(PLEASE FIND THE AGENDA/TABLE OF CONTENTS ON PAGE 4.)

REGULAR MEETING
OF THE
BOARD OF DIRECTORS

November 7, 2017
9:30 AM
Alfredo R. Santistevan Board Room
Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

November 7, 2017

	Member in Attendance		
Mr. Sullivan, President			
Mr. Montaño, Vice President			
Mr. Crandall, Secretary			
Mr. Propst			
Ms. Goodwin			
Mr. Johnson			
Mr. Linton			
Ms. Saunders			
Mr. Eichenberg			
Ms. Larranaga-Ruffy			

NMRHCA BOARD OF DIRECTORS

November 2017

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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

November 7, 2017
9:30 AM
Alfredo R. Santistevan Board Room
2nd Floor, Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

AGENDA

1.	Call to Order	Mr. Sullivan, President	Page
2.	Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3.	Pledge of Allegiance	Mr. Sullivan, President	
4.	Approval of Agenda	Mr. Sullivan, President	4
5.	Approval of Regular Meeting Minutes October 3, 2017	Mr. Sullivan, President	5
6.	Public Forum and Introductions	Mr. Sullivan, President	
7.	Committee Reports	Mr. Sullivan, President	
8.	Executive Directors Updates	Mr. Archuleta, Executive Director	
	a. HR Updates		
	b. Federal Health Care Reform		13
	c. FY17 Financial Audit		
	d. PBM RFP		
	e. Presbyterian Settlement		18
	f. The Standard Life Insurance		
	g. Legislative		21
	h. Switch Enrollment		
	i. September 30, 2017 SIC Report		34
	j. Asset Allocation Update		35
9.	GASB 74 Report	Mr. Archuleta, Executive Director	61
10.	FY18 1st Quarter Budget Report	Mr. Archuleta, Executive Director	103
11.	2018 – 2022 Strategic Plan (Action Item)	Mr. Archuleta, Executive Director	108
12.	Other Business	Mr. Sullivan, President	
13.	Date & Location of Next Board Meeting December 12, 2017, 9:30AM Alfredo R. Santistevan Board Room, Suite 207 4308 Carlisle Blvd. NE Albuquerque, NM 87107	Mr. Sullivan, President	
14.	Executive Session	Mr. Sullivan, President	
15.	Adjourn		

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

October 3, 2017

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

October 3, 2017

1. CALL TO ORDER

A Regular Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:30 a.m. in the in the Alfredo R. Santistevan Board Room, 4308 Carlisle Boulevard, N.E., Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN QUORUM

A quorum was present.

Members Present:
Mr. Tom Sullivan, President
Mr. Joe Montaño, Vice President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Ms. Jan Goodwin
Mr. Terry Linton
Ms. LeAnne Larrañaga-Ruffy
Ms. Therese Saunders

Members Excused:
Mr. Wayne Johnson

Staff Present:
Mr. Dave Archuleta, Executive Director
Mr. Greg Archuleta, Director of Communication & Member Engagement
Mr. Tomas Rodriguez, IT Manager
Ms. Judith Beatty, Board Recorder

Others Present:
Mr. Gerald Chavez, Executive Director, REPNM
[See sign-in sheet.]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

Mr. Crandall moved approval of the agenda, as published. Ms. Goodwin seconded the motion, which passed unanimously by voice vote.

5. APPROVAL OF REGULAR MEETING MINUTES: August 24, 2017

Mr. Montaño moved for approval of the minutes of the August 24 meeting, as submitted. The motion was seconded by Mr. Crandall and passed unanimously by voice vote.

6. PUBLIC FORUM AND INTRODUCTIONS

Chairman Sullivan welcomed REPNM Executive Director Gerald Chavez.

Mr. Archuleta introduced Jenny Haiken, Accountant/Auditor, who has joined the NMRHCA and is working under CFO Josefina Roberts.

There were no speakers from the floor.

7. COMMITTEE REPORTS

Wellness Committee: Ms. Goodwin reported that the committee has been working very closely with staff and the providers on different ideas for reducing costs to improve solvency and sustainability. The discussion includes ways of improving disease management; for example, identifying pre-diabetics and looking at ways members can stay healthy and perhaps even reverse their Type 2 diabetes. In addition, certain procedures (such as hip replacement) cost a lot more at Christus St. Vincent in Santa Fe than at Presbyterian Hospital in Albuquerque, and the committee is looking at ways to help drive decisions by the members so they can make a good choice that is also more cost effective for the agency. She commented that staff has been very helpful, very proactive, and very engaged.

Legislative Committee: Mr. Montaño reported that he and Mr. Archuleta had an in-depth discussion about potential legislation in the upcoming session. He asked Mr. Archuleta to poll members of the committee to see if there was any interest in sponsoring any legislation, but it is a 30-day session and there is little funding available. He said they plan to meet with the unions to bring them up to speed and see if there are ways to better engage them in supporting the NMRHCA.

Executive Committee: Chairman Sullivan said the committee met last Thursday to set today's agenda.

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Update

Mr. Archuleta reported that the posting on the SPO website for position of Deputy Director ran from September 12 through 26. He said interviews will be completed within two weeks of receiving the list of qualified candidates, and he hopes to have someone on board by early November.

Mr. Archuleta said there are two other vacant positions that have been advertised, one for a customer services representative in the Santa Fe office and the other in Albuquerque, and the agency will move forward with hires as soon as possible.

b. SHARE FIN 9.2

Mr. Archuleta reported that the upgrade to Share 9.2 will begin in a couple of days. He noted that CFO Josefina Roberts was involved in the implementation of Share in 2006 when she was working at DFA, and Ms. Haiken has all of the requisite skills necessary to work on this upgrade.

c. NMCHCV/Heart Failure – The Rising Epidemic

Mr. Archuleta said the New Mexico Coalition for Healthcare Value will hold its next Education Summit on "Heart Failure – the Rising Epidemic" on Tuesday, November 28. A finalized agenda will be distributed to members of the board.

d. PHP/SWMA Contract Termination

Mr. Archuleta reported that Lovelace Medical Group/Southwest Medical Associates (SWMA) will terminate its contract with Presbyterian Health Plan (PHP) on January 1. Lovelace purchased SWMA last year and informed PHP a couple of weeks ago that it no longer would be accepting PHP patients beginning January 1. There was no option to negotiate new contract terms. NMRHCA has 350-380 members that have access care through SWMA.

Mr. Archuleta said NMRHCA will be posting information online regarding the change and will also inform attendees in the switch enrollment meetings in Rio Rancho and Albuquerque. PHP has also notified the members who will be impacted by the change.

e. FY17 Financial Audit

Mr. Archuleta said he was happy to report that everything seems to be progressing accordingly and the final draft of the financial statements is being developed and sent to Segal so it can develop the GASB-74 report. The turnaround time is narrow because the number developed from the report has to be reported to DFA on November 1 as part of the CAFR packet. The target date for Segal to complete the report is in mid October. An Audit Committee meeting will be scheduled (in closed session) prior to submission to the State Auditor's Office.

f. PBM RFP

Mr. Archuleta reported that seven qualified bids have been received, and the evaluation process began more than two weeks ago. Neil Kueffer is serving as procurement manager for the RFP and Greg Archuleta is part of the evaluation team.

g. 2018 NM Health Exchange Rates

Mr. Archuleta noted that compared to the approximately 8 percent rate increase that members in the NMRHCA might expect, the average rate increase on the exchange is significantly higher, at 17 to 49 percent. The bulk of people who participate in the exchange are with New Mexico Health Connections (35 percent) or Molina (37 percent). In addition, Blue Cross Blue Shield and Christus St. Vincent offer a product on the exchange.

h. New Mexico Health Connections

Mr. Archuleta commented that there has been newspaper coverage of New Mexico Health Connections' purchase of the commercial assets of Evolent Health. He said the name will be changed to "True Health New Mexico." The change is expected to be seamless. IBAC will hear a formal presentation on what the change would constitute for the membership. He noted that about 425 members participate in New Mexico Health Connections, which represents a small subset of the population who will be affected by the change.

i. Legislative

Mr. Archuleta reviewed the "Sustainability and Solvency" slide presentation made before the Investments & Pensions Oversight Committee on September 7.

Mr. Archuleta also reviewed an article in the September issue of the LFC Newsletter, which stated that the "Health Notes: IBAC Cost and Utilization" report presented to the LFC in August concluded that the IBAC as a whole pays more than Medicaid and Medicare reimbursement rates to its doctors. Through the consolidation of these groups into one healthcare purchasing organization, the implication is that it would be better able to negotiate those rates and make them more transparent. He said IBAC already has the ability to look at reimbursement rates for the various procedures provided, so this would probably provide very limited value in terms of managing cost. He added that New Mexico's ability to recruit and retain physicians could be negatively affected, since they are already among the lowest-paid in the nation.

j. Switch Enrollment

Mr. Archuleta reported about 250 people attended yesterday's Santa Fe switch enrollment meeting, which kicked off the switch enrollment-meeting schedule.

Chairman Sullivan acknowledged Ms. Saunders for her willingness to attend some of the switch enrollment meetings, including tomorrow's meeting in Las Cruces.

k. August 31, 2017 SIC Report/Asset Allocation Update

Mr. Archuleta said he was pleased to report August's ending balance at about $580 million. As previously reported, the SIC will be eliminating two investment classes (Absolute Return Pool and Credit and Structured Finance Pool) and will make recommendations about moving some of those asset classes into other pools in the near future.

9. NMRHCA WEBSITE UPDATE

Greg Archuleta reviewed new features on the updated website.

10. AARP BENEFIT COMPARISON

Mr. Archuleta reviewed a chart of available plans through United Healthcare and said Plan "F" is most comparable to the NMRHCA's Medicare Supplement Plan, with the notable difference being that the AARP coverage does not include a prescription drug benefit and the NMRHCA's Medicare Supplement Plan includes copays for the three tiers of drugs. The bulk of the cost associated with that program is in the form of the prescription drug benefit that NMRHCA pays out on behalf of its members.

Given there is no apples-to-apples comparison possible, Chairman Sullivan asked what this means in addressing a legislator who has the opinion that AARP offers a more reasonable plan. Mr. Archuleta responded that he could say with certainty that the plan offered by NMRHCA is a much better value for the members because the drug benefit is included. He said he would be happy to sit down with anyone who is interested and go through a comprehensive comparison of the two plans.

Board members offered ideas to Mr. Archuleta on a short fact sheet providing simple comparisons between the two plans.

11. 2018-2022 STRATEGIC PLAN

Mr. Archuleta reviewed preliminary staff recommendations for the 5-year strategic plan going forward.

Mr. Archuleta suggested that, absent any specific requests for targets to be met, the board consider having an ongoing discussion each year about where it feels the NMRHCA needs to be, rather than stating that it will implement any one of the items in any given year as part of the strategic plan. He said he preferred the idea of a plan that could be implemented tactically, and said he would like to place this on the November agenda as an action item.

1. Apply downward pressure on prescription drug costs for all members (network, contracts, cost sharing)
   - FY19-FY22 Contract
   - Annual market check agreement
   - Network attribution
   - Copays

2. Apply downward pressure on pre-Medicare medical plans (network, contracts, cost-sharing)*
   - Narrower networks
   - Deductibles
   - Copays
   - FY20-FY23 Contracts

3. Reduce pre-Medicare retiree subsidies*
   - Currently 64 percent

4. Reduce pre-Medicare spousal subsidies*
   - Currently 36 percent

5. Evaluate existing and emerging wellness/population health programs for inclusion in either plan coverage or incentive support*
   - Monitor the development and progress of such programs and make recommendations with regard to reimbursements through health plans

6. Develop and implement value-based purchasing initiatives either through existing health plan partners or directly with healthcare delivery systems
   - Incentivize care through most cost effective solutions
   - Data-driven evaluation of care
   - Patient-centered medical homes
   - Accountable care organizations
   - Bundled payment arrangements
   - Referenced-based reimbursements

7. Evaluate emerging and ongoing demographic trends and make program adjustments commensurate with fiduciary requirements
   - Continue monitoring ongoing trends and identifying potential solutions

8. Wellness Programs*
    - Management of chronic illness
    - Management of acute care episodes
    - Use of third-party prescription data
    - Reduction in the number of preference sensitive surgery
    - Identification of specific polypharmacy patients
    - Efforts to de-prescribe
    - Adherence

9. Increase employee/employer contribution levels (requires legislative action)*

10. Employee and member education and communication
    - Outreach
    - Professional development

12. OTHER BUSINESS

None.

13. DATE & LOCATION OF NEXT BOARD MEETING

November 7, 2017, 9:30 AM
Alfredo R. Santistevan Board Room
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

14. EXECUTIVE SESSION

None.

15. ADJOURN

Its business completed, the board adjourned the meeting at 10:55 a.m.

____
Tom Sullivan, President

The New York Times | https://nyti.ms/2kIaMyo

The Upshot
PUBLIC HEALTH

What We Know About Trump’s Twin Blows to Obamacare

Margot Sanger-Katz @sangerkatz OCT. 12, 2017

President Trump signed an executive order on Thursday morning that he said would begin “saving the American people from the nightmare of Obamacare.” On Thursday evening, he announced he would stop making scheduled payments to insurance companies that help them lower deductibles for low-income customers. There’s a lot that’s still uncertain about how the two actions will change the health law. Here’s what we know so far.

Is Obamacare repealed now?

“I just keep hearing repeal-replace, repeal-replace,” Mr. Trump said in the signing ceremony. “Well, we’re starting that process.”

If it’s a start, it’s a long way from its end. The Affordable Care Act remains the law of the land, and none of the proposed changes would substantially alter its main provisions. The funding cut and executive order could result in higher insurance premiums for some Obamacare customers and lower premiums for less regulated coverage for those who want to try new insurance options. They could cause some insurers to exit some markets in the long term.

Obamacare's many other provisions touching health and health insurance remain the law.

The executive order could result in real changes for some people in the insurance market. But those changes are not the same thing as eliminating the health care law.

Did *any* laws change?

Not yet. The executive order has no force of law itself. It instead asked three federal agencies to consider possible new regulations that could help achieve certain goals. It is not clear what those rules will say. Generally, issuing new regulations takes several months, including a period of public comment.

None of the proposed changes to regulation are specifically tied to Obamacare. But they would alter the rules for parts of the insurance system that the Affordable Care Act didn't touch, as a way of offering more Americans access to those types of insurance.

The subsidies Trump eliminated were created as part of the Affordable Care Act, but not clearly appropriated by Congress. That leaves them in a weird legal spot. Insurers are still required to offer discounts to customers who qualify. And they may sue the administration to recoup the funds. But they will lose money in the short term, and in the long term, unless they charge enough in premiums to make up for the losses. That could hurt higher-income customers who pay full price.

What will this mean for people who get insurance from work?

If you are insured by a large company that offers insurance, there should be few effects. But the order might make it easier for your employer to give you pretax money if you want to buy your own insurance.

If you work for a small business, the executive order could cause major changes to your plan. The order asks the Labor Department to loosen rules that permit small companies to band together to form associations and buy the kind of coverage available to larger businesses. These association health plans would be governed by federal employment law, not state insurance regulations.

That means that the plans would have far fewer rules about generosity or benefits. State insurance regulators might also have more trouble making sure that the insurers have enough money to pay their members' medical bills. Such association health plans, before 1983, when rules were looser, were rife with fraud.

Businesses unable or unwilling to join such associations might face higher premiums in the Obamacare market. The kinds of companies that are likely to fare better in an association plan are probably those with relatively healthy employees. That means that businesses that remain in the normal small-business market may end up having sicker and more expensive workers, on average, increasing premiums.

What will this mean for people who buy their own insurance?

The biggest risk to consumers is that insurance companies, faced with the news about the subsidies going away, will drop out of the market for next year. Their contracts allow them an out if subsidy policy changes.

The effects of the executive order are less clear, though there are likely to be some. It appears that a coming rule will expand a kind of short-term insurance plan intended for people who are in between jobs, making those plans available to more consumers who wish to find an insurance option that is cheaper and less comprehensive than those available in the Obamacare marketplaces.

Such plans are currently exempt from most insurance rules. That means the plans can reject or charge higher prices to customers with pre-existing health conditions, can cover fewer benefits and can charge higher deductibles. Because they tend to be skimpier and insure only healthy customers, the plans' prices tend to be lower. Under current regulation, such plans can last for only three months at a time. The order asks for a change to lengthen their duration, a directive likely to result in plans that last just under a year, the standard before this year. That change would make it easier to use such insurance as a substitute for Obamacare-compliant coverage.

It is possible that the association rule will allow self-employed people to join associations, but legal experts are skeptical that the labor laws will permit it.

If a lot of people decide to buy these short-term or association insurance plans, that will most likely leave fewer Americans in the Obamacare markets. And that smaller group is likely to have more people who care about comprehensive coverage and lower deductibles — that is, people with more health problems. The result could be higher prices for customers who remain. The loss of the cost-sharing subsidies will also prompt insurers to raise their prices. Most Obamacare customers get federal subsidies that help them buy insurance, and they would not feel the increases. But higher-income customers who choose to buy Obamacare insurance may need to pay more.

What will it mean for people with Medicaid or Medicare?

None of these changes directly affect them.

Will these changes lower the cost of insurance?

It's complicated. If the rules are changed, some Americans will be able to buy insurance for a lower sticker price through the short-term market or an association. But that insurance is likely to cover fewer benefits, may not be available to people with a history of health problems, and may be more likely to be offered by a fraudulent company.

People who get insurance using government subsidies won't notice much of a change in price, but they might see fewer options in the future, if the changes make the Obamacare market less attractive to insurers.

But people who pay full price now, who are denied short-term plans and who don't work for companies that become part of associations will probably face higher prices for the Obamacare-compliant insurance they buy now.

Are there good examples of how this might work?

The Tennessee insurance market gives us some sense of what happens when some plans have to follow Obamacare rules and others don't.

The Tennessee Farm Bureau offers inexpensive insurance products that don't adhere to Obamacare rules. The plans vary in price based on a customer's health history, and don't cover all the benefits of an Obamacare plan. The Obamacare insurance market, as a result, is shakier than in many other states, since there are fewer people buying insurance there, and they tend to be less healthy. Earlier this year, it appeared that the Knoxville area might not have any insurance options next year — though the local Blue Cross plan did eventually fill the hole.

In Tennessee, people who buy Farm Bureau plans still have to pay Obamacare's individual mandate — a tax penalty. It is unclear whether the Trump administration will try to make more exceptions to the penalty rules, which could cause even more people to leave the Obamacare market.

When will we know more details?

Probably soon. The agencies charged with writing new rules have been working on them. Initial proposals may emerge within weeks, though any changes are unlikely to be completed before the end of the year. Insurers will need to make decisions in the next few weeks about whether the subsidy cuts will cause them to leave markets.

The Upshot provides news, analysis and graphics about politics, policy and everyday life. Follow us on Facebook and Twitter. Sign up for our newsletter.

A version of this article appears in print on October 13, 2017, on Page A14 of the New York edition with the headline: What Does Trump's Executive Order on Health Care Accomplish?.

Presbyterian settles with state for $18.5M

By Steve Sinovic / Journal Staff Writer

Published: Monday, October 30th, 2017 at 1:19pm
Updated: Monday, October 30th, 2017 at 10:04pm

ALBUQUERQUE, N.M. — Presbyterian Healthcare Services, New Mexico's largest health care provider, has agreed to pay $18.5 million to the state to settle a lawsuit that alleged it filed fraudulent tax forms to avoid Medicaid premium taxes dating back to 2003.

"We are pleased that we can announce today that we have been working alongside the Attorney General's office and mutually agreed on a settlement going forward," said Dale Maxwell, president and chief executive of Presbyterian. Maxwell said fraud allegations are dismissed under the settlement agreement, but it doesn't address the insurer's entire tax liability identified in a recent audit.

"We place a high priority on honoring our obligations to the state we have served for 109 years," said Maxwell. "In fact, we have paid more than $345 million in premium tax payments over the past 15 years."

