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

REGULAR MEETING OF THE BOARD OF DIRECTORS

February 4, 2020
9:30 AM
PERA Building
Senator Fabian Chavez, Jr. Board Room
33 Plaza La Prensa
Santa Fe, NM 87507

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

February 4, 2020

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

NMRHCA BOARD OF DIRECTORS
February 2020

Mr. Wayne Propst
Executive Director
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NM Assoc. of Educational Retirees
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Ms. Pamela Moon
NM Association of Counties
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Mr. Doug Crandall
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The Honorable Mr. Tim Eichenberg
NM State Treasurer
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Mr. Tom Sullivan, President
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Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

February 4, 2020
9:30 AM
PERA Building
Senator Fabian Chavez, Jr. Board Room
33 Plaza La Prensa
Santa Fe, NM 87507

AGENDA

1.	Call to Order	Mr. Sullivan, President	Page
2.	Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3.	Pledge of Allegiance	Mr. Sullivan, President	
4.	Approval of Agenda	Mr. Sullivan, President	4
5.	Approval of Regular Meeting Minutes January 7, 2020	Mr. Sullivan, President	6
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		
	b. NMAER Temporary Board Appointment		
	c. 2020 Winter Newsletter		14
	d. Legislative		16
	e. Case No. D-101-cv 2019-025446		
	f. Attorney General's Office Opioid and Generic Antitrust Litigation		
	g. Resolution 2019-2020-7 Board of Education of Alamogordo Public School District		30
	h. December 31, 2019 SIC Report		45
9.	Paid Parental Leave Policy Executive Order 2019-036 (Action Item)	Mr. Archuleta, Executive Director	47
10.	FY20 2nd Quarter Budget Report	Mr. Archuleta, Executive Director	53
11.	Disposal of IT Equipment (Action Item)	Mr. Kueffer, Deputy Director	58
12.	Office Lease RFP (Action Item)	Mr. Kueffer, Deputy Director	63
13.	Out-of-State Travel Request (Action Item)	Mr. Kueffer, Deputy Director	64
14.	FY19 Financial Audit Review	Mr. Hoggan/Mr. Hamilton, Moss	75
15.	Hearing for Appeal Regarding Eligibility Craig D. O'Hare	Mr. Sullivan, President	128
16.	Executive Session Pursuant to NMSA 1978, Section 10-15-1(H)(3) Deliberations in Connection with an Administrative Adjudicatory Proceeding	Mr. Sullivan, President	
17.	Action on Appeal Regarding Eligibility Craig D. O'Hare	Mr. Sullivan, President	
18.	Other Business	Mr. Sullivan, President	
19.	Executive Session	Mr. Sullivan, President	

Pursuant to NMSA 1978, Section 10-15-1(H)(6) Contents of Competitive Sealed Proposals Solicited Pursuant to the Procurement Code

20. Medical, Dental, Vision RFP (Action Item) — Mr. Archuleta, Executive Director

21. Date & Location of Next Board Meeting — Mr. Sullivan, President

    March 3, 2020, 9:30AM
    Alfredo R. Santistevan Board Room
    4308 Carlisle Blvd. NE., Suite 207
    Albuquerque, NM 87107

22. Adjourn

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING

January 7, 2020

Item	Action	Page
APPROVAL OF AGENDA	Approved	3
APPROVAL OF MINUTES: November 5, 2019	Approved	3
PUBLIC FORUM & INTRODUCTIONS	Informational	3
COMMITTEE REPORTS	Informational	3
EXECUTIVE DIRECTOR'S UPDATE HR Updates Village of Cimarron Request to Join Program Legislative Interagency Pharmaceuticals Purchasing Council ACA Changes Presbyterian Data Breach Medical, Dental and Vision RFP Fall Switch Enrollment HIPAA Compliance Training GAS 74 Final Report October 31/November 30 SIC Report	Informational	3
STAFF APPOINTMENT	Approved use of Admin Leave for Dave Archuleta to attend Acequia Commission meetings	6
FY20 NEW CONTRACTS	Approve $9,000 agreement with CLA	7
FY20 FINANCIAL AUDIT RFP	Approved	7
CASE NO. D-101-CV-2019-025446	Approve contract up to $20,000 with Rodey Law Firm	7
OTHER BUSINESS	None	

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

January 7, 2020

1. CALL TO ORDER

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

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

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

Members Excused:
Mr. Lawrence Rael

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

Others Present:
[See sign-in sheet.]

3. PLEDGE OF ALLEGIANCE

Chairman Sullivan 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: November 5, 2019

Ms. Moon moved approval of the minutes of the November 5 meeting, as submitted. Ms. Saunders seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

United HealthCare representative Dan Cadriel introduced Jolene McBride and Jean Farone Jones.

7. COMMITTEE REPORTS

-- Chairman Sullivan reported that the Executive Committee met last week to prepare today's agenda.

-- Mr. Crandall said the Finance/Investment Committee met. The Finance Committee recommended approval of two items, which are on today's agenda.

-- Ms. Goodwin said the Audit Committee met on November 22 and went over the financial statements with Moss Adams. They will be discussed with the board once released by the State Auditor. Of special note was the big drop in the NMRHCA's unfunded liability, which Mr. Archuleta will discuss today as part of his report.

8. EXECUTIVE DIRECTOR'S UPDATE

a. HR Updates

-- Mr. Archuleta referred a letter received from SPO Director Pamela Coleman in early December, notifying the NMRHCA that SPO will be terminating its service level agreement to provide HR services, effective in April. He said the NMRHCA is exploring two options: 1) training someone internally to perform the HR services for the NMRHCA; or 2) signing a service level agreement with PERA to perform those functions. He stated that the NMRHCA's needs are rather limited, though, given the size of the agency, so it is working with SPO on a solution. He does not anticipate that this will cost additional money, as it will just redirect some funding. The MOU with SPO costs approximately $15,000 annually.

-- Mr. Archuleta stated that Governor Lujan Grisham has signed Executive Order 2019-036, which issues paid parental leave for 12 weeks following the birth or adoption of a child. He said the NMRHCA has the option of not implementing this policy.

Mr. Eichenberg asked that this be listed as an action item on the February agenda.

-- Mr. Archuleta reviewed HR updates.

-- Mr. Archuleta provided an update on the planned relocation. Staff met with GSD in late December and discussed issuance of an RFP and potential co-location with PERA. Next month, the board will be asked to approve an RFP. Although GSD will manage the entire RFP process, they will not make the final selection. The NMRHCA is looking for something with easy access and in a safer location than the current one.

b. Village of Cimarron Request to Join Program

Mr. Archuleta stated that the Village of Cimarron has requested to join the program. Last year, the City of Bayard had asked to join, which was toward the end of the legislation session. At that point, the board determined that if the legislature was unwilling to help shore up the funding of the program, then it made little sense for organizations to be joining a program that was projected to become insolvent within 18 years. Mr. Archuleta stated that he had this discussion with the Village of Cimarron, which thought that was reasonable and decided to withhold pursuing joining the program for now.

Mr. Archuleta asked for feedback from the board on whether the NMRHCA should accept any new entrants to the program. The last group to join was Sierra County, which was three or four years ago.

Mr. Archuleta said the Village has ten employees, and joining would not pose any significant burden to the NMRHCA. To join, they would purchase in at the actuarial value, and would have the option of paying up front or amortizing it over a period of 13 years at a 7.75 percent interest rate.

Mr. Archuleta agreed to notify the Village that they could pursue requesting an actuarial analysis, at their cost, paid directly to Segal.

c. Legislative

Mr. Archuleta stated that House Bill 45, co-sponsored by Reps. Tomás E. Salazar and Raymundo Lara, was pre-filed on December 18 in the House.

Mr. Archuleta stated that former Rep. Gonzales, now Sen. Gonzales, had previously offered to sponsor the legislation, as well. The NMRHCA has reached out with him to see if he would be willing to co-sponsor an identical bill in the Senate, but has not had confirmation from him at this point.

Mr. Montaño suggested that Sen. Smith and LFC Director Abbey be approached directly and asked if there was anything in House Bill 45 that they would change in order to support it.

Mr. Linton expressed support for Mr. Montaño's suggestion.

Mr. Archuleta responded that he has actually asked that question of both of them before, but without clear answers, and agreed to visit with them again.

Chairman Sullivan stated that the Legislative Committee is suggesting that its members sit down with invitees of stakeholder groups and, in that meeting, draft something that represents the consensus of the group and which will resonate with each of the constituent groups.

Ms. Goodwin recommended that the committee use fact sheets developed by staff from earlier documents that the stakeholder representatives could then review and critique. The fact sheets should be sent out in advance of the meeting, so people can come prepared with edits.

Mr. Archuleta said he would work on a schedule and send out invitations.

Mr. Archuleta reported that the FY 2021 budget recommendations have been announced. The Executive recommendation was basically flat; however, the LFC recommended a 4.1 percent increase.

Mr. Archuleta said the LFC will be conducting a fiscal analysis of the Health Security Act Plan, as required by House Memorial 92, which requires state agencies, health insurers and providers to provide healthcare cost and coverage data for a study that will determine whether there is the possibility of a statewide health plan for all citizens in New Mexico. He commented that the study could result in eventual modifications or changes to the structure of the NMRHCA.

d. <u>Interagency Pharmaceuticals Purchasing Council</u>

Mr. Archuleta noted that. In December, the Council voted to approve a contract for a vendor to provide a comprehensive study of all pharmacy purchasing savings opportunities for IBAC members and other groups that purchase pharmaceutical benefits for public employees. At the meeting, the vendor will make a presentation. The IPPC will hold a special meeting on January 15 at 1:00 p.m. to hear the vendor's recommendations.

e. <u>ACA Changes</u>

Mr. Archuleta reported on changes to the ACA. On December 20, House Resolution 1865 was signed, effectively repealing the health insurance tax that affected Medicare Advantage plans. Health plan vendors had absorbed the cost of the tax, which ranged from $20 to $30 per member per month.

Mr. Archuleta also reported that the Cadillac Tax was repealed. This was a 40 percent excise tax on plans over a certain dollar value threshold beginning in 2022. He stressed that the NMRHCA's solvency plan assumes this tax will eventually be implemented, however, and the board agreed in 2013 that the NMRHCA would continue to modify benefits in order to stay under the dollar value threshold.

Mr. Archuleta additionally reported that the PCORI (Patient-Centered Outcomes Research Institute) Fee was reinstated. This fee had been costing the agency between $39,000 and $41,000 per year.

f. <u>Presbyterian Data Breach</u>

Updating the Presbyterian data breach that occurred in July 2019, which involved 180,000 people in New Mexico, including 9,000 NMRHCA members, Mr. Archuleta said the agency was notified in November that 2,956 additional members were identified. Those individuals were notified of the breach and offered free credit monitoring services.

g. <u>Medical, Dental and Vision RFP</u>

Mr. Archuleta reported that the IBAC evaluation team met yesterday to review the consolidated scoring efforts of the group. There were 17 bids received, which included 5 medical offers, 4 vision offers, 5 dental offers, 10 Medicare Advantage offers and 5 EAP offers. The finalists will appear before the IBAC beginning next Wednesday. The board will hear recommendations in closed session in February, followed by a vote in open session.

h. Fall Switch Enrollment

Mr. Archuleta reported that there were an estimated 2,545 participants.

i. HIPAA Compliance Training

Mr. Archuleta said NMRHCA offices will close at noon on January 27 for a half-day mandatory training in HIPAA compliance.

Ms. Saunders asked if the training touches on cybersecurity issues. Mr. Archuleta responded that it does not, although there is an annual assessment of cybersecurity.

Mr. Rodriguez stated that, every year, a cybersecurity team comes in and does penetration testing, looks at controls, addresses all relevant cybersecurity matters, and provides a score along with recommendations. In addition, the agency assesses encryption and firewall issues every year.

Ms. Goodwin said the ERB believes its employees are its biggest vulnerability in terms of cybersecurity, and conducts regular training and testing of its employees. She said there have been numerous attempts to penetrate the ERB, but employees have been trained to watch for this and have not fallen for any attempts.

Ms. Moon said there are daily attempts at the Association of Counties. All of the employees have been sent through training and are regularly tested. She added that, when she was with Bernalillo County, they had to send their IT people to Farmington because they were attacked by ransomware.

Mr. Archuleta said the NMRHCA would look into this.

j. GAS 74 Final Report

Mr. Archuleta said the final report was issued in late November, after the audit adjustments had been incorporated. He stated that the plan fiduciary net position increased from $751 million to $756 million, which improved the funded ratio from 18.8 percent to 18.92 percent. Total OPEB liabilities have decreased to just under $4 billion from $5+ billion.

k. October 31/November 30, 2019 SIC Report

Mr. Archuleta reported that October's fund total was $753 million, increasing to $759 million in November. The July 2020 goal is $775 million.

9. STAFF APPOINTMENT

Mr. Archuleta stated that, as he reported at the November meeting, he has been appointed to serve on the Acequia Commission, which meets on the third Thursday of every month. According to New Mexico policy, employees who are members of a state board or commission may be entitled to Administrative Leave to attend meetings or transact business of the board or commission.

Mr. Crandall moved to allow Mr. Archuleta to attend these meetings on Administrative Leave. Ms. Moon seconded the motion, which passed unanimously.

10. FY20 NEW CONTRACTS

Mr. Archuleta requested approval to execute a new small purchase agreement ($9,000) with CliftonLarsonAllen (CLA) for concurring review of the GAS 75 Employer Allocation Schedules, as well as a small purchase agreement ($20,000) with the Rodey Law Firm regarding the ongoing administrative appeal filed in District Court. There would be a remaining balance of $19,343 for other contractual services through the remainder of FY 2020.

Mr. Crandall said the Finance Committee supports both of these contracts.

Mr. Crandall recommended that the board approve the agreement with CLA and take action on the second agreement under agenda Item 12.

Mr. Crandall moved to approve the $9,000 agreement with CLA. Mr. Montaño seconded the motion, which passed unanimously.

11. FY20 FINANCIAL AUDIT RFP

Mr. Archuleta said the NMRHCA is authorized to enter 1-year agreements for up to 3 years and has come to an end of its 3-year agreement with Moss Adams, which is the allowed limit. In addition, the Audit Rule and State Procurement Code require the agency to seek approval from the Office of the State Auditor (OSA) prior to beginning the process of procuring IPA services. In anticipation of OSA releasing directions and guidelines regarding the 2020 Audit Rule, staff is requesting approval to initiate the IPA procurement process.

Mr. Crandall said the Finance Committee recommended approval.

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

12. CASE NO. D-101-cv-2019-025446

Mr. Archuleta stated that, in August 2019, the board upheld his decision in the termination of one of the members. In December, the appellant pursued an emergency order to stay that decision and be added back onto the plan, and the judge granted that motion, adding them back onto the plan until a determination is made regarding their eligibility. On January 13, the NMRHCA will be filing the reasons why this individual is not eligible to participate in the plan, and the attorney will have 15 days to respond. The judge will then make a determination on eligibility to participate.

Mr. Archuleta recommended approval of a purchase agreement of up to $20,000 with the Rodey Law Firm, discussed as part of agenda Item 10. He said the amount of time and workload associated with this case is unknown at this time.

Responding to Mr. Crandall and Chairman Sullivan, Mr. Archuleta said it was the Rodey Law Firm that provided the $20,000 estimate, and also told him that the amount was not likely to exceed that.

Mr. Crandall said the Finance Committee reviewed this and recommends approval.

Mr. Crandall moved for approval of this contract with the caveat that the amount not exceed $20,000. Ms. Saunders seconded the motion, which passed unanimously.

13. OTHER BUSINESS

None.

14. EXECUTIVE SESSION

None.

15. DATE AND LOCATION OF NEXT BOARD MEETING:
FEBRUARY 5, 2019, 9:30 A.M.
SENATOR FABIAN CHAVEZ JR. BOARD ROOM
PERA BUILDING
33 PLAZA LA PRENSA
SANTA FE, NM 87507

ADJOURN

Meeting adjourned at 10:55 a.m.

Accepted by:

____

Tom Sullivan, President

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

NMRHCA

Quarterly Online Newsletter
January 2020

NMRHCA's Minimum Age, Years of Service Rule Changes Go Into Effect on Jan. 1, 2021

REMINDER: In November 2018, the New Mexico Retiree Health Care Authority (NMRHCA) Board of Directors adopted a Rule Change effective Jan. 1, 2021 establishing a minimum age requirement of 55 and increasing the number of years required to receive the maximum subsidy provided by the agency. Please note this rule change does not apply to folks who retire from an enhanced retirement plan, i.e., firefighters, police officers or correctional officers.

Therefore, to receive a subsidy (NMRHCA's contribution toward your monthly health care premiums) from the program before the age of 55, your effective retirement date must be Dec. 1, 2020, and you must start receiving your pension. Retirements after Dec. 31, 2020 (effective Jan. 1, 2021 or later) will be subject to the rule change.

UPDATE: Back in December, NMRHCA had sought and received endorsement from the interim Investments and Pensions Oversight Committee (IPOC) regarding the proposed legislation to stabilize the financial structure of the program for current and future retirees. As many of you are aware, NMRHCA faces significant long-term financial challenges due to rising health care costs. In a world of limited resources, these challenges are not easily solved but can be managed, as demonstrated by continued improvements to the program over the past decade.

The NMRHCA program in 2007 was projected to become insolvent by 2014. As a result, the Legislature passed, and the Governor enacted, House Bill 728 that established a work group to study how to preserve benefits for current and future retirees. This work group consisted of agency heads from the Department of Finance and Administration, Legislative Council Service, Legislative Finance Committee, members of the NMRHCA Board of Directors, senior policy advisers to the Governor and a consulting actuary. As stated in the report, "this significant and unforeseen decline in the period in which the system would become insolvent became the catalyst for action by the Board, the Governor and the Legislature."[(1)]

Subsequently, during the 2009 legislative session, the Retiree Health Care Act was amended to increase employee and employer contributions to the program to support the pre-funding of future benefits. In addition, each year since this time, the Board of Directors has taken aggressive action to manage rising health care costs by reducing and eliminating certain subsidies, increasing members' cost share (copays, coinsurance and deductibles), increasing members' monthly premiums, and through its procurement activities.

Combined, these actions have boosted our trust fund balances from $122 million in 2007 to over $780 million at the end of 2019, extended the solvency of the program from 2014 to 2044 and reduced the long-term liabilities of the program from $4.3 billion to just under $4 billion currently. As previously mentioned, however, the long-term viability of the program remains uncertain as medical trends continue to outpace growth in the available resources used to support the program today.

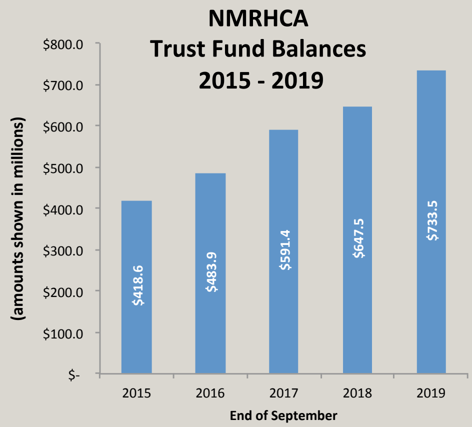
As such, House Bill 45 – Changes to the Retiree Health Care Fund (sponsored by Representatives Tomás Salazar and Raymundo Lara) was pre-filed on Dec. 18, 2019.

(see Rule Changes on page 2)

(1) https://www.nmlegis.gov/Publications/studies_research_reports/Retiree%20Health%20Care%20Authority%20HB%20728%20Work%20Group%20(2007%20interim).pdf

The New Mexico Retiree Health Care Authority fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families.

Investments



NMRHCA's Legislation Effect on Active Employees

If House Bill 45 — NMRHCA's bill pre-filed for the 2020 New Mexico Legislative Session — is passed, here is what it means for active employees.

A passage of the measure would increase mandatory employee contributions to NMRHCA by 0.17% (and employer contributions by 0.33%).

As a result, an employee making $40,000 per year with a PERA or ERB entity participating with NMRHCA would see a $2.62 reduction in their biweekly paychecks.

The additional money to NMRHCA would make the program 50% funded in less than 30 years, up from the current 18.9% today.

That would help ensure that you and future retirees have access to our plans for the duration of your retirement.

Important Links:

New Mexico Retiree Health Care Authority:
www.nmrhca.org

New Mexico Educational Retirement Board:
www.nmerb.org

Public Employees Retirement Association:
www.nmpera.org

Rule Changes, Legislative Proposal Part of Immediate NMRHCA Future

(from page 1)

In addition to increasing employee and employer contributions from 3% to 3.5% (a 0.5% increase) beginning FY21, HB45 also proposes a $12.4 million general fund appropriation, or a small fraction of the amount taken from the program during the 2016 special legislative session.

Passage of HB45 is critical to long-term sustainability of the program, absent significant reductions to the value of the benefits provided to current and future retirees. Examples of reductions may include: raising the minimum retirement age closer to the age of Medicare eligibility, reducing or eliminating subsidies for spouses and domestic partners and/or limiting access to care by narrowing the network of providers made available through the health plans.

Here Are Your Health Insurance Options If You Choose To Retire Under Age 55 in 2021 or Later

1. You can purchase unsubsidized health insurance coverage through NMRHCA, and a subsidy will automatically be applied on the month of your 55th birthday. Currently, NMRHCA subsidizes up to 64 percent of a retiree's non-Medicare eligible premium for medical coverage each month. For example, if the total cost of providing coverage for a retiree is $900 per month, NMRHCA contributes $576 and the retiree pays $324. After Jan. 1, 2021, if you retire before the age of 55, you would pay 100% ($900 per month) until the month of your 55th birthday. This change does not apply to current participants or to individuals retiring from an enhanced retirement plan.

2. Purchase a plan through the open market or the health care exchange. For more information, visit bewellnm.com. If you get on a plan through the open market or the exchange, you can enroll with NMRHCA within 31 days of your 55th birthday. If you miss this qualifying event period, you must wait until the next open enrollment period (scheduled for the month of January in every odd year, i.e., 2021, 2023, 2025, etc.).

3. Upon retirement, if you return to work for a private or government employer that offers health insurance benefits, you are required to enroll in the coverage offered. You can purchase coverage through NMRHCA, but it will still be unsubsidized until the month of your 55th birthday and NMRHCA will become a secondary payer of benefits.

4. Join your spouse's/domestic partner's insurance plan through their employer.

5. Stay at your current NMRHCA-participating ERB/PERA job until age 55 to receive the subsidy you've earned based on years of service.

Remember — the years of service to receive the maximum subsidy NMRHCA offers will increase in 2021 from 20 to 25 years. Active employees are eligible to participate with NMRHCA upon retirement after five years of service and will earn a larger subsidy with each additional year.

Currently, employees with five years of service earn 6.25% of the maximum subsidy available. Each additional year of service adds a 6.25% increase in subsidy toward the maximum, up to 20 years. For those retiring in 2021 or later, five years of service earn approximately 4.76% of the maximum subsidy, and each additional year adds 4.76%, up to 25 years of service.

FY21 LFC/Executive Recommendation Comparison

Overall, the FY21 appropriation recommendations proposed by the Legislative Finance Committee (LFC) and Executive provide for a range of growth between 0.1 and 4.4 percent for the Healthcare Benefits Administration Program, with the LFC recommendation being greater. The request assumed a 2 percent growth in participation and 4 percent growth in medical trend (medical and prescription combined). Table 1 highlights the FY20 approved operating budget, FY21 appropriation request and corresponding recommendations made by the LFC, Executive and action taken by the House Appropriations and Finance Committee.

Table 1 ($ shown in thousands)	FY20 Approved Operating	FY21 Request	LFC Recommendation	Exec Recommendation	**HAFC**
Personal Services & Employee Benefits	$ 2,053.0	$ 2,068.0	$ 2,053.0	$ 2,067.3	$ 2,067.3
Contractual Services	$ 355,360.0	$ 375,400.2	$ 370,222.4	$ 355,855.0	$ 355,855.0
Other	$ 580.1	$ 566.2	$ 566.2	$ 566.2	$ 566.2
Other Financing Uses	$ 3,207.7	$ 3,326.0	$ 3,311.0	$ 3,296.9	$ 3,296.9
Total	**$ 361,200.8**	**$ 381,360.4**	**$ 376,152.6**	**$ 361,785.4**	**$ 361,785.4**
Healthcare Benefits Administration					
Contractual Services	$ 354,743.4	$ 374,708.4	$ 369,530.6	$ 355,191.6	$ 355,191.6
Other	$ 42.0	$ -	$ -	$ -	$ -
Other Financing Uses	$ 3,207.7	$ 3,326.0	$ 3,311.0	$ 3,296.9	$ 3,296.9
Subtotal	**$ 357,993.1**	**$ 378,034.4**	**$ 372,841.6**	**$ 358,488.5**	**$ 358,488.5**
Program Support					
Personal Services & Employee Benefits	$ 2,053.0	$ 2,068.0	$ 2,053.0	$ 2,067.3	$ 2,067.3
Contractual Services	$ 616.6	$ 691.8	$ 691.8	$ 663.4	$ 663.4
Other	$ 538.1	$ 566.2	$ 566.2	$ 566.2	$ 566.2
Subtotal	**$ 3,207.7**	**$ 3,326.0**	**$ 3,311.0**	**$ 3,296.9**	**$ 3,296.9**
Total	**$ 361,200.8**	**$ 381,360.4**	**$ 376,152.6**	**$ 361,785.4**	**$ 361,785.4**
FTE	**26**	**26**	**26**	**26**	**26**

Table 2 provides a comparison of the incremental growth requested and recommended for each program compared to the approved FY20 operating budget. The LFC recommendation provided an additional $14.8 million for Health Care Benefits Administration and $103 thousand for Program Support. The Executive recommendation includes an additional $495 thousand for Healthcare Benefits Administration and $89 thousand for Program Support – a difference of $14.3 million and $14.1 thousand respectively.

