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REGULAR MEETING OF THE BOARD OF DIRECTORS

December 4, 2018
9:30 AM
Senator Fabian Chavez Jr. Board Room
PERA Building
33 Plaza La Prensa
Santa Fe, NM 87507

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

December 4, 2018

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

NMRHCA BOARD OF DIRECTORS

December 2018

Mr. Wayne Propst
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Mr. Terry Linton
Governor's Appointee
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Mr. Joe Montaño, Vice President
NM Assoc. of Educational Retirees
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Mr. Doug Crandall
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The Honorable Mr. Tim Eichenberg
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

December 4, 2018
9:30 AM
Senator Fabian Chavez Jr. Board Room
PERA Building
33 Plaza La Prensa
Santa Fe, NM 87507

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 November 13, 2018	Mr. Sullivan, President	5
6.	Public Forum and Introductions	Mr. Sullivan, President	
7.	Committee Reports	Mr. Sullivan, President	
8.	Executive Director's Updates	Mr. Archuleta, Executive Director	
	a. HR Update		
	b. FY18 Financial Audit		
	c. Switch Enrollment Update		16
	d. Medicare Outreach Meetings		17
	e. Life and Disability RFP		
	f. Legislative		19
	g. October 31, 2018 SIC Report		45
9.	GASB74 – June 30, 2018	Mr. Petersen & Ms. Bissett, Segal	46
10.	Benefits Consulting/ Actuarial Services Contract (Action Item)	Mr. Kueffer, Deputy Director	89
11.	Other Business	Mr. Sullivan, President	
12.	Executive Session Pursuant to NMSA 1978, Section 10-15-1(H)(6) To Discuss Limited Personnel Matters	Mr. Sullivan, President	
13.	Date & Location of Next Board Meeting	Mr. Sullivan, President	

January 8, 9:30AM / February 5, 2019, 9:30AM
Alfredo R. Santistevan Board Room / Senator Fabian Chavez Jr. Board Room
4308 Carlisle Blvd, NE. Suite 207 / 33 Plaza La Prensa
Albuquerque, NM 87107 / Santa Fe, NM 87507

14. Adjourn

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

November 13, 2018

Item	Action	Page
APPROVAL OF AGENDA	Approved	3
APPROVAL OF MINUTES: October 2, 2018	Approved	3
PUBLIC FORUM & INTRODUCTIONS	Informational	3
COMMITTEE REPORTS	Informational	3
EXECUTIVE DIRECTOR'S UPDATES HR Update FY19 Financial Audit Hospital Price Transparency Study Switch Enrollment Update HIPAA Breach Notification and Action Pending RFPs SaveOn Program Update Legislative September 30 SIC Report	Informational	4
RULE CHANGE/MINIMUM AGE AND YEARS OF SERVICE REQUIREMENTS	Approved/Amended	5
2019 PROPOSED LEGISLATION	Accept Proposal E	9
FIRST QUARTER BUDGET REPORT	Informational	10
FY19 CONTRACT AMENDMENT	Approved	11

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

November 13, 2018

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 Alfredo R. Santistevan Board Room, 4308 Carlisle Boulevard, N.E., Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:
Mr. Tom Sullivan, President
Mr. Joe Montaño, Vice President
Mr. Doug Crandall, Secretary
Ms. Jan Goodwin
Ms. LeAnne Larrañaga-Ruffy
Mr. Terry Linton
Ms. Therese Saunders

Members Excused:
The Hon. Tim Eichenberg, NM State Treasurer
Mr. James E. Smith
Mr. Lawrence Rael

Staff Present:
Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Ms. Peggy Martinez, Chief Financial Officer
Mr. Greg Archuleta, Director of Communication & Member Engagement
Mr. Tomas Rodriguez, IT Manager
Ms. Judith Beatty, Board Recorder

Others Present:
Ms. Cynthia Loehr, Counsel to the NMRHCA, Rodey Law Firm
[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

Mr. Linton moved approval of the agenda, as published. Mr. Crandall seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: October 2, 2018

Mr. Crandall moved approval of the minutes of the October 2, 2018 meeting, as submitted. Ms. Goodwin seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Ms. Stephanie Herrera stated that Mr. Archuleta had been asked at the November 8 Executive Committee meeting to develop a financial analysis for review by the board. She asked if that would be discussed today. Mr. Archuleta responded yes.

Responding to a question from Ms. Mary Ann Hayworth, Chairman Sullivan said all board members received a transcript of the oral testimony at the public hearing as well as any comments sent in writing.

Ms. Hayworth said she would be interested to know how the proposed rule change, if approved, would impact those close to retirement and what remedies there were for them. She said her retirement date is March 2020.

Ms. Herrera stated that if she is forced to retire next year to be grandfathered in, as opposed to retiring in four years as originally planned, it would cost the fund $42,000 over the next four years instead of taking in $10,000 that she would have contributed.

Asked by Chairman Sullivan to comment, Mr. Archuleta stated that, actuarially, the longer NMRHCA is paying a subsidy, the more it takes out of the fund and the more difficult it becomes to sustain it.

7. COMMITTEE REPORTS

Executive Committee

Chairman Sullivan said the Executive Committee met last week in preparation for today, asked questions, and requested additional data from Mr. Archuleta. That information would be shared at this meeting.

Finance Committee

Mr. Crandall reported that the committee met and discussed Items 10 and 12 on today's agenda and heard the first quarter budget report.

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Update

Mr. Archuleta said there are three vacant positions. The customer service front desk staff jobs in Santa Fe and Albuquerque have been advertised, and a list of names is expected shortly. The vacant actuary position (Neil Kueffer's old job) will have to remain vacant through at least the end of February in order to accommodate the agency's limited financial situation. The plan for that position, which is a Range 75, will be reclassified to another Range 75-like position to coordinate wellness activities.

b. FY19 Financial Audit

Mr. Archuleta reported that the exit conference will take place with the Audit Committee next Monday at 9:30 a.m. and will be brought to the board either in December or January. The agency is not aware of any findings, and the process ran very smoothly.

c. Hospital Price Transparency Study

Mr. Archuleta noted that, at the annual meeting in July, Mr. Linton made a request from staff about researching opportunities to engage in reference-based pricing. NMRHCA, along with other members of the IBAC, has agreed to participate in a national hospital price transparency study (the RAND Corporation study) being proposed by the New Mexico Coalition for Healthcare Value. Blue Cross Blue Shield has participated in a similar study at its national level, and Presbyterian is in the process of providing the information that will go into the RAND study. This will help assess variances in pricing among various hospitals.

d. Switch Enrollment Update

Mr. Archuleta stated that with 16 meetings in 13 different locations, about 2,300 members showed up. Although there was a scheduling glitch with the first Albuquerque meeting, everything else seemed to run smoothly.

Ms. Saunders reported that she went to the Santa Fe, Albuquerque and Rio Rancho switch enrollment meetings. She said, as always, NMRHCA staff did an excellent job, as did the vendors.

e. HIPAA Breach Notification and Action

Mr. Archuleta followed up on his report from the October meeting, when he explained to the board that the agency sent out 62,000 packets to the members, and of that group, 585 individuals received information that was sent to the wrong address. In response to that, NMRHCA filed a Breach of Notification with the Department of Health & Human Services Office of Civil Rights. The protocol followed was to notify the members who received the incorrect information. In addition, the members affected by the breach have also been notified, and Presbyterian has arranged for the free credit monitoring services for the 585 individuals.

Responding to questions from the board, Mr. Archuleta stated that if all 585 individuals opt to take advantage of that offer, the cost to NMRHCA would be around $14,000. With the exception of two people, those who contacted the office seemed to accept the explanation, although a number of them were obviously not happy about it.

f. Pending RFPs

Mr. Archuleta reported that three responses were received to the benefits consulting services request for proposal that was issued in collaboration with the other IBAC entities. The entities that submitted proposals were Gallagher, Segal, and Aon. Although the agency reached out to other firms, some of them have had problems in the past agreeing to the indemnification language that is part of the contracts. Tomorrow, NMRHCA will meet with the IBAC to go over all of the scores, identify the finalists, and schedule interviews in mid December. He reminded the board that NMRHCA is in the third year of a four-year agreement with Segal, so there isn't any action necessary right now. NMRHCA can wait to go out to RFP next year when Segal's contract is up, or it can go with the IBAC decision.

Mr. Archuleta said NMPSIA is running the Life & Disability RFP, so they are now going through the state purchasing process. The State Purchasing Division expressed concerns about the NMRHCA evaluation committee, which usually consists of him, Neil Kueffer and one or both of the supervisors in the customer services unit, influencing the scoring, and asked that it be limited to one person.

g. SaveOn Program Update

Mr. Archuleta said that, at the annual meeting in July, the board heard a presentation from Express Scripts on the SaveOn program, which takes advantage of the coupons from prescription drug manufacturers to offset the cost of specialty medications. Although those services were included in the RFP response received from Express Scripts, legal counsel on both sides is discussing how to appropriately amend the contract; however, the plan is to implement the program by February 1, 2019.

h. Legislative

Mr. Archuleta reviewed the draft presentation made to the Legislative Finance Committee on October 26. Overall, the presentation went well. He is scheduled to make a presentation this week before the Legislative Educational Study Committee on what the agency is doing to address solvency. Also, a similar presentation will be made on November 26 before the Investments & Pensions Oversight Committee.

Mr. Montaño reported that the last Legislative Committee meeting went very well, although he was sorry to say AFT and ATF did not attend. AFSCME and NEA were there and gave a lot of feedback on what they felt they could support.

i. September 30, 2018 SIC Report

Mr. Archuleta reported a balance of $647.5 million on 9/30/2018, an historic high for the fund.

9. RULE CHANGE – MINIMUM AGE AND YEARS OF SERVICE REQUIREMENTS

Chairman Sullivan said he wanted to acknowledge that this topic has been part of NMRHCA's five-year master plan for some time, and that he was not paying close attention to that commitment as the target date approached, although the volume and nature of the feedback certainly got his attention. He said the Executive Committee asked Mr. Archuleta to provide additional data on other options for consideration, which would be shared today.