The state's case against Presbyterian stemmed from a whistleblower lawsuit filed by three employees at OSI: Accountant and auditor Monica Galloway, Financial Audit Bureau Chief Shawna Maestas, and Chief Administrative Officer Jolene Gonzales. The AG's office took over the case earlier this year.

The settlement comes almost four months after the lawsuit was filed against Presbyterian Health Plan Inc., Presbyterian Network Inc. and Presbyterian Insurance Co. Inc.

The original plaintiffs and their attorney will receive 20 percent of the settlement, according to the agreement and terms of the state's Fraud Against Taxpayers Act. They stood to receive more if they had prevailed in court without the attorney general's intervention.

In its defense, Presbyterian says state insurance regulators reviewed and approved the company's amendments to past tax payments.

Maxwell said the payment to the state will come from reserves and operating funds.

Attorney General Hector Balderas said Presbyterian "stepped up and did the right thing" with the settlement, and the payment "returns critical funds to the state coffers" to fund Medicaid coverage.

Balderas said New Mexico “has done a horrible job of assessing, recovering, and collecting taxes owed by insurance companies,” and said the state can ill afford having the same regulatory body responsible for setting rates for insurers to also be collecting taxes.

The settlement represents a larger amount than the roughly $14.6 million in unpaid Medicaid premium taxes and fees due from Presbyterian, as described in the state’s industry-wide audit of insurance companies that shows them $65 million in arrears.

According to Presbyterian, $15.3 million of the settlement amount reflects the payment in full by PHP of premium taxes related to health insurance premiums for 2003 and 2004 “where there were complex, and in some cases contradictory, changes in the state’s premium tax laws.” The $3.5 million figure “reflects a compromise of disputed claims to avoid time-consuming and expensive litigation, the outcome of which was uncertain,” Presbyterian said in a prepared statement.

Presbyterian and state officials said the settlement resolves those debts, but not an additional $14 million in estimated underpayment related to tax credits that offset Presbyterian’s contributions to a high-risk insurance pool for people who are denied insurance or considered uninsurable.

Maxwell said those estimated underpayments are related to a recent regulatory change that delays insurance-pool tax credits until the year after payments to the insurance pool. Presbyterian will be working with the Office of the Superintendent of Insurance to clear up the rest of its tax liability.

“We look forward to getting this issue behind us,” he said.

A newly released audit places Presbyterian Health Plan at the top of a list of 17 insurance companies with unpaid taxes that are owed to the state of New Mexico.

Records released by the New Mexico Office of the State Auditor last week show a $28.9 million underpayment of taxes at the for-profit arm of Presbyterian Healthcare Services since 2003.

The state collects hundred of millions of dollars each year through a 3 percent tax on insurance premiums and additional surcharges.

The Associated Press contributed to this report

Contact the writer.

TO: New Mexico Public Schools Insurance Authority
FROM: Keith Witt, Supervisor - Account Management
DATE: October 31, 2017
RE: Attorney General's lawsuit against Presbyterian

In response to the media coverage regarding the settlement reached between Presbyterian and the AG office, I wanted to provide a brief summary:

Over the past several months, Presbyterian has been working to resolve questions around our premium tax payments with the state of New Mexico. Throughout Presbyterian's 109 years, Presbyterian has always honored our obligations to the state and has strived to be good stewards to our communities.

Presbyterian and the Attorney General's office have reached a mutually agreed upon settlement that fully satisfies this case in the best interests of our state and in the interests of those Presbyterian serves. At issue were the premium taxes for 2003 and 2004. During this time, there were complex, and in some times contradicting rules and changes in the state's premium tax laws.

Presbyterian has always acted with the highest level of integrity and all of the fraud allegations have been dropped. Throughout the entire process, there was no evidence of wrong doing by Presbyterian or filing of false claims.

The settlement payment (a fraction of what was included in the original filed case) Presbyterian is making will fully resolve obligations for the 2003 and 2004 period of time.

Most importantly the settlement will not have an adverse impact on our clients, partners or members. It will not impact premium rates or administrative rates, it will be fulfilled out of reserves on hand.

If you have any questions please contact a member of your Account Management Team.

Thank you,

Keith

Keith Witt
Supervisor, Accounts Management
Presbyterian Health Plan
Direct: (505) 923-5824
Fax: (505) 923-8225
kwitt@phs.org

Legislative Finance Committee

Representative Patricia A. Lundstrom, Chair
Senator John Arthur Smith, Vice Chair

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

FY19 Appropriation Request
2017 Solvency Update

Tom Sullivan, Board President
Joe Montano, Vice President
Doug Crandall, Secretary

David Archuleta, Executive Director

Program Updates

- Fall Switch Enrollment
  - 16 meetings / 13 locations
- Request for Proposal – Pharmacy Benefit Management Services
  - Cooperation with Albuquerque Public Schools, Public School Insurance Authority and State of New Mexico
  - July 2018 – June 2022
- GASB 74
  - Applies to New Mexico Retiree Health Care Authority
  - Replaces GASB 43
- GASB 75
  - Applies to employer groups (currently 300)
  - Allocates portion of unfunded liabilities
- Development of 5-year strategic plan
- Asset allocation updates

Healthcare Benefits Administration (P633)

	Healthcare Benefit Fund Expenditure Summary						
		FY16	FY17	FY18	FY19	FY19	Percent
	Contractual Services	Actuals	Actuals	OPBUD	Inc/Dec	Request	Change
1	Prescriptions	$ 90,353.1	$ 91,535.6	$ 100,000.0	$ 12,500.0	$ 112,500.0	13.1%
2	Medical - Supplement/Self- Insured	$ 148,772.8	$ 148,703.3	$ 155,000.0	$ 7,000.0	$ 162,000.0	4.4%
3	Medicare Advantage	$ 17,076.7	$ 20,219.8	$ 28,091.2	$ 4,998.2	$ 33,089.4	22.0%
4	ACA Transitional Reinsurance Fee	$ 786.9	$ 472.3	$ -	$ -	$ -	0.0%
5	Voluntary Coverages	$ 30,847.1	$ 31,334.3	$ 34,000.0	$ 3,400.0	$ 37,400.0	10.3%
6	**Total Contractual Services**	$ 287,836.6	$ 292,265.3	$ 317,091.2	$ 27,898.2	$ 344,989.4	9.0%
	Other						
7	PCORI Fee	$ 37.8	$ 38.8	$ 37.8	$ 4.2	$ 42.0	11.1%
8	**Total Other**	$ 37.8	$ 38.8	$ 37.8	$ 4.2	$ 42.0	11.1%
	Other Financing Uses						
9	Program Support	$ 3,012.9	$ 3,118.3	$ 2,936.8	$ 130.4	$ 3,067.2	4.4%
10	**Total Other Financing Uses**	$ 3,012.9	$ 3,118.3	$ 2,936.8	$ 130.4	$ 3,067.2	4.4%
11	**Total Expenditures**	$ 290,887.3	$ 295,422.4	$ 320,065.8	$ 28,032.8	$ 348,098.6	8.8%

The Healthcare Benefits Administration Program request includes:

- Prescriptions and medical costs for all pre-Medicare and Medicare Supplement participants based on projections assumed for half of calendar years 2018 and 2019
- Increases in Medicare Advantage (MA) participation combined with an unknown rate increase for MA plans beginning second half of FY19
- Growth in voluntary plan participation including dental, vision and life insurance
- Patience Centered Outcomes Research Institute Fee required by Affordable Care Act
- Other financing uses associated with needs of Program Support

Program Support (P634)

	Program Support Expenditure Summary							
			FY17	FY17	FY18	FY19	FY19	
	Uses		OPBUD	Actual	OPBUD	Inc/Dec	Request	Percent Change
1	200	Personal Services/ Employee Benefits	1,949.8	1,840.8	1,858.8	72.7	1,931.5	3.9%
2	300	Contractual Services	624.4	550.9	544.8	36.5	581.3	6.7%
3	400	Other Costs	544.1	509.5	533.2	21.2	554.4	4.0%
4		**TOTAL**	**3,118.3**	**2,901.2**	**2,936.8**	**130.4**	**3,067.2**	**4.4%**

The Program Support request includes:

- Full funding for 27 FTE per BPS calculation
- Contractual services for actuarial, accounting, investment, legal and information technology expenses
  - Actuarial services include: solvency measurement and GASB reporting requirements
  - Investments include: asset allocation review and recommendation
  - Legal fees include: agency general counsel, contract review, policy and procedure recommendations
- Other costs for office rent in Albuquerque and Santa Fe, rent of equipment (copiers), printing and postage, telecommunication charges, computer equipment, office supplies, board expenses, and other miscellaneous expenses

Board Action 2017

Pre-Medicare

- Eliminated Premier Plus Plan - $300 deductible / $3,000 annual OOP Max
- Migrated Premier Plus Participants to Premier Plan (4,000 members)
- Created Value Plan - $1,500 deductible / $5,500 OOP Max
- Adjusted rates commensurate with new risk pools
- Increased OOP Max on Premier Plan by $500 to $4,500
- First dollar coverage (waive deductible and coinsurance) on all plans for advanced radiology services (CT, MRI and PET scans) received at free-standing imaging centers with $100 copayment for Premier Plan and $125 for the Value Plan

Medicare

- Medicare Supplement Plan rate increase - 6 percent
- Medicare Outreach Meetings

All

- Eliminated coverage for drugs available over the counter
- Eliminated multiple dependent subsidies
- Implemented open enrollment period

Board Action 2018

Pre-Medicare

- Premier and Value Plan rate increase – 8 percent
- Expanded Value Option Resources to include Blue Cross Blue Shield
  - Narrow network representing 53% of PPO network
- Introduction of Smart90 program for prescription drugs

Medicare

- Medicare Supplement Plan rate increase – 6 percent
- Implementation of default strategy for Medicare plan participants
- Introduction of Smart90 program for prescription drugs

All

- Conversion of Basic Life Insurance
  - Members assume 25 percent of cost in 2018 / 50 percent in 2019 / 75 percent in 2020/ 100 percent in 2021
- Market Check Agreement w/Express Scripts

Solvency Update

2007 Status

- Projected Solvency – 2014 (7 years)
- Trust Fund Balance – $176.8 million (as of June 30)
- $4.1 billion unfunded liability (3% funded)
- $5.7 million withdrawn from Trust Fund

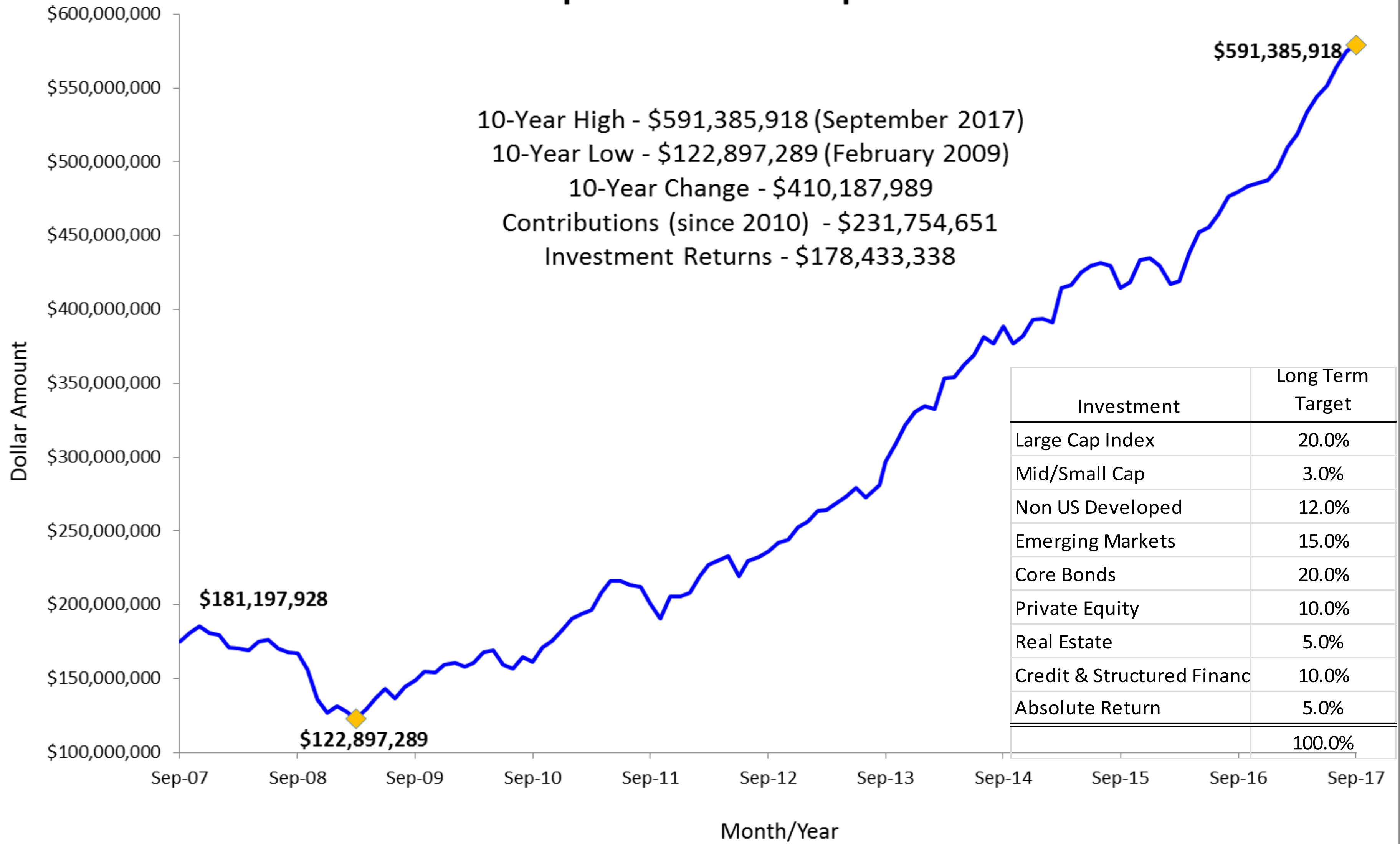
2017 Status

- Projected Solvency – 2035 (18 years)
- Trust Fund Balance – $545.6 million (as of June 30)
- $4.5 billion unfunded liability (11.26% funded)

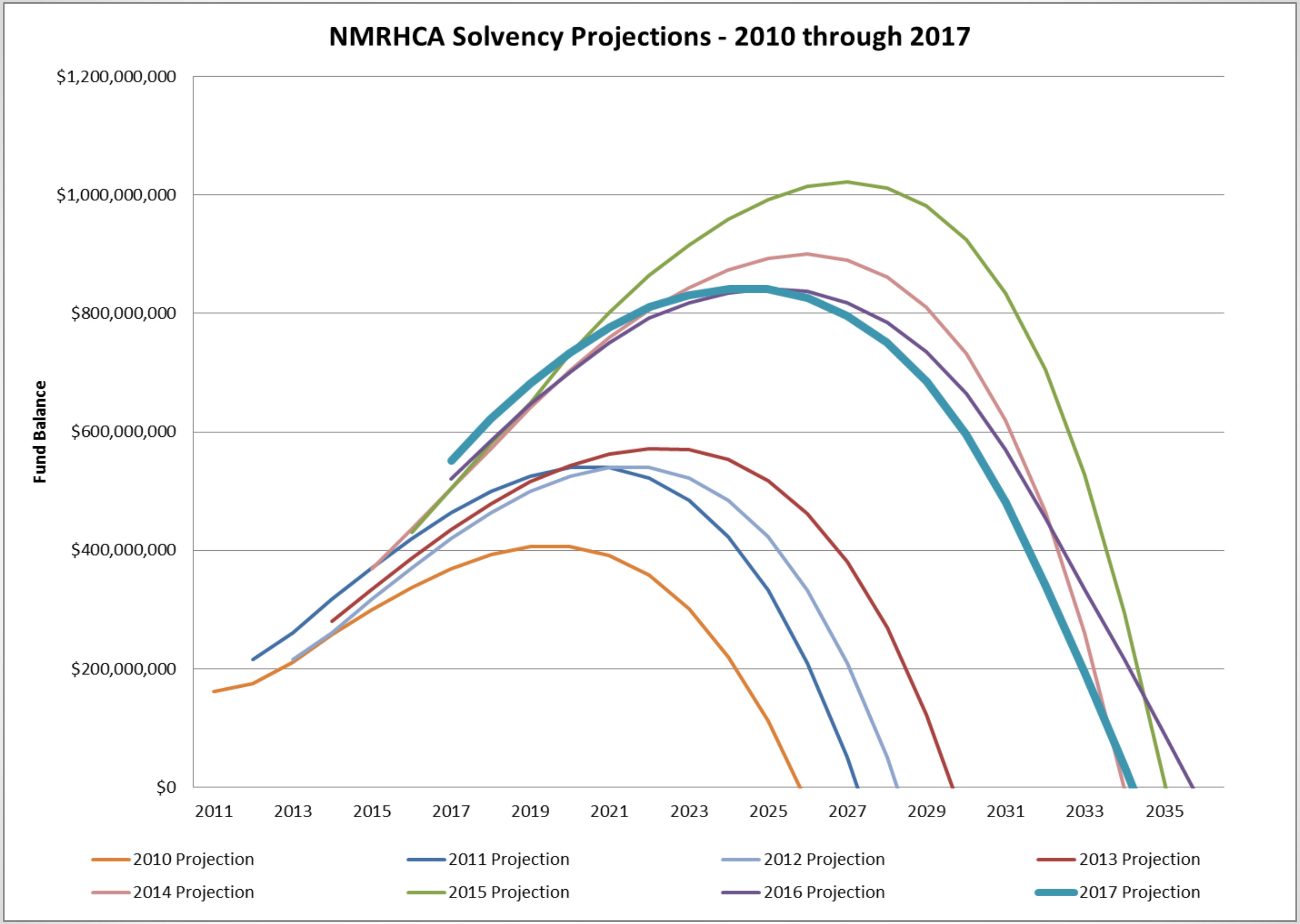
Challenges

- Projected growth in long-term medical costs
- Limited growth in payroll
- Reduction in Tax Suspense Fund revenue
- Competition with other state priorities

NMRHCA Trust Fund Balance History
September 2007 - September 2017



Investment	Long Term Target
Large Cap Index	20.0%
Mid/Small Cap	3.0%
Non US Developed	12.0%
Emerging Markets	15.0%
Core Bonds	20.0%
Private Equity	10.0%
Real Estate	5.0%
Credit & Structured Financ	10.0%
Absolute Return	5.0%
	100.0%


NMRHCA Solvency Projections - 2010 through 2017
$1,200,000,000
$1,000,000,000
$800,000,000
$600,000,000
$400,000,000
$200,000,000
$0
Fund Balance
2011
2013
2015
2017
2019
2021
2023
2025
2027
2029
2031
2033
2035
2010 Projection
2011 Projection
2012 Projection
2013 Projection
2014 Projection
2015 Projection
2016 Projection
2017 Projection

Sustainability

Strategic Plan (2018 – 2022)

- Apply downward pressure on prescription drug costs for all members (network, contracts, cost-sharing)
- Apply downward pressure on pre-Medicare medical plans (network, contracts, cost-sharing)
- Reduce pre-Medicare retiree subsidies
- Reduce pre-Medicare spousal subsidies
- Evaluate existing and emerging wellness/population health programs for inclusion in either plan coverage or incentive support
- Develop and implement value-based purchasing initiatives either through health plan partners and/or directly with health care delivery systems
- Evaluate emerging and ongoing demographic trends and make program adjustments commensurate with fiduciary responsibilities
- Provide members with information necessary to better manager their individual health care
- Increase employee/employer contribution levels (requires legislative action)

TENTATIVE AGENDA
for the
FIFTH MEETING
of the
INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