Table 2 ($ shown in thousands)	FY20 Approved Operating	FY21 Requested Growth	LFC Recommended Growth	Exec Recommended Growth	**HAFC**
Healthcare Benefits Administration					
Contractual Services	$ 354,743.4	$ 19,965.0	$ 14,787.2	$ 448.2	$ 448.2
Other	$ 42.0	$ (42.0)	$ (42.0)	$ (42.0)	$ (42.0)
Other Financing Uses	$ 3,207.7	$ 118.3	$ 103.3	$ 89.2	$ 89.0
Subtotal	**$ 357,993.1**	**$ 20,041.3**	**$ 14,848.5**	**$ 495.4**	**$ 495.2**
Program Support					
Personal Services & Employee Benefits	$ 2,053.0	$ 15.0	$ -	$ 14.3	$ 14.3
Contractual Services	$ 616.6	$ 75.2	$ 75.2	$ 46.8	$ 46.8
Other Financing Uses	$ 538.1	$ 28.1	$ 28.1	$ 28.1	$ 28.1
Subtotal	**$ 3,207.7**	**$ 118.3**	**$ 103.3**	**$ 89.2**	**$ 89.2**
Total	**$ 361,200.8**	**$ 20,159.6**	**$ 14,951.8**	**$ 584.6**	**$ 584.4**
FTE	**26**	**0**	**0**	**0**	**0**

Table 3 highlights the FY21 operating budget along with the requested and recommended growth expressed in terms of a percentage.

Table 3 ($ shown in thousands)	FY20 Approved Operating	FY21 Requested Growth	LFC Recommended Growth	Exec Recommended Growth	HAFC
Healthcare Benefits Administration					
Contractual Services	$ 332,450.7	6.0%	4.4%	0.1%	0.1%
Other	$ 42.0	-100.0%	-100.0%	-100.0%	-100.0%
Other Financing Uses	$ 3,047.6	3.9%	3.4%	2.9%	2.9%
Subtotal	**$ 335,540.3**	**6.0%**	**4.4%**	**0.1%**	**0.1%**
Program Support					
Personal Services & Employee Benefits	$ 1,937.5	0.8%	0.0%	0.7%	0.7%
Contractual Services	$ 566.3	13.3%	13.3%	8.3%	8.3%
Other Financing Uses	$ 543.8	5.2%	5.2%	5.2%	5.2%
Subtotal	**$ 3,047.6**	**3.9%**	**3.4%**	**2.9%**	**2.9%**
Total	**$ 338,587.9**	**6.0%**	**4.4%**	**0.2%**	**0.2%**
FTE	**26**	**0%**	**0%**	**0%**	**0%**

Ultimately, the budget scenario proposed by the LFC provided greater ability to accommodate our liabilities in FY21, however, the Executive proposal was adopted and incorporated in the House Appropriations and Finance Committee Substitute for House Bills 2 and 3. NMRHCA does not anticipate the Senate will take action to change these amounts and the difference can be accommodated through budget adjustment authority granted in Section 10 of the bill which specifies the following: “the healthcare benefits administration program of the retiree health care authority may request budget increases from other state funds for claims”.

HOUSE BILL 45

54TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2020

INTRODUCED BY

Tomás E. Salazar and Raymundo Lara

ENDORSED BY THE INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

AN ACT

RELATING TO RETIREE HEALTH CARE; INCREASING EMPLOYEE AND EMPLOYER CONTRIBUTION RATES TO THE RETIREE HEALTH CARE FUND; TRANSFERRING MONEY TO THE RETIREE HEALTH CARE FUND; MAKING AN APPROPRIATION.

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

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

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

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

(1) for participating employees who are not

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members of an enhanced retirement plan, the employer's contribution shall equal

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

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

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

~~(d)~~] two <u>and thirty-three hundredths</u> percent of each participating employee's salary [~~beginning July 1, 2012~~];

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

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

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

~~(c) two and two hundred ninety-two thousandths percent of each participating employee's salary for~~

<u>underscored material = new</u>
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~~the period from July 1, 2011 through June 30, 2012; and~~

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

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

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

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

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

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

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

~~(d)~~] one and seventeen-hundredths percent

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of the employee's salary [~~beginning July 1, 2012~~];

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

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

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

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

~~(d)~~] one and [~~one-fourth~~] forty-seven hundredths percent of the employee's salary [~~beginning July 1, 2012~~]; and

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

C. [~~On or after July 1, 2009~~] No person who has

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

obtained service credit pursuant to Subsection B of Section 10-11-6 NMSA 1978, Section 10-11-7 NMSA 1978 or Paragraph (3) or (4) of Subsection A of Section 22-11-34 NMSA 1978 may enroll with the authority unless the person makes a contribution to the fund equal to the full actuarial present value of the amount of the increase in the person's health care benefit, as determined by the authority.

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

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

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

G. Notwithstanding any other provision in the Retiree Health Care Act and at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section [~~7-1-6.1~~] 7-1-6.30 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

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

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

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

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

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

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

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

SECTION 2. TRANSFER.--Twelve million three hundred eighty-four thousand two hundred ninety-six dollars ($12,384,296) is transferred from the general fund to the retiree health care fund to restore a portion of the losses to the retiree health care fund resulting from previous changes to the distributions received from the tax administration suspense fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

SECTION 3. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2020.

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FISCAL IMPACT REPORT

		ORIGINAL DATE	1/27/20		
SPONSOR	Salazar	**LAST UPDATED**		**HB**	45
SHORT TITLE	Changes to Retiree Health Care Fund			**SB**	
				ANALYST	Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	$12,384.3	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
$9,580.6	$ 9,580.6	$ 9,580.6	$ 28,741.8	$ 9,580.6	General Fund
$1,802.7	$ 1,802.7	$ 1,802.7	$ 5,408.1	$ 1,802.7	Other State/Federal Funds
$3,716.7	$ 3,716.7	$ 3,716.7	$ 11,150.0	$ 3,716.7	Non-State Employers
$7,400.0	$ 7,400.0	$ 7,400.0	$ 22,200.0	$ 7,400.0	Employee Contributions
$22,500.0	**$22,500.0**	**$22,500.0**	**$67,500.0**	**Recurring**	**Total**

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

House Bill 45 increases employee and employer contributions to the Retiree Health Care Authority as follows:

1. Increases employer contributions for normal (non-public safety) members from 2 percent of salary to 2.33 percent of salary;

2. Increases employer contributions for enhanced plan (public safety) members from 2.5 percent of salary to 2.9 percent;
3. Increases employee contributions for normal members from 1 percent of salary to 1.17 percent;
4. Increases employee contributions for enhanced plan members from 1.25 percent of salary to 1.47 percent.

Additionally, HB45 appropriates $12.4 million from the general fund to the retiree health care fund.

FISCAL IMPLICATIONS

HB45 makes a $12.4 million appropriation from the general fund to the retiree health care fund as shown in the appropriation table.

HB45 will increase recurring employee and employer contribution revenue to the retiree health care fund by $22.5 million per year. Based on an affected state agency payroll of $1.16 billion, enactment of the provisions of HB45 will cost the State of New Mexico approximately $3.9 million per year. This amount is comprised of $2.1 million from the general fund and $1.8 million from other state and federal fund sources as shown in the estimated additional operating impact table. In addition, public school employer contributions are anticipated to increase by $7.5 million, entirely from the general fund. This results in a total annual general fund cost of $9.58 million.

In addition to increases state employer costs, local government employers will pay $3.7 million per year.

Finally, increased employee for all covered employees are expected to raise $7.4 million per year. The total recurring revenue generated for the retiree health care fund by the provisions of HB45 is $22.5 million.

SIGNIFICANT ISSUES

As of June 30, 2018, the net other post-employment benefits (OPEB) liabilities reported for several of the state's largest employer groups were as follows:

State of New Mexico (all state agencies)	$1,049,290,625
Albuquerque Public Schools	$480,522,776
Bernalillo County	$125,875,740
City of Albuquerque	$305,426,268
Las Cruces School Districts	$133,203,588

The addition of these liabilities to the financial statements of the 302 participating employer groups may impact their future bonding capacity similar to the pension plan liabilities. Total OPEB liabilities are $4 billion.

RHCA faces a low funding ratio and medical costs that increase at a rate that exceeds payroll, and therefore revenue growth. In order to maintain the program, the RHCA has reduced benefits and increased premiums to bolster fund balances. In 2006, the program had a liabilities of $4.27

billion and assets of $154.5 million resulting in a funded ratio of 3.62 percent. Cost saving and revenue increasing measures undertaken by the board increased the trust fund balance to over $700 million, resulting in a funded ratio of 18.92 percent in 2019.

Despite the progress made in increasing fund balances and controlling costs, RHCA projects that program expenditures will outpace revenue generated in FY24 and the trust fund will be exhausted and the program insolvent by FY44.

LFC analysis of total compensation in six surrounding shows that New Mexico state employees receive the second lowest proportion of total compensation in the form of salary. Additionally, New Mexico state employees have the lowest proportion of take home pay in the region. The relatively rich benefit package offered by the state reduces take home pay and may prove a disincentive to state employment.

OTHER SUBSTANTIVE ISSUES

The Retiree Health Care Act was created in 1990 for the purpose of providing comprehensive core group health insurance for persons who retire from public service. The program was not established with a material pre-funding period and began paying benefits on behalf of 15,000 members six months after the agency was created. This resulted in the agency incurring significant liabilities immediately after creation, effectively starting the program in a deficit.

ALTERNATIVES

RHCA reports the following:

RHCA's strategic plan includes a commitment to continued plan modifications, combined with an increase in employee and employer contributions in order to support the continued viability of the program for existing and future retirees. However, as the deficit spending period approaches and ultimately the period of insolvency, RHCA will have to consider one or a combination of the following options:

1. Elimination of the Medicare Supplement Plan — only offer Medicare Advantage
2. Conversion to the defined contribution type of program — provide a flat monthly contribution toward the purchase of coverage regardless of cost
3. Elimination of spousal subsidies (current and future participants)
4. Decrease or eliminate pre-Medicare participant subsidies – Medicare only plans
5. Limit access to care by narrowing the network of providers, facilities and hospitals

CJ/sb

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
54th Legislature, 2nd Session, 2020

Bill Number	HB45	**Sponsor**	Salazar/Lara
Tracking Number	.216154.2SA	**Committee Referrals**	HLVMC/HAFC
Short Title	Changes to Retiree Health Care Fund		
Analyst	Simon	**Original Date**	1/28/2020
		Last Updated	

FOR THE INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

BILL SUMMARY

Synopsis of Bill

House Bill 45 (HB45) would increase public employer and employee contributions to the retiree health care fund and transfers $12.4 million from the general fund to the retiree health care fund. The bill would become effective July 1, 2020.

This analysis is limited to the impact of HB45 on school districts, charter schools, and public school employees.

FISCAL IMPACT

HB45 would increase employer contributions from school districts and charter schools to the retiree health care fund, from 2 percent of each employee's salary in FY20 to 2.33 percent of each employee's salary in FY21. Public school employee contributions would increase from 1 percent of salary in FY20 to 1.17 percent of salary. Data from the Public Education Department (PED) shows school districts and charter schools statewide contributed $38.4 million to the retiree health care fund in FY19; based on that amount public school employees contributed an estimated $19.2 million in FY19. For FY21 and subsequent fiscal years, those amounts would increase to $44.7 million for employers and $22.4 million for employees, an increase of $6.3 million for employers and $3.3 million for employees. Under HB45, a public school employee earning $40 thousand per year would contribute an additional $68 per year.

HB45 does not include an appropriation to public schools to cover the cost of the increased contributions.

HB45 does include an appropriation of $12.4 million from the general fund to the retiree health care fund to partially restore distributions from the tax suspense fund that were suspended in 2016 to increase general fund revenue and ensure the state remained solvent. State law previously increased distributions from the tax suspense fund to the retiree health care fund by 12 percent each year, but Laws 2016 (2nd S.S.), Chapter 1 (Senate Bill 7) suspended the 12 percent increases for the last half of FY17 through FY19. Due to the suspension, the retiree health care fund experienced reduced revenue in FY17, FY18, and FY19. The $12.4 million appropriation would restore a portion of this lost revenue.

SUBSTANTIVE ISSUES

The Retiree Health Care Authority (RHCA) provides health, dental, vision, and life insurance to retired public employees, including public school educators. Although retirees pay health insurance premiums for coverage, that coverage is subsidized by the retiree health care fund, funded primarily with employer and employee contributions. When RHCA was created in 1990, the authority began to provide subsidized health insurance coverage to retired public employees without any pre-funding. As a result, the program has operated largely on a "pay as you go" basis, where employer and employee contributions are used to fund benefits for current retirees.

Although the Retiree Health Care Act states the benefits provided through RHCA do not carry the same legal protections as pension benefits, accounting rules issued by the Governmental Accounting Standards Board (GASB) require the fund's actuaries to project liabilities incurred by the fund. As of June 30, 2019, the fund had projected liabilities of $4 billion and assets of $756.7 million, for a funded ratio of 18.9 percent. GASB rules require these liabilities to be reported on the financial statements of RHCA's member entities; liabilities for "other post-employment benefits" such as RHCA have been cited by bond rating agencies as reasons for downgrading a school district's debt.

RHCA's actuaries project that, assuming no changes to the plan or contribution rates, RHCA will begin to draw from its trust fund to pay benefits in FY23 and the plan will become insolvent in FY44. Analysis from RHCA states the authority's strategic plan calls for both plan modifications and contribution increases to support the program, but as the deficit spending and insolvency period approach, RHCA would need to consider one or a combination of the following proposals:

- eliminate the Medicare supplemental plan;
- eliminate or decrease subsidies for pre-Medicare coverage;
- eliminate subsidies for coverage of a retiree's spouse;
- limit coverage to a narrow network of providers, facilities, and hospitals; and
- transition the program to provide a flat monthly contribution towards health insurance coverage, rather than cover a percentage of the total cost.

OTHER SIGNIFICANT ISSUES

In 2018, the RHCA board reduced the subsidies for members who retire after December 31, 2019 with 20 years or less of service credit or who are under age 55. Future retirees need to serve for 25 years before being eligible for the maximum subsidy from RHCA and will not be eligible for subsidized health insurance premiums until they reach age 55. RHCA enacted the rule change to improve the plan's sustainability and push back the date of insolvency.

SOURCES OF INFORMATION

- LESC Files
- Retiree Health Care Authority (RHCA)

JWS/tb/mc/sgs

RESOLUTION 2019-2020-7

RESOLUTION OF THE BOARD OF EDUCATION OF THE ALAMOGORDO PUBLIC SCHOOL DISTRICT

RESOLUTION PROVIDING TO INFORM NMSBA, SUPERINTENDENTS, AND LEGISLATURE OF UNINTENDED CONSEQUENCES AND PROPOSE A MORATORIUM TO PAUSE THE NMRHCA HEALTHCARE SUBSIDY RULE CHANGE

STATE OF NEW MEXICO §
§
COUNTY OF OTERO §

Pursuant to the statutory powers set forth in Section 22-5-4 NMSA 1978, at 5:30 p.m. on the 28th day of January, 2020, the Board of Education of the Alamogordo Public School District met in special session, as required by law, and adopted by vote the following resolution:

IN DECEMBER 2020, DUE TO A RECENT NMRHCA RULE CHANGE IN OUR EMPLOYEES HEALTH CARE, NEW MEXICO SCHOOLS HAVE THE POTENTIAL TO LOSE A HIGH VOLUME OF SENIOR EXPERIENCED TEACHERS AND ADMINISTRATORS.
THIS CHANGE WILL AFFECT EVERY SCHOOL DISTRICT IN NEW MEXICO

THE ISSUE:

WHEREAS, The New Mexico Retiree Health Care Authority (NMRHCA) significantly changed the ground rules for retirees' health care subsidy effective Jan 1, 2021. If retirement eligible employees in NM want to ensure that they will receive 100% of their promised health care subsidies then they will be forced to retire by Dec 31, 2020. If they don't, (under this new rule) they will be forced to work until they are **both** age 55 and have 25 years of service to be 100% covered.

INSTRUCTIONAL IMPACT:

WHEREAS, Certified teachers are already in short supply as they are across the state and country. This change will affect our most experienced and qualified teachers leaving our students without their teacher in the middle of the year. Eligible employees that are younger than 55 will likely tender their resignation in the late fall to ensure that their lifetime health care subsidy benefit is 100% covered.

FINANCIAL IMPACT:

WHEREAS, State funding for school districts is increasingly reliant on certified teachers' years of experience. The loss of experienced teachers will significantly impact the Student Equalization Guarantee distribution. Less experienced staff means less money to each school district.

COMMUNITY IMPACT:

WHEREAS, New Mexico faces our biggest educational challenge yet as we embrace a future guided by the Yazzie/Martinez ruling. Removing otherwise willing talented, experienced educators during the middle of the year risks poorer educational outcomes and is detrimental to our students, their families, our teachers and our economic stability in New Mexico.

REQUIRED ACTION:

WHEREAS, This rule change works directly against what our New Mexico Legislative leaders and our schools boards have been so diligently trying to improve - the recruitment and retention of qualified teachers. This new rule is a breech of trust with our teachers and employees. If this rule is not addressed, our state will have an educational crisis on its hands come January 2021.

We believe that the new NMRHCA rule should be changed to reflect a grandfather clause for all Tier I employees, at the very least; there must be a 6-month moratorium on its implementation in order to finish out the 2021 school year. In order to accomplish this, we need all stakeholders to advocate for the NMRHCA Administration Board to change the rule.

NOW, THEREFORE, BE IT AGREED AND RESOLVED, by the Board of Education of the Alamogordo Public School District, meeting in Special Session on the 28th day of January, 2020 that:

NMSBA, Superintendents, and Legislature will be informed of unintended consequences and Propose A Moratorium To Pause The NMRHCA Healthcare Subsidy Rule Change

ADOPTED and **SIGNED** by the Board of Education of the Alamogordo Public School District this 28th day of January, 2020.

Angela M Cadwallader
President, Board of Education

Member, Board of Education

Vice-President, Board of Education

Judy V. Rabon
Member, Board of Education

Carol Tunstall
Secretary, Board of Education

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

Rule change communication timeline (codifying the rule):

May 8, 2018: The New Mexico Retiree Health Care Authority Board of Directors voted to initiate the rulemaking process (at its monthly board meeting) regarding the implementation of a minimum age requirement of 55 to earn a subsidy toward its health insurance and the increase of the years of service for the maximum subsidy from 20 to 25 years. The proposed change would take effect on Jan. 1, 2020.

June 12, 2018: NMRHCA sent notification to all Public Employment Retirement Association employers and Educational Retirement Board employers of its intent to consider two rule changes in its statute (NMAC 2.81.11.6-10 and opened a 44-day window for employees paying into NMRHCA to comment (Only a 30-day notice is required). We also posted notice in the New Mexico Register, posted notice on the New Mexico Sunshine Portal and had our notice posted in the Albuquerque Journal on June 12, 2018.

At that time, we asked for comments on our proposed rule changes via email. We also scheduled a rules hearing on July 26, 2018.

July 26, 2018: The public rules hearing took place. Only one member of the public — a representative from Blue Cross Blue Shield — attended the hearing and did not comment.

Before NMRHCA staff brought the rule change recommendation to the board at its Aug. 28, 2018 board meeting, staff discovered that it failed to notify the Legislative Council Staff of its proposed rule change — one of the requirements regarding the rule-change process — and asked to hold another hearing on Oct. 19, 2018.

Sept. 11, 2018: NMRHCA again sent notification to open a comment period regarding the rule change and scheduled a second public hearing.

NMRHCA asked the New Mexico Department of Information Technology to send out the proposed rule change and announcement of a comment period and rules hearing to all state employees (PERA). ERB voluntarily sent out notification of the proposed rule changes, announcement of a comment period and rules hearing. Both of these took place the week of Sept. 11, 2018. NMRHCA also sent notice to all 302 employer groups.

This time, NMRHCA successfully fulfilled its legal requirements in notifications to all appropriate parties.

NMRHCA again posted the notice on the New Mexico Sunshine Portal, as well as the Sept. 11, 2018 editions of the New Mexico Register and the Albuquerque Journal. This gave members 38 days to comment, exceeding the required 30-day notice to comment. NMRHCA received 159 written comments on the proposed rule changes.

Oct. 19, 2018: The second public rules hearing took place; it had a sign-in sheet of 34 people, and several voiced their opposition to the proposed rule changes.

Nov. 13, 2018: The Board of Directors voted to delay the implementation of the rule changes by one year — from Jan. 1, 2020 to Jan. 1, 2021.

Nov. 14, 2018: DoIT and ERB sent out notice of the Board of Directors' adoption of the proposed rule changes to all active employees affiliated with NMRHCA. NMRHCA also sent out notice to all 302 employer groups.

April 9, 2019: NMRHCA published and sent out to its 302 employer groups via email to distribute to their employees its first online Employer/Employee newsletter, again reminding active employees about the rule changes to take effect in 2021.

Aug. 9, 2019: NMRHCA published its second online newsletter and sent it to the 302 employer groups via email. The rule change was prominent again in the newsletter.

Jan. 27, 2020: NMRHCA published its third online newsletter and sent it to the 302 employer groups via email. The rule change was prominent again in the newsletter.

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*This timeline does not include the estimated 75 in-person retirement seminars and fairs since 2017 in Albuquerque, Santa Fe, Farmington, Aztec and Las Cruces in which NMRHCA has talked about the rules changes (pre- and post-adoption).

NOTICE OF PROPOSED RULEMAKING AND PUBLIC RULE HEARING

The New Mexico Retiree Health Care Authority (NMRHCA) is considering amending the part name of the existing rule 2.81.11 NMAC - ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF YEARS OF CREDITABLE SERVICE, amending sections 6, 7, 8 and 9 and adopting a proposed new section 10 to be included in 2.81.11 NMAC. The purpose of the amendment of existing sections of the rule is to amend the subsidy schedule to increase the years for maximum subsidy for some plans. The purpose of the proposed new section is to establish a minimum age requirement to receive subsidy for coverage. The part name will be changed to "ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF AGE AND YEARS OF CREDITABLE SERVICE" in order to reflect the proposed rule. A summary of the full text of the proposed rule follows:

Section 9 of the existing rule 2.8.11 NMAC provides for the NMRHCA to pay a percentage of the subsidy to monthly premiums of eligible retirees, which percentage is dependent on the years of credited service of the retiree and is 100% at 20 years of credited service. The amendment changes the years at which 100% is paid to 25 and changes the percentages for fewer years of credited service for retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2020. Section 7 of the existing rule is amended to include a definition for "members of an enhanced retirement plan." The new section 10 requires that eligible retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2020 be 55 years of age to receive subsidies. Section 8 is amended to clarify that disabled retirees receive a 100% subsidy regardless of years of service or age. Section 6 is amended to clarify that the objective of the part includes that subsidies will have a minimum age requirement for those retiring on or after January 1, 2020.

The NMRHCA is authorized to promulgate rules to implement the Retiree Health Care Act, NMSA 1978, Sections 10-7C-1 to -16 (1990, as amended through 2009) ("Act") by NMSA 1978, Section 10-7C-7 (1998). By resolution dated May 8, 2018, the NMRHCA resolved to undertake the rulemaking in conformity with the Act, the State Rules Act, NMSA 1978, Sections 14-4-1 to -11 (1967, as amended through 2017), the Default Procedural Rule for Rulemaking, 1.24.25 NMAC (4/10/2018) and the Open Meetings Act, NMSA 1978, Sections 10-15-1 to -4 (1974, as amended through 2013).

The NMRHCA is increasing the minimum years of service requirement to receive the maximum subsidy provided by the program to be consistent with requirements to receive a full pension benefit from both the Public Employee Retirement Association of New Mexico and the New Mexico Educational Retirement Board. In addition, the agency is establishing a minimum age requirement for folks not retiring from an enhanced retirement plan to promote and strengthen the solvency of the program. A study of NMRHCA's long-term solvency projections, NMRHCA 2017 Long-Term Solvency Model, is available at its website, www.nmrhca.org/financial-documents.aspx.

The full text of the proposed rule may be obtained by contacting Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107; telephone 505-222-6403, to request a copy of the rule. The full text and this notice are also available on NMRHCA's website: http://www.nmrhca.org/.

A person may submit, by mail or electronic form, written comments on the proposed rule through the end of the public comment period, which ends July 26, 2018. Written comments should be submitted to Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107. Written comments also will be accepted by email: gregoryr.archuleta@state.nm.us or by fax: (505) 884-8611. All written comments received by the agency will be posted on http://www.nmrhca.org/ no more than 3 business days following receipt to allow for public review. Written comments will also be available for public inspection at New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

A public rule hearing on the proposed rule will be held before Greg Archuleta, Director of Communication and Member Engagement, NMRHCA, on July 26, 2018 from 1-3 p.m. at the NMRHCA office's Alfredo R. Santistevan Board Room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque, NM, 87107. Individuals may submit data, views or arguments orally or in writing to the proposed rule at the public rule hearing. Persons offering written comments at the hearing must have 2 copies for the hearing officer.

Any individual with a disability in need of an auxiliary aid or service to attend or participate in the hearing, or who needs copies of the proposed rule in an accessible form may contact Greg Archuleta at 505-222-6403 at least 10 days before the hearing.

4308 CARLISLE BLVD. NE SUITE 104 - ALBUQUERQUE, NM 87109-4849 - TOLL FREE 800.233.2576 - SANTA FE 505.476.7340
EMAIL: CUSTOMERSERVICE@STATE.NM.US - FAX 505.884.8611 - WWW.NMRHCA.ORG

Rule Hearing Search

Hearing Date: All
Comments Deadline Date: All
Agency: Retiree Health Care Authority

Search

Return to Search Results

Proposed Rule Name:
Amendment of Rule 2.81.11 NMAC
Agency:
Retiree Health Care Authority
Purpose:
Section 9 of the existing rule 2.8.11 NMAC provides for the NMRHCA to pay a percentage of the subsidy to monthly premiums of eligible retirees, which percentage is dependent on the years of credited service of the retiree and is 100% at 20 years of credited service. The amendment changes the years at which 100% is paid to 25 and changes the percentages for fewer years of credited service for retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2020. Section 7 of the existing rule is amended to include a definition for “members of an enhanced retirement plan.” The new section 10 requires that eligible retirees who are not members of an enhanced retirement plan and become eligible for participation on or after January 1, 2020 be 55 years of age to receive subsidies. Section 8 is amended to clarify that disabled retirees receive a 100% subsidy regardless of years of service or age. Section 6 is amended to clarify that the objective of the part includes that subsidies will have a minimum age requirement for those retiring on or after January 1, 2020.

