

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

REGULAR MEETING OF THE BOARD OF DIRECTORS



October 1, 2019

9:30 AM

Alfredo R. Santistevan Board Room

NMRHCA Offices, Suite 207

4308 Carlisle Blvd. NE

Albuquerque, NM 87107

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

October 1, 2019

	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. Rael			
Ms. Moon			

NMRHCA BOARD OF DIRECTORS

October 2019

Mr. Wayne Propst
Executive Director
Public Employees Retirement Association
33 Plaza La Prensa
Santa Fe, NM 87507
PO Box 2123
Santa Fe, NM 87504-2123
Wayne.Propst@state.nm.us
W: 505-476-9301

Mr. Lawrence Rael
100 Marquette Ave, 11th Floor
City/County Building
Albuquerque, NM 87102
F: 505-768-3700
lrael@cabq.gov

Ms. Jan Goodwin
Executive Director
Educational Retirement Board
PO Box 26129
Santa Fe, NM 87502-0129
jan.goodwin@state.nm.us
W: 505-827-8030
F: 505-827-1855

Mr. Terry Linton
Governor's Appointee
1204 Central Ave. SW
Albuquerque, NM 87102
terry@lintonandassociates.com
505-247-1530

Mr. Joe Montaña, Vice President
NM Assoc. of Educational Retirees
5304 Hattiesburg NW
Albuquerque, NM 87120
Jmountainman1939@msn.com
505- 897-9518

Ms. Pamela Moon
NM Association of Counties
One Civic Plaza
10th Floor, Suite 10045
Albuquerque, NM 87102
pmoon@bernco.gov
505-468-1407

Mr. Doug Crandall
Retired Public Employees of New Mexico
14492 E. Sweetwater Ave
Scottsdale, AZ 85259
dougcinaz@gmail.com

The Honorable Mr. Tim Eichenberg
NM State Treasurer
2055 South Pacheco Street
Suite 100 & 200
Santa Fe, NM 87505
Tim.Eichenberg@state.nm.us
W: 505-955-1120
F: 505-955-1195

Ms. Therese Saunders
NEA-NM, Classroom Teachers Assoc., & NM
Federation of Educational Employees
5811 Brahma Dr. NW
Albuquerque, NM 87120
tsaunders3@mac.com
505-934-3058

Mr. Tom Sullivan, President
Superintendents' Association of NM
800 Kiva Dr. SE
Albuquerque, NM 87123
tsullivan48@gmail.com
505-330-2600

Ms. Leanne Larranaga-Ruffy
Alternate for PERA Executive Director
33 Plaza La Prensa
Santa Fe, NM 87507
PO Box 2123
Santa Fe, NM 87504
Leanne.Larranaga@state.nm.us
505-476-9332

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

October 1, 2019

9:30 AM

Alfredo R. Santistevan. Board Room
NMRHCA Offices, Suite 207
4308 Carlisle Blvd. NE
Albuquerque, NM 87107

AGENDA

1. Call to Order	Mr. Sullivan, President	Page
2. Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3. Pledge of Allegiance	Mr. Sullivan, President	
4. Approval of Agenda	Mr. Sullivan, President	4
5. Approval of Regular Meeting Minutes August 27, 2019	Mr. Sullivan, President	5
6. Public Forum and Introductions	Mr. Sullivan, President	
7. Committee Reports	Mr. Sullivan, President	
8. Executive Director's Updates	Mr. Archuleta, Executive Director	
a. HR Updates		14
b. Medical, Dental and Vision RFP		28
c. Fall Switch Enrollment		29
d. Legislative		30
a. Investment Pensions Oversight Committee		
b. Interagency Pharmaceuticals Purchasing Council		
e. August 31, 2019 SIC Report		
f. June 30, 2019 Investment Performance Report		
9. FY20 Budget Adjustment Requests – Program Support (Action Item)	Mr. Archuleta, Executive Director	39
10. FY20 Contract Amendments/New (Action Item)	Mr. Archuleta, Executive Director	43
11. Solvency/Funding Targets/Proposed Legislation (Action Item)	Mr. Archuleta, Executive Director	44
12. Other Business	Mr. Sullivan, President	
13. Executive Session	Mr. Sullivan, President	
Pursuant to NMSA 1978, Section 10-15-1(H)(6) To Discuss Limited Personnel Matters		
14. Date & Location of Next Board Meeting	Mr. Sullivan, President	
November 5, 2019, 9:30AM		
Alfredo R. Santistevan Board Room		
4308 Carlisle Blvd. NE., Suite 207		
Albuquerque, NM 87107		
15. Adjourn		

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

August 27, 2019

<u>Item</u>	<u>Action</u>	<u>Page</u>
APPROVAL OF AGENDA	Approved	3
<u>APPROVAL OF MINUTES:</u> July 11/12, 2019	Approved	3
<u>PUBLIC FORUM & INTRODUCTIONS</u>	Informational	3
COMMITTEE REPORTS	Informational	3
<u>EXECUTIVE DIRECTOR'S UPDATES</u> HR Updates Presbyterian Data Breach Life Insurance Rates FY19 Financial Audit Fall Switch Enrollment Fall Newsletter Legislative June 30/July 31, 2019 SIC Report	Informational	4
2020 MEDICARE ADVANTAGE RATES	Informational	6
SOLVENCY/FUNDING TARGETS/ PROPOSED LEGISLATION	Discussion	6
FY21 APPROPRIATION REQUEST	Approved	7
OUT-OF-STATE TRAVEL REQUEST	Approved	7
HEARING FOR APPEAL OF EXEC DIRECTOR'S <u>DECISION REGARDING ELIGIBILITY OF V.L.</u> UPHOLD HEARING OFFICER'S DECISION	Approved	8

MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

August 27, 2019

1. CALL TO ORDER

A Regular Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 1:00 p.m. in the Alfredo R. Santistevan Board Room, 4308 Carlisle Boulevard, N.E., Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Tom Sullivan, President
Mr. Joe Montaño, Vice President
Mr. Doug Crandall, Secretary [left 2:30 p.m.]
Mr. Rod Ventura [for Ms. Goodwin]
Ms. Jan Goodwin [joining by phone 1:20-2:30 p.m.]
Mr. Terry Linton
Ms. Pamela Moon
Ms. LeAnne Larrañaga-Ruffy
Mr. Lawrence Rael [left 2:00 p.m.]
Ms. Therese Saunders
The Hon. Tim Eichenberg, NM State Treasurer

Members Excused:

None.

Staff Present:

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

Others Present:

Dr. Nura Patani, Actuary, Segal
[See sign-in sheets]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the Pledge.

4. APPROVAL OF AGENDA

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

5. APPROVAL OF REGULAR MEETING MINUTES: July 11/12, 2019

Mr. Crandall moved approval of the minutes of the July 11/12, 2019, as submitted. Mr. Linton seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Chairman Sullivan welcomed staff and guests.

There were no speakers from the floor.

7. COMMITTEE REPORTS

Chairman Sullivan reported that the Executive Committee met last Thursday to set today's agenda.

Chairman Sullivan thanked board members and staff for their outreach efforts since the July annual meeting. As a result, the NMRHCA is getting publicity over issues that are important to the agency and noted that a meeting is scheduled with Governor Lujan Grisham on September 10 to discuss potential actions at the upcoming legislative session. In addition, there was a very positive reaction from Director David Abbey during the recent meeting with the LFC. He stressed the importance of meeting with the stakeholders and keeping them informed and engaged in this agency's progress moving forward.

Ms. Saunders introduced AFT staff representative Jerry Thorn to the board. She said she looked forward to continued involvement from the AFT as the legislative session approaches.

Mr. Crandall reported that the Finance Committee and Investment Committee met. Matters discussed are on today's agenda.

Mr. Montaña said the Legislative Committee has not yet met. He added that, following the meeting with Governor Lujan Grisham on September 10 to discuss the solvency issue, a meeting with the stakeholders will be held to get their input.

Chairman Sullivan commended Mr. Archuleta for doing an outstanding job at all of the recent meetings with the committees and legislators in effectively communicating with them and responding to their questions.

[Chairman Sullivan announced later in the meeting that Mr. Propst and his representative Ms. Larrañaga-Ruffy have relinquished their seat on the Legislative Committee to Mr. Rael.]

8. EXECUTIVE DIRECTOR'S UPDATES

a. HR Updates

Mr. Archuleta announced that Barbara Herrera-Martinez has been hired as Santa Fe area supervisor; prior to this, she was one of NMRHCA's account managers at Blue Cross Blue Shield.

Mr. Archuleta reported that NMRHCA has entered into a memorandum of understanding with the State Personnel Office. The MOU replaces the service level agreement NMRHCA previously had with SPO and requires that NMRHCA pay SPO \$15,800 for HR services for FY 2020.

Mr. Archuleta said the Governor issued an Executive Order last month creating and promoting a fitness and wellness policy that directs all state departments and agencies to implement fitness and wellness policies based on guidance provided by SPO. He said NMRHCA would work on developing a policy.

b. Presbyterian Data Breach

Mr. Archuleta reported on a data breach reported by Presbyterian affecting 183,000 patients and health plan members, which includes 9,174 NMRHCA members. Presbyterian issued a letter to all affected members describing the breach and advising how they could protect themselves, and also offering free credit monitoring services.

Mr. Archuleta said the agency has received relatively few phone calls on this data breach.

Presbyterian representative Keith Witt stated that claims were not breached; however, emails were, and those have been archived going back 10 years.

c. Life Insurance Rates

Mr. Archuleta said an internal programming error was discovered last week in the life insurance rate calculation for July, August and September. About 22,000 members were charged \$8.17 per month instead of \$8.44, for a total of 81 cents for the three-month period. Those members will be notified about the error and informed what the charges should have been. Unfortunately, NMRHCA does not have the ability to write off this amount, which amounts to about \$30,000, so the affected members will be charged for the difference.

d. FY19 Financial Audit

Mr. Archuleta reported that the financial audit is underway. At the conclusion of today's meeting, the Audit Committee will meet to hold an entrance conference with the auditors.

e. Medical, Dental and Vision RFP

Mr. Archuleta said he was pleased to report that Aon is the selected vendor chosen by the evaluation committee to develop the Medical, Dental and Vision RFP. The total cost is \$135,000, or \$33,750 per IBAC member. This was the lowest bid submitted, with the next highest-scoring vendor had

issued a price of \$190,000, or \$46,500 per IBAC member. The RFP will be issued in late September or early October, and APS will work with the State Purchasing Division to complete this process.

f. Fall Switch Enrollment

Mr. Archuleta said the switch enrollment schedule has been sent by postcard to the membership. The meetings will kick off in Santa Fe on October 2, ending in Rio Rancho on November 1. As in prior years, there will be 16 meetings in 13 locations.

g. Fall Newsletter

Mr. Archuleta reviewed highlights in the newsletter.

h. Legislative

Mr. Archuleta provided a legislative update. He said HB 81, introduced by Rep. Eliseo Lee Alcon, has now been signed into law. The bill limits the copays for physical therapy so they cannot be higher than the primary care office visit. The total financial impact is about \$12,000.

Mr. Archuleta reported that he and Mr. Montañño met with Dr. Dan Lopez to discuss his possible interest in serving as NMRHCA's lobbyist. Dr. Lopez did not mention a written contract, but did say he would like to help out, and offered to attend the meeting with the Governor's Office on September 10.

Mr. Archuleta also reported that he met with Rep. Figueroa, who is a schoolteacher in Bernalillo County representing District 30. She supports the program, and asked a number of questions. He commented that it was a positive meeting.

Mr. Archuleta discussed the meeting that he and Chairman Sullivan had with LFC Director Abbey, who indicated he was appreciative of this board's efforts to shore up the agency's finances and expressed support for the board's request in the upcoming legislative session. Mr. Archuleta noted that the LFC will hold a hearing today in Red River to discuss compensation as a whole. In terms of what NMRHCA's target should be moving forward, whether it's a funded ratio or a certain solvency date, it will be important to consider how NMRHCA contributes to overall compensation, not only because it will be competing with other legislative priorities, but also in terms of how that might impact employees if they have to pay more for this program. Twenty-five percent of NMRHCA's membership comes from counties, cities, municipalities, and other organizations that may not be benefiting from the same luxury the state is experiencing from oil & gas revenues.

Mr. Archuleta said Mr. Abbey was looking for some commitment from the board about implementing elements from the strategic plan to include reducing the pre-Medicare subsidies. He said this raises the question of why NMRHCA's subsidy levels for pre-Medicare retirees are higher than they are for Medicare retirees. Right now, the NMRHCA subsidizes 50 percent of the rate for a Medicare-eligible retiree with 20 years of service and 25 percent for the spouse or domestic partner; however, for a pre-Medicare retiree, NMRHCA subsidizes 64 percent and 36 percent for the spouse or domestic partner. Mr. Abbey had discussed implementing something higher than the 55 minimum age requirement.

Mr. Archuleta commented that the greatest challenge NMRHCA has is keeping this a meaningful benefit for people without it turning into a penalty at some point. Even if the agency were to impose a

minimum age of 60, however, there are a lot of things it could do to maintain the value of the program without preventing people from retiring before then.

