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ASSEMBLY BILL NO. 286—ASSEMBLYMEN KOIVISTO, MCCLAIN, KNECHT, CHOWNING, OHRENSCHALL, ANDERSON, ATKINSON, BUCKLEY, CARPENTER, CLABORN, COLLINS, CONKLIN, GIUNCHIGLIANI, GOICOECHEA, MANENDO, MCCLEARY, OCEGUERA, PARKS, PIERCE AND WILLIAMS

MARCH 11, 2003

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Referred to Concurrent Committees on Government Affairs and Ways and Means

SUMMARY—Revises provisions governing health insurance for retired officers and employees of local governments. (BDR 23-1124)

FISCAL NOTE: Effect on Local Government: Yes.  
Effect on the State: Yes.

CONTAINS UNFUNDED MANDATE (§ 1)  
(NOT REQUESTED BY AFFECTED LOCAL GOVERNMENT)

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to programs for public personnel; requiring the governing body of a local government to pay a certain portion of the costs of coverage under the Public Employees' Benefits Program for persons retired from the service of the local government who join the Program upon retirement; requiring each governing body of a local government and the Board of the Public Employees' Benefits Program to ensure that rates established for coverage for their programs of group insurance are the same for all participants; providing a period of open enrollment in which retired public officers and employees of local governments who joined the Public Employees' Benefits Program upon retirement may join the group insurance or medical and hospital service of their last public employer; and providing other matters properly relating thereto.



\* A B 2 8 6 \*

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

1     **Section 1.** NRS 287.023 is hereby amended to read as follows:  
2     287.023 1. Whenever an officer or employee of the  
3 governing body of any county, school district, municipal  
4 corporation, political subdivision, public corporation or other public  
5 agency of the State of Nevada retires under the conditions set forth  
6 in NRS 1A.350 or 1A.480, or 286.510 or 286.620 and, at the time of  
7 his retirement, was covered or had his dependents covered by any  
8 group insurance or medical and hospital service established pursuant  
9 to NRS 287.010 ~~and~~ *or* 287.020, the officer or employee has the  
10 option upon retirement to cancel or continue any such group  
11 insurance or medical and hospital service coverage or join the  
12 Public Employees' Benefits Program to the extent that such  
13 coverage is not provided to him or a dependent by the Health  
14 Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq.  
15     2. A retired person who *joins the Public Employees' Benefits*  
16 *Program upon retirement pursuant to subsection 1 or* continues  
17 coverage under the Public Employees' Benefits Program shall  
18 assume the portion of the premium or ~~membership~~ *contribution*  
19 costs for the coverage ~~continued~~ which the governing body *or the*  
20 *State* does not pay on behalf of retired officers or employees. ~~[A~~  
21 ~~person who joins the Public Employees' Benefits Program for the~~  
22 ~~first time upon retirement shall assume all costs for the coverage.]~~ A  
23 dependent of such a retired person has the option, which may be  
24 exercised to the same extent and in the same manner as the retired  
25 person, to cancel or continue coverage in effect on the date the  
26 retired person dies. The dependent is not required to continue to  
27 receive retirement payments from the Public Employees' Retirement  
28 System to continue coverage.  
29     3. Except as otherwise provided in NRS 287.0235, notice of  
30 the selection of the option must be given in writing to the last public  
31 employer of the officer or employee within 60 days after the date of  
32 retirement or death, as the case may be. If no notice is given by that  
33 date, the retired employee and his dependents shall be deemed to  
34 have selected the option to cancel the coverage or not to join the  
35 Public Employees' Benefits Program, as the case may be.  
36     4. The governing body of any county, school district,  
37 municipal corporation, political subdivision, public corporation or  
38 other public agency of this state ~~may~~ :  
39     (a) *May* pay the cost, or any part of the cost, of group insurance  
40 and medical and hospital service coverage *established pursuant to*  
41 *NRS 287.010 or 287.020* for persons ~~eligible for~~ *who continue*



1 that coverage pursuant to subsection 1, but it must not pay a greater  
2 portion than it does for its current officers and employees.