Mr. Montaño said he was surprised by the extent to which solvency would be affected based on the year the rule change would kick in. He commented that this would be a very tough decision for him, because the solvency of the fund is crucial, but there is also the impact on members that has to be considered.

Mr. Archuleta referred the Concise Explanatory Statement Regarding Proposed Rulemaking Amending and Renaming 2.81.11 NMAC on page 41 in the board book. He reviewed the major points contained in the document for consideration by the board:

-- At the July 2014 annual board meeting, the board adopted a policy to implement a minimum age and increased years of service requirement for people retiring after December 31, 2019. This policy change has been reviewed as a cost containment measure at virtually every legislative committee that the NMRHCA has presented to since then, as well as to members of the executive staff.

-- The full record, including the audio recording of the rulemaking hearing that took place on October 19, was forwarded to board members on October 22 with the hope that everyone would have enough time to review all of the written and verbal comments that were received, as well as the questions that were asked by the affected members.

-- Since inception of the Retiree Health Care Act, accounting rules and standards have evolved to require the reporting of OPEB liabilities on state and local governments' financial statements included in GASB Statements 74 and 75. In 2006, when the NMRHCA was required to record its unfunded liabilities, it saw that it was woefully underfunded. The board learned that there were significant deficiencies in the funding structure as well as the benefits provided to retirees at that time. Since that time, the board has done an incredible job in modifying the benefits to better affect the available funding streams.

-- Total liabilities associated with the program exceed $5 billion. At the last measurement date in 2017, the total was $5.1 billion. There was $579 million in the trust fund available to offset that, which meant the program was 10-plus percent funded. This funding ratio is reflective of the program participants who would get a medical benefit from NMRHCA today. The number of retired members, beneficiaries and married dependents is 51,000, the number of vested terminated members is 11,000 and the number of active members is 97,000.

Mr. Archuleta noted that the projected solvency period of 2037 does not assume the rule change. If the decision to implement the 2020 rule were made today, with all other things being equal, the solvency would be extended to 2044, or another seven years. If implementation were extended to 2021, solvency would be extended to 2041, or another four years. On the GASB report, however, if the rule change is not implemented as of 2020, there would be a 5 percent increase, or a $250 million boost, to the OPEB liability from $5.1 billion to $5.3 billion. He estimated that this would cost the fund about $100 million.

Ms. Loehr stated that, in order to follow the rulemaking procedures, today's deliberation and the points in the Concise Explanatory Statement should reflect the board's reasoning upon review of the record.

Mr. Archuleta read highlighted excerpts from the Retiree Health Care Act: “The legislature does not intend for the Retiree Health Care Act to create trust relationships among the participating employees, retirees, employers and the authority administering the Retiree Health Care Act, nor does the legislature intend to create contract rights which may not be modified or extinguished in the future.”

And: “The legislature further finds and declares that nothing in the Retiree Health Care Act shall prohibit the legislature from increasing or decreasing participating employer and employee contributions, eligible retiree premiums or group health insurance coverages or plans, and that participation in the Retiree Health Care Act by retired and active public employees shall not be constructed to establish rights between the retired and active public employees and the state for health care benefits which cannot be modified or extinguished in the future to meet changes in economic or social conditions.”

Mr. Archuleta said there were two versions of the rule amendment in the board book, one with an effective date of 2020 and the other with an effective date of 2022. Regardless of the start date, the deficit spending period would begin in 2022.

Mr. Montaño said he had suggested considering extending the effective date another year, to 2021, which would give people another year to contemplate how they would cope with the change. In addition, it would not eat into the solvency to the extent that extending it to 2022 would.

Mr. Crandall said NMRHCA has also asked the legislature for an employee-employer increase. He asked how that would affect the solvency window if the legislature approved the request if it is repeated this year. Mr. Archuleta responded that it would go beyond the projection period the actuaries were willing to project it through. He added that the plan is shown to have money to 2049, but that includes future actions taken by the board according to the goals in the strategic plan, including a reduction in the pre-Medicare subsidy.

Mr. Crandall pointed out that the board has been following the strategic plan. He wondered what difference it would make, then, if the implementation date were extended two years to 2022, since that would add another four years of solvency. He suggested that the board could table this proposal and wait to see what the legislature does. He noted that the entire plan would fail if NMRHCA doesn’t get an employee-employer contribution at some point.

Chairman Sullivan noted that, given the legislature’s timeline, any legislation would not go into effect until the beginning of April 2019.

Ms. Goodwin said she thought it important to point out that if the legislature is to consider any increase to the employee-employer contribution, it will be asking what the agency has done on its own to improve solvency.

Mr. Linton stated that he has read all of the comments and recognized that this places a burden on a lot of people. While all of the comments are valid and very personal for everyone, medical inflation is going through the roof and the board needs to do something about it. The board has asked the legislature for assistance with this for the last three or four years, but the legislature has chosen not to help. While there will be a new legislature in the next session, no one knows whether it will act. He stressed that the board needs to do something, and he would prefer the board act today, rather than waiting to see what the legislature will or won’t do.

Ms. Saunders commented that the rule-change proposal leave the agency stuck between a rock and a hard place. She agreed that the board needs to make a decision to send a message to the legislature, but it can't be denied that there is going to be a change in leadership at the state level, and this might represent a significant change. She said extending the implementation to 2021 would be splitting the difference a little bit while sending a message to the legislature that the NMRHCA is serious about solvency. She added that perhaps phone calls and letters from plan participants to legislators could effect some kind of action, too.

Ms. Larrañaga-Ruffy said she supported the 2020 implementation date. She pointed out that it would send a significant message to the legislature that the board has extended solvency by seven years, and maybe the legislature would be inspired to act on the board's request. She added that, as a state employee, she would be directly affected by this rule change; she is scheduled to retire at age 50. She said she wants to see this benefit continue, however, for everyone.

Mr. Crandall asked when the membership was first notified about this rule change. Mr. Archuleta responded that the agency has been communicating it since 2014, but that has been directed toward the retirees. When the agency makes a public presentation, when it speaks to stakeholders, it has discussed it. When the rule change hearing was scheduled, all of the members were notified. Mr. Crandall commented that the board has been aware of this since 2014, but he didn't think the members have necessarily known about it since then. He said he would support an extension to 2022.

Mr. Montaño said he would support extending the rule change to 2021, which would have less of an impact on solvency than it would if extended to 2022. He said that would help the people who were not notified as timely as perhaps they should have.

Mr. Montaño moved to modify the target date for implementation from January of 2020 to January of 2021 with all other aspects remaining as proposed. Mr. Crandall seconded the motion for discussion purposes.

Ms. Loehr said there were other modifications that were suggested, including the definition of "member of an enhanced retirement plan" to mean a member of a retirement plan defined by Section 10-7C-15 NMSA 1978. There were also a couple of clarifications, one of which was to say that the interpretation of the rule is that changing the years of service and the minimum age kick in together. This had been in response to a comment made.

Mr. Archuleta said the change to the definition of "member of an enhanced retirement plan" was to make it absolutely clear that it not only includes a police officer, firefighter and correctional officer, it also includes someone who receives a pension from the judicial retirement system, as referenced in statute.

Mr. Linton said he came to this meeting thinking the implementation date would be 2020, but having heard the arguments supporting a two-year extension, he would be in favor of that. For that reason, he opposed the motion.

The motion and second were withdrawn.

Ms. Larrañaga-Ruffy noted that the board recently changed the asset allocation, which de-risked the portfolio by decreasing equities. As the board is positioning for a low return environment and increased volatility, it must keep in mind that it could lose half the fund in a worst-case scenario.

Responding to the chair, Mr. Archuleta said the fund is expected to be at $710 million at the end of the year, which is some $60 million away from the current total. While the agency expects to add $10-$15 million, the rest will have to be made up with investment earnings. One thing that will have to be considered this year is adjusting the projected returns to a more reasonable target. In addition, the agency will have to consider adjusting payroll growth assumptions. The less the investment earnings assumptions are, the more the OPEB liability grows. In addition, if the medical trend goes up 1 percent, there will be an impact.

Based on a show of hands, there was more support for the 2021 extension than there was for the 2020 and 2022 extension dates.

Mr. Crandall moved to amend the rule to extend the date from 2020 to 2021, with the stipulation that statements by the attorney were included in the record. Mr. Montaño seconded the motion.

Chairman Sullivan said he was sensitive to the points raised by Ms. Goodwin and Ms. Larrañaga-Ruffy that it will be important to show the legislature what the agency has done to address solvency, but pointed out that the most recent legislative action reduced the fund's solvency by six years, and no one has said anything about returning those funds to NMRHCA. Now the board is finding itself scrambling to recoup what the legislature took away.

Ms. Goodwin noted that the board members are the fiduciaries of the plan, not the legislature, so it is incumbent upon the board to take the strongest action that is reasonable.

The motion passed 6-1, with Mr. Linton voting against the motion.

Ms. Loehr advised the board that the next step is to adopt the Concise Explanatory Statement. The rule is not effective until it is published in the New Mexico Register.

Mr. Archuleta read additional language requested by Ms. Loehr:

Added to paragraph 7:
The Board is also changing the date of eligibility for participation used in the proposed rule to define the subsidy benefit from on or after January 1, 2020 to on or after January 1, 2021.

Added to paragraph 8:
Based on comments received by the Board that retirees are given insufficient time to plan for additional health care costs during retirement, the Board is changing the date of eligibility for participation used in the proposed rule to define the subsidy benefit from on or after January 1, 2020 to on or after January 1, 2021.

Mr. Crandall moved to adopt the amended Concise Explanatory Statement as read into the record by Mr. Archuleta. Mr. Montaño seconded the motion, which passed unanimously.

