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REGULAR MEETING OF THE BOARD OF DIRECTORS



August 28, 2018

9:30 AM

Alfredo R. Santistevan Board Room

Suite 207

4308 Carlisle Blvd. NE

Albuquerque, NM 87107

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

August 28, 2018

	Member in Attendance		
Mr. Sullivan, President			
Mr. Montañó, 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

August 2018

Mr. Wayne Propst
Executive Director
Public Employees Retirement Association
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Mr. Terry Linton
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505-247-1530

Mr. Joe Montaña, Vice President
NM Assoc. of Educational Retirees
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Jmountainman1939@msn.com
505- 897-9518

Mr. Doug Crandall
Retired Public Employees of New Mexico
14492 E. Sweetwater Ave
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dougcinaz@gmail.com

The Honorable Mr. Tim Eichenberg
NM State Treasurer
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Ms. Therese Saunders
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Mr. Tom Sullivan, President
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Ms. Leanne Larranaga-Ruffy
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Mr. Lawrence Rael
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

August 28, 2018

9:30 AM

Alfredo R. Santistevan Board Room

2nd Floor, Suite 207

4308 Carlisle Blvd. NE

Albuquerque, NM 87107

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16. Executive Session Pursuant to NMSA 1978, Section 10-15-1(H)(6) To Discuss Limited Personnel Matters	Mr. Sullivan, President	
17. Date & Location of Next Board Meeting	Mr. Sullivan, President	

October 2, 9:30AM

Alfredo Santistevan Board Rm., Suite 207

4308 Carlisle Blvd. NE

Albuquerque, NM 87107

18. Adjourn

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/ANNUAL BOARD MEETING/DAY 1

July 11, 2018

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MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS
ANNUAL MEETING/DAY 1

July 11, 2018

1. CALL TO ORDER

Day 1 of the Annual 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. at the Sagebrush Inn & Suites, 1508 Paseo Del Pueblo Sur, Taos, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Tom Sullivan, President
Mr. Joe Montaña, Vice President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Ms. Jan Goodwin
Mr. Terry Linton
Ms. LeAnne Larrañaga-Ruffy
Ms. Therese Saunders
Mr. James E. Smith
Mr. Lawrence Rael [arriving 3:55 p.m.]

Members Excused:

None.

Staff Present:

Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Mr. Greg Archuleta, Director of Communication & Member Engagement
Ms. Judith Beatty, Board Recorder

Others Present:

Mr. Connor Jorgensen, LFC Analyst
[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

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

5. APPROVAL OF REGULAR MEETING MINUTES: June 12, 2018

Mr. Montaña moved approval of the June 12 meeting minutes, as submitted. Ms. Saunders seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Guests introduced themselves.

7. ELECTION OF BOARD OFFICERS

Ms. Larrañaga-Ruffy moved to retain the current slate of officers. Mr. Eichenberg seconded the motion, which passed unanimously.

a. Board Policies and Procedures

Mr. Archuleta said the Board Policies and Procedures have been updated to reflect the current board membership and duties of the board, which has 11 seats. One vacancy remains, which is the classified position, and State Personnel Office Director Justin Najaka has indicated that appointing someone to this board is not a priority of the current Administration.

b. Committee Assignments

Chairman Sullivan said current committee assignments are as follows:

- Executive: Mr. Sullivan, Chair; Mr. Montaña; Mr. Crandall.
- Finance & Investment: Mr. Crandall, Chair; Mr. Sullivan; Ms. Goodwin; Mr. Montaña.
- Legislative: Mr. Montaña, Chair; Mr. Linton; Ms. Saunders; Ms. Goodwin.
- Audit: Ms. Goodwin, Chair; Mr. Sullivan; Mr. Montaña; Mr. Linton.
- Wellness: Ms. Goodwin, Chair; Mr. Montaña; Ms. Saunders; Mr. Linton

Chairman Sullivan asked board members interested in making any changes to contact him or staff between now and the next meeting.

c. Code of Ethics

Board members were asked to sign and turn in the Code of Ethics form before the conclusion of today's meeting.

d. Open Meetings Act Resolution

There were no changes to the resolution from the previous year.

Mr. Crandall moved for approval. Ms. Larrañaga-Ruffly seconded the motion, which passed unanimously.

8. COMMITTEE REPORTS

Wellness Committee: Ms. Goodwin reported that she met Dr. Karen Armitage, who is with the UNM College of Public Health, and who is very interested in having some graduate students work with NMRHCA on designing some interesting programs.

Finance & Investment: Mr. Montaña said the committee met yesterday, when Wilshire went over the presentation that it will make today, including possible options for consideration by the board.

Legislative: Mr. Montaña reported that the committee met a few weeks ago, when it identified the stakeholders. The lobbyists for NMAER and RPNM offered advice on the upcoming legislative session. The committee decided that a request for employer/employee contributions would be made, although the amount has not been discussed at this point. The committee will meet soon to take action on what direction it wants to take.

On that note, Chairman Sullivan said Mr. Archuleta made a presentation yesterday to the Investments & Pensions Oversight Committee. He said he was there with Mr. Montaña, Ms. Goodwin and Ms. Larrañaga-Ruffly. Several legislators are interested in the NMRHCA's plans moving forward in terms of requesting legislation that would change the contribution schedule for active employees and employers.

Mr. Archuleta reported that he had a productive conversation yesterday with IPOC members. One question raised was what would happen if the NMRHCA were to be eliminated, with members weaned from the program and reimbursed for contributions they have made. He said the agency could work with Segal to develop a model for that, although it would be very difficult because NMRHCA doesn't account for contributions from individual employees, but only has total amounts from groups. He added that there may not be the appetite for eliminating NMRHCA; nonetheless, that is part of the discussion among some legislators, and NMRHCA will be prepared to respond to inquiries that may come as a result.

9. ASSET ALLOCATION REVIEW: TOM TOTH, DIRECTOR, WILSHIRE

Mr. Toth discussed an overview of the current portfolio.

Mr. Toth noted that the current portfolio allocation relative to its targets is relatively tight with very little drift, which Wilshire thinks is a very good thing. The portfolio has performed fairly well over the last one, three and five years. The last year has been quite strong, up 12.2 percent, outperforming the policy index by 35 basis points. At the end of March, the value of the portfolio was just under \$633 million.

Mr. Toth presented target portfolio options that would offer some opportunities for improvement.

In reviewing target portfolio options, Mr. Toth recommended the Intermediate Policy, as it is a balance between slightly less risk with an increase in expected return. While the expected return is not enormous – only 23 basis points of expected improvement – it would have a marginally positive impact on the solvency date:

- Reduce Total Equity from 50% to 40%
- Increase Real Estate from 5% to 10%
- Reduce Core Bonds from 25% to 20% [total fixed income]
- Increase Credit & Structured Finance from 10% to 15%
- Increase Real Return from 0% to 5%

Mr. Toth explained that Real Return, not currently in the asset allocation, should provide more of a hedge against inflation relative to the other parts of the portfolio as well as some diversification benefits to help manage some of the portfolio risk.

Mr. Crandall said the Finance & Investments Committee would review the proposed asset allocation and bring it to the full board for approval at the August 28 meeting.

10. PROVIDER PRESENTATIONS

a. Presbyterian Health Plan: Keith Witt

Mr. Witt presented. He said 750,000 New Mexican utilize Presbyterian in some shape or form. The plan has 100 clinics, and later this year will have nine hospitals in the state, including a new one in Santa Fe on October 1. It will have 30 private in-patient beds, a shell third floor for later expansion, a wellness park with various specialties and avenues of care that are consistent with Northern New Mexico lifestyles. Physical therapy, for instance, will be moved to outdoor settings where possible.

Mr. Witt stated that there is a standalone emergency room that is coming into New Mexico from outside the state that has a predatory billing practice. The facility typically charges 5-10 percent higher than a normal ER does and does not contract with any of the insurance carriers. Presbyterian plans to counteract that by building four freestanding 24-hour urgent care and emergency room clinics. Patients will be triaged; if it is an urgent care visit, patients will be charged accordingly, and if it is an ER visit, they will be charged the lower ER rates. He said about 16 percent of people who visit emergency rooms should be in a different, lower cost setting. For the NMRHCA, in 2017 there were 1,000 ER visits for the population, for which the NMRHCA paid about \$770 per visit. Based on the 16 percent average, that represents \$120,000.

b. Blue Cross Blue Shield of New Mexico: Lori Bell and Lisa Hentz

Ms. Bell and Ms. Hentz made this presentation.

Ms. Bell discussed the Blue Preferred Plus (Point-of-Service) three-tiered plan. She said NMRHCA would be added to Tier 1 (Blue Preferred Network), and the structure of the plan would drive people to Tier 1, providing a lower out-of-pocket cost to members. The recommended plan design deductible amounts would be \$500 for Tier 1 (Blue Preferred Network – NM providers only), \$800 for Tier 2 (all other PPO providers), and \$1,500 for Tier 3 (out-of-network providers). This design will drive members to Tier 1, for an estimated savings of \$1 million.

Mr. Linton said he thought this was a great product, but expressed concern about the copay amounts on urgent care (\$35) and emergency room (\$125) services. He commented that he would personally like to see those increased.

Ms. Bell discussed the Naturally Slim program, which BCBS will make available to all pre-Medicare and Medicare supplemental plan members.

Mr. Archuleta said the recommendation would be to add this program to NMRHCA members who participate in Presbyterian's pre-Medicare plans.

[Lunch break 12:30-1:30 p.m.]

c. Express Scripts: Amy Daily and Harris Zeyae

Ms. Daily and Mr. Zeyae made this presentation.

-- There was a small decrease in NMRHCA members, but a significant decrease in members in the pre-Medicare plan – 4.8 percent, down to 16,321. This will drive some of the cost decreases in that plan. Some of the members were specialty drug users, which impacted the numbers significantly.

-- There was a slight uptick in the EGWP plan. There was a large migration to Medicare Advantage, so these people no longer needed Express Scripts.

-- Overall trend was 5.7 percent, for a per-member-per-month cost of \$236.97 for the entire plan.

-- The commercial membership had a 2 percent trend increase, which included a negative specialty trend of 3.2 percent, which is highly unusual. For instance, there were reductions in claims for Hepatitis-C patients. Once cured, they would fall off the utilization. Also, there was a significant drop in cancer patients and a significant change in cost in multiple sclerosis with the introduction of generics.

-- There was a 6.3 percent trend for non-specialty drugs. The drivers were diabetes (number one driver) and asthma.

-- For the Medicare (EGWP) plan, there was a 6.3 percent trend, which included a 4.5 percent trend for non-specialty and an 8.7 percent trend for specialty.

-- NMRHCA has not adjusted its prescription copays since 2013. Changes for 2019 are being recommended. Prescription copays should be adjusted annually to keep up with the trend.

11. ACTUARIAL PRESENTATIONS: Gary Petersen, Nura Patani, Mike Madalena

Following Mr. Madalena's presentation on claims data for 2017, Ms. Patani reviewed long-term solvency projection assumptions, with the following notable changes:

-- Used 5/31/18 fund balance of \$633 million as estimate for 7/1/18 fund balance.

-- In looking at annual payroll growth, FY 2018 payroll estimated to be \$4.1 million, increasing 2 percent in FY 2019, 0.0% in 2020, and 3.5% thereafter.

-- Pension Tax Revenue of \$26 million for FY 2018, frozen through FY 2019, increasing 12 percent thereafter.

-- Rx rebates of \$32 million estimated for FY 2019 through FY 2020 based on contract terms with new PBM agreement.

-- For contribution rates (medical rates), assumption is that the Premier and Value plan would both increase at 8 percent in 2019-2023 and 4 percent thereafter (based on Cadillac tax, which goes into effect in 2022 for high-cost plans). Assumption is plan design changes will be made as necessary to bring cost low enough to avoid any excise tax. Other assumption is 6 percent Medicare Supplement rate increase in 2019-2034 and 3 percent thereafter.

Plan Design Changes

-- Medicare annual plan changes in CY2034 and beyond such that projected claims and expenses remain below Cadillac Tax threshold.

-- Non-Medicare: discontinue NM Health Connections Value plan effective 6/30/18 with members assumed to migrate to BCBS Value Plan. Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network; annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Cadillac Tax threshold.

Rx

-- Medicare: Beginning CY 2019, increase brand copays; annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Cadillac Tax threshold.

-- Non-Medicare: Beginning CY2019, add SaveonSP Copay Assistance Program and increase brand copays.

In discussion on the Cadillac Tax, board members expressed concern that an 80 percent reduction in benefits to avoid the tax would render the plan untenable.

Ms. Goodwin stated that, in light of the recent downgrade of the state's credit rating, she was very concerned about what would happen after the GASB 75 liability hits the state's bottom line. She said she thought NMRHCA needed to set a goal of 100 percent funding in 30 years. She said legislators will be asking questions, and the agency should be prepared to respond.

Mr. Archuleta said that, with respect to recommendations to the legislation for 2019, he has asked Segal to model out what a 1 percent and 1.5 percent increase would look like when combined with a reduction in the pre-Medicare subsidies. This would be a 1 percent scenario phased in over a 4-year period, with the first year deferred, and bringing the subsidies down from 64 to 60 percent over a 4 year period, and 36 percent to 30 percent over a 6 year period on spouses and domestic partners. This scenario would have a projected balance in 2049 of between \$3 billion and \$6 billion. He said he felt the agency could take steps now to avoid a more drastic scenario down the road. He stated that the board would be discussing this at tomorrow's meeting and then in depth at the August meeting.

Responding to Mr. Crandall, Mr. Petersen said that, of those entities that offer retiree benefits, he wasn't aware of any that have tried to figure out the cost of full funding. He commented that, if it does become a problem with rating agencies, some entities will decide they don't want to offer health plans anymore. He said there would be litigation, and there will be numerous court decisions based on what retirees in individual plans were promised.

Ms. Patani reviewed scenarios with different assumptions that would change the solvency window.

12. REVIEW OF CALENDAR YEAR 2019 PLAN CHANGES

Mr. Archuleta summarized the plan recommendations for 2019.

- Increase monthly plan rates for Pre-Medicare 8%/Medicare Supplement 6%.
- Plan design changes for BCBS Premier.
- Plan design changes for Presbyterian plan.
- Prescription drug copays, which will affect about half of the membership.
- Addition of SaveOn Program.
- Addition of Naturally Slim program to Wellness Program.
- Grand Rounds Pilot Project.

[Mr. Rael arrived.]

13. GRAND ROUNDS EXPERT MEDICAL REVIEWS

Eric Weiner, National Director of Public Sector for Grand Rounds, made this presentation, with the following highlights:

- Grand Rounds was launched about five years ago and is now serving 4 million Americans.
- Three out of five health plan members with complex care situations are either misdiagnosed or are getting suboptimal treatment. Grand Rounds' expert panelists review thousands of cases a year, and suggest either a change in treatment or a change in diagnosis in 66 percent of the cases. [Source: Grand Rounds book of business data.]
- Segal data shows that about 14 percent of NMRHCA members are driving 83 percent of costs.
- The top three complex conditions driving the highest spend are musculoskeletal conditions (22 percent), oncology (13 percent) and miscellaneous (13 percent).
- There are 35 physicians on the Grand Rounds staff.
- Financial impact: savings of nearly \$9,000 per case, all conditions. Slightly higher when pharmacologic (including specialty pharma) are involved.

Mr. Weiner said Grand Rounds is proposing a no-cost pilot whereby it would run up to a dozen cases for members in partnership with BCBS of New Mexico and Presbyterian, who will help identify some members who would be good candidates for this service. He said he anticipates this would take about two months.

Mr. Archuleta said NMRHCA has been talking with Grand Rounds for about two years. He said that, in his opinion, there are potential savings in this program on the pre-Medicare side.

Mr. Montaña commented that a big plus is that this could significantly improve the quality of life of people served by this program.

Responding to Mr. Crandall, Mr. Weiner said Grand Rounds would be paid on a utilization basis.

RECESS: 4:25 P.M.

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/ANNUAL BOARD MEETING/DAY 2

July 12, 2018

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MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS
ANNUAL MEETING/DAY 2
July 12, 2018

1. CALL TO ORDER

Day 2 of the Annual Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:00 a.m. at the Sagebrush Inn & Suites, 1508 Paseo Del Pueblo Sur, Taos, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Tom Sullivan, President
Mr. Joe Montañó, Vice President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Ms. Jan Goodwin
Mr. Terry Linton
Ms. LeAnne Larrañaga-Ruffy
Ms. Therese Saunders
Mr. James E. Smith
Mr. Lawrence Rael

Members Excused:

None.

Staff Present:

Mr. Dave Archuleta, Executive Director
Mr. Neil Kueffer, Deputy Director
Mr. Greg Archuleta, Director of Communication & Member Engagement
Ms. Judith Beatty, Board Recorder

Others Present:

Mr. Connor Jorgensen, LFC Analyst
[See sign-in sheet]

3. PLEDGE OF ALLEGIANCE

None.

