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WORK SESSION

Assembly Committee on Government Affairs

PREPARED BY
RESEARCH DIVISION
LEGISLATIVE COUNSEL BUREAU
Nonpartisan Staff of the Nevada State Legislature

ASSEMBLY BILL 388

Authorizes creation of health and welfare benefit trust for employees of local government employers. (BDR 23-762)

Sponsored by: Assemblywoman Koivisto
Date Heard: March 27, 2003

Assembly Bill 388 allows a local government and an employee organization recognized under Chapter 288 (collective bargaining) to create a trust fund for the purpose of providing health and welfare benefits for the active and retired employees (and their dependents) of the participating governments.

Amendments: Representatives of the Nevada State Education Association (NSEA) proposed an amendment to Section 2 to broaden the reference from employee organization to "entity" and proposed to delete Section 9 (offering reinstatement) and Section 10 (including justices and judges).

A mock-up of the proposed amendments is attached.

Opposition: Woody Thorne, Executive Director of Public Employees' Benefits Program, was neutral as to the bill but opposed the deletion of Section 9.

Fiscal Impact: Local Government: No
State Government: No

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3/31/2003

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ASSEMBLY GOVERNMENT AFFAIRS *L1-9*
DATE: *4/1/03* ROOM: *3143* EXHIBIT *L*
SUBMITTED BY: *Susan Scholley*

MOCK-UP

PROPOSED AMENDMENT TO
ASSEMBLY BILL NO. 388

PREPARED FOR ASSEMBLY GOVERNMENT AFFAIRS
MARCH 31, 2003

PREPARED BY THE RESEARCH DIVISION

NOTE: THIS DOCUMENT SHOWS PROPOSED AMENDMENTS IN CONCEPTUAL FORM. THE LANGUAGE AND ITS PLACEMENT IN THE OFFICIAL AMENDMENT MAY DIFFER.

EXPLANATION: Matter in (1) *blue bold italics* is new language in the original bill; (2) *green bold italic underlining* is new language proposed in this amendment; (3) ~~red strikethrough~~ is deleted language in the original bill; (4) ~~green bold double strikethrough~~ is language proposed to be deleted in this amendment and (5) ~~green bold dashed underlining~~ is deleted language in the original bill that is proposed to be retained in this amendment.

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

- 1 **Section 1.** NRS 286.615 is hereby amended to read as follows:
2 286.615 1. In addition to the options provided in NRS 287.023 and
3 subject to the requirements of that section, any officer or employee of the
4 governing body of any county, school district, municipal corporation,
5 political subdivision, public corporation or other public agency of the State
6 of Nevada ~~††~~ who retires under the conditions set forth in NRS 286.510
7 and, at the time of his retirement, was covered or had his dependents
8 covered by any group insurance , *plan of benefits* or medical and hospital
9 service established pursuant to NRS 287.010 ~~{and 287.020,}~~ , *287.020 or*
10 *section 2 of this act*, has the option of having the Executive Officer deduct
11 and pay his premium or contribution for that ~~{group insurance or medical~~
12 ~~and hospital service}~~ coverage, as well as the amount due or to become due
13 upon any obligation designated by the Board pursuant to subsection 2,
14 from his monthly retirement allowance until:
15 (a) He notifies the Executive Officer to discontinue the deduction; or
16 (b) Any of his dependents elect to assume the premium or contribution
17 applicable to the dependent's coverage before the death of such a retired
18 person and continue coverage pursuant to NRS 287.023 after his death.

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PROPOSED AMENDMENT TO AB388

1 2. The Board may adopt regulations to carry out the provisions of
2 subsection 1, including, but not limited to, regulations governing the
3 number and types of obligations, amounts for the payment of which may
4 be deducted and paid by the Board at the option of the officer or employee
5 pursuant to this section.

6 3. The Executive Officer, Board and System are not liable for any
7 damages resulting from errors or omissions concerning the deductions and
8 payment of premiums or contributions authorized pursuant to this section
9 unless willful neglect or gross negligence is proven.