10. 2019 PROPOSED LEGISLATION

Mr. Archuleta reviewed the history of NMRHCA sponsored legislation, enacted legislation, and the resulting impact, as well as other data.

Mr. Archuleta noted that the five-year strategic plan (2018-2022) includes an increase in employee/employer contributions. Up until now, staff's recommendation to the board has been to increase employee/employer contributions by 1 percent (split 50-50) with the hope that those people concerned about the impact to the general fund, as well as the corresponding reduction in pay to employees, might find this more palatable.

Mr. Archuleta reviewed alternative scenarios (proposals A through F) on pages 60-61.

Mr. Montaño said he had proposed increasing the employer contribution by an additional 1/2 percent to make it a 2:1 ratio based on the fact that the unions supported that ratio. He suggested the board consider that scenario, which would increase solvency and garner union support.

Chairman Sullivan asked Mr. Archuleta if he had a sense from the union as to whether the 2:1 ratio is more or less important than the staging in Proposal B, which has the employer on the hook for the first two years with a delay on the employee side. Mr. Archuleta responded that the question from AFSCME if they would simply oppose the legislation if it was 1:1 or would they simply not support it. Their response is that they didn't know because they wouldn't take action until the end of the November. In the past, it has been supported at 2:1 because employees weren't getting raises. Now that they're expected to get a raise, their view might change. Charles Bowyer (NEA) said he was fine with the 50:50 but preferred it phased in with the employer on the hook up front, since employees could then hold onto their paychecks a little longer.

Mr. Montaño said Proposal E or Proposal D seemed acceptable to him.

Chairman Sullivan stated that if educators, for example, see a significant raise this year should the litigation be successful, then they would feel much less pain if the employee contribution were to kick in right away. His concern was that they might feel less amenable to the idea two years down the road.

Mr. Archuleta said the reason for the 1:1 ratio was due to the fact that NMRHCA would be competing for some of the same dollars that would be used for not only the increase in retirement contributions with PERA and ERB, but also with raises.

Ms. Saunders said the lawsuit settlement is not any guarantee. She expressed concern about basing any decision on that.

Mr. Crandall said he preferred the 1.5 percent, since it is a more responsible choice for the board as fiduciary of the fund. Ms. Goodwin concurred. She added that she preferred Proposal E.

Mr. Crandall moved to accept Proposal E. Ms. Goodwin seconded the motion, which passed unanimously.

11. FY19 FIRST QUARTER BUDGET STATUS REPORT

Mr. Kueffer presented this report.

12. FY19 CONTRACT AMENDMENT

Mr. Kueffer stated that New Mexico Health Connections is currently paying run-out claims on behalf of members covered under their plan through June 30,2018. In FY18, total claims paid on behalf of New Mexico Health Connections plan participants totaled $636,000 for approximately 425 members. In September, NMRHCA received a funding request totaling $120,000 for one claim incurred on or before June 30.

Mr. Kueffer requested approval of a proposed contract amendment to process this funding request and any other outstanding requests through December 31.

Mr. Crandall stated that the Finance Committee reviewed this item and recommended approval.

Mr. Crandall moved for approval. Ms. Goodwin seconded the motion, which passed unanimously.

13. OTHER BUSINESS

None.

14. EXECUTIVE SESSION

None.

15. DATE AND LOCATION OF NEXT BOARD MEETING:
DECEMBER 4, 9:30 A.M.
SENATOR FABIAN CHAVEZ JR. BOARD ROOM
PERA BUILDING
33 PLAZA LA PRENSA
SANTA FE, NM 87507

16. ADJOURN

Meeting adjourned at 11:35 a.m.

Accepted by:

____
Tom Sullivan, President

Medical Plans
January 2019 Switch Enrollment Counts
Additional Members and Members who Cancelled

	FROM	NON-MEDICARE				MEDICARE									
		TO BCBS Premier	TO BCBS VP	TO Pres Premier	TO Pres VP	TO BCBS Supp	TO BCBS MA I	TO BCBS MA II	TO Humana Plan I	TO Humana Plan II	TO Pres Plan I	TO Pres Plan II	TO United Plan I	TO United Plan II	TOTAL TERMED FROM EACH
PRE 65	BCBS Premier		87	20	11	38	4	1	1	5	2		3	4	**176**
	BCBS Value Plan	94		3	15	1	2								**115**
	Presbyterian Premier	65	3		108	4				2	21	2	2		**207**
	Presbyterian Value Plan	23	37	58		2					7	1	1	1	**130**
MEDICARE	BCBS Supplemental	-	-	-	-		44	8	10	15	53	2	35	16	**183**
	BCBS MA Plan I	-	-	-	-	27		5	8	2	21	1	14	12	**90**
	BCBS MA Plan II	-	-	-	-	5	16		2	18	13	2	3	6	**65**
	Humana MA Plan I	-	-	-	-	7	1	2		2	2		2	1	**17**
	Humana MA Plan II	-	-	-	-	2			1		1		1	2	**7**
	Presbyterian MA Plan I	-	-	-	-	9	13	2	5	4		12	13	8	**66**
	Presbyterian MA Plan II	-	-	-	-	4	3	4	1	5	60		2	10	**89**
	United Healthcare MA Plan I	-	-	-	-	12	4		2	2	12			31	**63**
	United Healthcare MA Plan II	-	-	-	-	1	2	2	1	13	1	5	16		**41**
	TOTAL ADDITIONS TO EACH	**182**	**127**	**81**	**134**	**112**	**89**	**24**	**31**	**68**	**193**	**25**	**92**	**91**	**1,249**
	NET +/-	**6**	**12**	**(126)**	**4**	**(71)**	**(1)**	**(41)**	**14**	**61**	**127**	**(64)**	**29**	**50**	**-**

	Cancelled Participation in the NMRHCA									
Medicare Plans	BCBS Supp	BCBS MA I	BCBS MA II	Humana I	Humana II	Pres Senior I	Pres Senior II	United I	United II	Total Members Cancelled
Cancelled	43	15	4	3	1	21	2	5	4	98

	Cancelled Participation in the NMRHCA				
Non-Medicare Plans	BCBS Premier	BCBS VP	Pres Premier	Pres VP	Total Members Cancelled
Cancelled	37	10	27	28	102

	New Enrollments in the NMRHCA									
Medicare Plans	BCBS Supp	BCBS MA I	BCBS MA II	Humana I	Humana II	Pres Senior I	Pres Senior II	United I	United II	Total New Members
New	37	6	8	2	15	46	6	8	14	142

	New Enrollments in the NMRHCA				
Non-Medicare Plans	BCBS Premier	BCBS VP	Pres Premier	Pres VP	Total New Members
New	109	25	40	72	246

2019 Medicare Seminar Presentation Schedule

February 13
Albuquerque NMRHCA Board Room, 9:30 a.m.
Santa Fe PERA training room, 1:30 p.m.

March 13
Albuquerque NMRHCA Board Room, 9:30 a.m.

March 15
Farmington Civic Center Conference Room A, 10:30 a.m.

April 10
Albuquerque NMRHCA Board Room, 9:30 a.m.
Santa Fe PERA training room, 1:30 p.m.

April 11
Las Cruces City Hall Conference Room 2007 B&C, 10:30 a.m.

May 15
Albuquerque NMRHCA Board Room, 9:30 a.m.

June 12
Albuquerque NMRHCA Board Room, 9:30 a.m.
Santa Fe PERA training room, 1:30 p.m.

July 17
Albuquerque NMRHCA Board Room, 9:30 a.m.

August 14
Albuquerque NMRHCA Board Room, 9:30 a.m.
Santa Fe PERA training room, 1:30 p.m.

September 11
Albuquerque NMRHCA Board Room, 9:30 a.m.

December 11
Albuquerque NMRHCA Board Room, 9:30 a.m.
Santa Fe PERA training room, 1:30 p.m.

Additional seminars planned at CNM (Dates/Times to be determined)

4308 Carlisle blvd. ne suite 104 - Albuquerque, NM 87109-4849 - Toll Free 800.233.2576 - Santa Fe 505.476.7340
Email: customerservice@state.nm.us - Fax 505.884.8611 - www.nmrhca.org

2018 Medicare Outreach Meeting Totals

Date	Time	Location	Number Attended
February 14	9:30 a.m.	Albuquerque	17
February 14	1:30 p.m.	Santa Fe	9
March 13	10 a.m.	Farmington	17
March 14	9:30 a.m.	Albuquerque	48
April 10	9 a.m.	Las Cruces	39
April 11	9:30 a.m.	Albuquerque	30
April 11	1:30 p.m.	Santa Fe	24
May 9	9:30 a.m.	Albuquerque	38
June 13	9:30 a.m.	Albuquerque	41
June 13	1:30 p.m.	Santa Fe	27
July 18	9:30 a.m.	Albuquerque	42
August 15	9:30 a.m.	Albuquerque	38
August 15	1:30 p.m.	Santa Fe	18
September 12	9:30 a.m.	Albuquerque	36
Total 2018 Total 2017	**424** 323	**December N/A** December included	

NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Investments & Pensions Oversight Committee

Representative Tomas E. Salazar, Chair
Senator George K. Muñoz, Vice Chair

Proposed Legislation

November 26, 2018

Tom Sullivan, President
Joe Montaño, Vice President
Doug Crandall, Secretary
David Archuleta, Executive Director

Retiree Health Care Authority Act - 1990

10-7C-1 through 10-7C-16 NMSA 1978

- Purpose to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico
- Legislative Findings (10-7C-3)
  - Public employees face a severe problem in securing continuing medical insurance upon retirement citing medical care inflation exceeding general inflation for the past decade (1990)
  - Public employees covered by the Act have entered into public employment in circumstances where they have received in exchange for their services a present salary and an expectation of receiving a future stream of benefits, including certain retirement benefits
  - Nothing in the Act shall prohibit the legislature from increasing or decreasing participating employer or employee contributions, eligible retiree premiums or group health insurance coverage
- Board Duties (10-7C-7)
  - Administration of program to include: procurement, promulgate and adopting rules, regulations and procedures for the governance of eligibility, participation, enrollment, length of service requirements and other conditions