3 *(b) Shall pay the same portion of the cost of coverage under*  
4 *the Public Employees' Benefits Program for persons who join the*  
5 *Program upon retirement pursuant to subsection 1 as the State*  
6 *pays pursuant to subsection 2 of NRS 287.046 for persons retired*  
7 *from state service who have continued to participate in the*  
8 *Program.*

9 *5. The governing body of any county, school district,*  
10 *municipal corporation, political subdivision, public corporation or*  
11 *other public agency of this state shall, for the purpose of*  
12 *establishing actuarial data to determine rates and coverage for*  
13 *persons who continue coverage for group insurance or medical*  
14 *and hospital service with the governing body pursuant to*  
15 *subsection 1, commingle the claims experience of those persons*  
16 *with the claims experience of active officers and employees and*  
17 *their dependents who participate in the group insurance or*  
18 *medical and hospital service.*

19 **Sec. 2.** NRS 287.040 is hereby amended to read as follows:  
20 287.040 The provisions of NRS 287.010 to 287.040, inclusive,  
21 do not make it compulsory upon any governing body of any county,  
22 school district, municipal corporation, political subdivision, public  
23 corporation or other public agency of the State of Nevada to, except  
24 as otherwise provided in NRS 287.021, ~~make any contributions for~~  
25 ~~the payment of~~ pay any premiums, contributions or other costs for  
26 group insurance or medical or hospital services ~~is~~ established  
27 pursuant to NRS 287.010 or 287.020 or upon any officer or  
28 employee of any county, school district, municipal corporation,  
29 political subdivision, public corporation or other public agency of  
30 this state to accept or join any plan of group insurance or to assign  
31 his wages or salary or to authorize deductions from his wages or  
32 salary in payment of premiums or contributions therefor.

33 **Sec. 3.** NRS 287.043 is hereby amended to read as follows:  
34 287.043 1. The Board shall:  
35 (a) Establish and carry out a program to be known as the Public  
36 Employees' Benefits Program which:  
37 (1) Must include a program relating to group life, accident or  
38 health insurance, or any combination of these; and  
39 (2) May include a program to reduce taxable compensation  
40 or other forms of compensation other than deferred  
41 compensation,  
42 for the benefit of all ~~state officers and employees and other persons~~  
43 ~~who participate~~ participants in the Program.



1 (b) Ensure that the Program is funded on an actuarially sound  
2 basis and operated in accordance with sound insurance and business  
3 practices.

4 2. In establishing and carrying out the Program, the Board  
5 shall:

6 (a) For the purpose of establishing actuarial data to determine  
7 rates and coverage for ~~{active and retired state officers and~~  
8 ~~employees and their dependents,}~~ *participants in the Program,*  
9 commingle the claims experience of ~~{such active and retired officers~~  
10 ~~and employees and their dependents.~~

11 ~~—(b) Except as otherwise provided in this paragraph, negotiate}~~  
12 ~~*all participants in the Program.*~~

13 (b) *Negotiate* and contract with the governing body of any  
14 public agency enumerated in NRS 287.010 that wishes to obtain  
15 group insurance for its *active and retired* officers ~~{, employees and~~  
16 ~~retired} and~~ employees by participation in the Program. ~~{The Board~~  
17 ~~shall establish separate rates and coverage for those officers,~~  
18 ~~employees and retired employees based on actuarial reports.}~~

19 (c) Except as otherwise provided in paragraph (d), provide  
20 public notice in writing of any proposed changes in rates or  
21 coverage to each participating public employer who may be affected  
22 by the changes. Notice must be provided at least 30 days before the  
23 effective date of the changes.

24 (d) If a proposed change is a change in the premium *or*  
25 *contribution* charged for or coverage of health insurance, provide  
26 written notice of the proposed change to all ~~{state officers,~~  
27 ~~employees, retired employees and other persons who participate}~~  
28 *participants* in the Program . ~~{who may be affected by the proposed~~  
29 ~~change.}~~ The notice must be provided at least 60 days before the  
30 date a ~~{state officer, employee, retired employee or other person}~~  
31 *participant in the Program* is required to select or change his policy  
32 of health insurance.