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Summary:
The New Mexico Retiree Health Care Authority (NMRHCA) is considering amending the part name of the existing rule 2.81.11 NMAC - ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF YEARS OF CREDITABLE SERVICE, amending sections 6, 7, 8 and 9 and adopting a proposed new section 10 to be included in 2.81.11 NMAC. The purpose of the amendment of existing sections of the rule is to amend the subsidy schedule to increase the years for maximum subsidy for some plans. The purpose of the proposed new section is to establish a minimum age requirement to receive subsidy for coverage. The part name will be changed to “ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF AGE AND YEARS OF CREDITABLE SERVICE” in order to reflect the proposed rule.
Rule Complete Copy :
The full text of the proposed rule may be obtained by contacting Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107; telephone 505-222-6403, to request a copy of the rule. The full text and this notice are also available on NMRHCA’s website: http://www.nmrhca.org/.

Any individual with a disability in need of an auxiliary aid or service to attend or participate in the hearing, or who needs copies of the proposed rule in an accessible form may contact Greg Archuleta at 505-222-6403 at least 10 days before the hearing.
Corrections:
Click Here to access Rule Corrections
Rule Explanatory Statement:
Click Here to access the Rule Explanatory Statement
Related New Mexico Register Publications:
Not available
For any additional information or questions concerning this rule making or posting please contact:
Greg Archuleta, Director of Communication and Member Engagement
gregoryr.archuleta@state.nm.us
505-222-6403
Last Updated Date
6/12/2018 1:58 PM

How to submit Comments:
A person may submit, by mail or electronic form, written comments on the proposed rule through the end of the public comment period, which ends July 26, 2018. Written comments should be submitted to Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107. Written comments also will be accepted by email: gregoryr.archuleta@state.nm.us or by fax: (505) 884-8611. All written comments received by the agency will be posted on http://www.nmrhca.org/ no more than 3 business days following receipt to allow for public review. Written comments will also be available for public inspection at New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.
When are comments due:
7/26/2018 12:00 AM

Hearing Date:
7/26/2018 1:00 PM

Public Hearing Location:
NMRHCA office’s Alfredo R. Santistevan Board Room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque, NM, 87107. 7/26/2018 (1:00 PM -3:00 PM)
How to participate:
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Persons offering written comments at the hearing must have 2 copies for the hearing officer.

ⓘ If the document is not visible on the previewer, please download the file.

File	File Name	File Type	Description
View Document	2.81.11 Proposed Amendment2 6.11.2018 plv	PDF	Amendment to 2.81.11 NMAC, Sections 6 through 9, adding Section 10 and changing part name, effective xx/xx/2018.
View Document	NMRHCA - 2017 Long-Term Solvency Model - Website	PDF	New Mexico Retiree Health Care Authority Long-Tem Solvency Modeling Projected Year of Insolvency: FYE2035
View Document	Notice Rulemaking Hearing - Subsidy Levels, Min Age Requirement	PDF	New Mexico Retiree Health Care Authority - Notice of Rulemaking Hearing - Subsidy Levels, Minimum Age Requirement
View Document	Rulemaking Resolution - NMRHCA - May 8, 2018	PDF	New Mexico Retiree Health Care Authority Rulemaking Resolution for July 26, 2018 Hearing (Amendment to 2.81.11 NMAC, Sections 6 through 9, adding Section 10 and changing part name)
View Document	Employer List Rev 11-07-2017	PDF	
View Document	NMRHCA Board, Health Plan Partners	PDF	

NOTICE OF PROPOSED RULEMAKING AND PUBLIC RULE HEARING

The New Mexico Retiree Health Care Authority (NMRHCA) is considering amending the part name of the existing rule 2.81.11 NMAC - ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF YEARS OF CREDITABLE SERVICE, amending sections 6, 7, 8 and 9 and adopting a proposed new section 10 to be included in 2.81.11 NMAC. The purpose of the amendment of existing sections of the rule is to amend the subsidy schedule to increase the years for maximum subsidy for some plans. The purpose of the proposed new section is to establish a minimum age requirement to receive subsidy for coverage. The part name will be changed to "ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF AGE AND YEARS OF CREDITABLE SERVICE" in order to reflect the proposed rule. A summary of the full text of the proposed rule follows:

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A person may submit, by mail or electronic form, written comments on the proposed rule through the end of the public comment period, which ends Oct. 19, 2018. Written comments should be submitted to Greg Archuleta, Director of Communication and Member Engagement, New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107. Written comments also will be accepted by email: gregoryr.archuleta@state.nm.us or by fax: (505) 884-8611. All written comments received by the agency will be posted on http://www.nmrhca.org/ no more than 3 business days following receipt to allow for public review. Written comments will also be available for public inspection at New Mexico Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

A public rule hearing on the proposed rule will be held before Greg Archuleta, Director of Communication and Member Engagement, NMRHCA, on Oct. 19, 2018 from 9:30-11:30 a.m. at the NMRHCA office's Alfredo R. Santistevan Board Room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque, NM, 87107. Individuals may submit data, views or arguments orally or in writing to the proposed rule at the public rule hearing. Persons offering written comments at the hearing must have 2 copies for the hearing officer.

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Proposed Rule Name:
AMENDMENT TO 2.81.11 NMAC (SUBSIDY LEVELS BASED ON YEARS OF CREDITABLE SERVICE)
Agency:
Retiree Health Care Authority
Purpose:
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Administratives Codes:
2.81.11 NMAC - ESTABLISHING SUBSIDY LEVELS ON THE BASIS OF YEARS OF CREDITABLE SERVICE
Rule Complete Copy :
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Corrections:
Not available
Rule Explanatory Statement:
Click Here to access the Rule Explanatory Statement

How to submit Comments:
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When are comments due:
The deadline for submitting comments has changed. The new deadline is shown below
10/19/2018 5:00 PM

Hearing Date:
10/19/2018 9:30 AM

Public Hearing Location:
NMRHCA office's Alfredo R. Santistevan Board Room, located at 4308 Carlisle Blvd. NE, Suite 207 in Albuquerque, NM, 87107 10/19/2018 (9:30 AM -11:30 AM)
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New Mexico Retiree Health Care Authority
Participating Entities

STATE OF NEW MEXICO
All State Agencies

COUNTIES	CITIES	TOWNS	VILLAGES	OTHER
Bernalillo	Alamogordo	Bernalillo	Bosque Farms	ABC Water Utility Authority
Chaves	Albuquerque	Edgewood	Chama	Albuquerque Housing Authority
Cibola	Aztec	Elida	Fort Sumner	Central Region Education Cooperative
Colfax	Belen	Estancia	Hatch	Gallup Housing Authority
Curry	Bloomfield	Silver City	Jemez Springs	High Plains Regional Education Cooperative
Eddy	Carlsbad	Springer	Logan	NCNMEDD
Grant	Clovis	Taos	Melrose	National Education Association – New Mexico
Lea	Deming	Tatum	Milan	New Mexico Activities Association
Lincoln	Española		Pecos	North Central Regional Transit District
Los Alamos	Farmington		Questa	North Central Solid Waste Authority Northern Regional Housing Authority
Luna	Gallup		Reserve	Northeast Regional Education Cooperative #4
McKinley	Jal		Tijeras	Northwest New Mexico Regional Solid Waste Authority
Rio Arriba	Las Cruces			Northwest Regional Education Cooperative #2
Roosevelt	Las Vegas			Pecos Valley Regional Education Cooperative #8
San Juan	Moriarty			Raton Housing Authority
San Miguel	Portales			Raton Public Service
Sandoval	Raton			Regional Education Cooperative VII
Santa Fe Sierra	Rio Rancho			Regional Education Cooperative #6
Taos	Roswell			Region IX Education Cooperative
Torrance	Santa Fe			Regional Emergency Dispatch Authority
Union	Santa Rosa			San Juan Communications
Valencia	Socorro			San Juan Water Commission
	Sunland Park			Santa Fe Civic Housing Authority
	T or C			Southern Sandoval County Arroyo Flood Control Authority
	Texico			Southwest New Mexico Council of Governments
	Tucumcari			Southwest Regional Education #10
				Springer Housing Authority
				Truth or Consequences Housing Authority
				Tierra Y Montes Soil and Water Conservation District Albuquerque Metropolitan Arroyo Flood Control Authority Mid-Region Council of Governments

EDUCATIONAL INSTITUTIONS

21st Century Public Academy
ABQ Charter School
Academy For Technology and The Classics
Academy of Trades and Technology
ACE Leadership
Albuquerque Institute for Mathematics and Science
Alamogordo Public Schools
Albuquerque Public Schools
Albuquerque School of Excellence
Albuquerque Sign Language Academy
Albuquerque Talent Development Secondary Charter School
Aldo Leopold Charter School
Alice King Community Charter School
Alma D'Arte Charter High School
Amy Biehl Charter School
Anansi Charter School
Animas Public Schools
Anthony Charter School
Artesia Public Schools
ASK Academy
Aztec Municipal Schools
Bataan Military Academy
Belen Consolidated Schools
Bernalillo Public Schools
Bloomfield Municipal Schools
Capitan Municipal Schools
Cariños Charter School
Carlsbad Municipal Schools
Carrizozo Municipal Schools
Central Consolidated School District #22
Central New Mexico Community College
Cesar Chavez Community Charter School
Chama Valley Independent Schools
Christine Duncan's Heritage Academy
Cien Aquas International Charter School
Cimmarron Municipal Schools
Clayton Municipal Schools
Cloudcroft School District
Clovis Municipal Schools
Cobre Consolidated School District
Coral Community Charter School
Corona Public Schools
Corrales International Charter School
Cottonwood Classical Preparatory Charter School
Cottonwood Valley Charter School
Cuba Independent Schools
Digital Arts & Technology Academy
Deming Cesar Chavez Charter High School
Deming Public Schools
Des Moines Municipal Schools
Dexter Consolidated Schools
Dora Consolidated Schools
Dream Dine'
Dulce Independent Schools
DziŁ Dit Ł´ooĺ School of Empowerment, Action and Perseverance
East Mountain High School
Eastern New Mexico University – Portales
Eastern New Mexico University – Roswell
El Camino Real Academy
Elida Municipal Schools
Española Public Schools
Estancia Municipal Schools
Estancia Valley Classical Charter School
Eunice Public Schools
Explore Academy
Farmington Municipal Schools
Floyd Municipal Schools
Fort Sumner Municipal Schools
Gadsden Independent School District
Gallup – McKinley County Schools
Gilbert L. Sena Charter High School
Gordon Bernell Charter School
Grady Municipal Schools
Grants – Cibola County Schools
Hagerman Municipal Schools
Hatch Valley Municipal Schools
Health Leadership High School
Hobbs Municipal Schools
Hondo Valley Public Schools
Horizon Academy West
House Municipal Schools
International School at Mesa Del Sol
J. Paul Taylor Academy
Jal Public Schools
Jefferson Montessori Academy
Jemez Mountain School District
Jemez Valley Public Schools

EDUCATIONAL INSTITUTIONS CONTINUED	
La Academia De Dolores Huerta	New Mexico School for the Blind & Visually Impaired
La Academia De Esperanza Charter School	New Mexico School for the Deaf
La Promesa Early Learning Center	New Mexico Virtual Academy
La Resolana Leadership Academy	North Valley Academy
La Tierra Montessori School	Northern New Mexico College
Lake Arthur Schools	Nuestros Valores Charter School
Las Cruces School District #2	Pecos Connections Academy
Las Montanas Charter High School	Pecos Independent Schools
Las Vegas City Schools	Penasco Independent Schools
Lindrith Area Heritage School	Pojoaque Valley Schools
Logan Municipal Schools	Portales Municipal Schools
Lordsburg Municipal Schools	Public Academy for the Performing Arts
Los Alamos Public Schools	Quemado Independent School District
Los Lunas Consolidated Schools	Questa Independent Schools
Los Puentes Charter School	Raton Public Schools
Loving Municipal Schools	Red River Valley Charter School
Lovington Municipal Schools	Reserve School District
Luna Community College	Rio Gallinas School for Ecology and the Arts
Magdalena Municipal Schools	Rio Rancho Public Schools
Maxwell Municipal Schools	Robert F. Kennedy Charter School
McCurdy Charter School	Roots and Wings Community School
Media Arts Collaborative Charter School	Roswell Independent Schools
Melrose Municipal Schools	Roy Schools
Mesa Vista School	Ruidoso Municipal Schools
Mesalands Community College	Sage Montessori Charter School
Middle College High School	San Diego Riverside Charter School
Mission Achievement & Success School	San Jon Municipal Schools
Monte Del Sol Charter School	Sandoval Academy of Bilingual Education
Montessori Elementary Charter School	Santa Fe Community College
Montessori of the Rio Grande Charter School	Santa Fe Public Schools
Mora Independent Schools	Santa Rosa Consolidated Schools
Moreno Valley Charter High School	School of Dreams Academy
Moriarty – Edgewood School District	Sidney Gutierrez Middle School
Mosaic Academy Charter School	Siembra Leadership Academy
Mosquero Municipal Schools	Silver City Consolidated Schools
Mountain Mahogany Community School	Six Directions Indigenous School
Mountainair Public Schools	Socorro Consolidated Schools
Native American Community Academy	South Valley Academy
New Mexico Connections Academy	South Valley Preparatory School
New Mexico Highlands University	Southwest Intermediate Learning Center
New Mexico International School	Southwest Primary Learning Center
New Mexico Junior College	Southwest Secondary Learning Center
New Mexico Military Institute	Southwest Aeronautics Math & Science Academy
New Mexico School for the Arts	Springer Municipal Schools Student Athlete Headquarters Academy

EDUCATIONAL INSTITUTIONS CONTINUED	
Truth or Consequences Municipal Schools Taos Academy Charter School Taos Charter School Taos Integrated School of the Arts Taos International School Taos Municipal Schools Tatum Municipal Schools Technology Leadership High School Texico Municipal Schools The Great Academy The Masters Program The New America School The New America School – Las Cruces Tierra Adentro of New Mexico Tierra Encantada Charter High School Tucumcari Public Schools Tularosa Municipal Schools Turquoise Trail Charter School Uplift Community School Vaughn Municipal Schools Vista Grande Charter High School Wagon Mound Public Schools Walatowa Charter High School West Las Vegas Public Schools Western New Mexico University William W. & Josephine Dorn Charter School Zuni Public Schools	

SANTA FE NEW MEXICAN

http://www.santafenewmexican.com/news/health_and_science/new-mexico-board-may-delay-health-coverage-for-public-retirees/article_70b7f71e-2f74-5c15-a05e-372419ac0763.html

New Mexico board may delay health coverage for public retirees

By Andrew Oxford | aoxford@sfnewmexican.com Sep 21, 2018 Updated Sep 21, 2018

Monica Taulbee-Leaming started teaching in public schools in her early 20s, straight out of college.

Under the state's pension plan for educators, she could retire after 25 years on the job at age 48.

Leaming, the orchestra director at Farmington High School and Tibbetts Middle School, does not expect to retire at that point.

And soon, it may not be much of an option.

New Mexico public employees from teachers to parks workers may have to stay on the job longer before they can get full benefits from the state's health care program for retired civil servants.

The Retiree Health Care Authority is considering setting a minimum age of 55 and extending the years of service required for a full insurance subsidy to 25 from 20, starting in 2020.

"I am most likely going to continue teaching past my required 25 years anyway, but for them to tell me that I have to put in 32 years instead of 25 is a kick in the face," said Leaming.

The authority's board has been mulling the move for years as it faces down the prospect of insolvency in less than 20 years.

But some workers have said this would leave them on the hook for higher health care costs for several years if they retire when they had originally planned.

“I realize that I could retire anyway, but without access to affordable health care through my employer, I would have to essentially start another career. And I’m not interested in doing that,” Leaming said.

The system provides subsidized health insurance premiums for eligible retirees. There are about 97,000 employees paying into the program today. It provided coverage to about 39,000 retirees as of July.

That includes former state government employees as well as former employees of cities, counties, universities and charter schools.

The amount covered depends on years of service. Retirees can now get the full subsidy after 20 years on the job.

David Archuleta, director of the Retiree Health Care Authority, said extending that period by five years and setting a minimum age would curb costs over the long term.

“It’s more about limiting our long-term obligations,” he said, noting the costs of care are rising.

The proposal comes against the backdrop of the state government’s broader reckoning with an underfunded pension system. The state’s pensions already have raised the concerns of bond rating agencies and legislators will likely demand further changes, such as demanding that workers contribute more to the systems.

To be sure, a minority of public employees affected might retire before age 55 and 25 years of service.

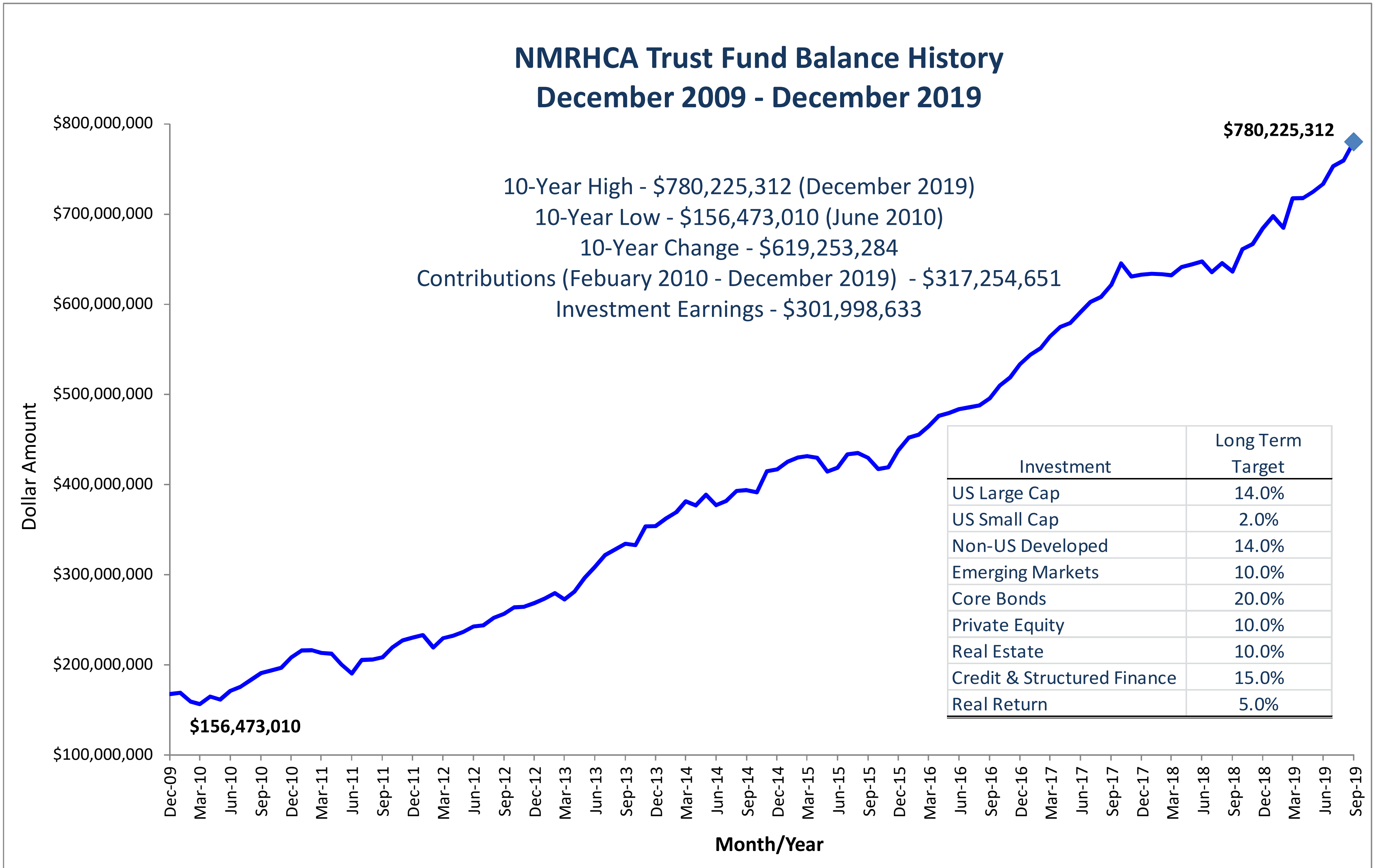
And Archuleta notes this would bring the program into alignment with other retirement systems, such as the Educational Retirement Board, which has a minimum age of 55.

Firefighters, police officers and correctional officers would not be affected by this move, though.

The authority plans a public hearing on the proposed rule from 9:30-11:30 a.m. Oct. 19 at its offices at 4308 Carlisle Boulevard Northeast, Suite 207, in Albuquerque. The authority also is accepting public comments through that date.

New Mexico Retiree Health Care Authority (CP)
Change in Market Value
For the Month of Dec 2019
(Report as of January 21, 2020)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains- Realized & Unrealized	Market Value
Core Bonds Pool	157,257,843.12	1,200,000.00	-	-	374,683.33	(836,086.43)	157,996,440.01
Credit & Structured Finance	109,769,155.36	900,000.00	-	-	14,975.20	126,127.11	110,810,257.66
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	103,002,270.58	840,000.00	-	-	133,389.09	3,365,995.34	107,341,655.01
Non-US Emerging Markets Index Pool	71,491,583.45	600,000.00	-	-	206,032.11	5,273,224.60	77,570,840.18
Private Equity Pool	83,159,591.32	600,000.00	-	-	54,057.42	881,402.13	84,695,050.86
Real Estate Pool	75,049,553.38	600,000.00	-	-	207,866.01	906,079.28	76,763,498.67
Real Return Pool	34,888,114.67	300,000.00	-	-	131,513.43	353,925.68	35,673,553.77
US Large Cap Index Pool	109,992,300.54	840,000.00	-	-	183,051.91	3,021,076.08	114,036,428.52
US Small/Mid Cap Pool	14,736,132.04	120,000.00	-	-	22,139.86	459,315.38	15,337,587.28
Sub - Total New Mexico Retiree Health Care	759,346,544.46	6,000,000.00	-	-	1,327,708.36	13,551,059.17	780,225,311.96
Total New Mexico Retiree Health Care A	**759,346,544.46**	**6,000,000.00**	**-**	**-**	**1,327,708.36**	**13,551,059.17**	**780,225,311.96**



Investment	Long Term Target
US Large Cap	14.0%
US Small Cap	2.0%
Non-US Developed	14.0%
Emerging Markets	10.0%
Core Bonds	20.0%
Private Equity	10.0%
Real Estate	10.0%
Credit & Structured Finance	15.0%
Real Return	5.0%

Paid Parental Leave for Eligible State Employees (Action Item)

Background. On December 31, 2019, Governor Michelle Lujan Grisham issued Executive Order 2019-036 – Paid Parental Leave for Eligible State Employees. Citing the need to recruit, retain and support dedicated and talented employees, Executive Order 2019-036 provides for 12 workweeks of fully paid parental leave to eligible employees following the birth or adoption of a child. An eligible employee is defined as an employee who has completed a one-year probationary period as defined by the State Personnel Board Rules, or an exempt employee who has been employed with the State of New Mexico for 12 consecutive months.

Section 4 of the Executive Order states the following: eligible employees must take paid parental leave during the first six months following the birth or adoption of a child and may utilize one term of paid parental leave (up to 12 weeks) per birth or adoption event. Employees utilizing paid parental leave will continue to accrue vacation and sick leave in accordance with state rules and regulations during the period of parental leave.

Section 8 of the Executive Order states the following: statewide elected officials and state departments and agencies not subject to the Governor's oversight are encouraged but not required to comply with the Order.

NMRHCA Impact. The New Mexico Retiree Health Care Authority (NMRHCA) is currently authorized 26 full-time employees and an approved salaries and benefits budget totaling $2,028,000. Detail by line item is shown below:

CHARTFIELD DESCRIPTION	SHARE CHART FIELD	ADJUSTED BUDGET
Exempt Perm Positions P/T&F/T	520100	276,100.00
Term Positions	520200	0.00
Classified Perm Positions F/T	520300	1,178,400.00
Classified Perm Positions P/T	520400	0.00
Temporary Positions F/T & P/T	520500	0.00
Paid Unused Sick Leave	520600	0.00
Overtime & Other Premium Pay	520700	0.00
Annl & Comp Paid At Separation	520800	0.00
Differential Pay	520900	0.00
Group Insurance Premium	521100	197,600.00
Retirement Contributions	521200	232,100.00
F I C A	521300	105,500.00
Workers' Comp Assessment Fee	521400	200.00
GSD Work Comp Insur Premium	521410	1,600.00
Unemployment Comp Premium	521500	0.00
Employee Liability Ins Premium	521600	9,000.00
RHC Act Contributions	521700	27,500.00
Other Employee Benefits	521900	0.00
Payroll N/A	529999	0.00
Total Personal Services	**200**	**2,028,000.00**

If the lowest paid NMRHCA employee utilized the benefit for 12 weeks or 480 hours, the estimated cost is approximately \$10,400 — excluding annual and sick leave earned. If applied to the median earner, the total cost is estimated at \$16,700.

Requested Action. NMRHCA does not anticipate a significant or material reduction in productivity as a result of implementing Executive Order 019-036. In conclusion, staff respectfully requests approval to implement the Order effective February 4, 2020.