On the matter of a lobbyist, Mr. Rael said Dr. Lopez would be a great asset to the agency with his offer to volunteer to help. He said an additional option would be to call on David Archuleta to assist in lobbying efforts because he has more knowledge of NMRHCA than anyone along with an impressive level of expertise. Chairman Sullivan agreed with Mr. Rael on the idea of Mr. Archuleta working out of the Santa Fe office as the session approaches.

Mr. Archuleta said he would relocate temporarily at the Santa Fe office with Deputy Director Kueffer remaining in the Albuquerque office.

i. June 30/July 31, 2019 SIC Report

Mr. Archuleta reported an ending balance of \$717.8 million, an increase of \$100,000 over the previous month.

9. 2020 MEDICARE ADVANTAGE PLAN RATES

Mr. Archuleta said he was very pleased to report that, beginning January 1, 2020, all 39,612 Medicare plan participants (as of September 2019) have the opportunity to pay less in monthly premium beginning January 1, 2019, by switching from the Medicare Supplement or higher costing Medicare Advantage Plan. In addition, Presbyterian has included the following benefit enhancements: \$0 copay for routine and Medicare-covered hearing exams; \$10 copay for all eye visits to contracted ophthalmology and optometry providers (CMS did not allow current process); and \$0 copay for Tier 1 (Preferred Generic) drugs; elimination of the \$300 prescription drug deductible on Plan II.

10. SOLVENCY/FUNDING TARGETS/PROPOSED LEGISLATION

Mr. Archuleta made a slide presentation. [Sixteen-page presentation in board book on page 62.]

In discussing solvency assumptions, Mr. Montañó said the retirees have been contacting their legislators to shore up the solvency of the fund and asking for their support. One of the legislators, Rep. William Pratt, answered one of the retirees by pointing out that the Health Security Act (introduced in 2013 by Rep. Bobby Gonzales) would address Medicaid for all. Mr. Montañó said he hasn't heard any indication that this legislation would be brought forward again, however.

In discussion on targets, Mr. Crandall pointed out that the agency would be on much better solvency footing had the legislature approved its requests going back six or seven years. He said he was still disinclined to do a lot of major cuts to retirees, who have been eating all of the cuts themselves to get to what he sees as an artificial funding number.

Ms. Goodwin said one of her major concerns is that all of the agency's projections include continued Tax Suspense Fund money coming in each year, which right now is increasing at 12 percent. It will not take long before the amount is large enough to raise legislators' eyebrows, and that amount will then be cut, so NMRHCA should not continue to count on this as revenue. She stressed that it is imperative that the agency's long-term goal must be to reach 100 percent funding within either 30 or 25 years; and if

legislators are not willing to pay the money necessary to do that, NMRHCA has to show them what cuts would be necessary to make that happen.

Mr. Crandall responded that there are some legislators who would like to see NMRHCA go away, and if told that if they don't pay up this is what NMRHCA will have to do, several of them are going to respond, "Then go ahead and do it." He said he would like to see the agency establish a floor and then tell legislators what it would cost to get to 100 percent, or come up with something lower than 100 percent and make an agreement on that. He also questioned why NMRHCA needs to be fully funded in 25 years, and suggested 40 years instead. Ms. Goodwin pointed out that the generally accepted period for pension plans is 30 years, and going beyond that will lower the state's credit rating. She said the rating agencies are probably getting ready to focus on retiree healthcare issues anyway.

Ms. Moon agreed with Ms. Goodwin that it is just a matter of time before the rating agencies turn their attention to retiree health plans. She said she has heard some rating agencies say they would be happy with 80 percent funding. Nonetheless, she feels NMRHCA should be moving as quickly as possible to implement a variety of things including increasing the contribution rate.

Ms. Goodwin clarified that, although there is no contractual obligation in the New Mexico Constitution to pay retiree healthcare benefits, it is still the liability of the state. In addition, the credit rating agencies want to see that contributions are high enough to pay the current amortization on the debt ("tread water payments") over a 30-year period.

Ms. Moon said she would like to see the contributions at the 2:1 ratio for the employer/employee. If the NMRHCA can get .5 passed, it would be a .75 contribution, a bit more than 50 percent.

Chairman Sullivan said this discussion would continue at the October meeting.

11. FY21 APPROPRIATION REQUEST

Mr. Archuleta reviewed requested increases for FY 2021.

Chairman Sullivan noted that the Finance Committee did recommend approval.

Ms. Larrañaga-Ruffy moved for approval of the FY21 Appropriation Request. Mr. Linton seconded the motion, which passed unanimously.

12. OUT-OF-STATE TRAVEL REQUEST

Mr. Archuleta requested approval for either him or Deputy Director Kueffer to attend the Public Sector HealthCare Roundtable's Annual Conference in Old Town Alexandria, Virginia on November 5-8, 2019.

Ms. Moon so moved. Ms. Saunders seconded the motion, which passed unanimously.

14. OTHER BUSINESS

None.

15. EXECUTIVE SESSION: PURSUANT TO NMSA 1978, SECTION 10-15-(H)(6) TO DISCUSS LIMITED PERSONNEL MATTERS

None.

**16. DATE AND LOCATION OF NEXT BOARD MEETING:
OCTOBER 1, 2019, 9:30 A.M.
ALFREDO R. SANTISTEVAN BOARD ROOM, STE. 207
4308 CARLISLE BLVD., N.E.
ALBUQUERQUE, NM, 87107**

13. HEARING FOR APPEAL OF EXECUTIVE DIRECTOR'S DECISION REGARDING ELIGIBILITY OF V.L.

The Appeal may be closed during those times permitted by Federal law and the Open Meetings Act

Jenica Jacobi, Rodey Law Firm, general counsel representing the NMRHCA Board, stated that, because this involves a participant in the plan, the issues to be discussed are likely covered by HIPAA and may include confidential information about the plan participant. Although the Open Meetings Act does not explicitly provide an "otherwise as provided by law" exception, if there is federal law that provides confidentiality that will preempt the Open Meetings Act. She would therefore recommend going into closed session.

Ms. Moon moved to go into executive session. Mr. Montañó seconded the motion, which passed on the following roll call vote:

For: Chairman Sullivan; Vice Chairman Montañó; Mr. Ventura; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Ms. Moon.

Against: None.

[The hearing concluded at approximately 4:00 p.m., with appellants and representatives leaving the room so the board could deliberate.]

Ms. Moon moved to come out of executive session at 4:30 p.m. Ms. Saunders seconded the motion, which passed unanimously.

Chairman Sullivan said he wished to assure everyone that the board discussed this situation in depth for a half hour.

Mr. Eichenberg moved to include the emails between opposing counsels as part of the record. Mr. Linton seconded the motion, which passed unanimously.

Mr. Linton moved to uphold the Hearing Officer's decision. Ms. Larrañaga-Ruffy seconded the motion, which passed unanimously.

ADJOURN

Meeting adjourned at 4:35 p.m.

Accepted by:

Tom Sullivan, President



Investments & Pensions Oversight Committee

Senator George K. Muñoz, Chair

Representative Patricia Roybal Caballero, Vice Chair

New Mexico Retiree Health Care Authority Updates

September 5, 2019

Tom Sullivan, President

Joe Montaño, Vice President

Doug Crandall, Secretary

David Archuleta, Executive Director

Recent Updates

Annual Board Meeting – July 2019

- Rate Increases
 - Pre-Medicare: 7 percent
 - Medicare Supplement: 5 percent
 - MA Plans Range: -2 percent to 0 percent
- Presbyterian MA Plan Enhancements
- Patient Assurance Program
 - Caps insulin copays at \$25 for 30-day supply and \$75 for 90-day supply
- 3rd Year of Basic Life Insurance Phase Out

Covered Members – 63,956 (9/1/19)

- Medicare – 39,612
- Pre-Medicare – 15,405
- Medical Plan Breakdown
 - Retiree – 40,042
 - Spouse/Domestic Partners – 13,071
 - Dependent Children – 1,904
- Voluntary Only – 8,939

Recent Updates Continued

Life Insurance Contract

- The Standard: July 1, 2019 – June 30, 2023
- Average 3.9% increase across all age brackets

Medical, Dental and Vision RFP

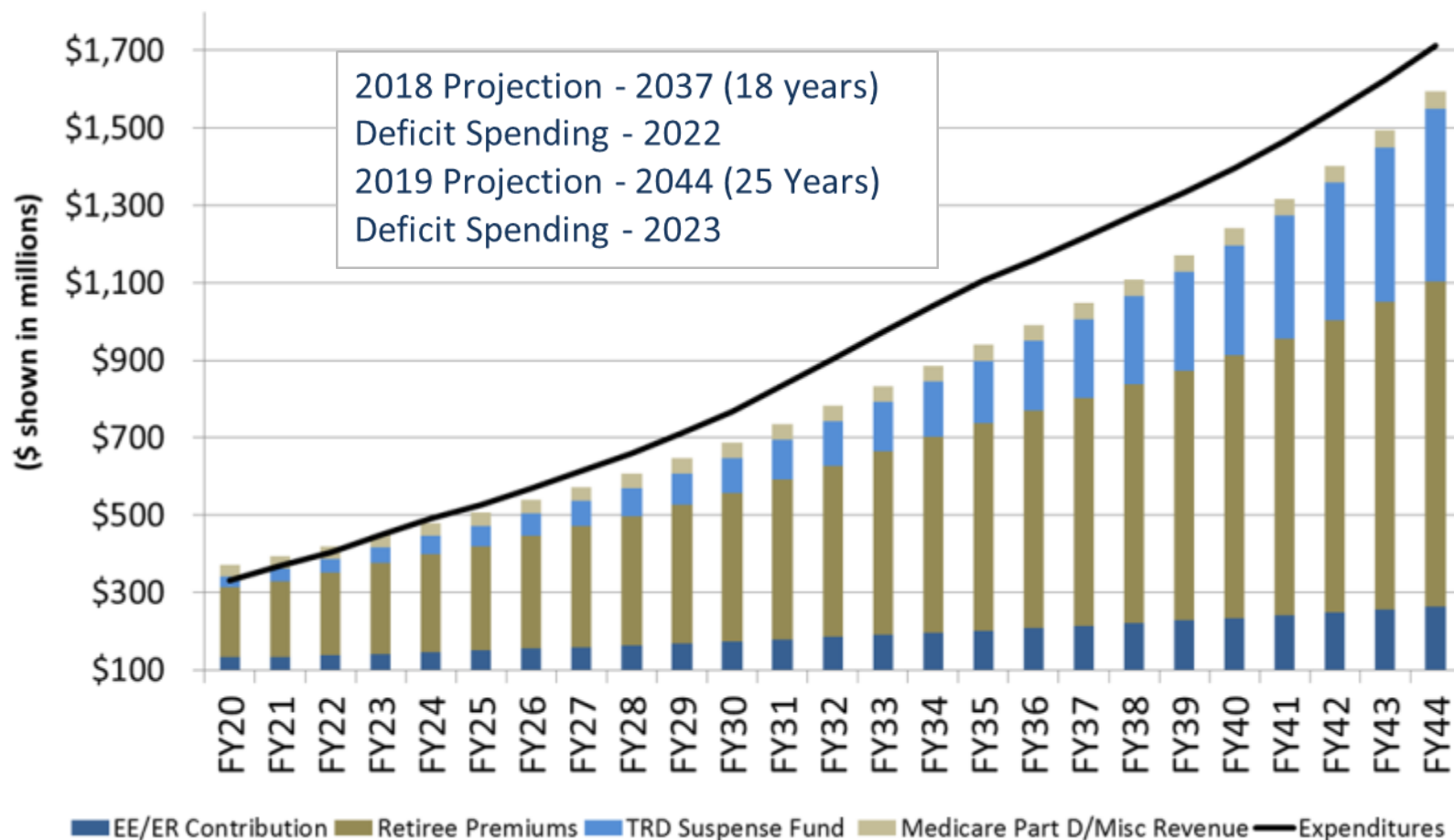
- In collaboration with the State of New Mexico, Public School Insurance Authority and Albuquerque Public Schools
- Issued late September/early October
- Effective July 1, 2020 – June 30, 2024