Retiree Health Care Authority Act Continued

2009 Session

- HB 351 – Retiree Health Care Act Contributions, Chapter 287
  - Increased funding to NMRHCA by increasing employee and employer contributions from 1.95 percent to 3 percent over a 4 year period / 1.95 percent to 3.75 percent for "enhanced plans"
  - Removed sunset on $3 million yearly supplemental distribution from Tax Suspense Fund initiated in 2007
- HB 573 – Adjustment of Retirement Plans, Chapter 288
  - PERA and ERB adjustments in addition to changes included in HB 351
  - *Chapter 10-7C-15. Section G – Notwithstanding any other provision in the Retiree Health Care Act and at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act*

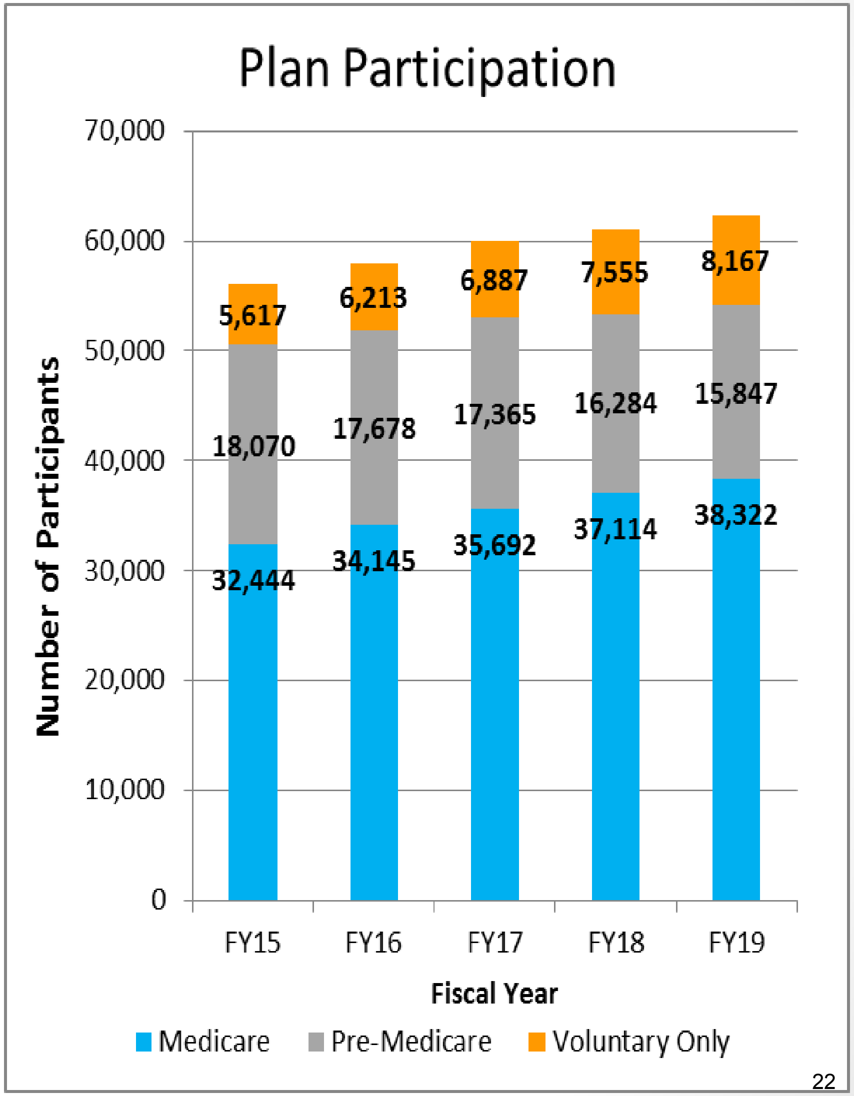
Program Composition and Participation

Active participation – 93,349 (6/30/18)

- Public Employer Groups - 302
  - Schools – 50%
  - State agencies – 25%
  - Local government– 25%

Retiree participation – 63,167 (11/1/18)

- Medicare - 38,844
- Pre-Medicare - 15,881
- Voluntary Only - 8,442
- Retirees - 39,660
- Spouses/DP – 13,072
- Dependent Children – 1,993
- Average Age – 67.06
  - Enrollment – 60.56 (2018)
- Members Under age 55 - 2,320



Budget & Finance

FY19 Budget

Healthcare Benefits Administration

- Uses:
  - Benefits - $332.5 million
  - ACA Fees - $35,000
  - Other Financing Uses - $3 million (operations)
- Sources:
  - EE/ER Contributions - $128.3 million
  - Retiree Contributions - $150.5 million
  - Tax & Rev Suspense Fund - $29.4 million
  - Misc. Revenue - $27.2 million
  - Interest - $60,000

Program Support (27 FTE)

- Salaries & Benefits - $1.9 million
- Contractual Services - $566,000
- Other Costs - $544,000

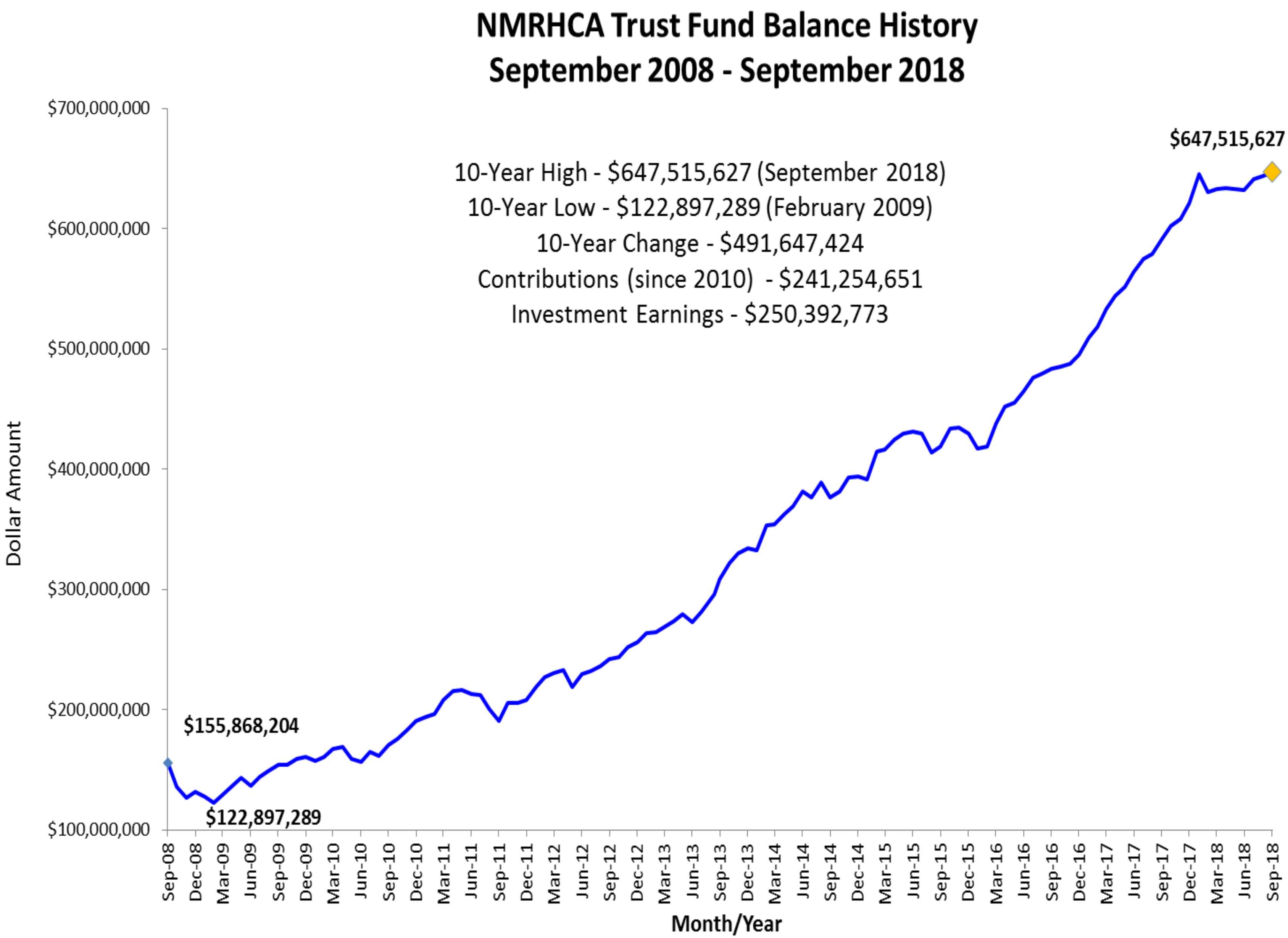
Finance

NMRHCA Trust Fund

- Investments held by State Investment Council (SIC)
- NMRHCA charged pro rata portion of investment fees
- 2018 Asset Allocation – performed by Wilshire
- September 30, 2018 Balance - $647.5 million
- Current Allocation

Current Allocation	Percent
US Large Cap	14
US Small Cap	2
Non US Dev Index	14
Emerging Markets	10
Core Bonds	20
Private Equity	10
Real Estate	10
Credit & Structured Finance	15
Real Return	5

5


NMRHCA Trust Fund Balance History
September 2008 - September 2018
10-Year High - $647,515,627 (September 2018)
10-Year Low - $122,897,289 (February 2009)
10-Year Change - $491,647,424
Contributions (since 2010) - $241,254,651
Investment Earnings - $250,392,773
$647,515,627
$155,868,204
$122,897,289
Dollar Amount
$700,000,000
$600,000,000
$500,000,000
$400,000,000
$300,000,000
$200,000,000
$100,000,000
Month/Year
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Dec-08
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Program Benefits