10 **Sec. 2.** Chapter 287 of NRS is hereby amended by adding thereto a
11 new section to read as follows:

12 1. *A local government employer and any employee organization that*
13 *is recognized by the employer pursuant to chapter 288 of NRS may, by*
14 *written agreement between themselves or with other local government*
15 *employers and employee organizations, establish a trust fund to provide*
16 *health and welfare benefits to active and retired employees of the*
17 *participating employers and the dependents of those employees.*

18 2. *All contributions made to a trust fund established pursuant to*
19 *this section must be held in trust and used:*

20 (a) *To provide, from principal or income, or both, for the benefit of*
21 *the participating employees and their dependents, medical, hospital,*
22 *dental, vision, death, disability or accident benefits, and any other benefit*
23 *appropriate for an ~~employee organization~~ entity that qualifies as a*
24 *voluntary employees' beneficiary association under Section 501(c)(9) of*
25 *the Internal Revenue Code of 1986, 26 U.S.C. § 501(c)(9), as amended;*
26 *and*

27 (b) *To pay any reasonable administrative expenses incident to the*
28 *provision of these benefits and the administration of the trust.*

29 3. *The basis on which contributions are to be made to the trust must*
30 *be specified in a collective bargaining agreement between each*
31 *participating local government employer and employee organization or*
32 *in a written participation agreement between the employer and employee*
33 *organization, jointly, and the trust.*

34 4. *The trust must be administered by a board of trustees on which*
35 *participating local government employers and employee organizations*
36 *are equally represented. The agreement that establishes the trust must:*

37 (a) *Set forth the powers and duties of the board of trustees, which*
38 *must not be inconsistent with the provisions of this section;*

39 (b) *Establish a procedure for resolving expeditiously any deadlock*
40 *that arises among the members of the board of trustees; and*

41 (c) *Provide for an audit of the trust, at least annually, the results of*
42 *which must be reported to each participating employer and employee*
43 *organization.*

44 5. *As used in this section:*

Amendment
proposed by
NSEA.

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1 (a) "Employee organization" has the meaning ascribed to it in NRS
2 288.040.

3 (b) "Local government employer" has the meaning ascribed to it in
4 NRS 288.060.

5 **Sec. 3.** NRS 287.021 is hereby amended to read as follows:

6 287.021 1. Except as otherwise provided in subsection 3, the
7 surviving spouse and any surviving child of a police officer or fireman
8 who was:

9 (a) Employed by a public agency that had established group insurance,
10 a *plan of benefits* or medical and hospital service pursuant to NRS
11 287.010, 287.020 or 287.025 ~~††~~ or section 2 of this act; and

12 (b) Killed in the line of duty,
13 may elect to accept or continue coverage under that group insurance, *plan*
14 or medical and hospital service if the police officer or fireman was a
15 participant or would have been eligible to participate in the group
16 insurance, *plan* or medical and hospital service on the date of the death of
17 the police officer or fireman. If the surviving spouse or child elects to
18 accept coverage under the group insurance, *plan* or medical and hospital
19 service in which the police officer or fireman would have been eligible to
20 participate or to discontinue coverage under the group insurance, *plan* or
21 medical and hospital service in which the police officer or fireman was a
22 participant, the spouse, child or legal guardian of the child must notify in
23 writing the public agency that employed the police officer or fireman
24 within 60 days after the date of death of the police officer or fireman.

25 2. The public agency that employed the police officer or fireman shall
26 pay the entire cost of the premiums or contributions for the group
27 insurance, *plan of benefits* or medical and hospital service for the
28 surviving spouse or child who meets the requirements set forth in
29 subsection 1.

30 3. A surviving spouse is eligible to receive coverage pursuant to this
31 section for the duration of the life of the surviving spouse. A surviving
32 child is eligible to receive coverage pursuant to this section until the child
33 reaches:

34 (a) The age of 18 years; or

35 (b) The age of 23 years, if the child is enrolled as a full-time student in
36 an accredited university, college or trade school.

37 4. As used in this section "police officer" has the meaning ascribed to
38 it in NRS 617.135.

39 **Sec. 4.** NRS 287.023 is hereby amended to read as follows:

40 287.023 1. Whenever an officer or employee of the governing body
41 of any county, school district, municipal corporation, political subdivision,
42 public corporation or other public agency of the State of Nevada retires
43 under the conditions set forth in NRS 1A.350 or 1A.480, or 286.510 or
44 286.620 and, at the time of his retirement, was covered or had his
45 dependents covered by any group insurance, *plan of benefits* or medical

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1 and hospital service established pursuant to NRS 287.010 ~~{and 287.020,}~~,
2 287.020 or section 2 of this act, the officer or employee has the option
3 upon retirement to cancel or continue any such ~~{group insurance or~~
4 ~~medical and hospital service}~~ coverage or join the Public Employees'
5 Benefits Program to the extent that such coverage is not provided to him or
6 a dependent by the Health Insurance for the Aged Act, 42 U.S.C. §§ 1395
7 et seq.