Pharmaceuticals Purchasing Council

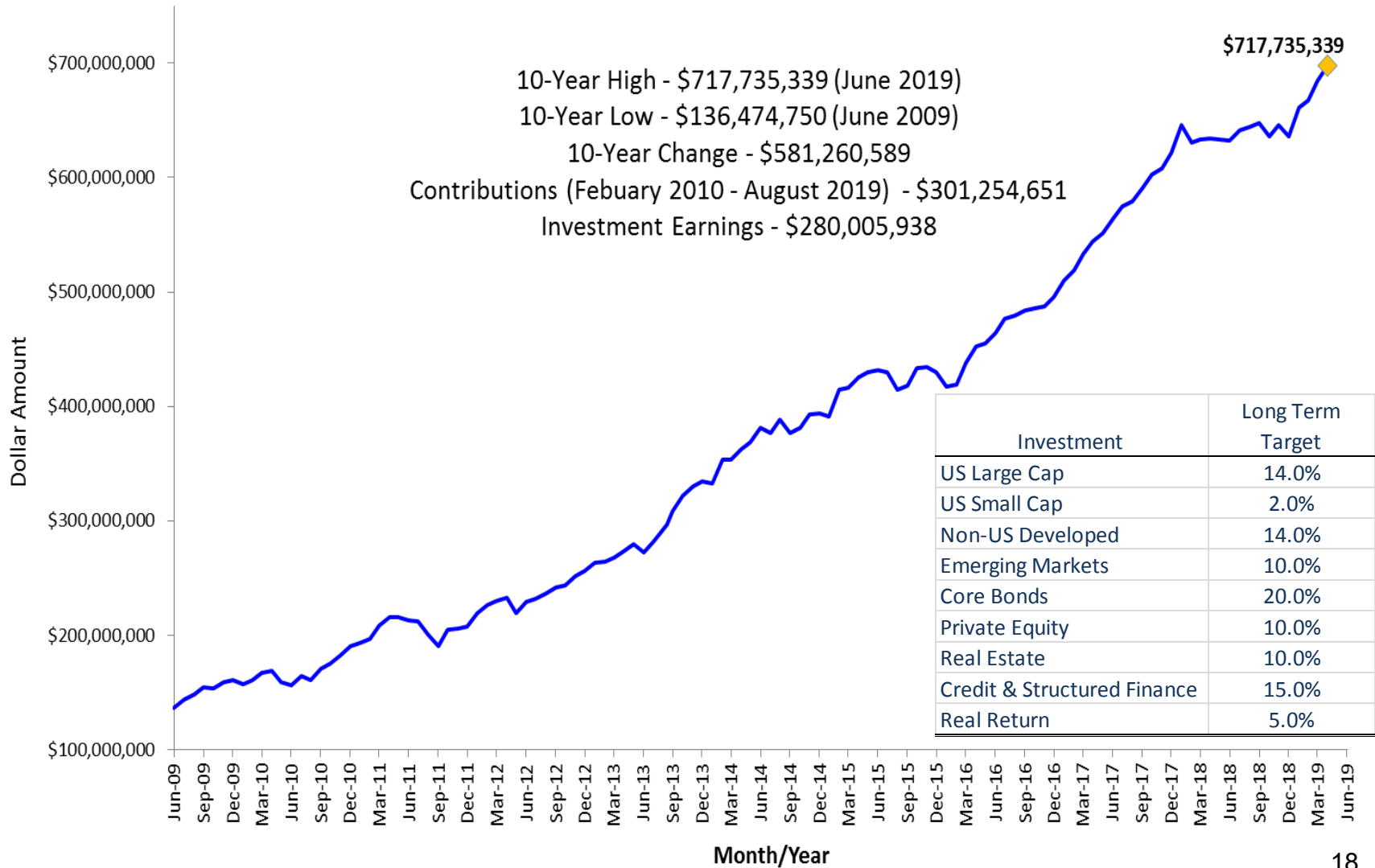
- Cost containment strategies
- Requires council to study and make recommendations

2019 Solvency Analysis

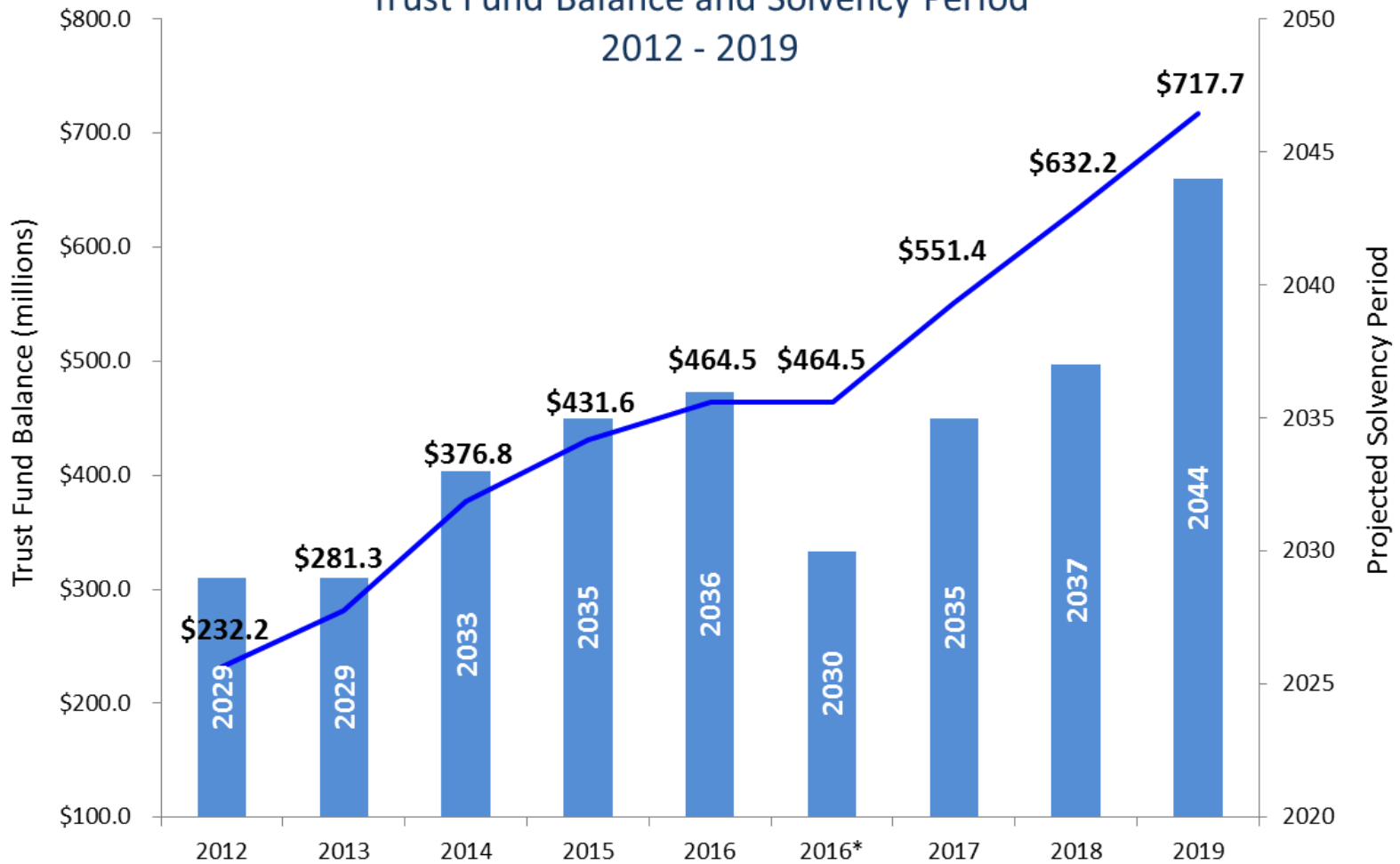
Projected Revenues and Expenditures
FY20 - FY44 Projected



NMRHCA Trust Fund Balance History June 2009 - June 2019



Trust Fund Balance and Solvency Period 2012 - 2019



*Post 2016 Special Session
Action

■ Solvency Period — Trust Fund Balance

NMRHCA and GASB

	2006	2008	2010	2012
GASB Statement	43	43	43	43
Actuarial Accrued Liability	\$ 4,264,180,967	\$ 3,116,915,900	\$ 3,523,664,871	\$ 3,915,114,104
Actuarial Value of Assets	\$ 154,538,668	\$ 170,626,271	\$ 176,922,935	\$ 227,487,895
Unfunded Actuarial Accrued Liability	\$ 4,109,642,299	\$ 2,946,289,629	\$ 3,346,741,936	\$ 3,687,626,209
Funded Ratio	3.62%	5.47%	5.02%	5.81%
Covered Payroll	\$ 4,073,731,873	\$ 4,020,508,902	\$ 4,001,802,240	\$ 3,876,220,608
Total Participants	140,292	130,381	146,166	146,590
	2014	2016	2017	2018
GASB Statement	43	43	74	74
Actuarial Accrued Liability	\$ 3,740,369,299	\$ 4,277,042,499	\$ 5,111,141,659	\$ 5,006,011,109
Actuarial Value of Assets	\$ 377,087,017	\$ 471,978,347	\$ 579,468,641	\$ 657,656,294
Unfunded Actuarial Accrued Liability	\$ 3,363,280,282	\$ 3,805,064,152	\$ 4,531,673,018	\$ 4,348,354,815
Funded Ratio	10.08%	11.04%	11.34%	13.14%
Covered Payroll	\$ 3,941,587,760	\$ 4,271,183,612	\$ 4,165,647,340	\$ 4,165,647,340
Total Participants	155,098	159,642	160,035	156,025

50-State Survey of Retiree Health Care Liability

Options for managing OPEB costs

“As states grapple with rising unfunded liabilities for these plans, they have a couple of options, including pre-funding the benefits or reducing the benefits.

“... The majority of state OPEB plans are funded on a pay-as-you-go basis, using annual appropriations. However, 34 states have at least one plan that has adopted pre-funding policies. ...

“... Of the 34 states with some level of assets accumulated in OPEB trust funds in 2016, eight had funded ratios over 30 percent.

“Hawaii presents an example of the costs and benefits of pre-funding. The state committed to pre-funding its OPEB benefits with the passage of Act 268 in 2013. Pre-funding will require additional funds to build up the assets needed to match Hawaii’s liabilities – the bill for that will be about \$400 million in 2019 beyond simply paying out benefits as they come due. However, in 2045, when Hawaii’s OPEBs are projected to be fully funded, the annual bill will drop by more than \$1 billion and the state is expected to save \$800 million to \$900 million annually. ...”

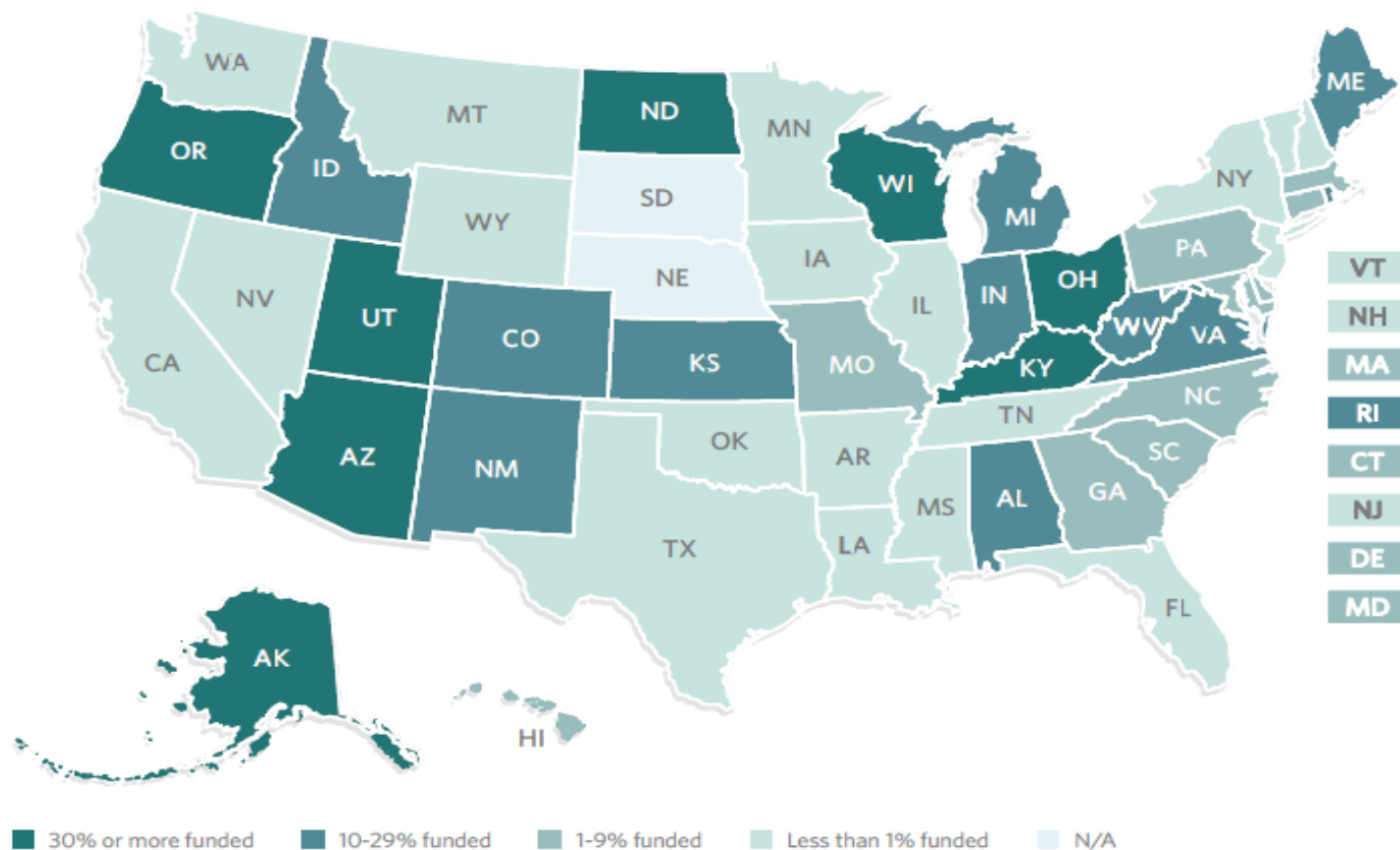
Source: <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2018/12/update-50-state-survey-of-retiree-health-care-liabilities>

50-State Survey of Retiree Health Care Liability Cont.