Pre-Medicare

- Premier PPO Plan (BCBS and Presbyterian) -- $260.76 per month*
  - $800 deductible / $4,500 annual out-of-pocket maximum
- Value HMO Plan (BCBS and Presbyterian) -- $203.69 per month*
  - $1,500 deductible / $5,500 annual out-of-pocket maximum

Medicare

- Medicare Supplement (BCBS) -- $211.96 per month*
- Medicare Advantage Plans -- Costs range: $22.15 - $94.68 per month*
  - Presbyterian, BCBS, Humana and UnitedHealthcare

Voluntary Coverages

- Dental (Delta Dental and United Concordia) -- $17.78 - $42.93 per month
  - Comprehensive & Basic
- Vision -- $4.76 per month
  - Davis Vision
- Life Insurance ($2,000 - $60,000) -- $0.68 - $164.00 per month
  - The Standard

*20 years of service

Market Plan Comparison

2019 Market Comparison of Commercially Available Plans (Pre-Medicare)

New Mexico Health Care Exchange Plans	Retiree Premium	Spouse Premium	Ret + Spouse Premium	Plan Type	Plan Level	Deductible Individual	Out-of-Pocket Max Individual	First Dollar Coverage: Y/N
Blue Cross Blue Shield - Age: 60 - Albuquerque	$884	$884	$1,767	HMO	Gold	$350	$7,900	N
NM Health Connections - Age: 60 - Albuquerque	$740	$740	$1,480	HMO	Gold	$500	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	$907	$907	$1,813	HMO	Silver	$1,100	$7,900	N
NM Health Connections - Age: 60 - Albuquerque	$725	$725	$1,451	HMO	Silver	$5,000	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	$713	$713	$1,427	HMO	Bronze	$3,150	$6,650	N
NM Health Connections - Age: 60 - Albuquerque	$605	$605	$1,210	HMO	Bronze	$6,750	$6,750	N
Blue Cross Blue Shield - Age: 60 - Santa Fe	$1,007	$1,007	$2,014	HMO	Gold	$350	$7,900	N
NM Health Connections - Age: 60 - Santa Fe	$831	$831	$1,662	HMO	Gold	$500	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	$1,038	$1,038	$2,077	HMO	Silver	$1,100	$7,900	N
NM Health Connections - Age: 60 - Santa Fe	$815	$815	$1,629	HMO	Silver	$5,000	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	$827	$827	$1,654	HMO	Bronze	$3,150	$6,650	N
NM Health Connections - Age: 60 - Santa Fe	$679	$679	$1,359	HMO	Bronze	$6,750	$6,750	N
Blue Cross Blue Shield - Age: 60 - Las Cruces	$1,138	$1,138	$2,276	HMO	Gold	$350	$7,900	N
NM Health Connections - Age: 60 - Las Cruces	$810	$810	$1,619	HMO	Gold	$500	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	$1,180	$1,180	$2,359	HMO	Silver	$1,100	$7,900	N
NM Health Connections - Age: 60 - Las Cruces	$794	$794	$1,588	HMO	Silver	$5,000	$7,900	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	$947	$947	$1,894	HMO	Bronze	$3,150	$6,650	N
NM Health Connections - Age: 60 - Las Cruces	$662	$662	$1,324	HMO	Bronze	$6,750	$6,750	N

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Rule Change – Effective January 1, 2021

- Minimum Age
  - Minimum Age 55 to receive subsidy
  - Does not apply to members who retire from an enhanced retirement plan as defined by Section 10-7C-15 NMSA 1978
- Increased Years of Service Requirements

	Percent of Subsidy				Percent of Subsidy	
Years of Credited Service	Current	1/1/2021		Years of Credited Service	Current	1/1/2021
5	6.25	4.76		16	75.00	57.14
6	12.50	9.52		17	81.25	61.90
7	18.75	14.29		18	87.50	66.67
8	25.00	19.05		19	93.75	71.43
9	31.25	23.81		20	100.00	76.19
10	37.50	28.57		21	100.00	80.95
11	43.75	33.33		22	100.00	85.71
12	50.00	38.10		23	100.00	90.48
13	56.25	42.86		24	100.00	95.25
14	62.50	47.62		25	100.00	100.00
15	68.75	52.38				

GASB 74 &75

- GASB 74: Financial Reporting for Postemployment Benefits Other Than Pension Plans
  - Completed October 2017
  - Total OPEB Liability - $5.1 billion
  - Fiduciary Net Position - $575 million
  - Net OPEB Liability - $4.5 billion
  - Net position as percentage of total liability – 11.26%
- GABS 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
  - Completed June 15, 2018
  - Employer Allocations at of June 30, 2017
    - Employer Contributions
    - Employer Allocation Percentage
  - Applies to 301 employer groups
  - Rating agency impact - TBD

NMRHCA GASB History

Year	Actuarial Accrued Liability/Total OPEB Liability	Acturial Value of Assets/Plan Fiduciary Net Position	Unfunded Acturial Accrued Liabilty/Net OPEB Liability	Funded Ratio	Covered Payroll	Total Participants
2006	$ 4,264,180,967	$ 154,538,668	$ 4,109,642,299	3.62%	$4,073,731,873	140,292
2008	$ 3,116,915,900	$ 170,626,271	$ 2,946,289,629	5.47%	$4,020,508,902	130,381
2010	$ 3,523,664,871	$ 176,922,935	$ 3,346,741,936	5.02%	$4,001,802,240	146,166
2012	$ 3,915,114,104	$ 227,487,895	$ 3,687,626,209	5.81%	$3,876,220,608	146,590
2014	$ 3,740,369,299	$ 377,087,017	$ 3,363,280,282	10.08%	$3,941,587,760	155,098
2016	$ 4,277,042,499	$ 471,978,347	$ 3,805,064,152	11.04%	$4,271,183,612	159,642
2017	$ 5,111,141,659	$ 575,649,501	$ 4,535,492,158	11.26%	$4,165,647,340	160,035

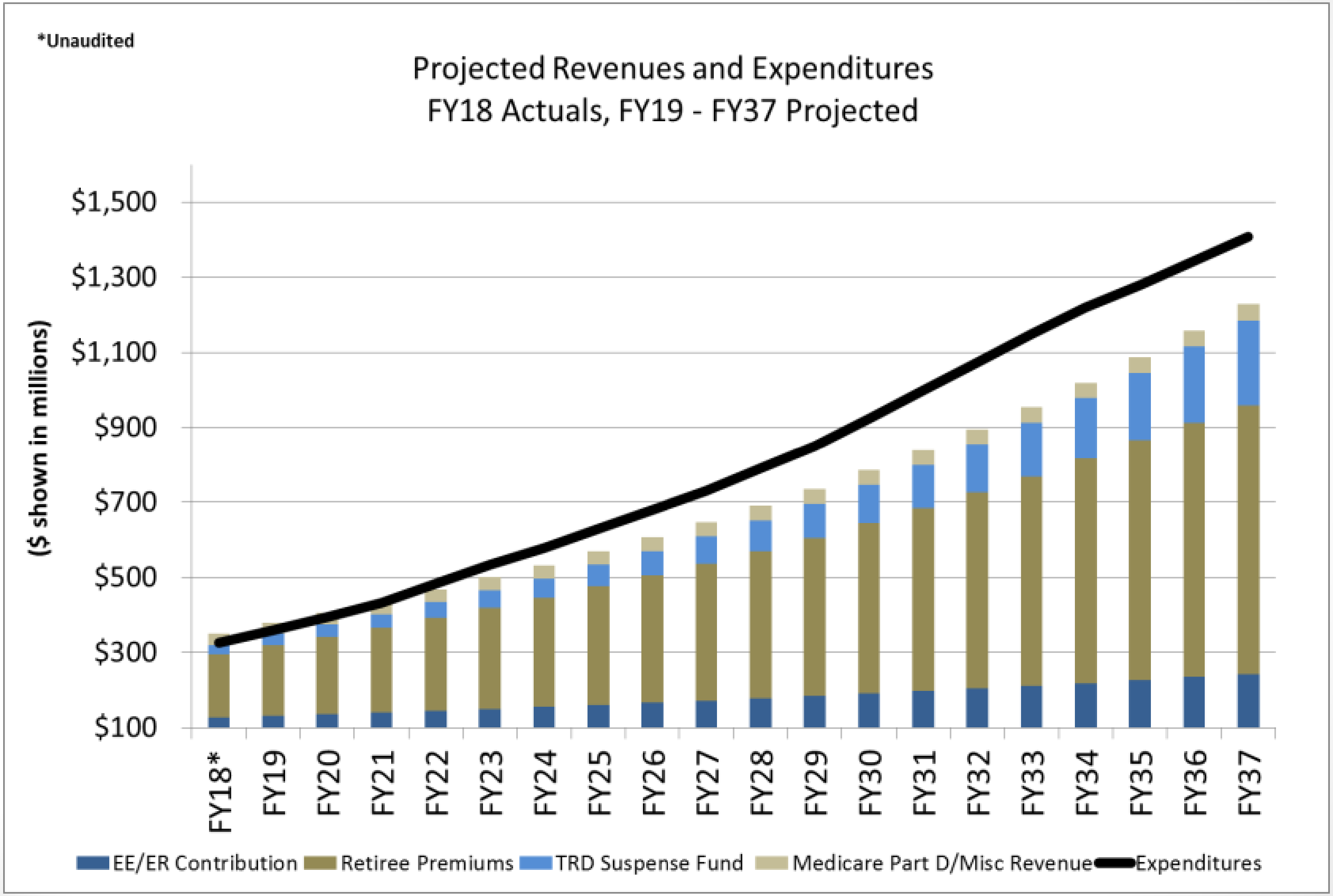
Major changes (2006-2017) include:

- AAL/Total OPEB Liability Change: $846,960,692
- AVA/Plan Fiduciary Net Positions Change: $421,110,833
- UAAL/Net OPEB Liability Change: $425,849,859
- Funded Ratio Change: 7.64%
- Covered Payroll Change: $91,915,467
- Total Participants Change: 19,743

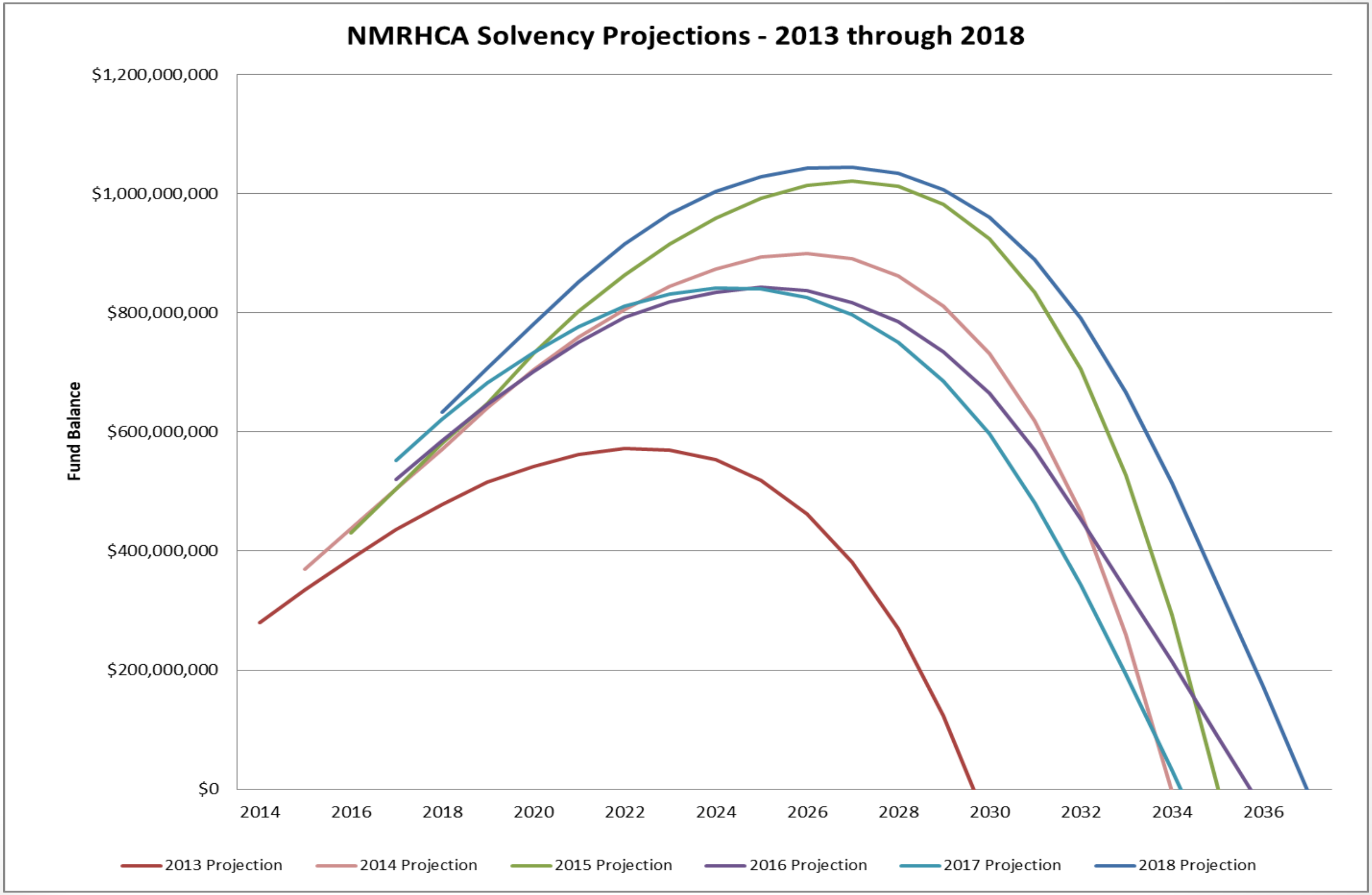
Solvency Analysis

- Solvency Study Performed Annually
  - Analysis of future cash inflows and outflows
  - Used for strategic planning purposes
    - Plan design i.e., copays, deductibles, coinsurance
    - Subsidy levels
    - Network/medical and prescription drug access
- 2018 Projected Year of Deficit Spending - 2022
  - Expenditures exceed revenues - $15.3 million
- 2018 Projected Year of Insolvency: FYE 2037 (18 years)
  - FY37 Projected Expenditures - $1.3 billion
  - FY37 Projected Revenues - $1.2 billion

2018 Solvency Analysis



Solvency Results (2013 -2018)



Legislation

NMRHCA Sponsored

- 2013 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers, but received no floor votes
- 2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2015 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote

Enacted Legislation

- 2016 Special Session – SB7 Public Fund Distribution Changes
- Permanent removal of $3 million annual special distribution from taxation and revenue suspense fund
- Removal of annual 12 percent increase in transfers received from taxation and revenue suspense fund regular distribution

Resulting Impact

- Solvency period reduced to 2030 (post SB7 implementation)
- Projected deficit spending 2020
- Reduction of $350 million revenues over life of Trust Fund
- Need for increase in employee & employer contributions

Sustainability

Benefits

- Reduce Pre-Medicare retiree subsidies -- Currently 64 percent
- Reduce Pre-Medicare spousal/DP subsidies -- Currently 36 percent

Revenues

- Retiree Premiums
  - Projected to grow in accordance with medical/prescription trend
- Employee/Employer Contributions
  - Employee 1% / 1.25% (enhanced)
  - Employer 2%/ 2.5% (enhanced)
- Tax Suspense Fund Revenue
  - Growth prescribed by statute
- Medicare Subsidies and Prescription Drug Rebates
  - Moderate/minimal growth projected

Legislative Proposal

- Increase employee/employer contributions from 3 percent to 4.5 percent incrementally from FY20 – FY23

Legislative Proposal

Legislative Proposal

- Increase employee/employer contributions from 3 percent to 4.5 percent incrementally from FY20 – FY23

Legislative Proposal							Additional	Est.
	Employee	Employer	Total	Employee	Employer	Total	Revenue	GF Impact
FY20	1.000%	2.500%	3.500%	$ 43,549,337.00	$ 110,280,010.00	$153,829,347.00	$23,181,336.00	$ 11,590,668.00
FY21	1.000%	3.000%	4.000%	$ 43,549,337.00	$ 134,509,088.00	$178,058,425.00	$47,410,414.00	$ 22,657,464.50
FY22	1.250%	3.000%	4.250%	$ 52,983,880.00	$ 134,509,088.00	$187,492,968.00	$56,844,957.00	$ 22,657,464.00
FY23	1.500%	3.000%	4.500%	$ 63,527,672.00	$ 134,509,088.00	$198,036,760.00	$67,388,749.00	$ 22,657,464.00

Results

- Solvency period extends beyond 30 years
- 2049 (30 years) projected trust fund balance exceeds $5 billion

Employee Impact --- $40,000 annual salary

- FY19-FY21 - $400 per year / $15.38 per pay period
- FY22 - $500 per year / $19.23 per pay period ($3.85 per pay period increase)
- FY23 - $600 per year / $23.08 per pay period ($7.70 per pay period increase)

Alternatives

- Convert to a defined contribution program
  - Flat monthly contribution toward purchase of coverage regardless of overall cost
- Eliminate subsidies for spouses and domestic partners (Pre-Medicare/Medicare)
- Eliminate subsidies for all Pre-Medicare coverage
  - Medicare Only Plan
- Eliminate Medicare Supplement Plan
- Limit access to care i.e., narrow/limited network for doctors, facilities and hospitals
- Implement mandatory mail order for all maintenance medications (Pre-Medicare Plans)

New Mexico Retiree Health Care Authority

David Archuleta

Executive Director

505-222-6416

david.archuleta@state.nm.us

Please call 800-233-2576 / 505-222-6400

Or visit us at: www.nmrhca.org or www.facebook/nmrhca

Office Hours: 8:00AM – 5:00PM (Monday through Friday)

_____ BILL

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO RETIREE HEALTH CARE; INCREMENTALLY INCREASING RATES OF EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO THE RETIREE HEALTH CARE FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 10-7C-15 NMSA 1978 (being Laws 1990, Chapter 6, Section 15, as amended by Laws 2009, Chapter 287, Section 2 and by Laws 2009, Chapter 288, Section 3) is amended to read:

"10-7C-15. RETIREE HEALTH CARE FUND CONTRIBUTIONS.--

A. Following completion of the preliminary contribution period, each participating employer shall make contributions to the fund pursuant to the following provisions:

(1) for participating employees who are not members of an enhanced retirement plan, the employer's

underscored material = new
[~~bracketed material~~] = delete

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contribution shall equal, for fiscal year:

[~~(a) one and three-tenths percent of each participating employee's salary for the period from July 1, 2002 through June 30, 2010;~~

~~(b) one and six hundred sixty-six thousandths percent of each participating employee's salary for the period from July 1, 2010 through June 30, 2011;~~

~~(c) one and eight hundred thirty-four thousandths percent of each participating employee's salary for the period from July 1, 2011 through June 30, 2012; and~~

~~(d)~~] (a) 2019, two percent of each participating employee's salary [~~beginning July 1, 2012~~];

(b) 2020, two and one-half percent of each participating employee's salary; and

(c) 2021 and subsequent fiscal years, three percent of each participating employee's salary;

(2) for participating employees who are members of an enhanced retirement plan, the employer's contribution shall equal, for fiscal year:

[~~(a) one and three-tenths percent of each participating employee's salary for the period from July 1, 2002 through June 30, 2010;~~

~~(b) two and eighty-four thousandths percent of each participating employee's salary for the period from July 1, 2010 through June 30, 2011;~~

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~~(c) two and two hundred ninety-two thousandths percent of each participating employee's salary for the period from July 1, 2011 through June 30, 2012; and~~

~~(d)~~] (a) 2019, two and one-half percent of each participating employee's salary [~~beginning July 1, 2012~~];

(b) 2020, three percent of each participating employee's salary; and

(c) 2021 and subsequent fiscal years, three and one-half percent of each participating employee's salary; and

(3) each employer that chooses to become a participating employer after January 1, 1998 shall make contributions to the fund in the amount determined to be appropriate by the board.