4. PUBLIC FORUM AND INTRODUCTIONS

Chairman Sullivan welcomed guests.

5. EXECUTIVE DIRECTOR'S UPDATE

a. HR

Mr. Archuleta congratulated Neil Kueffer on officially becoming NMRHCA Deputy Director.

Mr. Archuleta reported that the agency's attempt to work with the State Personnel Office to reclassify the vacant Customer Service Supervisor position in the Santa Fe office from a Range 60 to 65 has so far been unsuccessful. The office is now in the process of filling that position as soon as possible given that switch enrollment is approaching.

Mr. Archuleta said the position vacated by Mr. Kueffer will be reclassified to Wellness Coordinator.

b. Legislative

Mr. Archuleta said NMRHCA provided a high level overview at the IPOC meeting this week of the benefits offered to members, a market plan comparison, solvency information, the status of GASB 74 & 75 and its implications for the NMRHCA, legislative proposals, HB 728 work group recommendations, and a history of actions taken by the board on the strategic plan.

c. GASB 75

Mr. Archuleta reported that this report was submitted to the State Auditor's Office by June 15, and is currently under review. As soon as the information is available, it will be posted on the website and each of the 301 employer groups will be sent notice along with the user guide and how they are supposed to incorporate the information into their financial statements. He noted that the \$4 billion-plus in unfunded liability will be distributed to the employer groups, with \$1 billion-plus going onto the state's financial statements, \$2 billion going to the state's 89 school districts' financial statements and the rest distributed to participating local government entities.

d. 2019 Dental Rates

Mr. Archuleta stated that there is a provision in the contracts with Delta Dental and United Concordia, as there has been historically, that allows them, after a flat 2-year period, to

incrementally increase their rates in years 3 and 4 up to a certain amount (Delta Dental cap is 3.9 percent and United Concordia cap is 7 percent). He commented that both have the same struggles in trying to maintain doctors within their networks, and send monthly loss ratio reports to NMRHCA. He stated that Delta Dental will raise its rates by 3.9 percent but has not determined at this point what any rate increase might be the following year. United Concordia will raise its rates by 5.6 percent but will not impose a rate increase in the fourth year.

Mr. Archuleta noted that the agency received a flat proposal for the 4-year period on its vision contracts as well as its life insurance contract.

6. PROVIDER PRESENTATIONS (Cont'd)

a. United Concordia: Stephanie Anthony

Ms. Anthony made this presentation, which included the results of a member satisfaction survey. The plan received a rating of 95 percent for customer service.

b. Delta Dental: Rich Bolstad

Mr. Bolstad made this presentation, which included discussion on Delta Dental's partnership with the American Heart Association. Delta Dental will be present at events to speak about the relationship between oral health and heart disease and stroke, and would be happy to appear at NMRHCA-sponsored events.

c. Davis Vision: Sam Garcia

Mr. Garcia updated the board on the merger of Davis Vision and Superior Vision and their acquisition by Cambridge Partners. Davis is now a part of Versant Health, but will retain its name, and its products and services and provider contracts will remain unchanged.

Mr. Garcia noted that 40,000 NMRHCA members have vision care with Davis.

d. The Standard: David Weinstein

Mr. Weinstein made this presentation, which included information on the Life Services Toolkit, which offers estate planning assistance, financial planning, health and wellness articles, and funeral arrangements.

7. WELLNESS: A LOOK BACK: Susie MacLean

Founder Susie MacLean stated that The Solutions Group did employee assistance and wellness programs and was acquired by Presbyterian Health Care Services in 2013; however, the group still functions independently of Presbyterian.

Ms. MacLean stated that Good Measures and Presbyterian's The Solutions Group collaborated to outreach and support retirees, and registered 197 retirees in 2017. She noted that 80 percent have lost or maintained weight, with a 10-pound average weight loss. While it is usually females who sign up for these programs, there was an increase in male participation by 24 percent from the year before.

Ms. MacLean stated that the results from the Diabetes Prevention Program remain strong; 24 have been active in the program since it was launched in the fall of 2016, with nine completing the course, eight active, five disengaged after completing multiple sessions, and two opting out. Participants achieved a weight loss of 8.2 percent at 12 months, surpassing the target set by the CDC.

Mr. Linton asked if it would be possible to contact physicians who have diabetic patients and suggest they refer their patients to this program.

Mr. Archuleta said the NMRHCA is limited in its ability to require participation in any of these programs. He stated that the best opportunity is through incentivizing people.

Ms. MacLean said she didn't know if this was possible, but perhaps NMRHCA could think about increasing the copay on certain meds, and then giving a reduction on the copay once the member completes the program.

Ms. MacLean reviewed future targets, as recommended by the NMRHCA Wellness Program strategic plan:

- Continue to focus on diabetes and hypertension
 - Good Measures to improve lifestyle habits and chronic disease progression (Good Measures Diabetes Prevention Program/Connected Diabetes Care)
- More live, onsite Wellness Academies
- Dinner with a Dietitian: DASH Diet for Hypertension
- Promote Diabetes Self-Management Program offered in person

8. WISE AND WELL STRATEGIC PLAN: Sarita Loehr

Ms. Loehr presented and reviewed the five-year goals for the NMRHCA Wellness Program:

1. Expand communication and reach: Aggressively pursue methods that draw attention to wellness awareness, education and services.
2. Increase overall engagement: Achieve frequent participation and sustained engagement for a broader, positive impact on overall health status.

3. Target chronic disease prevention and management: Manage the health care continuum to include wellness management for the healthy, at risk, chronic disease and complex case management.
4. Incentive participation and value-based care: Connect incentives to motivate engagement, bring awareness and increase participation.

9. LIFE & DISABILITY RFP

Mr. Kueffer requested approval to issue an RFP for Life and Disability insurance in cooperation with other members of the IBAC. He said the RFP is scheduled for release early to mid-August with preliminary staff recommendations scheduled at the regular board meeting in December/January.

Mr. Archuleta said nothing has changed from the last time with respect to services.

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

10. CY 2019 PLAN YEAR RECOMMENDATIONS

Mr. Archuleta stated that staff recommendations for plan design changes in 2019 include the following. These would move the solvency year from 2035 to 2037.

Mr. Archuleta summarized the plan recommendations for 2019.

- Increase monthly plan rates for Pre-Medicare 8%/Medicare Supplement 6%.
- Create third tier coverage through Blue Cross Blue Shield.
- Incentivizing the bundled payment agreements through Presbyterian Health Plan.
- Increasing the prescription drug copays, both minimums and maximums, for prescription amounts.
- Addition of SaveOn Program effective January 1.
- Addition of Naturally Slim program to Pre-Medicare Plan and Medicare Supplement Plan participants.
- Enter into a pilot project with Grand Rounds.

Mr. Archuleta said staff will investigate and pursue other opportunities, including pursuing reference based pricing agreements.

Mr. Crandall moved for approval. Mr. Montañó seconded the motion.

Ms. Saunders said she had additional questions about the SaveOn program.

Express Scripts representative Amy Daily said there is \$1.7 million in net savings to NMRHCA. She said SaveOn works exclusively with Express Scripts. This will apply to pre-Medicare participants only, as Medicare doesn't allow any coupons or copay assistance to be used. She said there is no initial cost to the NMRHCA. The way the program works is that Express Scripts artificially inflates the cost of the copay for a drug. The patient assistance covers that cost, and NMRHCA pays nothing. SaveOn then takes 25% off the top and passes on the savings to the NMRHCA.

Ms. Goodwin noted that SaveOn is receiving money indirectly from NMRHCA, and asked whether the agency should issue an RFP. Mr. Archuleta responded that staff is proposing to amend the contract with Express Scripts and will bring that forward for review and approval in the near future. He said NMPSIA entered into a sole source agreement, and APS amended its contract. He said the state also plans to amend its contract.

Responding to Mr. Linton, Ms. Daily said she wasn't aware of any other program like SaveOn.

Ms. Goodwin pointed out that this is possible because pharmaceutical companies charge whatever price they want for drugs. Until providers get together and demand pricing concessions, this trend will continue.

Mr. Linton commented that this program is obviously beneficial, but at some point NMRHCA should investigate whether 25 percent is an appropriate number.

The motion passed unanimously.

11. 2019 LEGISLATIVE PROPOSALS

Mr. Archuleta reviewed a 2018 solvency scenario that staff has worked up for proposal for the upcoming year, reflecting a projected deficit spending period beginning in 2022 and an insolvency period in 2037.

Mr. Archuleta reviewed a series of proposals (A through D):

Proposal A: A much larger fix and maintains the current employer/employee contribution funding structure, moving overall contributions from 3 percent of payroll to 4.5 percent, with 1.5 percent phased in over a 4-year period with the first year deferred (FY 2020). Also includes a reduction in the subsidies provided pre-Medicare participants from 64 percent to 60 percent over a 4-year period (2021-2024) and reduces pre-Medicare spousal subsidy from 36 percent to 30

percent at the same time. This gets NMRHCA not quite to full funding, but the solvency goes off the charts and the agency would have between \$7.3 and \$7.6 billion in 2049.

Proposal B: Proposes an increase in employee and employer contributions from 3 percent to 4.5 percent of payroll (employee 1-1.75 percent/employer 2-2.75 percent) and applies a 1:1 ratio of “all new” contributions from the employer to the employee beginning in FY 2021 and fully phased in by FY 2023. Also includes a reduction in the subsidies provided pre-Medicare participants from 64 percent to 60 percent over a 4-year period (2021-2024) and reduces pre-Medicare spousal subsidy from 36 percent to 30 percent in 2021 through 2026. This gets NMRHCA not quite to full funding, but the solvency goes off the charts and the agency would have between \$7.3 and \$7.6 billion in 2049.

Proposal C: Proposes an increase in employee and employer contributions from 3 percent to 4 percent of payroll (employee 1-1.25 percent/employer 2-2.75 percent) and maintains the 2:1 ratio of “contributions from the employer to the employee beginning in FY 2021 and fully phased in by FY 2024. Also includes a reduction in the subsidies provided pre-Medicare participants from 64 percent to 60 percent over a 4-year period (2021-2024) and reduces pre-Medicare spousal subsidy from 36 percent to 30 percent in 2021 through 2024. Under this scenario, solvency goes off the charts and the agency would have between \$4.3 and \$4.6 billion in 2049.

Proposal D: Proposes an increase in employee and employer contributions from 3 percent to 4 percent of payroll (employee 1-1.5 percent/employer 2-2.5 percent) and applies a 1:1 ratio of “all new” contributions from the employer to the employee beginning in FY 2021 and fully phased in by FY 2023. Also includes a reduction in the subsidies provided pre-Medicare participants from 64 percent to 60 percent over a 4-year period (2021-2024) and reduces pre-Medicare spousal subsidy from 36 percent to 30 percent in 2021 through 2026. Under this scenario, solvency goes off the charts and the agency would have between \$4.3 and \$4.6 billion in 2049.

Mr. Archuleta said he realized NMRHCA was competing with a long list of priorities from the legislature in the coming year, but added that there is an opportunity here for the board to take a step forward in addressing the trust fund’s solvency issues while recognizing that there will be some sacrifice involved on the part of not just the employer groups, but the retirees, as well.

Mr. Crandall suggested that the board ask for a 2 percent increase and let the employer groups determine how they want to split that up. Mr. Archuleta responded that, while the NMRHCA is agnostic as to the source of its revenue, for planning purposes it has been easier to specify what the dollar amounts are, and this provides some stability in terms of future projections. He added that this was worth considering, however.

Mr. Montañó responded that this would have to be negotiated with the stakeholder groups.

Mr. Archuleta said he would take this proposal to the Finance Committee and then to the board at its October meeting, which would allow enough time in the interim to meet with stakeholder groups.

12. OTHER BUSINESS

Chairman Sullivan said Mr. Linton would be joining the Finance/Investment Committee as a member.

Mr. Archuleta thanked individual insurance providers for their help and efforts.

**13. DATE AND LOCATION OF NEXT BOARD MEETING:
AUGUST 28, 2018, 9:30 A.M.
ALFREDO R. SANTISTEVAN BOARD ROOM, STE. 207
4308 CARLISLE BLVD., N.E.
ALBUQUERQUE, NM, 87107**

14. EXECUTIVE SESSION

None.

15. ADJOURN

Meeting adjourned at 11:30 a.m.

Accepted by:

Tom Sullivan, President

New Mexico Retiree Health Care Authority

2018 Open/Switch Enrollment Meeting Schedule

<p>October 1 & Nov. 2, 2018</p> <p>Santa Fe Community College Jemez Room 6401 Richards Ave. Santa Fe, NM 87508</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 2, 2018</p> <p>WNMU – Silver City Besse-Forward Global Resource Center Corner of 12th and Kentucky Silver City, NM 88061</p> <p>1:00 PM – 2:50 PM Medicare Medical/RX 3:00 PM – 3:40 PM Voluntary Coverage 3:45 PM – 5:05 PM Non-Medicare Medical/RX</p>	<p>October 3 & 4, 2018</p> <p>NM Farm & Ranch Heritage Museum 4100 Dripping Springs Rd. Las Cruces, NM 88011</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>**October 10 & 29, 2018**</p> <p>UNM Continuing Ed. Auditorium 1634 University Blvd., NE Albuquerque, NM 87131</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>
<p>October 11, 2018</p> <p>Raton Convention Center 901 S. 3rd St Raton, NM 87740</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 12, 2018</p> <p>New Mexico Highlands Univ. Student Center 800 National Ave. Las Vegas, NM 87701</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 15, 2018</p> <p>Clovis Civic Center 801 Schepps Blvd Clovis, NM 88101</p> <p>9:30 AM – 11:20 PM Medicare Medical/RX 11:30 PM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 16, 2018</p> <p>Roswell Convention & Civic Center 912 N. Main St. Roswell, NM 88202</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>
<p>October 17, 2018</p> <p>NM Junior College Training and Outreach Facility 5317 North Lovington Hwy Hobbs, NM 88240</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 22, 2018</p> <p>Northern NM College Nick L. Salazar Center for Performing Arts 921 Paseo de Oñate Española, NM 87532</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p>October 23, 2018</p> <p>Farmington Civic Center 200 W. Arrington St. Farmington, NM 87401</p> <p>10:30 AM – 12:20 PM Medicare Medical/RX 12:30 PM – 1:10 PM Voluntary Coverage 1:15 PM – 2:35 PM Non-Medicare Medical/RX</p>	<p>October 24, 2018</p> <p>Red Rock State Park Dining & Conference Room Gallup, NM 87311</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>
<p>October 30, 2018</p> <p>Santa Ana Star Center 3001 Civic Center Cir NE Rio Rancho, NM 87144</p> <p>9:30 AM – 11:20 AM Medicare Medical/RX 11:30 AM – 12:10 PM Voluntary Coverage 12:15 PM – 1:35 PM Non-Medicare Medical/RX</p>	<p style="text-align: center;">Wellness Screenings Now Featured At All Open Enrollment Meetings</p> <p>In an effort to help all of us stay healthier, the following may be offered to all attendees at no cost at all meeting locations:</p> <ul style="list-style-type: none"> ▪ Flu Shots (<i>subject to serum availability</i>) ▪ Pneumococcal vaccine – protects against pneumococcal diseases that cause infections in the lungs, blood, brain, and ear (<i>for all adults over 65 years old</i>) ▪ Blood Pressure Check ▪ Waist Circumference ▪ Fecal Occult Blood Test (FOBT) – A simple non-invasive test that can be completed in your own home. The test detects tiny amount of blood, often released from colorectal cancer. This test to check for blood in the stool for ages 50-57. ▪ Visiderm – The screening is for viewing of skin to look for areas of sun damage and to educate on the importance of taking protective measures such as the use of sunscreen. (<i>The Visiderm screening will be available only at select locations</i>) ▪ Quit for Life – This program is brought to you by the American Cancer Society® and Alere Wellbeing, and is the nation's leading tobacco cessation program. 		