State of New Mexico

Michelle Lujan Grisham
Governor

EXECUTIVE ORDER 2019-036

PAID PARENTAL LEAVE FOR ELIGIBLE STATE EMPLOYEES

WHEREAS, the State of New Mexico is committed to recruiting, retaining, and supporting dedicated and talented employees to serve New Mexicans; and

WHEREAS, paid parental leave promotes physical and mental health, increases worker retention, and improves worker productivity and morale; and

WHEREAS, providing paid parental leave can reduce the likelihood that working parents apply for government assistance within their new child's first year or leave their jobs in state government; and

WHEREAS, our State must support working families by making it easier for them to fulfill their caregiving responsibilities without risking financial insecurity.

NOW, THEREFORE, I, Michelle Lujan Grisham, Governor of the State of New Mexico, by the virtue of authority vested in me by the Constitution and the laws of the State of New Mexico, hereby order as follows:

1. It shall be the policy of the Office of the Governor and state departments and agencies for which the Governor has oversight to provide twelve (12) workweeks of fully paid parental leave to Eligible Employees following the birth or adoption of a child. The purpose of this policy will be to promote activities related to the bonding, care, and well-being of newborn and newly adopted child(ren). Paid parental leave shall be paid based upon the

Eligible Employee's base salary (excluding temporary increases of pay, such as temporary promotion increases, temporary recruitment differentials, temporary retention differentials, or temporary salary increases) determined by the employee's regularly scheduled work hours.

2. The State Personnel Office will develop a statewide paid parental leave policy pursuant to this Order. All departments and agencies shall implement the statewide paid parental leave policy without delay upon receiving it from the State Personnel Office. The effective date of the policy for all departments and agencies shall be January 1, 2020 regardless of when it is adopted. Eligible Employees may request paid parental leave as of January 1, 2020.

3. An Eligible Employee, as used in this Order, means a full-time classified employee who has completed the one (1) year probationary period as defined by the State Personnel Board rules, or an exempt employee who has been employed with the State of New Mexico twelve (12) consecutive months, prior to the start of paid parental leave, excluding temporary, emergency, and term appointments. Paid parental leave may not be donated and any such leave not utilized within the six-month period explained below shall be forfeited. Domestic partners as defined by the State Personnel Board rules are eligible for paid parental leave when children join their household via birth or adoption. If both parents, including a Domestic Partner of a parent, are Eligible Employees, each parent or partner is eligible to receive Paid Parental Leave under this policy.

4. Eligible Employees must take paid parental leave during the first six (6) months following the birth or adoption of a child. Eligible Employees may utilize one (1) term of paid parental leave (up to 12 workweeks) per birth or adoption event. Employees utilizing paid parental leave shall continue to accrue vacation and sick leave in accordance with state

rules and regulations during the period of parental leave. If an official holiday occurs during the Eligible Employee's paid parental leave, the Eligible Employee will receive holiday pay in lieu of paid parental leave, provided the Eligible Employee is in pay status the day before and the day after the official holiday.

5. Paid parental leave shall run concurrently with leave under the federal Family Medical Leave Act (FMLA) as applicable.

6. Eligible Employees cannot receive short-term disability benefits and paid parental leave benefits at the same time.

7. Eligible Employees shall be required to notify their employer at least thirty (30) days in advance of their intention to use paid parental leave so that the employer may secure backfill coverage as necessary. When thirty (30) days' notice is not possible, the employee must provide this notice as soon as practicable.

8. Other statewide elected officials and state departments and agencies not subject to the Governor's oversight are encouraged but not required to comply with this Order.

I DIRECT that every executive state department or agency affected by this Order shall cooperate with the State Personnel Director in implementing this Order without delay.

I FURTHER DIRECT that this Order does not create a private cause of action and is consistent with and does not abrogate federal or state law.

I FURTHER DIRECT that this Order shall not be construed to restrict a cabinet secretary or executive state agency head from exercising every power expressly enumerated in law to that cabinet secretary or executive state agency head.

State Capitol • Room 400 • Santa Fe, New Mexico 87501 • 505-476-2200 • fax: 505-476-2226

THIS ORDER supersedes any other previous orders, proclamations, or directives to the extent they are in conflict. This Order shall take effect January 1, 2020 and shall remain in effect until it is rescinded by the Governor.

ATTEST:

MAGGIE TOULOUSE OLIVER
SECRETARY OF STATE

DONE AT THE EXECUTIVE OFFICE
THIS 31ST DAY OF DECEMBER 2019

WITNESS MY HAND AND THE GREAT
SEAL OF THE STATE OF NEW MEXICO

MICHELLE LUJAN GRISHAM
GOVERNOR

New Mexico Retiree Health Care Authority
Fiscal Year 2020 2nd Quarter Budget Review

Health Care Benefit Fund

Between July 1, 2019 and December 31, 2019, expenditures from the Healthcare Benefits Administration Program were $165 million and revenues were $179 million, resulting in a surplus of $14 million — compared to $6.2 million during the same time period in FY19. Overall expenditures through the first quarter of FY20 as compared to the same time frame in FY19 have grown by $1.2 million, or 0.7%. Current projections indicate a $37.7 million surplus at the end of FY20.

Upward pressures include:

1. Overall plan participation (medical and voluntary coverages) has grown by 924 members, or 1.5% between December 2018 and December 2019, compared to 1,207 members or 2% during the same time frame the previous fiscal year.
2. Claim costs typically increase during the 3rd and 4th quarters of the plan year (calendar year) as members have begun to meet their deductibles and out-of-pocket maximum expenses.

Downward pressures include:

1. Pre-Medicare Plan Participation
   - Premier Plans: -715 members (-5.8%)
   - Value Plans: 130 members (3.8%)
   - Net: -585 members (-3.7%)
2. Medicare Plan Participation
   - Medicare Supplement: -371 members (-1.6%)
   - BCBS MA Plans: -74 members (-1.9%)
   - Humana MA Plans: 354 members (61.7%)*
   - Presbyterian MA Plans: 674 members (9%)*
   - UnitedHealthcare MA Plans: 285 members (8%)
3. Continued decline in dependent children participation in the medical plans 1,835 (December 2019) compared to 1,974 (December 2018).

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2011 – 2019, as well as monthly contribution(s) made in FY20:

FY11 Total	$	21,879,651
FY12 Total	$	21,060,000
FY13 Total	$	15,315,000
FY14 Total	$	57,500,000
FY15 Total	$	42,500,000
FY16 Total	$	35,000,000
FY17 Total	$	33,000,000
FY18 Total	$	20,000,000
FY19 Total	$	45,000,000
Transfer Effective	Amount Transferred	
August 1, 2019	$	10,000,000
October 1, 2019	$	10,000,000
December 2, 2019	$	6,000,000
FY20 Total	$	26,000,000
Total Transfers	**$**	**317,254,651**

New Mexico Retiree Health Care Authority

FY20 2nd Quarter Budget Review

Comparison of Projected vs. Actual

(in thousands)

Healthcare Benefit Fund

FY20/FY19 Comparison

	FY20 Approved Q2 Budget*	FY20 Q2 Actual	FY19 Q2 Actual	Dollar Change	Percent Change
Sources:					
Employer/Employee Contributions	$ 62,348.35	$ 71,872.2	$ 65,509.9	$ 6,362.3	9.7%
Retiree Contributions	$ 85,090.0	$ 88,085.5	$ 84,004.3	$ 4,081.2	4.9%
Taxation & Revenue Fund	$ 16,467.85	$ 9,802.3	$ 10,940.1	$ (1,137.8)	-10.4%
Other Miscellaneous Revenue	$ 15,115.35	$ 11,778.0	$ 10,112.1	$ 1,665.9	16.5%
Interest Income	$ 50.0	$ 286.4	$ 191.9	$ 94.5	157.0%
Refunds	$ -	$ (2,222.7)	$ (170.2)	$ (2,052.5)	1205.9%
Total Sources	$ 179,071.6	$ 179,601.7	$ 170,588.1	$ 9,013.6	5.3%
Uses:					
Medical Contractual Services	$ 177,371.7	$ 163,946.6	$ 162,835.8	$ 1,110.8	0.7%
ACA Fees (PCORI)	$ 21.0	$ 39.2	$ 36.1	$ 3.1	8.6%
Other Financing Uses	$ 1,678.9	$ 1,603.9	$ 1,518.3	$ 85.6	5.6%
Total Uses	$ 179,071.6	$ 165,550.5	$ 164,354.1	$ 1,199.5	0.7%
Sources Over Uses	**NA**	**$ 14,051.2**	**$ 6,234.0**	**NA**	**NA**

FY20 Budget Compared to Actual

	FY20 Approved Budget*	FY20 Actuals	Remaing Balance	Percent Expended/ Collected	FY20 Projected Total
Sources:					
Employer/Employee Contributions	$ 124,696.7	$ 71,872.2	$ 52,824.5	57.6%	$ 143,000.0
Retiree Contributions	$ 170,180.0	$ 88,085.5	$ 82,094.5	51.8%	$ 179,000.0
Taxation & Revenue Fund	$ 32,935.7	$ 9,802.3	$ 23,133.4	29.8%	$ 29,406.9
Other Miscellaneous Revenue	$ 30,230.7	$ 11,778.0	$ 18,452.7	39.0%	$ 25,000.0
Interest Income	$ 100.0	$ 286.4	$ (186.4)	286.4%	$ 486.0
Refunds	$ -	$ (2,222.7)	$ -	NA	$ (2,700.0)
Total Sources	$ 358,143.1	$ 179,601.7	$ 176,318.7	50.1%	$ 374,192.9
Uses:					
Medical Contractual Services	$ 354,743.4	$ 163,946.6	$ 190,796.8	46.2%	$ 333,238.8
ACA Fees (PCORI)	$ 42.0	$ 39.2	$ 2.8	93.3%	$ 39.4
Other Financing Uses	$ 3,357.7	$ 1,603.9	$ 1,753.8	47.8%	$ 3,207.8
Total Uses	$ 358,143.1	$ 165,589.7	$ 192,553.4	46.2%	$ 336,486.0
Sources Over Uses	**NA**	**$ 14,012.0**	**NA**	**NA**	**$ 37,706.9**

New Mexico Retiree Health Care Authority
2nd Quarter Healthcare Benefit Fund Detail
Fiscal Year 2020
(in thousands)

	FY20 Q2 Actuals	FY19 Q2 Actuals	FY20 - FY19 Difference
REVENUE:			
Employer/Employee Contributions	$ 71,872.2	$ 65,509.9	$ 6,362.3
Retiree Contributions	$ 88,085.5	$ 84,004.3	$ 4,081.2
Taxation and Revenue Suspense Fund	$ 9,802.3	$ 10,940.1	$ (1,137.8)
Other Miscellaneous Revenue	$ 11,778.0	$ 10,112.1	$ 1,665.9
Interest Income	$ 286.4	$ 191.9	$ 94.5
Refunds	$ (2,222.7)	$ (170.2)	$ (2,052.5)
TOTAL REVENUE:	**$ 179,601.7**	**$ 170,588.1**	**$ 9,013.6**
EXPENDITURES:			
Prescriptions			
Express Scripts	$ 48,996.1	$ 49,728.8	$ (732.7)
Total Prescriptions	$ 48,996.1	$ 49,728.8	$ (732.7)
Non-Medicare			
Blue Cross Blue Shield	$ 32,529.2	$ 34,269.7	$ (1,740.5)
BCBS Administrative Costs	$ 1,045.1	$ 1,049.9	$ (4.8)
Presbyterian	$ 23,861.7	$ 22,150.3	$ 1,711.4
Presbyerian Administrative Costs	$ 997.9	$ 1,017.1	$ (19.2)
NM Health Connections	$ -	$ 191.9	$ (191.9)
NM Health Connections Admin	$ -	$ -	$ -
PCORI Fee	$ 39.2	$ 39.6	$ (0.4)
Total Non-Medicare	$ 58,473.1	$ 58,718.5	$ (245.4)
Medicare			
Blue Cross Blue Shield	$ 20,712.9	$ 20,459.1	$ 253.8
BCBS Administrative Costs	$ 2,884.6	$ 2,855.1	$ 29.5
Presbyterian MA	$ 8,577.9	$ 7,944.3	$ 633.6
UnitedHealthCare MA	$ 3,266.3	$ 3,321.7	$ (55.4)
Humana MA	$ 517.7	$ 413.1	$ 104.6
BCBS MA	$ 2,300.1	$ 2,434.8	$ (134.7)
Total Medicare	$ 38,259.5	$ 37,428.1	$ 831.4
Other Benefits			
Davis Vision	$ 1,211.4	$ 1,167.7	$ 43.7
Delta Dental	$ 5,711.9	$ 5,136.3	$ 575.6
Standard Life Insurance	$ 6,081.4	$ 5,707.8	$ 373.6
United Concordia Dental	$ 5,213.2	$ 4,948.6	$ 264.6
Total Other Benefits	$ 18,217.9	$ 16,960.4	$ 1,257.5
Other Expenses			
Program Support	$ 1,603.9	$ 1,518.3	$ 85.6
Total Other Expenses	$ 1,603.9	$ 1,518.3	$ 85.6
TOTAL EXPENDITURES:	***$ 165,550.5***	**$ 164,354.1**	**$ 1,196.4**
Total Revenue over Total Expenditures	***$ 14,051.2***	**$ 6,234.0**	**$ 7,817.2**

New Mexico Retiree Health Care Authority
FY20 2nd QTR Budget Review
Comparison of Budget vs. Actual
(in thousands)

Program Support

FY20/FY19 Comparison

	FY20 Approved Q2 Budget	FY20 Actuals	FY19 Actuals	Dollar Change	Percent Change
Sources:					
Other Transfers	$ 1,603.9	$ 1,603.9	$ 1,523.8	$ 80.1	5.3%
Total Sources	**$ 1,603.9**	**$ 1,603.9**	**$ 1,523.8**	**$ 80.1**	**5.0%**
Uses:					
Personal Services and Benefits	$ 1,026.5	$ 948.9	$ 923.9	$ 25.0	2.7%
Contractual Services	$ 308.3	$ 315.6	$ 215.7	$ 99.9	46.3%
Other Costs	$ 269.1	$ 243.9	$ 293.0	$ (49.1)	-16.8%
Total Uses	**$ 1,603.9**	**$ 1,508.4**	**$ 1,432.6**	**$ 75.8**	**5.3%**

New Mexico Retiree Health Care Authority
FY20 2nd 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	$ 948.9	$ 1,104.1	46%	$ 1,056.7
Contractual Services	$ 616.6	$ 315.6	$ 301.0	51%	$ 432.0
Other Costs	$ 538.1	$ 243.9	$ 294.2	45%	$ 284.8
Total Uses	**$ 3,207.7**	**$ 1,508.4**	**$ 1,699.3**	**47%**	**$ 1,773.5**

Program Support

Expenditure Summary (in thousands)

Acct #	Account Description	A Approved Budget	B Expended Budget	C Remaing Balance	D Projected	E Balance
200	Personal Services/ Employee Benefits	2,028.0	948.9	1,079.1	1,056.7	22.4
300	Contractual Services	748.8	315.6	433.2	432.0	1.2
400	Other Costs	538.1	243.9	294.2	284.8	9.4
	TOTAL	**3,314.9**	**1,508.4**	**1,806.5**	**1,773.5**	**33.0**

Expenditure Detail (in thousands)

Personal Services / Employee Benefits

Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	276.1	144.0	132.1	144.6	(12.5)
520300	Classified Perm. Positions	1,178.4	519.6	658.8	605.2	53.6
520800	Annual & Comp Paid	0.0	7.2	(7.2)	0.0	(7.2)
521100	Group Insurance Premium	197.6	91.0	106.6	106.9	(0.3)
521200	Retirement Contributions	232.1	114.4	117.7	127.4	(9.7)
521300	FICA	105.5	48.8	56.7	57.4	(0.7)
521400	Workers Comp	0.2	0.1	0.1	0.1	0.0
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	0.1	(0.0)
521700	Retiree Health Care	27.5	13.3	14.2	15.0	(0.8)
521900	Other Employee Benefits	0.0	0.0	0.0	0.0	0.0
	TOTAL	**2,028.0**	**948.9**	**1,079.1**	**1,056.7**	**22.4**

Contractual Services

Acct #	Account Description					
535200	Professional Services	361.2	165.5	195.7	178.0	17.7
535300	Other Services	30.8	12.6	18.2	20.3	(2.1)
535400	Audit Services	86.8	61.6	25.2	25.2	0.0
535500	Attorney Services	60.0	46.5	13.5	33.5	(20.0)
535600	Information Technology Services	210.0	29.4	180.6	175.0	5.6
	TOTAL	**748.8**	**315.6**	**433.2**	**432.0**	**1.2**

Other Costs

Acct #	Account Description					
542100	Employee In-State Mileage & Fares	1.5	0.2	1.3	0.8	0.5
542200	Employee In-State Meals & Lodging	2.5	1.9	0.6	0.4	0.2
542300	Board & Commission - In-State	13.5	5.3	8.2	8.2	0.0
542500	Transportation-Fuel & Oil	1.0	0.3	0.7	0.3	0.4
542600	Transportation	0.1	0.1	0.0	0.0	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	(0.1)
543200	Maintenance - Furniture, Fixtures & Equipment	6.0	2.9	3.1	2.5	0.6
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	5.0	2.5
544000	Supply Inventory IT	25.0	0.8	24.2	20.0	4.2
544100	Supplies - Office Supplies	10.0	5.0	5.0	4.0	1.0
544900	Supplies - Inventory Exempt	9.3	3.5	5.8	7.5	(1.7)
545600	Rep/Recording	6.0	0.0	6.0	0.0	6.0
545700	DoIT - ISD Services	3.8	1.8	2.0	1.9	0.1
545701	DoIT - HCM Fees	10.7	10.8	(0.1)	0.0	(0.1)
545900	Printing & Photo. Services	56.0	30.5	25.5	26.0	(0.5)
546100	Postage & Mail Services	105.0	34.8	70.2	70.0	0.2
546400	Rent of Land & Buildings	112.8	66.5	46.3	45.0	1.3
546409	Rent - Interagency	8.1	4.7	3.4	5.9	(2.5)
546500	Rent of Equipment	46.0	20.9	25.1	20.0	5.1
546600	Telecomm	21.0	6.5	14.5	15.0	(0.5)
546610	DOIT Telecomm	59.8	23.9	35.9	35.0	0.9
546700	Subscriptions & Dues	2.0	0.2	1.8	2.8	(1.0)
546800	Employee Training & Education	3.0	0.8	2.2	2.7	(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	1.0	0.3	1.0	(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	0.4	1.1	1.0	0.1
549700	Employee Out-Of-State Meals & Lodging	2.0	0.9	1.1	1.0	0.1
549800	B&C-Out-Of-State Mileage & Fares	1.5	1.9	(0.4)	1.5	(1.9)
549900	B&C- Out-Of-State Meals & Lodging	1.5	0.0	1.5	1.5	0.0
	TOTAL	**538.1**	**243.9**	**294.2**	**284.8**	**9.4**

Disposal of Information Technology Equipment – Action Item

Background: According to New Mexico Statute 13-6-1. Disposition of obsolete, worn-out or unusable tangible personal property. Upon approval by the Board the Directors, the New Mexico Retiree Health Care Authority (NMRHCA) will dispose of obsolete, worn out and unusable tangible property. NMRHCA staff has reviewed the attached list of items proposed for disposal with the Finance Committee. The applicable sections of statute are italicized below.

13-6-1. Disposition of obsolete, worn-out or unusable tangible personal property.

A. The governing authority of each state agency, local public body, school district and state educational institution may dispose of any item of tangible personal property belonging to that authority and delete the item from its public inventory upon a specific finding by the authority that the item of property is:

(1) of a current resale value of five thousand dollars ($5,000) or less; and

(2) worn out, unusable or obsolete to the extent that the item is no longer economical or safe for continued use by the body.

B. The governing authority shall, as a prerequisite to the disposition of any items of tangible personal property:

(1) designate a committee of at least three officials of the governing authority to approve and oversee the disposition; and

(2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.

C. A copy of the official finding and proposed disposition of the property sought to be disposed of shall be made a permanent part of the official minutes of the governing authority and maintained as a public record subject to the Inspection of Public Records Act [Chapter 14, Article 2 NMSA 1978].

D. The governing authority shall dispose of the tangible personal property by negotiated sale to any governmental unit of an Indian nation, tribe or pueblo in New Mexico or by negotiated sale or donation to other state agencies, local public bodies, school districts, state educational institutions or municipalities or through the central purchasing office of the governing authority by means of competitive sealed bid or public auction or, if a state agency, through the surplus property bureau of the transportation services division of the general services department.

E. A state agency shall give the surplus property bureau of the transportation services division of the general services department the right of first refusal when disposing of obsolete, worn-out or unusable tangible personal property of the state agency.

F. If the governing authority is unable to dispose of the tangible personal property pursuant to Subsection D or E of this section, the governing authority may sell or, if the property has no value, donate the property to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

G. If the governing authority is unable to dispose of the tangible personal property pursuant to Subsection D, E or F of this section, it may order that the property be destroyed or otherwise permanently disposed of in accordance with applicable laws.

H. If the governing authority determines that the tangible personal property is hazardous or contains hazardous materials and may not be used safely under any circumstances, the property shall be destroyed and disposed of pursuant to Subsection G of this section.

I. No tangible personal property shall be donated to an employee or relative of an employee of a state agency, local public body, school district or state educational institution; provided that nothing in this subsection precludes an employee from participating and bidding for public property at a public auction.

J. This section shall not apply to any property acquired by a museum through abandonment procedures pursuant to the Abandoned Cultural Properties Act [18-10-1 to 18-10-5 NMSA 1978].

K. Notwithstanding the provisions of Subsection A of this section, the department of transportation may sell through public auction or dispose of surplus tangible personal property used to manage, maintain or build roads that exceeds five thousand dollars ($5,000) in value. Proceeds from sales shall be credited to the state road fund. The department of transportation shall notify the department of finance and administration regarding the disposition of all property.

L. If the secretary of public safety finds that the K-9 dog presents no threat to public safety, the K-9 dog shall be released from public ownership as provided in this subsection. The K-9 dog shall first be offered to its trainer or handler free of charge. If the trainer or handler does not want to accept ownership of the K-9 dog, then the K-9 dog shall be offered to an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 free of charge. If both of the above fail, the K-9 dog shall only be sold to a qualified individual found capable of providing a good home to the animal.

History: 1953 Comp., § 6-1-7.1, enacted by Laws 1961, ch. 100, § 1; 1979, ch. 195, § 2; 1984, ch. 47, § 1; 1987, ch. 15, § 1; 1989, ch. 211, § 6; 1995, ch. 181, § 1; 1998, ch. 16, § 1; 2001, ch. 317, § 1; 2007, ch. 57, § 4; 2012, ch. 10, § 1; 2013, ch. 9, § 1.

The General Services Department (GSD), Surplus Property Bureau has been offered the right of first refusal. Given the obsolete nature of the items proposed for donation, GSD is unlikely to accept assets listed. Therefore, please see the attached list of items that will be removed from our fixed assets inventory and list of inventory. The hard drives and data have already been removed and destroyed by our Information Technology Director.

Action Item Request: NMRHCA staff respectfully requests permission to dispose of the attached list of items including workstations, printers, monitors and servers.

Workstations		
Product #	Serial #	HDs removed
Z200	2UA1221CYQ	1
FM043UT	2UA1160RYB	1
FM043UT	2UA1160RYG	1
FM043UT	2UA1160RYD	1
HP COMPAQ 8000 DESKTOP	MXL02024VP	1
FM043UT	2UA1221CYL	1
HP Z200	2UA1030HQD	1
HP DC7700	MXL72202GF	1
WF988AV	2UA1030HQG	1
FM043UT	2UA1160RYF	1
HP XW4600	2UA9421M82	1
XW4600	2UA8100WJJ	1
XW4600	2UA8100WJL	1
XP XW4600	2UA844156B	1
HP XW6600	2UA8440QKG	2
Dell Studios 7100 XPS	3GFR8P1	1
Dell Poweredge SC440	462B5D1	2
Dell Dimension 4600	CJSBJ31	1
Z200	2UA1221CYH	1
WF988AV	2UA1030HQF	1
HP Proliant ML350G6	USE020N2T7	4
POWEREDGE 2600	CSPFR21	8
HP PROLIANT ML330 G6	MX212000MT	3
DELL PRECISION 360	CXVM631	2
HP D2D Backup System	HU18022UM0	4
HP DC7700	MXL72202GH	1
Dell Percision 360	CXVM631	1
HP Z200	2UA1221CYH	1

Printers	
HP2015DN	CNBJY10589
HP 1320	CNHC61Y220
HP2035	CNB9R67145
HP 2035N	CNB9R67155
HP 1320	CNHC5DL05K
HP Color LJ 3600n	CNLBB1255
HP 1320	CNFC56J1B1
HP 2420D	CNGKC07139
HP 2035N	CNB9R67152
P2015dn	CNBJY10583
P2015DN	CNBJY10593
HP 2035N	CNB9S45180
HP 1320	CNHC6155QY
HP 2035N	CNB9S45184
HP 2035N	CNB9S45182
HP2035	CNB9J02217
HP2035	CNB9X62030
HP2035	CNB9G45020
HP 1320	CNHC61Y216
HP 2035N	VNB3F10669
HP 2035N	CNB9S45185
HP 2035N	CNB9S45181
HP 2035N	CNB3410669
HP 2015N	CNBJY10593
HP 2015DN	CNJKK98692
HP 2015DN	CNBJY10583
HP P2035N	CNB9R67152

Monitors

Model #	Serial #
VS12575	RBJ104700140
VS12575	RBJ104700148
HP L1906	CNN709BDVT
HP 1908W	3CQ8370BD7
E171FPB	CN-05W540-46633-37K-0NGL
HP L2045W	CNT943V230
Dell 2000FP	TW-09E249-46635-35M-0AKL
HP L1945W	CNN82501Y3
SAMSUNG SYNCMASTER 910T	MJ19HCHY400815J
DELL 2001FP	CN-0C0646-46633-62F-47LS
HP 1908W	3CQ83709FV
VS12575	RBJ103600603
VS12575	RBJ103600586
HP L1945W	CNN82501Y3
Samsung 910T	MJ19HCHY400965M
HP L1906	CNN7060KGJ
VS12575	RBJ103600604
VS12575	RBJ104700170
VS12575	RBJ104700171
VS12575	RBJ104700165
VS12575	RBJ103600599
VS12575	RBJ103600603
HP L1908W	3CQ83709FV

Server

Model #	Serial #	HDs remov
HP ML330G6	MX212000MT	2
HP Prolient DL385G5P	USE012N8ZP	2
HP Proliant ML350G6	USE020N2T7	4

Albuquerque Office Lease (Action Item)

Background. The New Mexico Retiree Health Care Authority (NMRHCA) entered into lease agreement #10-020, on November 15, 2010 for the office location at 4308 Carlisle Boulevard NE. That lease is set to expire on November 14, 2020. In an effort to better serve our members, NMRHCA is working with staff from the Public Employees Retirement Association (PERA) to co-locate our Albuquerque operations in an easily accessible and safe location for employees and members served by both organizations.