B. Following completion of the preliminary contribution period, each participating employee, as a condition of employment, shall contribute to the fund pursuant to the following provisions:

(1) for a participating employee who is not a member of an enhanced retirement plan, the employee's contribution shall equal, for fiscal year:

[~~(a) sixty-five hundredths of one percent of the employee's salary for the period from July 1, 2002 through June 30, 2010;~~

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~~(b) eight hundred thirty-three thousandths of one percent of the employee's salary for the period from July 1, 2010 through June 30, 2011;~~

~~(c) nine hundred seventeen thousandths of one percent of the employee's salary for the period from July 1, 2011 through June 30, 2012; and~~

~~(d)~~] (a) 2019 through fiscal year 2021, one percent of the employee's salary [~~beginning July 1, 2012~~];

(b) 2022, one and one-fourth percent of the employee's salary; and

(c) 2023 and subsequent fiscal years, one and one-half percent of the employee's salary;

(2) for a participating employee who is a member of an enhanced retirement plan, the employee's contribution shall equal, for fiscal year:

[~~(a) sixty-five hundredths of one percent of the employee's salary for the period from July 1, 2002 through June 30, 2010;~~

~~(b) one and forty-two thousandths percent of the employee's salary for the period from July 1, 2010 through June 30, 2011;~~

~~(c) one and one hundred forty-six thousandths percent of the employee's salary for the period from July 1, 2011 through June 30, 2012; and~~

~~(d)~~] (a) 2019 through fiscal year 2021,

underscored material = new
[~~bracketed material~~] = delete

one and one-fourth percent of the employee's salary [~~beginning July 1, 2012~~];

(b) 2022, one and one-half percent of the employee's salary; and

(c) 2023 and subsequent fiscal years, one and three-fourths percent of the employee's salary; and

(3) as a condition of employment, each participating employee of an employer that chooses to become a participating employer after January 1, 1998 shall contribute to the fund an amount that is determined to be appropriate by the board. Each month, participating employers shall deduct the contribution from the participating employee's salary and shall remit it to the board as provided by any procedures that the board may require.

C. [~~On or after July 1, 2009~~] No person who has obtained service credit pursuant to Subsection B of Section 10-11-6 NMSA 1978, Section 10-11-7 NMSA 1978 or Paragraph (3) or (4) of Subsection A of Section 22-11-34 NMSA 1978 may enroll with the authority unless the person makes a contribution to the fund equal to the full actuarial present value of the amount of the increase in the person's health care benefit, as determined by the authority.

D. Except for contributions made pursuant to Subsection C of this section, a participating employer that fails to remit before the tenth day after the last day of the month all employer and employee deposits required by the Retiree Health Care Act to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year compounded monthly.

E. Except for contributions made pursuant to Subsection C of this section, the employer and employee contributions shall be paid in monthly installments based on the percent of payroll certified by the employer.

F. Except in the case of erroneously made contributions or as may be otherwise provided in Subsection D of Section 10-7C-9 NMSA 1978, contributions from participating employers and participating employees shall become the property of the fund on receipt by the board and shall not be refunded under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act.

G. Notwithstanding any other provision in the Retiree Health Care Act and at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

H. As used in this section, "member of an enhanced retirement plan" means:

(1) a member of the public employees retirement association who, pursuant to the Public Employees Retirement Act, is included in:

(a) state police member and adult correctional officer member coverage plan 1;

(b) municipal police member coverage plan 3, 4 or 5;

(c) municipal fire member coverage plan 3, 4 or 5; or

(d) municipal detention officer member coverage plan 1; or

(2) a member pursuant to the provisions of the Judicial Retirement Act."

NEW MEXICO RETIREE HEALTH CARE AUTHORITY
CHANGE IN NET ASSET VALUE
FOR THE MONTH ENDED
October 31, 2018

	Core Plus Bonds	Large Cap Index	Non US Dev Index	Non US Emg Index	Small Mid Cap	Credit and Structure	Core Bond	Private Equity	Real Estate	Real Asset	Total
Market Value 9/30/2018	$159,835,017.13	$137,677,187.98	$75,321,900.57	$84,263,237.76	$20,362,081.73	$65,337,604.41	$0.00	$70,283,296.87	$34,435,301.01	$0.00	$647,515,627.46
CONTRIBUTIONS	0.00	1,400,000.00	16,400,000.00	1,000,000.00	200,000.00	33,000,000.00	131,000,000.00	1,000,000.00	31,335,017.13	32,500,000.00	247,835,017.13
WITHDRAWALS	(159,835,017.13)	(47,000,000.00)	0.00	(21,000,000.00)	(8,000,000.00)	0.00	0.00	(2,000,000.00)	0.00	0.00	(237,835,017.13)
FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME EARNED	0.00	99,088.39	73,928.13	36,437.69	3,540.04	89,171.73	306,114.53	26,732.82	877,168.96	69,406.64	1,581,588.93
CAPITAL APPR/DEPR	0.11	(6,613,789.11)	(7,561,110.77)	(5,562,464.83)	(997,121.96)	342,489.34	(1,157,241.11)	(212,719.02)	(944,129.40)	(694,363.92)	(23,400,450.67)
Market Value 10/31/2018	$0.11	$85,562,487.26	$84,234,717.93	$58,737,210.62	$11,568,499.81	$98,769,265.48	$130,148,873.42	$69,097,310.67	$65,703,357.70	$31,875,042.72	$635,696,765.72

Segal Consulting

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, 2018**

Segal Consulting
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

November 14, 2018

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, 2018. 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 Gary Petersen, FCA, ASA, MAAA, and Mary Kirby, FCA, FSA, MAAA. 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

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

Mary Kirby

Mary Kirby, FCA, FSA, MAAA
Senior Vice President & Consulting Actuary

cc: *David Archuleta, Executive Director*

SECTION 1

VALUATION SUMMARY

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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, 2018. 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 (updated based upon audit), provided by NMRHCA;
- The assets of the Plan as of June 30, 2018, provided by the plan auditor, Moss Adams on behalf of 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, 2018 and 2017 were 4.08% and 3.81%. The detailed calculations used in the derivation of the "cross-over date" used in determining the discount rate of 4.08 % used in the calculation of the TOL and NOL as of June 30, 2018 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, 2018 is a blend of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2018 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.87 % as of June 30, 2018). 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 3.87 %. The 4.08 % is the blended discount rate reflecting benefits discounted by the Plan investment return assumption rate and the bond rate.
- The NOL has decreased from $4.532 billion as of June 30, 2017 to $ 4.348 billion as of June 30, 2018. The decrease was primarily due to:
  - June 30, 2017 audit results: Moss Adams (on behalf of NMRHCA) advised Segal that certain PERA members included were employed with non-participating employers and requested that these members be excluded from the valuation. The removal of these members is reflected in the June 30, 2018 disclosure.
  - The increase in discount rate from June 30, 2017 to June 30, 2018.

Summary of Key Valuation Results

	2018	2017
Disclosure elements for fiscal year ending June 30:		
1. Service cost[1]	$ 188,372,284	$265,229,268
2. Total OPEB Liability	5,006,011,109	5,111,141,659
3. Plan Fiduciary Net Position	657,656,294	579,468,641
4. Net OPEB Liability	$4,348,354,815	$4,531,673,018
Schedule of contributions for fiscal year ending June 30:		
5. Actuarially determined contributions	$156,266,741	$317,546,941
6. Actual contributions	$154,358,714	$159,379,195
7. Contribution deficiency (excess)	$1,908,714	$158,167,746
Demographic data for plan year ending June 30:		
8. Number of retired members, beneficiaries, and married dependents	51,205	51,208
9. Number of vested terminated members	11,471	11,478
10. Number of active members	93,349	97,349
Key assumptions as of June 30:		
11. Discount rate	4.08%	3.81%
12. Medical cost trend rates		
Non-Medicare medical plan	Graded from 8.00% starting in fiscal year ending 2018 to ultimate 4.50% over 14 years	
Medicare medical plans	Graded from 7.50% starting in fiscal year ending 2018 to ultimate 4.50% over 12 years	

[1] *The service cost is based on the previous year's valuation, meaning the 2018 value is based on the valuation as of June 30, 2017.*

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 Moss Adams on behalf of NMRHCA.
- **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 other than those required by GASB74. 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. At the July 11, 2014 meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that 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. Segal removed 4,010 members that were deemed participants of non-participating employers. As part of the June 30, 2017 GASB74/75 audit, Moss Adams advised Segal that certain members that were included were employed with non-participating employers. Segal worked with Moss Adams and NMRHCA staff to confirm and we excluded them from the valuation. At June 30, 2018, OPEB Plan membership consisted of the following:

Retired members, beneficiaries and married dependents	51,205
Vested terminated members entitled to, but not yet receiving benefits	11,471
Active members	93,349
Total	156,025

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%

At the July 11, 2014 meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements as follows:

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, 2018	June 30, 2017
Total OPEB Liability	$5,006,011,109	$5,111,141,659
Plan Fiduciary Net Position	657,656,294	579,468,641
System's Net OPEB Liability	$4,348,354,815	$4,531,673,018
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.14%	11.34%

The Net OPEB Liability was measured as of June 30, 2018 and 2017. 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, 2018 are outlined in Exhibit II of Section 3.