November 13, 2017
State Capitol, Room 307
Santa Fe

Monday, November 13

10:00 a.m.		**Call to Order and Welcome** —Representative Tomás E. Salazar, Chair —Senator George K. Munoz, Vice Chair
10:05 a.m.	(1)	**Retiree Health Care Authority (RHCA):** • **Actuarial Valuation; Governmental Accounting Standards Board (GASB) Statements 74 and 75** • **Transparency** —David Archuleta, Executive Director, RHCA
10:35 a.m.	(2)	**Public Employees Retirement Association (PERA):** • **Transparency** • **Actuarial Valuation; GASB Statements 67 and 68** • **Wisconsin's Incentive Program for Public Pension Investment Staff** —Wayne Propst, Executive Director, PERA —Anna Williams, Chief Financial Officer, PERA —Dominic Garcia, Chief Investment Officer, PERA
12:05 p.m.		**Lunch**
1:30 p.m.	(3)	**Educational Retirement Board (ERB):** • **Transparency** • **Actuarial Valuation; GASB Statements 67 and 68** • **Proposed Legislation** —Jan Goodwin, Executive Director, ERB —Roderick Ventura, General Counsel, ERB
3:00 p.m.	(4)	**State Investment Council (SIC): Transparency** —Steven K. Moise, State Investment Officer, SIC —Charles Wollmann, Director of Communications and Legislative Affairs, SIC
3:45 p.m.		**Adjourn**

TENTATIVE AGENDA
for the
NINTH MEETING
of the
LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE

November 16-17, 2017
State Capitol, Room 321
Santa Fe

<u>Thursday, November 16</u>

9:00 a.m. **Welcome and Introductions**
—Representative Deborah A. Armstrong, Chair, Legislative Health and Human Services Committee (LHHS)
—Senator Gerald Ortiz y Pino, Vice Chair, LHHS

9:10 a.m. (1) **Senate Memorial 99 (2017 Regular Session) State Agency Health Expenditures Study**
—Jenny Felmley, Ph.D., Program Evaluator, Legislative Finance Committee (LFC)
—Dawn Hunter, J.D., Deputy Secretary, Department of Health
—David Archuleta, Executive Director, Retiree Health Care Authority (RHCA)
—Lara White-Davis, Director, Risk Management Division (RMD), General Services Department (GSD)
—Vera M. Dallas, Senior Director, Employee Benefits, Albuquerque Public School District (APS)
—Ernestine Chavez, Deputy Director, Public School Insurance Authority (PSIA)

10:30 a.m. (2) **Interagency Benefits Advisory Committee Cost and Utilization Trends**
—Jenny Felmley, Ph.D., Program Evaluator, LFC
—Maria Griego, Program Evaluator, LFC
—David Archuleta, Executive Director, RHCA
—Lara White-Davis, Director, RMD, GSD
—Vera M. Dallas, Senior Director, Employee Benefits, APS
—Ernestine Chavez, Deputy Director, PSIA

11:30 a.m. (3) **Public Comment**

12:00 noon **Lunch**

1:30 p.m. (4) **Centennial Care 2.0 Waiver Application Impact Analysis**
—Sireesha Manne, Staff Attorney, New Mexico Center on Law and Poverty (NMCLP)

3:00 p.m. (5) **Supplemental Nutrition Assistance Program Court Order Compliance Update**
—Sovereign Hager, Staff Attorney, NMCLP

4:30 p.m. **Recess**

Friday, November 17

9:00 a.m. **Welcome and Introductions**
—Representative Deborah A. Armstrong, Chair, LHHS
—Senator Gerald Ortiz y Pino, Vice Chair, LHHS

9:10 a.m. (6) **Early Childhood Services Collaboration: Report Pursuant to Senate Memorial 23 (2017)**
—Michael Weinberg, Ed.D., Early Childhood Education Policy Officer, Thornburg Foundation

10:30 a.m. (7) **Endorsement Review of Legislation Proposed for the 2018 Regular Session**
—Michael Hely, Staff Attorney, Legislative Council Service

12:00 noon (8) **Public Comment**

12:30 p.m. **Adjourn**

NEW MEXICO RETIREE HEALTH CARE AUTHORITY
CHANGE IN NET ASSET VALUE
FOR THE MONTH ENDED
September 30, 2017

	Core Plus Bonds	Large Cap Index	Non US Dev Index	Non US Emg Index	Small Mid Cap	Credit and Structure	Absolute Return	Private Equity	Real Estate	Total
Market Value 8/31/2017	$109,638,022.66	$122,722,938.24	$66,803,579.56	$89,583,088.82	$16,206,161.63	$56,890,915.62	$26,599,770.71	$59,641,903.98	$31,064,033.81	$579,150,415.03
CONTRIBUTIONS	1,000,000.00	1,000,000.00	600,000.00	750,000.00	150,000.00	500,000.00	250,000.00	500,000.00	250,000.00	5,000,000.00
WITHDRAWALS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME EARNED	312,046.46	166,880.30	185,712.88	122,612.71	14,413.04	4,176.33	10.84	68,055.04	69,181.94	943,089.54
CAPITAL APPR/DEPR	(624,073.28)	2,473,591.72	1,574,995.41	(419,491.52)	462,943.70	259,237.90	162,452.99	1,832,053.36	570,702.76	6,292,413.04
Market Value 9/30/2017	$110,325,995.84	$126,363,410.26	$69,164,287.85	$90,036,210.01	$16,833,518.37	$57,654,329.85	$27,012,234.54	$62,042,012.38	$31,953,918.51	$591,385,917.61

State of New Mexico
STATE INVESTMENT COUNCIL
41 Plaza La Prensa
Santa Fe, New Mexico 87507
Phone: (505) 476-9500
Fax: (505) 424-2510

SUSANA MARTINEZ
GOVERNOR

STEVEN K. MOISE
STATE INVESTMENT OFFICER

ROBERT "VINCE" SMITH, CFA
DEPUTY STATE INVESTMENT OFFICER

Overview of RHCA portfolio performance as of 6/30/17 & discussion of SIC Investment Pool restructuring

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- **RHCA investment performance summary for FY17**
  - Total Returns, 1-year, net of fees: 13.95% (+28bp above benchmark)
  - Total asset value grew $100mm year-over-year ($33mm in new contributions)
  - Exposure to 9 investment pools, 6 actively managed
  - Five of six allocations outperformed benchmarks on 1-year basis:

Investment Pool	1yr net returns/index returns
Small/Mid Cap Active:	**25.4 / 22.2**
US Core Plus:	**3.6 / 0.9**
Credit/Structured:	**11.3 / 10.1**
Absolute Return:	**7.5 / 5.7**
Private Equity:	**13.9 / 17.3**
Real Estate:	**8.1 / 7.4**

- SIC active management broadly paid off in FY17, breaking longer-term trends
- Private equity returns improving; lag from legacy investments a factor, but diminishing
- CIO outlook
- Restructuring of Core-Plus, Credit/Structured, Absolute Return portfolios into "Core"/"Non-Core" pools
  - Existing Core-Plus Pool strategies to be merged with short duration, high-yield short duration, investment-grade corporate bonds, and US Treasuries in new **"Core Fixed Income Pool"**
  - Absolute Return to merge with Credit/Structured pools, add new credit-oriented managers, unconstrained fixed income in new **"Non-Core Fixed Income Pool"**
- Bottom lines:
  - New "Core" to offer liquid, highly-rated portfolio with objectives of capital preservation, income production and liquidity; Pool diversification is increased, duration shortened, active management increased, and fees increased from 20bp to ~25.7bp
  - New "Non-Core" to combine structured credit, direct lending, unconstrained and distressed fixed income strategies; Pool diversification increased, fee costs reduced to 115 basis points from current 162bps for absolute return, and 118bp for credit/structured pools, targeting returns of 7-9% annually
  - Fixed Income Structure Update (detail)

Retiree Health Care Authority

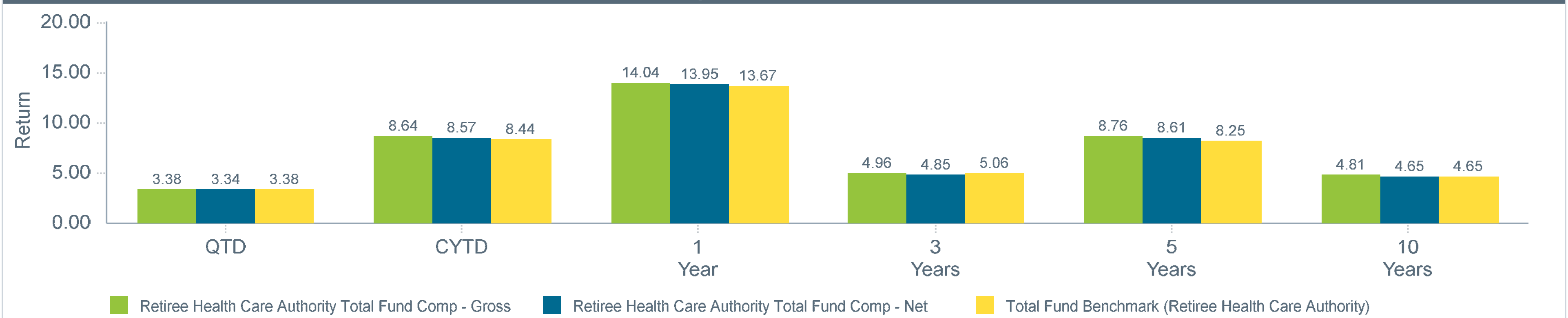
Overview

The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.

Asset Allocation vs. Target Allocation

	Market Value ($)	Allocation (%)	Target (%)	Difference (%)
Large Cap US Equity Index	119,944,374	21.26	20.00	1.26
Small/Mid Cap US Equity Active	16,319,249	2.89	3.00	-0.11
Non-US Developed Markets Index	64,777,770	11.48	12.00	-0.52
Non-US Emerging Markets Index	82,734,169	14.67	15.00	-0.33
US Core Plus Bonds	107,756,423	19.10	20.00	-0.90
Credit & Structured Finance	55,942,037	9.92	10.00	-0.08
Absolute Return	26,274,562	4.66	5.00	-0.34
Private Equity	59,338,087	10.52	10.00	0.52
Real Estate	31,053,570	5.50	5.00	0.50
Total Fund	564,140,240	100.00	100.00	0.00

Comparative Performance



Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	2014
Retiree Health Care Authority Total Fund Comp - Gross	**3.38**	**8.64**	**14.04**	**4.96**	**8.76**	**4.81**	**8.09**	**-0.90**	**4.71**
Total Fund Benchmark (Retiree Health Care Authority)	*3.38*	*8.44*	*13.67*	*5.06*	*8.25*	*4.65*	*8.42*	*-0.76*	*4.88*
Difference	0.00	0.20	0.37	-0.10	0.51	0.16	-0.33	-0.14	-0.17
Retiree Health Care Authority Total Fund Comp - Net	**3.34**	**8.57**	**13.95**	**4.85**	**8.61**	**4.65**	**7.99**	**-1.03**	**4.48**
Total Fund Benchmark (Retiree Health Care Authority)	*3.38*	*8.44*	*13.67*	*5.06*	*8.25*	*4.65*	*8.42*	*-0.76*	*4.88*
Difference	-0.04	0.13	0.28	-0.21	0.36	0.00	-0.43	-0.27	-0.40

Schedule of Investable Assets

Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return
CYTD	**495,629,841**	**25,000,000**	**43,510,399**	**564,140,240**	**8.57**

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise.

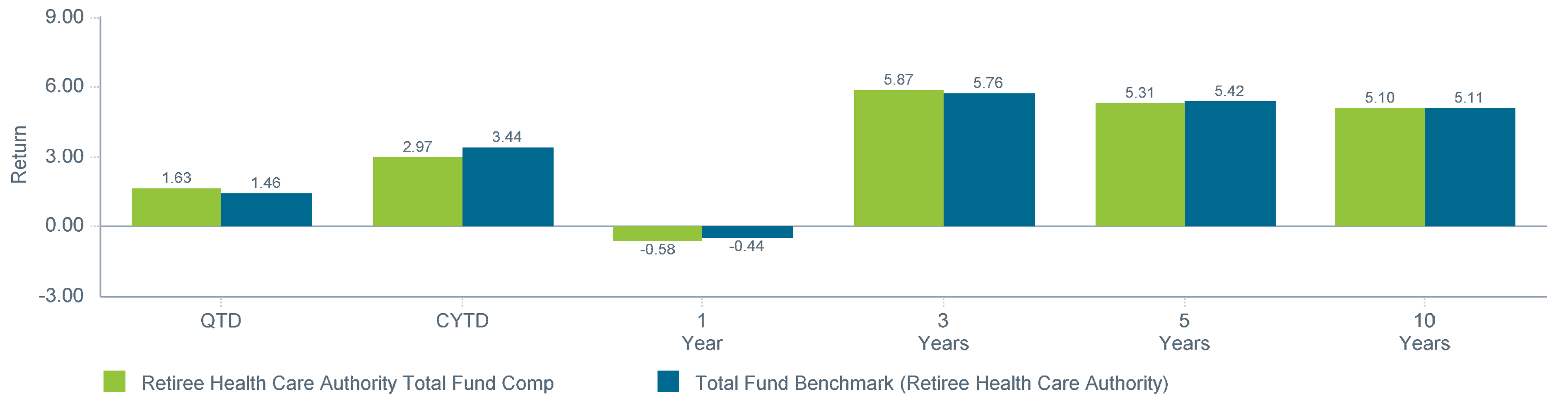
Overview

The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.

Asset Allocation vs. Target Allocation

	Market Value ($)	Allocation (%)	Target (%)	Difference (%)
Large Cap US Equity Index	95,707,819	20.60	20.00	0.60
Small/Mid Cap US Equity Active	12,205,944	2.63	3.00	-0.37
Non-US Developed Markets Index	50,315,241	10.83	12.00	-1.17
Non-US Emerging Markets Index	62,771,569	13.51	15.00	-1.49
US Core Plus Bonds	97,529,272	20.99	20.00	0.99
Credit & Structured Finance	47,120,489	10.14	10.00	0.14
Absolute Return	22,717,729	4.89	5.00	-0.11
Private Equity	48,996,282	10.55	10.00	0.55
Real Estate	27,185,590	5.85	5.00	0.85
Total Fund	464,549,934	100.00	100.00	0.00

Comparative Performance



Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2015	2014	2013
Retiree Health Care Authority Total Fund Comp	**1.63**	**2.97**	**-0.58**	**5.87**	**5.31**	**5.10**	**-1.00**	**4.49**	**15.64**
Total Fund Benchmark (Retiree Health Care Authority)	*1.46*	*3.44*	*-0.44*	*5.76*	*5.42*	*5.11*	*-0.77*	*4.88*	*13.29*
Difference	0.17	-0.47	-0.14	0.11	-0.11	-0.01	-0.23	-0.39	2.35

Schedule of Investable Assets

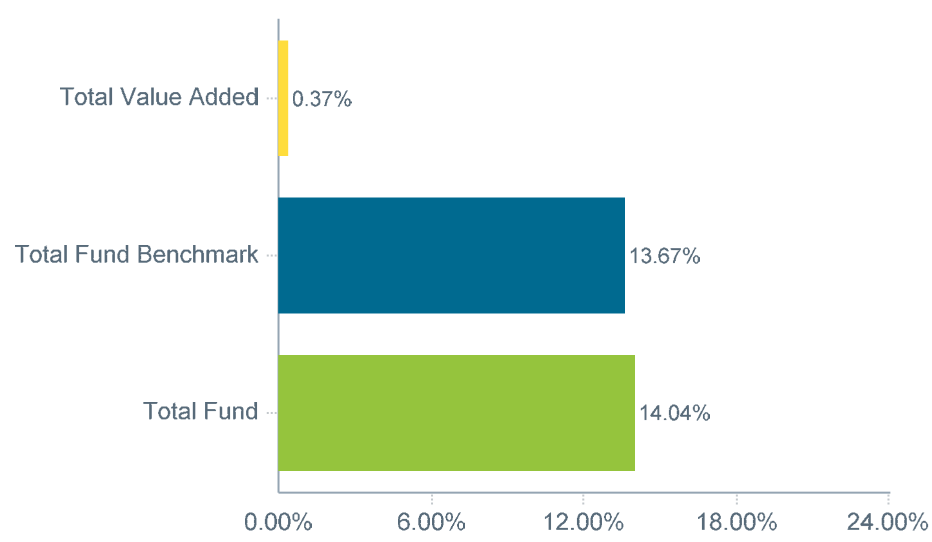
Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return
CYTD	**429,691,578**	**21,672,839**	**13,185,518**	**464,549,934**	**2.97**

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is gross of fees.

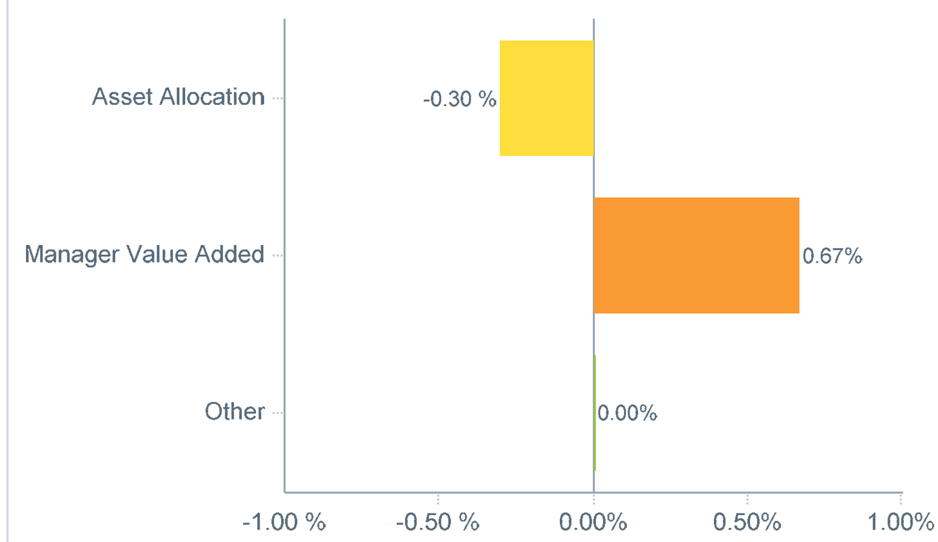
Retiree Health Care Authority Total Fund Comp vs. Total Fund Benchmark (Retiree Health Care Authority)

Total Fund Attribution

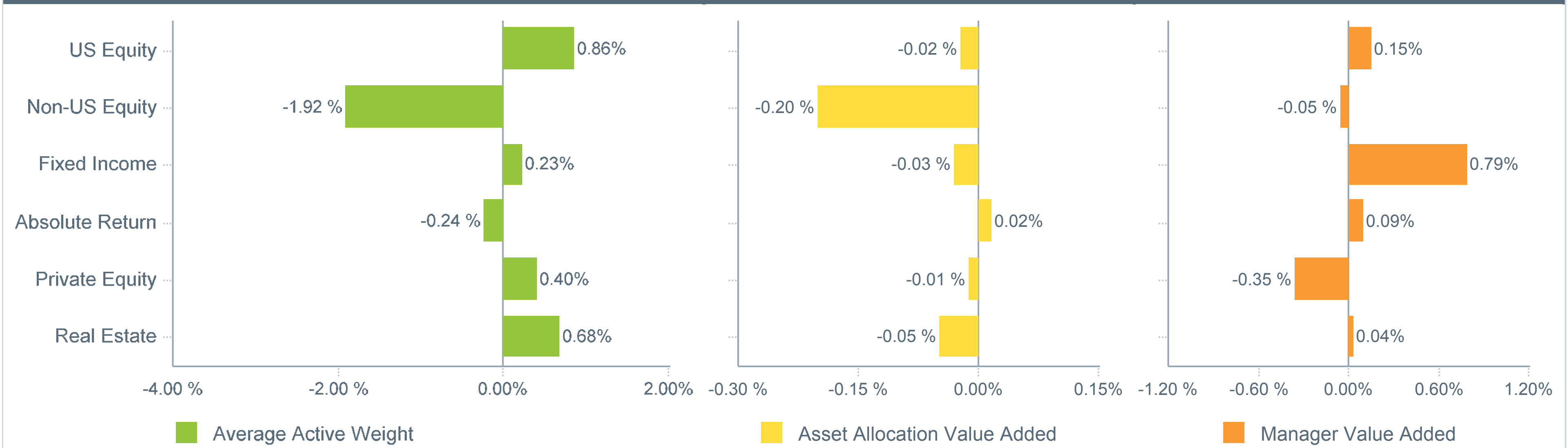
Total Fund Performance



Total Value Added:0.37%



Total Asset Allocation:-0.30 % **Total Mgr Value Added:0.67%**



Performance shown is gross of fees. Calculation is based on monthly periodicity. See Glossary for additional information regarding the Total Fund Attribution calculation.