NMRHCA and PERA staffs are working with the General Services Department—Facilities Management Division (FMD) to determine the appropriate course of action either to issue an RFP or access state-owned office space.

Requested Action. NMRHCA is respectfully requesting approval to issue an RFP, if determined by FMD to be the appropriate course of action.

Out-of-state Travel Request (Action Item)

Background. The New Mexico Retiree Health Care Authority is a member of the State and Local Government Benefits Association (SALGBA). SALGBA is an organization consisting of 150 local jurisdictions and over 375 members in 48 states, representing 5 million employees and $14 billion in annual spend. The organization distributes information on the latest resources, news, conferences, education and networking opportunities.

Registration for the annual SALGBA conference begins on April 5 and conference presentations conclude on April 8. Presentations include information about variety of benefit programs, trends and healthcare solutions such as: Building an Accurate ROI Model, Drug Pipeline – Innovation Programs to Help Drive Overall Healthcare Costs, Is Your Wellness Plan Healthy, the Value of Investing in Health.

Requested Action. NMRHCA staff respectfully requests permission to attend the National Conference on the State and Local Government Benefits Association held on April 5 – 8 in Louisville, KY (see attached on the next page).

SALGBA 2020 NATIONAL CONFERENCE

AGENDA

Saturday, April 4, 2020

8:30 AM - 6:00 PM	**Horse Farm & Distillery Tour** Attendees will travel from the Omni to a horse farm, then off to Buffalo Trace distillery for a tour and lunch, and a stop at Jeptha Creed Distillery on the way back to the Omni.
2:00 PM - 9:00 PM	**Downtown Louisville Experience Tour** Attendees will depart from the Omni and visit the Louisville Slugger Museum, the Evan Williams Distillery, and then have dinner at a locally owned/operated downtown restaurant (possibly Belle of Louisville depending on weather).

Sunday, April 5, 2020

9:00 AM - 6:00 PM	**Registration** **Second Floor**

Workshop

10:00 AM - 12:00 PM	**Workshop-Health Benefits 101 Part I** **Old Louisville Room** Health Benefits Overview A Day in the Life of a Benefits Claim How Claims Based Analytics Support Your Health Benefits For Human Resource and Benefit Professionals there are items that should be included in the Request for Proposal (RFP) document. Drafting the RFP document starts the process in selecting the best product or service. Providing a clear description of your needs and what is being procured in the RFP enables bidders to have a clear understanding of your needs and what is being procured. This leads bidders to allocate the proper resources to deliver the service or product at the best price. Learn how to draft a well written RFP document to get the best results. 1. Learn the sections of the RFP and why important 2. Learn why make clear what is requested 3. Learn why to describe with details Speakers: Rhonda Daughtery, Hailey Painter
1:00 PM - 3:00 PM	**Workshop-Health Benefits 101 Part II** **Old Louisville Room** This workshop will include two presentations. The first is RFP 101 and the second one is being developed. Below are descriptions for both: Drafting the RFP Document 101--What Benefit Professionals Should Know For Human Resource and Benefit Professionals there are items that should be included in the Request for Proposal (RFP) document. Drafting the RFP document starts the process in selecting the best product or service. Providing a clear description of your needs and what is being procured in the RFP enables bidders to have a clear understanding of your needs and what is being procured. This leads bidders to allocate the proper resources to deliver the service or product at the best price. Learn how to draft a well written RFP document to get the best results. 1. Learn the sections of the RFP and why important 2. Learn why make clear what is requested 3. Learn why to describe with details Speakers: Robert Kelley
1:00 PM - 3:00 PM	**Workshop-Leadership** **Cherokee Triangle Room** 1. Resilence, Leadership and Healthcare Dynamics-How do we do it? 2. Becoming a Certified Government Benefits Administrator (CGBA) Speakers: Edward Esquivel

5:15 PM - 6:00 PM	**SALGBA Board Reception** **Ballroom Foyer** SALGBA Board, First Time Attendee's and VIP's invitees only.
5:30 PM - 6:00 PM	**Business Entity Reception** **Commonwealth Ballroom 1-5**

Sponsor and Exhibitor Reception

Networking

6:00 PM - 7:30 PM	**SALGBA Opening Night Reception (Sponsored by Virgin Pulse)** **Commonwealth Ballroom 1-5**

Monday, April 6, 2020

7:00 AM - 5:00 PM	**Registristration** **Second Floor**

Networking

7:30 AM - 8:00 AM	**Continental Breakfast in Exhibit Hall** **Commonwealth Ballroom 1-5**

General Session

8:00 AM - 9:00 AM	**SALGBA 2020 Opening Keynote** **Olmsted Ballroom** Speakers: Simon Keith

9:00 AM - 5:00 PM	**Community Service Project (Sponsored by United Healthcare)** **Prefunction Space by Registration** Benefiting the Kentuckiana Boys & Girls Club

Networking

9:00 AM - 9:30 AM	**Break in Exhibit Hall** **Commonwealth Ballroom 1-5**

9:30 AM - 10:00 AM	**SALGBA Business Meetiing** **Old Louisville Room**

Roundtable

10:00 AM - 12:00 PM	**Business Entity Roundtable** **Clifton Room**
10:00 AM - 12:00 PM	**Local Roundtable 1** **Commonwealth 7**
10:00 AM - 12:00 PM	**Local Roundtable 2** **Commonwealth 6**
10:00 AM - 12:00 PM	**State Roundtable** **Commonwealth 8**

12:00 PM - 1:00 PM	**Lunch** **Olmsted Ballroom**

RX

1:15 PM - 2:00 PM	**Improving Outcomes Through Commercial and EGWP Program Alignment** **Commonwealth 7** "Due to some of the restrictive requirements surrounding Employer Group Waiver Plans (EGWPs), strategies that plan sponsors have at their disposal to improve outcomes can be limited and result in misalignment between a sponsor's Commercial plan and EGWP plan. In this session, learn how the Texas A&M University System approached these restrictive challenges through a partnership with Express Scripts by aligning their plans and holistically managing their benefit to decrease medical costs and improve outcomes for their EGWP members. Laura Crawn from Express Scripts will discuss the challenges that EGWP clients have historically experienced in managing their retiree benefits and provide insights into the adaptation of programs to meet the CMS requirements associated with EGWP plans. Texas A&M will review some of the levers that they were able to pull to gain alignment, while still offering the same member experience between plans. One area of focus that was key in aligning the plans included more stringent dispensing rules surrounding opioids. Another, a patient safety strategy that employs added protection across a total population alerting physicians, pharmacists, and patients to potential risks

and then tracks and reports outcomes including appropriate use of prescription drugs and reduced hospital costs. This session will ultimately share insights, experience, and actions that this plan has taken to best manage and align their commercial and EGWP experiences. "

Speakers: Nicole Casey, Laura Crawn, Ellen Gerescher

Cost

1:15 PM - 2:00 PM

How Can You Maintain Cost While Maintaining Outcomes?
Commonwealth 6

Join us for a panel discussion with three of your Plan Sponsors peers and learn how they contained costs and maintain outcomes. Topics will include well-being initiatives, working with other state agencies, consumer initiatives and other ways to approach cost containment.

Speakers: Jenny Goins, Crissa Hubert, Carole Porambo

Wellness

1:15 PM - 2:00 PM

Loneliness & Depression in the Workplace
Commonwealth 8

"Connecting the mind and body-making a difference in the workforce We typically undervalue the subconscious mind and how emotions influence our behaviors. One of the challenges before employers today is to recognizing the impact of the mind on how we operate and function daily. As the work environment continues to evolve, employers should consider how to change the paradigm that traditionally has existed to one that is more healthy, productive and prosperous. Depression is a worldwide health epidemic. Depression spares no one and its’ influence on the rising incidence of suicide is tragic. The most at risk populations include the millennials, the medically under-served, minorities, and our first responders. We have the technology and tools to recognize and provide treatment for those with depression. If we continue to keep this condition taboo and out of mainstream conversation depression has the ability to decimate employees and subsequently, employers. Loneliness has been discussed for decades but only recently has it gained significance in existing conversations. Loneliness is not new. Its significance has been muted because of generational resilience which is eroding as each year passes and new generations replace older generations. Loneliness is pervasive in the workforce and with appropriate recognition employers can negate its negative influence. The goal of the conversation is to recognize the challenges of the modern workforce with consideration of mindfulness and positive emotions, to understand the prevalence of loneliness and its consequences, and to bring depression out of the shadows and address it before it costs more lives and lost productivity. "

Speakers: Dr. Michael Howell

Retirement

1:15 PM - 2:00 PM

How to Optimize Plan Resources to Ensure Best Value for Retirees & Tax Payers
Cherokee Triangle Room

Speakers: Kathryn Riley

Best Practice

1:15 PM - 2:00 PM

The State of Maine Working to Build Mental Health Resilliency Among Public Safety and Corrections
Old Louisville Room

"The State of Maine, Office of Employee Health & Benefits partners with Medical Care Development Public Health to deliver wellness initiatives through our program name WellStarME and ComPysch to deliver our Living Resources Program that offers mental health training and traditional employee assistance programs. Over the last few years we have been able to significantly increase our utilization of mental health training offer both in person and through webinars. We have also reviewed significant aggregate evidence that supports the need to create and highlight programs that take into consideration the specific needs of public safety, corrections and certain topics like vicarious trauma , post- traumatic stress, and mental health resiliency. The State of Maine Working to Build Mental Health Resiliency Among The Department of Public Safety and The Department of Corrections The learning topics covered during the presentation: •Gain strategies to create a wellness program with mental health resources and an individualized health scorecard. •Learn how to gain valuable planning information from plan members. •Gain strategies to create a wellness policy that highlights mental health resources and learn about the policy that was created for the Maine Department of Corrections. •Learn how to partner with departments and gain leadership support. •Adopt health related programs to assist individuals in managing their own health needs. •Learn how to coordinate on-site services such as health screenings, educational training, and wellness pilot programs. •Collaborate with State partners to tailor and enhance a wellness platform, customize messages that are specific to public safety and corrections. •Connect individuals to wellness resources available through their communities and health plan. "

Speakers: Erica Brown,
Shonna Poulin Gutierrez

Networking

2:15 PM - 3:00 PM	**Break in Exhibit Hall** **Commonwealth Ballroom 1-5**

RX

3:00 PM - 3:45 PM	**Drug Pipeline: Innovative Programs to Help Drive Overall Healthcare Costs** **Commonwealth 7** Speakers: Tierra Ford

Cost

3:00 PM - 3:45 PM

Building an Accurate ROI Model: Unicorn or Racehorse?
Commonwealth 6

Resources are scarce in the public sector, and pushback from executive boards is inevitable. We get it. But that doesn't mean building a model that helps prove the cost-effectiveness of wellness programs is the stuff of fiction. The truth is, even with massive databases and resources aplenty, it's difficult to show ROI with common condition treatments. And when it comes to proving the ROI of health promotion and disease prevention—the focus of many weight management and wellness programs—it gets even tougher. But it is possible. We've built a hypothetical ROI model, proven it, and want to show you how to do it, too. Join Tim Church, MD, MPH, PhD, and Naturally Slim Chief Medical Officer, and William Ashmore, Chief Executive Officer of the Alabama State Employees Insurance Board, to learn: • The financial and clinical impact of obesity and its related chronic conditions on public plans in the short and long term • The most important things public entities should consider when building an ROI model • How we took our model from hypothetical to evidence-based • Ways you can build your own ROI model to evaluate the cost-effectiveness of weight management and wellness programs you've implemented

Speakers: Dr. Tim Church

Wellness

3:00 PM - 3:45 PM	**Is Your Wellness Plan Healthy?** **Commonwealth 8** Speakers: Ann Hensley

Retirement

3:00 PM - 3:45 PM

The Value of Investing in Health
Cherokee Triangle Room

This session will look at transforming health through preventative interventions, and the impact on chronic disease management, behavioral health, and overall general health and wellness affecting post-65 retirees. The discussion will provide insight on Wellness and Virtual Health based programs as well as Digital Advancements in Chronic Disease Management..

Speakers: Diane Sanders-Cepeda

Best Practice

3:00 PM - 3:45 PM

How to Save Costs with Transparency
Old Louisville Room

The State of Nevada, Public Employees' Benefits Program (PEBP) implemented an online transparency vendor in 2018 that drove members to search available in-network providers of care and incentivized steerage to high quality low cost services reducing membership out-of-pocket costs and health plan provider claim costs. In the first 4.5 months of implementation, over 40,000 searches occurred. By 6 months it reached 49,000. To compare, PEBP's plan only has 41,000 covered lives. Preliminary numbers for the total year show PEBP saved over $390,000 with an almost 3 to 1 Return on Investment against the administrative fees and incentive checks sent members. If selected to present, we will have final numbers by end of calendar year 2019.

Speakers: Laura Rich

Networking

4:00 PM - 5:00 PM	**SALGBA Networking Reception** **Commonwealth Ballroom 1-5**
6:00 PM - 10:00 PM	**SALGBA Monday Evening Event (Sponsored by Humana)** **Churchill Downs**

Tuesday, April 7, 2020

Registration

7:00 AM - 4:00 PM	**Registration** **Second Floor**

7:30 AM - 8:15 AM	**Continental Breakfast in Exhibit Hall** **Commonwealth Ballroom 1-5**

General Session

8:30 AM - 9:30 AM	**Openiing Tuesday Keynote-Healthcare Industry Transformation** **Olmstead Ballroom** Speakers: Bruce Broussard

Networking

9:30 AM - 10:00 AM	**Break in Exhibit Hall** **Commonwealth Ballroom 1-5**

RX

10:15 AM - 11:00 AM	**The Quest for an Antidote for the Cost of Prescription Drugs** **Commonwealth 7** In this session we will review some of the controversial levers that increase drug costs in the U.S. including patents, rebates, purchasing methods and distribution-hot targets for legislation. Our journey will include exploring the various methods other developing countries use to procure and distribute prescription drugs to their constituents. We'll pay attention to the various considerations of these methods, including cost to the country, consumer pricing, and how stakeholders may "game" the system. Speakers: Kate Grangard

Cost

10:15 AM - 11:00 AM	**Narrow Networks, An Innovative Way To Control Costs While Increasing Member Satisfaction** **Commonwealth 6** The narrow network strategy is a customizable program based upon your population's needs and areas of high utilization and cost. In addition to facilitating access to physicians who are of the highest quality, it can enable access that is both cost effective and convenient. From a member outcome perspective, these arrangements can provide a high level of member satisfaction coupled with a dramatic plan savings. Through multiple access options including local care, virtual treatment plans, and neighborhood clinics, these ensure the highest level of care where and when a member most needs it. Speakers: Gerald Scallion

Other

10:15 AM - 11:00 AM	**State Laws Related to Insurance Coverage for Infertility Treatment and how they impact Members** **Clifton Room** "Since the 1980s, 16 states—Arkansas, California, Connecticut, Delaware, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, Montana, New Jersey, New York, Ohio, Rhode Island, Texas and West Virginia—have passed laws that require insurers to either cover or offer coverage for infertility diagnosis and treatment. Of those states, fourteen have laws that require insurance companies to cover infertility treatment and two states—California and Texas—have laws that require insurance companies to offer coverage for infertility treatment. The World Health Organization (WHO) categorizes infertility as a disease, although it's a complex one with many different causes. The emotional distress due to infertility issues can be devastating, affecting every aspect of life, including work performance. Thus, organizations see including fertility benefits as improving their bottom lines, and having an advocate is key. The facts speak for themselves. Infertility affects one in eight Americans today – or about 7.4 million men and women – more than those impacted by diabetes, breast cancer, or Alzheimer's Disease. And, as infertility becomes more pervasive among women in the workplace, employers who provide support, patience and understanding for their employees during their fertility journey can reap the inherent benefits of happy and productive employees. In fact, the percentage of employers offering fertility benefits is expected to grow to 66 percent by 2020 (from 55 percent in 2017.) Infertility affects 1 in 8 American Couples Although once unheard of as an employee benefit, employer-covered fertility benefits and other family building benefits like adoption and surrogacy are now becoming more of a necessity in the workplace. There are several driving forces behind the employer shift to offer fertility benefits to employees: •A Shift in Workplace Demographics •A Quest to Recruit and Retain Top Talent oIn fact, according to the Society for Human Resources Management (SHRM) 2018 Annual Benefits Survey, one-

third of employers cited that recruiting and retaining employees was the reason they boosted their benefits package this year. •The Concept of Inclusive Benefits •Advantages in Offering Fertility Benefits oFostering Loyalty oSupporting Financial Wellness oCost Savings oGood Public Relations So if you are in a Mandated State why should your Organization offer a managed fertility solution? •Improved Quality of Care & Patient Value for Employees •

Speakers: Paul Campbell,
Tom Carey

Wellness

10:15 AM - 11:00 AM

Meeting a Major Challenge: Addressing Diabetes Before Health Costs – and Plan Costs – Rise
Commonwealth 8

"The Alabama Public Education Employees' Health Insurance Plan (PEEHIP) wanted to address the growing prevalence of obesity, pre-diabetes and diabetes within their population. Because Alabama ranks among the highest prevalence rates in the country, diabetes creates serious health complications for members, serious financial burdens for the plan, and has a negative economic impact for the State. Recognizing that 9 out of 10 people with pre-diabetes are unaware they have this condition, PEEHIP leadership was looking to develop solutions to help reverse the continued progression towards diabetes. PEEHIP developed a new strategy to restructure their wellness program, understanding that, beyond the structure already in place, they would need to educate members through training – addressing misconceptions about health at a member level as well as a cultural level. As a result of the new strategy, PEEHIP created and issued a flexible procurement to engage with multiple vendors to administer this coordinated well-being program and to work in harmony with aligned incentives toward a healthier membership. The program includes: •A PEEHIP app that provides a highly customized experience for the individual member in which they are presented with content specific to their personal health, including biometrics, and activities/resources specific to their health needs •Community events and local market programs throughout the State •State-wide challenges involving superintendents of school systems and other leaders In this presentation, attendees will see first-hand how PEEHIP has partnered with their vendors and other organizations in the state to re-educate Alabamians while navigating the barriers inherent in reaching a statewide population, legislative restrictions and board expectations. "

Speakers: Donna Townes,
Dave Wales

Retirement

10:15 AM - 11:00 AM

SERS of Ohio's Limited Wraparound Plan Experience and Advocacy Effort
Cherokee Triangle Room

Under a provision of the Patient Protection and Affordable Care Act, and regulations from three federal agencies, the School Employees Retirement System of Ohio has been able to enroll SERS retirees that are under age 65 in a Limited Wraparound Plan since January 2017. This pilot program allowed provision of limited benefits provided through a group health plan that wrap around eligible individual health insurance procured in the federal marketplace. The program has shown significant savings for the SERS Health Care Fund and for the individual participants who received reimbursement for out-of-pocket expenses. However the authority for this pilot program was slated to end at the end of 2019. SERS of Ohio has engaged in an advocacy effort at the federal level to try and extend the pilot for all interested plan sponsors. This panel will discuss the 3 years of experience SERS has had with their Wraparound program, describing the benefits both to the Fund and the retirees. In addition, the panel will detail the effort by SERS and many stakeholders to engage with the Administration and Congress to extend the pilot and explore other alternative solutions.

Speakers: Chris Collins,
Christi Pepe

Best Practice

10:15 AM - 11:00 AM

Capitated Primary Care as a Cost Saving Initiative
Old Louisville Room

In 2018, the Office of Group Benefits (OGB) was tasked with coming up with several cost savings initiatives to prevent a substantial rate increase to its members and state agencies. Among those was a radical idea of providing primary/preventative care to members enrolled in OGB's self-insured plans at no cost to the members. OGB would pay an upfront, capitated rate with a guaranteed return on investment. Effective July 1, 2019, Access Health, Inc., through its Access2day Health Clinics, began providing basic primary/preventative care at no cost (No Copay, No Coinsurance, and No Deductible). Because these clinic visits are "pre-paid", members are seen without an appointment and are moved to the front of the line. Use of the Access2day clinics is completely voluntary and does not interfere with the member's primary benefits. This cost savings initiative is expected to save between $12.6 and $27 million dollars annually.

Speakers: Charles Calvi,
Tommy Teague

RX

11:15 AM - 12:00 PM

The Keys to Lowering Your Rx Benefit Costs
Commonwealth 7

"Pharmacy costs are on the rise, driving up concern among plan sponsors on how to better manage expenses. According to a recent report, by 2023 drug spend is expected to increase to over $420 billion per year. As a result, plans are demanding greater transparency, accountability and overall plan performance. So how do you know if you are getting the most transparent and affordable Rx benefit solutions? During this session, you'll hear first-hand how one plan fine-tuned its benefit plan performance and experienced significant savings. Discover the keys to generating a high-performance formulary that delivers the lowest net cost, achieving complete transparency and improving overall member health."

Speakers: Byron Mickle,
Brian Naiser

Cost

11:15 AM - 12:00 PM

Employee Healthcare Innovation and Data Authentication
Commonwealth 6

"General summary: This presentation will highlight why INSPD has chosen programs and incentives that focus on lifestyle risk factors with the goal of decreasing our population's risk. As an individual's risk increase, the cost increases exponentially. If we can shift that risk downward, the savings are also exponential. The framework is in place for change: 1. Wellness aligns with Governor's Office values and SPD Mission/Values. 2. We have a robust data warehouse to measure programs and their impact including using Johns Hopkins ACG. 3. 99% of employees are in a CHDP which means they are paying attention to the cost of care. 4. Employees are used to lifestyle choices impacting their take home pay (One Care Street incentive, NTUA incentive, Go365 program for entry into the CDHPW). In early 2018, we benchmarked programs using the Johns Hopkins ACG risk indexing and were able to prove that the Go365 program was not moving risk downward like we hoped. We did hear lots of individual success stories, but for the amount of funds invested in that program ($12.4M in admin/prizes over four years!), we weren't getting the results we needed. This process identified health coaching as the most effective impact on lifestyle risk. This data caused a pivot from a point based program where individuals were getting rewarded for what they were already doing to a health coaching based program where individuals identify health risks and create customized goals/plans to work on those areas. The presentation will focus on data analysis, authentication, partnership and integration with plan vendors who will co present along with SPD on success stories based on creativity and transparency of information with SPD for their population. "

Speakers: Susan Barnhardt,
David Watt

Other

11:15 AM - 12:00 PM

Student Loan Assistance is THE Big Benefits Trend
Clifton Room

With 1 in 5 Americans impacted by student loan debt, employers in every industry are questioning how best to include an assistance program in their financial wellness portfolio.

Speakers: Lara Bernhardt,
Wanda Heard

Wellness

11:15 AM - 12:00 PM

Wellbeing Made Easy: Best Practices for Creating Comfortable Change Through Customization
Commonwealth 8

"In organizations with large and diverse populations, reaching—and more importantly, inspiring healthy change in—the daily rituals employees follow can present a daunting challenge. But when people commit to small, sustainable changes over time, big change for individuals and businesses follows. In this session, join Montgomery County Government, with over 9,000 employees from Transportation to Fire to Corrections to City Council, to understand their approach to making healthy change easy for all of their people, including those most at-risk, by approaching health holistically, designing creative incentives and offering broad opportunities to make healthy change for good. In this session, you'll learn: How to identify key focal points in your organization and craft a targeted and digestible program that moves the needle for your entire organization. Gain insight into LiveWell, Montgomery County's holistic health initiative, which tackles their employees most pressing challenges through monthly initiatives covering various wellness dimensions such as physical activity, nutrition, mental well-being, sleep and disease prevention. Learn about creative programming to give employees incentives, tools, and strategies to adopt and maintain healthy behaviors by making changes relevant to their work culture How to avoid the 'cookie cutter campaign' – organizations have similar health issues and concerns, but all departments have different work cultures, use your resources in different ways to engage employees in a comfortable and sustainable program. Gain your employees trust and respect and you will start seeing changes!"

Speakers: Alison Horne,
Liliana Rojas

Retirement

11:15 AM - 12:00 PM

Simplifying the Retiree Benefits Lifecycle: Best Practices from the North Carolina State Health Plan

Cherokee Triangle Room

Quality retirement benefits have long been a hallmark of the public sector, providing a key means of attracting and retaining public servants. But for many public entities, managing retirement benefits remains an arduous task, and an aging workforce promises to soon amplify existing pain points. In this session, learn how you can simplify and scale the entire retiree benefits lifecycle—from educating employees approaching retirement age, to the initial retiree enrollment process, to ongoing support and communication. Hear from Caroline Smart, Senior Director of Plan Integration at the North Carolina State Health Plan, as she shares best practices based on experience using cloud-based technology to manage over 200,000 state retirees and their dependents.