Figure 1

2016 State OPEB Funded Ratios

A majority of states have funded levels below 30%



Sources: State comprehensive annual financial reports, OPEB actuarial valuations, and state data verification responses

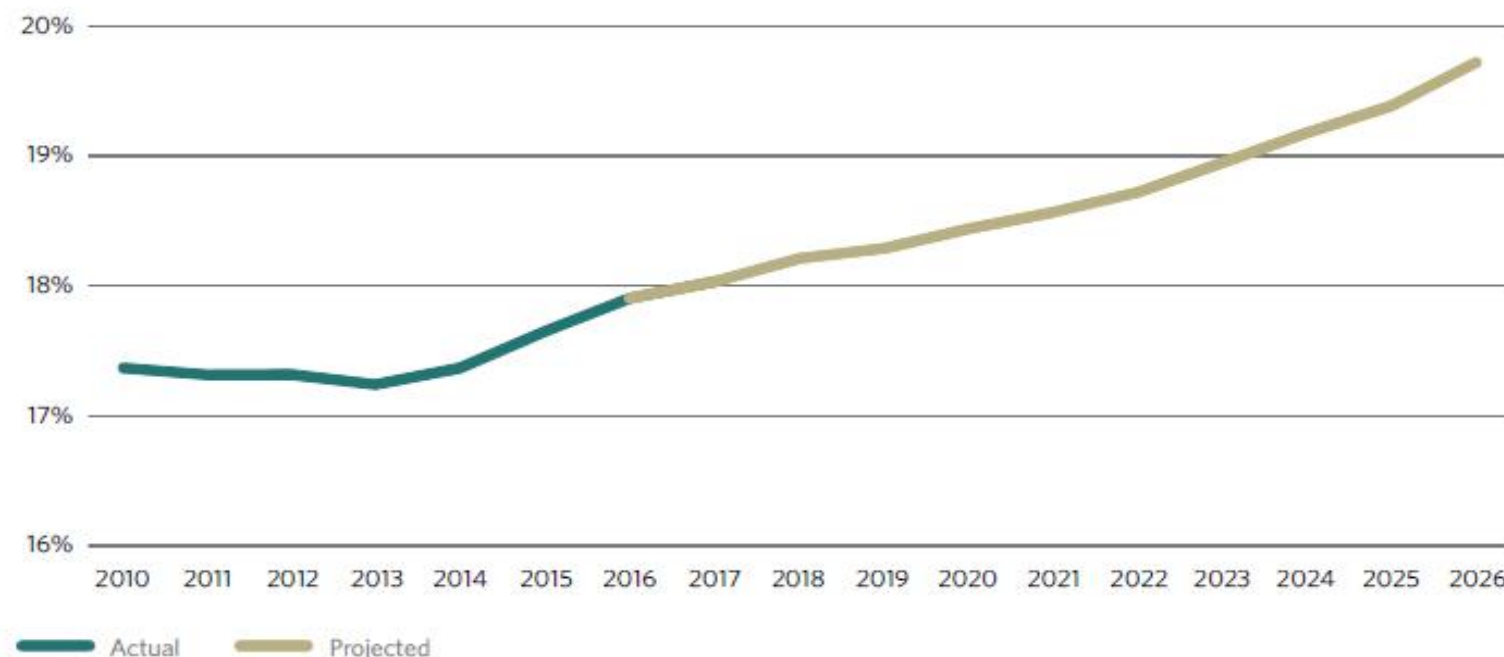
© 2018 The Pew Charitable Trusts

50-State Survey of Retiree Health Care Liability Cont.

Figure 3

National Health Expenditures for All Americans as a Percentage of GDP Projections

Spending increases since 2014 are projected to continue



Sources: Centers for Medicare & Medicaid Services, Office of the Actuary; U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

© 2018 The Pew Charitable Trusts

Targets and Goals

Scenario I: 0.25% increase in employer contributions

- Deficit spending – 2024
- Revenues – additional \$11 million annually
- General Fund Impact - \$5.9 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY31) - \$1,474,277,523
 - FY50 – Revenues: \$2,637,270,883 / Expenditures: \$2,489,785,432 / EOY: \$1,507,496,624

Scenario II: 0.5% increase in employer contributions

- Deficit spending – 2025
- Revenues – additional \$22 million annually
- General Fund Impact - \$11.8 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY33) - \$1,721,146,795
 - FY50 – Revenues: \$2,663,605,745 / Expenditures: \$2,489,785,432 / EOY: \$3,162,488,554

Scenario III: 0.5% increase in employer contribution / .25% increase in employee contribution

- Deficit spending – 2026
- Revenues – additional \$33 million annually
- General Fund Impact - \$11.8 million
- Projected solvency – beyond 30 years
 - Projected EOY High (FY50) - \$4,817,480,485
 - FY50 – Revenues: \$2,689,940,607 / Expenditures: \$2,489,785,432 / EOY: \$4,817,480,485

Alternatives & Sustainability

Alternatives

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

Sustainability

Benefits

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

Revenues

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

Reminders

- Fall Switch Enrollment Meetings
 - October 2 - November 1
 - 16 meetings / 13 locations
- Rule Change – Effective January 1, 2021
- Minimum Age
 - Minimum Age 55 to receive subsidy
 - Does not apply to members who retire from an enhanced retirement plan as defined by Section 10-7C-15 NMSA 1978
- Increased Years of Service Requirements

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

New Mexico Retiree Health Care Authority

David Archuleta, Executive Director

505-222-6416

david.archuleta@state.nm.us

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

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

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

INTERAGENCY PHARMACEUTICALS PURCHASING COUNCIL

New Mexico Human Services Department
New Mexico Department of Health
New Mexico Children, Youth and Families Department
New Mexico Corrections Department
Risk Management Division, General Services Department, State of New Mexico
New Mexico Retiree Health Care Authority
New Mexico Public Schools Insurance Authority
Albuquerque Public Schools
University of New Mexico
New Mexico Counties
New Mexico Municipal League

MEETING AGENDA

Thursday, October 3, 2019 | 1:30 – 4:30 pm

New Mexico State Capitol Building
3rd Floor, Rm. 321
Paseo de Peralta and Old Santa Fe Trail, Santa Fe, NM 87501

	Agenda Item	Action
1.	Welcome Call to Order Roll Call	To establish quorum
2.	Approval of the Agenda	Vote
3.	Approval of Minutes from 8/29/19 Meeting	Vote
4.	IPPC Open Meeting Resolution	Discussion, Approve, and Adopt
5.	IPPC Consultant Procurement Recommendations IPPC Subcommittee	Discussion and approval to proceed with IPPC Consultant procurement
6.	Update of IBAC (Interagency Benefits Advisory Committee) Pharmaceutical Purchasing Program Mark Tyndall, IBAC Chair	Presentation
7.	Update of Pharmaceutical Purchasing Program from IPPC Members: APS, RHCA, NMPSIA, GSD, UNM, NM Counties, NM Municipal League	Presentation
8	Update of Pharmaceutical Purchasing Program from UNM Hospital Annalee Esterly	Presentation
9.	Public Comment	Discussion
10.	Next Steps for IPPC	Discussion
11.	Adjourn	Vote

New Mexico Retiree Health Care Authority (CP)

Change in Market Value

For the Month of Aug 2019

(Report as of September 19, 2019)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	149,381,344.61	2,000,000.00	-	-	345,456.71	4,622,746.66	156,349,547.98
Credit & Structured Finance	105,746,736.68	1,500,000.00	-	-	104,422.73	378,602.67	107,729,762.08
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	95,240,560.52	1,400,000.00	-	-	266,817.74	(2,551,307.81)	94,356,070.45
Non-US Emerging Markets Index Pool	68,403,331.39	1,000,000.00	-	-	134,314.51	(3,593,600.91)	65,944,045.00
Private Equity Pool	77,847,780.12	1,000,000.00	-	-	41,169.32	(128,603.69)	78,760,345.75
Real Estate Pool	72,122,012.14	1,000,000.00	-	-	163,098.09	(190,342.93)	73,094,767.29
Real Return Pool	34,638,973.91	500,000.00	-	-	97,708.93	(416,837.10)	34,819,845.74
US Large Cap Index Pool	101,132,433.25	1,400,000.00	-	-	221,778.18	(2,100,796.89)	100,653,414.55
US Small/Mid Cap Pool	13,292,317.40	200,000.00	-	-	16,508.58	(335,474.83)	13,173,351.15
Sub - Total New Mexico Retiree Health Care Authority (CP)	717,805,490.02	10,000,000.00	-	-	1,391,274.79	(4,315,614.83)	724,881,149.99
Total New Mexico Retiree Health Care Authority (CP)	717,805,490.02	10,000,000.00	-	-	1,391,274.79	(4,315,614.83)	724,881,149.99



Michelle Lujan Grisham
GOVERNOR

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



STEVEN K. MOISE
STATE INVESTMENT OFFICER

ROBERT "VINCE" SMITH, CFA
DEPUTY STATE INVESTMENT OFFICER

September 12, 2019

David Archuleta
NM Retiree Health Care Authority
4308 Carlisle Blvd. NE Ste 104
Albuquerque 87107

Sent via email

Re: Quarterly reporting & a new investment option

Dear David,

I am writing you, and all of the 22 governmental clients currently investing in the SIC's investment pools with a short update regarding performance through the fiscal year ended June 30, and a new addition to the menu of investment options we currently offer.

Attached to this email you will find a quarterly performance report that summarizes investment performance through the end of fiscal year 2019. Please note that the independent report from SIC advisor RVK now includes a new performance summary for each investment pool (pages four through seven), in addition to the metrics specific to your investment allocation. This addition should help simplify your review and evaluation of investment returns for each pool.

Many of our clients have chosen to invest using passive, or index investment strategies. We are now adding an index pool option for the US small/middle capitalization strategy, in addition to the actively-managed Small/Mid Cap US Equity Pool. Currently, active management for the small/mid cap strategy costs approximately 0.59% per year, while the new passive pool, which seeks to match performance of the S&P 600 index, will cost 0.06%. Details on existing investment pool costs are on page three of the RVK report.

Given the new investment option, this may be a good time for you to review your current investment holdings and allocations, to ensure they are aligned with your long-term investment targets. Please let us know of any changes you would like to make to your allocation in writing, just as you would any other rebalancing, deposit or withdrawal event. Optimally, change requests should be made at least 5-business days prior to month's end to ensure we can complete the transaction without delay.

Should you have any questions or concerns regarding these or any issues regarding your investments, I am glad to discuss them. Please reach me at the SIC offices (505) 476-9500, or via my cell phone, (505) 231-3334. Thank you for your continued support.