	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
NMSIC Total Fund Composite	**22,350,634,784**	**100.00**	**3.19**	**7.64**	**13.11**	**13.11**	**5.56**	**9.04**	**4.92**	**7.60**	**0.30**	**5.22**	**01/01/2000**
US Equity													
US Equity Composite	**5,909,566,769**	**26.44**	**3.48**	**9.29**	**18.92**	**18.92**	**8.78**	**14.41**	**7.47**	**12.02**	**0.63**	**6.09**	**05/01/1999**
Russell 3000 Index			*3.02*	*8.93*	*18.51*	*18.51*	*9.10*	*14.58*	*7.26*	*12.74*	*0.48*	*5.82*	
US Large Cap Equity Composite	**5,370,663,469**	**24.03**	**3.62**	**9.63**	**18.19**	**18.19**	**9.23**	**14.33**	**7.75**	**10.96**	**1.46**	**5.58**	**05/01/1999**
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*5.64*	
IM U.S. Large Cap Equity (SA+CF)			*3.06*	*9.02*	*18.49*	*18.49*	*9.01*	*14.62*	*7.47*	*10.99*	*0.94*	*6.57*	
US Large Cap Active Pool	**1,948,983,528**	**8.72**	**6.09**	**13.58**	**22.79**	**22.79**	**10.22**	**14.53**	**7.63**	**6.98**	**4.11**	**5.31**	**05/01/1999**
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*5.64*	
IM U.S. Large Cap Equity (SA+CF)			*3.06*	*9.02*	*18.49*	*18.49*	*9.01*	*14.62*	*7.47*	*10.99*	*0.94*	*6.57*	
Wellington Management Company	391,136,202	1.75	1.94	5.48	15.95	15.95	8.49	13.57	N/A	14.81	0.17	14.33	06/01/2012
Russell 1000 Val Index			*1.34*	*4.66*	*15.53*	*15.53*	*7.36*	*13.94*	*5.57*	*17.34*	*-3.83*	*14.78*	
IM U.S. Large Cap Value Equity (SA+CF)			*2.05*	*6.24*	*17.99*	*17.99*	*7.63*	*14.22*	*6.52*	*14.53*	*-2.29*	*14.87*	
Brown Brothers Harriman	612,906,283	2.74	5.54	10.73	16.49	16.49	7.01	12.63	N/A	9.03	-1.68	13.76	06/01/2012
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*15.26*	
IM U.S. Large Cap Core Equity (SA+CF)			*2.92*	*8.98*	*17.53*	*17.53*	*9.22*	*14.54*	*7.53*	*10.52*	*1.32*	*15.05*	
J.P. Morgan Asset Mgmt	274,532,745	1.23	8.44	20.91	27.98	27.98	12.12	14.75	N/A	-1.15	8.43	14.87	06/01/2012
T. Rowe Price LC Growth	668,901,492	2.99	8.28	20.19	32.49	32.49	13.18	18.29	N/A	3.40	10.58	18.63	06/01/2012
Russell 1000 Grth Index			*4.67*	*13.99*	*20.42*	*20.42*	*11.11*	*15.30*	*8.91*	*7.08*	*5.67*	*15.64*	
IM U.S. Large Cap Growth Equity (SA+CF)			*5.03*	*14.12*	*20.42*	*20.42*	*10.41*	*14.95*	*8.81*	*4.62*	*4.97*	*15.36*	
US Large Cap Alternative Wtd Index Pool	**1,384,506,507**	**6.19**	**1.12**	**4.77**	**12.13**	**12.13**	**N/A**	**N/A**	**N/A**	**15.84**	**N/A**	**8.88**	**02/01/2015**
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*10.42*	
IM U.S. Large Cap Enhanced Index Equity (SA+CF)			*2.94*	*8.79*	*18.52*	*18.52*	*9.50*	*15.14*	*7.47*	*12.45*	*1.01*	*10.36*	
NT Russell Fundamental LC Index Fund	900,717,936	4.03	1.11	4.88	14.26	14.26	N/A	N/A	N/A	16.69	N/A	9.17	02/01/2015
Russell RAFI US Index			*1.04*	*4.62*	*14.65*	*14.65*	*7.70*	*14.37*	*8.08*	*17.26*	*-2.76*	*9.17*	
NT FTSE RAFI Low Volatility Index	329,415,736	1.47	0.67	3.16	5.13	5.13	N/A	N/A	N/A	14.40	N/A	7.81	02/01/2015
FTSE RAFI USD Lo Vol Index			*0.74*	*3.19*	*5.00*	*5.00*	*7.53*	*12.59*	*8.86*	*14.41*	*-0.19*	*7.84*	
NT Russell 1000 Equal Wtd Index	66,532,950	0.30	1.27	6.43	14.51	14.51	N/A	N/A	N/A	16.41	N/A	6.12	03/01/2015
Russell 1000 Index (Eq Wtd)			*1.35*	*6.52*	*14.48*	*14.48*	*6.32*	*14.25*	*8.96*	*16.37*	*-4.01*	*6.12*	
NT Russell Top 200 Index Fund	70,122,811	0.31	3.26	9.83	18.77	18.77	N/A	N/A	N/A	11.34	N/A	11.26	02/01/2015
Russell Top 200 Index			*3.20*	*9.79*	*18.65*	*18.65*	*9.93*	*14.64*	*7.15*	*11.33*	*2.36*	*11.23*	
NT S&P 600 Index Fund	18,006,707	0.08	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.98	06/01/2017
S&P Sm Cap 600 Index (Cap Wtd)			*1.71*	*2.79*	*22.47*	*22.47*	*9.32*	*15.47*	*8.44*	*26.56*	*-1.97*	*2.99*	

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	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
US Large Cap Index Pool	**2,037,173,433**	**9.11**	**3.04**	**9.24**	**17.99**	**17.99**	**9.29**	**14.67**	**8.23**	**12.07**	**1.01**	**6.13**	**05/01/1999**
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*5.64*	
NT Russell 1000 Index Fund	2,037,224,981	9.11	3.04	9.24	17.99	17.99	9.26	14.66	N/A	12.06	0.93	13.43	08/01/2011
Russell 1000 Index			*3.06*	*9.27*	*18.03*	*18.03*	*9.26*	*14.67*	*7.29*	*12.05*	*0.92*	*13.50*	
IM U.S. Large Cap Core Equity (SA+CF)			*2.92*	*8.98*	*17.53*	*17.53*	*9.22*	*14.54*	*7.53*	*10.52*	*1.32*	*13.44*	
US Small/Mid Cap Equity Composite	**538,903,300**	**2.41**	**2.24**	**6.53**	**25.84**	**25.84**	**5.52**	**14.14**	**N/A**	**21.79**	**-7.42**	**9.58**	**05/01/2011**
US Small/Mid Cap Equity Custom Index			*2.55*	*5.90*	*22.18*	*22.18*	*7.52*	*14.05*	*7.19*	*19.06*	*-3.79*	*10.23*	
IM U.S. SMID Cap Equity (SA+CF)			*2.36*	*6.78*	*20.04*	*20.04*	*7.43*	*14.51*	*8.31*	*16.41*	*-1.42*	*10.81*	
US Small/Mid Cap Active Pool	**538,895,837**	**2.41**	**2.24**	**6.61**	**25.90**	**25.90**	**4.68**	**13.61**	**6.16**	**22.31**	**-8.99**	**8.42**	**11/01/1998**
US Small/Mid Cap Equity Custom Index			*2.55*	*5.90*	*22.18*	*22.18*	*7.52*	*14.05*	*7.19*	*19.06*	*-3.79*	*9.11*	
IM U.S. SMID Cap Equity (SA+CF)			*2.36*	*6.78*	*20.04*	*20.04*	*7.43*	*14.51*	*8.31*	*16.41*	*-1.42*	*11.49*	
Seizert Capital Partners	106,372,504	0.48	0.56	6.89	32.28	32.28	6.35	17.80	N/A	25.31	-10.39	16.71	01/01/2012
Russell Mid Cap Index			*2.70*	*7.99*	*16.48*	*16.48*	*7.69*	*14.72*	*7.67*	*13.80*	*-2.44*	*14.89*	
IM U.S. Mid Cap Equity (SA+CF)			*2.71*	*8.24*	*18.67*	*18.67*	*7.96*	*14.68*	*8.47*	*12.41*	*-1.15*	*15.03*	
Donald Smith & Company	185,636,668	0.83	3.28	6.72	14.55	14.55	-0.06	11.73	N/A	13.87	-11.76	11.07	01/01/2012
Russell 2000 Val Index			*0.67*	*0.54*	*24.86*	*24.86*	*7.02*	*13.39*	*5.92*	*31.74*	*-7.47*	*13.72*	
IM U.S. Small Cap Value Equity (SA+CF)			*0.94*	*2.08*	*23.12*	*23.12*	*7.70*	*15.00*	*7.95*	*26.17*	*-4.30*	*14.92*	
BlackRock Alpha Tilts	152,422,097	0.68	1.11	4.20	25.33	25.33	7.52	15.60	N/A	23.29	-3.90	14.80	02/01/2012
Russell 2000 Index			*2.46*	*4.99*	*24.60*	*24.60*	*7.36*	*13.70*	*6.92*	*21.31*	*-4.41*	*12.87*	
IM U.S. SMID Cap Equity (SA+CF) Median			*2.36*	*6.78*	*20.04*	*20.04*	*7.43*	*14.51*	*8.31*	*16.41*	*-1.42*	*13.57*	
Cortina Asset Management	95,422,313	0.43	4.13	9.36	31.09	31.09	7.27	12.04	N/A	24.10	-5.67	12.35	01/01/2012
Russell 2000 Grth Index			*4.39*	*9.97*	*24.40*	*24.40*	*7.64*	*13.98*	*7.82*	*11.32*	*-1.38*	*14.38*	
IM U.S. Small Cap Growth Equity (SA+CF)			*4.95*	*11.04*	*24.12*	*24.12*	*8.51*	*14.41*	*8.11*	*11.38*	*-0.73*	*15.01*	

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	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
Non-US Equity													
Non-US Equity Composite	**4,219,869,067**	**18.88**	**7.26**	**16.50**	**22.32**	**22.32**	**1.35**	**6.40**	**1.27**	**3.77**	**-5.32**	**5.47**	**05/01/1999**
Non-US Equity Custom Index			*5.85*	*14.30*	*20.43*	*20.43*	*0.86*	*6.64*	*1.42*	*4.41*	*-5.90*	*5.65*	
Non-US Developed Markets Composite	**3,548,724,183**	**15.88**	**7.34**	**15.82**	**22.08**	**22.08**	**2.64**	**9.64**	**1.84**	**2.48**	**-0.39**	**4.55**	**05/01/1999**
Non-US Developed Markets Custom Index			*6.40*	*14.21*	*20.67*	*20.67*	*1.41*	*8.86*	*1.11*	*1.15*	*-0.53*	*3.93*	
IM Int'l Equity Developed Markets (SA+CF)			*7.06*	*15.74*	*21.39*	*21.39*	*3.44*	*10.08*	*3.11*	*1.83*	*1.33*	*6.51*	
Non-US Developed Markets Active Pool	**2,062,207,783**	**9.23**	**7.80**	**16.68**	**24.16**	**24.16**	**2.97**	**N/A**	**N/A**	**3.15**	**-0.98**	**6.84**	**09/01/2013**
Non-US Developed Markets Custom Index			*6.40*	*14.21*	*20.67*	*20.67*	*1.41*	*8.86*	*1.11*	*1.15*	*-0.53*	*5.79*	
IM Int'l Equity Developed Markets (SA+CF)			*7.06*	*15.74*	*21.39*	*21.39*	*3.44*	*10.08*	*3.11*	*1.83*	*1.33*	*7.46*	
LSV Int'l Large Cap Value	513,553,210	2.30	5.69	13.73	27.22	27.22	-0.09	N/A	N/A	7.10	-8.16	5.09	09/01/2013
MSCI ACW Ex US Val Index (USD) (Net)			*4.08*	*11.03*	*23.62*	*23.62*	*-1.00*	*6.35*	*0.31*	*8.92*	*-10.06*	*3.98*	
IM Int'l Large Cap Value Equity (SA+CF)			*6.24*	*14.21*	*22.48*	*22.48*	*2.10*	*9.60*	*2.45*	*3.78*	*-1.91*	*6.43*	
T. Rowe Price Int'l Core	524,647,065	2.35	7.07	15.82	24.55	24.55	2.80	N/A	N/A	3.41	-1.83	7.10	09/01/2013
MSCI EAFE Index (USD) (Net)			*6.12*	*13.81*	*20.27*	*20.27*	*1.15*	*8.69*	*1.03*	*1.00*	*-0.81*	*5.57*	
IM Int'l Large Cap Core Equity (SA+CF)			*6.62*	*15.00*	*20.86*	*20.86*	*2.53*	*9.71*	*2.32*	*1.14*	*0.33*	*6.73*	
Neuberger Berman Int'l	212,839,675	0.95	7.28	15.41	19.64	19.64	N/A	N/A	N/A	-0.52	N/A	7.83	12/01/2015
MSCI EAFE Index (USD) (Net)			*6.12*	*13.81*	*20.27*	*20.27*	*1.15*	*8.69*	*1.03*	*1.00*	*-0.81*	*8.27*	
IM Int'l Large Cap Core Equity (SA+CF)			*6.62*	*15.00*	*20.86*	*20.86*	*2.53*	*9.71*	*2.32*	*1.14*	*0.33*	*9.23*	
MFS Int'l Large Cap Growth	365,292,881	1.63	10.71	19.79	21.13	21.13	4.94	N/A	N/A	2.96	1.46	6.17	10/01/2013
MSCI ACW Ex US Grth Index (USD) (Net)			*7.56*	*17.38*	*17.38*	*17.38*	*2.55*	*8.04*	*1.89*	*0.12*	*-1.25*	*4.57*	
IM Int'l Large Cap Growth Equity (SA+CF)			*7.40*	*16.67*	*19.43*	*19.43*	*3.25*	*9.42*	*3.20*	*-0.04*	*2.12*	*5.64*	
Templeton Int'l Small Cap Equity	448,109,113	2.00	9.10	19.36	25.08	25.08	4.04	N/A	N/A	0.06	2.31	6.30	10/01/2013
MSCI ACW Ex US Sm Cap Index (USD) (Net)			*6.24*	*15.56*	*20.32*	*20.32*	*3.31*	*10.02*	*2.91*	*3.91*	*2.60*	*5.84*	
IM Int'l Small Cap Equity (SA+CF)			*8.47*	*17.72*	*22.86*	*22.86*	*5.95*	*14.02*	*5.02*	*1.13*	*10.39*	*8.31*	
Non-US Developed Mkts Alt Wtd Index Pool	**759,633,158**	**3.40**	**7.15**	**15.22**	**18.56**	**18.56**	**N/A**	**N/A**	**N/A**	**2.12**	**N/A**	**10.61**	**12/01/2015**
MSCI EAFE IM Index (USD) (Net)			*6.40*	*14.21*	*20.67*	*20.67*	*1.73*	*9.23*	*1.36*	*1.15*	*0.49*	*8.81*	
IM Enhanced and Indexed Int'l Equity (SA+CF)			*6.30*	*14.18*	*20.85*	*20.85*	*1.81*	*9.13*	*2.07*	*4.52*	*-1.90*	*10.74*	
BLK MSCI World Ex-US IM Custom Factor Index	538,737,213	2.41	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	07/01/2017
MSCI Wrld Ex US IM Index (USD) (Net)			*5.86*	*13.19*	*19.74*	*19.74*	*1.12*	*8.57*	*1.29*	*2.95*	*-1.95*	*N/A*	
BLK FTSE Developed Ex US Min Var Index	216,326,633	0.97	7.45	15.82	15.76	15.76	N/A	N/A	N/A	4.26	N/A	12.25	12/01/2015
FTSE Developed Ex US Min Var Index			*7.41*	*15.82*	*15.56*	*15.56*	*4.89*	*10.03*	*5.22*	*3.90*	*2.11*	*12.09*	

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	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
Non-US Developed Markets Index Pool	**726,883,242**	**3.25**	**6.11**	**13.84**	**20.24**	**20.24**	**1.43**	**8.69**	**1.40**	**1.11**	**-0.07**	**4.30**	**05/01/1999**
Non-US Developed Markets Passive Custom Index			*6.09*	*13.78*	*20.23*	*20.23*	*1.14*	*8.68*	*1.02*	*1.00*	*-0.81*	*3.89*	
IM Int'l Large Cap Core Equity (SA+CF)			*6.62*	*15.00*	*20.86*	*20.86*	*2.53*	*9.71*	*2.32*	*1.14*	*0.33*	*5.66*	
Alliance Bernstein MSCI World Ex US IM Index	726,814,520	3.25	6.11	13.83	20.23	20.23	1.16	8.64	1.17	1.07	-0.80	5.56	06/01/1998
AB Non-US Developed Markets Custom Index			*6.09*	*13.78*	*20.23*	*20.23*	*1.14*	*8.68*	*1.02*	*1.00*	*-0.81*	*4.22*	
IM Int'l Large Cap Core Equity (SA+CF)			*6.62*	*15.00*	*20.86*	*20.86*	*2.53*	*9.71*	*2.32*	*1.14*	*0.33*	*5.72*	
Non-US Emerging Markets Composite	**671,144,884**	**3.00**	**6.86**	**19.68**	**23.38**	**23.38**	**0.98**	**2.86**	**0.29**	**10.50**	**-13.49**	**8.27**	**05/01/1999**
MSCI Emg Mkts Index (USD) (Net)			*6.27*	*18.43*	*23.75*	*23.75*	*1.07*	*3.96*	*1.92*	*11.19*	*-14.92*	*8.07*	
IM Emerging Markets Equity (SA+CF)			*6.47*	*19.31*	*23.74*	*23.74*	*2.26*	*5.82*	*3.06*	*10.07*	*-12.66*	*10.41*	
Non-US Emerging Markets Active Pool	**537,038,236**	**2.40**	**7.01**	**20.12**	**23.38**	**23.38**	**1.30**	**N/A**	**N/A**	**10.34**	**-11.87**	**2.16**	**10/01/2013**
BlackRock Emg Mkts Opp Fund	355,993,243	1.59	6.15	19.61	26.18	26.18	4.09	N/A	N/A	13.74	-11.87	5.07	10/01/2013
MSCI Emg Mkts Index (USD) (Net)			*6.27*	*18.43*	*23.75*	*23.75*	*1.07*	*3.96*	*1.92*	*11.19*	*-14.92*	*2.97*	
IM Emerging Markets Equity (SA+CF)			*6.47*	*19.31*	*23.74*	*23.74*	*2.26*	*5.82*	*3.06*	*10.07*	*-12.66*	*4.33*	
William Blair Emg Mkts	181,859,499	0.81	8.72	21.12	18.21	18.21	N/A	N/A	N/A	4.09	N/A	13.20	12/01/2015
MSCI Emg Mkts Index (USD) (Net)			*6.27*	*18.43*	*23.75*	*23.75*	*1.07*	*3.96*	*1.92*	*11.19*	*-14.92*	*17.30*	
IM Emerging Markets Equity (SA+CF)			*6.47*	*19.31*	*23.74*	*23.74*	*2.26*	*5.82*	*3.06*	*10.07*	*-12.66*	*17.34*	
Non-US Emerging Markets Index Pool	**134,106,648**	**0.60**	**6.28**	**17.97**	**23.34**	**23.34**	**0.80**	**3.38**	**0.54**	**11.08**	**-15.14**	**8.42**	**05/01/1999**
MSCI Emg Mkts Index (USD) (Net)			*6.27*	*18.43*	*23.75*	*23.75*	*1.07*	*3.96*	*1.92*	*11.19*	*-14.92*	*8.07*	
Alliance Bernstein Emerging Markets Index	134,143,033	0.60	6.28	17.97	23.33	23.33	0.72	N/A	N/A	11.07	-15.33	2.52	11/01/2012
MSCI Emg Mkts Index (USD) (Net)			*6.27*	*18.43*	*23.75*	*23.75*	*1.07*	*3.96*	*1.92*	*11.19*	*-14.92*	*2.73*	
IM Emerging Markets Equity (SA+CF)			*6.47*	*19.31*	*23.74*	*23.74*	*2.26*	*5.82*	*3.06*	*10.07*	*-12.66*	*4.62*	
Fixed Income													
Fixed Income Composite	**4,870,098,963**	**21.79**	**1.56**	**3.47**	**4.61**	**4.61**	**3.36**	**4.67**	**4.10**	**5.53**	**-0.03**	**5.20**	**05/01/1999**
Fixed Income Custom Index			*1.31*	*2.43*	*2.59*	*2.59*	*2.99*	*2.61*	*1.59*	*5.32*	*0.45*	*3.34*	
US Core & Core Plus Bonds Composite	**2,870,811,014**	**12.84**	**1.69**	**3.36**	**2.50**	**2.50**	**3.28**	**4.03**	**5.07**	**5.19**	**0.03**	**5.53**	**05/01/1999**
US Core & Core Plus Bonds Custom Index			*1.47*	*2.38*	*0.07*	*0.07*	*2.61*	*2.29*	*1.94*	*3.06*	*0.46*	*3.54*	
IM U.S. Broad Market Core+ FI (SA+CF)			*1.71*	*3.00*	*2.39*	*2.39*	*3.02*	*3.44*	*5.62*	*4.76*	*0.24*	*5.78*	