Speakers: Corinne Sardelli,
Caroline Smart

Best Practice

11:15 AM - 12:00 PM

Workplace Posiitivity - Proven Results
Old Louisville Room

The Wellness Team at Sarasota County Government initiated a 6-week worksite positivity program in 2018 that provided the tools to help impact greater life satisfaction. The result to the participants of this program showed a positive impact on cardiovascular inflammation and blood sugar levels. In addition, the result of their efforts culminated in the study being published in the highly respected, industry leading, Journal of Occupational and Environmental Medicine.

Speakers: Angela Deem,
Susan Forness

12:00 PM - 1:00 PM

SALGBA Awards Luncheon
Olmsted Ballroom

RX

1:15 PM - 2:00 PM

Using Your Data to Achieve More Efficient Pharmacy Benefits
Commonwealth 7

Data is the key to making informed decisions on pharmacy and benefits spending. In this session, Dr. Diana Han, M.D. of GE Appliances and Dr. Rance Hutchings, Pharm.D. of Artemis Health will discuss the role of data in government employee and retiree benefits strategies. With experience both in the private sector, working with unique populations, and as a consultant to large government entities, Dr. Han and Dr. Hutchings have seen how data can help solve complex problems for benefit managers. In this session will discuss: • Identifying pharmacy overspending and reducing costs • Creating responsible formulary tiering that's transparent for plan members • Increasing the efficiency of reimbursement rates • Addressing substance abuse risk and disorders • Avoiding hospitalizations and adverse drug outcomes for retirees Using benefits data can help benefits leaders accomplish each of these lofty goals and achieve smarter, more efficient pharmacy benefits.

Speakers: Diane Han,
Rance Hutchings

Cost

1:15 PM - 2:00 PM

Reference Based Pricing, The End of the Illusionary Discount (SUBMITTED)
Commonwealth 6

PPO replacement programs such as Reference Based Pricing (RBP) are providing employers an equitable alternative to today's ever-rising and traditionally unchallenged medical bill mark ups. Learn the how and why many employers such as the State of Montana, the State of North Carolina and many other large employers are crossing the chasm and moving to this paradigm shifting solution. The result? A health plan design based on fair market value ensuring transparency and fair reimbursement for the member, plan and provider while saving the plan an estimated $2,500 per year, per employee on the plan.

Speakers: John Powers,
Kristy Swailes

Other

1:15 PM - 2:00 PM

Going off the Deep End: It's Time to Stop Paying Lip Service to the Financial Wellness of Employees
Clifton Room

"Are we aware and engaged enough with our workforce to understand the decisions they face when it comes to their personal finances? This is the question Elizabeth Halkos, COO of Purchasing Power, urges us to ask ourselves when considering the reality of our paycheck-to-paycheck society. It's not enough to pay lip service to financial wellness programs and 401k savings opportunities. Employees are drowning in the deep end of a financial crisis, and it is up to us to provide solutions and infrastructure to create permanent change. Financial stability in America is precarious. We saw it in 2009 with the subprime mortgage meltdown and again with 2019's government shutdown, but we pretend this fragility doesn't exist. When it rears its ugly head, we express empathy and outrage. Financial instability doesn't just happen once a decade. It is constant, pervasive and ignored. Grab a life vest and learn how to use benefits to help employees break the paycheck to paycheck cycle and finally gain control of their financial life."

Speakers: Elizabeth Halkos

Wellness

1:15 PM - 2:00 PM

The Impact of Pain, Specifically Osteoarthritis (OA), Within a Working Population
Commonwealth 8

"Osteoarthritis (OA) has significant direct and indirect business costs. This session will begin with a review of the business case for a healthy workforce and the insights provided by a focus on absence and disability. To drive this point home, we report the prevalence, productivity impact, and business costs of OA from research conducted by the Integrated Benefits Institute (IBI). Finally, we will look at how one employer, Metro Nashville Public Schools, quantified the impact of pain in its workforce and developed a strategic approach to pain management. The session would be introduced by Pfizer, Beau Evans, who reviews the disease state and costs as published by IBI. Then David Hines would describe why the data caused them to take action by reviewing their data, what that analysis revealed, and what are their next steps. "

Speakers: Beau Evans,
David Hines

Retirement

1:15 PM - 2:00 PM

New Jersey Lottery Enterprise
Cherokee Triangle Room

The bipartisan Lottery Enterprise Contribution Act was enacted on July 4, 2017. The Act furthers the viability of the State's Retirement System by authorizing the contribution of the Lottery Enterprise to the Teacher's Pension and Annuity Fund, the Public Employees' Retirement System and the Police and Firemen's Retirement Systems. This Contribution of the Lottery Enterprise will help protect more than 760,000 State employees and retirees, and substantially reduce unfunded liabilities. The Act, which improves solvency through the 30-year Contribution of the Lottery Enterprise, does not impact Lottery Enterprise operations or personnel.

Speakers: Christin Deacon

Best Practice

1:15 PM - 2:00 PM

Medication Benefit Management - A High Touch Approach
Old Louisville Room

"Know Your Rx Coalition was formed in 2011 to assist public sector clients in cost-effective provision of prescription medications, best practices in prescription benefit plan design, along with improved clinical outcomes. While the Coalition offers PBM contracting at group purchasing rates, the value add of Know Your Rx is the high touch plan and member contact that the Coalition pharmacists provide. The Coalition utilizes PBM reporting tools and online claims systems to continually mine for opportunities for members and plans to improve outcomes, both financially and clinically. These opportunities include dosing efficiencies, surveillance for dosing outside of standard use, egregiously priced medications, and abusive prescribing/dispensing practices. This constant vigilance has allowed for immediate action and cost avoidance for the balance of the plan year, as opposed to addressing issues on an annual basis as is more the norm. Likewise, other Coalition plan sponsors have the opportunity to have a shared benefit from the experience of a peer group and avoid unnecessary costs and waste. Plan sponsors are presented with a wide variety of tools by their PBM to help manage pharmacy Trend. In most cases Trend management comes at the cost of member disruption. The availability of a Coalition pharmacist to contact an affected member in advance of a change in coverage to formulate a plan for alternative covered therapy mitigates member noise and allows plan sponsors to be more aggressive with plan design and program offerings. All this is done with a holistic member approach, as the pharmacists review all medication use by every patient contacted to give a complete medication therapy review and assure patient regimen is safe, effective, and cost efficient. Beyond these more traditional methods of medication therapy review the Know Your Rx Coalition has been working with Teachers' Retirement System of Kentucky in a rather innovative area of practice, Pharmacogenomics. Beginning in November 2017 the Teachers' Retirement System of Kentucky launched a program to offer Pharmacogenomics testing for their Medicare Eligible Health Plan participants. With Teachers' Retirement System of Kentucky already being a Know Your Rx Coalition member, the clinical services of the Coalition pharmacists was expanded to include the review of genetic testing results related specifically to how an individual patient will respond to a given medicati

Speakers: Travis Albrecht,
Marissa Boelhauf,
Lucy Wells

2:15 PM - 3:00 PM

Break in Exhibit Hall
Commonwealth Ballroom 1-5

Panel

3:30 PM - 4:30 PM

Opioid Epidemic Response

Commonwealth 7

"Providing up to date insights on the current Opioid Epidemic. Hear how the Blue Cross Blue Shield system has worked to provide solutions for those in need at both a local and national level for public and private workers. BCBS is committed to the prevention, treatment, and reduction of those impacted by substance use disorders.

Speakers: Jennifer Atkins, Caesar DeLeo, Bonnie Summers

3:30 PM - 4:30 PM

Similar Challenges in Different Situations a Time Zone Apart: Commonwealth 6

How a State Employees Health Plan and a Local Health Consortium Improved Patient Services While Still Managing Costs

Speakers: Brett Bingham, Mark Fitch, Nura Patani, Dale Ponder, Jean Reed, Tom Steckel

Networking

5:00 PM - 6:00 PM	**SALGBA Reception (Sponsored by Morneau Shepell)** **Second Floor**
6:00 PM - 10:00 PM	**SALGBA Closing Night Event (Sponsored by CVS Health)** **Ali Center**

Wednesday, April 8, 2020

8:00 AM - 9:30 AM	**Roundtable Recap with Breakfast** **Olmsted 1**
10:00 AM - 6:00 PM	**Bourbon in the Bluegrass Tour** Attendees will begin a day long journey with stops on the Bourbon Trail. Lunch will be provided.

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

NEW MEXICO RETIREE HEALTH CARE AUTHORITY

June 30, 2019

MOSSADAMS

Table of Contents

New Mexico Retiree Health Care Authority

OFFICIAL ROSTER

June 30, 2019

Board of Directors

Tom Sullivan, Board President	Superintendents' Association of New Mexico
Joe Montano, Vice-President	NM Association of Educational Retirees
Doug Crandall, Secretary	Retired Public Employees of New Mexico
Tim Eichenberg	State Treasurer of New Mexico
Wayne Propst	Public Employees' Retirement Association
Therese Saunders	NEA-NM, Classroom Teachers Association
Jan Goodwin	Educational Retirement Board
Pamela Moon	New Mexico Association of Counties
Terry Linton	Governor's Appointee
Lawrence Rael	New Mexico Municipal League

Staff

David Archuleta	Executive Director
Neil Kueffer	Deputy Director
Peggy Martinez	Chief Financial Officer

MOSSADAMS

Report of Independent Auditors

The Board of Directors
New Mexico Retiree Health Care Authority
Brian S. Colón, Esq.
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of New Mexico Retiree Health Care Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues and expenses – budget and actual: administrative fund, schedule of revenues and expenses – budget and actual: benefits fund, schedule of changes in net OPEB liability, schedule of employer contributions, and schedule of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule 1 – Combining schedule of fiduciary net position by functional activity, Schedule 2 – Combining schedule of changes in fiduciary net position by functional activity, and Schedule 3 – Schedule of investment fees (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Schedule 4 – Combining schedule of general and administrative expenses by functional activity, Schedule 5 – Combining schedule of state general fund investment pool, and Schedule 6 – Schedule of appropriations are presented for the purposes of additional analysis and are not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
November 22, 2019

INTRODUCTION

The New Mexico Retiree Health Care Authority (the Authority) fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families. The Authority's management has provided this discussion and analysis of the financial activities of the Authority for the year ended June 30, 2019. The narrative offers an overview of the financial reporting requirements, financial highlights, budgetary analysis, and comparative information. Financial data has been provided for the year ended June 30, 2018 for comparative purposes.

FINANCIAL REPORTING REQUIREMENTS

The Authority's financial statements have been prepared in conformity with standards published by the Government Accounting Standards Board (GASB) for retiree health systems. The basic financial statements presented comprise the following:

- **Statement of Fiduciary Net Position** – The statement of fiduciary net position provides a snapshot of the retiree health trust. It reports the Authority's assets, liabilities, and net position restricted for postemployment benefits other than pensions at the end of the fiscal year.

- **Statement of Changes in Fiduciary Net Position** – The statement of changes in fiduciary net position presents the additions and deductions to the net position restricted for postemployment benefits other than pensions and is a summary of the Authority's transactions occurring during the fiscal year.

- **Notes to the Financial Statements** – The notes to the financial statements are an integral part of Authority's financial statement presentation and provide additional information not readily evident in the statements as presented.

- **Required Supplementary Information** – The required supplementary information provides a detailed and informative analysis about the financial condition of the trust administered by the Authority.

- **Supplementary Information** – The supplementary information contains additional information not required by the GASB but has been deemed useful in evaluating the Authority's overall financial condition.

FINANCIAL HIGHLIGHTS

The Authority's statement of fiduciary net position can be summarized as follows:

	June 30, 2019	June 30, 2018
ASSETS		
Cash and cash equivalents	$ 41,121,683	$ 27,886,281
Contributions and other receivables	18,235,784	18,185,310
Investments with New Mexico State Investment Council	722,651,689	636,916,028
Capital assets, net	1,230,241	1,488,569
Total assets	783,239,397	684,476,188
LIABILITIES		
Reserve for loss and loss adjustment expense	21,653,000	21,695,000
Other current liabilities	4,416,831	4,731,733
Retiree premiums received in advance	420,575	393,161
Total liabilities	26,490,406	26,819,894
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	$ 756,748,991	$ 657,656,294

The Authority's statement of changes in fiduciary net position can be summarized as follows:

	Year Ended June 30, 2019	Year Ended June 30, 2018
ADDITIONS		
Contributions	$ 305,112,035	$ 297,070,343
Investment income	41,663,496	49,757,591
Tax administration suspense fund revenue	26,256,221	26,256,221
Medicare Part D rebates and other	26,625,941	30,255,096
Total additions	399,657,693	403,339,251
DEDUCTIONS		
Premiums and claims paid	296,459,494	320,403,577
Expenses and other	4,105,502	4,748,021
Total deductions	300,564,996	325,151,598
NET INCREASE IN NET POSITION	$ 99,092,697	$ 78,187,653

Net position increased by approximately $99.1 million, or 15.1%, during fiscal year 2019 compared to fiscal year 2018. The increase during the current year is primarily due to the following:

- The fair value of investments increased by $85.7 million, or 13.5% due to net appreciation in the fair market value of the Authority's investment portfolio and investment purchases that occurred during the year.
- Cash balances increased by $13.2 million, or 47.5% due to timing of transfers made to the trust fund held by the New Mexico State Investment Council.
- Contributions increased by approximately $8.0 million, or 2.7%, from the prior fiscal year. This is due to an increase in retiree contributions. Contributions by source were as follows:

	Year Ended June 30,	
	2019	2018
Retirees	$ 172,270,192	$ 167,949,226
Employer	88,516,368	85,401,662
Employee	44,258,184	42,700,831
Employer buy-ins revenue	-	939,677
Employer buy-ins interest portion	67,291	78,947
Total contributions	$ 305,112,035	$ 297,070,343

- Claims paid and expenses decreased by $24.6 million, or 7.6%, during fiscal year 2019 compared to fiscal year 2018. This decrease was driven by a reduction in pharmacy benefit spending, as a result of a new pharmacy benefit management contract effective July 1, 2018.

The Authority reported an estimated net OPEB liability of $3,242,388,746 and $4,348,354,815 as of June 30, 2019 and 2018, respectively, representing a decrease of $1,105,966,069 during the year ended June 30, 2019. The decrease is the result of a change in assumption related to the blended discount rate, assumed participation rates, projected growth in healthcare costs, and an increase in the plan's fiduciary net position. The net OPEB liability as of June 30, 2019 is comprised of the Authority's total OPEB liability of $3,999,137,737 calculated by the Authority's independent actuaries, offset by the plan's fiduciary net position of $756,832,642. As of June 30, 2019, the plan's fiduciary net position as a percentage of the total OPEB liability (funded status) was 18.92%, an increase 5.79% compared to the 13.14% funded status as of June 30, 2018.

BUDGETARY ANALYSIS

The fiscal year 2019 operating budget authorized expenditures totaling $335.4 million, including $1.9 million in personal services and employee benefits, $332.5 million in contractual services, and $585 thousand in other expenses. Actual expenditures totaled $299.3 million, supported by revenues and investment earnings totaling $358.8 million, resulting in an increase in net position of $99.0 million. Highlights are as follows:

- Program Support – The program ended fiscal year 2019 with a $165 thousand surplus generated by $90 thousand in savings from the personal services and employee benefits category, $55 thousand savings in the contractual services category and $21 thousand in savings from the other category.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

The New Mexico Retiree Health Care Act was enacted in Sections 10-7C-1 through 10-7C-19 NMSA 1978, for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service in the State of New Mexico and their eligible dependents. The Authority offers both pre-Medicare and Medicare plans to eligible retirees, as well as ancillary coverage including dental, vision, and life insurance. The Retiree Health Care Act provides that the benefits offered to retired public employees may be modified, diminished, or extinguished by the Legislature, and that the Act does not create any contract, trust, or other rights to public employees for health care benefits. Financing is provided through the setting of premiums for retirees by the Authority's Board of Directors and the allocation of governmental revenue streams by the Legislature on a "pay-as-you-go" basis.

The Authority administers the New Mexico Retiree Health Care Act. It has a funding base comprised of active employee payroll deductions, participating employer contributions, monthly premium contributions of enrolled participants, investment income, and amounts distributed annually from the Taxation Administration Suspense Fund (TAA Fund).

At the beginning of fiscal year 2019, the Authority was projected to begin deficit spending in 2020 with a reported solvency period through 2037 (18-years). This projection assumed the following: an increase in premiums charged to retirees in accordance with medical trend (8% Pre-Medicare / 6% Medicare Supplement) beginning January 2018, an expansion of lower costing resources made available for Pre-Medicare retirees, the implementation of value-based purchasing arrangements for certain procedures, increased in prescription drug cost sharing, and the continued growth in participation in Medicare Advantage plans.

Based on the continued leadership by the Board of Directors, the June 2019 solvency analysis revealed continued improvements to the financial condition of the agency including an extended solvency period through 2044, compared to 2037, despite increased participation, a reduction in revenues received from the TAA Fund and limited growth in employee and employer contributions.

These improvements are evidence of the Board's commitment to providing affordable healthcare benefits for public retirees, limiting growth in liabilities, and extending the solvency of the program for future participants. This commitment is demonstrated each year through the actions taken by the Board in an effort to balance revenues and expenditures by pursuing value-based reimbursement purchasing arrangements for all services, administration of programs aimed at preventing future costs and cost-effective procurement strategies. In addition, several key actuarial assumptions were reevaluated during the year and adjustments were made by the Authority's independent actuary that resulted in a significant reduction to the net OPEB liability reported by the Authority and improvement in the Authority's funded status.

The solvency analysis indicates continued improvements to the financial outlook of the program, on a pay-as-you-go basis. However, the solvency analysis and reporting requirements associated with GASB Statements No. 74 and No. 75 continue to indicate significant long-term challenges associated with the financing of retiree healthcare benefits.

FUTURE CHALLENGES

The Authority continues to face a significant number of challenges as growth in the cost of providing healthcare continues to outpace growth in the funding sources used to support the program - specifically, limited growth in employee and employer contributions, uncertainty with regard to prescription drug containment strategies at the federal level, combined with medical and prescription drugs trends specific to a retiree population.

Statement of Fiduciary Net Position

June 30, 2019

ASSETS	
Interest in State General Fund Investment Pool	$ 41,121,683
Receivables	
Contributions - employers, employees, and retirees, net	12,656,585
Due from other agencies	2,188,018
Due from charter schools	283,049
Accounts receivable - rebates and Medicare Part D	2,260,695
Buy-in obligations receivable	847,437
Total receivables	18,235,784
Investments with State Investment Council	
U.S. Large Cap Index Pool	99,580,511
Non U.S. Emerging Markets Index Pool	69,359,864
Non U.S. Developed Markets Index Pool	96,262,803
Private Equity Pool	81,385,706
Credit and Structured Finance Pool	105,998,505
Real Estate Pool	73,120,655
Small/Mid Cap Active Pool	12,925,911
Real Asset Pool	34,679,544
Core Bond Pool	149,338,190
Total investments	722,651,689
Capital assets, net of accumulated depreciation	1,230,241
Total assets	783,239,397
LIABILITIES	
Accounts payable	4,227,359
Payroll liabilities	65,568
Compensated absences	123,904
Reserve for loss and loss adjustment expense	21,653,000
Retiree premiums received in advance	420,575
Total liabilities	26,490,406
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	$ 756,748,991

See notes to financial statements.

New Mexico Retiree Health Care Authority
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

ADDITIONS	
Contributions	
Retirees	$ 172,270,192
Employer	88,516,368
Employees	44,258,184
Employer buy-ins interest portion	67,291
Total contributions	305,112,035
Investment income	
Net appreciation in fair value of investments	40,735,665
Interest adjustment on State General Fund Investment Pool	927,831
Total investment income	41,663,496
Other	
Tax administration suspense fund revenue	26,256,221
Medicare Part D subrogation and rebates	26,625,941
Total other	52,882,162
Total additions	399,657,693
DEDUCTIONS	
Premiums and claims paid	296,459,494
General and administrative expenses	2,921,370
Losses and loss adjustment accrual decrease	(42,000)
Refunds to retirees	962,603
Depreciation expense	263,529
Total deductions	300,564,996
NET INCREASE IN NET POSITION	99,092,697
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	
Beginning of year	657,656,294
End of year	$ 756,748,991

See notes to financial statements.

Note 1 – Retiree Health Care Act Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed on February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (10-7C-1-19 NMSA 1978) which was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents, and surviving spouses) who have retired or will retire from public service in New Mexico.

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority participate in the plan.

The Act created a governing Board of Directors (the Board) comprised of not more than 12 members. Membership of the Board includes the following:

1. One member who is not employed by or on behalf of, or contracting with, an employer participating in or eligible to participate in the New Mexico Retiree Health Care Act (10-7C-1 to 10 7C-19 NMSA 1978), and who shall be appointed by the Governor to serve at the pleasure of the Governor;

2. The director of the Educational Retirement Board (ERB) or the ERB director’s designee;

3. One member to be selected by the Public School Superintendent’s Association of New Mexico;

4. One member who shall be a teacher who is certified and teaching in elementary or secondary education to be selected by a committee composed of one person designated by the New Mexico Association of Classroom Teachers, one person designated by the National Education Association of New Mexico and one person designated by the New Mexico Federation of Teachers;

5. One member who shall be an eligible retiree of a public school and who shall be selected by the New Mexico Association of Retired Educators;

6. One member who shall be an eligible retiree of an institution of higher education participating in the Act and who shall be selected by the New Mexico Association of Retired Educators (the institutions of higher education do not currently have the requisite number of participants for board representation);

7. The executive secretary of the Public Employees’ Retirement Association (PERA) or the PERA executive secretary’s designee;

8. One member who shall be an eligible State government retiree and who shall be selected by the Retired Public Employees of New Mexico;

9. One member who shall be an elected official or employee of a municipality participating in the New Mexico Retiree Health Care Act to be selected by the New Mexico Municipal League;

Note 1 – Retiree Health Care Act Plan (continued)

10. One member who shall be an elected official or employee of a county participating in the Act to be selected by the New Mexico Association of Counties;

11. The State Treasurer or the State Treasurer's designee; and

12. One member who shall be a classified State employee selected by the Personnel Board in response to statutory amendment.

Every member of the Board serves at the pleasure of the party or parties that selected that member. The Board elects from its membership a president, vice president, and secretary.

The Board may enter into contracts or arrangements with consultants, professional persons or firms as may be necessary to carry out the provisions of the Act. Other legal duties of the Board are defined by Section 10-7C-7 of the Act.

The plan has 305 participating employers and 154,177 current members, including active employees, terminated eligible members, retirees, and surviving spouses. The following schedule summarizes the number of members enrolled in the plan as of June 30, 2019:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	154,177
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal FTRE	1,966
Educational Retirement Board	49,492
	91,082

The Authority operates and administers the plan from the following funds:

Administrative Fund (38000): Created by 10-7C-16 NMSA 1978. The purpose of this fund is to provide administrative support to carry out the purpose of the Benefit Fund and the Act. This fund is not financed by the general fund; it is financed by and reverts to the Benefit Fund (38100).

Benefit Fund (38100): Created by the Act (10-7C-1 to 10-7C-19 NMSA 1978). The purpose of this fund is to provide core group and optional healthcare and life insurance benefits for current and future retirees and their dependents as mentioned above.

Note 1 – Retiree Health Care Act Plan (continued)

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. The Authority's financial information should be included with the financial presentation of the State of New Mexico.

The Authority has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Authority exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management has determined that no other such entities should be included in its financial reporting entity. The Authority does not have any component units.

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C, NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10-7C-13, NMSA 1978 for more details.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting
The Authority's financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. The economic resource measurement focus is used for all assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, gains, and losses. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Note 2 – Summary of Significant Accounting Policies (continued)

Interest in State General Fund Investment Pool

Interest in State General Fund Investment Pool include the Authority's pro rata share of liquid internal investment pools to include cash on deposit held by the New Mexico State Treasurer. Deposits with the State Treasurer are required to be collateralized at a minimum level of 50%. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits and the market value of purchased investments. The only checking account is a zero balance lock box depository at the State Fiscal Agent and monies are transferred daily to the State Treasurer.

Accounts Receivable and Employer Buy-Ins

Accounts receivable derived from employers and participants consist of amounts due from employers and for contributions relating to payrolls paid prior to June 30, 2019 and amounts due from retirees for monthly premiums. Advance premiums from retirees are recorded as unearned revenues.

Qualified employers previously declining participation may elect to buy-in under 10-7C-1, NMSA 1978. Upon meeting requirements and approval, the employer will pay a determined amount to compensate the Authority and other participants for prior periods of nonparticipation and for additionally incurred liabilities. Payments can be lump sum or on the installment method for up to 13 years and are in addition to regular monthly contributions.

Investments

The Authority accounts for its investments in accordance with GASB No. 40, *Deposit and Investment Risk Disclosures* (GASB No. 40) and GASB No. 72, *Fair Value Measurement and Application* (GASB No. 72). Please refer to the financial statements of the State Investment Council and the State Treasurer's Office for full disclosures, including security credit ratings for investment assets that conform to GASB No. 40 requirements. The Authority is subject to the Uniform Prudent Investor Act, NMSA 45-7 and has structured their investment policy to comply to NMSA 45-7.

Capital Assets

Acquisitions of property and equipment and improvements and replacements of equipment with an initial individual cost of at least $5,000 (per Section 12-6-10, NMSA 1978) and an estimated useful life in excess of one year are capitalized at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets. The useful lives are ten years for furniture and office equipment and three to seven years for computer equipment.

Income Taxes

The Authority provides an essential governmental function to its participants as described in Section 115 of the Internal Revenue Code (the Code) and therefore considers the Authority exempt from federal income taxes pursuant to the Code.