Very Truly Yours,

Charles Wollmann
Director, Communications, Legislative & Client Relations
New Mexico State Investment Council



New Mexico State Investment Council

Third Party Investors Report

Period Ended: June 30, 2019



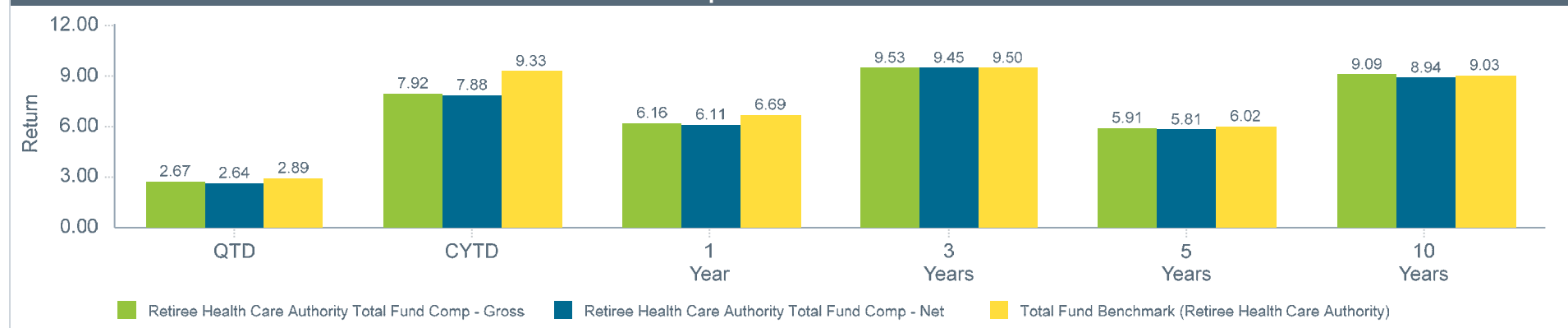
Retiree Health Care Authority

New Mexico State Investment Council
Retiree Health Care Authority Total Fund Comp

As of June 30, 2019

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	99,580,512	13.87	14.00	-0.13
	Small/Mid Cap US Equity Active	12,925,906	1.80	2.00	-0.20
	Non-US Developed Markets Index	96,262,893	13.41	14.00	-0.59
	Non-US Emerging Markets Index	69,359,837	9.66	10.00	-0.34
	US Core Bonds	149,338,181	20.81	20.00	0.81
	Credit & Structured Finance	105,350,658	14.68	15.00	-0.32
	Private Equity	78,054,277	10.88	10.00	0.88
	Real Estate	72,216,569	10.06	10.00	0.06
	Real Return	34,646,560	4.83	5.00	-0.17
	Total Fund	717,735,393	100.00	100.00	0.00

Comparative Performance



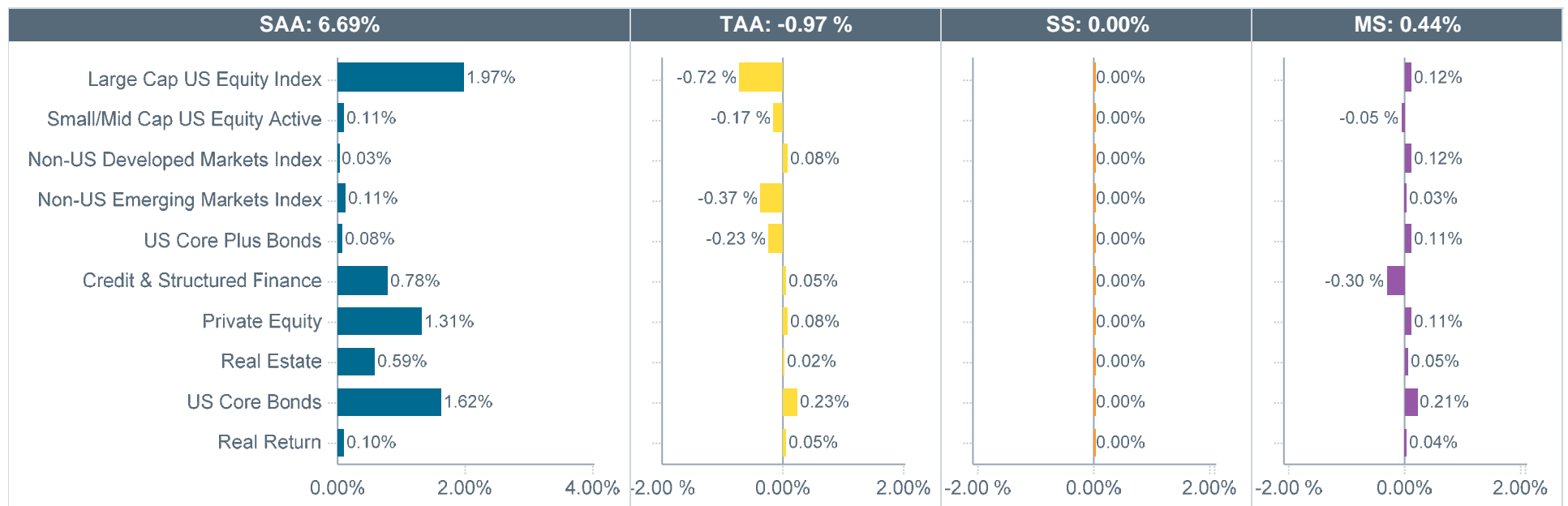
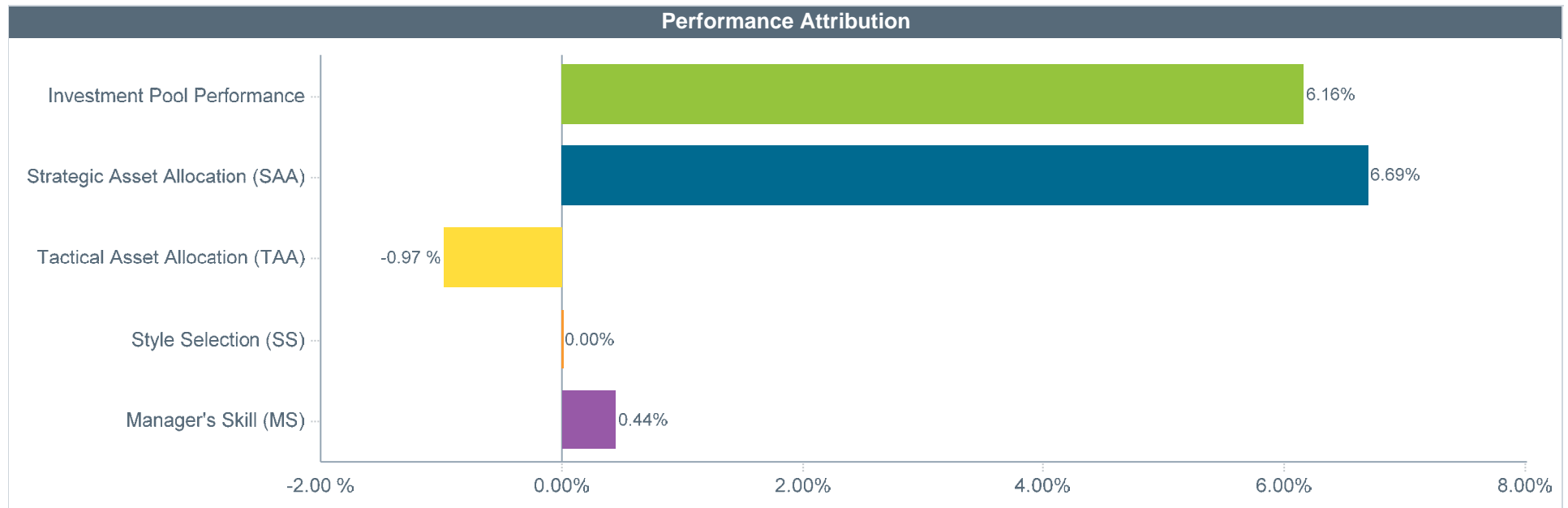
Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2018	2017	2016
Retiree Health Care Authority Total Fund Comp - Gross	2.67	7.92	6.16	9.53	5.91	9.09	-1.24	17.44	8.09
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	2.89	9.33	6.69	9.50	6.02	9.03	-2.04	16.92	8.44
Difference	-0.22	-1.41	-0.53	0.03	-0.11	0.06	0.80	0.52	-0.35
Retiree Health Care Authority Total Fund Comp - Net	2.64	7.88	6.11	9.45	5.81	8.94	-1.32	17.35	7.99
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	2.89	9.33	6.69	9.50	6.02	9.03	-2.04	16.92	8.44
Difference	-0.25	-1.45	-0.58	-0.05	-0.21	-0.09	0.72	0.43	-0.45

Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	636,363,301	29,995,494	51,376,598	717,735,393	7.88

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



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

New Mexico State Investment Council
Asset Allocation & Performance - Composites & Managers

As of June 30, 2019

	Allocation		Performance (%)										
	Market Value (\$)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2018	2017	Since Incep.	Inception Date
NMSIC Total Fund Composite	25,261,426,098	100.00	2.66	9.18	5.86	5.86	9.14	6.21	9.53	-1.54	15.07	5.42	01/01/2000
US Equity Composite	5,349,504,347	21.18	3.90	17.74	8.43	8.43	13.61	9.68	13.96	-5.57	21.20	6.57	05/01/1999
<i>Russell 3000 Index</i>			4.10	18.71	8.98	8.98	14.02	10.19	14.67	-5.24	21.13	6.41	
US Large Cap Equity Composite	4,916,728,365	19.46	4.01	18.00	9.55	9.55	13.96	10.29	13.99	-4.71	22.08	6.19	05/01/1999
<i>Russell 1000 Index</i>			4.25	18.84	10.02	10.02	14.15	10.45	14.77	-4.78	21.69	6.28	
<i>IM U.S. Large Cap Equity (SA+CF)</i>			4.22	18.28	9.01	9.01	13.81	10.25	14.62	-5.14	21.66	7.11	
Brown Brothers Harriman	548,570,405	2.17	7.42	20.04	14.86	14.86	12.57	8.46	N/A	-6.08	20.27	12.87	06/01/2012
<i>Russell 1000 Index</i>			4.25	18.84	10.02	10.02	14.15	10.45	14.77	-4.78	21.69	14.40	
<i>IM U.S. Large Cap Core Equity (SA+CF)</i>			4.23	18.12	8.90	8.90	13.70	10.34	14.57	-5.17	21.83	14.38	
T. Rowe Price LC Growth	528,784,839	2.09	3.23	18.66	10.65	10.65	23.96	15.82	N/A	4.80	38.95	18.99	06/01/2012
<i>Russell 1000 Grth Index</i>			4.64	21.49	11.56	11.56	18.07	13.39	16.28	-1.51	30.21	16.00	
<i>IM U.S. Large Cap Growth Equity (SA+CF)</i>			5.04	21.66	11.77	11.77	17.87	12.92	15.89	-1.12	28.11	15.83	
AQR US SPLO	932,205,187	3.69	2.92	16.44	6.93	6.93	N/A	N/A	N/A	-6.99	N/A	9.59	08/01/2017
<i>Russell 1000 Index</i>			4.25	18.84	10.02	10.02	14.15	10.45	14.77	-4.78	21.69	11.67	
NT SciBeta US HFE Index	696,148,190	2.76	3.83	17.49	9.56	9.56	N/A	N/A	N/A	-5.74	N/A	9.45	08/01/2017
<i>Russell 1000 Index (0.85 Beta Adjusted)</i>			3.77	16.15	9.07	9.07	12.25	9.06	12.63	-3.67	18.34	10.30	
NT Russell Fundamental LC Index Fund	465,038,298	1.84	3.58	16.51	7.29	7.29	11.44	N/A	N/A	-7.08	17.33	9.57	02/01/2015
<i>Russell 1000 Val Index</i>			3.84	16.24	8.46	8.46	10.19	7.46	13.19	-8.27	13.66	8.34	
NT Russell 1000 Index Fund	1,741,647,586	6.89	4.17	18.78	9.90	9.90	14.07	10.41	N/A	-4.86	21.60	13.11	08/01/2011
<i>Russell 1000 Index</i>			4.25	18.84	10.02	10.02	14.15	10.45	14.77	-4.78	21.69	13.18	
<i>IM U.S. Large Cap Core Equity (SA+CF)</i>			4.23	18.12	8.90	8.90	13.70	10.34	14.57	-5.17	21.83	13.11	
US Small/Mid Cap Equity Composite	432,775,982	1.71	2.97	15.49	-2.42	-2.42	9.94	4.41	N/A	-14.07	13.35	7.87	05/01/2011
<i>US Small/Mid Cap Equity Custom Index</i>			2.22	17.73	-0.54	-0.54	12.13	7.48	13.94	-10.40	15.84	9.54	
<i>IM U.S. SMID Cap Equity (SA+CF)</i>			4.34	19.43	2.23	2.23	12.46	7.95	14.91	-10.20	17.83	10.39	
Donald Smith & Company	100,292,113	0.40	2.80	13.26	-3.85	-3.85	4.71	0.01	N/A	-19.64	17.54	8.04	01/01/2012
<i>Russell 2000 Val Index</i>			1.38	13.47	-6.24	-6.24	9.81	5.39	12.40	-12.86	7.84	10.75	
<i>IM U.S. Small Cap Value Equity (SA+CF)</i>			2.32	15.80	-4.33	-4.33	9.91	6.24	14.13	-14.28	11.56	12.02	
BlackRock Alpha Tilts	203,611,348	0.81	2.78	19.39	-0.73	-0.73	13.47	7.70	N/A	-8.92	11.70	12.91	02/01/2012
<i>Russell 2000 Index</i>			2.10	16.98	-3.31	-3.31	12.30	7.06	13.45	-11.01	14.65	11.15	
<i>IM U.S. Small Cap Core Equity (SA+CF)</i>			2.61	17.18	-2.87	-2.87	12.52	8.21	14.61	-10.73	15.13	12.45	
NT S&P 600 Index Fund	125,126,645	0.50	1.39	13.28	-5.36	-5.36	N/A	N/A	N/A	-8.52	N/A	8.35	06/01/2017
<i>S&P Sm Cap 600 Index (Cap Wtd)</i>			1.87	13.69	-4.88	-4.88	11.97	8.41	14.99	-8.48	13.23	8.29	

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. *Indicates performance is lagged 1 quarter. PIMCO Bloomberg US Universal and Seizert Capital Partners are in the process of being fully liquidated.