DEADLINE FOR CHANGES MUST BE POSTMARKED NO LATER THAN NOVEMBER 9, 2018

****—PLEASE NOTE THAT THE FIRST ALBUQUERQUE DATE IS OCTOBER 10, NOT OCTOBER 9 AS STATED IN THE POSTCARDS SENT IN AUGUST.**

SCHEDULE OF SPEAKERS (MEDICARE ADVANTAGE PRESENTATIONS WILL PRECEDE MEDICARE SUPPLEMENT)

<p>OCT. 1 – SANTA FE SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — Humana 10:05 a.m. — UHC 10:20 a.m. — PHP 10:35 a.m. — BCBS SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — UCCI 11:40 a.m. — Delta 11:50 a.m. — Davis 12:00 p.m. — Standard NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>OCT. 2 – SILVER CITY SPEAKER LIST 1 p.m. — NMRHCA ADVANTAGE PLANS 1:20 p.m. — UHC 1:35 p.m. — PHP 1:50 p.m. — BCBS 2:05 p.m. — Humana SUPPLEMENT 2:20 p.m. — ESI 2:35 p.m. — BCBS VOLUNTARY 3 p.m. — Davis 3:10 p.m. — Standard 3:20 p.m. — Delta 3:30 p.m. — UCCI NON-MEDICARE 3:45 p.m. — NMRHCA 4:05 p.m. — ESI 4:25 p.m. — PHP 4:45 p.m. — BCBS</p>	<p>OCT. 3 – LAS CRUCES SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — PHP 10:05 a.m. — BCBS 10:20 a.m. — Humana 10:35 a.m. — UHC SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — Delta 11:40 a.m. — UCCI 11:50 a.m. — Standard 12:00 p.m. — Davis NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>OCT. 4 – LAS CRUCES SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — BCBS 10:05 a.m. — Humana 10:20 a.m. — UHC 10:35 a.m. — PHP SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Standard 11:40 a.m. — Davis 11:50 a.m. — UCCI 12:00 p.m. — Delta NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>
<p>OCT. 10 – ALBUQUERQUE SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — BCBS 10:05 a.m. — PHP 10:20 a.m. — UHC 10:35 a.m. — Humana SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Davis 11:40 a.m. — Standard 11:50 a.m. — Delta 12:00 p.m. — UCCI NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>	<p>OCT. 11 – RATON SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — PHP 10:05 a.m. — UHC 10:20 a.m. — Humana 10:35 a.m. — BCBS SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — Standard 11:40 a.m. — Davis 11:50 a.m. — UCCI 12:00 p.m. — Delta NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>OCT. 12 – LAS VEGAS SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — UHC 10:05 a.m. — Humana 10:20 a.m. — BCBS 10:35 a.m. — PHP SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — UCCI 11:40 a.m. — Delta 11:50 a.m. — Standard 12:00 p.m. — Davis NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>	<p>OCT. 15 – CLOVIS SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — Humana 10:05 a.m. — BCBS 10:20 a.m. — PHP 10:35 a.m. — UHC SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — Delta 11:40 a.m. — UCCI 11:50 a.m. — Davis 12:00 p.m. — Standard NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>

NEW MEXICO RETIREE HEALTH CARE AUTHORITY – NMRHCA

BLUE CROSS BLUE SHIELD OF NEW MEXICO – BCBS

PRESBYTERIAN HEALTH PLAN – PHP

UNITEDHEALTHCARE – UHC

EXPRESS SCRIPTS – ESI

UNITED CONCORDIA – UCCI

NMRHCA PRESENTATION INCLUDES SUMMARY OF PLAN CHANGES FOR 2019

<p>OCT. 16 – ROSWELL SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — BCBS 10:05 a.m. — PHP 10:20 a.m. — UHC 10:35 a.m. — Humana SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Standard 11:40 a.m. — Davis 11:50 a.m. — Delta 12:00 p.m. — UCCI NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>	<p>OCT. 17 – HOBBS SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — PHP 10:05 a.m. — UHC 10:20 a.m. — Humana 10:35 a.m. — BCBS SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — Davis 11:40 a.m. — Standard 11:50 a.m. — UCCI 12:00 p.m. — Delta NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>OCT. 22 – ESPAÑOLA SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — BCBS 10:05 a.m. — PHP 10:20 a.m. — UHC 10:35 a.m. — Humana SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Delta 11:40 a.m. — UCCI 11:50 a.m. — Standard 12:00 p.m. — Davis NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>	<p>OCT. 23 – FARMINGTON SPEAKER LIST 10:30 a.m. — NMRHCA ADVANTAGE PLANS 10:50 a.m. — BCBS 11:05 a.m. — PHP 11:20 a.m. — UHC 11:35 a.m. — Humana SUPPLEMENT 11:50 a.m. — BCBS 12:05 p.m. — ESI VOLUNTARY 12:30 p.m. — UCCI 12:40 p.m. — Delta 12:50 p.m. — Davis 1:00 p.m. — Standard NON-MEDICARE 1:15 p.m. — NMRHCA 1:35 p.m. — ESI 1:55 p.m. — BCBS 2:15 p.m. — PHP</p>
<p>OCT. 24 – GALLUP SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — BCBS 10:05 a.m. — PHP 10:20 a.m. — UHC 10:35 a.m. — Humana SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Davis 11:40 a.m. — Standard 11:50 a.m. — Delta 12:00 p.m. — UCCI NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>	<p>OCT. 29 – ALBUQUERQUE SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — PHP 10:05 a.m. — BCBS 10:20 a.m. — Humana 10:35 a.m. — UHC SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — Standard 11:40 a.m. — Davis 11:50 a.m. — UCCI 12:00 p.m. — Delta NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>OCT. 30 – RIO RANCHO SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — Humana 10:05 a.m. — UHC 10:20 a.m. — PHP 10:35 a.m. — BCBS SUPPLEMENT 10:50 a.m. — BCBS 11:05 a.m. — ESI VOLUNTARY 11:30 a.m. — UCCI 11:40 a.m. — Delta 11:50 a.m. — Standard 12:00 p.m. — Davis NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — BCBS 1:15 p.m. — PHP</p>	<p>NOV. 2 – SANTA FE SPEAKER LIST 9:30 a.m. — NMRHCA ADVANTAGE PLANS 9:50 a.m. — UHC 10:05 a.m. — Humana 10:20 a.m. — BCBS 10:35 a.m. — PHP SUPPLEMENT 10:50 a.m. — ESI 11:05 a.m. — BCBS VOLUNTARY 11:30 a.m. — Delta 11:40 a.m. — UCCI 11:50 a.m. — Davis 12:00 p.m. — Standard NON-MEDICARE 12:15 p.m. — NMRHCA 12:35 p.m. — ESI 12:55 p.m. — PHP 1:15 p.m. — BCBS</p>

NEW MEXICO RETIREE HEALTH CARE AUTHORITY – NMRHCA

BLUE CROSS BLUE SHIELD OF NEW MEXICO – BCBS

PRESBYTERIAN HEALTH PLAN – PHP

UNITEDHEALTHCARE – UHC

EXPRESS SCRIPTS – ESI

UNITED CONCORDIA – UCCI

NMRHCA PRESENTATION INCLUDES SUMMARY OF PLAN CHANGES FOR 2019



Legislative Finance Committee

Representative Patricia A. Lundstrom, Chair

Senator John Arthur Smith, Vice Chair

Pension Solvency and Investment Performance

August 23, 2018

Tom Sullivan, President

Joe Montaña, Vice President

Doug Crandall, Secretary

David Archuleta, Executive Director

About NMRHCA

- FY19 Approved Operating Budget - \$338,587,900
 - Health Care Benefits Administration - \$335,540,300
 - Program Support - \$3,047,600
- Public Employer Groups - 302
 - All school districts and charter schools – 50%
 - All state agencies – 25%
 - Municipalities, counties & universities – 25%
- Active members - 97,349 as of 6/30/17
- Covered Members - 62,336 as of June 1, 2018
 - Medicare - 38,322 / Pre-Medicare - 15,847 / Voluntary Only – 8,167
 - Average Age - 69.75
 - Members Under age 55 - 2,326
 - Retirees - 39,163
 - Spouses/domestic partners – 12,990
 - Dependent children – 2,016

NMRHCA Benefits

Pre-Medicare	2018	2019
Premier PPO Plan (\$800 deductible/\$4,500 OOP max)		
• Retiree	\$241.44	\$260.76
• Spouse/Domestic Partner	\$458.27	\$494.93
Value Plan (\$1,500 deductible/\$5,500 OOP max)		
• Retiree	\$188.60	\$203.69
• Spouse/Domestic Partner	\$357.95	\$386.59
Medicare	2018	2019
Supplement (\$183 Part B Deductible/Part D Prescription)		
• Retiree	\$199.96	\$211.96
• Spouse/Domestic Partner	\$299.94	\$317.94
Medicare Advantage Plans (Out-of-pocket expenses vary by plan/OOP Max \$1,500 - \$6,700)		
• Retiree	\$23.30 - \$104.16	\$22.17 - \$94.69
• Spouse/Domestic Partner	\$34.95 - \$156.25	\$33.27 - \$142.03
Voluntary	2018	2019
Dental (Single Coverage)		
• Basic	\$16.80 - \$18.51	\$17.78 - \$19.23
• Comp	\$34.28 - \$41.32	\$36.28 - \$42.93
Vision (Single Coverage)	\$4.76	\$4.76
Life Insurance up to \$60,000	Varies by age	Varies by agee

Market Plan Comparison

2018 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	\$903	\$903	\$1,807	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$848	\$848	\$1,696	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$852	\$852	\$1,705	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$825	\$825	\$1,649	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Albuquerque	\$703	\$703	\$1,407	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Albuquerque	\$605	\$605	\$1,210	HMO	Bronze	\$7,200	\$7,350	N
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$1,020	\$1,020	\$2,040	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$953	\$953	\$1,905	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$971	\$971	\$1,941	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$926	\$926	\$1,852	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Santa Fe	\$804	\$804	\$1,608	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Santa Fe	\$679	\$679	\$1,359	HMO	Bronze	\$7,200	\$7,350	N
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,133	\$1,133	\$2,266	HMO	Gold	\$350	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$928	\$928	\$1,856	HMO	Gold	\$500	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$1,081	\$1,081	\$2,162	HMO	Silver	\$1,400	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$902	\$902	\$1,805	HMO	Silver	\$5,000	\$7,350	Y
Blue Cross Blue Shield - Age: 60 - Las Cruces	\$898	\$898	\$1,795	HMO	Bronze	\$5,500	\$7,350	N
NM Health Connections - Age: 60 - Las Cruces	\$662	\$662	\$1,324	HMO	Bronze	\$7,200	\$7,350	N

Solvency Analysis

Revenue components

- Beginning of Year Invested Assets (Trust Fund Balance)
- Employer contributions (2 percent / 2.5 percent enhanced plans)
- Employee contributions (1 percent / 1.25 percent enhanced plans)
- Retiree plan rates (ranges by years of service and pre-Medicare/Medicare status)
- Retiree ancillary (100% paid by retiree)
- Taxation and Suspense Fund Revenue
- Medicare PDP & Manufactures Discount (direct subsidies, coverage gap, LIS)
- Miscellaneous (performance penalties, subrogation recoveries, buy-in revenue)
- Investment income

Expenditure components

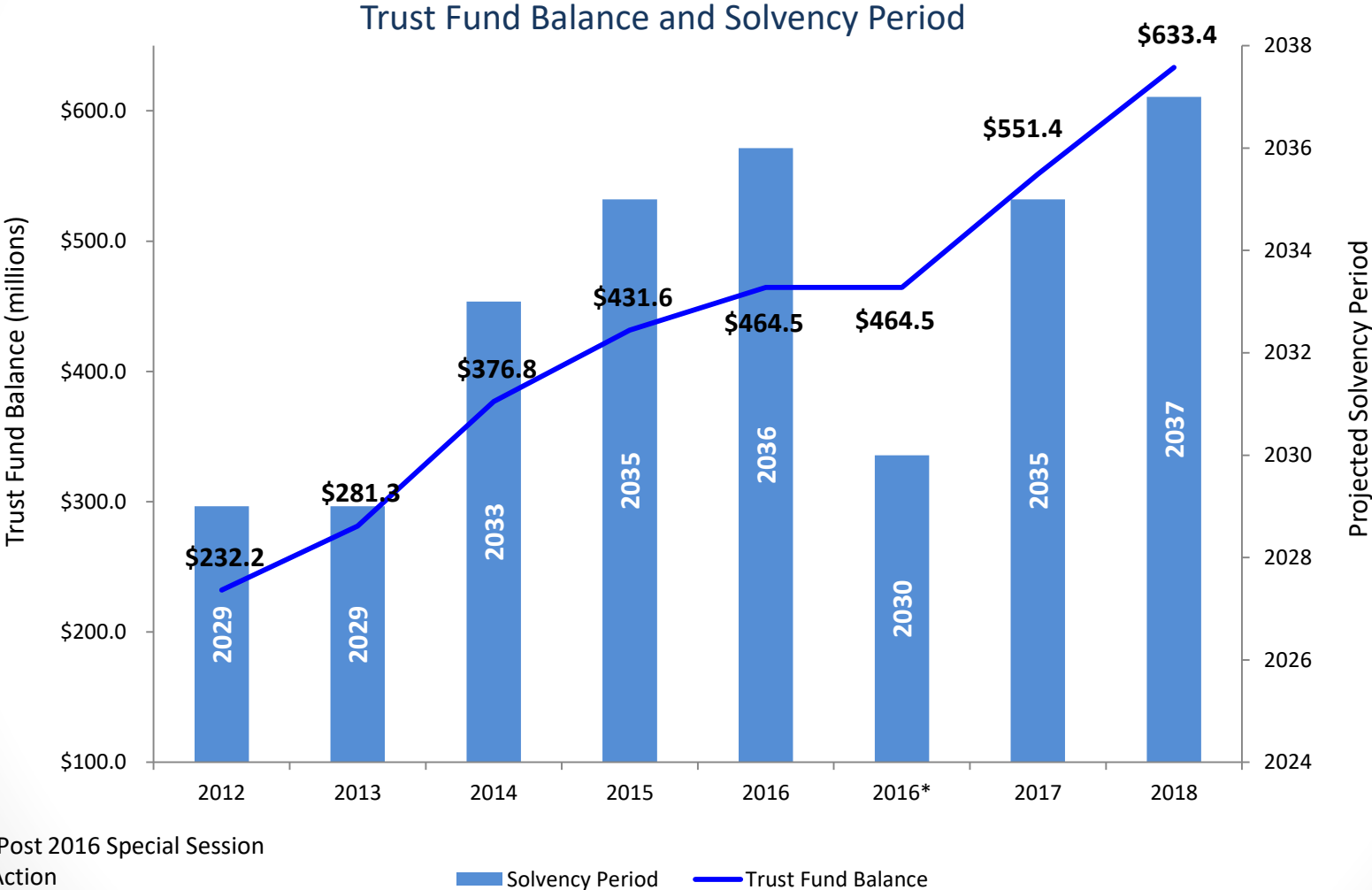
- Medical and prescription costs (self-insured/fully-insured)
- Basic Life (subsidies completely eliminated by 2021)
- Retiree ancillary (100% paid by retirees)
- ASO and ACA fees (admin, PCORI fees, Reinsurance Fee, Health Insurer Fee)
- Program Support (agency operations)

2017/2018 Solvency Study

- 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

Results	2017	2018
• Deficit Spending Period	2020	2022
• Expenditures exceed revenues	\$9.1 million	\$14.6 million
• Projected Year of Insolvency	2035	2037
• Projected Solvency Period	18 years	19 years
• 2035 Deficit	\$159 million	NA
• 2037 Deficit	NA	\$178 million

Solvency Results (2012 -2018)



Investments

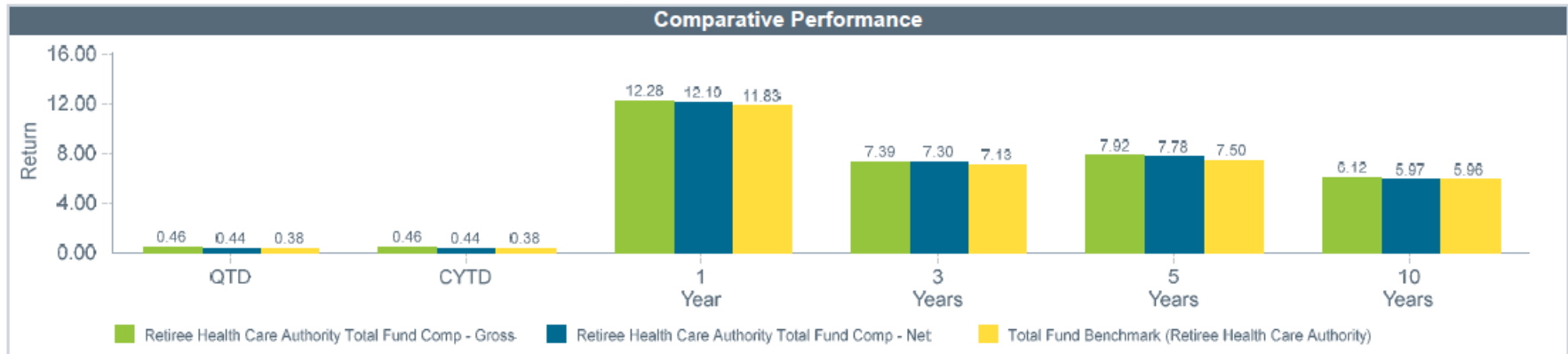
State Investment Council Joint Powers Agreement

- Provides access to certain pooled investments
- Provides reporting regarding summary of transactions and investment performance
- NMRHCA pays for portion of direct fees for each Pooled Investment Fund based on percent of participation