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	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
US Core Plus Bonds Pool	**2,005,158,664**	**8.97**	**1.79**	**3.84**	**3.82**	**3.82**	**3.68**	**4.28**	**5.19**	**6.41**	**-0.36**	**5.60**	**05/01/1999**
Bloomberg US Unv Bond Index			*1.52*	*2.63*	*0.91*	*0.91*	*2.76*	*2.73*	*4.73*	*3.91*	*0.43*	*5.22*	
IM U.S. Broad Market Core+ FI (SA+CF)			*1.71*	*3.00*	*2.39*	*2.39*	*3.02*	*3.44*	*5.62*	*4.76*	*0.24*	*5.78*	
PIMCO Bloomberg US Universal	794,699,161	3.56	1.74	4.07	3.77	3.77	3.61	4.02	N/A	5.27	0.30	4.50	04/01/2011
PGIM Bloomberg US Universal	610,802,341	2.73	2.46	4.59	4.30	4.30	4.17	4.87	N/A	6.35	0.06	5.77	04/01/2011
Loomis Sayles Bloomberg US Universal	600,643,186	2.69	1.18	2.79	3.44	3.44	3.26	4.01	N/A	8.19	-1.86	5.08	04/01/2011
Bloomberg US Unv Bond Index			*1.52*	*2.63*	*0.91*	*0.91*	*2.76*	*2.73*	*4.73*	*3.91*	*0.43*	*3.71*	
IM U.S. Broad Market Core+ FI (SA+CF)			*1.71*	*3.00*	*2.39*	*2.39*	*3.02*	*3.44*	*5.62*	*4.76*	*0.24*	*4.31*	
US Core Bonds Index Pool	**865,652,349**	**3.87**	**1.46**	**2.27**	**-0.38**	**-0.38**	**N/A**	**N/A**	**N/A**	**2.64**	**0.53**	**2.21**	**11/01/2014**
BlackRock Core Bonds Fund	865,716,190	3.87	1.46	2.27	-0.38	-0.38	N/A	N/A	N/A	2.64	0.53	2.34	11/01/2014
Bloomberg US Agg Bond Index			*1.45*	*2.27*	*-0.31*	*-0.31*	*2.48*	*2.21*	*4.48*	*2.65*	*0.55*	*2.36*	
IM U.S. Broad Market Core FI (SA+CF)			*1.53*	*2.51*	*0.29*	*0.29*	*2.75*	*2.69*	*4.97*	*3.10*	*0.82*	*2.68*	
US Short Duration Fixed Income Pool	**378,545,084**	**1.69**	**0.45**	**0.88**	**0.62**	**0.62**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**0.88**	**05/01/2016**
J.P. Morgan Asset Mgmt Short Duration	378,653,283	1.69	0.45	0.88	0.62	0.62	N/A	N/A	N/A	N/A	N/A	0.88	05/01/2016
Bloomberg US Gov't/Crdt: 1-3 Yr Bond Index			*0.31*	*0.72*	*0.35*	*0.35*	*0.95*	*0.95*	*2.30*	*1.28*	*0.65*	*0.76*	
IM U.S. Short Duration Fixed Income (SA+CF)			*0.49*	*1.02*	*0.72*	*0.72*	*1.28*	*1.34*	*2.61*	*1.59*	*0.93*	*1.11*	
Credit & Structured Finance Pool	**912,475,525**	**4.08**	**1.95**	**4.59**	**11.33**	**11.33**	**4.49**	**8.43**	**2.06**	**6.86**	**0.94**	**2.92**	**04/01/2006**
C&SF Primary Benchmark			*1.45*	*3.43*	*10.10*	*10.10*	*4.00*	*3.98*	*-9.84*	*13.64*	*-2.51*	*N/A*	
C&SF Secondary Benchmark			*1.81*	*3.55*	*7.45*	*7.45*	*3.89*	*4.02*	*-9.83*	*11.10*	*-1.87*	*N/A*	
Unconstrained Fixed Income Pool	**708,267,340**	**3.17**	**1.12**	**3.94**	**7.58**	**7.58**	**3.15**	**N/A**	**N/A**	**6.48**	**-1.32**	**3.19**	**12/01/2013**
ICE 3 Month LIBOR Index+2.50%			*0.89*	*1.75*	*3.37*	*3.37*	*3.02*	*2.94*	*3.59*	*3.18*	*2.74*	*2.97*	
GAM Unconstrained	330,271,459	1.48	1.54	6.03	9.23	9.23	N/A	N/A	N/A	6.93	N/A	5.07	04/01/2015
ICE 3 Month LIBOR Index+2.50%			*0.89*	*1.75*	*3.37*	*3.37*	*3.02*	*2.94*	*3.59*	*3.18*	*2.74*	*3.11*	
PIMCO Unconstrained	155,585,114	0.70	1.14	2.89	6.34	6.34	1.92	N/A	N/A	5.17	-2.14	2.05	12/01/2013
Loomis Sayles Unconstrained	223,159,664	1.00	0.49	1.69	6.05	6.05	2.99	N/A	N/A	7.36	-0.99	3.26	12/01/2013
ICE 3 Month LIBOR Index+2.50%			*0.89*	*1.75*	*3.37*	*3.37*	*3.02*	*2.94*	*3.59*	*3.18*	*2.74*	*2.97*	
Cash Equivalent Composite	**356,749,640**	**1.60**	**0.39**	**0.62**	**0.86**	**0.86**	**0.38**	**0.48**	**1.29**	**0.39**	**0.12**	**3.66**	**07/01/1988**
BofA ML 3 Mo US T-Bill Index			*0.20*	*0.30*	*0.49*	*0.49*	*0.23*	*0.17*	*0.58*	*0.33*	*0.05*	*3.30*	

Performance shown is gross of fees, except for Credit & Structured Finance, Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary. *Indicates performance is lagged 1 quarter.

	Allocation		Performance (%)										
	Market Value ($)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2016	2015	Since Incep.	Inception Date
Absolute Return													
Absolute Return Composite*	**877,528,639**	**3.93**	**2.40**	**3.56**	**7.50**	**7.50**	**0.97**	**4.02**	**1.24**	**2.20**	**-1.86**	**2.43**	**09/01/2005**
Credit Suisse Hedge Fund Index (Lagged 1 Qtr)			*2.07*	*3.24*	*5.67*	*5.67*	*1.29*	*4.32*	*3.10*	*-0.01*	*-0.57*	*4.76*	
HFRI FOF Comp Index (Lagged 1 Qtr)			*2.38*	*3.27*	*6.22*	*6.22*	*1.28*	*3.71*	*0.79*	*0.38*	*-0.99*	*2.48*	
Private Equity													
Private Equity Composite (Ex. State)*	**1,827,352,779**	**8.18**	**2.80**	**7.69**	**13.90**	**13.90**	**7.52**	**9.76**	**7.59**	**7.39**	**5.73**	**4.86**	**06/01/2001**
Cambridge US Prvt Eq Index (Lagged 1 Qtr)			*3.89*	*8.58*	*17.32*	*17.32*	*10.16*	*12.44*	*9.71*	*8.65*	*6.01*	*11.26*	
Real Estate													
Townsend-Reported Real Estate Composite*	**1,877,844,740**	**8.40**	**1.84**	**3.40**	**8.07**	**8.07**	**12.00**	**11.37**	**2.10**	**11.52**	**14.42**	**4.65**	**10/01/2004**
NCREIF ODCE Index (AWA) (Net) (Lagged 1 Qtr)			*1.54*	*3.45*	*7.36*	*7.36*	*10.77*	*10.94*	*4.62*	*9.08*	*13.86*	*7.12*	
NCREIF/Townsend Wtd Index (Lagged 1 Qtr)			*1.64*	*3.96*	*8.39*	*8.39*	*11.92*	*11.90*	*4.18*	*10.57*	*14.71*	*7.71*	
Real Return													
Real Return Composite*	**2,041,082,879**	**9.13**	**0.94**	**4.14**	**10.21**	**10.21**	**2.41**	**4.68**	**N/A**	**9.30**	**-8.65**	**4.45**	**06/01/2012**
Real Return Custom Index			*-0.51*	*-0.16*	*-0.26*	*-0.26*	*-1.70*	*0.10*	*2.15*	*6.22*	*-5.41*	*0.35*	
Financial Real Return Composite	**853,774,204**	**3.82**	**-2.93**	**0.01**	**5.72**	**5.72**	**0.93**	**N/A**	**N/A**	**13.34**	**-10.53**	**2.36**	**06/01/2013**
Real Return Custom Index			*-0.51*	*-0.16*	*-0.26*	*-0.26*	*-1.70*	*0.10*	*2.15*	*6.22*	*-5.41*	*-0.19*	
Voya Floating Rate Bank Loans	175,704,175	0.79	0.40	1.20	6.38	6.38	3.77	N/A	N/A	9.26	0.86	4.00	06/01/2013
S&P-LSTA Lvg'd Loan Index			*0.76*	*1.91*	*7.42*	*7.42*	*3.35*	*4.58*	*4.49*	*10.16*	*-0.69*	*3.68*	
IM U.S. Bank Loans (SA+CF)			*0.83*	*1.88*	*7.15*	*7.15*	*3.83*	*5.05*	*4.81*	*9.51*	*0.72*	*4.08*	
Credit Suisse Floating Rate Bank Loans	146,568,328	0.66	0.13	1.37	6.35	6.35	3.70	N/A	N/A	8.60	1.54	3.92	08/01/2013
CS Lvg'd Loan Index			*0.75*	*1.96*	*7.49*	*7.49*	*3.49*	*4.83*	*4.16*	*9.88*	*-0.38*	*3.94*	
IM U.S. Bank Loans (SA+CF)			*0.83*	*1.88*	*7.15*	*7.15*	*3.83*	*5.05*	*4.81*	*9.51*	*0.72*	*4.12*	
Harvest MLP	401,143,559	1.79	-7.07	-3.15	2.67	2.67	N/A	N/A	N/A	19.55	N/A	-9.59	05/01/2015
S&P MLP Index			*-7.93*	*-6.09*	*-3.74*	*-3.74*	*-17.09*	*-3.79*	*-0.74*	*12.47*	*-39.11*	*-18.81*	
Waterfall Eden Fund, LP*	130,358,142	0.58	4.69	8.23	15.01	15.01	6.67	8.62	N/A	0.82	5.07	8.48	06/01/2012
BofA ML US HY Master II Index (Lagged 1 Qtr)			*2.71*	*4.64*	*16.88*	*16.88*	*4.62*	*6.85*	*7.34*	*12.82*	*-3.56*	*6.71*	
Townsend-Reported Real Return*	**1,142,155,763**	**5.11**	**4.29**	**7.58**	**15.63**	**15.63**	**5.53**	**9.62**	**N/A**	**9.94**	**-8.00**	**9.99**	**04/01/2011**
ETI													
Economically Targeted Investments	**37,921,334**	**0.17**	**-2.76**	**-2.59**	**-4.18**	**-4.18**	**-0.31**	**1.40**	**-0.74**	**5.01**	**4.48**	**-1.10**	**07/01/1998**
BofA ML 3 Mo US T-Bill Index			*0.20*	*0.30*	*0.49*	*0.49*	*0.23*	*0.17*	*0.58*	*0.33*	*0.05*	*2.01*	
Severance Tax State PE Program*	**303,292,537**	**1.36**	**0.95**	**-0.70**	**8.85**	**8.85**	**6.31**	**7.21**	**1.98**	**5.70**	**13.02**	**-2.76**	**08/01/2001**
Cambridge US VC Index (Lagged 1 Qtr)			*3.30*	*3.23*	*7.10*	*7.10*	*10.80*	*13.43*	*9.36*	*2.01*	*22.28*	*3.12*	

Performance is assumed 0.00% for one manager within the Absolute Return Composite as the data is currently unavailable.

Performance shown is gross of fees, except for Credit & Structured Finance, Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. For additional information, please see the Glossary. *Indicates performance is lagged 1 quarter.

New Mexico State Investment Council

Fixed Income Structure Update

September 2017

Role Of Fixed Income

• The traditional role of fixed income in an institutional portfolio is to provide liquidity, preservation of capital, and income.

• Within an endowment allocation model such as that employed by the SIC, the fixed income portfolio's primary role is to provide low correlation and low volatility compared to other asset classes. A greater emphasis on income generation relative to capital appreciation contributes to lower volatility.

• As endowments continue to reduce their allocations to fixed income, it becomes more important that the revised fixed income portfolio provide more stability and deflation/crisis protection than what had been offered in the past.

• When optimizing the structure of the SIC's fixed income portfolio, it must be designed with consideration of the total portfolio. If the resulting portfolio has additional risk or exposures that correlate too highly with other asset classes, the integrity of the overall asset allocation may be compromised.

• The Fixed Income Composite currently represents 21.8% of plan assets. Based on the new asset allocation study that was approved in August 2017, the Fixed Income Composite will eventually grow to be 23.5% of plan assets.

NMSIC Fixed Income Performance as of June 30, 2017

• NMSIC fixed income performance has been strong relative to peers with first or second quartile results in the 1, 3, 5, and 7 year periods.

	1 Year	3 Year	5 Year	7 Year	10 Year
NMSIC Fixed Income Composite – Gross	**4.61%**	**3.36%**	**4.65%**	**6.05%**	**4.16%**
TUCS Total Fixed Income Returns Median: Plans > $1 Billion	2.00%	2.69%	3.10%	4.32%	5.08%
TUCS Percentile Ranking	9	30	17	15	87
RVK All Public Plans – US Fixed Income Segment Median	1.61%	2.79%	3.01%	4.14%	4.95%
RVK Percentile Ranking	12	31	13	7	77
Barclays U.S. Universal Index	0.91%	2.76%	2.73%	3.67%	4.72%
Excess Return to the Universal Index	+3.70%	+0.60%	+1.92%	+2.38%	-0.56%

Outlook For Fixed Income Markets

• The Federal Reserve has begun a very measured and telegraphed tightening policy with four increases to the Fed Funds target rate since December 2015. Further interest rate increases will be "economic data dependent."

•Initial reduction of the Fed's balance sheet will most likely involve the paring back of purchases of agency mortgage backed securities. A reduction in the Fed's bid for these securities, along with expected rising interest rates, could dampen returns for agency mortgage backed securities in the future.

•Additional uncertainty for fixed income markets include the prospect of unfunded tax cuts by Congress which would increase future Treasury debt issuance and the eventual elimination of LIBOR by 2021. LIBOR is currently the benchmark interest rate tied to over $350 trillion in securities worldwide.

• Post 2008 regulation has significantly impaired liquidity in the financial markets. "Flash crashes" are becoming more frequent as traditional intermediaries such as broker dealers are less able to function as a market maker, especially during turbulent trading periods.

• "Investment Grade" credit really isn't anymore.

Barclays Credit Index	1973	2016
Ratings Composition		
AAA	27.3%	9.1%
AA	31.0%	11.4%
A	32.4%	35.3%
BBB	9.4%	44.2%
Total	100.0%	100.0%

Source: Barclays Risk Analytics

• Disintermediation of traditional lenders, i.e. banks, has hampered economic growth; but, it has also provided opportunities for non-traditional lenders to gain market share.

How To Manage In A Challenging Environment

- Reduce traditional long-only, interest rate sensitive assets given the expectation of a rising rate environment.

- Take advantage of the disintermediation in the lending space. Employ direct and sponsored lending strategies, which are typically senior secured and floating rate.

- Utilize securitized products where performance is driven by the underlying collateral. The majority of structured bonds are floating rate with the exception of commercial mortgage backed securities which are predominately fixed rate.

- Place capital with firms that specialize in long/short credit strategies and distressed credit situations to take advantage of opportunities which will come from increased market volatility as global QE diminishes. These strategies reduce beta to equities and to traditional long-only fixed income.

- Be mindful of the lack of liquidity in today's markets and be prepared for the absence of liquidity in the next market event. Maintain the plan's liquidity reserve in U.S. governments and short duration investments to ride out a protracted period of market illiquidity.

NMSIC Fixed Income Asset Allocation - 2017

- The 2017 Asset Allocation Study, approved in August, split the fixed income portfolio into two separate allocations.
  - The "Core" allocation will be a liquid, highly-rated portfolio whose primary objectives are to preserve capital, produce income, and to provide liquidity in the event of severe market shocks.
  - The "Non-Core" allocation's primary objective will be to produce yield and generate returns utilizing strategies that fall within the range of traditional fixed income/credit strategies. Many of these strategies will not be liquid allowing the SIC to take advantage of illiquidity premiums available in these markets.
  - Non-Core investments will fall within the following strategies:
    - Structured Credit
    - Direct Lending
    - Unconstrained
    - Distressed/ Other
- The size of the Core allocation will be 10% of the total Plan. This was determined by the liquidity study conducted by RVK and NMSIC staff.
- The size of the Non-Core allocation, which was determined by the recent asset allocation study, will be 15% for the Land Grant Permanent Fund and 12% for the Severance Tax Permanent Fund.
- This will shift roughly $1 billion from what are currently core fixed income assets over to non-core.