New Mexico State Investment Council
Asset Allocation & Performance - Composites & Managers

As of June 30, 2019

	Allocation		Performance (%)										
	Market Value (\$)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2018	2017	Since Incep.	Inception Date
Non-US Equity Composite	5,393,596,318	21.35	2.82	14.08	0.44	0.44	10.15	2.61	6.61	-14.71	30.80	5.38	05/01/1999
<i>Non-US Equity Custom Index</i>			2.74	13.33	0.26	0.26	9.17	2.08	6.38	-14.76	27.81	5.48	
Non-US Developed Markets Composite	4,407,865,393	17.45	3.04	14.22	0.01	0.01	10.08	3.39	7.91	-14.14	29.02	4.54	05/01/1999
<i>Non-US Developed Markets Custom Index</i>			3.40	13.81	-0.04	-0.04	9.10	2.33	6.95	-14.40	26.16	3.91	
<i>IM Int'l Equity Developed Markets (SA+CF)</i>			3.12	14.16	-0.26	-0.26	9.49	3.82	8.68	-14.96	28.87	6.30	
LSV Int'l Large Cap Value	584,739,558	2.31	1.32	10.27	-1.57	-1.57	10.19	0.96	N/A	-15.45	28.29	4.21	09/01/2013
<i>MSCI ACW Ex US Val Index (USD) (Net)</i>			1.57	10.02	-0.07	-0.07	8.93	0.29	5.43	-13.97	22.66	3.39	
<i>IM Int'l Large Cap Value Equity (SA+CF)</i>			2.35	12.05	-0.82	-0.82	8.42	2.20	7.97	-14.73	26.02	5.20	
T. Rowe Price Int'l Core	638,923,664	2.53	2.50	12.87	-2.58	-2.58	9.95	3.00	N/A	-15.06	28.92	5.78	09/01/2013
<i>MSCI EAFE Index (USD) (Net)</i>			3.68	14.03	1.08	1.08	9.11	2.25	6.90	-13.79	25.03	5.00	
<i>IM Int'l Large Cap Core Equity (SA+CF)</i>			3.59	14.74	0.86	0.86	9.09	3.18	8.29	-14.64	26.48	5.80	
Neuberger Berman Int'l	229,325,281	0.91	3.31	16.30	-0.69	-0.69	9.22	N/A	N/A	-15.77	28.31	5.88	12/01/2015
<i>MSCI EAFE Index (USD) (Net)</i>			3.68	14.03	1.08	1.08	9.11	2.25	6.90	-13.79	25.03	5.82	
<i>IM Int'l Large Cap Core Equity (SA+CF)</i>			3.59	14.74	0.86	0.86	9.09	3.18	8.29	-14.64	26.48	6.34	
MFS Int'l Large Cap Growth	566,487,423	2.24	5.49	19.20	7.67	7.67	14.03	7.18	N/A	-8.30	34.12	7.70	10/01/2013
<i>MSCI ACW Ex US Grth Index (USD) (Net)</i>			4.35	17.20	2.64	2.64	9.81	4.00	7.61	-14.43	32.01	5.14	
<i>IM Int'l Large Cap Growth Equity (SA+CF)</i>			4.89	18.57	1.54	1.54	10.68	4.66	9.30	-13.92	31.44	5.84	
Templeton Int'l Small Cap Equity	373,155,110	1.48	2.04	16.22	-3.10	-3.10	10.18	3.79	N/A	-17.83	33.64	5.28	10/01/2013
<i>MSCI ACW Ex US Sm Cap Index (USD) (Net)</i>			1.21	11.60	-5.94	-5.94	7.76	2.77	8.48	-18.20	31.65	4.48	
<i>IM Int'l Small Cap Equity (SA+CF)</i>			2.63	13.63	-6.20	-6.20	9.35	4.55	11.22	-18.72	34.81	5.97	
BLK MSCI World Ex-US IM Custom Factor Index	802,028,513	3.17	3.34	14.59	0.74	0.74	N/A	N/A	N/A	-13.70	N/A	4.94	07/01/2017
<i>MSCI Wrld Ex US IM Index (USD) (Net)</i>			3.50	14.38	0.16	0.16	8.92	2.22	7.04	-14.68	25.17	3.88	
BLK FTSE Developed Ex US Min Var Index	257,484,818	1.02	1.46	9.49	-0.58	-0.58	7.53	N/A	N/A	-10.38	26.76	7.36	12/01/2015
<i>FTSE Developed Ex US Min Var Index</i>			1.25	9.32	-0.77	-0.77	7.30	4.29	8.94	-10.65	26.77	7.15	
Alliance Bernstein MSCI World Ex US IM Index	958,048,745	3.79	3.59	14.42	0.32	0.32	9.22	2.33	7.09	-14.33	25.83	5.42	06/01/1998
<i>AB Non-US Developed Markets Custom Index</i>			3.50	14.38	0.16	0.16	9.07	2.23	6.89	-14.68	25.82	4.19	
<i>IM Int'l Large Cap Core Equity (SA+CF)</i>			3.59	14.74	0.86	0.86	9.09	3.18	8.29	-14.64	26.48	5.64	

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. *Indicates performance is lagged 1 quarter. PIMCO Bloomberg US Universal and Seizert Capital Partners are in the process of being fully liquidated.

New Mexico State Investment Council
Asset Allocation & Performance - Composites & Managers

As of June 30, 2019

	Allocation		Performance (%)										
	Market Value (\$)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2018	2017	Since Incep.	Inception Date
Non-US Emerging Markets Composite	985,730,925	3.90	1.85	13.46	2.29	2.29	11.05	2.71	4.93	-16.32	39.90	7.97	05/01/1999
<i>MSCI Emg Mkts Index (USD) (Net)</i>			0.61	10.59	1.21	1.21	10.66	2.49	5.81	-14.58	37.28	7.73	
<i>IM Emerging Markets Equity (SA+CF)</i>			1.50	12.13	1.82	1.82	10.55	3.26	7.42	-15.23	36.81	9.88	
BlackRock Emg Mkts Opp Fund	555,124,160	2.20	0.78	10.69	0.87	0.87	11.31	4.27	N/A	-15.55	39.85	4.88	10/01/2013
<i>MSCI Emg Mkts Index (USD) (Net)</i>			0.61	10.59	1.21	1.21	10.66	2.49	5.81	-14.58	37.28	3.55	
<i>IM Emerging Markets Equity (SA+CF) Median</i>			1.50	12.13	1.82	1.82	10.55	3.26	7.42	-15.23	36.81	4.42	
William Blair Emg Mkts	353,429,785	1.40	3.85	19.24	4.91	4.91	10.68	N/A	N/A	-18.09	42.23	9.75	12/01/2015
<i>MSCI Emg Mkts Index (USD) (Net)</i>			0.61	10.59	1.21	1.21	10.66	2.49	5.81	-14.58	37.28	10.06	
<i>IM Emerging Markets Equity (SA+CF) Median</i>			1.50	12.13	1.82	1.82	10.55	3.26	7.42	-15.23	36.81	10.10	
Alliance Bernstein Emerging Markets Index	78,535,180	0.31	0.70	8.91	0.82	0.82	10.06	2.01	N/A	-13.98	36.11	2.95	11/01/2012
<i>MSCI Emg Mkts Index (USD) (Net)</i>			0.61	10.59	1.21	1.21	10.66	2.49	5.81	-14.58	37.28	3.30	
<i>IM Emerging Markets Equity (SA+CF) Median</i>			1.50	12.13	1.82	1.82	10.55	3.26	7.42	-15.23	36.81	4.71	
Fixed Income													
Fixed Income Composite	6,438,088,973	25.49	2.31	4.79	6.03	6.03	4.41	3.74	7.43	1.49	5.86	5.11	05/01/1999
<i>Bloomberg US Unv Bond Index</i>			3.11	6.54	8.07	8.07	2.84	3.18	4.37	-0.25	4.09	5.08	
Core Fixed Income Composite	3,954,773,022	15.66	2.93	6.25	7.63	7.63	3.55	3.56	N/A	0.39	4.89	4.42	12/01/2010
BlackRock Core Bonds Fund	1,151,169,902	4.56	3.01	5.20	7.26	7.26	2.23	N/A	N/A	0.87	3.36	2.86	11/01/2014
J.P. Morgan Asset Mgmt Short Duration	422,066,408	1.67	1.66	3.09	4.64	4.64	1.91	N/A	N/A	1.64	1.29	1.94	05/01/2016
Loomis Sayles Bloomberg US Universal	713,443,296	2.82	2.95	6.28	7.42	7.42	4.07	3.71	N/A	0.15	5.22	4.91	04/01/2011
PIMCO Investment Grade Active	382,383,455	1.51	4.59	10.38	11.68	11.68	N/A	N/A	N/A	-1.11	N/A	6.01	01/01/2018
PGIM Bloomberg US Universal	706,940,582	2.80	3.81	8.61	9.74	9.74	5.03	4.66	N/A	-0.09	7.09	5.68	04/01/2011
Shenkman HY Short Duration	580,207,143	2.30	1.54	5.66	6.01	6.01	N/A	N/A	N/A	N/A	N/A	5.54	05/01/2018
<i>Bloomberg US Agg Bond Index</i>			3.08	6.11	7.87	7.87	2.31	2.95	3.90	0.01	3.54	7.33	01/01/1976
<i>IM U.S. Broad Market Core FI (SA+CF)</i>			3.14	6.43	8.10	8.10	2.80	3.28	4.60	0.07	4.06	N/A	
Non-Core Fixed Income Composite	2,483,315,951	9.83	1.35	2.38	3.20	3.20	5.81	3.49	N/A	3.00	7.99	5.64	12/01/2010
Absolute Return Composite	89,509,288	0.35	0.91	1.82	4.38	4.38	6.02	2.60	4.02	5.16	8.59	2.81	09/01/2005
Non-Core Fixed Income Pool	991,484,559	3.92	1.18	1.52	3.01	3.01	12.30	8.47	18.69	4.41	5.03	4.61	04/01/2006
Rio Grande Fund LLC	711,775,183	2.82	1.53	1.67	3.62	3.62	7.13	4.88	N/A	4.65	9.47	5.14	04/01/2014
Unconstrained Fixed Income Pool	343,921,606	1.36	1.65	3.60	2.92	2.92	4.17	2.89	N/A	-0.33	5.77	2.94	12/01/2013
Bank Loan Pool	346,625,314	1.37	1.27	4.78	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.24	09/01/2018
<i>Non-Core Fixed Income Custom Index</i>			1.00	4.69	3.48	3.48	5.61	3.87	7.45	-0.81	6.16	5.65	01/01/2005
Cash Equivalent Composite	396,265,221	1.57	0.64	1.57	2.66	2.66	1.62	1.02	0.93	1.80	1.24	3.55	07/01/1988
<i>ICE BofAML 3 Mo US T-Bill Index</i>			0.64	1.24	2.31	2.31	1.38	0.87	0.49	1.87	0.86	3.21	
Private Equity													

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. *Indicates performance is lagged 1 quarter. PIMCO Bloomberg US Universal and Seizert Capital Partners are in the process of being fully liquidated.

New Mexico State Investment Council
Asset Allocation & Performance - Composites & Managers

As of June 30, 2019

	Allocation		Performance (%)										
	Market Value (\$)	%	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2018	2017	Since Incep.	Inception Date
Private Equity Composite (Ex. State)*	2,519,603,589	9.97	4.10	4.25	13.01	13.01	13.39	9.73	10.73	14.05	15.93	5.74	06/01/2001
Cambridge US Prvt Eq Index (Lagged 1 Qtr)			4.81	3.04	12.74	12.74	15.81	12.17	14.88	18.63	17.44	11.66	
Real Estate													
Townsend-Reported Real Estate Composite*	2,191,498,207	8.68	1.42	2.87	6.52	6.52	8.59	10.71	7.10	10.27	8.01	5.20	10/01/2004
NCREIF ODCE Index (AWA) (Net) (Lagged 1 Qtr)			1.20	2.74	6.55	6.55	7.00	9.18	7.73	7.71	6.70	7.08	
NCREIF/Townsend Wtd Index (Lagged 1 Qtr)			0.98	2.43	6.30	6.30	7.92	10.20	8.03	8.78	8.19	7.71	
Real Return													
Real Return Composite*	2,084,385,141	8.25	1.10	4.92	3.21	3.21	6.15	3.12	N/A	1.88	5.74	4.38	06/01/2012
Real Return Custom Index			1.23	4.38	1.54	1.54	1.91	0.16	2.25	-1.70	3.27	1.10	
Financial Real Return Composite	405,872,585	1.61	-0.56	20.08	-2.45	-2.45	2.03	0.65	N/A	-16.52	0.25	1.66	06/01/2013
Real Return Custom Index			1.23	4.38	1.54	1.54	1.91	0.16	2.25	-1.70	3.27	0.85	
Harvest MLP	405,872,585	1.61	-0.56	20.08	1.00	1.00	1.26	N/A	N/A	-13.55	-5.66	-4.86	05/01/2015
S&P MLP Index (TR)			-0.59	18.05	3.23	3.23	1.54	-6.65	8.88	-11.67	-5.58	-6.47	
Townsend-Reported Real Return*	1,578,699,422	6.25	1.64	1.80	4.06	4.06	9.07	5.72	N/A	7.05	10.76	9.01	04/01/2011
ETI													
Economically Targeted Investments	42,718,654	0.17	-1.99	-3.33	-2.92	-2.92	-0.26	0.51	0.29	5.17	-0.80	-0.83	07/01/1998
ICE BofAML 3 Mo US T-Bill Index			0.64	1.24	2.31	2.31	1.38	0.87	0.49	1.87	0.86	1.99	
Severance Tax State PE Program*	412,127,237	1.63	0.13	-0.94	8.12	8.12	9.36	7.62	6.74	25.83	-4.28	-1.45	08/01/2001
Cambridge US VC Index (Lagged 1 Qtr)			6.45	8.19	20.87	20.87	13.30	13.11	13.81	19.67	8.21	4.55	

Performance shown is gross of fees, except for Absolute Return, Private Equity, Real Estate, and Real Return investments, which are shown net of fees. Since Inception date shown represents the first full month following initial funding. Fiscal year ends June 30. For other performance-related comments, please see the Addendum. *Indicates performance is lagged 1 quarter. PIMCO Bloomberg US Universal and Seizert Capital Partners are in the process of being fully liquidated.