Asset Allocation Review – July 2018

	Actual Allocation (12/31/17)	Current Allocation (4/1/18)	Similar Return	Intermediate	Similar Risk
1 US Large Cap	21.88%	20%	14.00%	14.00%	14.25%
2 US Small Cap	2.85%	3%	2.00%	2.00%	2.00%
3 Non-US Developed	11.75%	12%	14.00%	14.00%	14.00%
4 Emerging Markets	15.68%	15%	10.00%	10.00%	10.00%
5 Core Bonds	18.10%	25%	23.25%	20.00%	19.75%
6 Private Equity	10.45%	10%	6.75%	10.00%	14.50%
7 Real Estate	5.30%	5%	10.00%	10.00%	10.00%
8 Credit & Structured Finance	9.55%	10%	15.00%	15.00%	10.50%
9 Real Return	0.00%	0%	5.00%	5.00%	5.00%
10 Hedge Funds	4.44%	0%	0.00%	0.00%	0.00%
	100.00%	100%	100.00%	100.00%	100.00%

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	Large Cap US Equity Index	136,744,629	21.61	20.00	1.61
	Small/Mid Cap US Equity Active	17,509,401	2.77	3.00	-0.23
	Non-US Developed Markets Index	72,805,686	11.50	12.00	-0.50
	Non-US Emerging Markets Index	99,889,283	15.78	15.00	0.78
	US Core Plus Bonds	113,221,515	17.89	20.00	-2.11
	Credit & Structured Finance	61,264,074	9.68	10.00	-0.32
	Absolute Return	28,670,837	4.53	5.00	-0.47
	Private Equity	68,237,200	10.78	10.00	0.78
	Real Estate	34,574,177	5.46	5.00	0.46
Total Fund	632,916,800	100.00	100.00	0.00	



Comparative Performance

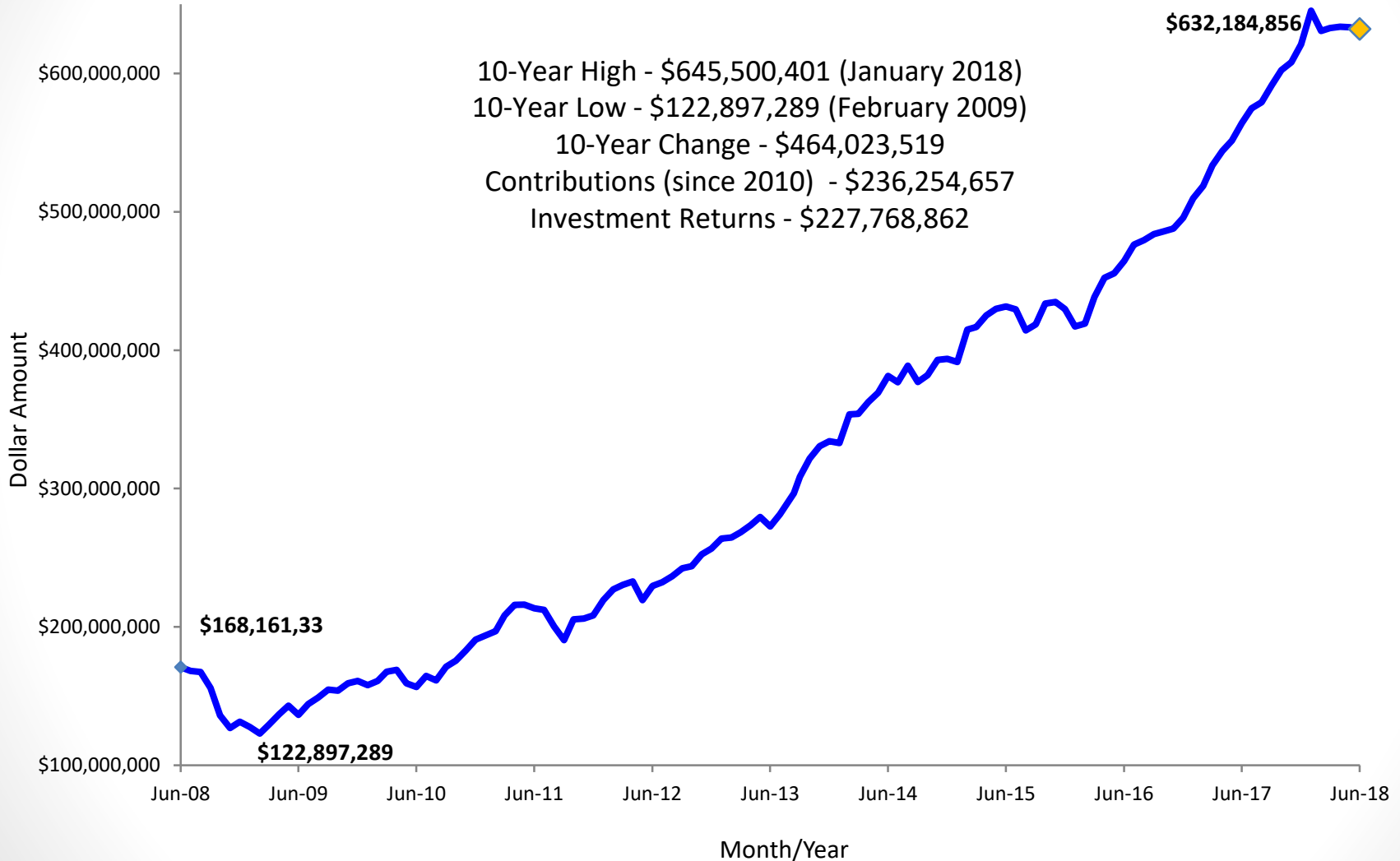
	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2017	2016	2015
Retiree Health Care Authority Total Fund Comp - Gross	0.46	0.46	12.28	7.39	7.92	6.12	17.44	8.09	-0.90
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	0.38	0.38	11.83	7.13	7.50	5.96	16.85	8.42	-0.76
Difference	0.08	0.08	0.45	0.26	0.42	0.16	0.59	-0.33	-0.14
Retiree Health Care Authority Total Fund Comp - Net	0.44	0.44	12.19	7.30	7.78	5.97	17.35	7.99	-1.03
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	0.38	0.38	11.83	7.13	7.50	5.96	16.85	8.42	-0.76
Difference	0.06	0.06	0.36	0.17	0.28	0.01	0.50	-0.43	-0.27

Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	621,163,690	9,000,352	2,752,758	632,916,800	0.44

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

NMRHCA Trust Fund Balance History July 2008 - July 2018



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%
- GASB 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
 - Completed June 15, 2018
 - Employer Allocations as of June 30, 2017
 - Employer Contributions
 - Employer Allocation Percentage
 - Applies to 301 employer groups
 - Rating agency impact - TBD

Sustainability

Strategic Plan (2018 – 2022)

- Apply downward pressure on prescription drug costs for all members (network, contracts, cost sharing)
- Apply downward pressure on pre-Medicare medical plans (network, contracts, cost-sharing)
- Reduce pre-Medicare retiree subsidies
- Reduce pre-Medicare spousal/domestic partner subsidies
- Evaluate emerging and existing programs for inclusion in either plan coverage or incentive support
- Develop and implement value-based purchasing initiatives
- Continue to accommodate ongoing demographic trends and make program adjustments annually
- Provide plan participants with the information necessary to better manage their individual health care
- **Increase employee/employer contributions (requires legislative action)**

Proposed Employee/Employer Contribution Increase

	Employee	Employer	Total	Employee	Employer	Total	Additional	Est.
FY20	1.000%	2.000%	3.000%	\$43,549,337.00	\$ 87,098,674.00	\$130,648,011.00	NA	GF Impact
FY21	1.125%	2.125%	3.250%	\$47,733,255.00	\$ 93,703,450.00	\$141,436,705.00	\$10,788,694.00	\$ 3,302,388.00
FY22	1.250%	2.250%	3.500%	\$52,983,880.00	\$ 99,213,213.00	\$152,197,093.00	\$21,549,082.00	\$ 6,057,269.50
FY23	1.375%	2.375%	3.750%	\$58,282,268.00	\$104,769,153.00	\$163,051,421.00	\$32,403,410.00	\$ 8,835,239.50
FY24	1.500%	2.500%	4.000%	\$63,527,672.00	\$110,280,010.00	\$173,807,682.00	\$43,159,671.00	\$11,590,668.00

Employee Impact/\$40,000 average salary

- FY19/20 - \$400 per year /\$15.38 per pay period
- FY21 - \$450 per year / \$17.31 per pay period / \$1.92 increase
- FY22 - \$500 per year / \$19.23 per pay period / \$3.85 increase
- FY23 - \$550 per year / \$21.15 per pay period / \$5.77 increase
- FY24 - \$600 per year / \$23.08 per pay period / \$7.69 increase

Solvency Impact

Revenue

- Employee/Employer Contribution Increase (3 – 4% of payroll)

Liability Containment

- Pre-Medicare Retiree Subsidy Reduction
- Pre-Medicare Spousal Subsidy Reduction

Results

- Solvency Periods Exceeds 30 years
- 2037 Projected Trust Fund Balance - \$1.9 billion
- 2049 Projected Trust Fund Balance - \$5.2 billion

	Employee	Employer	Total
1990 - 2001 (12 years)	0.500%	1.000%	1.500%
2002 - 2009 (8 years)	0.650%	1.300%	2.493%
2010 (1 year)	0.833%	1.660%	2.757%
2011 (1 year)	0.917%	1.840%	2.757%
2012 - 2020 (8 years)	1.000%	2.000%	3.000%
2021	1.125%	2.125%	3.250%
2022	1.250%	2.250%	3.500%
2023	1.375%	2.375%	3.750%
2024 and beyond	1.500%	2.500%	4.000%



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

**NEW MEXICO RETIREE HEALTH
CARE AUTHORITY**

June 30, 2017

Communications with Those Charged with Governance

To the Board of Directors
New Mexico Retiree Health Care Authority

We have audited the schedules of employer allocations and OPEB amounts by employer (the “Schedules”) of New Mexico Retiree Health Care Authority (the Authority) as of and for the year ended June 30, 2017, and have issued our report thereon dated June 15, 2018. Professional standards require that we provide you with the following information related to our audit. This memo provides written confirmation of the information communicated to the Board of Directors during our exit conference on June 18, 2018.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated March 15, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the Schedules prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the Schedules does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the Schedules are free from material misstatement. An audit of the Schedules includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we considered the Authority’s internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit of the Schedules that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Schedules

Our responsibility for other information in the Report of Independent Auditors and Schedules as of June 30, 2017 does not extend beyond the financial information identified in our report. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. However, we have read the information and nothing came to our attention that caused us to believe that such information or its manner of presentation is materially inconsistent with the information or manner of its presentation appearing in the Schedules.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and entrance conference on March 15, 2018.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the Schedules.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the Schedules in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the Schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the Schedules and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the Schedules was the Authority's estimate of their total OPEB liability which is based on a measurement performed by an independent actuary using employee data provided by the Authority's sponsoring employers and actuarial assumptions.

Management's estimate of the total OPEB liability is based on various actuarial assumptions including the assumed discount rate, long-term rate of return, and mortality tables for PERA and ERB employees, respectively. We evaluated the key factors and assumptions used to develop the total OPEB liability in determining that this measurement was performed in accordance with the requirements of GASB No. 74 and is reasonable in relation to the Schedules.

Schedule Disclosures

The disclosures in the Schedules are consistent, clear and understandable. Certain Schedules' disclosures are particularly sensitive because of their significance to the Schedules' users. The most sensitive disclosures affecting the Schedules are Note 3 – Net OPEB Liability and Note 4 – Financial Information.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the Schedules as a whole.

Disagreements with Management

For purposes of this memo, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 15, 2018.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's Schedules or a determination of the type of auditor's opinion that may be expressed on those Schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
June 15, 2018

<h1>OK To Print Communication</h1>	<p>Date: July 26, 2018</p> <p>Number of pages including cover sheet: 2</p>
<p>Subject: Retiree Health Care Authority Schedules of Employer Allocations and OPEB Amounts</p> <p>Agency #: 343-A</p> <p>Fiscal Year: June 30, 2017</p>	<p>From: Office of the State Auditor</p> <p>2540 Camino Edward Ortiz, Ste #A Santa Fe, NM 87507</p>
<p>Attention: <u>IPA</u> Kory Hoggan</p> <p>Firm: Moss Adams, LLP</p> <p>Telephone: 505-878-7214</p> <p>Fax: 505-878-7282</p> <p>E-mail: Kory.Hoggan@mossadams.com</p>	<p>Attention: Lynette Kennard</p> <p>e-mail: reports@osa.state.nm.us</p> <p>Telephone: (505) 476-3800</p> <p>Fax: (505) 827-3512</p>
<p>AGENCY</p> <p>Attention: David Archuleta</p> <p>Telephone: 505-222-6416</p> <p>Fax:</p> <p>E-mail: david.archuleta@state.nm.us</p>	

In accordance with the Audit Act, Section 12-6-1 et seq., NMSA 1978, and the 2017 Audit Rule, NMAC 2.2.2.1 et seq., the Office of the State Auditor (“OSA”) reviewed this financial and compliance audit report or agreed-upon procedures report (“Report”). In accordance with Audit Act, the OSA has determined that the Report has been made in accordance with the provisions of the contract and applicable rules promulgated by the OSA. **Therefore this Report is “OK to Print”.** 1 SEARCHABLE electronic copy labeled “Final” per 2.2.2.9(B)(3) NMAC) should be submitted to the OSA **within five business days** of receipt of this communication. You do not need to submit a hard-copy final Report to the OSA.

The following items, prepared using the most current templates posted on the OSA website in accordance with the instructions provided, must be submitted with the Final Report for financial and compliance audit Reports **(these items are not required for agreed-upon procedures Reports):**

- The electronic Excel version of the Findings Summary form,
- The electronic Excel version of the Vendor Schedule form,
- The electronic Excel version of the Fund Balance Schedule form,
- The electronic Excel version of the GASBS 77 Disclosure template, if applicable, and
- The electronic Excel version of the Indigent Care Cost and Funding Report and Calculations of Cost of Providing Indigent Care Worksheet, if applicable (Hospitals only).

Except for any comments contained in this OK to Print communication, all of which should be addressed before resubmission, the Report should not be changed from what was previously submitted. Please provide **written notification** to the OSA of all changes made and relevant page numbers, including those changes made in response to OSA comments, with the requisite final copies of the Report submitted to the OSA. The written notification must be signed by the audit manager and attached as a PDF file to the email submission of the Final PDF Report. Written notifications submitted in the body of emails will not be considered received. **Please note that any changes that do not result from OSA comments may require an additional review of the report and could potentially jeopardize the report’s current “OK to Print” status.**

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential, and exempt for disclosure. If the reader of this message is not the intended recipient, or the employee or agent of the recipient, you are hereby notified that any dissemination, distribution, or copying of this document is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the address noted above. Thank you.

This communication does **not** authorize the IPA or the agency to release the Report to the public. Per Section 12-6-5, NMSA 1978, the Report and the information contained in it cannot be released to the public until five calendar days **after** the OSA has officially released the Report. The OSA will send the release letter to the agency after the OSA approves the final copies and the Report will be made public after the required five-day wait period has passed or is waived.

The audited agency can waive the five-day waiting period required by Section 12-6-5, NMSA 1978. To do so, the agency's governing authority or the governing authority's designee must provide written notification to the OSA of the waiver in the form of a letter. The letter must be signed by the agency's governing authority or the governing authority's designee and be sent via letter, email or fax to the attention of State Auditor Wayne A. Johnson. The OSA strongly prefers to receive the written notification **prior** to the submission of the final Report to the OSA.

Please call us if you have any questions. Thank you for your prompt attention regarding this matter.

Comments That Must Be Corrected or Addressed:

1. The 2017 Audit Rule requires that the audit of the schedule be conducted in accordance with governmental auditing standards. (2.2.2.10 (DD)(1) Please include an independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial schedules performed in accordance with government auditing standards.
2. Page 20, the Rate of Return footnote does not include the target asset allocation, please consider including.
3. Page 19, the Actuarial Valuation footnote does not include the source of mortality assumptions or the basis for the actuarial valuation, please consider including.