Current Portfolio Construction

Bloomberg Aggregate Index - BlackRock

Short Duration – JP Morgan

Core Plus – PIMCO
Prudential
Loomis Sayles

Unconstrained – PIMCO
Loomis Sayles
GAM

Credit & Structured Portfolio

Absolute Return Portfolio

Proposed Portfolio Construction

Core Fixed Income

Bloomberg U.S. Treasury Index – BlackRock

Short Duration – JP Morgan

Investment Grade Corporates – PIMCO

Core Plus – Prudential
Loomis Sayles

High Yield Short Duration - TBD

Non-Core Fixed Income

Unconstrained – Loomis Sayles
GAM

Legacy Credit & Structured Portfolio Managers

New Non-Core Allocations - TBD

Credit Oriented Funds –
Garda Fixed Income Relative Value
King Street Capital
Silver Point Capital

Core Fixed Income Portfolio Construction

- To construct the allocation for Core Fixed, we utilized the past 20 years of index returns to optimize an efficient structure. This 20 year time period includes:
  - 1997-1998 The Asian debt crisis, Russian financial crisis, Long Term Capital failure in 1998
  - 2000-2002 The Internet bubble
  - 2001 September 11th
  - 2004-2006 The Federal Reserve raised interest rates at 17 straight meetings
  - 2008-2009 Subprime mortgage crisis
  - 2009-2017 Quantitative Easing

Index / Strategy	Current Manager	Proposed Manager	Current	Proposed
Barclays U.S. Aggregate Bond Index / Core Bonds Index	BlackRock		26.70%	**0.00%**
Barclays U.S. Treasury Index / U.S. Treasury Index		*BlackRock*	0.00%	**10.00%**
Bloomberg U.S. Govt-Credit 1-3 Yr Index / Short Duration	JP Morgan	JP Morgan	11.80%	**5.00%**
BofA ML U.S. Corp Cash Pay BB-B 1-5 Yr / Short Duration High Yield		*TBD*	0.00%	**15.00%**
Bloomberg U.S. Corp Inv Grade / Investment Grade Corporates - Active		*PIMCO*	0.00%	**15.00%**
Barclays U.S. Universal Index / Core Bonds Plus	PIMCO, Loomis, Prudential	Loomis, Prudential	61.50%	**55.00%**
Total			100.00%	**100.00%**
Historical Return - Jan 1997-July 2017 (annualized)			5.23%	**5.66%**
Barclays Universal Return - Jan 1997-July 2017 (annualized)			5.51%	**5.51%**
Excess Return to the Barclays Universal			-0.28%	**0.15%**
Risk (Standard Deviation)			3.09%	**3.45%**
Duration			5.3 Years	**5.0 Years**

Core Fixed Income Portfolio

Core Portfolio	As Of 6/30/2017		Proposed Allocation		
Barclays Aggregate Index - BlackRock	865,820,432	26.6%	Barclays U.S. Treasury Index - BlackRock	223,506,348	10.0%
Short Duration - JP Morgan	378,647,014	11.6%	Short Duration - JP Morgan	111,753,174	5.0%
Core Plus - PIMCO	796,310,641	24.5%	Investment Grade Corporates - PIMCO	335,259,522	15.0%
Core Plus - Prudential	610,589,651	18.8%	Core Plus - Prudential	614,642,457	27.5%
Core Plus - Loomis Sayles	600,425,406	18.5%	Core Plus - Loomis Sayles	614,642,457	27.5%
Total Core Allocation:	**3,251,793,144**	**100.0%**	High Yield Short Duration - TBD	335,259,522	15.0%
			Total Proposed Core Allocation:	***2,235,063,478***	***100.0%***

Proposed Changes:

• Amend the BlackRock investment management agreement to change the guidelines from a Barclays Aggregate Bond Index replicating strategy to a Barclays U.S. Treasury Index replicating strategy.

• Amend the PIMCO investment management agreement to change the guidelines from a Core Plus strategy to an actively managed investment grade corporate bond strategy.

• Enlist RVK to conduct an RFP to hire a short duration high yield manager.

• Approve the use of the Barclays Universal Index as the benchmark for the Core Fixed Income Portfolio.

Core Fixed Income Portfolio Characteristics

Security Type	Current Portfolio	%	Proposed Portfolio	%
US Treasuries	776,586,957	23.9%	500,275,899	22.6%
Government Related	104,437,870	3.2%	38,314,963	1.7%
Corporates	1,159,649,908	35.7%	1,256,431,586	56.9%
Securitized	1,131,156,286	34.8%	400,217,465	18.1%
Municipal Bonds	78,683,140	2.4%	14,170,614	0.6%
	3,250,514,161	100.0%	**2,209,410,527**	100.0%

Ratings	Current Portfolio	%	Proposed Portfolio	%
AAA	1,863,148,654	57.3%	846,532,207	38.3%
AA	94,009,450	2.9%	58,153,200	2.6%
A	505,529,735	15.6%	291,391,356	13.2%
BBB	471,401,089	14.5%	442,089,668	20.0%
BB	234,237,595	7.2%	385,888,263	17.5%
B	36,143,979	1.1%	185,067,567	8.4%
CCC & Lower	46,043,659	1.4%	288,265	0.0%
	3,250,514,161	100.0%	**2,209,410,527**	100.0%
Passive	26.5%		10.04%	
Active	73.5%		89.96%	
Management Fees (bps)	14.9		25.7	
Estimated Annual Fees ($)	$4,843,266		$5,678,185	

- With our forecast of slow, but steady GDP growth over the longer term, we would anticipate modest interest rate increases by the Federal Reserve. In this environment, we expect corporate bonds to outperform agency mortgage-backed securities ("Securitized").
- While the proposed portfolio has a greater concentration of below investment grade debt ("BB" and "B"), this is due to the addition of the short duration high yield strategy. Although they are lower rated bonds, short duration high yield securities exhibit roughly half the default risk of longer term high yield bonds.

Non-Core Fixed Income Pool

- The Non-Core Fixed Income Pool will be formed by combining the following existing positions:
    - Unconstrained fixed income managers
    - Existing positions in the Credit & Structured portfolio
    - Three funds (Silver Point, Garda, and King Street) from the Absolute Return portfolio
    - Recently approved funds, Golub Capital Partners Fund 11 and PIMCO BRAVO III
    - New additions, vetted by NMSIC Staff and Aksia, and brought to the Council for approval in the future

- New funds considered for inclusion in the Non-Core portfolio will meet the following broad guidelines:
    - Potential for enhanced current income/returns vs. public bonds due to illiquidity premium
    - Limited reliance on EBITDA growth or price appreciation to achieve investment objectives
    - Management fee typically paid on invested capital only
    - Shorter term structure and typically faster deployment relative to private equity/venture capital
    - Cash distributions on quarterly basis during investment period are typical
    - Fund terms will generally range from 5 to 8 years, with the possibility of extensions

•Target return for the Non-Core Fixed Income Pool is 7.00-9.00% per annum.

•Expected long term target allocations to the following credit strategies, as determined by NMSIC staff in consultation with Aksia, LLC:

Credit Strategy	Interim Ranges	Long Term Target
Unconstrained	20% - 40%	20%
Structured Credit	20% - 40%	30%
Direct Lending	20% - 40%	30%
Distressed & Other	20% - 40%	20%
Total		100%

Non-Core Fixed Income Credit Strategies/Allocations

20% Unconstrained

"Go anywhere" fixed income funds that are not tied to a specific benchmark (like Core Plus-Barclays Universal) or a single fixed income sector and therefore can make concentrated investments in fixed income sectors that the manager feels are undervalued. Unconstrained managers also use derivatives frequently to hedge both credit and interest rate risk. Unlike traditional long-only managers (Core or Core Plus), unconstrained managers' duration targets can range from -3 years to +8 years depending on expected market conditions.

30% Structured Credit

Investing in securitized credit where value is linked to the performance of an underlying pool of assets such as consumer loans (auto and credit card ABS), residential mortgages (RMBS), commercial mortgages (CMBS), bank loans (CLOs) or other pools of cash-flowing assets (student loans, royalties, equipment leases, franchising fees, etc.)

30% Direct Lending

Direct lending strategies provide capital to primarily middle market companies ($10-$60 million EBITDA), either through sponsored (private equity) or direct relationships. Loans can be either senior-secured or mezzanine-subordinated in nature. Typically floating rate, with low volatility and limited correlation to liquid fixed income and equity markets historically.

20% Distressed / Other

Distressed Investing – Investing in the debt of companies typically experiencing financial distress, typically default or imminent default. The debt is usually deeply discounted and managers may utilize various hedging strategies including taking positions in the company's equity. Distressed managers often specialize in certain strategies such as activist plays, debtor-in-possession financings, or liquidation claims.

Other – Relative value arbitrage strategies, long/short credit strategies, and specialty financing (e.g. aircraft leasing) strategies.

Non-Core Fixed Income Portfolio/Benchmark Composition

• The current benchmark for the Credit & Structured portfolio consists of 50% of the BofA ML U.S. High Yield Master Index and 50% of the Credit Suisse Leveraged Loan Index. This is essentially a proxy for single B-rated credit and exhibits the return and volatility characteristics of the high yield market.

• The proposed benchmark of 20% BofA ML U.S. High Yield Master Index, 30% Credit Suisse Leveraged Loan Index, 30% HFRX Fixed Income – Asset Backed Index and 20% HFRX Distressed Index better reflects the expected return and volatility characteristics of the expected Non-Core portfolio.

Index	Current	Proposed
BofA ML U.S. High Yield Master Index	50.00%	**20.00%**
Credit Suisse Leveraged Loan Index	50.00%	**30.00%**
HFRX Fixed Income-Asset Backed Index	0.00%	**30.00%**
HFRX Distressed Index	0.00%	**20.00%**
Total	100.00%	**100.00%**
Historical Return - Jan 2005-July 2017 (annualized)	6.14%	**6.09%**
Barclays Universal Return - Jan 2005-July 2017 (annualized)	4.49%	**4.49%**
Excess Return to the Barclays Universal	1.65%	**1.60%**
Risk (Standard Deviation)	7.91%	**5.46%**
Correlation to Equities	0.35	**0.26**
Expected Management Fees (bps)	135	**115**

Non-Core Fixed Income Portfolio

Non-Core Portfolio	Current			Proposed Allocation	
Unconstrained:			*Unconstrained:*		
Unconstrained - GAM	330,271,459		Unconstrained - GAM	303,968,633	
Unconstrained - Loomis Sayles	223,159,664		Unconstrained - Loomis Sayles	303,968,633	
Unconstrained - PIMCO	155,585,114		***Total Unconstrained:***	***607,937,266***	***20.0%***
Total Unconstrained:	**709,016,237**	**40.2%**			
			Structured Credit Allocation:		
Structured Credit Strategies:			Angelo Gordon Rio Grande FMC	108,824,820	
Angelo Gordon Rio Grande FMC	108,824,820		David Warren Value Onshore Fund	51,634,706	
David Warren Value Onshore Fund	51,634,706		PIMCO BRAVO Fund II	111,290,163	
PIMCO BRAVO Fund II	111,290,163		PIMCO BRAVO Fund III	*100,000,000*	
PIMCO BRAVO Fund III	10,478,306		PIMCO DISCO Fund II	225,848,709	
PIMCO DISCO Fund II	225,848,709		Sankaty Rio Grande FMC	108,738,118	
Sankaty Rio Grande FMC	108,738,118		Legacy Investments (in harvest period)	4,933,436	
Legacy Investments (in harvest period)	4,933,436		***TBD***	***200,635,947***	
Total Structured Credit:	**621,748,258**	**35.3%**	***Total Structured Credit:***	***911,905,899***	***30.0%***
			Lending Strategies:		
Lending Strategies:			Cerberus Levered Loan Opportunities	17,598,387	
Cerberus Levered Loan Opportunities	17,598,387		HPS Specialty Loan Fund III	77,250,483	
Golub Capital Partners Fund 11	30,767,800		HPS Specialty Loan Fund IV	*100,000,000*	
Highbridge Principal Strategies Fund III	77,250,483		Golub Capital Partners Fund 11	*100,000,000*	
Total Lending Strategies:	**125,616,670**	**7.1%**	***TBD***	***617,057,029***	
			Total Lending Strategies:	***911,905,899***	***30.0%***
Distressed/Other Strategies:					
Anchorage Illiquid Opportunities IV	15,803,034		*Distressed/Other Strategies:*		
Garda FIRVO	73,091,642		Anchorage Illiquid Opportunities IV	15,803,034	
King Street Capital	76,167,754		Garda Fixed Income Relative Value	*100,000,000*	
Sankaty Credit Opportunities Fund V-B	42,420,483		King Street Capital	*100,000,000*	
Silver Point Capital	62,177,398		Sankaty Credit Opportunities Fund V-B	42,420,483	
Legacy Investments (in harvest period)	37,342,738		Silver Point Capital	*100,000,000*	
Total Distressed/Other:	**307,003,049**	**17.4%**	Legacy Investments (in harvest period)	37,342,738	
			TBD	***212,371,011***	
			Total Distressed/Other:	***607,937,266***	***20.0%***
Total Non-Core Allocation:	**1,763,384,214**	**100.0%**	***Total Non-Core Allocation:***	***3,039,686,331***	***100.0%***

Summary: Fixed Income Portfolio Recommendations

Core Fixed Income

- Amend the BlackRock investment management agreement to change the guidelines from a Barclays Aggregate Bond Index replicating strategy to a Barclays U.S. Treasury Index replicating strategy.

- Amend the PIMCO investment management agreement to change the guidelines from a Core Plus strategy to an actively managed investment grade corporate bond strategy.

- Enlist RVK to conduct an RFP to hire a short duration high yield manager.

- Approve the use of the Barclays Universal Index as the benchmark for the Core Fixed Income Portfolio.

Non-Core Fixed Income

- Increase allocations to King Street, Garda, and Silver Point to $100mm each.

- Redeem from the PIMCO Unconstrained account.

- Approve the use of the customized benchmark for the Non-Core Fixed Income Portfolio. The proposed benchmark consists of 20% BofA ML U.S. High Yield Master Index, 30% Credit Suisse Leveraged Loan Index, 30% HFRX Fixed Income – Asset Backed Index, and 20% HFRX Distressed Index.

New Mexico Retiree Health Care Authority (NMRHCA)

Governmental Accounting Standards Board (GASB) 74 Actuarial Valuation for the Other Postemployment Benefits (OPEB) as of June 30, 2017

This report has been prepared at the request of NMRHCA Board to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the NMRHCA Board and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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November 2, 2017

Board of Directors
New Mexico Retiree Health Care Authority
4308 Carlisle Blvd NE, Suite 104
Albuquerque, NM 87107

Dear Board members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) 74 Actuarial Valuation as of June 30, 2017. It contains various information that will need to be disclosed in order to comply with GASB 74.

This report was prepared in accordance with generally accepted actuarial principles and practices to assist in administering the Plan. The census and financial information on which our calculations were based was prepared by NMRHCA. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Thomas Bergman, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for NMRHCA.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Gary L. Petersen, FCA, ASA, MAAA
Vice President & Consulting Actuary

Thomas Bergman, ASA, MAAA, EA
Associate Actuary

DTB/bbf

cc: *David Archuleta, Executive Director*

SECTION 1

VALUATION SUMMARY

SECTION 2

GASB 74 INFORMATION

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SECTION 3

SUPPORTING INFORMATION

Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Statement No. 74 of the Governmental Accounting Standards Board as of June 30, 2017. This valuation is based on:

- The benefit provisions of the Other Postemployment Benefits (OPEB) Plan, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2017, provided by NMRHCA;
- The assets of the Plan as of June 30, 2017, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc.

General Observations on GASB 74 Actuarial Valuations

The following points should be considered when reviewing this GASB 74 report:

- The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for OPEB funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring OPEB liability, GASB uses the Entry Age actuarial cost method and, for benefits that are being fully funded on an actuarial basis, GASB prescribes the derivation of the discount rate used to calculate liabilities.
  - Pursuant to Paragraph 48 of the GASB Statement No. 74 and based on our understanding of subsequent guidance provided in *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, OPEB plans that are not being fully funded on an actuarial basis are required to go through a cross-over test in determining the discount rate that would be used in the valuation.
- The Net OPEB Liability (NOL) is equal to the difference between the Total OPEB Liability (TOL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NOL reflects all investment gains and losses as of the measurement date.

Significant Issues in Valuation Year

The following findings were the results of this actuarial valuation.

- The discount rates used to determine the TOL and NOL as of June 30, 2017 and 2016 were 3.81% and 3.05%. The detailed calculations used in the derivation of the "cross-over date" used in determining the discount rate of 3.81% used in the calculation of the TOL and NOL as of June 30, 2017 can be found in Exhibit 5 of Section 2. Various other information that is required to be disclosed can be found throughout Exhibits 1 through 4 in Section 2.
- The discount rate used in the valuation for financial disclosure purposes as of June 30, 2017 is a blend of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2017 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). Because NMRHCA is not fully prefunding benefits, Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make benefit payment through June 30, 2029. Projected benefit payments are discounted by the Plan investment return assumption of 7.25% until June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the municipal bond rate of 3.58%. The 3.81% is the blended discount rate reflecting benefits discounted by the Plan investment return assumption rate and the bond rate.
- The NOL has decreased from $5.469 billion as of June 30, 2016 to $4.535 billion as of June 30, 2017. The decrease was primarily due to the increase in discount rate from June 30, 2016 to June 30, 2017.

Summary of Key Valuation Results

	2017
Disclosure elements for fiscal year ending June 30:	
1. Service cost[1]	$265,229,268
2. Total OPEB Liability	5,111,141,659
3. Plan Fiduciary Net Position	575,649,501
4. Net OPEB Liability	$4,535,492,158
Schedule of contributions for fiscal year ending June 30:	
5. Actuarially determined contributions	$317,546,941
6. Actual contributions	TBD
7. Contribution deficiency (excess)	TBD
Demographic data for plan year ending June 30:	
8. Number of retired members, beneficiaries, and married dependents	51,208
9. Number of vested terminated members	11,478
10. Number of active members	97,349
Key assumptions as of June 30:	
11. Discount rate	3.81%
12. Medical cost trend rates	
Non-Medicare medical plan	Graded from 8.00% to ultimate 4.50% over 14 years
Medicare medical plans	Graded from 7.50% to ultimate 4.50% over 12 years

[1] *The service cost is always based on the previous year's valuation, meaning the 2017 value is based on the valuation as of June 30, 2016.*

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of an OPEB plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare an actuarial valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by NMRHCA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by NMRHCA. The System uses a "valuation value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to health care trends and member enrollment in retiree health benefits. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the OPEB plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If NMRHCA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the NMRHCA Plan.

EXHIBIT 1

General Information – "Financial Statements", Note Disclosures and Required Supplementary Information for a Multiple-Employer Cost Sharing OPEB Plan

Plan Description

Plan administration. The NMRHCA administers the OPEB Plan - a multiple employer cost sharing OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from NMRHCA before age 55.

Plan membership. All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, OPEB Plan membership consisted of the following:

Retired members, beneficiaries and married dependents	51,208
Vested terminated members entitled to, but not yet receiving benefits	11,478
Active members	97,349
Total	160,035

Benefits provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid. A description of these benefits may be found at www.nmrhca.state.nm.us by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

	2018	2019	2020	2021 And Later
Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	68.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

EXHIBIT 2

Net OPEB Liability

The components of the Net OPEB Liability are as follows:

	June 30, 2017
Total OPEB Liability	$5,111,141,659
Plan Fiduciary Net Position	575,649,501
System's Net OPEB Liability	$4,535,492,158
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	11.26%

The Net OPEB Liability was measured as of June 30, 2017 and 2016. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date:

- Discount rate has been calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74 and Illustration 2 of *Implementation Guide No. 2017-2, Financial Reporting Postemployment Benefit Plans Other Than Pension Plans*.

Plan provisions. The plan provisions used in the measurement of the TOL as of June 30, 2017 are outlined in Exhibit II of Section 3.

Actuarial assumptions. The Total OPEB Liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.50% for ERB, 2.25% for PERA
Salary increases	Ranges from 3.25% to 12.50% based on years of service, including inflation
Investment rate of return	7.25, net of OPEB plan investment expense and margin for adverse deviation including inflation
Other assumptions	Same as those shown in Exhibit I of this report.
Health care trend	8.0% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Investment policy:

The New Mexico Retiree Health Care Authority's Investment Policy is detailed in the following is the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Large Cap U.S. Equity	20%	9.1%
Mid/Small Cap U.S. Equity	3	9.1
Developed Non-US Equity	12	9.8
Emerging Markets Equity	15	12.2
U.S. Core Fixed Income	20	4.1
Private Equity	10	13.8
Credit & Structured Finance	10	7.3
Absolute Return	5	6.1
Real Estate	5	6.9
Total	100%	

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense and margin for adverse deviation, was assumed to be 7.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Municipal Bond Rate: 3.58% and 2.85% based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2017 and June 30, 2016 respectively.