Net Position Restricted for Postretirement Benefits Other Than Pensions

The plan's net position and State of New Mexico pension tax revenue are restricted to provide for payment of claims and premiums in future years and to continue to provide health benefits to eligible retirees. All fiduciary funds revenue, including pension tax, is held in trust for qualified retirees. These funds are not available to the State of New Mexico for appropriation for other purposes. The restrictions on the plan net position are deemed to be legally enforceable and, therefore, the net position is reported

Note 2 – Summary of Significant Accounting Policies (continued)

as restricted pursuant to GASB standards. When restricted and unrestricted resources are available for the same purpose, it is the policy of the Authority to first apply the unrestricted resources.

Program Revenue
Program revenue shown on the accompanying statement of changes in fiduciary net position consists primarily of contributions received from retirees, employers, and employees, including amounts received and accrued from employer buy-ins. Operating revenue is distinguished from non-operating revenue by considering the core purpose of the Authority to provide comprehensive group health insurance. As a result, contributions received from participants are considered operating revenues.

Budgetary Process and Budgetary Basis of Accounting
The Authority prepares its budget on the accrual basis. Investment gains and losses, depreciation, and changes in incurred but not reported (IBNR) claim expenses are not budgeted. An operating budget is submitted annually for approval to the Budget Division of the New Mexico Department of Finance and Administration (DFA) and reviewed by the Legislative Finance Committee. The Authority submits two budgets reflecting the Health Benefits Administration Fund and Program Support Fund. The legal level of budgetary control is at the functional level. Budget Adjustment Requests must be reviewed by the Department of Finance and Administration. Administrative line item expenditures may legally exceed amounts budgeted; however, the total budget category expenditures may not legally exceed approved budget category amounts.

Use of Estimates
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Upcoming Accounting Standard
GASB Statement No. 87, *Leases,* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the year ending June 30, 2021. The Authority is currently examining the impact, if any, to its current accounting policies and financial reporting from this Statement.

Net OPEB Liability
The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2019. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74 requirements at the request of the Authority.

Note 2 – Summary of Significant Accounting Policies (continued)

Net Pension Liability and Related Pension Amounts
The State of New Mexico has implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*.

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by PERA. Overall, total pension liability exceeds plan net position, resulting in a net pension liability. The State of New Mexico has determined that the State's proportionate share of the net pension liability is a liability of the State of New Mexico as a whole, and the net pension liability or other pension amounts will not be reported in the department or agency level of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred outflows and inflows of resources of the primary government are included in the State of New Mexico's CAFR and will be available when issued from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Postemployment Benefits – State Retiree Health Care Plan
Compliant with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Authority, as part of the primary government of the State of New Mexico, is a contributing employer to the plan on behalf of the Authority's employees and for persons who have retired from certain public service positions in New Mexico. The OPEB plan is administered by the Authority. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State, and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Note 3 – Interest in State General Fund Investment Pool

Contributions and other funds received by the Authority are held by the New Mexico State Treasurer and pooled with the State General Fund Investment Pool. The Authority can withdraw its funds from the State Treasurer as needed, and therefore considers them to be cash equivalents. All earnings on deposits are retained by the State General Fund; therefore, from the Authority's perspective, the cash balances are non-interest bearing and stated at cost. Money deposited by the Authority with the State Treasurer is pooled and invested by the State Treasurer. The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the $250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal account is required in amounts equal to 50% of the average investment balance. To obtain pledged collateral, investment risk, and insurance coverage information for the Department's State Treasurer deposits, a copy of separately issued financial statements can be obtained from the State Treasurer's Office. All collateral is held in third-party safekeeping.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items was unknown. The report dated June 20, 2012 is available on the website of the New Mexico DFA at http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the DFA is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project's objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate, and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank-to-book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Remediation Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

Note 3 – Interest in State General Fund Investment Pool (continued)

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

The Authority employs cash management practices and techniques to monitor and verify the Authority's cash position. The cash management processes of the Authority include: regular monitoring of the agency's share of the General Fund Investment Pool (GFIP) reflected by DFA/FCD in the SHARE accounting system; monthly reconciliation of all cash activities to the GFIP balance and full book-to-bank reconciliations; effective internal controls over authorized cash related activities; and utilization of effective cash forecasting methods. Through the design and implementation of procedures noted above, the Authority has determined there has been no material impact to its interest in the Pool.

The fair value of the cash and cash equivalents maintained in the Pool with the New Mexico State Treasurer's Office is as follows:

Fund	SHARE Fund No.	Balance June 30, 2019
Benefits Fund	38100	$ 40,833,580
Administrative Fund	38000	288,103
Total interest in State General Fund Investment Pool		$ 41,121,683

This Pool represents cash and short-term investments. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund. Currently, there are no limitations or restrictions on withdrawals on the investment in the Pool.

Credit Risk and Interest Rate Risk

The New Mexico State Treasurer pools are not U.S. Securities and Exchange registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) though 6-10-10(O) and Sections 6-10-10(1)(A) and (E), NMSA 1978. At the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and length of time the funds amounts were invested. The end of the fiscal year credit risk rating and the weighted-average maturity (interest risk in number of days) is available on the State Treasurer's Website at www.nmsto.gov. Participation in the local government pool is voluntary.

Note 4 – Receivables

The Authority receives contributions monthly from employers who remit the employer and the employee portions. Contributions are statutory, based on the gross payroll reported by each employer for the month. Because gross payroll can change in any month, the Authority does not bill the participating employers but depends on monthly reporting and contributions remitted from employers. Accounts receivable also includes amounts to be received for Medicare Part D. There is no allowance for uncollectible receivables recorded as of June 30, 2019, as management deems any uncollectible amounts as immaterial.

As of June 30, 2019, the buy-in receivable includes notes receivable from Sierra County. The remaining balance on the note is $847,437. The obligation is receivable monthly over 13 years at a 7.5% fixed interest rate, maturing in June 2030. The current and long-term portions on the Sierra County note are $51,557 and $795,880, respectively. The City of Rio Rancho buy-in receivable was paid off in January 2019.

Revenue is transferred from the New Mexico Taxation and Revenue Department in accordance with NMSA 1978, Section 7-1-6.30 and NMSA 1978, Section 7-1-6.56. Monies are transferred on the month following the month due, and any amount due to the Authority that is not received by June 30 is accrued. Transfers from the New Mexico Taxation and Revenue Suspense Fund are based on an additional amount of $3.0 million per year with a 12% per annum increase of carryforward contribution amounts beginning July 1, 2002. However, in 2016 legislation altered the law governing this appropriation and removed the $3.0 million per year and froze the 12% annual increases until July 1, 2019. For the year ended June 30, 2019, revenues totaled $26,256,221. As of June 30, 2019, amounts due from other governments consist of balances due from the Taxation and Revenue Department (Business Unit: 33300; Fund: 83200) totaling $2,188,018 and accrued reversions receivable from the Benefits Fund totaling $165,785.

Note 5 – Investments and Fair Value Measurements

The Authority maintains a joint powers agreement with the New Mexico State Investment Council (NMSIC) to provide investment services in accordance with guidelines listed in the Authority's Investment Policy. The Authority monies are invested in accordance with the NMSA Section 6-8-9. NMSIC issues a separate, publicly available financial report that includes financial statements and required supplementary information.

The Authority's Board of Directors has adopted an investment allocation policy. The Board is authorized to review and amend the investment allocation policy from time to time to meet the Authority's long-term objective. Investments are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status.

Note 5 – Investments and Fair Value Measurements (continued)

The following schedule summarizes the current investment allocation policy as of June 30, 2019:

Asset Class	Target Allocation
U.S. core fixed income	20%
Credit and structured finance	10%
U.S. equity - large cap	20%
Non U.S. - developed equities	12%
Non U.S. - emerging markets	15%
Private equity	10%
Real estate	5%
Real return	5%
U.S. equity - small/mid cap	3%
	100%

The Authority accounts for its investments in accordance with GASB No. 72, *Fair Value Measurement and Application*, which establishes fair value standards for certain investments held by governmental entities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments are measured at fair value on a recurring basis which is based upon the Authority's share of NMSIC's pooled investments. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 5 – Investments and Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2019.

The Authority invests in a number of investment pools offered by the NMSIC. Each pool is comprised of units of participation of unlimited quantity. The pools are held in NMSIC's name. No unit in the pool has priority or preference over any other unit and represents an equal beneficial interest in the pool. The valuation the Authority's units in the investment pool is provided by the NMSIC on a monthly basis and represents the fair market value as of that date. Therefore, management has determined that all the investments are measured at Net Asset Value as a practical expedient (NAV practical expedient).

The table below summarizes the investments valued at NAV practical expedient and other pertinent liquidity information:

Investments Measured at NAV Practical Expedient	Fair Value June 30, 2019	Redemption Frequency	Redemption Notice Period
U.S. Large Cap Index Pool	$ 99,580,511	Daily	5 business days
Non U.S. Emerging Markets Index Pool	69,359,864	Daily	5 business days
Non U.S. Developed Markets Index Pool	96,262,803	Daily	5 business days
Private Equity Pool	81,385,706	Twice per year	9 months
Credit and Structured Finance Pool	105,998,505	4 times per year	3 months
Real Estate Pool	73,120,655	Twice per year	6 months
Small/Mid Cap Active Pool	12,925,911	Daily	5 business days
Real Asset Pool	34,679,544	Twice per year	6 months
Core Bond Pool	149,338,190	Daily	5 business days
	$ 722,651,689		

The U.S. Large Cap Index Pool is a passively managed portfolio and seeks to invest in U.S. equities with large market capitalizations. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless $5 million or more is requested, then 30 days' notice is required.

The Non-U.S. Emerging Markets Index Pool is a passively managed portfolio benchmarked against the MSCI Emerging Market Free Index and invests in emerging market equities around the globe. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless $5 million or more is requested, then 30 days' notice is required.

The Non-U.S. Developed Markets Active Pool is actively managed by four investment managers (each focused on large-cap value, large-cap core, large-cap growth, and small-cap value). The pool is benchmarked against the MSCI EAFE Index. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless $5 million or more is requested, then 30 days' notice is required.

Note 5 – Investments and Fair Value Measurements (continued)

The Credit & Structured Finance Pool invests in various classes of fixed income securities oriented toward credit. The role of this pool is to provide growth of capital and income generation. The pool is managed by investment managers outside the NMSIC. NMRHCA is allowed to redeem this investment four times per year but not less than one month since the last redemption. Notice of Intent to redeem is required three months in advance. There is a 12-month lockup period on this investment class.

The Real Estate Pool contains open- and closed-end comingled real estate funds, dominated by stable, core real estate properties. The pool's objective is to match the rate of return on the NCREIF-ODCE index, plus a small premium from active management. The pool seeks to provide modest growth of capital, income generation, and provide diversification from equities and fixed income investment pools. Redemption notices are required six months in advance and are only allowed twice per year. The redemptions cannot occur within three months of each other. There is an 18-month lockup period on this investment class.

The Private Equity Pool contains more than 100 private equity funds diversified across the different sectors of private equity and seeks to provide a higher rate of return than the Venture Economics All Private Equity Index. The pool's main goal is to provide growth of capital. There is a 24-month lockup period on this investment class with 9-month Notice of Intent to redeem. Redemptions are allowed twice a year and no less than three months apart.

The U.S. Small/Mid Cap Index Pool is passively managed in comparison to the Russell 2000 Index portfolio. Daily redemptions are allowed provided the Authority gives a Notice of Intent to redeem the units five business days in advance unless $5 million or more is requested, then 30 days' notice is required.

The Real Asset Pool is managed across 34 funds with 18 managers. The pool seeks to provide a higher rate of return than the Real Assets CPI + 300 bps benchmark. Redemption notices are required six months in advance and are only allowed twice per year. The redemptions cannot occur within three months of each other. There is an 18-month lockup period on this investment class.

The Core Bond Pool seeks to exceed returns of the Barclays US Aggregate Bond Index through active external management using complementary core-plus strategies. Redemptions are permitted up to 5 days prior to month-end. Redemptions larger than $5 million require 30 days' notice.

The investment and administrative fees are deducted from the ending investment account balance on a monthly basis in accordance with the joint powers agreement. For the year ended June 30, 2019, the annual money-weighted rate of return on the Authority's investments, net of related investment expenses, was 5.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 6 – Capital Assets

A summary of capital asset balances and activity during the year ended June 30, 2019 is as follows:

Description	Balance at June 30, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
Furniture and equipment	$ 203,408	$ 5,200	$ -	$ -	$ 208,608
Information technology	2,031,450	-	-	-	2,031,450
	2,234,858	5,200	-	-	2,240,058
Accumulated depreciation	(746,288)	(263,529)	-	-	(1,009,817)
	$ 1,488,570	$ (258,329)	$ -	$ -	$ 1,230,241

Depreciation expense totaled $263,529 for the year ended June 30, 2019, of which $9,705 of depreciation was allocated to the Administrative Fund while $253,824 was allocated to the Benefits Fund.

Note 7 – Accrued Vacation and Sick Leave

Accumulated vacation, compensating time, and sick leave earned and not taken are recorded as an expense in the current year. Vacation earned and not taken is cumulative; however, upon termination, vacation is limited to 240 hours (30 days). Sick pay accumulated in excess of 600 hours, not to exceed 120 hours, is payable semiannually to qualified employees at a rate equal to 50% of the employee's hourly wage.

Balance June 30, 2018	Leave Accrued	Leave Used	Balance June 30, 2019	Amount Due Within One Year
$ 108,847	$ 69,431	$ (54,374)	$ 123,904	$ 88,813

Note 8 – Reserve for Losses and Loss Adjustments

The amount shown on the accompanying statement of fiduciary net position as reserve for losses and loss adjustment expenses is an actuarially calculated estimate of the ultimate costs of settling all incurred, but not reported claims as of June 30, 2019, while the amount shown on the accompanying statement of changes in fiduciary net position as losses and loss adjustment expenses represents the change in this estimate during the year ended June 30, 2019. These reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. A range of variability exists around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims, and the difference may be significant.

Note 8 – Reserve for Losses and Loss Adjustments (continued)

As of June 30, 2019, the estimated claims liability for claims incurred but not reported (IBNR) totaled $21,653,000. This estimated liability represents liability for outstanding claims for services rendered prior to July 1, 2019 and paid after June 30, 2019.

Note 9 – Net OPEB Liability

The components of the net OPEB liability of the Authority are as follows:

	June 30, 2019
Total OPEB liability	$ 3,999,137,737
Plan fiduciary net position	756,748,991
Net OPEB liability	$ 3,242,388,746
Plan fiduciary net position as a percentage of the total OPEB liability ("funded status")	18.92%

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.50% based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

Note 9 – Net OPEB Liability (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and projected arithmetic real rates of return for each major asset class, net of assumed inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity - large cap	7.1
Non U.S. - emerging markets	10.2
Non U.S. - developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity - small/mid cap	7.1

The discount rate used to measure the total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. The 7.25% discount rate, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2039. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher was used beyond 2039, resulting in a blended discount rate of 4.16%.

The following presents the net OPEB liability, calculated using the discount rate of 4.16%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (3.16%)	Current Discount (4.16%)	1% Increase (5.16%)
$ 3,966,222,871	$ 3,242,388,746	$ 2,673,387,007

Note 9 – Net OPEB Liability (continued)

The following presents the net OPEB liability calculated using the current trend rates as well as what Fund's net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

1% Decrease	Current Trend	1% Increase
$ 2,699,497,654	$ 3,242,388,746	$ 3,677,049,973

Note 10 – Pension Plan (Public Employees Retirement Plan)

Plan Description – Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123 or on PERA's website at www.pera.state.nm.us.

Funding Policy – Plan members are required to contribute 8.92% of their gross pay. The Authority is required to contribute 16.99% of gross covered salary. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the year ended June 30, 2019 totaled $211,666, equal to the amount of the required contribution for the year.

Note 11 – Post–Employment Benefits (State Retiree Health Care Plan)

Plan Description – The Authority, as an employer, contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Authority. The Authority provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The Authority's Board was established by the Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

Note 11 – Post–Employment Benefits (State Retiree Health Care Plan) (continued)

The Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy – The Act authorizes the Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars ($5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the Authority or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the Authority on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the fund in the amount determined to be appropriate by the Board.

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The Authority's contributions to the plan for the year ended June 30, 2019 totaled $25,885, which equals the required contributions for the year.

Note 12 – Joint Powers Agreements

The Authority has entered into two joint powers agreements:

1. An agreement exists between the Authority and the New Mexico State Investment Council (NMSIC) under which NMSIC acts as the investment manager of the Retiree Health Care Fund for the Authority and will invest the Authority's long-term reserves and provide services in accordance with the guidelines provided in the Authority's Investment Policy. The agreement was effective June 25, 1992, renewed December 8, 2011, and continues in force until terminated by either party upon 30 days' written notice to the other party.

   The funds under management are invested by NMSIC in accordance with the provision of NMSA 1978, Sections 6-8-1 through 6-8-16. Fees charged for investment services are netted from investment income provided by the Authority on a monthly basis.

   The Authority's policy determines the amount to invest with NMSIC. The Authority maintains ownership of all securities and cash balances on deposit in the Authority's accounts at the New Mexico State Treasurer's Office, the fiscal agent bank, and the custodial bank. The Authority is responsible for all audits performed relating to its financial records, including all investment transactions.

2. An agreement exists among the Authority, New Mexico Public Schools Insurance Authority, Albuquerque Public Schools, and the State's Risk Management Division of the General Services Department (collectively, the Interagency Benefits Advisory Committee). The purpose is to authorize the parties to exercise their common powers to provide and administer healthcare insurance programs, and to implement the purposes of the Health Care Purchasing Act. Each agency acts as its own fiscal agent for cost purposes. The agreement was effective March 15, 1999 and continues in force until terminated by any party upon 90 days' written notice to the other parties.

Note 13 – Optional Coverages

The Authority offers eligible retirees voluntary coverages: two dental plans, a vision plan, and supplemental life. The plans are a pay-all basis by the retiree, whereby the retiree pays monthly for the entire premium for any optional coverages opted for and the Authority in turn pays the optional plan provider the monies collected from the retiree. Therefore, the revenue generated through the collection of optional premium dollars by the Authority is a direct dollar-for-dollar pass through to the providers of optional coverages. Revenues are recorded as retiree contributions and expenses are recorded as premiums in the financial statements.

Note 14 – Legally Required Reserves

There is no stated monetary reserve requirement. Under Section 10-7C-8, the Authority's Board is charged with determining what is to comprise the long-term reserves. Those long-term reserves are to be placed in investments pursuant to Section 6 8-1 through 6-8-16 NMSA 1978.

Note 15 – Commitments and Contingencies

The Authority is subject to various legal proceedings, claims and liabilities that arise in the ordinary course of operations, including personnel matters. In the opinion of the Authority's management and legal counsel, the ultimate resolution of such matters will not have a material adverse impact on the financial position or results of operations of the Authority.

The Authority is exposed to various risks of loss for which the Authority carries insurance (Auto; Employee Fidelity Bond; General Liability; Civil Rights and Foreign Jurisdiction; Money and Securities; Property; and Workers' Compensation) with the State of New Mexico Risk Management Division (RMD). The Authority pays premiums to participate in the State Insurance Program. Coverages are designed to satisfy the requirements of the State tort claims. Also, any claims are processed through RMD. There are no pending or threatened legal proceedings at year-end.

In June 2017, the Authority entered into several service contracts with healthcare providers. The total amount of these contracts approximates $296,400,000 for costs expected for fiscal year 2019.

The Authority's main office leases its office space at 4308 Carlisle NE in Albuquerque for a ten-year period ending September 2020. The Authority also leases office space under a three-year lease extension inside the PERA (a related party) building located at 33 Plaza La Prensa in Santa Fe. The PERA building lease expires in August 2020. The Authority has a four-year equipment lease for one mailing machine through June 30, 2021 and a copier lease for two machines through June 30, 2020. All leases are operating leases. Lease expenses totaled $167,803 for the year ended June 30, 2019.

Future minimum operating lease commitments are as follows for years ending June 30:

2020	$ 159,285
2021	71,941
2022	1,460
	$ 232,686

Note 16 – Operating Transfers

The following operating transfers occurred between the Authority's functional activities during the year ended June 30, 2019:

	Benefits 38100 From (To)	Administration 38000 From (To)
Administration appropriation	$ (3,047,600)	$ 3,047,600
Reversion of administration	165,785	(165,785)
	$ (2,881,815)	$ 2,881,815

The purpose of the transfers was to fund appropriations, to revert unused appropriations between funds, and was conducted on a routine basis.

Note 17 – Appropriations, Budget Adjustments, and Reversions

The Authority submits annually for approval an Administrative Budget Request as part of the operating budget. The DFA and the Legislative Finance Committee (LFC) reviews the request and the Legislature takes action to approve and/or amend the Authority's administrative request. Appropriated amounts are then transferred into the Administrative Fund from the Benefits Funds. Unused appropriations from the Benefits Fund to the Administration Fund, if any, revert back to the Benefits Fund, but unused appropriations from the State General Fund to the Discount Prescription Drug Program Fund do not generally revert back to the State General Fund per 10-7C-18 NMSA 1978.

The Authority recorded a $3,047,600 appropriation from the Benefits Fund to the Administration Fund for fiscal year 2019 (NM-HB2, Section 3). As of June 30, 2019, reversions totaling $165,785 are accrued from the Benefits Fund.

Required Supplementary Information

New Mexico Retiree Health Care Authority
Schedule of Revenues and Expenses – Budget and Actual: Administrative Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Investment income	$ -	$ -	$ 21,922	$ (21,922)
Total revenues	-	-	21,922	(21,922)
EXPENSES				
Personal services/employee benefits	1,937,500	1,937,500	1,847,630	89,870
Contractual services	566,300	566,300	511,124	55,176
Other	543,800	543,800	523,061	20,739
Total expenses	3,047,600	3,047,600	2,881,815	165,785
TRANSFERS				
Transfers in - Intra agency from SHARE 38100	3,047,600	3,047,600	3,047,600	-
Transfers out - Intra agency to SHARE 38100 - reversion	-	-	(165,785)	165,785
Net transfers	$ 3,047,600	$ 3,047,600	$ 2,881,815	$ 165,785
NET CHANGE (budgetary basis)			$ 21,922	
Depreciation			(9,705)	
NET CHANGE (GAAP basis)			$ 12,217	

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Retiree contributions	$150,517,618	$150,517,618	$ 172,270,192	$ (21,752,574)
Employer/employee contributions	128,325,056	128,325,056	132,774,553	(4,449,497)
Pension taxes	29,406,944	29,406,944	26,256,221	3,150,723
Investment income	60,000	60,000	906,179	(846,179)
Miscellaneous revenue	27,230,682	27,230,682	26,625,670	605,012
Total revenues	335,540,300	335,540,300	358,832,815	(23,292,515)
EXPENSES				
Personal services/employee benefits	-	-	-	-
Contractual services	332,450,700	332,450,700	296,459,494	35,991,206
Other	42,000	42,000	39,555	2,445
Total expenses	332,492,700	332,492,700	296,499,049	35,993,651
TRANSFERS				
Transfers in - Intra agency from SHARE 38000 - reversion	-	-	165,785	165,785
Transfers out - Intra agency to SHARE 38000	(3,047,600)	(3,047,600)	(3,047,600)	-
Total transfers	$ (3,047,600)	$ (3,047,600)	$ (2,881,815)	$ 165,785
NET CHANGE (budgetary basis)			$ 59,451,951	
Gain on investments excluding interest			40,735,665	
Employer buy-ins revenue and interest portion			67,291	
Change in IBNR liability			42,000	
Refunds - retirees			(962,603)	
Depreciation			(253,824)	
NET CHANGE (GAAP basis)			$ 99,080,480	

New Mexico Retiree Health Care Authority
Schedule of Changes in Net OPEB Liability
Year Ended June 30, 2019

	Year Ended June 30,		
	2019	2018	2017
TOTAL OPEB LIABILITY			
Service cost	$ 156,597,766	$ 188,372,284	$ 265,229,268
Interest	208,666,100	199,583,585	187,563,383
Differences between expected and actual experience	(754,197,414)	(145,524,098)	(210,435,519)
Changes in assumptions	(535,456,730)	(225,363,066)	(958,756,001)
Change of benefit terms	14,004,267	-	-
Claims and premiums	(295,383,494)	(320,403,577)	(294,107,402)
Retiree's contributions offset to claims and premiums	172,270,192	167,949,226	153,464,136
Medicate Part D and rebates offset to claims and premiums	26,625,941	30,255,096	26,944,632
NET CHANGE IN TOTAL OPEB LIABILITY	(1,006,873,372)	(105,130,550)	(830,097,503)
TOTAL OPEB LIABILITY - BEGINNING	5,006,011,109	5,111,141,659	5,941,239,162
TOTAL OPEB LIABILITY - ENDING (a)	3,999,137,737	5,006,011,109	5,111,141,659
PLAN FIDUCIARY NET POSITION			
Contributions - employee and retiree	216,528,376	210,650,057	196,393,352
Contributions - employer	88,516,368	85,401,662	85,858,432
Net investment income	41,663,496	49,757,591	67,759,695
Other revenue	52,949,453	57,529,941	55,556,164
Claims and premiums paid	(296,417,494)	(321,479,577)	(294,393,452)
Administrative expenses	(4,147,502)	(3,672,021)	(4,179,901)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	99,092,697	78,187,653	106,994,290
PLAN FIDUCIARY NET POSITION - BEGINNING	657,656,294	579,468,641	472,474,351
PLAN FIDUCIARY NET POSITION - ENDING (b)	756,748,991	657,656,294	579,468,641
NET OPEB LIABILITY (a) - (b)	$ 3,242,388,746	$ 4,348,354,815	$ 4,531,673,018
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	18.92%	13.14%	11.34%
COVERED PAYROLL	$ 4,172,928,635	$ 4,290,616,760	$ 4,165,647,340
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	77.70%	101.35%	108.79%

NOTE:

2019: Changes in assumptions and differences between expected and actual experience include adjustments resulting from an increase in the discount rate from 4.08% to 4.16%, decrease in expected participation rates for future retirees from 75% to 60%, and a decrease in the spousal coverage rate for future male retirees from 55% to 35%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 85,858,432	$ 85,858,432	$ -	$ 4,165,647,340	2.06%
2018	$ 85,401,662	$ 85,401,662	$ -	$ 4,290,616,760	1.99%
2019	$ 88,516,369	$ 88,516,369	$ -	$ 4,172,928,635	2.12%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

Actuarial methods and assumptions used:

Actuarial cost method	Entry age, level percent of pay, calculate(
Amortization method	Level percent of payroll
Remaining amortization period	30 years open (non-decreasing)
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return	7.25%
Inflation rate	2.50%
Salary increases	3.25%-13.50%

New Mexico Retiree Health Care Authority
Schedule of Investment Returns
Year Ended June 30, 2019

Year Ended June 30,	Annual Money - Weighted Rate Of Return
2017	13.98%
2018	9.06%
2019	6.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years with available information.