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

	Core Plus Bonds	Large Cap Index	Non US Dev Index	Non US Emg Index	Small Mid Cap	Credit and Structure	Absolute Return	Private Equity	Real Estate	Total
Market Value 6/30/2018	\$158,974,248.82	\$128,173,152.21	\$74,557,225.62	\$85,539,015.95	\$20,057,744.38	\$64,351,064.60	\$0.00	\$66,765,286.67	\$33,767,117.58	\$632,184,855.83
CONTRIBUTIONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WITHDRAWALS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FEES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME EARNED	509,818.34	234,162.12	66,439.48	459,477.69	5,782.14	36,295.11	0.00	16,196.68	96,877.18	1,425,048.74
CAPITAL APPR/DEPR	21,308.11	4,186,145.02	1,550,852.57	1,660,680.71	143,500.98	237,636.80	0.00	(61,593.84)	(101,615.09)	7,636,915.26
Market Value 7/31/2018	\$159,505,375.27	\$132,593,459.35	\$76,174,517.67	\$87,659,174.35	\$20,207,027.50	\$64,624,996.51	\$0.00	\$66,719,889.51	\$33,762,379.67	\$641,246,819.83



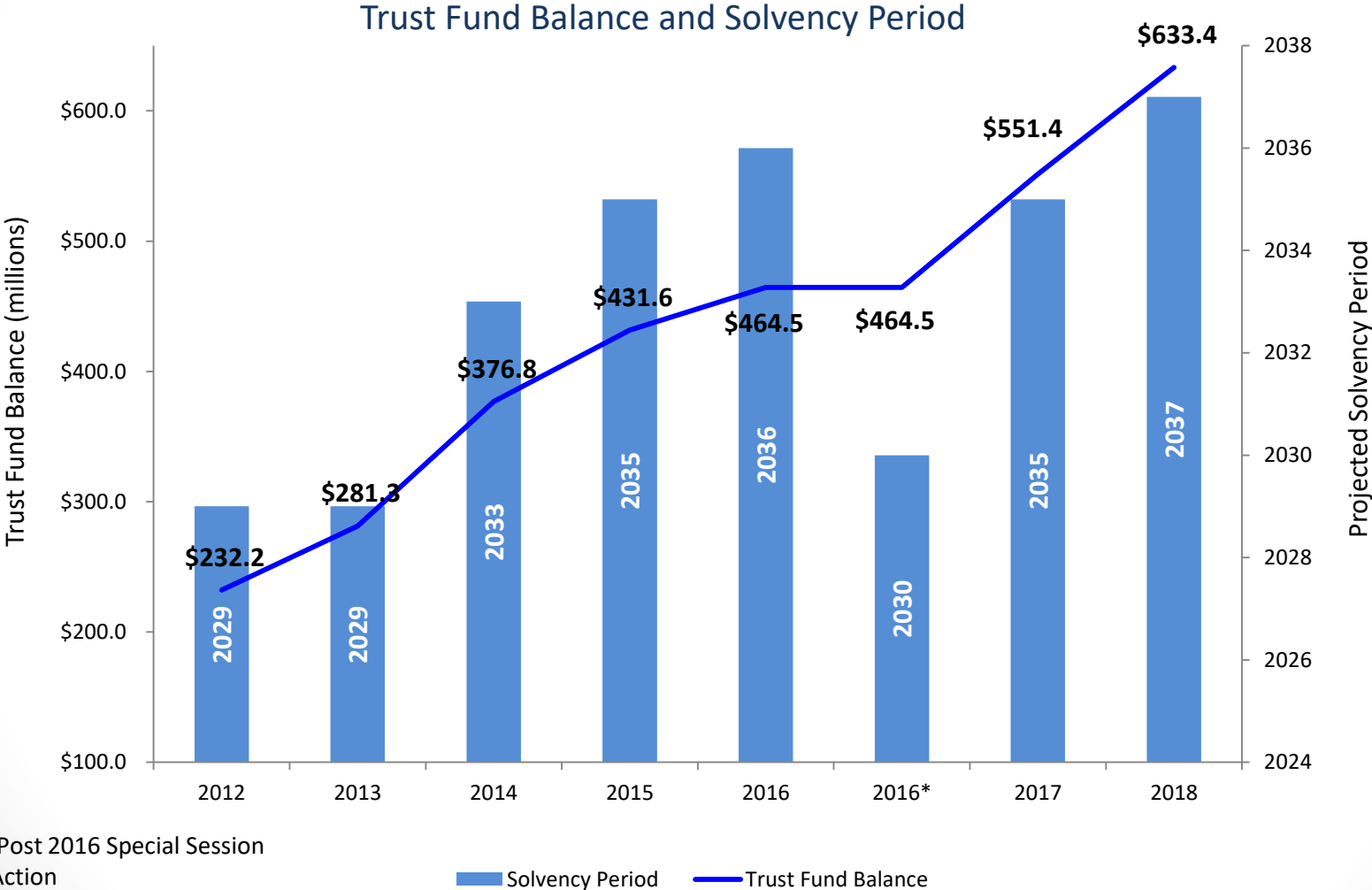
NEWMEXICO
RETIREE
HEALTH CARE
AUTHORITY

2019 Legislative Proposal

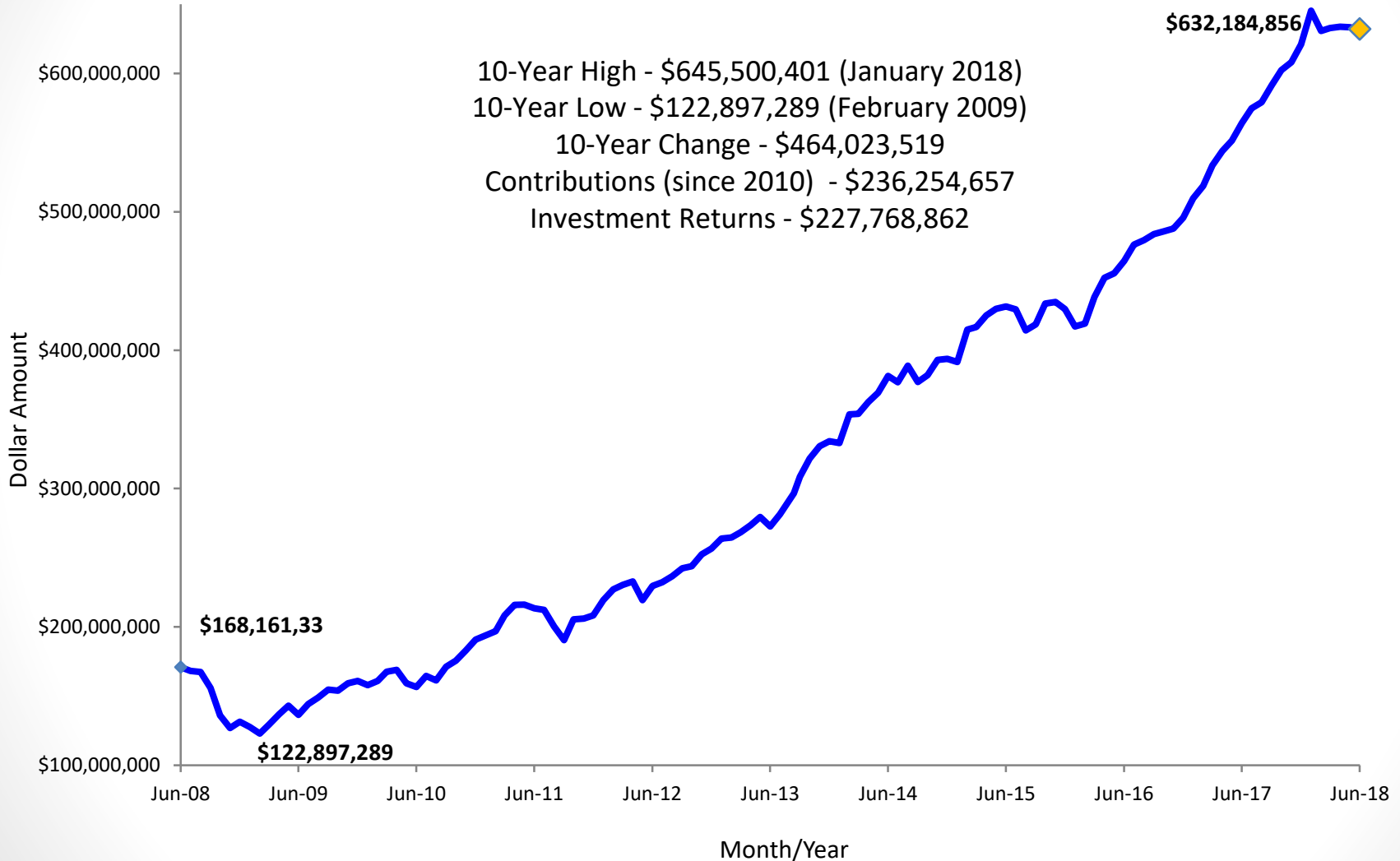
Solvency Assumptions

- BOY invested assets - \$633.4 million
- Discount rate – 7.25 percent
- Payroll growth – 2% in FY19, 0% in FY20 and 3.5% thereafter
- Pension tax revenue – 12% annual growth
- Rx Rebates – per PBM contract
- Rate increases
 - Pre-Medicare: 8% - 2019-2023 and 4% thereafter
 - Medicare: 6% - 2019 – 2033 and 3% thereafter
- Plan changes to remain beneath Federal Excise Tax Threshold

Solvency Results (2012 -2018)



NMRHCA Trust Fund Balance History July 2008 - July 2018



Proposed Employee/Employer Contribution Increase

- Increase employee contributions from 1 percent to 1.5 percent over 4-year period
- Increase employer contributions from 2 percent to 2.5 percent over 4-year period

	Employee	Employer	Total	Employee	Employer	Total	Additional	Est.
FY20	1.000%	2.000%	3.000%	\$43,549,337.00	\$ 87,098,674.00	\$130,648,011.00	NA	GF Impact
FY21	1.125%	2.125%	3.250%	\$47,733,255.00	\$ 93,703,450.00	\$141,436,705.00	\$10,788,694.00	\$ 3,302,388.00
FY22	1.250%	2.250%	3.500%	\$52,983,880.00	\$ 99,213,213.00	\$152,197,093.00	\$21,549,082.00	\$ 6,057,269.50
FY23	1.375%	2.375%	3.750%	\$58,282,268.00	\$104,769,153.00	\$163,051,421.00	\$32,403,410.00	\$ 8,835,239.50
FY24	1.500%	2.500%	4.000%	\$63,527,672.00	\$110,280,010.00	\$173,807,682.00	\$43,159,671.00	\$11,590,668.00

Employee Impact/\$40,000 average salary

- FY19/20 - \$400 per year / \$15.38 per pay period
- FY21 - \$450 per year / \$17.31 per pay period / \$1.92 increase
- FY22 - \$500 per year / \$19.23 per pay period / \$3.85 increase
- FY23 - \$550 per year / \$21.15 per pay period / \$5.77 increase
- FY24 - \$600 per year / \$23.08 per pay period / \$7.69 increase

Solvency Impact

Revenue

- Employee/Employer Contribution Increase (3 – 4% of payroll)

Liability Containment

- Pre-Medicare Retiree Subsidy Reduction --- 64 to 60 percent
- Pre-Medicare Spousal Subsidy Reduction --- 36 to 30 percent

Results

- Solvency Period Exceeds 30 years
- 2037 Projected Trust Fund Balance - \$1.9 billion
- 2049 Projected Trust Fund Balance - \$5.2 billion

	Employee	Employer	Total
1990 - 2001 (12 years)	0.500%	1.000%	1.500%
2002 - 2009 (8 years)	0.650%	1.300%	2.493%
2010 (1 year)	0.833%	1.660%	2.757%
2011 (1 year)	0.917%	1.840%	2.757%
2012 - 2020 (8 years)	1.000%	2.000%	3.000%
2021	1.125%	2.125%	3.250%
2022	1.250%	2.250%	3.500%
2023	1.375%	2.375%	3.750%
2024 and beyond	1.500%	2.500%	4.000%

2019 Medicare Advantage Rates

Background: Only July 1, 2018 the New Mexico Retiree Health Care Authority (NMRHCA) entered second renewal for an up-to four year agreement for Medicare Advantage Plans effective July 1, 2018 – June 30, 2019. The plan design and rates charged for these programs are subject to approval by the Centers for Medicare and Medicaid Services, subject to changes annually beginning January 1st of each year. The rates shown below provide a comparison of premiums for 2016/2017, 2017/2018 and 2018/2019. The rates shown below reflect a Medicare Plan participant with 20 years of service.

	2016 Rates			2017 Rates			Retiree	Retiree
	Retiree	NMRHCA	Total	Retiree	NMRHCA	Total	\$ Change	% Change
Blue Cross Blue Shield								
Plan I	\$ 61.20	\$ 61.20	\$ 122.40	\$ 61.20	\$ 61.20	\$ 122.40	\$ -	0%
Plan II	\$ 17.85	\$ 17.85	\$ 35.70	\$ 18.95	\$ 18.95	\$ 37.90	\$ 1.10	6%
Presbyterian								
Plan I	\$ 84.00	\$ 84.00	\$ 168.00	\$ 89.00	\$ 89.00	\$ 178.00	\$ 5.00	6%
Plan II	\$ 54.00	\$ 54.00	\$ 108.00	\$ 57.00	\$ 57.00	\$ 114.00	\$ 3.00	6%
Humana								
Plan I	\$ 82.78	\$ 82.78	\$ 165.55	\$ 82.78	\$ 82.78	\$ 165.55	\$ -	0%
Plan II	\$ 49.86	\$ 49.86	\$ 99.72	\$ 49.86	\$ 49.86	\$ 99.72	\$ -	0%
United Healthcare								
Plan I	\$ 88.50	\$ 88.50	\$ 177.00	\$ 94.70	\$ 94.70	\$ 189.39	\$ 6.19	7%
Plan II	\$ 46.43	\$ 46.43	\$ 92.86	\$ 49.68	\$ 49.68	\$ 99.36	\$ 3.25	7%
	2017 Rates			2018 Rates			Retiree	Retiree
	Retiree	NMRHCA	Total	Retiree	NMRHCA	Total	\$ Change	% Change
Blue Cross Blue Shield								
Plan I	\$ 61.20	\$ 61.20	\$ 122.40	\$ 69.60	\$ 69.60	\$ 139.20	\$ 16.80	14%
Plan II	\$ 18.95	\$ 18.95	\$ 37.90	\$ 23.30	\$ 23.30	\$ 46.60	\$ 4.35	23%
Presbyterian								
Plan I	\$ 89.00	\$ 89.00	\$ 178.00	\$ 96.50	\$ 96.50	\$ 193.00	\$ 7.50	8%
Plan II	\$ 57.00	\$ 57.00	\$ 114.00	\$ 72.50	\$ 72.50	\$ 145.00	\$ 15.50	27%
Humana								
Plan I	\$ 82.78	\$ 82.78	\$ 165.55	\$ 87.45	\$ 87.45	\$ 174.90	\$ 9.35	6%
Plan II	\$ 49.86	\$ 49.86	\$ 99.72	\$ 53.06	\$ 53.06	\$ 106.12	\$ 6.40	6%
United Healthcare								
Plan I	\$ 94.70	\$ 94.70	\$ 189.39	\$ 104.17	\$ 104.17	\$ 208.34	\$ 9.48	10%
Plan II	\$ 49.68	\$ 49.68	\$ 99.36	\$ 54.65	\$ 54.65	\$ 109.30	\$ 4.97	10%
	2018 Rates			2019 Rates			Retiree	Retiree
	Retiree	NMRHCA	Total	Retiree	NMRHCA	Total	\$ Change	% Change
Blue Cross Blue Shield								
Plan I	\$ 69.60	\$ 69.60	\$ 139.20	\$ 66.10	\$ 66.10	\$ 132.20	\$ (7.00)	-5.0%
Plan II	\$ 23.30	\$ 23.30	\$ 46.60	\$ 22.15	\$ 22.15	\$ 44.30	\$ (1.15)	-4.9%
Presbyterian								
Plan I	\$ 96.50	\$ 96.50	\$ 193.00	\$ 94.50	\$ 94.50	\$ 189.00	\$ (2.00)	-2.1%
Plan II	\$ 72.50	\$ 72.50	\$ 145.00	\$ 71.00	\$ 71.00	\$ 142.00	\$ (1.50)	-2.1%
Humana								
Plan I	\$ 87.45	\$ 87.45	\$ 174.90	\$ 66.83	\$ 66.83	\$ 133.66	\$ (41.24)	-23.6%
Plan II	\$ 53.06	\$ 53.06	\$ 106.12	\$ 34.08	\$ 34.08	\$ 68.16	\$ (37.96)	-35.8%
United Healthcare								
Plan I	\$ 104.17	\$ 104.17	\$ 208.34	\$ 94.69	\$ 94.69	\$ 189.38	\$ (9.48)	-9.1%
Plan II	\$ 54.65	\$ 54.65	\$ 109.30	\$ 49.66	\$ 49.66	\$ 99.32	\$ (4.99)	-9.1%

Summary: Beginning January 1, 2019, all Medicare plan participants (38,322 as of July 1) have the opportunity to pay less in monthly premium beginning January 1, 2019. This includes 14,954 Medicare Advantage plan participants, as well as the 23,368 Medicare Supplement members. These rates include the waiver of the Affordable Care Act Health Insurer Fee (HIF) for 2019 (\$20 - \$30 PMPM for 2018), as well as the individual medical and pharmacy claims experience, and CMS reimbursement levels. In addition to the rate reductions shown above, the following plan enhancements are included for the Humana and Presbyterian MA plans:

Humana: Virtual Visits – Humana is partnered with MDLive for virtual doctor’s appointments for non-emergency medical conditions such as bronchitis, allergies, and cold/flu. In 2019, this program will extend to other virtual visits for certain non-emergency mental health conditions (\$15 specialist copay).