Actuarial assumptions. The Total OPEB Liability was measured as of June 30, 2018 and is based upon the GASB74 valuation as of June 30, 2017 with one exception. Segal removed 4,010 members that were deemed participants of non-participating employers. As part of the June 30, 2017 GASB74/75 audit, Moss Adams advised Segal that certain members that were included in the valuation were employed with non-participating employers. Segal worked with Moss Adams and NMRHCA staff to confirm and they excluded from this valuation. 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 and June 30, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	20%	7.1%
Mid/Small Cap U.S. Equity	3	7.1
Developed Non-US Equity	12	7.8
Emerging Markets Equity	15	10.2
U.S. Core Fixed Income	20	2.1
Private Equity	10	11.8
Credit & Structured Finance	10	5.3
Absolute Return	5	4.1
Real Estate	5	4.9
Total	100%	

Rate of return. For the year ended June 30, 2018, 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: 3.87% and 3.58% based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2018 and June 30, 2017 respectively.

Discount rate: The discount rate used to measure the Total OPEB Liability was 4.08% as of June 30, 2018 and 3.81% as of June 30, 2017. 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 (3.87 %) 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, 2018, calculated using the discount rate of 4.08%, 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 (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

	1% Decrease (3.08 %)	Current Discount (4.08 %)	1% Increase (5.08 %)
Net OPEB Liability as of June 30, 2018	$5,262,533,266	$4,348,354,815	$3,627,778,443

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, 2018, 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, 2018	$3,675,884,346	$4,348,354,815	$4,875,586,778

* Current (applied as of June 30, 2018) trend rates: 7.75% graded down to 4.5% over 13 years for Non-Medicare medical plan costs and 7.25% graded down to 4.5% over 11 years for Medicare medical plan costs.

EXHIBIT 3

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

	2018	2017
Total OPEB Liability		
Service cost	$188,372,284	$265,229,268
Interest	199,583,585	187,563,383
Change of benefit terms	0	0
Differences between expected and actual experience	(145,524,098)	(210,435,519)
Changes due to experience gain and assumption changes, not including change in discount rate	0	(247,663,590)
Change of discount rate assumption	(225,363,066)	(711,092,411)
Total claims and premiums	(320,403,577)	(294,107,402)
Retirees' contributions offset to claims and premiums	167,949,226	153,464,136
Medicare Part D and rebates offset to claims and premiums	30,255,096	26,944,632
Net change in Total OPEB Liability	($105,130,550)	($830,097,503)
Total OPEB Liability – beginning	$5,111,141,659	$5,941,239,162
Total OPEB Liability – ending (a)	$5,006,011,109	$5,111,141,659
Plan Fiduciary Net Position[(2)]		
Contributions – total employer	85,401,662	85,877,446
Contributions – total employee	210,650,057	196,393,352
Net investment income	49,757,591	96,066,163
Benefit payments	(320,403,577)	(294,393,452)
Medicare Part D and rebates offset to benefit payments	30,255,096	26,944,632
Administrative expense	(2,821,224)	(2,936,860)
Other	25,348,048	(956,991)
Net change in Plan Fiduciary Net Position	$78,187,653	$106,994,290
Plan Fiduciary Net Position – beginning[(1)]	$579,468,641	$472,474,351
Plan Fiduciary Net Position – ending (b)	$657,656,294	$579,468,641
Plan's Net OPEB Liability – ending (a) – (b)	$4,348,354,815	$4,531,673,018
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.14%	11.34%
Covered payroll	$4,290,616,760	$4,165,647,340
Plan Net OPEB Liability as percentage of covered payroll	101.35%	108.79%

[(1)] *Net position restricted for postemployment benefits other than pensions reported in NMRHCA 2018 financial statements.*

[(2)]*Employee contributions includes retiree contributions and tax administration and suspense fund revenue is in Other for 2018.*

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%
2018[3]	156,266,741	154,358,714	1,908,027	$4,290,616,760	3.60%

See accompanying notes to this exhibit on next page.

[1] *Includes an interest adjustment to the end of the year through fiscal year-end June 30, 2017.*

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

[3] *All "Actuarially Determined Contributions" for June 30, 2018 were determined based upon the funding policy and projected contributions from the crossover test used in the June 30, 2017 valuation. Covered payroll was rolled forward from the June 30, 2017 at 3.00% assumed payroll increases using a member-weighted average by PERA and ERB payroll growth rates rounded to the nearest 0.25% (pg.11).*

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.

2016 valuation for fiscal year 2017 Annual Required Contribution (ARC):

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%
Payroll Growth Rate	3.50%	3.50%

2017 valuation for fiscal year 2018 Actuarially Determined Contribution (ADC):

Actuarial assumptions	PERA	ERB
Investment rate of return	7.25%	7.25%
Inflation rate	2.25%	2.50%
Real across-the-board salary increase	0.50%	0.75%
Payroll Growth Rate	2.75%	3.00%

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2018

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)
2018	$657,656,294	$147,559,756	$146,607,034	$0	$47,714,618	$706,323,634
2019	706,323,634	140,406,562	$157,726,317	0	50,580,622	739,584,502
2020	739,584,502	133,848,772	$167,283,668	0	52,407,861	758,557,466
2021	758,557,466	127,676,744	$177,485,933	0	53,189,833	761,938,110
2022	761,938,110	121,951,849	$187,389,225	0	52,868,408	749,369,142
2023	749,369,142	116,512,759	$197,995,661	0	51,375,508	719,261,748
2024	719,261,748	111,187,623	$208,362,077	0	48,623,903	670,711,197
2025	670,711,197	105,947,622	$219,244,064	0	44,519,566	601,934,320
2026	601,934,320	100,853,872	$230,382,986	0	38,944,808	511,350,014
2027	511,350,014	95,859,160	$242,467,218	0	31,758,334	396,500,290
2028	396,500,290	90,965,295	$255,124,609	0	22,795,496	255,136,472
2029	255,136,472	86,209,312	$267,767,500	0	11,915,910	85,494,194
2030	85,494,194	81,542,836	$280,209,752	0	(1,003,347)	(114,176,070)

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 (3.87%).

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2018

($ in thousands) - continued

Notes:

(1) Amounts may not total exactly due to rounding

(2) Years beyond 2030 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, 2018.

(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, 2030.

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, 2018
Census Date:	January 1, 2017, updated to remove non-participating employers
Discount Rate:	4.08%

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 Ages	Sample Service (Yr.): 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

Sample Ages	State General Females Rates of Active Members Terminating During Year Sample Service (Yr.): 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

Sample Ages	Municipal General Males Rates of Active Members Terminating During Year Sample Service (Yr.): 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

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.*

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

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

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

Assumptions used for ERB members

ERB Retirement Rates:

Members Hired on or after July 1, 2010

Retirement – Rates(%)

Males

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

Females

Age	Years of Service 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

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. The 2018/2019 administrative expenses were updated to reflect these increase assumptions.

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. The 2018/2019 claims costs reflect these rates increased for assumed healthcare cost trend.

	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. The 2018/2019 Medicare Drug subsidies reflect this increase assumption.

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.

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, 2017and June 30, 2018 were drafts provided by the auditor.*

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:	No assumption changes since the June 30, 2017 GASB74 valuation.

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. At the July 11, 2014 meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that 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)

At the July 11, 2014 meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements as follows:

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%		

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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Benefits Consulting and Actuarial Services RFP/New Contract – Action Item

Background: Consistent with the requirements contained in the Health Care Purchasing Act, the New Mexico Retiree Health Care Authority (NMRHCA) in cooperation with the other members of the interagency benefits advisory committee (IBAC) including: Albuquerque Public Schools (APS), New Mexico Public School Insurance Authority (NMPSIA) and the State of New Mexico (SONM) released a request for quotation (RFQ) for professional services related to the consulting functions associated with the ongoing operational needs of each agency including solvency projections, contract review, GASB valuations, and other services as requested by each entity. NMPSIA served as the lead on this procurement and assigned Ms. Pamela Vigil, to serve as procurement manager.

Process: In accordance with the Health Care Purchasing Act, a Request for Proposal was issued on September 12, 2018 and amended on October 12, 2018. The notice was advertised on www.nmpsia.com/Proposals.html and sent out to the following firms: Arthur J. Gallagher, Segal Consulting, Aon Risk Solutions, McGriff, Seibels & Williams, Deloitte Consulting, Navigant Health, Reden-Anders and Buck Consultants. Reponses were due October 12, 2018.

Evaluation Team: Ernestine Chavez, Executive Director, NMPSIA, Richard Valerio, Deputy Director, NMPSIA, David Archuleta, NMRHCA, Neil Kueffer, NMRHCA, Mark Tyndall, APS, Ann Johnson, APS, Cynthia Maestas, RMD and Lara White-Davis, RMD.

Evaluation: The IBAC received three competitive proposals from Arthur J. Gallagher, Segal Consulting, and Aon Risk Solutions. The evaluation factors were as follows: Organizational Experience, Organizational References, Oral Presentation, Financial Stability, Letter of Transmittal, Campaign Contribution Disclosure Form, Cost, NM Preferences, Veterans Business Preference, and certain mandatory specifications with regard to contract language included in the indemnification section of the contract template.

During the RFP process it was determined that Arthur J. Gallagher and Aon Risk Solutions failed to meet the mandatory requirements contained in the RFP. On November 14, the IBAC met to discuss each groups review of the quotes received and recommended actions for the selection of a vendor. Based on this discussion and subsequent contract negotiations, it was determined that Segal would be recommended to each of the IBAC governing authorities.

Specific to the New Mexico Retiree Health Care Authority, the proposal received from Segal Consulting maintains a 4-year hourly rate guarantee (same dollar amounts as current agreement) for the period beginning July 1, 2019 – June 30, 2023.

Action Item: NMRHCA staff respectfully requests approval to enter into contract negotiations with Segal Consulting for an effective contract date of July 1, 2019.