33 (e) Purchase policies of life, accident or health insurance, or any  
34 combination of these, or, if applicable, a program to reduce the  
35 amount of taxable compensation pursuant to 26 U.S.C. § 125, from  
36 any company qualified to do business in this state or provide similar  
37 coverage through a plan of self-insurance established pursuant to  
38 NRS 287.0433 for the benefit of all eligible ~~{public officers,~~  
39 ~~employees and retired employees who participate}~~ *participants* in  
40 the Program.

41 (f) Except as otherwise provided in this title, develop and  
42 establish other employee benefits as necessary.

43 (g) Investigate and approve or disapprove any contract proposed  
44 pursuant to NRS 287.0479.



- 1 (h) Adopt such regulations and perform such other duties as are  
2 necessary to carry out the provisions of NRS 287.0402 to 287.049,  
3 inclusive, including, without limitation, the establishment of:
- 4 (1) Fees for applications for participation in the Program and  
5 for the late payment of premiums or contributions;
  - 6 (2) Conditions for entry and reentry into the Program by  
7 public agencies enumerated in NRS 287.010;
  - 8 (3) ~~The levels of participation in the Program required for~~  
9 ~~employees of participating public agencies;~~
  - 10 ~~(4)~~ (4) Procedures by which a group of participants in the  
11 Program may leave the Program pursuant to NRS 287.0479 and  
12 conditions and procedures for reentry into the Program by those  
13 participants; and
  - 14 ~~(5)~~ (4) Specific procedures for the determination of  
15 contested claims.
- 16 (i) Appoint an independent certified public accountant. The  
17 accountant shall:
- 18 (1) Provide an annual audit of the Program; and
  - 19 (2) Report to the Board and the Interim Retirement and  
20 Benefits Committee of the Legislature created pursuant to  
21 NRS 218.5373.
- 22 (j) Appoint an attorney who specializes in employee benefits.  
23 The attorney shall:
- 24 (1) Perform a biennial review of the Program to determine  
25 whether the Program complies with federal and state laws relating to  
26 taxes and employee benefits; and
  - 27 (2) Report to the Board and the Interim Retirement and  
28 Benefits Committee of the Legislature created pursuant to  
29 NRS 218.5373.
- 30 3. The Board shall submit an annual report regarding the  
31 administration and operation of the Program to the Director of  
32 the Legislative Counsel Bureau not more than 6 months before the  
33 Board establishes rates and coverage for ~~members~~ *participants* for  
34 the following calendar year. The report must include, without  
35 limitation:
- 36 (a) The amount paid by the Program in the preceding calendar  
37 year for the claims of active and retired ~~state officers and~~  
38 ~~employees;~~ *participants in the Program;* and
  - 39 (b) The amount paid by the Program in the preceding calendar  
40 year for the claims of retired ~~members of~~ *participants in* the  
41 Program who were provided coverage for medical or hospital  
42 service, or both, by the Health Insurance for the Aged Act, 42  
43 U.S.C. §§ 1395 et seq., or a plan that provides similar coverage.
- 44 4. The Board may use any services provided to state agencies  
45 and shall use the services of the Purchasing Division of the



1 Department of Administration to establish and carry out the  
2 Program.

3 5. The Board may make recommendations to the Legislature  
4 concerning legislation that it deems necessary and appropriate  
5 regarding the Program.

6 6. The State and any other public employers that participate in  
7 the Program are not liable for any obligation of the Program other  
8 than indemnification of the Board and its employees against liability  
9 relating to the administration of the Program, subject to the  
10 limitations specified in NRS 41.0349.

11 7. As used in this section, "employee benefits" includes any  
12 form of compensation provided to a public employee except federal  
13 benefits, wages earned, legal holidays, deferred compensation and  
14 benefits available pursuant to chapter 286 of NRS.