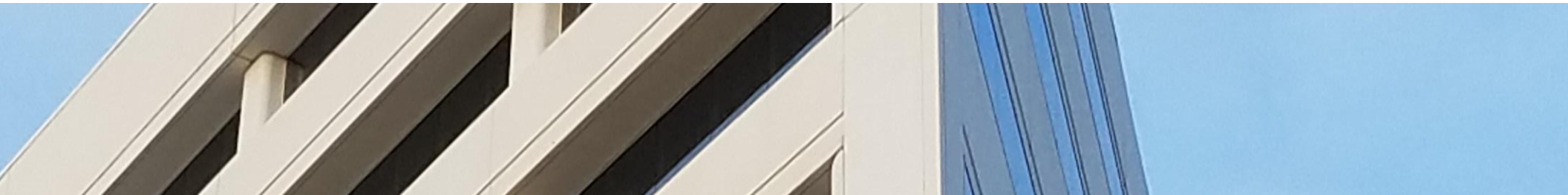
Presbyterian: Increase in the number of chiropractic and acupuncture visits from 20 -25 per year, hearing exam copay - \$45 and includes hearing aid benefit of \$699-\$999 per year.

Requested Action: None.



WILSHIRE ASSOCIATES

New Mexico Retiree Health Care Authority



Asset Allocation Review and Analysis Summary

Thomas Toth, CFA
Managing Director

August 2018

INVESTMENT OPTIONS AND FEES

New Mexico State Investment Council Client Investment Pools				
Market Cap/Style	Management	Benchmark	Estimated Annual Management Fee	Underlying Investment Managers
Large Cap US Stocks	Active	Russell 1000 Index	0.42%	Brown Brothers, T.Rowe Price
Large Cap US Stocks Index	Passive	Russell 1000 Index	0.02%	Northern Trust
Small/Mid Cap US Stocks	Active	70% R 2000 / 30 % R Mid Cap	0.66%	Seizert, Donald Smith, BlackRock
International Developed	Active	MSCI EAFE Index	0.55%	LSV, T.Rowe Price, Neuberger Berman, MFS, Templeton
International Developed Index	Passive	MSCI EAFE Index	0.04%	Alliance Bernstein
International Emerging	Active	MSCI Emerging Mkts	0.64%	BlackRock, William Blair
International Emerging Index	Passive	MSCI Emerging Mkts Index	0.14%	Alliance Bernstein
Core Bonds Plus	Active	Bloomberg Universal Bond Index	0.22%	PIMCO, Loomis Sayles, Prudential
Core Bonds	Passive	Bloomber US Agg Bond Index	0.04%	BlackRock
Private Market Pools*				
Private Equity	Active	Cambridge US Equity	0.98%	Various
Credit/Structured Finance	Active	Custom	1.18%	Various
Real Estate	Active	NCREIF ODCE Index	0.81%	Various
Real Return	Active	Custom	0.86%	Various

*Private market pool assets are subject to entry/withdrawal restrictions based on liquidity, with "lock up" periods defined in the client JPA.

CAPITAL MARKET ASSUMPTIONS

	US Stock	Non-US Developed Stock	Emerging Markets Stock	Core Bonds	Private Equity	Real Estate	Credit and Structured Finance	Real Return	Hedge Funds
Expected Return - 10 Years (%)	6.25	6.25	6.25	3.80	8.80	7.35	5.80	8.50	5.00
Expected Return - 30 Years (%)	7.45	7.45	7.45	4.80	10.20	7.90	6.80	9.20	6.85
Standard Deviation (%)	17.00	18.00	26.00	5.15	28.00	14.15	8.10	14.25	6.60
Correlations									
US Stock	1.00								
Non-US Developed Stock	0.81	1.00							
Emerging Markets Stock	0.74	0.74	1.00						
Core Bonds	0.28	0.13	0.00	1.00					
Private Equity	0.74	0.64	0.62	0.31	1.00				
Real Estate	0.54	0.45	0.45	0.19	0.51	1.00			
Credit and Structured Finance	0.58	0.50	0.56	0.17	0.40	0.56	1.00		
Real Return	0.70	0.58	0.59	0.30	0.87	0.79	0.52	1.00	
Hedge Funds	0.56	0.57	0.58	0.01	0.54	0.34	0.68	0.54	1.00

Credit & Structured Finance and Real Return were modeled based on underlying target allocations provided by SIC

TARGET PORTFOLIO OPTIONS

Asset Class	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
US Stock - Large Cap	20.00%	21.88%	14.00%	14.00%	14.25%
US Stock - Small Cap	3.00%	2.85%	2.00%	2.00%	2.00%
Non-US Developed Stock	12.00%	11.75%	14.00%	14.00%	14.00%
Emerging Markets Stock	<u>15.00%</u>	<u>15.68%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>
Total Equity	50.00%	52.16%	40.00%	40.00%	40.25%
Core Bonds	<u>25.00%</u>	<u>18.10%</u>	<u>23.25%</u>	<u>20.00%</u>	<u>19.75%</u>
Total Fixed Income	25.00%	18.10%	23.25%	20.00%	19.75%
Private Equity	10.00%	10.45%	6.75%	10.00%	14.50%
Real Estate	5.00%	5.30%	10.00%	10.00%	10.00%
Credit and Structured Finance	10.00%	9.55%	15.00%	15.00%	10.50%
Real Return	0.00%	0.00%	5.00%	5.00%	5.00%
Hedge Funds	<u>0.00%</u>	<u>4.44%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Illiquid Alternative	25.00%	29.74%	36.75%	40.00%	40.00%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%
Expected Return - 10 Years (%)	6.54	6.66	6.58	6.77	6.95
Expected Return - 30 Years (%)	7.65	7.81	7.62	7.82	8.02
Standard Deviation of Return (%)	12.60	13.19	11.21	11.93	12.82
+ / (-) in Expected Return - 10 Years (bps)		12	4	23	41
+ / (-) in Expected Return - 30 Years (bps)		16	(3)	17	37
+ / (-) in SD of Return (bps)		59	(139)	(67)	22
Sharpe Ratio	0.35	0.34	0.40	0.39	0.37

Optimized portfolios were selected that exhibited characteristics relative to the current Target Allocation

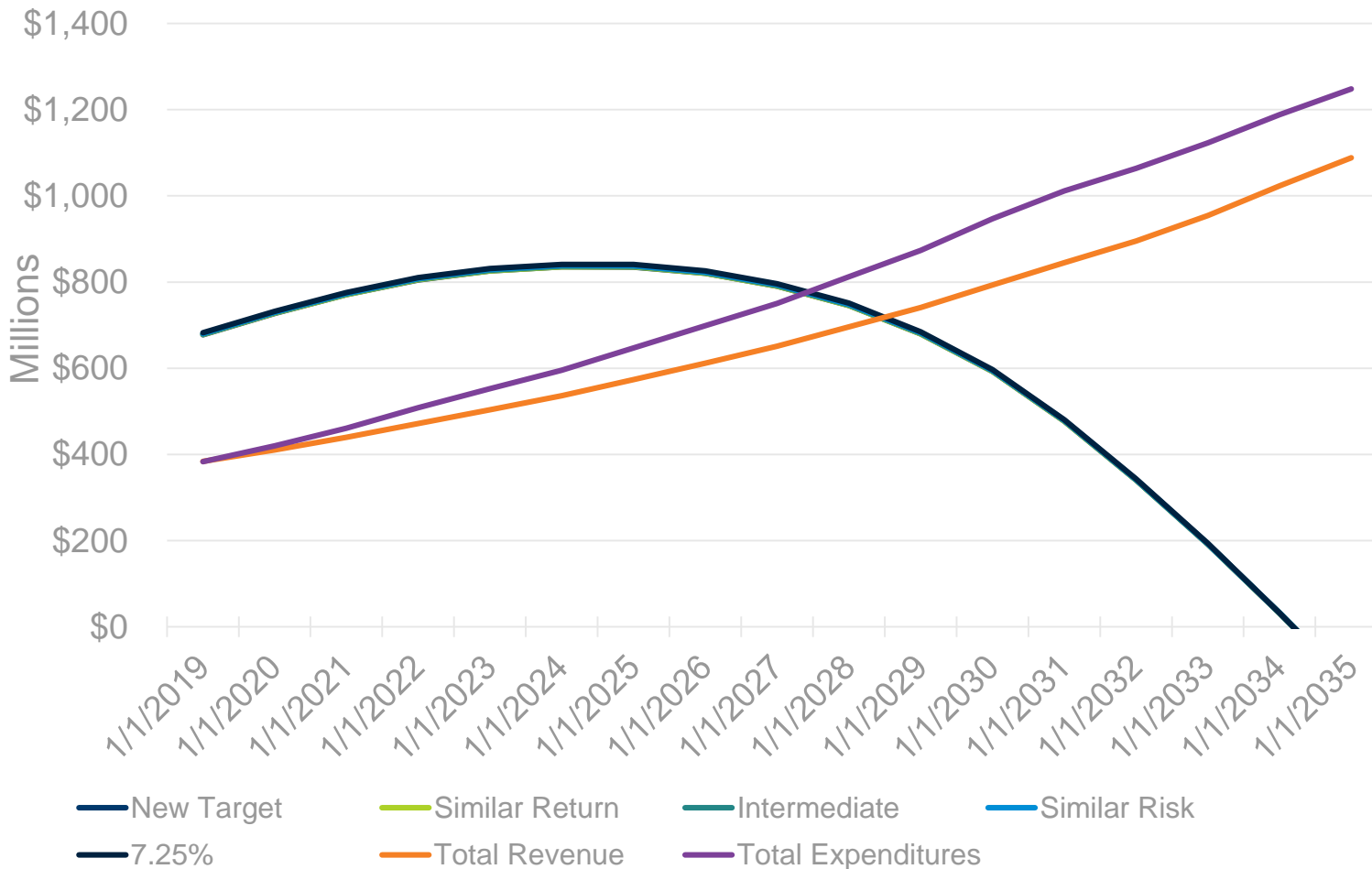
DECISION FACTOR – RETURN PROBABILITIES

Probabilities Using Wilshire Capital Market Assumptions	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
Probability of 1-Year Return Under 0% (Use standard assumptions)	29.4%	29.9%	27.1%	27.7%	28.6%
Probability of 5-Year Return Under 0% (Use standard assumptions)	11.3%	11.9%	8.6%	9.3%	10.3%
Probability of 1-Year Return Over 7.25% (Use standard assumptions)	47.7%	48.2%	47.6%	48.4%	49.1%
Probability of 5-Year Return Over 7.25% (Use standard assumptions)	45.0%	46.0%	44.7%	46.4%	47.9%
Probability of 30-Year Return Over 7.25% (Use long term assumptions)	57.0%	59.3%	57.2%	60.4%	63.1%

Asset Class	New Target Allocation (4/1/18)	Actual Allocation (12/31/17)	Similar Return Policy	Intermediate Policy	Similar Risk Policy
<i>Expected Return - 10 Years (%)</i>	6.54	6.66	6.58	6.77	6.95
<i>Expected Return - 30 Years (%)</i>	7.65	7.81	7.62	7.82	8.02
<i>Standard Deviation of Return (%)</i>	12.60	13.19	11.21	11.93	12.82

DECISION FACTOR – MARKET VALUE PROJECTION

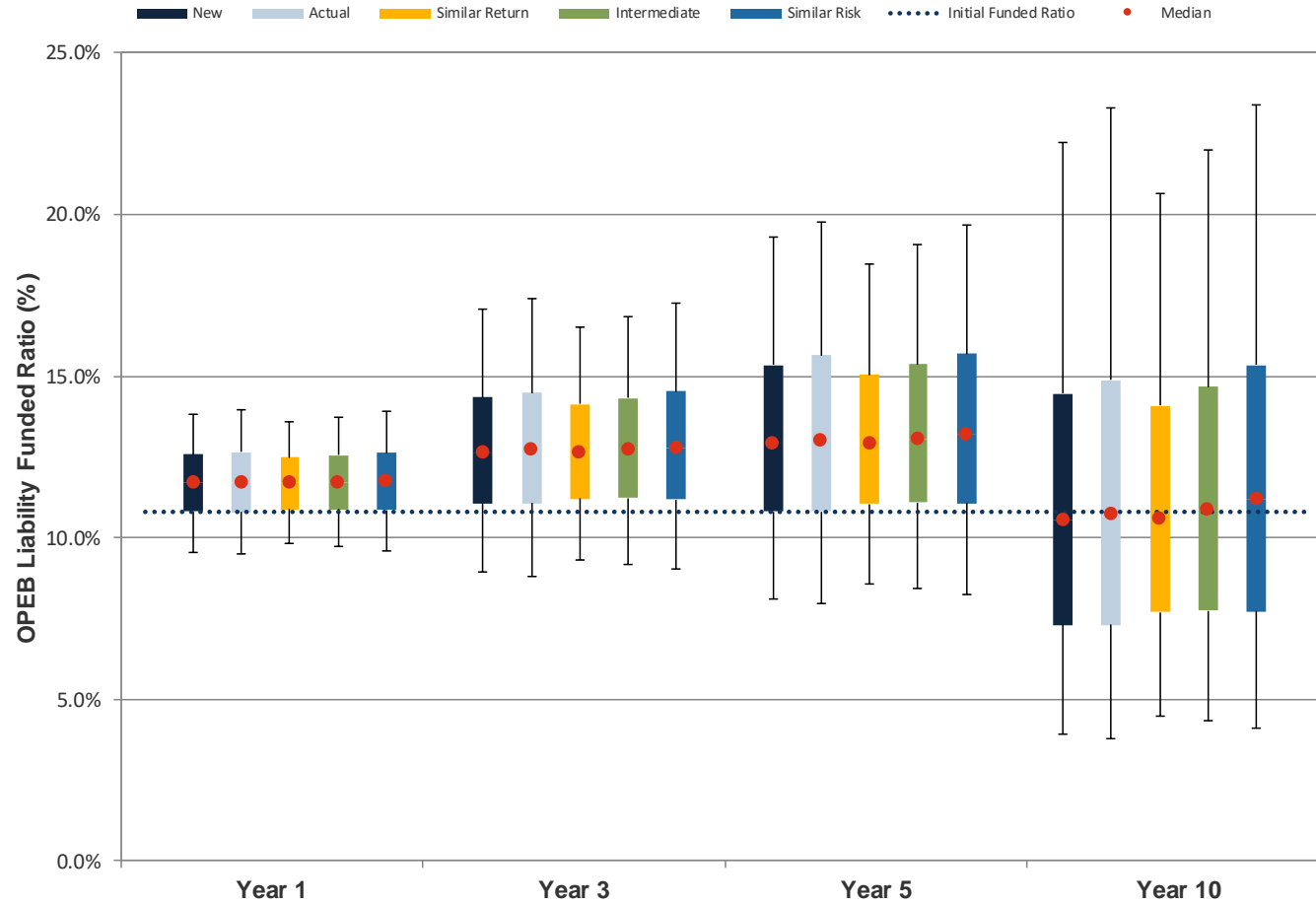
Projected Market Value



- Market value improvement given higher expected returns is difficult to see over projected time frame
- Projected market value for alternative asset allocations do not materially change solvency timeline