8 2. A retired person who continues coverage under the Public
9 Employees' Benefits Program shall assume the portion of the premium or
10 membership costs for the coverage continued which the governing body
11 does not pay on behalf of retired officers or employees. A person who
12 joins the Public Employees' Benefits Program for the first time upon
13 retirement shall assume all costs for the coverage. A dependent of such a
14 retired person has the option, which may be exercised to the same extent
15 and in the same manner as the retired person, to cancel or continue
16 coverage in effect on the date the retired person dies. The dependent is not
17 required to continue to receive retirement payments from the Public
18 Employees' Retirement System to continue coverage.

19 3. Except as otherwise provided in NRS 287.0235, notice of the
20 selection of the option must be given in writing to the last public employer
21 of the officer or employee within 60 days after the date of retirement or
22 death, as the case may be. If no notice is given by that date, the retired
23 employee and his dependents shall be deemed to have selected the option
24 to cancel the coverage or not to join the Public Employees' Benefits
25 Program, as the case may be.

26 4. The governing body of any county, school district, municipal
27 corporation, political subdivision, public corporation or other public
28 agency of this state may pay the cost, or any part of the cost, of ~~{group~~
29 ~~insurance and medical and hospital service}~~ coverage for persons eligible
30 for ~~{that}~~ coverage pursuant to subsection 1, but it must not pay a greater
31 portion than it does for its current officers and employees.

32 **Sec. 5.** NRS 287.024 is hereby amended to read as follows:

33 287.024 1. If a member of the board of trustees of a school district
34 who has served at least one full term of office does not seek reelection or is
35 defeated for reelection and, upon the expiration of his term of office, was
36 covered or had his dependents covered by any group insurance, *plan of*
37 *benefits* or medical and hospital service established pursuant to NRS
38 287.010 ~~{and 287.020,}~~, 287.020 or section 2 of this act, the board
39 member has the option upon the expiration of his term of office to cancel
40 or continue any such ~~{group insurance}~~ coverage to the extent that ~~{such}~~
41 coverage is not provided to him or a dependent by the Health Insurance for
42 the Aged Act, 42 U.S.C. §§ 1395 et seq. A board member who continues
43 coverage ~~{under the program of group insurance}~~ pursuant to this section
44 shall assume all costs for the continued coverage. A dependent of such a
45 board member has the option, which may be exercised to the same extent

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1 and in the same manner as the board member, to cancel or continue
2 coverage in effect on the date the board member dies.

3 2. Notice of the selection of the option must be given in writing to the
4 board of trustees of the school district within 30 days after the expiration
5 of the board member's term of office or the date of his death, as the case
6 may be. If no notice is given by that date, the board member and his
7 dependents shall be deemed to have selected the option to cancel the
8 coverage.

9 **Sec. 6.** NRS 287.025 is hereby amended to read as follows:

10 287.025 The governing body of any county, school district, municipal
11 corporation, political subdivision, public corporation or other public
12 agency of the State of Nevada may, in addition to the other powers granted
13 in NRS 287.010 and 287.020 ~~{:}~~ and *section 2 of this act*:

14 1. Negotiate and contract with any other such agency or with the
15 Board of the Public Employees' Benefits Program to secure group
16 insurance for its officers and employees and their dependents by
17 participation in any group insurance plan established or to be established
18 or in the Public Employees' Benefits Program. Each such contract:

19 (a) Must be submitted to the Commissioner of Insurance not less than
20 30 days before the date on which the contract is to become effective for
21 approval.

22 (b) Does not become effective unless approved by the Commissioner.

23 (c) Shall be deemed to be approved if not disapproved by the
24 Commissioner ~~{of Insurance}~~ within 30 days after its submission.

25 2. To secure group health, life or workers' compensation insurance
26 for its officers and employees and their dependents, participate as a
27 member of a nonprofit cooperative association or nonprofit corporation
28 that has been established in this state to secure such insurance for its
29 members from an insurer licensed pursuant to the provisions of title 57 of
30 NRS.

31 3. In addition to the provisions of subsection 2, participate as a
32 member of a nonprofit cooperative association or nonprofit corporation
33 that has been established in this state to:

34 (a) Facilitate contractual arrangements for the provision of medical
35 services to its members' officers and employees and their dependents and
36 for related administrative services.

37 (b) Procure health-related information and disseminate that
38 information to its members' officers and employees and their dependents.