15 **Sec. 4.** NRS 287.0434 is hereby amended to read as follows:  
16 287.0434 The Board may:

17 1. Use its assets to pay the expenses of health care for its  
18 members and covered dependents, to pay its employees' salaries and  
19 to pay administrative and other expenses.

20 2. Enter into contracts relating to the administration of the  
21 Program, including, without limitation, contracts with licensed  
22 administrators and qualified actuaries. Each such contract with a  
23 licensed administrator:

24 (a) Must be submitted to the Commissioner of Insurance not less  
25 than 30 days before the date on which the contract is to become  
26 effective for approval as to the reasonableness of administrative  
27 charges in relation to contributions collected and benefits provided.

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

30 (c) Shall be deemed to be approved if not disapproved by the  
31 Commissioner of Insurance within 30 days after its submission.

32 3. Enter into contracts with physicians, surgeons, hospitals,  
33 health maintenance organizations and rehabilitative facilities for  
34 medical, surgical and rehabilitative care and the evaluation,  
35 treatment and nursing care of members and covered dependents.  
36 The Board shall not enter into a contract pursuant to this subsection  
37 unless:

38 (a) Provision is made by the Board to offer all the services  
39 specified in the request for proposals, either by a health maintenance  
40 organization or through separate action of the Board.

41 (b) The rates set forth in the contract are based on the  
42 commingled claims experience of ~~active and retired state officers  
43 and employees and their dependents.~~ *all participants in the  
44 Program.*



1 4. Enter into contracts for the services of other experts and  
2 specialists as required by the Program.

3 5. Charge and collect from an insurer, health maintenance  
4 organization, organization for dental care or nonprofit medical  
5 service corporation, a fee for the actual expenses incurred by the  
6 Board, the State or a participating public employer in administering  
7 a plan of insurance offered by that insurer, organization or  
8 corporation.

9 **Sec. 5.** NRS 287.045 is hereby amended to read as follows:

10 287.045 1. Except as otherwise provided in this section,  
11 every officer or employee of the State is eligible to participate in the  
12 Program on the first day of the month following the completion of  
13 90 days of full-time employment.

14 2. Professional employees of the University and Community  
15 College System of Nevada who have annual employment contracts  
16 are eligible to participate in the Program on:

17 (a) The effective dates of their respective employment contracts,  
18 if those dates are on the first day of a month; or

19 (b) The first day of the month following the effective dates of  
20 their respective employment contracts, if those dates are not on the  
21 first day of a month.

22 3. Every officer or employee who is employed by a  
23 participating public agency on a permanent and full-time basis on  
24 the date the agency enters into an agreement to participate in the  
25 Program, and every officer or employee who commences his  
26 employment after that date, is eligible to participate in the Program  
27 on the first day of the month following the completion of 90 days of  
28 full-time employment.

29 4. Every Senator and Assemblyman is eligible to participate in  
30 the Program on the first day of the month following the 90th day  
31 after his initial term of office begins.

32 5. An officer or employee of the governing body of any  
33 county, school district, municipal corporation, political subdivision,  
34 public corporation or other public agency of the State of Nevada  
35 who retires under the conditions set forth in NRS 1A.350 or 1A.480,  
36 or 286.510 or 286.620 and was not participating in the Program at  
37 the time of his retirement is eligible to participate in the Program 60  
38 days after notice of the selection to participate is given pursuant to  
39 NRS 287.023 or 287.0235. ~~The Board shall make a separate  
40 accounting for these retired persons. For the first year following  
41 enrollment, the rates charged must be the full actuarial costs  
42 determined by the actuary based upon the expected claims  
43 experience with these retired persons. The claims experience of  
44 these retired persons must not be commingled with the retired  
45 persons who were members of the Program before their retirement,~~





~~1 nor with active employees of the State. After the first year following  
2 enrollment, the rates charged must be the full actuarial costs  
3 determined by the actuary based upon the past claims experience of  
4 these retired persons since enrolling.]~~

5 6. Notwithstanding the provisions of subsections 1, 3 and 4, if  
6 the Board does not, pursuant to NRS 689B.580, elect to exclude the  
7 Program from compliance with NRS 689B.340 to 689B.590,  
8 inclusive, and if the coverage under the Program is provided by a  
9 health maintenance organization authorized to transact insurance in  
10 this state pursuant to chapter 695C of NRS, any affiliation period  
11 imposed by the Program may not exceed the statutory limit for an  
12 affiliation period set forth in NRS 689B.500.