Discount rate: The discount rate used to measure the Total OPEB Liability was 3.81% as of June 30, 2017 and 3.05% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed employer and plan member contributions will be made at the current contribution rate. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB Plan's assets was projected to be sufficient to make projected future benefit payments for current plan members through June 30, 2029. Payments after that date would be funded by employer assets. Therefore, the long-term expected rate of return on OPEB Plan investments (7.25%) was applied to periods of projected benefit payments through June 30, 2029, and the 20-year municipal bond rate (3.58%) was applied to periods after June 30, 2029 to determine the Total OPEB Liability.

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, calculated using the discount rate of 3.81%, as well as what NMRHCA's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current rate:

	1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
Net OPEB Liability as of June 30, 2017	$5,500,667,903	$4,535,492,158	$3,778,225,036

Sensitivity of the Net OPEB Liability to changes in the trend rate. The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, calculated using the current trend rates as well as what NMRHCA's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease*	Current Trend*	1% Increase*
Net OPEB Liability as of June 30, 2017	$3,858,319,120	$4,535,492,158	$5,063,519,724

* Current trend rates: 8.0% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

EXHIBIT 3

Schedules of Changes in NMRHCA's Net OPEB Liability – Most Recent Fiscal Year

	2017
Total OPEB Liability	
Service cost	$265,229,268
Interest	187,554,494
Change of benefit terms	0
Differences between expected and actual experience	-209,843,742
Changes due to experience gain and assumption changes, not including change in discount rate	-247,663,590
Change of discount rate assumption	-711,092,411
Total claims and premiums	-294,107,402
Retirees' contributions offset to claims and premiums	153,464,136
Medicare Part D and rebates offset to claims and premiums	26,361,744
Net change in Total OPEB Liability	-$830,097,503
Total OPEB Liability – beginning	$5,941,239,162
Total OPEB Liability – ending (a)	$5,111,141,659
Plan Fiduciary Net Position	
TBD[2]	TBD
Net change in Plan Fiduciary Net Position	$103,175,150
Plan Fiduciary Net Position – beginning[1]	$472,474,351
Plan Fiduciary Net Position – ending (b)	$575,649,501
Plan's Net OPEB Liability – ending (a) – (b)	$4,535,492,158
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	11.26%
Covered payroll	$4,165,647,340
Plan Net OPEB Liability as percentage of covered payroll	108.88%

[1] *Net position restricted for postemployment benefits other than pensions reported in NMRHCA 2017 draft financial statements.*

[2] *To be completed by auditor.*

EXHIBIT 4

Schedule of NMRHCA's Contributions – Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions[(1)(2)]	Contributions in Relation to the Actuarially Determined Contributions[(1)]	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered-Employee Payroll
2008	$275,517,523	$94,224,026	$181,293,497	N/A	N/A
2009	286,538,224	96,816,528	189,721,696	$4,020,508,902	2.41%
2010	297,999,753	114,847,107	183,152,646	N/A	N/A
2011	326,994,988	120,873,224	206,121,764	4,001,802,240	3.02%
2012	340,074,787	142,053,551	198,021,236	N/A	N/A
2013	353,657,828	135,388,449	218,269,379	3,876,220,608	3.49%
2014	367,804,141	149,277,185	218,526,956	N/A	N/A
2015	292,656,765	156,670,251	135,986,514	3,941,587,760	3.97%
2016	303,631,394	159,862,801	143,768,593	N/A	N/A
2017	317,546,941	159,379,195	158,167,747	4,165,647,340	3.83%

See accompanying notes to this exhibit on next page.

[(1)] Includes an interest adjustment to the end of the year.

[(2)] All "Actuarially Determined Contributions" through June 30, 2017 were determined as the "Annual Required Contribution" under GASB 43.

Notes to Exhibit 4

Methods and assumptions used to establish "actuarially determined contribution" (ADC) rates:

Valuation date	Actuarially determined contribution rates are calculated as of June 30.	
Actuarial cost method	Entry Age Cost Method	
Amortization method	Level percent of payroll	
Remaining amortization period	30-year open (non-decreasing)	
Asset valuation method	Market value of assets.	
Actuarial assumptions:	PERA	ERB
Investment rate of return	7.25%	7.25%
Inflation rate	3.00%	3.00%
Real across-the-board salary increase	0.50%	0.75%

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2017

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position* (f) = (a) + (b) - (c) - (d) + (e)
2017	$575,649,501	$156,266,741	$135,965,947	$0	$42,470,493	$638,420,788
2018	638,420,788	147,549,952	147,477,542	0	46,288,132	684,781,330
2019	684,781,330	140,369,595	159,015,009	0	48,970,750	715,106,666
2020	715,106,666	133,790,946	168,940,331	0	50,571,068	730,528,349
2021	730,528,349	127,615,713	179,503,967	0	51,082,356	729,722,451
2022	729,722,451	121,891,211	189,779,553	0	50,443,925	712,278,034
2023	712,278,034	116,446,551	200,801,393	0	48,582,294	676,505,486
2024	676,505,486	111,118,372	211,569,205	0	45,405,305	621,459,958
2025	621,459,958	105,869,612	222,919,721	0	40,812,781	545,222,630
2026	545,222,630	100,775,047	234,545,933	0	34,679,446	446,131,190
2027	446,131,190	95,782,258	247,165,574	0	26,856,866	321,604,740
2028	321,604,740	90,897,784	260,363,042	0	17,173,228	169,312,711
2029	169,312,711	86,154,592	273,576,788	0	5,481,117	(12,628,369)

Note: Shown until Projected Plan Fiduciary Net Position goes to zero. The discount rate is determined by discounting the projected benefits financed by the OPEB plan investments (benefit payments until the 2028/2029 plan year) using the 7.25% discount rate and benefit payments beyond the 2028/2029 plan year using the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2017

($ in thousands) - continued

Notes:

(1) Amounts may not total exactly due to rounding

(2) Years beyond 2029 have been omitted from this table as the Fiduciary Net Position is zero.

(3) Column (b): Projected total contributions are calculated as fixed percentages of payroll. Contributions are assumed to occur halfway through the year on average.

(4) Column (c): Projected benefit payments have been determined in accordance with paragraphs 43-47 of GASB Statement No. 74 and are based on the closed group of active, retired members, and beneficiaries as of June 30, 2017.

(5) Column (d): Projected administrative expenses have been reflected in benefit payments.

(6) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum and reflect the assumed timing of benefit payments made at the beginning of each month.

(7) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be exhausted by June 30, 2029.

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data and financial data for postemployment benefits were provided by New Mexico Retiree Health Care Authority.
Actuarial Cost Method:	Entry age, level percent of pay, calculated on individual basis.
Measurement Date:	June 30, 2017
Census Date:	January 1, 2017
Discount Rate:	3.81%

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

PERA Post-Retirement Mortality Rates:

After Service Retirement: RP-2000 Combined Healthy Mortality projected with Scale AA to 2018.

After Disability Retirement: RP-2000 Disabled Mortality projected with Scale AA to 2018 before attainment of normal retirement age and after normal retirement age RP-2000 Combined Healthy Mortality Projected with Scale AA to 2018.

The tables shown above were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2015 PERA pension valuation.

PERA Termination Rates before Retirement:

Pre-Retirement Mortality: RP-2000 Employee Mortality Table projected with Scale AA to 2018.

Assumptions used for PERA members

State General Males					
Rates of Active Members Terminating During Year					
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	18.76%	10.86%	8.21%	7.78%	5.11%
25	17.72	11.06	8.10	7.07	4.65
30	16.45	11.27	7.97	6.18	4.13
35	15.31	10.81	7.59	5.58	3.89
40	14.30	9.97	7.08	5.40	3.86
45	13.55	9.06	6.63	5.40	3.86
50	13.26	8.45	6.49	5.40	3.86
55	13.26	8.37	6.49	5.40	3.86
60	13.26	8.37	6.49	5.40	3.86

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

	State General Females				
	Rates of Active Members Terminating During Year				
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	18.13%	11.95%	8.22%	6.05%	4.83%
25	17.76	11.95	8.02	5.81	4.25
30	17.28	11.89	7.81	5.54	3.55
35	16.34	11.23	7.45	5.28	3.46
40	15.22	10.24	6.99	5.06	3.46
45	14.19	9.20	6.58	4.95	3.46
50	13.52	8.55	6.45	4.80	3.46
55	13.37	8.50	6.45	4.70	3.46
60	13.37	8.50	6.45	4.70	3.46

Assumptions used for PERA members

	Municipal General Males				
	Rates of Active Members Terminating During Year				
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	21.70%	14.59%	11.29%	8.93%	8.54%
25	20.00	13.52	10.26	8.05	7.32
30	17.73	12.04	8.96	6.94	5.69
35	15.77	10.65	8.01	6.20	4.61
40	14.06	9.37	7.29	5.73	3.92
45	12.80	8.39	6.87	5.58	3.65
50	12.20	8.01	6.79	5.58	3.65
55	12.18	8.01	6.79	5.58	3.65
60	12.18	8.01	6.79	5.58	3.65

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

	Municipal General Females				
	Rates of Active Members Terminating During Year				
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	24.40%	17.77%	14.41%	11.94%	7.51%
25	21.96	16.06	12.80	10.32	6.38
30	18.85	13.77	10.63	8.16	4.94
35	16.69	11.96	9.08	6.70	4.09
40	15.16	10.49	7.84	5.74	3.67
45	14.28	9.49	6.50	5.31	3.62
50	14.01	9.14	6.50	5.30	3.62
55	14.01	9.14	6.50	5.30	3.62
60	14.01	9.14	6.50	5.30	3.62

Assumptions used for PERA members

	Service Based Rates of Active Members Terminating During Year				
	Sample Service (Yr.):				
All Ages	1	3	5	7	10+
State Police & Corrections	20.00	16.00	9.00	8.00	6.00
Municipal Detention	22.00	16.00	10.00	10.00	6.00
Municipal Police	14.00	9.50	6.80	5.15	3.80
Municipal Fire	10.00	7.50	5.00	3.30	3.00

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

	Rates (%) – Disability Incidence						
	State General		State Police and	Municipal General		Municipal	Municipal
Age	Male	Female	Corrections*	Male	Female	Police	Fire
25	0.02	0.02	0.14	0.05	0.04	0.07	0.02
30	0.04	0.03	0.16	0.08	0.04	0.08	0.02
35	0.08	0.06	0.21	0.12	0.04	0.12	0.02
40	0.13	0.12	0.27	0.17	0.06	0.17	0.08
45	0.24	0.20	0.46	0.25	0.14	0.26	0.08
50	0.41	0.39	0.90	0.40	0.25	0.42	0.33
55	0.57	0.61	1.40	0.65	0.39	0.73	0.33
60	0.74	0.73	1.88	0.80	0.51	1.22	1.17
65	0.75	0.73	1.88	0.82	0.59	1.22	1.17

* *Police and Corrections were not identified separately in the census data. We have used the Corrections assumption because the subgroup comprises about 75% of the combined group total.*

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

PERA Retirement Rates:

These rates are applicable when employee becomes eligible for retirement based on age/service combination.

Retirement Rates (%)							
	State General			Municipal General			
Retirement Ages	Male	Female	State Police and Corrections*	Male	Female	Municipal Police	Municipal Fire
40	40	35	50	35	35	30	40
45	40	35	50	35	35	30	35
50	40	35	50	40	40	30	30
55	40	35	50	30	25	30	30
60	30	40	50	30	30	30	20
65	30	35	40	35	35	50	50
70	25	30	100	25	25	100	100
75	25	25		25	25		
80	100	100		100	100		

PERA Salary Increases: Salary increases occur in recognition of (i) individual merit and longevity, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) other factors such as productivity gains and competition from other employers for personnel. A schedule of long-term rates of increase is used to project salaries from valuation salaries to final average salaries upon which pensions are based. Sample rates follow:

	Annual Rates (%) of Salary Increase for Sample Years of Service				
Attributable to:	**1**	**5**	**10**	**15**	**20**
General Increase in Wage Level Due to:					
Inflation	2.25	2.25	2.25	2.25	2.25
Other factors	0.5	0.5	0.5	0.5	0.5
Increase Due to Merit/Longevity:					
State General	7.75	1.75	0.50	0.50	0.50
State Police and Corrections	9.75	2.75	1.75	1.75	1.75
Municipal General	2.25	1.75	0.50	0.50	0.50
Municipal Police	8.25	3.25	2.00	1.25	1.25
Municipal Fire	8.25	3.25	2.00	2.00	2.00

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Post-Retirement Mortality Rates:

After Retirement:

Males:	RP-2000 Combined Healthy Mortality Table with White Collar Adjustment generationally projected with Scale BB.
Females:	GRS Southwest Region Teacher Mortality Table, set back one year, generationally projected with Scale BB.
After Disability Retirement:	RP-2000 Disabled Mortality Table, set back three years for males and no set back for females, projected with Scale BB to 2016.
	The tables shown above were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2016 ERB pension valuation.

ERB Assumptions used for ERB members

Pre-Retirement Mortality	RP-2000 Employee Mortality Table, set back two years and scaled 80% for males and set back five years and scaled 70% for females, projected with Scale BB to 2016.

ERB Termination Rates before Retirement:

	Disability Incidence – Rates(%)	
Age	**Males**	**Females**
25	0.007	0.010
30	0.007	0.020
35	0.042	0.050
40	0.091	0.080
45	0.133	0.120
50	0.168	0.168
55	0.182	0.168

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Termination Rates before Retirement (continued):

Active Members Terminating During year – Rates (%)

Completed Service	Males	Females
0	43.4	31.4
1	28.1	23.8
2	19.6	17.2
3	14.3	13.5
4	11.9	10.6
5	10.0	9.8
6	9.1	8.6
7	7.3	7.2
8	6.1	6.3
9	5.7	5.5
10	5.2	5.0
11	4.2	4.7
12	4.0	4.2
13	3.4	3.6
14	3.4	3.5
15	3.1	3.3
16	2.2	2.3
17	2.3	2.7
18	2.3	2.1
19 and over	0.0	0.0

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Retirement Rates:

Members Hired before July 1, 2010 and Normal Retirement for Members Hired on or After July 1, 2010

Retirement – Rates(%)

Males

	Years of Service					
Age	0-4	5-9	10-14	15-19	20-24	25+
45	0	0	0	0	0	15
50	0	0	0	0	0	18
55	0	0	0	0	5	20
60	0	0	0	15	20	25
62	0	0	30	30	30	30
65	0	40	35	30	30	30
67	0	25	25	25	30	30
70	100	100	100	100	100	100

Females

	Years of Service					
Age	0-4	5-9	10-14	15-19	20-24	25+
45	0	0	0	0	0	15
50	0	0	0	0	0	18
55	0	0	0	0	6	23
60	0	0	0	20	15	25
62	0	0	40	30	30	35
65	0	35	40	40	40	40
67	0	25	25	25	30	30
70	100	100	100	100	100	100

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Retirement Rates:

Members Hired on or after July 1, 2010

Retirement – Rates(%)

Males

	Years of Service		
Age	15-19	20-24	25-29
55	0	0	5
60	0	20	20
62	30	30	30
65	30	30	30

Females

	Years of Service		
Age	15-19	20-24	25-29
55	0	0	6
60	0	15	15
62	30	30	30
65	40	40	40

ERB Salary Increases:

General Increase in Wage Level Due to:

Inflation:	2.50%
Productivity increase rate:	0.75%

Salary increases occur in recognition of (i) individual merit and longevity, (ii) plus step-rate/promotional as shown:

Years of Service	Annual Step-Rate (%)/Promotional Component Rates of Increase	Total Annual Rate (%) of Increase
0	8.75	12.00
1	3.00	6.25
2	2.00	5.25
3	1.50	4.75
4	1.25	4.50
5	1.00	4.25
6	0.75	4.00
7	0.50	3.75
8	0.50	3.75
9	0.50	3.75
10 or more	0.00	3.25

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Administrative Expenses:

Non-Medicare: $357/year

Medicare Supplement: $437/year

Medicare Advantage: $55/year

The 2017/2018 non-Medicare administrative expense was assumed to have no increase for 3 years, then increase by 2.0% in 2020/2021 and thereafter. The 2017/2018 Medicare Supplement administrative expense was assumed to increase by 2.0% per year. The 2017/2018 Medicare Advantage administrative expense was assumed to have no projected future increases.

Per Capita Cost Development: The assumed costs on a composite basis (and other demographic factors such as sex and family status) are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical claims costs are reviewed, and adjusted for increases in the cost of health care services.

Per Capita Costs: Annual medical and drug claims costs for the 2017/2018 plan year, excluding assumed expenses were developed actuarially for retirees and spouses at select ages and are shown in the table below. These costs are net of deductibles and other benefit plan cost sharing provisions.

	Premier Non-Medicare				Value Non-Medicare				Non-Medicare Drug Rebates			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
50	$7,359	$8,382	$5,140	$6,731	$5,566	$6,340	$3,888	$5,091	-$399	-$454	-$279	-$365
55	8,740	9,023	6,878	7,791	6,611	6,825	5,203	5,893	-474	-489	-373	-422
60	10,379	9,726	9,208	9,036	7,851	7,357	6,965	6,834	-562	-527	-499	-490
64	11,908	10,318	11,624	10,170	9,007	7,804	8,793	7,692	-645	-559	-630	-551

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

	United Healthcare Medicare Advantage				BCBS Supplemental				BCBS (Medicare Advantage)			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	$1,719	$1,461	$1,719	$1,461	$4,747	$4,035	$4,747	$4,035	$1,031	$876	$1,031	$876
70	1,992	1,575	1,992	1,575	5,502	4,348	5,502	4,348	1,195	944	1,195	944
75	2,147	1,695	2,147	1,695	5,929	4,681	5,929	4,681	1,288	1,017	1,288	1,017
80	2,312	1,827	2,312	1,827	6,385	5,046	6,385	5,046	1,387	1,096	1,387	1,096
	Presbyterian Medicare Advantage				**Medicare Drug Rebates**				**Medicare Drug Subsidy**			
	Retiree		**Retiree**		**Retiree**		**Spouse**		**Retiree**		**Spouse**	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
65	$1,911	$1,624	$1,911	$1,624	-$1,309	-$1,113	-$1,309	-$1,113	-$128	-$109	-$128	-$109
70	2,215	1,750	2,215	1,750	-1,517	-1,199	-1,517	-1,199	-148	-117	-148	-117
75	2,387	1,884	2,387	1,884	-1,635	-1,291	-1,635	-1,291	-160	-126	-160	-126
80	2,570	2,031	2,570	2,031	-1,761	-1,391	-1,761	-1,391	-172	-136	-172	-136

Drug Increase Rebate Assumptions

The 2017/2018 annual drug rebate for non-Medicare retirees was assumed to have no projected future increases.

The 2017/2018 annual drug rebate for Medicare retirees with BCBS Medicare Supplement plan was assumed to have no projected future increases.

Medicare Part D Subsidy Assumption:

These calculations include an offset for retiree prescription drug plan federal subsidies that the Plan is eligible to receive because the Plan has been determined to be a Medicare PDP. The subsidy shown above per eligible retiree or spouse for 2017/2018, was assumed to increase by 5% for 5 years, and 4% thereafter.

Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male. For active participants with unknown dates of birth, we assumed their age at entry was that of the average for actives with date of birth.
Spouse Coverage:	55% male, 30% female.
Age of Spouse:	Wives are 3 years younger than their husbands.

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Future Benefit Accruals: 1.0 year of service per year.

Participation and Election: 75% of the active participants are assumed to continue coverage at retirement. 25% of employees terminating prior to retiring, and eligible, are assumed to elect NMRHCA benefits at retirement.

Future retirees are assumed to elect medical carriers in the same proportion as current retirees:

Non-Medicare Plan	Medical Election %
Premier	86%
Value Plan	14%

Medicare Plan	Medical Election %
BCBS Medicare Supplement	64%
BCBS Senior Plan I or II	11%
Presbyterian Senior Plan I or II	17%
United Healthcare Plan I or II	8%

Former Vested Retirement Age: Former vested members are assumed to begin receiving retiree health benefits at age 60.