DECISION FACTOR – FUNDING LEVEL

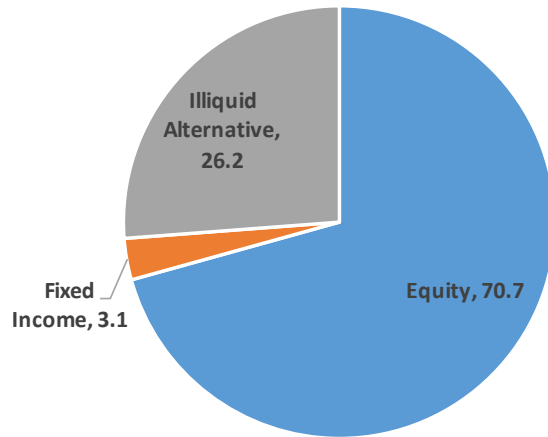
OPEB Liability Funded Ratio



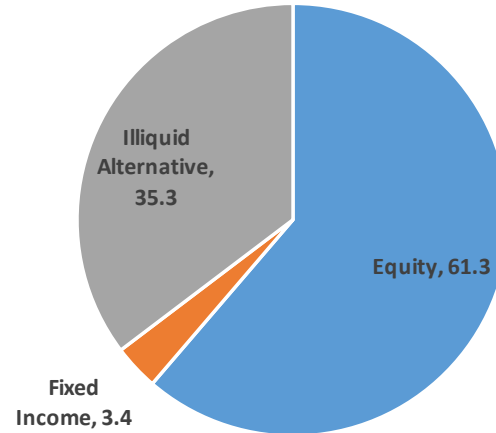
(%)	Year 1					Year 3					Year 5					Year 10				
	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk	New	Actual	Similar Return	Intermediate	Similar Risk
Very Optimistic	13.81	13.94	13.56	13.71	13.89	17.06	17.40	16.50	16.83	17.27	19.30	19.78	18.47	19.05	19.69	22.22	23.31	20.67	21.99	23.39
Optimistic	12.57	12.64	12.47	12.54	12.62	14.33	14.48	14.14	14.31	14.51	15.35	15.63	15.04	15.35	15.69	14.45	14.88	14.08	14.66	15.33
Median (Expected)	11.69	11.72	11.68	11.70	11.74	12.64	12.71	12.63	12.71	12.78	12.91	12.99	12.91	13.05	13.17	10.54	10.74	10.58	10.87	11.20
Pessimistic	10.80	10.79	10.89	10.87	10.84	11.06	11.06	11.21	11.22	11.19	10.81	10.80	11.05	11.08	11.07	7.29	7.30	7.68	7.73	7.71
Very Pessimistic	9.56	9.48	9.80	9.71	9.58	8.94	8.82	9.30	9.19	9.01	8.09	7.95	8.56	8.42	8.22	3.90	3.79	4.45	4.32	4.09

DECISION FACTOR - RISK CONTRIBUTION

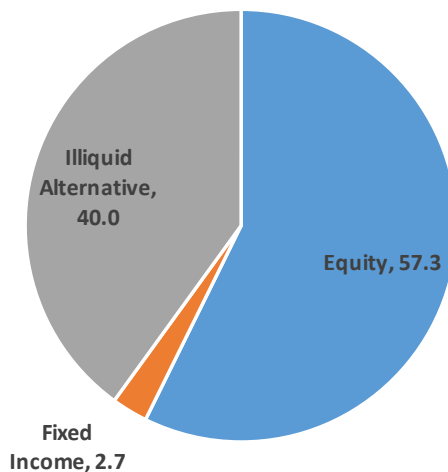
Target Allocation



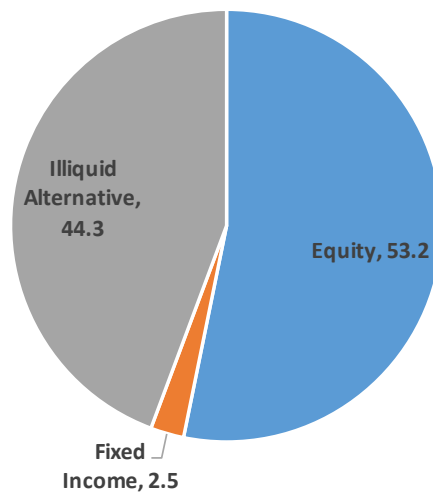
Similar Return



Intermediate



Similar Risk



- Contribution to total risk from Equity is lower for each asset allocation option
- Alternative investments are a larger driver of risk
 - Portfolio makeup differs across the risk spectrum, e.g. private equity ranges from 6.75% to 14.75%

DECISION FACTOR - LIQUIDITY PROFILE

Asset Class	Liquidity Market Level	Liquidity Overall
Equity Assets		
US Stock	100.00%	50.00%
Non-US Developed Stock	100.00%	50.00%
Emerging Markets Stock	90.00%	40.00%
Fixed Income Assets		
Core Bonds	100.00%	90.00%
Illiquid Alternative Assets		
Private Equity	0.00%	0.00%
Real Estate	0.00%	0.00%
Credit and Structured Finance	0.00%	0.00%
Real Return	0.00%	0.00%

	Liquidity (%)	
	Market Level	Overall
New Target Allocation	73.5	46.0
Actual Allocation (12/31/17)	70.0	41.0
Similar Return Policy	62.3	39.9
Intermediate Policy	59.0	37.0
Similar Risk Policy	59.0	36.9

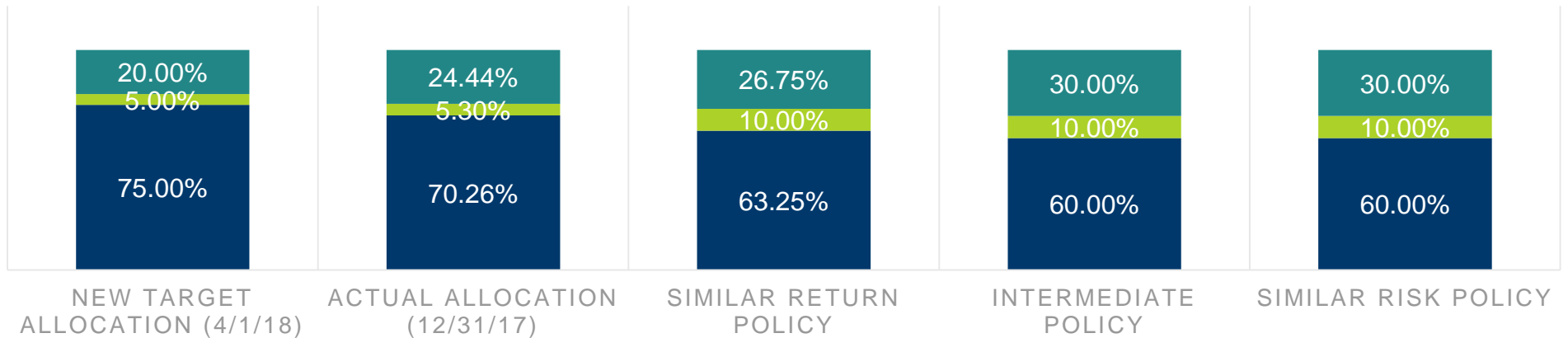
- Wilshire’s liquidity score is lower for each of the alternative asset allocations
- Liquidity percentage remains greater than 50% at market and ranges from about 37% to 46% after accounting for growth, valuation, and inflation penalties for some assets

DECISION FACTOR - LIQUIDITY PROFILE

Pool	Lockup Period	Notice Period	Liquidity Window
US Equity/Non-US Equity/US Fixed Income	None	5 business days	Monthly
National Private Equity	24 months	Up to 9 months	Semi-annual*
Real Estate	18 months	Up to 6 months	Semi-annual*
Credit & Structured Finance	12 months	Up to 3 months	Quarterly**
Real Return	12 months	Up to 3 months	Quarterly**
*Twice per calendar year, no less than three months apart			
**Four times per calendar year, no less than one month apart			

LIQUIDITY BUCKETS

■ Monthly ■ Quarterly/Annual ■ Illiquid



STRATEGIC CONSIDERATIONS - RISK LENSES

Risk Lenses	Liability Considerations	Asset Allocation Impact
Drawdown	Given cash flow projections, material drawdowns will impact solvency timeline	Higher expected risk-adjusted returns, with similar or less risk than the current target asset allocation
Inflation	Liabilities are subject to medical inflation which is expected to be greater than overall inflation	Introduce dedicated real return exposure and increases real estate, both of which tend to be more inflation sensitive
Liquidity	Projected to be cash flow negative starting in FYE 2020	While moderately less liquid, continue to have substantial levels of liquidity and SIC pools do offer possibility to shift allocations
Active		Increase in illiquid asset categories increases active risk, but in less efficient idiosyncratic market areas
Behavioral		Decision to reduce Total Equity could be impacted by recency or anchoring bias – i.e. public equity has been a positive returning asset class
Shortfall	Discount rate of 7.25% is higher than the expected return for all modeled asset allocations	Low expected return environment makes achieving the 7.25% return difficult over the next 10 years, although longer term 30 year equilibrium expectations look stronger

STRATEGIC CONSIDERATIONS

- Late cycle considerations support reducing Total Equity exposure from 50% to around 40%
 - Expected returns from public Total Equity are compressed
 - Alternative asset allocations provide higher expected returns at similar or lower risk levels, i.e. higher risk adjusted returns
 - Risk contribution is moderately more balanced between Total Equity and Alternatives, although Fixed Income risk contribution remains minimal
- Total Equity portfolio is structured to provide approximately equal risk contribution from U.S., non-U.S. developed, and emerging market regions
- Moderately lower Core Fixed Income exposure while increasing exposure to more idiosyncratic opportunities to less liquid Credit & Structured Finance pool
 - Core Fixed Income (vs. current Core Plus) exposure does not materially impact returns and is less expensive to implement
- Introduce additional investment in Alternatives through a dedicated Real Return allocation
 - Illiquid investments increase, though liquidity for the portfolio as a whole remains sufficient

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180324 G0319

Revised Asset Allocation
Effective October 1, 2018
Action Item

Background

In June 2017, New Mexico Retiree Health Care Authority (NMRHCA) received notice that the State Investment Council (SIC) would be making several changes to the pools in which NMRHCA current invests. In March 2018, the Board of Directors voted to approve a temporary asset allocation divesting from the Absolute Return Pool and transferring assets to the Core Plus Bonds Pool, as shown below.

Staff Recommendation

Investment	Market Value		Policy Range	Target	Target
	January 31, 2018			March 31, 2018	April 1, 2018
1 Large Cap Index	\$ 144,432,734.75	22%	15-25%	20%	20%
2 Mid/Small Cap	\$ 18,134,214.20	3%	0-6%	3%	3%
3 Non US Developed	\$ 77,007,347.49	12%	9-15%	12%	12%
4 Emerging Markets	\$ 106,137,038.65	16%	12-18%	15%	15%
5 Core Bonds	\$ 112,683,388.64	17%	10-30%	20%	25%
6 Private Equity	\$ 65,712,723.14	10%	5-15%	10%	10%
7 Real Estate	\$ 33,217,130.77	5%	2-8%	5%	5%
8 Credit & Structured Finance	\$ 60,093,176.66	9%	5-15%	10%	10%
9 Absolute Return	\$ 28,082,647.04	4%	0-10%	5%	0%
	\$ 645,500,401.34	100%		100%	100%

Based on asset allocation study presented to the Board at its annual meeting in July, a recommendation is being made to reduce our current exposure to US Large and Small Cap, Emerging Markets, Core Plus Bonds while increasing investments in Non-US Developed, Real Estate, Credit and Structured Finance, and Real Return Investment Pools. Also, please note, the recommendation includes transferring funds from the Core Plus Bonds to Core Bonds pool.

	Actual Allocation (12/31/17)	Current Allocation (4/1/18)	Similar Return	Intermediate	Similar Risk
1 US Large Cap	21.88%	20%	14.00%	14.00%	14.25%
2 US Small Cap	2.85%	3%	2.00%	2.00%	2.00%
3 Non-US Developed	11.75%	12%	14.00%	14.00%	14.00%
4 Emerging Markets	15.68%	15%	10.00%	10.00%	10.00%
5 Core Bonds	18.10%	25%	23.25%	20.00%	19.75%
6 Private Equity	10.45%	10%	6.75%	10.00%	14.50%
7 Real Estate	5.30%	5%	10.00%	10.00%	10.00%
8 Credit & Structured Finance	9.55%	10%	15.00%	15.00%	10.50%
9 Real Return	0.00%	0%	5.00%	5.00%	5.00%
10 Hedge Funds	4.44%	0%	0.00%	0.00%	0.00%
	100.00%	100%	100.00%	100.00%	100.00%

Requested Action

Staff respectfully requests permission to adjust its assets allocation from the current targets to those shown in the intermediate column, identified in the chart above.



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

FY20 Appropriation Request

Presented to the Finance Committee

August 27, 2018

FY20 Appropriation Request (Action Item)

Background

The statutory deadline for submission of the FY20 Appropriation Request to the State Budget Division and Legislative Finance Committee is September 4, 2018. The information presented includes actual expenditures for period between July 1, 2017 and June 30, 2018 (FY18), the approved operating budget for July 1, 2018 – June 30, 2019 (FY19), and proposed increases for the period beginning July 1, 2019 (FY20).

Summary

The chart below provides a summary of NMRHCA's programs for fiscal years 2019 and 2020:

	FY19 Operating	FY20Request	Increase	Percent
Healthcare Benefits Administration				
Contractual Services	\$ 332,450.7	\$ 356,100.7	\$ 23,650.0	7.1%
Other	\$ 42.0	\$ 42.0	\$ -	0.0%
Other Financing Uses	\$ 3,047.6	\$ 3,166.0	\$ 118.4	3.9%
Total	\$ 335,540.3	\$ 359,308.7	\$ 23,768.4	7.1%
Program Support				
PS&EB	\$ 1,937.5	\$ 1,981.3	\$ 43.8	2.3%
Contractual Services	\$ 566.3	\$ 646.6	\$ 80.3	14.2%
Other	\$ 543.8	\$ 538.1	\$ (5.7)	-1.0%
Total	\$ 3,047.6	\$ 3,166.0	\$ 118.4	3.9%
Agency Total				
PS&EB	\$ 1,937.5	\$ 1,981.3	\$ 43.8	2.3%
Contractual Services	\$ 333,017.0	\$ 356,747.3	\$ 23,730.3	7.1%
Other	\$ 585.8	\$ 580.1	\$ (5.7)	-1.0%
Other Financing Uses	\$ 3,047.6	\$ 3,166.0	\$ 118.4	3.9%
Total	\$ 338,587.9	\$ 362,474.7	\$ 23,886.8	7.1%

Health Care Benefits Administration

Overall, the FY20 request totals \$359.3 million, a 7.1 percent increase above the approved FY19 approved operating budget. Assumptions with regard to revenues are shown in the table below and described thereafter.

Health Benefit Fund - Revenue Detail								
	FY18	FY18	FY18	FY19	FY20	FY20	Percent	
	OPBUD	OPBUD/BAR	Actuals	OPBUD	Inc/Dec	Request	Change	
REVENUE:								
1	Employer/Employee Contributions	\$ 126,066.1	\$ 126,066.1	\$ 127,055.6	\$ 128,325.1	\$ -	\$ 128,325.1	0.0%
2	Retiree Contributions	\$ 143,337.5	\$ 156,437.5	\$ 167,906.8	\$ 150,517.6	\$ 17,199.6	\$ 167,717.2	11.4%
3	Taxation and Revenue Suspense Fund	\$ 26,256.2	\$ 26,256.2	\$ 24,068.2	\$ 29,406.9	\$ 3,528.8	\$ 32,935.7	12.0%
4	Other Miscellaneous Revenue	\$ 24,346.0	\$ 24,346.0	\$ 30,803.0	\$ 27,230.7	\$ 3,000.0	\$ 30,230.7	11.0%
5	Interest Income	\$ 60.0	\$ 60.0	\$ 146.8	\$ 60.0	\$ 40.0	\$ 100.0	66.7%
6	TOTAL REVENUE:	\$ 320,065.8	\$ 333,165.8	\$ 349,980.4	\$ 335,540.3	\$ 23,768.4	\$ 359,308.7	7.1%

- Employee and employer contributions are expected to grow by at least 2 percent compared to FY18, however, the request remains flat with FY19 approved operating levels.

- Retiree contributions are expected to grow by more than 11.4 percent compared to FY19 approved operating levels and likely approach \$180 million, with the difference between actual and budgeted amounts being transferred to the long-term trust fund. Assumptions are as follows:
 - Premium increases on the self-insured plans of 8 and 6 percent effective for half of FY20 (July 1, 2019 – December 31, 2019), with additional increases in premium effective January 1, 2020 - June 30, 2020.
 - Medicare Advantage Rates will decrease between 2 and 35 percent beginning January 1, 2019 (effective for half of FY20). However, Medicare Advantage rates are expected to begin climbing again in 2020, related to the imposition of the HIF fee combined with medical and pharmacy benefit trends.
 - Flat/limited growth in participation with the Pre-Medicare Plans.
 - Continued growth in Voluntary Programs (dental, vision and life insurance) – does not have a financial impact to the agency, but it does have a budgetary impact.
 - Beginning January 1, 2019 retiree will begin paying 50 percent of the \$4.1 million annual cost associated with providing the basic/supplemental life insurance policy granted to members who retired prior to December 31, 2012. This will have an approximate \$2.5 million impact in FY20, as the member cost share grows to 50 percent for half of FY19 and 75 percent for half of FY20.
- Revenues received from the Tax Suspense Fund are established by statute and distributed according to a schedule developed by the TRD, which will grow at 12 percent to the distributions received in FY19.
- Miscellaneous revenues are expected to grow compared to our FY19 approved operating budget, as rebates received from our PBM will increase under the terms of our new contract.
- Interest income is projected to earn between FY18 actuals and FY19 budgeted amounts.

Assumptions with regard to expenditures are shown in the table below and described thereafter.