13 **Sec. 6.** NRS 287.046 is hereby amended to read as follows:

14 287.046 1. Except as otherwise provided in subsection 6, any  
15 state or other participating officer or employee who elects to  
16 participate in the Program may participate, and the department,  
17 agency, commission or public agency that employs the officer or  
18 employee shall pay the State's share of the cost of the premiums  
19 or contributions for the Program from money appropriated or  
20 authorized as provided in NRS 287.044. Employees who elect to  
21 participate in the Program must authorize deductions from their  
22 compensation for the payment of premiums or contributions for the  
23 Program. Any deduction from the compensation of an employee for  
24 the payment of a premium *or contribution* for health insurance must  
25 be based on the actual ~~[cost of providing that health insurance]~~  
26 *amount of the premium or contribution* after deducting any amount  
27 of the premium *or contribution* which is paid by the department,  
28 agency, commission or public agency that employs the employee.  
29 ~~[As used in this subsection, "actual cost" includes any amount  
30 which has been approved by the Board and which is paid by any  
31 department, agency, commission or public agency of this state for:~~

- 32 ~~—(a) A program of supplemental insurance;~~
- 33 ~~—(b) Subsidization of premiums for health insurance for  
34 dependents and retired participants;~~
- 35 ~~—(c) Administrative costs relating to the provision of the health  
36 insurance; and~~
- 37 ~~—(d) Costs required to maintain adequate reserves.]~~

38 2. The Department of Personnel shall pay a percentage of the  
39 base amount provided by law for that fiscal year toward the cost of  
40 the premiums or contributions for the Program for persons retired  
41 from the service of the State who have continued to participate in  
42 the Program. Except as otherwise provided in subsection 3, the  
43 percentage to be paid must be calculated as follows:

44 (a) For those persons who retire before January 1, 1994, 100  
45 percent of the base amount provided by law for that fiscal year.





1 (b) For those persons who retire on or after January 1, 1994,  
2 with at least 5 years of state service, 25 percent plus an additional  
3 7.5 percent for each year of service in excess of 5 years to a  
4 maximum of 137.5 percent, excluding service purchased pursuant to  
5 NRS 1A.310 or 286.300, of the base amount provided by law for  
6 that fiscal year.

7 3. If the amount calculated pursuant to subsection 2 exceeds  
8 the actual premium or contribution for the plan of the Program that  
9 the retired participant selects, the balance must be credited to the  
10 Fund for the Public Employees' Benefits Program created pursuant  
11 to NRS 287.0435.

12 4. For the purposes of subsection 2:

13 (a) Credit for service must be calculated in the manner provided  
14 by chapter 286 of NRS.

15 (b) No proration may be made for a partial year of service.

16 5. The Department shall agree through the Board with the  
17 insurer for billing of remaining premiums or contributions for the  
18 retired participant and his dependents to the retired participant and  
19 to his dependents who elect to continue coverage under the Program  
20 after his death.

21 6. A Senator or Assemblyman who elects to participate in the  
22 Program shall pay the entire premium or contribution for his  
23 insurance.