Budget Adjustment Requests (BARs) – Action Item
Program Support

Background

The FY20 approved operating budget for the New Mexico Retiree Health Care Authority's (NMRHCA) Program Support totaled \$3,207,700, including \$2,053,000 in the personal services and employee benefits category, \$616,600 in the contractual services category and \$538,100 in the other category (as shown below). Current projections indicate a \$171,000 shortfall in the contractual services category through the remainder of FY20. This includes a shortfall for legal and information technology services. In the past four fiscal years, NMRHCA has spent between \$18,900 (FY17) and \$41,000 (FY19). Through August, legal fees totaled \$33,872, leaving a balance of less than \$6,200 for the remainder of the fiscal year. In addition, the programming changes associated with modifying CareView to accommodate the Rule Change effective January 1, 2021, is estimated to be \$150,000.

2020 Budget Adjustment Requests (BARs)

Program Support -- BAR #1				
(amounts shown in thousands)				
Budget Transfer				
		FY20 Approved Operating Budget	Budget Adjustment Request #1	Adjusted Total
200	PS&EB	\$ 2,053.0	\$ (25.0)	\$ 2,028.0
300	Contractual Services	\$ 616.6	\$ 25.0	\$ 641.6
400	Other	\$ 538.1	\$ -	\$ 538.1
	Total	\$ 3,207.7	\$ -	\$ 3,207.7

Program Support --- BAR 2				
(amounts shown in thousands)				
Budget Increase				
		FY20 Adjusted Operating Budget	Budget Adjustment Request #2	Adjusted Total
200	PS&EB	\$ 2,028.0	\$ -	\$ 2,028.0
300	Contractual Services	\$ 641.6	\$ 150.0	\$ 791.6
400	Other	\$ 538.1	\$ -	\$ 538.1
	Total	\$ 3,207.7	\$ 150.0	\$ 3,357.7

Healthcare Benefits Administration				
(amounts shown in thousands)				
Budget Increase				
		FY20 Approved Operating Budget	Budget Adjustment Request #2	Adjusted Total
300	Contractual Services	\$ 354,743.4	\$ -	\$ 354,743.4
400	Other	\$ 42.0	\$ -	\$ 42.0
500	Other Financing Uses	\$ 3,207.2	\$ 150.0	\$ 3,357.2
	Total	\$ 357,992.6	\$ 150.0	\$ 358,100.6

BAR #1 Fiscal Implications

The BAR proposes to transfer \$25,000 in vacancy savings from the personal services and employee benefits category to the contractual services category. The savings have been generated by 2 vacant positions and 2 soon-to-be vacant positions.

BAR #1 Legal Authority

Laws of 2019, 1st Session, Chapter 271, Section 11 (C): *C. In addition to the specific category transfers authorized in Subsection E of this section and unless a conflicting category transfer is authorized in Subsection E of this section, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other.*

BAR #2 Fiscal Implications

BAR #2 proposes to increase the contractual services category by \$150,000 supported by transfers from the other financing uses category of the Healthcare Benefits Administration Fund. These transfers are the result of revenues in excess of expenditures.

BAR #2 Legal Authority

Laws of 2019, 1st Session, Chapter 271, Section 11 (D): *Unless a conflicting budget increase is authorized in Subsection E of this section, a program with internal service funds/interagency transfers appropriations or other state funds appropriations that collects money in excess of those appropriated may request budget increases in an amount not to exceed five percent of its internal service funds/interagency transfers or other state funds appropriation contained in Section 4 of the General Appropriation Act of 2019. To track the five percent transfer limitation, agencies shall report cumulative budget adjustment request totals on each budget request submitted. The department of finance and administration shall certify agency reporting of these cumulative totals.*

Other Substantive Issues

See budget status report below.

New Mexico Retiree Health Care Authority						
FY20 1st QTR Budget Review --- 9.23.19						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY20/FY19 Comparison						
	FY20 Approved Q1 Budget	FY20 Actuals	FY19 Actuals	Dollar Change	Percent Change	
Sources:						
Other Transfers	\$ 801.9	\$ 1,523.8	\$ 1,523.8	\$ -	0.0%	
Total Sources	\$ 801.9	\$ 1,523.8	\$ 1,523.8	\$ -	0.0%	
Uses:						
Personal Services and Benefits	\$ 513.3	\$ 372.3	\$ 462.2	\$ (89.9)	-19.5%	
Contractual Services	\$ 154.2	\$ 42.3	\$ 34.7	\$ 7.6	21.9%	
Other Costs	\$ 134.5	\$ 81.4	\$ 137.2	\$ (55.8)	-40.7%	
Total Uses	\$ 801.9	\$ 496.0	\$ 634.1	\$ (138.1)	-21.8%	

New Mexico Retiree Health Care Authority						
FY20 1st QTR Budget Review						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY20 Budget Compared to Actual						
	Approved Operating Budget	FY20 Actuals	Remaining Balance	Percent Expended	FY20 Projected	
Sources:						
Other Transfers	\$ 3,207.7	\$ 1,603.9	\$ 1,603.9	50%	\$ 1,468.4	
Total Sources	\$ 3,207.7	\$ 1,603.9	\$ 1,603.9	50%	\$ 1,468.4	
Uses:						
Personal Services and Benefits	\$ 2,053.0	\$ 372.3	\$ 1,680.7	18%	\$ 1,637.0	
Contractual Services	\$ 616.6	\$ 42.3	\$ 574.3	7%	\$ 789.7	
Other Costs	\$ 538.1	\$ 81.4	\$ 456.7	15%	\$ 452.9	
Total Uses	\$ 3,207.7	\$ 496.0	\$ 2,711.7	15%	\$ 2,879.6	

Program Support						
Expenditure Summary (in thousands)						
Acct #	Account Description	A Approved Budget	B Expended Budget	C Remaining Balance	D Projected	E Balance
200	Personal Services/ Employee Benefits	2,053.0	372.3	1,680.7	1,637.0	43.7
300	Contractual Services	616.6	42.3	574.3	747.4	(173.1)
400	Other Costs	538.1	81.4	456.7	452.9	3.8
	TOTAL	3,207.7	496.0	2,711.7	2,837.3	(125.6)
Expenditure Detail (in thousands)						
Personal Services / Employee Benefits						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	276.1	54.3	221.8	232.3	(10.5)
520300	Classified Perm. Positions	1,203.4	200.4	1,003.0	937.0	66.0
520800	Annual & Comp Paid	0.0	3.8	(3.8)	0.0	(3.8)
521100	Group Insurance Premium	197.6	35.5	162.1	156.2	5.9
521200	Retirement Contributions	232.1	43.9	188.2	198.6	(10.4)
521300	FICA	105.5	18.8	86.7	89.5	(2.8)
521400	Workers Comp	0.2	0.1	0.1	0.0	0.1
521410	GSD Work Comp Ins	1.6	1.6	0.0	0.0	0.0
521500	Unemployment Comp	0.0	0.0	0.0	0.0	0.0
521600	Employee Liability Insurance	9.0	8.9	0.1	0.0	0.1
521700	Retiree Health Care	27.5	5.0	22.5	23.4	(0.9)
521900	Other Employee Benefits	0.0	0.0	0.0	0.0	0.0
	TOTAL	2,053.0	372.3	1,680.7	1,637.0	43.7
Contractual Services						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
535200	Professional Services	399.8	0.0	399.8	387.7	12.1
535300	Other Services	30.0	2.2	27.8	42.0	(14.2)
535400	Audit Services	86.8	0.0	86.8	81.5	5.3
535500	Attorney Services	40.0	33.8	6.2	26.2	(20.0)
535600	Information Technology Services	60.0	6.3	53.7	210.0	(156.3)
	TOTAL	616.6	42.3	574.3	747.4	(173.1)
Other Costs						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
542100	Employee In-State Mileage & Fares	1.5	0.1	1.4	0.8	0.6
542200	Employee In-State Meals & Lodging	2.5	0.0	2.5	1.8	0.7
542300	Board & Commission - In-State	13.5	1.0	12.5	8.2	4.3
542500	Transportation-Fuel & Oil	1.0	0.1	0.9	0.3	0.6
542600	Transportation	0.1	0.0	0.1	0.1	0.0
542700	Transportation - Insurance	0.2	0.0	0.2	0.0	0.2
542800	State Transportation Pool Charges	4.5	4.4	0.1	(0.2)	0.3
543200	Maintenance - Furniture, Fixtures & Equipment	6.0	1.1	4.9	1.5	3.4
543300	Maintenance - Building & Structure	4.5	0.0	4.5	1.5	3.0
543400	Maintenance - Property Insurance	0.0	0.0	0.0	0.3	(0.3)
543820	Maintenance IT	7.5	0.0	7.5	3.0	4.5
544000	Supply Inventory IT	25.0	0.0	25.0	13.4	11.6
544100	Supplies - Office Supplies	10.0	0.6	9.4	8.4	1.0
544900	Supplies - Inventory Exempt	9.3	0.0	9.3	5.0	4.3
545600	Rep/Recording	6.0	0.0	6.0	0.0	6.0
545700	DoIT - ISD Services	3.8	0.7	3.1	3.0	0.1
545701	DoIT - HCM Fees	10.7	0.0	10.7	9.1	1.6
545900	Printing & Photo. Services	56.0	4.4	51.6	63.0	(11.4)
546100	Postage & Mail Services	105.0	0.9	104.1	109.1	(5.0)
546400	Rent of Land & Buildings	112.8	28.1	84.7	98.2	(13.5)
546409	Rent - Interagency	8.1	1.9	6.2	5.9	0.3
546500	Rent of Equipment	46.0	10.4	35.6	40.0	(4.4)
546600	Telecomm	21.0	2.9	18.1	15.0	3.1
546610	DOIT Telecomm	59.8	9.3	50.5	49.0	1.5
546700	Subscriptions & Dues	2.0	0.2	1.8	2.8	(1.0)
546800	Employee Training & Education	3.0	0.2	2.8	3.3	(0.5)
546801	Board Member Training	5.0	0.0	5.0	1.5	3.5
546900	Advertising	0.5	0.0	0.5	1.2	(0.7)
547900	Miscellaneous Expense	1.3	0.4	0.9	1.6	(0.7)
547999	Request to Pay Prior Year	0.0	0.0	0.0	0.0	0.0
548300	Information Technology Equipment	5.0	13.9	(8.9)	1.1	(10.0)
549600	Employee Out-Of-State Mileage & Fares	1.5	0.0	1.5	1.0	0.5
549700	Employee Out-Of-State Meals & Lodging	2.0	0.0	2.0	1.0	1.0
549800	B&C-Out-Of-State Mileage & Fares	1.5	0.0	1.5	1.5	0.0
549900	B&C- Out-Of-State Meals & Lodging	1.5	0.8	0.7	1.5	(0.8)
	TOTAL	538.1	81.4	456.7	452.9	42 3.8

Program Support

FY20 Contract Amendments/New – Action Item

Background

NMRHCA staff proposes to amend two existing agreements and execute one new agreement for lobbying services related to the 2020 Legislative proposal. The Rodey Law Firm serves as general legal counsel for NMRHCA and provides a broad range of legal advice including: contract review and execution, statute and administrative code review and interpretation, agency policy reviews, etc. Through the end of August, legal expenditures have exceeded previously anticipated amounts related to an unforeseen appeal process. However, NMRHCA staff anticipates the need for additional legal services through the remainder of the year, specifically related to the upcoming medical, dental and vision contract negotiations in the spring. Also, NMRHCA staff would like to begin working on the programming requirements associated with the upcoming administrative rule change related to the increased years of service and minimum age requirements. Lastly, NMRHCA staff would like to execute a small purchase agreement for lobbying services related to the 2020 legislative session.