Supplementary Information

New Mexico Retiree Health Care Authority
Combining Schedule of Fiduciary Net Position by Functional Activity
June 30, 2019

	Benefits 38100	Administration 38000	Eliminations	Total
ASSETS				
Interest in State General Fund Investment Pool	$ 40,833,580	$ 288,103	$ -	$ 41,121,683
Receivables				
Contributions - employers, employees, and retirees	12,656,585	-	-	12,656,585
Due from other governments	2,188,018	-	-	2,188,018
Due from charter schools	283,049	-	-	283,049
Accounts receivable - rebates and Medicare Part D	2,260,695	-	-	2,260,695
Buy-in obligations receivable	847,437	-	-	847,437
Due from other funds	165,785	-	(165,785)	-
Total receivables	18,401,569	-	(165,785)	18,235,784
Investments with New Mexico State Investment Council				
U.S. Large Cap Index Pool	99,316,565	263,946	-	99,580,511
Non-U.S. Emerging Markets Index Pool	69,176,020	183,844	-	69,359,864
Non U.S. Developed Markets Index Pool	96,007,651	255,152	-	96,262,803
Private Equity Pool	81,169,987	215,719	-	81,385,706
Credit and Structured Finance Pool	105,717,547	280,958	-	105,998,505
Real Estate Pool	72,926,843	193,812	-	73,120,655
Small/Mid Cap Active Pool	12,891,650	34,261	-	12,925,911
Real Asset Pool	34,587,623	91,921	-	34,679,544
Core Bond Pool	148,942,357	395,833	-	149,338,190
Total investments	720,736,243	1,915,446	-	722,651,689
Capital assets, net of accumulated depreciation	1,203,844	26,397	-	1,230,241
Total assets	781,175,236	2,229,946	(165,785)	783,239,397
LIABILITIES				
Accounts payable	4,138,215	89,144	-	4,227,359
Payroll liabilities	-	65,568	-	65,568
Compensated absences	-	123,904	-	123,904
Reserve for loss and loss adjustment expense	21,653,000	-	-	21,653,000
Retiree premiums received in advance	420,575	-	-	420,575
Due to other funds	-	165,785	(165,785)	-
Total liabilities	26,211,790	444,401	(165,785)	26,490,406
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	$ 754,963,446	$ 1,785,545	$ -	$ 756,748,991

New Mexico Retiree Health Care Authority
Combining Schedule of Changes in Fiduciary Net Position by Functional Activity
Year Ended June 30, 2019

	Benefits 38100	Administration 38000	Eliminations	Total
ADDITIONS				
Contributions				
Retiree	$ 172,270,192	$ -	$ -	$ 172,270,192
Employer/employee	132,774,552	-	-	132,774,552
Employer buy-ins interest portion	67,291	-	-	67,291
Total contributions	305,112,035	-	-	305,112,035
Investment income				
Net appreciation in fair value of investments	40,735,665	-	-	40,735,665
Interest	905,909	21,922	-	927,831
Total investment income	41,641,574	21,922	-	41,663,496
Other				
Taxation administration fund revenue	26,256,221	-	-	26,256,221
Medicare Part D subrogation and rebates	26,625,941	-	-	26,625,941
Total other	52,882,162	-	-	52,882,162
Total additions	399,635,771	21,922	-	399,657,693
DEDUCTIONS				
Premiums and claims	296,459,494	-	-	296,459,494
General and administrative expenses	39,555	2,881,815	-	2,921,370
Losses and loss adjustment expenses	(42,000)	-	-	(42,000)
Refunds to retirees	962,603	-	-	962,603
Depreciation	253,824	9,705	-	263,529
Total deductions	297,673,476	2,891,520	-	300,564,996
Transfers in (out), net	(2,881,815)	2,881,815	-	-
NET CHANGE	99,080,480	12,217	-	99,092,697
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS				
Beginning of year	656,048,751	1,607,543	-	657,656,294
End of year	$ 755,129,231	$ 1,619,760	$ -	$ 756,748,991

New Mexico Retiree Health Care Authority
Schedule of Investment Fees
Year Ended June 30, 2019

Investment Class	Value of Investment	Management Fees
Large Cap Index	$ 99,580,511	$ 8,964
Non US Dev Index	96,262,803	32,953
Non US Emg Index	69,359,864	83,748
Small Mid Cap	12,925,911	74,062
Credit and Structure	105,998,505	-
Core Bond	149,338,190	104,266
Private Equity	81,385,706	-
Real Estate	73,120,655	41,052
Real Asset	34,679,544	-
	$ 722,651,689	$ 345,045

Other Information

New Mexico Retiree Health Care Authority

Combining Schedule of General and Administrative Expenses by Functional Activity

Year Ended June 30, 2019

	Benefits 38100	Administration 38000	Total
GENERAL AND ADMINISTRATIVE EXPENSES			
Professional services	$ -	$ 1,313,056	$ 1,313,056
Employee benefits	-	534,574	534,574
Operating costs	39,555	451,075	490,630
Contractual services	-	511,124	511,124
Repairs and maintenance	-	6,778	6,778
Supplies	-	38,429	38,429
In-state travel	-	20,027	20,027
Out-of-state travel	-	6,752	6,752
	$ 39,555	$ 2,881,815	$ 2,921,370

New Mexico Retiree Health Care Authority
Combining Schedule of State General Fund Investment Pool
June 30, 2018

	Benefits 38100	Administration 38000	Total
INVESTMENT BALANCES PER DFA			
New Mexico State Treasurer			
Share Fund 34300-38100	$ 40,833,580	$ -	$ 40,833,580
Share Fund 34300-38000	-	288,103	288,103
	$ 40,833,580	$ 288,103	$ 41,121,683

New Mexico Retiree Health Care Authority
Schedule of Appropriations
Year Ended June 30, 2019

Description	Authority	Appropriation Period	Share Fund	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Current Year Reversion Amount
Program support for Administrative Fund	Laws 2018 House Bill 2, Chapter 73 Section 4	2019	38000	$ 3,047,600	$ -	$ 2,881,815	$ 165,785

According to 10-7C-16 NMSA 1978, funds to administer the New Mexico Retiree Health Care Act are to be made by an operating budget adopted by the Board, adopted by the State Budget Division, and pursuant to appropriation by the Legislature. The appropriated amounts to SHARE Fund 38000 are recorded as transfers between Benefit Fund (38100) and the Administrative Fund (38000). See Note 17. Unexpended amounts under the special appropriation are not recognized until all eligibility requirements have been fulfilled under the appropriation including the expenditure of allowable amounts.

MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
New Mexico Retiree Health Care Authority
Brian S. Colón, Esq.
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2019, and the related notes to the financial statements,, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-001. The Authority's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Albuquerque, New Mexico
November 22, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted?	No

FINANCIAL STATEMENT FINDINGS

2019-001 Funded Status (Previously reported as 2018-001) (Other Matter)

Condition – The New Mexico Retiree Health Care Fund's (the Plan's) funded status was approximately 19% as of June 30, 2019 and historical contribution rates have been consistently below the actuarially determined contribution rates. While the Plan's low funded status does not represent an internal control deficiency or risk of material misstatement to the financial statements, the long-term sustainability of the Plan is jeopardized.

Criteria – Management of the Authority has a fiduciary responsibility over the long-term sustainability of the Plan.

Effect – The Plan's funded status directly impacts the net OPEB liability reported by the Authority and the allocated liabilities recorded by each of the participating employers.

Cause – The Plan was not adequately funded at its inception, and the Authority has not made sufficient changes to the its funding policies to ensure long-term sustainability.

Recommendation – We recommend that management and those charged with governance of the Plan work with legislators and other funding sources to develop and adopt a funding policy to improve the funded status and position the Plan for long-term financial sustainability. Management should work with the Authority's actuary or a consultant to consider alternatives for plan provision changes or enhancing contribution levels to develop a long-term sustainable funding solution.

Management's Response – In November 2018, the Board of Directors adopted a rule change limiting the growth in future liabilities by implementing a minimum age requirement and increasing the years of service needed to receive the maximum subsidy provided to retirees. NMRHCA will also pursue an increase in employee and employer contributions from 3 to 3.5 percent of payroll during the 2020 legislative session.

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

RESOLUTION OF PRIOR YEAR FINDINGS

2018-001 - Repeated

An exit conference was held on November 22, 2019 in a closed session, with the following in attendance:

New Mexico Retiree Health Care Authority Personnel and Board Members:

Tom Sullivan, President (by phone)
Joe Montano, Vice President
Jan Goodwin, Board Member
Terry Linton, Board Member
Pamela Moon, Board Member
David Archuleta, Executive Director
Neil Kueffer, Deputy Director
Peggy Martinez, Chief Financial Officer
Jenny Haikin, Financial Accountant/Auditor
Greg Archuleta, Director of Communications and Member Management

Moss Adams LLP:

Kory Hoggan, CPA, Partner, Engagement Leader
Aaron Hamilton, CPA, Assurance Senior Manager

The Authority is responsible for the contents of the financial statements. Moss Adams LLP assisted with the preparation of the financial statements.

Archuleta, David, NMRHCA

From:	Fudlj#R*Kduh#?fgbrkduhC krwp dlo1frp A
Sent:	Wxhvgd|/#Mdqxdu|#47/#5353#45=57#SP
To:	Odudqdjd/#Ohdqqh/#SHUD>#wdxqghuv6C p df1frp #>#Hlfkhqehuj/#Wlp /#VWR >#grxjfldqd}C jp dlo1frp #>#sp rrqC ehuqfr1jry#>#Wkhuu|C dqwrqdqgdvvrfldwhv1frp #>#Jrrgz lq/#Mdq/#UE>#olduhC fdet1jry>#Surswv/#Z d|qh/#SHUD>#wrxolydq7;C jp dlo1frp #?wrxolydq7;C jp dlo1frp A
Cc:	Dufkxohwd/#Gdylg/#Q P UKFD
Subject:	^H[W`#UH=##Dsshdo#ri#H{hfxwlyh#Gluhfwru#Dufkxohwd´v#57#Ghfhp ehu#534<#uhmhfwlrq#ri#p |#Jhqhudo#Hquroop hqw#Dssolfdwlrq#iru#Fdohqgdu#\hdu#5353
Attachments:	Q P UKFD0dsshdo0Dufkxohwd04504<04<1grf{>#Q P UKFD0dsshdo0wr0Erdug0R*Kduh034047053 1grf{>#Q P UKFD0dsshdo0uhvsrqvh0450570534<1sgi

RE: Appeal of Executive Director Archuleta's 24 December 2019 rejection of my General Enrollment Application for Calendar Year 2020

Dear President Sullivan and Members of the NMRHCA Board:

I am hereby appealing to the NMRHCA Board, Executive Director David Archuleta's 24 December rejection (attached) of my General Employment Application. I am slow in submitting this appeal as I've been quite ill the past few weeks and didn't have the energy to prepare an appeal until now.

Mr. Archuleta rejected my original appeal (18 December 2020) based on his conclusion that I filed my application with NMRHCA after the deadline as established in NMAC 2.81.6.8. Not only do not I challenge that conclusion, I agree with it.

My argument and the basis of my appeal is that: 1) I fully complied with the deadlines and other application submittal requirements, <u>as they are written on-line and in hard copy sent to me</u>, when I originally submitted my application to the RHCA on 3 December 2020. 2) The written materials on-line and sent with the application packet are, apparently, not in conformance with the language in NMAC 2.81. 3) It is not reasonable, appropriate, or fair to reject my application based on NMAC 2.81, given that I submitted my application in full compliance with guidelines and instructions provided to retirees by the RHCA. Nowhere in the application materials is NMAC 2.81 cited, let alone a link provided for retirees to review. Therefore, it is not reasonable for retirees to somehow magically know that the written application guidelines provided by the RHCA are not in conformance with a formal NMAC rule of which they are unaware.

The most frustrating aspect of Mr. Archuleta's response to my original appeal, is that he completely ignored my arguments that my application submittal was in full compliance with the written guidelines and deadlines provided by RHCA. He simply cited NMAC 2.81. and that I had not submitted my application by the deadline noted in 2.81. In my 18 December appeal to Mr. Archuleta, I wrote, "The fact that NMRHCA's written enrollment materials do not specifically and adequately convey the deadline (i.e. not making it clear that "within 31 days of the last day of medical coverage" only applies to one's government employer-provided medical coverage) is not reasonable grounds to reject my application." Frankly, I found it insulting that Mr. Archuleta would not even acknowledge, let alone consider in processing my appeal, that RHCA's written materials to retirees are not in conformance with the NMAC.

As a result of my application being rejected, I have had to remain on health insurance under the federal Affordable Care Act at a cost that I estimate will be $3000 to $4000 more this year than had my application been accepted. While I realize this added cost is in no way a basis for granting my appeal and accepting my application, I want to make the Board fully aware of the financial hardship imposed on me because RHCA's written materials are not in conformance with the NMAC rule. Any reasonable person would acknowledge that I have been "wronged" by RHCA.

I look forward to the Board's response to my appeal.

Sincerely, Craig D. O'Hare

cc: David Archuleta
Attch: Archuleta 12/24 appeal rejection

Sent from Mail for Windows 10

Tom Sullivan, President 14 January 2020
NM Retiree Health Care Authority
4308 Carlisle Blvd. NE Suite 104
Albuquerque, NM 87107

RE: Appeal of Executive Director Archuleta's 24 December 2019 rejection of my General Enrollment Application for Calendar Year 2020

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I look forward to the Board's response to my appeal.

Sincerely, Craig D. O'Hare

cc: David Archuleta
Attch: Archuleta 12/24 appeal rejection

Mr. David Archuleta, Executive Director 18 December 2019
NM Retiree Health Care Authority
4308 Carlisle Blvd. NE Suite 104
Albuquerque, NM 87107

RE: Appeal of NMRHCA's Rejection of my General Enrollment Application for Calendar Year 2020

Mr. Archuleta:

On December 3rd, NMRHCA staff received and rejected my application for health care coverage that I am entitled to as a NM government employee retiree. On December 5th, in response to an e-mail (attached) I sent him, Deputy Director Neil Kueffer explained why my application had been rejected and indicated that an appeal of that decision should be sent to you as the Director. I am, therefore, respectfully requesting that you review my application and consider the arguments I have and will (in this letter) make to NMRHCA indicating that the rejection should be rescinded, and my application subsequently approved for CY2020.

Background: My retirement situation was/is quite different from the vast majority of NM government retirees. I ended my government employment with Santa Fe County in November 2016 with 20 years of service. I was 57 years old at the time. Thus, I was not entitled to either my PERA pension or NMRHCA health coverage until my "official" retirement date of September 1, 2019, after I turned 60 years old the previous month in August. After I left SF County in November of 2016, I've had health care coverage via the Affordable Care Act. My intent was to maintain my ACA coverage through this calendar year (December 31) and have my NMRHCA coverage begin 1 January 2020.

In response to my 4 December e-mail, Mr. Kueffer and I had a phone conversation on 5 December at which he indicated that my application was rejected because I had not submitted my application "within 31 days" of my retirement date as he claims is required by statue and/or regulations. When I referenced NMHRCA's web site under "Employees-Enrollment" where it states that "You must enroll within 31 days following either your last day of current medical insurance coverage or your retirement date…. whichever is later.", Mr. Kueffer indicated that a retiree's "last day of current medical coverage" is meant to refer only to the last day of one's government employer-provided medical coverage not to other forms of medical coverage. The last day of my (SF County) employer provided medical coverage was 30 November 2016. Clearly that provision does not apply to my situation.

As I stressed with Mr. Kueffer, I have fully complied with a reasonable person's reading of the enrollment deadline guidelines/rules. I submitted my application on 3 December, totally "within 31 days of the last day of my current medical coverage". The fact that NMHRCA's written enrollment materials do not specifically and adequately convey the deadline (i.e. not making it clear that "within 31 days of the last day of medical coverage" only applies to one's government employer-provided medical coverage) is not reasonable grounds to reject my application.

Mr. Kueffer returned my completed General Enrollment Application to me with areas highlighted that he felt made a clear case that the "31 days of the last day of medical coverage" language applied only to government provided medical coverage. I disagree with Mr. Kueffer's conclusion. Areas he highlighted:

- "Deadline for Application – General Enrollment Applications are due in our office within 31 days after your last day of insurance coverage through your employer." Now that reference seems, at first, to support NMRHCA's position, except it doesn't at all apply to me! 31 days after the last day of my employer-provided medical coverage was 2 October 2016. But I was not eligible for NMRHCA coverage then as my official retirement date was still 3 years away. In short, complying with that particular position was an impossibility for me – given my somewhat different situation than the more usual retiree who leaves government service and immediately qualifies for retirement and NMRHCA coverage at the same time. Since the provision couldn't conceivably apply to me, I assumed it was not relevant to my situation.

- ENROLLMENT: "It is best to submit your application at least one month but not to exceed 60 days from your retirement date…" "It is best" is, obviously, softly-worded advisory language as opposed to "shall" and "must" language that usually accompanies enforceable regulations. Therefore, I argue that not being in compliance with "it is best" language is not grounds for rejecting my application.

- ENROLLMENT: The application duplicates the identical language that I reference from NMRHCA's web site, "You must enroll within 31 days following either your last day of current medical insurance coverage or your retirement date….whichever is later." There is no mention of "current medical insurance coverage" applying only to the government-provided medical coverage one had as a government employee. If that's the regulation, then it's incumbent upon NMRHCA to make sure that provision is clear in the guidelines. I should not be penalized (to the tune of thousands of dollars in additional health insurance expenses for next year) because NMRHCA written guidelines do not adequately and clearly convey the deadlines.

Obviously, the problem is that the enrollment guidelines are written for the vast majority of government employees who leave their government employment and qualify for official "retirement" and RHCA coverage at the same time. The guidelines were not written for nor do they really accommodate situations like mine that fall outside the "norm".

In conclusion, given the written materials provided by NMRHCA, I argue that I fully complied with the application deadline stated in those materials and that my application, therefore, should be approved. The fact that NMRHCA's written materials are not sufficiently clear or detailed to conform with adopted regulations is the fault of NMRHCA and is not grounds for rejecting my application.

If my application is not approved, I will be forced to stay on ACA coverage for next year. That will likely cost me $3000-4000 more in health insurance premiums for much worse coverage (meaning my out-of-pocket costs will be much higher as well.) I have carefully looked over all the RHCA enrollment application materials. While I wouldn't be wild about spending thousands of dollars more on health insurance next year, if I felt that I had missed or otherwise not complied with clearly written guidelines provided by NMRHCA, I would own up to my error and accept NMRHCA's rejection of my application. However, I'm adamant that is not the case and that I have demonstrated full compliance with RHCA's enrollment deadlines – as currently written.

I look forward to your timely response.

Respectfully, Craig D. O'Hare

NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

December 24, 2019

Mr. Craig D. O'Hare
[redacted]

Dear Mr. O'Hare,

I am in receipt of your letter dated December 19, 2019, detailing your situation and providing justification for your appeal. However, the decision to delay access to the coverages provided through the New Mexico Retiree Health Care Authority (NMRHCA) until the next open enrollment period (January 1, 2020) is upheld.

In July 2016, the NMRHCA Board of Directors voted to approve promulgate an agency administrative rule establishing January 1, 2017, and every 2nd year thereafter, as an open enrollment period; outside of which only qualifying events (as identified by IRS section 125) will allow enrollment into NMRHCA programs. See relevant sections of NMAC referenced below:

> **2.81.6.8 REQUIREMENTS FOR ENROLLMENT IN COVERAGES:** An eligible retiree, spouse, domestic partner or dependent shall be enrolled pursuant to his/her actual status at the time of enrollment or at any time thereafter when a change in status occurs. A retiree may add eligible dependents at the time of acquiring them. A retiree may enroll himself/herself only, and any eligible dependents, or no eligible dependents. Each such enrollee's status must be the same for all lines of coverage (i.e. single, two party or family). An eligible spouse, domestic partner or dependent of a retiree may not be enrolled unless the eligible retiree is enrolled, except as otherwise provided by court order pursuant to the Mandatory Medical Support Act Sections 40-4C-1 to 14 NMSA 1978. A spouse, domestic partner or dependent of a deceased eligible retiree receiving a survivor's pension benefit may enroll separately. Any eligible retiree, spouse, domestic partner or dependent desiring to enroll for coverages shall meet the following requirements:
>
> **A. Spouse, domestic partner and dependent enrollment/medical insurability:** An eligible retiree, spouse, domestic partner or dependent may enroll without evidence of medical insurability only during an open enrollment period.
>
> **B. Eligible retiree, spouse, domestic partner, dependent change in status/enrollment:** Where an eligible retiree, spouse, domestic partner or dependent was receiving or eligible to receive group health benefit coverages through a third party and

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because of a change in status they lose the coverage and become ineligible for the coverage the eligible retiree, spouse, domestic partner or dependent may be enrolled without evidence of medical insurability if enrolled during an open enrollment period. If the loss of coverage due to the change in status was not caused by any neglect or wrong doing by the eligible retiree, spouse, domestic partner or dependent, they may enroll at any time so long as they do so within 31 calendar days of the change of status. If an eligible retiree is employed by an employer offering its employees a basic plan of benefits, the coverage provided by the NMRHCA plan shall be secondary regardless of whether the retiree enrolls in his employer's plan.

C. Domestic partner enrollment: An eligible domestic partner may enroll upon the submittal of sworn statements of domestic partnership executed by both domestic partners on a form approved by the board.

D. Prohibition against duplicate coverage: An eligible retiree, spouse, domestic partner or dependent is prohibited from having duplicate coverage from the NMRHCA for any line of coverage. An eligible retiree, spouse, domestic partner or dependent is also prohibited from having retiree coverage and dependent coverage at the same time from the NMRHCA for any line of coverage.

E. More than one eligible retiree in a family: Where an eligible retiree, spouse, domestic partner or dependent are all three or two of them eligible retirees, either may enroll into coverage as the eligible retiree and the other be treated as an eligible spouse, domestic partner or dependent.

F. Participation requirements for eligible retiree, spouse, domestic partner or dependent enrollment: An eligible retiree, spouse, domestic partner or dependent is not permitted to enroll for a particular line of coverage unless the minimum participation level as determined by the NMRHCA is met.

G. Switching coverage: The eligible retiree, spouse, domestic partner or dependent shall all select the same line or lines of coverage and shall only be permitted to switch, add or delete coverages during an open enrollment period.

H. Dropping coverage: An eligible retiree, spouse, domestic partner or dependent (except for dental or vision coverages) may drop any line of coverage at any time at their discretion. If they drop a line of coverage, they cannot re-enroll except as this rule permits. Members of the same family shall not be allowed to carry different lines of coverage.

I. Dental or vision/dropping coverage: Once enrolled in dental or vision coverages an eligible retiree, spouse, domestic partner or dependent may drop such coverages any time after enrollment. However, once a NMRHCA participant drops dental or vision coverage, that individual may not reenroll in that line of coverage until the open enrollment period immediately following the fourth anniversary of such dropped coverage. The four year waiting period does not apply to an involuntary loss of coverage and such eligible retiree, spouse, domestic partner or dependent may reenroll in that line of coverage during the next open enrollment period.

J. Proper documentation: Proper documentation, including evidence of medical insurability where required, must be provided by the eligible retiree, spouse, domestic partner or dependent seeking coverage within thirty-one days of the application for coverage. Coverage may be rejected where adequate proof and documentation satisfactory to the NMRHCA is not submitted in a timely manner. In the event such documentation is not timely submitted, the coverage shall not be effective and any contribution paid by the retiree, spouse, domestic partner or dependent shall be returned without interest.

K. Eligible spouse, domestic partner dependent/open enrollment: During an open enrollment period of eligible spouses, domestic partners, and dependents may be enrolled without evidence of medical insurability. A new spouse, domestic partner or newborn dependent of an eligible retiree is eligible for coverage from date of birth, the date of marriage or date of submission of affidavit of domestic partnership, respectively, without providing evidence of medical insurability if the eligible retiree submits the required contribution and proper documentation within 31 calendar days of the birth, marriage or commencement of domestic partnership. Newly eligible dependents are also eligible for coverage from the date that a court order establishes their dependent status without providing evidence of medical insurability, if the eligible retiree submits the required contribution and proper documentation within 31 calendar days of the court order. In the event they fail to enroll within this period of time, they may not do so without providing evidence of medical insurability unless they subsequently enroll during an open enrollment period. Those persons considered to be a new eligible spouse, domestic partner or dependent are persons becoming related to the eligible retiree by marriage, establishment of a domestic partnership, the birth of a child, establishment of legal guardianship status and other similar situations where he or she becomes a new family member and is otherwise an eligible spouse, domestic partner or dependent under these rules.

The purpose of this change was to limit the impact resulting from the adverse selection of our health plan outside of a qualifying event. In the situation described by your appeal indicates the "qualifying event" occurred on September 1, 2019. Therefore, the request to enroll in the plan would need to have occurred by October 1, 2019 with an effective date of September 1, 2019.

If you have any additional questions or concerns, I can reached by telephone at 505-222-6416 or by email at david.archuleta@state.nm.us.

Respectfully,

David Archuleta

Cc: File: Craig D. O'Hare Appeal