Health Benefit Fund Expenditure Summary							
	FY18	FY18	FY18	FY19	FY20	FY20	Percent
	OPBUD	OPBUD/BAR	Actuals	OPBUD	Inc/Dec	Request	Change
Contractual Services							
1 Prescriptions	\$ 100,000.0	\$ 107,000.0	\$ 104,558.0	\$ 107,025.7	\$ 9,500.0	\$ 116,525.7	9.9% 1
2 Medical - Supplement/Self- Insured	\$ 155,000.0	\$ 162,000.0	\$ 157,638.4	\$ 162,075.0	\$ 7,500.0	\$ 169,575.0	4.7% 2
3 Medicare Advantage	\$ 28,091.2	\$ 27,089.5	\$ 25,037.8	\$ 29,000.0	\$ 3,500.0	\$ 32,500.0	15.4% 3
4 ACA Transitional Reinsurance Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0% 4
5 Voluntary Coverages	\$ 34,000.0	\$ 34,100.0	\$ 33,169.4	\$ 34,350.0	\$ 3,150.0	\$ 37,500.0	9.5% 5
6 Total Contractual Services	\$ 317,091.2	\$ 330,189.5	\$ 320,403.6	\$ 332,450.7	\$ 23,650.0	\$ 356,100.7	7.6% 6
Other							
7 PCORI Fee	\$ 37.8	\$ 39.5	\$ 39.4	\$ 42.0	\$ -	\$ 42.0	0.0% 7
8 Total Other	\$ 37.8	\$ 39.5	\$ 39.4	\$ 42.0	\$ -	\$ 42.0	0.0% 8
Other Financing Uses							
9 Program Support	\$ 2,936.8	\$ 2,936.8	\$ 2,936.8	\$ 3,047.6	\$ 118.4	\$ 3,166.0	4.0% 9
10 Total Other Financing Uses	\$ 2,936.8	\$ 2,936.8	\$ 2,936.8	\$ 3,047.6	\$ 118.4	\$ 3,166.0	4.0% 10
11 Total Expenditures	\$ 320,065.8	\$ 333,165.8	\$ 323,379.8	\$ 335,540.3	\$ 23,768.4	\$ 359,308.7	7.1% 11

- Expenditures related to the prescription drug plan (line 1) are expected to grow by nearly 10 percent compared to the FY19 approved operating budget. However, the proposed increase only represents an 11 percent increase compared to actual expenditures for FY18.
- Expenditures for the medical plan (line 2) reflect projected expenditures for the pre-Medicare plans and Medicare Supplement plan which reflect continued growth in participation along with medical trend minus migration (1,200 members between FY18 and FY19) combined with the continued migration toward the Value Plan option resources and savings associated with the introduction of the 3rd tier benefits levels offered through BCBS beginning January 1, 2019.

- Expenditures related to Medicare Advantage (MA) Plans are expected to account for a growing percentage of our overall costs. The increase includes assumptions with regard to continued growth in participation as well as assumed rate increases approved by CMS for each of our Medicare Advantage offerings. Beginning January 1, 2018 MA rates increases ranged between 6 and 27 percent. For 2019, the rates actually declined, largely the result of the suspension of the HIF fee, however, there is a reasonable expectation that MA rates will increase beginning January 1, 2020.
- Expenditures related to voluntary coverages (dental, vision and life) are expected to grow at a rate in line with increased participation (10.8 percent in FY16, 9.8 percent in F17 and 7 percent in FY18), combined with an increase in rates charged for all dental plans beginning January 1, 2019. Voluntary coverages (except for basic life) are 100% paid for by the retiree.
- NMRHCA will request \$42,000 to cover the estimated cost (average pre-Medicare participation in 2018 x \$2.35 per participant) for the Patient Centered Outcomes Research Institute Fee.
- Lastly, the request will include an amount sufficient to support the operating activities of the agency as reflected in the “Other Financing Uses” category.

Program Support

The chart below provides a categorical summary of expenditures related to the operating activities of the agency. Overall, the request includes a \$118.4 thousand increase above the FY19 approved operating budget, to include increases in the personal services and employee benefits categories, slightly offset by a reduction in the other category.

Program Support Expenditure Summary									
			FY18	FY18	FY19	FY20	FY20	Percent	
	Uses		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change	
1	200	Personal Services/ Employee Benefits	1,858.8	-	1,937.5	43.8	1,981.3	2.3%	1
2	300	Contractual Services	544.8	-	566.3	80.3	646.6	14.2%	2
3	400	Other Costs	533.2	-	543.8	(5.7)	538.1	-1.0%	3
4		TOTAL	2,936.8	-	3,047.6	118.4	3,166.0	3.9%	4
Summary of Revenues									
			FY18	FY18	FY19	FY20	FY20	Percent	
	Sources		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change	
5	112	Other Transfers	2,936.8	0.0	3,047.6	118.4	3,166.0	3.9%	5
6		Total	2,936.8	0.0	3,047.6	118.4	3,166.0	3.9%	6
7		FTE	27.0	27.0	27.0	(1.0)	26.0	-3.7%	7

Changes in projected expenditures are shown in the table below and described thereafter.

Expenditure Detail (Personal Services and Employee Benefits)									
		FY18	FY18	FY19	FY20	FY20	Percent		
		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change		
1	520100	Exempt Positions	146.2	175.5	165.5	110.6	276.1	66.8%	1
2	520300	Classified Perm. Positions	1,158.7	1,064.8	1,212.5	(84.1)	1,128.4	-6.9%	2
3	520800	Annual & Comp Paid	-	12.4	-	-	-	*	3
4	521100	Group Insurance Premium	189.9	176.2	196.4	1.2	197.6	0.6%	4
5	521200	Retirement Contributions	220.5	210.7	219.6	13.2	232.8	6.0%	5
6	521300	FICA	105.3	91.5	105.0	2.5	107.5	2.4%	6
7	521400	Workers Comp	0.2	0.2	0.2	-	0.2	0.0%	7
8	521410	GSD Work Comp Ins	2.1	2.1	1.6	-	1.6	0.0%	8
9	521500	Unemployment Comp	-	1.3	-	-	-	*	9
10	521600	Employee Liability Insurance	8.4	8.3	9.3	(0.3)	9.0	-3.2%	10
11	521700	Retiree Health Care	27.5	24.8	27.4	0.7	28.1	2.6%	11
12	521900	Other Employee Benefits	-	-	-	-	-	*	12
13		TOTAL	1,858.8	1,767.8	1,937.5	43.8	1,981.3	2.3%	13
Expenditure Detail (Contractual Services)									
		FY18	FY18	FY19	FY20	FY20	Percent		
		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change		
14	535200	Professional Services	304.8	361.8	344.8	55.0	399.8	16.0%	14
15	535300	Other Services	30.0	7.7	15.0	(5.0)	10.0	-33.3%	15
16	535309	Other Services InterA	-	-	-	20.0	20.0	*	16
17	535400	Audit Services	80.0	90.4	81.5	5.3	86.8	6.5%	17
18	535500	Attorney Services	40.0	30.0	35.0	5.0	40.0	14.3%	18
19	535600	Information Technology Services	90.0	44.1	90.0	-	90.0	0.0%	19
20		TOTAL	544.8	534.0	566.3	80.3	646.6	14.2%	20
Expenditure Detail (Other)									
		FY18	FY18	FY19	FY20	FY20	Percent		
		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change		
21	542100	Employee In-State Mileage & Fares	2.0	0.7	2.0	(0.5)	1.5	-25.0%	21
22	542200	Employee In-State Meals & Lodging	1.9	2.3	2.0	0.5	2.5	25.0%	22
23	542300	Board & Commission - In-State	10.0	11.2	10.0	3.5	13.5	35.0%	23
24	542500	Transportation-Fuel & Oil	1.0	0.7	1.0	-	1.0	0.0%	24
25	542600	Transportation	0.1	0.1	0.1	-	0.1	0.0%	25
26	542700	Transportation Insurance	0.2	-	0.2	-	0.2	0.0%	26
27	542800	State Transportation Pool Charges	4.4	5.8	4.7	(0.2)	4.5	-4.3%	27
28	543200	Maintenance - Furniture, Fixtures & Equipment	3.7	6.3	3.7	2.3	6.0	62.2%	28
29	543300	Maintenance - Building & Structure	3.0	4.2	3.0	1.5	4.5	50.0%	29
30	543400	Maintenance - Property Insurance	0.5	0.5	0.3	(0.3)	-	-100.0%	30
31	543820	IT Maintenance	12.6	-	10.0	(2.5)	7.5	-25.0%	31
32	544000	Supply Inventory IT	20.0	37.1	15.4	9.6	25.0	62.3%	32
33	544100	Supplies - Office Supplies	8.5	10.0	10.0	-	10.0	0.0%	33
34	544900	Supplies - Inventory Exempt	0.3	10.3	3.0	7.0	10.0	233.3%	34
35	545600	Reporting & Recording	0.0	5.2	1.0	5.0	6.0	500.0%	35
36	545609	Report/Record Inter St Agency	0.0	-	-	-	-	*	36
37	545700	DoIT ISD Services	4.1	3.9	4.1	(0.3)	3.8	-7.3%	37
38	545710	DoIT HCM Assessment	10.4	10.4	10.4	(0.4)	10.0	-3.8%	38
39	545900	Printing & Photo. Services	56.0	47.2	66.0	(10.0)	56.0	-15.2%	39
40	546100	Postage & Mail Services	115.9	71.3	112.0	(7.0)	105.0	-6.3%	40
41	546400	Rent of Land & Buildings	112.1	112.4	120.5	(7.7)	112.8	-6.4%	41
42	546409	Rent Expense - Interagency	7.4	7.6	7.8	0.3	8.1	3.8%	42
43	546500	Rent of Equipment	57.0	43.7	51.0	(5.0)	46.0	-9.8%	43
44	546600	Communications	21.0	15.6	21.0	-	21.0	0.0%	44
45	546610	DOIT Communications	63.6	55.3	62.1	(2.3)	59.8	-3.7%	45
46	546700	Subscriptions & Dues	4.0	1.7	4.0	(2.0)	2.0	-50.0%	46
47	546800	Employee Training & Edu.	5.0	1.3	5.0	(2.0)	3.0	-40.0%	47
48	546801	Board Member Training	2.0	-	2.0	3.0	5.0	150.0%	48
49	546900	Advertising	0.2	0.4	0.2	0.3	0.5	150.0%	49
50	547900	Miscellaneous Expense	1.3	2.2	1.3	-	1.3	0.0%	50
51	547999	Request to Pay Prior Year	-	-	-	-	-	*	51
52	548300	Information Technology Equipment	-	-	5.0	-	5.0	0.0%	52
53	549600	Employee Out-Of-State Mileage & Fares	1.0	1.3	1.0	0.5	1.5	50.0%	53
54	549700	Employee Out-Of-State Meals & Lodging	1.0	1.7	1.0	1.0	2.0	100.0%	54
55	549800	B&C-Out-Of-State Mileage & Fares	1.5	0.9	1.5	-	1.5	0.0%	55
56	549900	B&C- Out-Of-State Meals & Lodging	1.5	-	1.5	-	1.5	0.0%	56
57		TOTAL	533.2	471.3	543.8	(5.7)	538.1	-1.0%	57

- Personal services and employee benefits includes a \$43.8 thousand or 2.3 percent increase above FY19 approved operating levels to include full funding for all 26 FTE according to the E1 calculation in the budget preparation system. This request does not include funding for 1 FTE currently dedicated to the State Personnel Office, as part of the Executive Order issued in 2017, consolidating resources under the State Personnel Office.
- The request in the contractual services category includes sufficient funding for actuarial and benefits consulting services related to the annual solvency study, GASB valuation, and Medical, Dental, Vision RFP scheduled for release in the fall of 2019. The request also includes \$40,000 for investment advisory services related to the ongoing review of our investment portfolio, audit services according the State Auditor’s published schedule, legal service fees and transfers to the State Personnel Office for agency shared services similar to the fees paid by the State Investment Council.
- Lastly, the request in the other category includes sufficient amounts to support the projected operating expenses of the agency in FY20.

Performance Measures

The table below provides a list of performance measures approved by DFA and LFC, FY18 targets, FY18 reported performance, FY19 targeted performance and FY20 requested targets.

Healthcare Benefits Administration				FY18 Target	FY18 Actuals	FY19 Target	FY20 Request
1	Output	Minimum number of years of positive fund balance		18	19	18	18
2	Outcome	Number of years of projected balanced spending		4	5	4	5
3	Outcome	Percent of diabetics properly managed according to clinical guidelines		65%	TBD	65%	65%
4	Outcome	Emergency room visits per thousand members		200	275	350	350
Program Support							
5	Outcome	Percent of deposits made within 24 hours		100%	100%	100%	100%
6	Efficiency	Percent of payments made within 30 days		99%	100%	99%	99%

Requested Action

NMRHCA staff respectfully requests Board approval of the FY20 appropriation request as detailed above and approved by the Finance Committee to be submitted to the State Budget Division and Legislative Finance Committee on September 4, 2018.

Years of Service and Minimum Age Requirement Rule Change (Action Item)

Background: During the 2014 Annual Board Meeting in Angel Fire, the NMRHCA Board of Directors approved staff recommendations to move forward with consideration of establishing a minimum age requirement of 55 and an increase from 20 to 25 years in the years of service to receive the maximum subsidy beginning January 1, 2020.

To legally change the agency rules in the New Mexico Administrative Code, NMRHCA is required to hold a public hearing and establish a 30-day period to accept written comment on the proposed changes.

NMRHCA worked with the Rodey Law Firm to ensure that staff took the proper steps during the rule-change procedure, requesting permission from the Board of Directors at its scheduled monthly Board Meeting on May 8 setting a July 26 date for the public hearing.

The Authority posted notice in the Albuquerque Journal on June 10 and the New Mexico Register on June 12, establishing a public comment period on the proposed rule changes and announcing the July 26 public hearing to be held from 1-3 p.m. in the Board Room of the agency's Albuquerque office. The public comment period was open for 44 days, exceeding the 30-day rule.

Also, NMRHCA posted all required information on its website and sent all required information to the Sunshine Portal on June 12 as required. NMRHCA staff received two phone inquiries about the rule during the written comment period but nothing in written form prior to the hearing.

The public hearing took place on July 26 at 1 p.m. NMRHCA Director of Communications and Member Engagement Greg Archuleta served as the Public Hearing Officer. Deputy Director Neil Kueffer served as the official representing the agency, Customer Service Manager Jason Ballard served as a witness and Cynthia Loehr of the Rodey Law Firm served as counsel to ensure that the agency followed public hearing rules and had the proper forms submitted into evidence at the hearing.

The hearing drew an audience of one — Ms. Lisa Hentz, Blue Cross Blue Shield Account Executive II. She attended as an observer only and did not submit any written or oral comment.

Mr. Archuleta conducted the hearing, reading from a prepared script that followed public hearing guidelines. Mr. Kueffer gave a brief presentation that explained NMRHCA's reasoning for the proposed rule changes.

Mr. Archuleta finished going through the rule hearing script in 45 minutes. Because of the absence of written or oral comment or any other members of the public, Mr. Archuleta ended the hearing on the advice of counsel.

NMRHCA wishes to note that staff did receive four phone calls from active employees in the days following the hearing and answered more questions about the hearing and the proposal itself.

Requested Action

It was recently determined that NMRHCA staff failed to meet the requirement included in the State Rules Act related to the notification of the proposed rule change to Legislative Council Staff. Therefore, NMRHCA staff respectfully requests permission to issue notice, accept public comment and hold another hearing on October 19 from 9:30AM to 11:30AM in the New Mexico Retiree Health Care Authority Board Room. The record will then be distributed by email to the Board of Directors for their consideration and action at the regularly scheduled Board meeting on November 6.

Actuarial & Benefits Consulting RFP – Action Item

Background:

The New Mexico Retiree Health Care Authority (NMRHCA) is currently in its 3rd year, of an up-to 4-year agreement for actuarial and benefits consulting services with the Segal Company. The Segal Company currently provides a broad range of services related to development of our annual solvency study, GASB reporting requirements, and data warehouse services. However, consistent with the requirements contained in the Health Care Purchasing Act, NMRHCA in cooperation with 2 of the other members of the interagency benefits advisory committee including: Albuquerque Public Schools and the New Mexico Public School Insurance Authority are proposing to issue a request for proposals (RFP) for actuarial and benefits consulting services related to ongoing services to the agency and the work associated with next year's RFP for medical, dental, vision and Medicare Advantage services.

NMRHCA staff will consider proposals that provide value to our current processes or reduces our costs or potentially a contract specific to the development of next year's medical, dental and vision RFP, with project work commencing during the spring of 2019.

Proposed Timeline:

The RFP is scheduled for release in September with NMPSIA serving as the procurement manager for this particular procurement. The evaluation process will take place during the latter part of October and early November with possible staff recommendations to the Board at its meeting in December.

Action Item: NMRHCA staff respectfully requests approval to participate in the procurement process for actuarial and benefits consulting services.