39 **Sec. 7.** NRS 287.030 is hereby amended to read as follows:

40 287.030 No provisions of law prohibiting, restricting or limiting the
41 assignment of or order for wages or salary shall be deemed in any way to
42 prohibit, restrict or limit the powers enumerated in NRS 287.010 and
43 287.020, *and section 2 of this act*, nor the right and power of officers or
44 employees to authorize and approve payment of premiums or contributions
45 by wage and salary deductions.

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1 **Sec. 8.** NRS 287.040 is hereby amended to read as follows:

2 287.040 The provisions of NRS 287.010 to 287.040, inclusive, and
3 *section 2 of this act*, do not make it compulsory upon any governing body
4 of any county, school district, municipal corporation, political subdivision,
5 public corporation or other public agency of the State of Nevada, ~~{to,}~~
6 except as otherwise provided in NRS 287.021 ~~{}~~ or in an agreement
7 entered into pursuant to subsection 3 of section 2 of this act, to make any
8 contributions for the payment of any premiums or other costs for group
9 insurance, a plan of benefits, or medical or hospital services, or upon any
10 officer or employee of any county, school district, municipal corporation,
11 political subdivision, public corporation or other public agency of this state
12 to accept ~~for join any plan of group insurance~~ any such coverage or to
13 assign his wages or salary or to authorize deductions from his wages or
14 salary in payment of premiums or contributions therefor.

15 ~~Sec. 9.~~ NRS 287.0475 is hereby amended to read as follows:

16 ~~287.0475~~ 1. ~~A public employee who has retired pursuant to NRS~~
17 ~~LA.350 or LA.480, or 286.510 or 286.620, or a retirement program~~
18 ~~provided pursuant to NRS 286.802, or the surviving spouse of such a~~
19 ~~retired public employee who is deceased may, in any even numbered year,~~
20 ~~reinstate any insurance, except life insurance, which was provided to him~~
21 ~~and his dependents at the time of his retirement pursuant to NRS 287.010~~
22 ~~or 287.020 or section 2 of this act or the program as a public employee by:~~
23 ~~(a) Giving written notice of his intent to reinstate the insurance to the~~
24 ~~employee's last public employer not later than January 31, of an even~~
25 ~~numbered year;~~
26 ~~(b) Accepting the public employer's current program or plan of~~
27 ~~insurance and any subsequent changes thereto; and~~
28 ~~(c) Paying any portion of the premiums or contributions of the public~~
29 ~~employer's program or plan of insurance, in the manner set forth in NRS~~
30 ~~LA.470 or 286.615, which are due from the date of reinstatement and not~~
31 ~~paid by the public employer.~~

32 The last public employer shall give the insurer notice of the reinstatement
33 no later than March 31, of the year in which the public employee or
34 surviving spouse gives notice of his intent to reinstate the insurance. The
35 insurer shall approve or disapprove the request for reinstatement within 90
36 days after the date of the request.

37 ~~2. Reinstatement of insurance excludes claims for expenses for any~~
38 ~~condition for which medical advice, treatment or consultation was~~
39 ~~rendered within 6 months before reinstatement unless:~~

40 ~~(a) The person has not received any medical advice, treatment or~~
41 ~~consultation for a period of 6 consecutive months after the reinstatement;~~
42 ~~or~~

43 ~~(b) The reinstated insurance has been in effect more than 12~~
44 ~~consecutive months.~~

Section 9
proposed for
deletion by
NSEA.

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Section 10
proposed for
deletion by
NSEA.