Actuarial Value of Assets*: The actuarial value of assets is equal to the market value of assets.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at the member’s hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

** The assets as of June 30, 2017 were drafts provided by the auditor.*

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Health Care Cost Subsidy Trend Rates:

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the stated subsidies into the future. For example, the projected per capita cost for a male retiree age 64 covered under the Premier Plan in the year July 1, 2018 through June 30, 2019 would be determined with the following formula: [$11,908 x (1 + 8.0%)] = $12,861.

	Rates (%)	
Plan Year Ended June 30,	**All Non-Medicare Plans**	**All Medicare Plans**
2018	8.00	7.50
2019	7.75	7.25
2020	7.50	7.00
2021	7.25	6.75
2022	7.00	6.50
2023	6.75	6.25
2024	6.50	6.00
2025	6.25	5.75
2026	6.00	5.50
2027	5.75	5.25
2028	5.50	5.00
2029	5.25	4.75
2030	5.00	4.50
2031	4.75	4.50
2032 & Later	4.50	4.50

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Funding Policy:	Retiree benefits are funded from a combination of employer contributions as a percentage (2.50% for Public Safety, and 2.00% for Other Occupations) of compensation and member contributions as a percentage (1.25% for Public Safety and 1.00% for Other Occupation) of compensation to fund the cost of the subsidy, with the remaining cost funded by retiree contributions, RHCA Statutory Distribution, investment income and the Retiree Drug Subsidy from CMS.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Changes in Assumptions:	The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. The ERB salary scale, inflation and payroll assumptions were updated to reflect changes used in the ERB June 30, 2016 experience study pension valuation. Per capita costs were updated. Future trend for health costs were updated. Medical election assumptions were updated.

EXHIBIT II

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:	A retiree who was an employee of either New Mexico PERA or an ERB eligible to receive a pension, is eligible for retiree health benefits. For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from NMRHCA before age 55.
Benefit Types:	Retirees and spouses are eligible for medical and prescription drug benefits. For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of $6000 for all retirees who commenced benefits on or before December 31, 2012. The $6000 benefit decreases $1500 per year commencing January 1, 2018 until January 1, 2021 at which time retirees must pay 100% of the premium cost. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid. A description of these benefits may be found at www.nmrhca.state.nm.us by clicking on Enrolled Participants.
Duration of Coverage:	Employees and dependents are valued for life.

EXHIBIT II

Summary of Plan (continued)

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated employee paid portion of claims.

	2018	2019	2020	2021 And Later
Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	68.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

EXHIBIT II

Summary of Plan (continued)

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

EXHIBIT II

Summary of Plan (continued)

Dental

Eligibility	This benefit was not included in the valuation, because retirees pay 100% of the cost.

Vision

Eligibility	This benefit was not included in the valuation, because retirees pay 100% of the cost.

Life

Eligibility	For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of $6000 for all retirees who commenced benefits on or before December 31, 2012. The $6000 benefit decreases $1500 per year commencing January 1, 2018 until January 1, 2021 at which time retirees must pay 100% of the premium cost.

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New Mexico Retiree Health Care Authority
Fiscal Year 2018 1st Quarter Budget Review

Health Care Benefit Fund

Between July 1, 2017 and September 30, 2017, expenditures from the Healthcare Benefits Administration Program were $77.9 million and revenues were $81.6 million, creating a surplus of $3.7 million, compared to $1.6 million during the same time period in FY17. Overall expenditures through the first quarter of FY18 as compared to the same time frame in FY17 have increased by $6.4 million, or approximately 9.1 percent. Current projections indicate a $22 million surplus at the end of FY18.

Upward pressures include:

1. Overall plan participation (medical and voluntary coverages) has grown by 1,508 members or 2.9 percent between September 2016 and September 2017.
2. Claim costs have increased by $5.6 million, or 8 percent compared to $1.8 million or 2.7 percent through the first quarter of FY17.
3. Increased participation in the voluntary/non-subsidized plans i.e., dental, vision and life insurance (3 members or 5.4 percent).

Downward pressures include:

1. Under the pre-Medicare plans – continued negative growth of 967 members (minus 5.8 percent) combined with continued selection of lower premium/higher out-of-pocket costing plans as participation in the Value Plans reached 2,600 members as of September 1st.
2. Under the Medicare plans – Medicare Advantage Plans grew by over 1,262 members (9.9 percent) while growth in participation with the supplement plan was limited to 185 members, or less than 1 percent.
3. Continued decline in dependent children participation 2,164 compared to 2,387 (223 fewer dependents - medical).

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2011 – 2017, as well as monthly contribution(s) made in FY18:

FY11 Total	$	21,879,651
FY12 Total	$	21,060,000
FY13 Total	$	15,315,000
FY14 Total	$	57,500,000
FY15 Total	$	42,500,000
FY16 Total	$	35,000,000
FY17 Total	$	28,000,000
FY18		
Transfer Effective	Amount Transferred	
September 1, 2017	$	5,000,000
October 2, 2017	$	3,000,000
FY18 Total	$	8,000,000
Total Transfers	**$**	**229,254,651**

Healthcare Benefit Fund

FY18/FY17 Comparison

	FY18 Approved Q1 Budget	FY18 Q1 Actual	FY17 Q1 Actual	Dollar Change	Percent Change
Sources:					
Employer/Employee Contributions	$ 25,944.2	$ 29,989.4	$ 30,281.4	$ (292.0)	-1.0%
Retiree Contributions	$ 37,290.1	$ 44,553.8	$ 37,773.6	$ 6,780.2	17.9%
Taxation & Revenue Fund	$ 8,101.7	$ 2,188.1	$ 2,700.6	$ (512.5)	-19.0%
Other Miscellaneous Revenue	$ 6,923.0	$ 4,945.6	$ 2,412.7	$ 2,532.9	105.0%
Interest Income	$ 3.4	$ 29.0	$ 10.2	$ 18.8	157.0%
Refunds	$ -	$ (89.5)	$ (97.6)	$ 8.1	-8.3%
Total Sources	$ 78,262.4	$ 81,616.4	$ 73,080.9	$ 8,535.5	11.7%
Uses:					
Medical Contractual Services	$ 76,722.8	$ 76,421.4	$ 70,610.2	$ 5,811.2	8.2%
ACA Fees (Reinsurance/PCORI)	$ 520.3	$ 38.8	$ 36.1	$ 2.7	7.5%
Other Financing Uses	$ 779.6	$ 1,468.4	$ 799.5	$ 668.9	83.7%
Total Uses	$ 78,022.7	$ 77,929.2	$ 71,409.7	$ 6,482.8	9.1%
Sources Over Uses	**NA**	**$ 3,687.2**	**$ 1,671.2**	**NA**	**NA**

FY18 Budget Compared to Actual

	FY18 Approved Budget	FY18 Actuals	Remaing Balance	Percent Expended/ Collected	FY18 Projected Total
Sources:					
Employer/Employee Contributions	$ 103,776.9	$ 29,989.4	$ 73,787.5	28.9%	$ 126,500.0
Retiree Contributions	$ 149,160.4	$ 44,553.8	$ 104,606.6	29.9%	$ 165,000.0
Taxation & Revenue Fund	$ 32,406.9	$ 2,188.1	$ 30,218.8	6.8%	$ 26,256.2
Other Miscellaneous Revenue	$ 27,692.1	$ 4,945.6	$ 22,746.5	17.9%	$ 25,000.0
Interest Income	$ 13.4	$ 29.0	$ (15.6)	216.4%	$ 50.0
Refunds	$ -	$ (89.5)	$ -		$ (385.0)
Total Sources	$ 313,049.7	$ 81,616.4	$ 231,343.8	26.1%	$ 342,421.2
Uses:					
Medical Contractual Services	$ 309,411.1	$ 76,421.4	$ 232,989.7	24.7%	$ 317,130.9
ACA Fees (Reinsurance/PCORI)	$ 520.3	$ 38.8	$ -	7.5%	$ 39.4
Other Financing Uses	$ 3,118.3	$ 1,468.4	$ 1,649.9	47.1%	$ 2,936.8
Total Uses	$ 313,049.7	$ 77,928.6	$ 234,639.6	24.9%	$ 320,107.1
Sources Over Uses	**NA**	**$ 3,687.8**	**NA**	**NA**	**$ 22,314.1**

	FY18	FY17	FY18 - FY17
	Q1 Actuals	Q1 Actuals	Difference
REVENUE:			
Employer/Employee Contributions	$ 29,989.4	$ 30,281.4	$ (292.0)
Retiree Contributions	$ 44,553.8	$ 37,773.6	$ 6,780.2
Taxation and Revenue Suspense Fund	$ 2,188.1	$ 2,700.6	$ (512.5)
Other Miscellaneous Revenue	$ 4,945.6	$ 2,412.7	$ 2,532.9
Interest Income	$ 29.0	$ 10.2	$ 18.8
Refunds	$ (89.5)	$ (97.6)	$ 8.1
TOTAL REVENUE:	**$ 81,616.4**	**$ 73,080.9**	**$ 8,535.5**
EXPENDITURES:			
Prescriptions			
Express Scripts	$ 25,846.1	$ 22,120.0	$ 3,726.1
Total Prescriptions	$ 25,846.1	$ 22,120.0	$ 3,726.1
Non-Medicare			
Blue Cross Blue Shield	$ 14,252.3	$ 15,231.4	$ (979.1)
BCBS Administrative Costs	$ 505.5	$ 574.9	$ (69.4)
Presbyterian	$ 10,019.1	$ 9,557.2	$ 461.9
Presbyerian Administrative Costs	$ 504.5	$ 508.7	$ (4.2)
NM Health Connections	$ 155.4	$ -	$ 155.4
NM Health Connections Admin	$ 32.6	$ -	$ 32.6
ACA Transitional Reinsurance Fee	$ -	$ -	$ -
PCORI Fee	$ 39.4	$ 38.8	$ 0.6
Total Non-Medicare	$ 25,508.8	$ 25,911.0	$ (402.2)
Medicare			
Blue Cross Blue Shield	$ 9,968.3	$ 8,512.8	$ 1,455.5
BCBS Administrative Costs	$ 1,397.4	$ 1,376.9	$ 20.5
Presbyterian	$ 3,184.8	$ 2,667.0	$ 517.8
UnitedHealthCare	$ 1,300.7	$ 1,077.8	$ 222.9
BCBS Advantage	$ 1,101.7	$ 1,116.3	$ (14.6)
Total Medicare	$ 16,952.9	$ 14,750.8	$ 2,202.1
Other Benefits			
Davis Vision	$ 555.7	$ 533.5	$ 22.2
Delta Dental	$ 2,378.6	$ 2,145.6	$ 233.0
Standard Life Insurance	$ 2,746.9	$ 2,616.7	$ 130.2
United Concordia Dental	$ 2,471.8	$ 2,532.6	$ (60.8)
Total Other Benefits	$ 8,153.0	$ 7,828.4	$ 324.6
Other Expenses			
Program Support	$ 1,468.4	$ 799.5	$ 668.9
Total Other Expenses	$ 1,468.4	$ 799.5	$ 668.9
TOTAL EXPENDITURES:	***$ 77,929.2***	**$ 71,409.7**	**$ 6,519.5**
Total Revenue over Total Expenditures	***$ 3,687.2***	**$ 1,671.2**	**$ 2,016.0**

FY18 1st QTR Budget Review
Comparison of Budget vs. Actual
(in thousands)

Program Support

FY18/FY17 Comparison

	FY18 Approved Q1 Budget	FY18 Actuals	FY17 Actual	Dollar Change	Percent Change
Sources:					
Other Transfers	$ 779.6	$ 1,468.4	$ 1,559.2	$ (90.8)	-5.8%
Total Sources	**$ 779.6**	**$ 1,468.4**	**$ 1,559.2**	**$ (90.8)**	**-6.2%**
Uses:					
Personal Services and Benefits	$ 464.7	$ 467.9	$ 472.0	$ (4.1)	-0.9%
Contractual Services	$ 136.2	$ 52.6	$ 92.8	$ (40.2)	-43.3%
Other Costs	$ 133.3	$ 128.8	$ 137.4	$ (8.6)	-6.3%
Total Uses	**$ 734.2**	**$ 649.3**	**$ 702.2**	**$ (52.9)**	**-7.5%**

Program Support

FY18 Budget Compared to Actual

	Approved Operating Budget	FY18 Actuals	Remaining Balance	Percent Expended	FY18 Projected	Projected Surplus/ Deficiency
Sources:						
Other Transfers	$ 2,936.8	$ 1,468.4	$ 1,468.4	50%	$ 1,468.4	$ -
Total Sources	**$ 2,936.8**	**$ 1,468.4**	**$ 1,468.4**	**50%**	**$ 1,468.4**	**$ -**
Uses:						
Personal Services and Benefits	$ 1,858.8	$ 467.9	$ 1,390.9	25%	$ 1,413.3	$ (22.4)
Contractual Services	$ 544.8	$ 52.6	$ 492.2	10%	$ 476.6	$ 15.6
Other Costs	$ 533.2	$ 128.8	$ 404.4	24%	$ 387.7	$ 16.7
Total Uses	**$ 2,936.8**	**$ 649.3**	**$ 2,287.5**	**22%**	**$ 2,277.6**	**$ 9.9**

Program Support

Expenditure Summary (in thousands)

Acct #	Account Description	A Approved Budget	B Expended Budget	C Remaing Balance	D Projected	E Balance
200	Personal Services/ Employee Benefits	1,858.8	467.9	1,390.9	1,413.3	(22.4)
300	Contractual Services	544.8	52.6	492.2	476.6	15.6
400	Other Costs	533.2	128.8	404.4	387.7	16.7
	TOTAL	**2,936.8**	**649.3**	**2,287.5**	**2,277.6**	**9.9**

Expenditure Detail (in thousands)

Personal Services / Employee Benefits

Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	146.2	47.2	99.0	128.2	(29.2)
520300	Classified Perm. Positions	1,157.6	276.3	881.3	874.5	6.8
520800	Annual & Comp Paid	0.0	1.3	(1.3)	0.0	(1.3)
521100	Group Insurance Premium	189.9	46.2	143.7	137.3	6.4
521200	Retirement Contributions	220.5	55.0	165.5	174.3	(8.8)
521300	FICA	105.3	23.7	81.6	78.5	3.1
521400	Workers Comp	0.2	0.1	0.1	0.0	0.1
521410	GSD Work Comp Ins	2.0	2.0	0.0	0.0	0.0
521500	Unemployment Comp	1.3	1.3	0.0	0.0	0.0
521600	Employee Liability Insurance	8.3	8.3	0.0	0.0	0.0
521700	Retiree Health Care	27.5	6.5	21.0	20.5	0.5
521900	Other Employee Benefits	0.0	0.0	0.0	0.0	0.0
	TOTAL	**1,858.8**	**467.9**	**1,390.9**	**1,413.3**	**(22.4)**

Contractual Services

Acct #	Account Description					
535200	Professional Services	304.8	33.8	271.0	315.0	(44.0)
535300	Other Services	30.0	0.0	30.0	25.0	5.0
535400	Audit Services	80.0	15.6	64.4	21.6	42.8
535500	Attorney Services	40.0	2.3	37.7	25.0	12.7
535600	Information Technology Services	90.0	0.9	89.1	90.0	(0.9)
	TOTAL	**544.8**	**52.6**	**492.2**	**476.6**	**15.6**

Other Costs

Acct #	Account Description					
542100	Employee In-State Mileage & Fares	2.0	0.2	1.8	0.8	1.0
542200	Employee In-State Meals & Lodging	1.9	1.1	0.8	1.1	(0.3)
542300	Board & Commission - In-State	10.0	5.7	4.3	10.5	(6.2)
542500	Transportation-Fuel & Oil	1.0	0.1	0.9	0.3	0.6
542600	Transportation	0.1	0.0	0.1	0.1	0.0
542700	Transportation - Insurance	0.2	0.0	0.2	0.0	0.2
542800	State Transportation Pool Charges	4.4	5.0	(0.6)	(0.8)	0.2
543100	Maintenance - Grounds & Roadways	0.0	0.0	0.0	0.0	0.0
543200	Maintenance - Furniture, Fixtures & Equipment	3.7	0.4	3.3	1.5	1.8
543300	Maintenance - Building & Structure	3.0	0.0	3.0	1.5	1.5
543400	Maintenance - Property Insurance	0.5	0.0	0.5	0.3	0.2
543500	Maintenance - Supplies	0.0	0.0	0.0	0.0	0.0
543700	Maintenance Services	0.0	0.0	0.0	0.0	0.0
543820	Maintenance IT	12.6	0.0	12.6	5.0	7.6
544000	Supply Inventory IT	20.0	2.8	17.2	14.4	2.8
544100	Supplies - Office Supplies	8.5	0.8	7.7	8.2	(0.5)
544900	Supplies - Inventory Exempt	0.3	2.8	(2.5)	2.2	(4.7)
545700	DoIT - ISD Services	4.1	0.6	3.5	3.1	0.4
545701	DoIT - HCM Fees	10.4	10.4	0.0	(1.3)	1.3
545900	Printing & Photo. Services	56.0	30.4	25.6	20.6	5.0
546100	Postage & Mail Services	115.9	0.9	115.0	109.1	5.9
546400	Rent of Land & Buildings	119.5	40.2	79.3	86.1	(6.8)
546500	Rent of Equipment	57.0	11.9	45.1	45.6	(0.5)
546600	Telecomm	84.6	13.8	70.8	53.2	17.6
546700	Subscriptions & Dues	4.0	1.2	2.8	1.8	1.0
546800	Employee Training & Edu.	5.0	0.0	5.0	3.5	1.5
546801	Board Member Training	2.0	0.0	2.0	1.5	0.5
546900	Advertising	0.2	0.1	0.1	1.1	(1.0)
547900	Miscellaneous Expense	1.3	0.4	0.9	1.6	(0.7)
547999	Request to Pay Prior Year	0.0	0.0	0.0	0.0	0.0
548300	Information Technology Equipment	0.0	0.0	0.0	12.7	(12.7)
549600	Employee Out-Of-State Mileage & Fares	1.0	0.0	1.0	1.0	0.0
549700	Employee Out-Of-State Meals & Lodging	1.0	0.0	1.0	1.0	0.0
549800	B&C-Out-Of-State Mileage & Fares	1.5	0.0	1.5	1.0	0.5
549900	B&C- Out-Of-State Meals & Lodging	1.5	0.0	1.5	1.0	0.5
	TOTAL	**533.2**	**128.8**	**404.4**	**387.7**	**16.7**

Staff Recommendations for
NMRHCA 5-Year Strategic Plan
2018 – 2022

1. Apply downward pressure on prescription drug costs for all members (network, contracts, cost-sharing)*
    - FY19 – FY22 Contract
    - Annual market check agreement
    - Network attribution
    - Copays

2. Apply downward pressure on pre-Medicare medical plans (network, contracts, cost-sharing)*
    - Narrower networks
    - Deductibles
    - Copays
    - FY20 – FY23 Contracts

3. Reduce pre-Medicare retiree subsidies*
    - Currently 64 percent

4. Reduce pre-Medicare spousal subsidies*
    - Currently 36 percent

5. Evaluate existing and emerging wellness/population health programs for inclusion in either plan coverage or incentive support*
    - Monitor the development and progress of such programs and make recommendations with regard to reimbursements through health plans

6. Develop and implement value-based purchasing initiatives either through existing health plan partners or directly with health care delivery systems
    - Incentivize care through most cost effective solutions
    - Data-driven evaluation of care
    - Patient-centered medical homes
    - Accountable-care organizations
    - Bundled-payment arrangements
    - Referenced-based reimbursements

7. Evaluate emerging and ongoing demographic trends and make program adjustments commensurate with fiduciary requirements
    - Continue monitoring ongoing trends and identifying potential solutions

8. Wellness Programs*
    - Management of chronic illness
    - Management of acute care episodes
    - Use of third-party prescription data
    - Reduction in the number of preference sensitive surgery
    - Identification of specific polypharmacy patients
    - Efforts to de-prescribe
    - Adherence

9. Increase employee/employer contribution levels (requires legislative action)*

10. Employee and member education and communication
    - Outreach
    - Professional development

*Consensus carryover items from previous strategic plan.