24 **Sec. 7.** NRS 287.0475 is hereby amended to read as follows:

25 287.0475 1. A public *officer or* employee who has retired  
26 pursuant to NRS 1A.350 or 1A.480, or 286.510 or 286.620, or a  
27 retirement program provided pursuant to NRS 286.802, or the  
28 surviving spouse of such a retired public *officer or* employee who is  
29 deceased may, in any even-numbered year, reinstate any insurance,  
30 except life insurance, which was provided to him and his dependents  
31 at the time of his retirement pursuant to NRS 287.010 or 287.020 or  
32 the program as a public *officer or* employee by:

33 (a) Giving written notice of his intent to reinstate the insurance  
34 to ~~the employee's~~ *his* last public employer not later than  
35 January 31, of an even-numbered year;

36 (b) Accepting the public employer's current program or plan of  
37 insurance and any subsequent changes thereto; and

38 (c) Paying any portion of the premiums or contributions of the  
39 public employer's program or plan of insurance, in the manner set  
40 forth in NRS 1A.470 or 286.615, which are due from the date of  
41 reinstatement and not paid by the public employer.

42 The last public employer shall give the insurer notice of the  
43 reinstatement no later than March 31, of the year in which the public  
44 *officer or* employee or surviving spouse gives notice of his intent to  
45 reinstate the insurance. ~~The insurer shall approve or disapprove the~~



1 ~~request for reinstatement within 90 days after the date of the~~  
2 ~~request.]~~

3 2. Reinstatement of insurance excludes claims for expenses for  
4 any condition for which medical advice, treatment or consultation  
5 was rendered within 6 months before reinstatement unless:

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

9 (b) The reinstated insurance has been in effect more than 12  
10 consecutive months.

11 *3. The last public employer of a retired officer or employee*  
12 *who reinstates insurance, except life insurance, which was*  
13 *provided to him and his dependents at the time of his retirement*  
14 *pursuant to NRS 287.010 or 287.020, shall, for the purpose of*  
15 *establishing actuarial data to determine rates and coverage for*  
16 *such persons, commingle the claims experience of such persons*  
17 *with the claims experience of active and retired officers and*  
18 *employees and their dependents who participate in that group*  
19 *insurance or medical and hospital service.*

20 **Sec. 8.** 1. Notwithstanding the provisions of NRS 287.0475,  
21 an officer or employee of a governing body of a county, school  
22 district, municipal corporation, political subdivision, public  
23 corporation or other public agency of the State of Nevada who  
24 joined the Public Employees' Benefits Program upon retirement  
25 pursuant NRS 287.023 or 287.0235 may join the group insurance or  
26 medical and hospital service established by the governing body  
27 pursuant to NRS 287.010 or 287.020 to the extent that such  
28 coverage is not provided to him or a dependent by the Health  
29 Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., upon  
30 notifying the governing body during the period established pursuant  
31 to subsection 2 and assuming the costs of that coverage that are not  
32 paid by the governing body.

33 2. Each governing body shall have a period of open enrollment  
34 between September 1, 2003, and January 31, 2004, during which  
35 eligible retired persons described in subsection 1 may join the group  
36 insurance or medical and hospital service established by the  
37 governing body pursuant to NRS 287.010 or 287.020.

38 3. The governing body shall, on or before September 1, 2003,  
39 notify eligible retired persons of the period of open enrollment by:

40 (a) Mailing a notice regarding the period of open enrollment to  
41 all retired persons who are, according to its records, eligible to join  
42 its program of group insurance or medical and hospital service;

43 (b) Posting a notice of the period of open enrollment at its  
44 principal office and at least three other separate prominent places,  
45 such as a library, community center or courthouse; and



1 (c) Publicizing the period of open enrollment in any other  
2 manner reasonably calculated to inform additional eligible retired  
3 persons.

4 4. For the purpose of establishing actuarial data to determine  
5 rates and coverage for persons who enroll in the group insurance or  
6 medical and hospital service of a governing body pursuant to this  
7 section, the governing body shall commingle the claims experiences  
8 of those persons with the claims experience of active and retired  
9 officers and employees and their dependents who participate in the  
10 group insurance or medical and hospital service.

11 **Sec. 9.** The provisions of NRS 354.599 do not apply to any  
12 additional expenses of a local government that are related to the  
13 provisions of this act.

14 **Sec. 10.** This act becomes effective on July 1, 2003.