1 ~~Sec. 10. NRS 1A.470 is hereby amended to read as follows:~~
2 ~~1A.470. 1. In addition to the options provided in NRS 287.023 and~~
3 ~~subject to the requirements of that section, any justice of the Supreme~~
4 ~~Court or district judge who retires under the conditions set forth in NRS~~
5 ~~1A.450 and, at the time of his retirement, was covered or had his~~
6 ~~dependents covered by any group insurance, *plan of benefits* or medical~~
7 ~~and hospital service established pursuant to NRS 287.010 [and 287.020],~~
8 ~~287.024 or section 2 of this act, has the option of having the Executive~~
9 ~~Officer of the Board deduct and pay his premium or contribution for that~~
10 ~~group insurance or medical and hospital service coverage, as well as the~~
11 ~~amount due or to become due upon any obligation designated by the Board~~
12 ~~pursuant to subsection 2, from his monthly retirement allowance until:~~
13 ~~(a) He notifies the Executive Officer of the Board to discontinue the~~
14 ~~deduction; or~~
15 ~~(b) Any of his dependents elect to assume the premium or contribution~~
16 ~~applicable to the dependent's coverage before the death of such a retired~~
17 ~~justice or judge and continue coverage pursuant to NRS 287.023 after his~~
18 ~~death.~~
19 ~~2. The Board may adopt regulations to carry out the provisions of~~
20 ~~subsection 1, including, without limitation, regulations governing the~~
21 ~~number and types of obligations, amounts for the payment of which may~~
22 ~~be deducted and paid by the Board at the option of the retired justice or~~
23 ~~judge pursuant to this section.~~
24 ~~3. The Executive Officer of the Board, the Board and the System are~~
25 ~~not liable for any damages resulting from errors or omissions concerning~~
26 ~~the deduction and payment of premiums or contributions authorized~~
27 ~~pursuant to this section unless willful neglect or gross negligence is~~
28 ~~proven.~~

29 **Sec. 11. NRS 683A.025 is hereby amended to read as follows:**
30 **683A.025 1. Except as limited by this section, "administrator"**
31 **means a person who:**
32 **(a) Directly or indirectly underwrites or collects charges or premiums**
33 **from or adjusts or settles claims of residents of this state or any other state**
34 **from within this state in connection with workers' compensation insurance,**
35 **life or health insurance coverage or annuities, including coverage or**
36 **annuities provided by an employer for his employees;**
37 **(b) Administers an internal service fund pursuant to**
38 **NRS 287.010;**
39 **(c) Administers a trust established pursuant to section 2 of this act,**
40 **under a contract with the trust;**
41 **(d) Administers a program of self-insurance for an employer;**
42 ~~{(d)}~~ **(e) Administers a program which is funded by an employer and**
43 **which provides pensions, annuities, health benefits, death benefits or other**
44 **similar benefits for his employees; or**

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1 ~~{(e)}~~ (f) Is an insurance company that is licensed to do business in this
2 state or is acting as an insurer with respect to a policy lawfully issued and
3 delivered in a state where the insurer is authorized to do business, if the
4 insurance company performs any act described in paragraphs (a) to ~~{(d)}~~
5 (e), inclusive, for or on behalf of another insurer.

6 2. "Administrator" does not include:

7 (a) An employee authorized to act on behalf of an administrator who
8 holds a certificate of registration from the Commissioner.

9 (b) An employer acting on behalf of his employees or the employees of
10 a subsidiary or affiliated concern.

11 (c) A labor union acting on behalf of its members.

12 (d) Except as otherwise provided in paragraph ~~{(e)}~~ (f) of subsection 1,
13 an insurance company licensed to do business in this state or acting as an
14 insurer with respect to a policy lawfully issued and delivered in a state in
15 which the insurer was authorized to do business.

16 (e) A producer of life or health insurance licensed in this state, when
17 his activities are limited to the sale of insurance.

18 (f) A creditor acting on behalf of his debtors with respect to insurance
19 covering a debt between the creditor and debtor.

20 (g) A trust and its trustees, agents and employees acting for it, if the
21 trust was established under the provisions of 29 U.S.C. § 186.

22 (h) *Except as otherwise provided in paragraph (c) of subsection 1, a*
23 *trust and its trustees, agents and employees acting for it, if the trust was*
24 *established pursuant to section 2 of this act.*

25 (i) A trust which is exempt from taxation under section 501(a) of the
26 Internal Revenue Code, 26 U.S.C. § 501(a), its trustees and employees,
27 and a custodian, his agents and employees acting under a custodial account
28 which meets the requirements of section 401(f) of the Internal Revenue
29 Code, 26 U.S.C. § 401(f).

30 ~~{(i)}~~ (j) A bank, credit union or other financial institution which is
31 subject to supervision by federal or state banking authorities.

32 ~~{(j)}~~ (k) A company which issues credit cards, and which advances for
33 and collects premiums or charges from credit card holders who have
34 authorized it to do so, if the company does not adjust or settle claims.

35 ~~{(k)}~~ (l) An attorney at law who adjusts or settles claims in the normal
36 course of his practice or employment, but who does not collect charges or
37 premiums in connection with life or health insurance coverage or with
38 annuities.

39 **Sec. 12.** Sections 1 to 11, inclusive, of this act do not apply to any
40 trust established before July 1, 2003.

41 **Sec. 13.** This act becomes effective on July 1, 2003.

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