plan on the first day of the month following your separation from employment. In this example, you are eligible to participate in the plan on August 1, 2021 which is after July 31, 2021.

**Question:** *What if I submit my retirement paperwork on June 15, 2021 and work through June 25, 2021? Will I be grandfathered under the old rules?*

**Answer:** Yes. You are eligible to participate in the plan on the first day of the month following your separation from employment. In this example, you are eligible to begin participating on July 1, 2021 which is before July 31, 2021.

**Question:** *Is the NMRHCA Board of Directors considering dropping the new rule scheduled to become effective July 31, 2021?*

**Answer:** No. The 2018 NMAC revision is important to ensure the long-term financial health of the NMRHCA program and ensure that NMRHCA can continue delivering benefits to Retirees.

**Question:** *Is the NMRHCA Board of Directors considering further delaying the implementation of the rule changes?*

**Answer:** No. The Board of Directors already delayed the implementation of the 2018 NMAC revision from January 1, 2021 to July 31, 2021.

**Question:** *Who is considered a member of an “enhanced retirement plan”?*

**Answer:** “Enhanced retirement plans” are typically tied to a person’s job and employer. They are defined by New Mexico law as:

- (1) A member of the Public Employees Retirement Association, who pursuant to the Public Employees Retirement Act [Chapter 10, Article 11 NMSA 1978], is included in:
  - (a) State police member and adult correctional officer member coverage plan 1;
  - (b) Municipal police member coverage plan 3, 4 or 5;
  - (c) Municipal fire member coverage plan 3, 4 or 5; or
  - (d) Municipal detention officer member coverage plan 1; or
- (2) A member pursuant to the provisions of the Judicial Retirement Act [Chapter 10, Article 12B NMSA 1978].

Members of “enhanced retirement plans” are required to contribute 25% more than individuals who are not members of “enhanced retirement plans” during their employment.

**Question:** *What if I have other questions?*

**Answer:** If you have any questions, please contact NMRHCA at 1-800-233-2576.