Program Support Contractual Services Information

FY20 Approved Operating Budget - Program Support/Contractual Services --- \$616,600						
Revised - Pending BAR Approvals	\$791,600					
Contract	Amount Encumbered YTD	Expended End of Q1	Contract Balance	Percent Remaining	Proposed Amendment/ New	Revised Total
Segal	\$345,000	\$0	\$345,000	100.0%	\$0	\$345,000
Judith Beatty	\$6,500	\$2,236	\$4,264	65.6%	\$0	\$6,500
Moss Adams	\$71,363	\$0	\$71,363	100.0%	\$0	\$71,363
<i>Rodey</i>	<i>\$40,000</i>	<i>\$33,872</i>	<i>\$6,128</i>	<i>15.3%</i>	<i>\$20,000</i>	<i>\$60,000</i>
CLA	\$10,000	\$0	\$10,000	100.0%	\$0	\$10,000
Real Time Solutions	\$1,295	\$0	\$1,295	100.0%	\$0	\$1,295
Work Quest	\$4,275	\$0	\$4,275	100.0%	\$0	\$4,275
<i>RESPEC</i>	<i>\$39,000</i>	<i>\$4,931</i>	<i>\$34,069</i>	<i>87.4%</i>	<i>\$150,000</i>	<i>\$189,000</i>
APS (MOU)	\$33,750	\$0	\$33,750	100.0%	\$0	\$33,750
SPO (MOU)	\$0	\$0	\$0	NA	\$15,800	\$15,800
<i>Dan Lopez (new)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>NA</i>	<i>\$16,275</i>	<i>\$16,275</i>
Investment Advisory (new)	\$0	\$0	\$0	NA	\$35,000	\$35,000
			\$0		\$0	\$0
Total	\$551,183	\$41,040	\$510,143	92.6%	\$237,075	\$788,258
Unencumbered Balance	\$240,418	\$240,418	NA	NA	\$3,343	\$3,343

Requested Action

NMRHCA staff respectfully requests approval to amend the compensation sections of the following contracts, as follows:

- Rodey Law Firm - \$20,000 / \$60,000 total
- RESPEC - \$150,000/\$189,000 total

NMRHCA staff also requests authority to execute a new small purchase agreement with Dr. Dan Lopez for lobbying services on behalf of NMRHCA:

- Dan Lopez - \$16,275 / \$16,275 total



New Mexico Retiree Health Care Authority 2020 Proposed Legislation

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

Economic Forecast

According to the LFC Hearing Brief dated August 28, 2019, the Consensus Revenue Estimated Group (CREG) comprising the LFC, DFA, TRD and DOT presented the following revenue forecast:

August 2019 Consensus General Fund Recurring Revenue Outlook				
(in millions of dollars)				
	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>
December 2018 Consensus*	\$7,590.5	\$7,433.1	\$7,686.8	\$7,954.9
August 2019 Adjustments	\$333.2	\$347.0	\$304.6	\$379.1
August 2019 Consensus	\$7,923.7	\$7,780.1	\$7,991.4	\$8,334.1
Annual amount change	\$1,107.2	-\$143.6	\$211.3	\$342.7
Annual percent change	16.2%	-1.8%	2.7%	4.3%

* December 2018 Consensus figure includes 2019 legislation adjustments based on fiscal impact report estimates.
Note: General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average that are distributed to the tax stabilization reserve.

Although not shown on the chart --- FY19 revenues increased \$1.1 billion compared to FY18. FY20 growth over FY18 remains at \$1 billion.

Source:

https://www.nmlegis.gov/Entity/LFC/Documents/Revenue_Reports/General_Fund_Revenue_Forecast/2019/Consensus%20Revenue%20Estimate%20-%20August%202019.pdf

Economic Forecast Continued

Summary:

“Recurring revenues for FY19 are estimated at \$7.92 billion, an increase of \$1.1 billion, or 16.2 percent, from FY18. Recurring revenues for FY20 are estimated at \$7.78 billion, a decline of \$143.6 million, or 1.8 percent from FY19. Estimated ending balances for FY19 are \$1.71 billion, or 27 percent, and projected ending balances for FY20 are \$2.28 billion, or 32 percent.”

“ ‘New money,’ defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is projected at \$907 million for FY21, or 12.8 percent growth from the FY20 recurring budget level.”

“While the various forecast risks cannot be reasonably accounted for within the revenue estimates – including an energy industry crash...the Legislature can prepare for these risks by maintaining adequate reserves. Combined with growing concerns about a possible impending recession, the state should proceed with caution in crafting a budget, and LFC economists recommend retaining a minimum of 20 percent reserves.”

“External forecasting agencies have recently increased their probability forecasts of a recession in 2020. The probability estimates range from 19 percent (Moody’s Analytics) to 45 percent (JP Morgan Chase). In an August 2019 survey by the National Association for Business Economics, 38 percent of economists expected a recession in 2020 and 72 percent predicted a recession by 2021.”

Tailwinds

Oil and Gas Industry Impacts:

“Recording-Breaking Production. From 1980 to 2010, New Mexico’s annual oil production averaged 70 million barrels. Now, technological efficiencies and low breakeven costs of the Delaware basin put the state on track to produce over 350 million barrels of oil in FY20 and nearly 400 million barrels by FY21.”

“Forecast Assumes Continued Production Growth. Macroeconomic forecasts from IHS Markit and the U.S. Energy Information Administration project Permian Basin oil production will drive total U.S. oil growth over the next 10 years. In a presentation to the LFC in July 2019, analysts from DrillingInfo – an energy data and analytics firm – stated the Delaware Basin in New Mexico has some of the best resources in the Permian Basin and one of the lowest breakeven costs at an average \$38 per barrel. New Mexico continues to be the fastest-growing oil producing state, with per-day production increasing 51 percent year-over-year in the last quarter of 2018 and 38 percent in May. Comparably, Texas per-day oil production grew 24 percent and 17 percent over those time periods, respectively.”

“Forecast Dependent on Price and Volume Assumptions. The consensus estimates for oil volumes assume New Mexico oil prices in the low - \$50s over the forecast horizon.”

Tailwinds Continued

NMRHCA Specific:

- Appropriate use of state projected surpluses in FY21 and beyond
- Continued improvements to solvency and funded ratio
 - Elimination of \$6,000 basic life insurance policy
 - Limited growth in long-term liabilities (plan changes)
 - Continued contributions to trust fund (revenues in excess of expenditures)
- Continued growth in the number of members served by the program
- Positive and assuring conversations with the Governor, Legislative Finance Committee staff and certain legislators
- Support from member organizations – RPENM and NMAER
- Support from non-member organizations – AARP
- NMRHCA participation in the Pharmaceuticals Purchasing Council

Headwinds

Macro Level:

- The general fund increase for FY21 agency appropriations submitted September 1 is \$475 million, an increase of 16 percent. This excludes public school support and higher education institutions, which are due in the fall. Some significant requests include: Tourism, up \$7.1 million, or 43 percent; HSD, \$127 million, or 12 percent; Corrections, \$22 million or 7 percent; and Environment, \$9 million or 72 percent.
- Executive proposal to make higher education free to NM residents with an estimated cost between \$25 - \$35 million
- PERA Pension Solvency Task Force Recommendations:
 - Increase employee and employer contributions by 4% (2% employee, 2% employer) --- opposed by Association of Counties
 - \$76 million one-time appropriation
- Educational Retirement Board Legislative Request
 - Increase employer contributions a yet to be determined % of payroll
 - Possible request for one-time appropriation
- Competition with compensation package being developed for public employees

Headwinds Continued

NMRHCA Specific:

- General consensus between the Governor and Legislature regarding the need to “shore up” pension programs, less certainty with regard to NMRHCA
- Previous five attempts to increase employee and employer contributions (2013-2016, 2019) failed to gain support despite considerable retiree support
- Reluctant support from union groups
- Impact of reductions resulting from SB7 during 2016 Special Session
- Despite low-funded ratio, NMRHCA better off than most OPEB programs
- According the August edition of the LFC Newsletter –
 - State employee take home pay is the lowest in the region, largely due to the comparatively higher cost of health insurance. NM State employees receive approximately 70 percent of their total compensation in salary, roughly in line with the seven surrounding states. However, employees’ take home pay is just 55 percent of total compensation, lower than surrounding states
 - Specific concerns expressed regarding impact on employee take home pay
 - Requested increases for state and public school employees (benefits specific)

NMRHCA 5-Year Strategic Plan

Since 2012 the NMRHCA Board of Directors approved a 5-year plan, which included the elements below. The steps taken within each of these categories as well as other significant action is also noted.

1. Phase out “family coverage” subsidies for retirees with multiple dependent children ✓
2. Increase cost sharing on prescription-drug coverage ✓
3. Increase cost sharing of pre-Medicare plans ✓
4. Implement graduated minimum-age requirement ✓
5. Increase years of service required to receive maximum subsidy ✓
6. Reduce pre-Medicare retiree subsidies ✓
7. Reduce pre-Medicare spousal subsidies ✓
8. Implement enhanced-wellness programs ✓
9. Increase Employee/Employer contribution levels

Other Significant Actions

Conversion of \$6,000 basic life (NMRHCA-paid) insurance to supplemental (retiree-paid) life insurance over four years beginning in 2018

Plan designs to be modified to keep plan value under threshold for “Cadillac Tax”

5-Year Strategic Plan Continued

Other Significant Actions

- Elimination of Premier Plus Plan - defaulted members to Premier Plan
- Creation of Value Plan
- Introduction of Value-Based Incentives
- Adjustment of rates commensurate with new risk pools
- Adoption of Medicare defaulting strategy
- Elimination of coverage for drugs available over the counter (OTC)
- Elimination of multiple-dependent subsidy
- Implement and enforce open-enrollment period
- Smart 90 Prescription Drug Plan
- Increase Brand Drug Copays
- Adoption of Savon Program

Proposed Legislation

Introduced Legislation:

- 2013 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers, but received no floor votes
- 2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2015 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2017 – Introduction of House Joint Memorial 1 -- No Request for Increase from Employee/Employer Contributions
- 2018 – No proposed Legislation
- 2019 – Introduced legislation requesting 1.5% contribution increase – passed House State Government and Indian Affairs Committee – tabled in House Appropriation and Finance Committee

2020 Legislative Proposal

30-Year Funded Status Estimate: Exceeds 40%							Pre-Medicare Subsidies	
	Employee	Employer	Total	GF Impact	Additional Revenue	Projected Solvency	Retiree	Spouse/DM
FY20	1.000%	2.000%	3.000%	\$ -	\$ -	2044	64%	36%
FY21	1.125%	2.250%	3.375%	\$ 6,000,000	\$ 16,750,000	Beyond 30 Years	63%	34%
FY22	1.125%	2.250%	3.375%	\$ 6,000,000	\$ 16,750,000	Beyond 30 Years	62%	32%
FY23	1.125%	2.250%	3.375%	\$ 6,000,000	\$ 16,750,000	Beyond 30 Years	61%	30%
FY24	1.125%	2.250%	3.375%	\$ 6,000,000	\$ 16,750,000	Beyond 30 Years	60%	30%
FY25	1.125%	2.250%	3.375%	\$ 6,000,000	\$ 16,750,000	Beyond 30 Years	60%	30%
Average Employee		Annual Cont.	Pay Period					
Current	\$ 40,000	\$ 400.00	\$ 15.38		FY50 Projected Fund Balance	\$2,962,000,000		
FY21	\$ 40,000	\$ 450.00	\$ 17.31					
Difference		\$ (50.00)	\$ (1.92)					
Plus One Time Infusion (FY21) = \$12,384,296								
30-Year Funded Status Estimate: Exceeds 50%							Pre-Medicare Subsidies	
	Employee	Employer	Total	GF Impact	Additional Revenue	Projected Solvency	Retiree	Spouse/DM
FY20	1.000%	2.000%	3.000%	\$ -	\$ -	2044	64%	36%
FY21	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years	63%	34%
FY22	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years	62%	32%
FY23	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years	61%	30%
FY24	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years	60%	30%
FY25	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years	60%	30%
Average Employee		Annual Cont.	Pay Period					
Current	\$ 40,000	\$ 400.00	\$ 15.38		FY50 Projected Fund Balance	\$3,740,000,000		
FY21	\$ 40,000	\$ 468.00	\$ 18.00					
Difference		\$ (68.00)	\$ (2.62)					
Plus One Time Infusion (FY21) = \$12,384,296								

2020 Proposal and Other Considerations

2020 Proposal

- Further stabilizes financial condition of the program in terms of solvency and pre-funding of future benefits
 - Reported through GAS 74 and 75
- Limits general fund impact – state agencies and schools districts
- Limits non-general fund impact – cities, counties and municipalities
 - Particularly those whose sources of revenues are not driven by an increase in oil production or federal spending
- Allows most organizations to absorb increase through vacancy savings
- Minimizes impact on employee take home pay

Other Considerations

- Adjustment of minimum age requirements (beyond 55) – upon receipt of increased contributions and planned reduction in pre-Medicare subsidy levels
- Adjustment of pre-Medicare subsidy levels to match Medicare subsidy levels