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REGULAR MEETING OF THE BOARD OF DIRECTORS



**August 25, 2020
9:30 AM**

**Online: <https://global.gotomeeting.com/join/970112797>
Telephone: 1-646-749-3112/ Access Code: 970-112-797**

New Mexico Retiree Health Care Authority
Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

August 25, 2020

	Member in Attendance		
Mr. Crandall, President			
Ms. Saunders, Vice President			
Mr. Larranaga-Ruffy, Secretary			
Mr. Propst			
Ms. Goodwin			
Mr. Linton			
Mr. Montano			
Mr. Eichenberg			
Mr. Cushman			
Mr. Bhakta			
Ms. Moon			
Ms. Madrid			

NMRHCA BOARD OF DIRECTORS

AUGUST 2020

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

August 25, 2020

9:30 AM

Online: <https://global.gotomeeting.com/join/970112797>

Telephone: 1-646-749-3112 / Access Code: 970-112-797

AGENDA

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

October 6, 2020

Via: GoToMeetings: <https://global.gotomeeting.com/join/731515941>

Telephone: (872) 240-3212 / Access Code: 731-515-941

16. Adjourn

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY ANNUAL MEETING/DAY 1

July 9, 2020

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

July 9, 2020

1. CALL TO ORDER

Day 1 of the Annual Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:00 a.m. via teleconference.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Tom Sullivan, President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Sanjay Bhakta
Ms. Jan Goodwin
Ms. LeAnne Larrañaga-Ruffy
Mr. Terry Linton
Ms. Leane Madrid
Ms. Pamela Moon
Ms. Therese Saunders

Members Excused:

Mr. Joe Montañó, Vice President

Staff Present:

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

Others Present:

Mr. Connor Jorgensen, LFC Analyst
Rep. Tomás Salazar, NMAER [Incoming Board Member]
Mr. Loren Cushman, Superintendents Assn. of New Mexico [Incoming Board Member]
Dr. Nura Patani, Segal
Ms. Melissa Krumholz, Segal
Mr. Mike Madalena, Madalena Consulting

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the pledge.

4. APPROVAL OF AGENDA

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

5. APPROVAL OF REGULAR MEETING MINUTES: June 2, 2020

The minutes were corrected to reflect that Ms. Larrañaga-Ruffly voted against the motion for approval of the Minimum Age and Years-of-Service Requirements Rule Change.

Mr. Crandall moved approval of the June 2 minutes, as amended. Ms. Larrañaga-Ruffly seconded the motion, which passed unanimously by voice vote.

6. PUBLIC FORUM AND INTRODUCTIONS

Chairman Sullivan asked for a moment of silence for Joe Montañño and his family on behalf of his wife, who passed away recently.

Chairman Sullivan welcomed Rep. Tomás Salazar, who would be joining the board as NMAER representative, replacing Joe Montañño; and Loren Cushman, superintendent in Animas, who would be replacing him as representative of the Superintendents Association of New Mexico.

7. EXECUTIVE DIRECTOR'S UPDATE

a. Board Member Appointment – NMAER

-- Following up on Chairman Sullivan's remarks, Mr. Archuleta welcomed Rep. Salazar and Mr. Cushman and said he looked forward to their participation.

b. Legislative

-- In the special session of the legislature that ended last month, the appropriation to the NMRHCA's FY 2021 program support operating budget was reduced by \$66,300, the amount allocated to the NMRHCA for the across-the-board increase for all state employees earlier this year. There will be an offset of \$3,000 coming back into the budget to accommodate a 1 percent increase for employees earning less than \$50,000 per year, or 11 employees. In addition to the reduction in the program support operating budget, there will be a corresponding reduction to reflect the reduced transfers from the healthcare benefits administration program. The agency does not expect this to materially impact operations.

c. Attorney General Opioid and Generic Drug Litigation

-- NMRHCA staff is working with the Attorney General's Office on two lawsuits, one regarding opioid prescriptions, and the other, generic drug usage. The AGO has requested information regarding the procurement of pharmacy benefit management services over the last 10 years, documents, surveys and other information related to consumption of opioids and generic drugs on behalf of the membership. That office will also be conducting an audit of all emails by NMRHCA staff related to these issues.

d. Human Resources/Office Relocation

-- NMRHCA staff continues to work with SPO, DFA and the Governor's Office to fill two vacant customer service positions. In some cases, staff is pulling double duty. NMRHCA is not requesting to fill some positions, such as the one vacated by Gail Tanuz in May and instead has cross-trained members from the customer service area to help out in Finance. An employee in the Santa Fe office will be on maternity leave in January, and the agency has requested to fill that position.

-- The office relocation is scheduled during the last week of August.

e. Magellan Healthcare Security Incident

-- NMRHCA and board were notified in April by Presbyterian of an incident involving unauthorized anonymous access of data containing names and possible addresses, dates of birth and clinical and/or health insurance information affecting approximately 2,100 NMRHCA members, who were individually notified of the incident and were offered free identity protection. If board members receive complaints or concerns about that, they should have received notification from Presbyterian.

f. COVID-19

-- NMRHCA offices remain closed, but they continue to serve members by telephone, email and mail, and staff is working in shifts on a rotating basis in Santa Fe and Albuquerque.

-- In anticipation of an increased workload in October and November, NMRHCA may extend work hours but reduce exposure by limiting the amount of time people are in the office while also making sure staff is available to answer questions from members this fall.

-- All in-person meetings have been canceled, including this fall's switch enrollment meetings, but members will be able to participate by teleconference.

Chairman Sullivan commended the organization for continuing to provide support to the membership during this critical time. He said he received a communication from a member who was concerned about the change from United Concordia to Delta, which he referred to David Archuleta, and within hours received a thank you note from the constituent commenting on the quick response he had received.

Mr. Archuleta explained that NMRHCA is not allowed to announce selection of vendors until the procurement process is concluded and the State Purchasing Division has signed off on the contracts. In May, members were notified that there would be a change in vendors in late June. Members also received individual notices of the changes that were to occur. One change was that members on Delta Dental's basic or comprehensive plan would have their rates reduced in July, and letting them know that people participating with United Concordia, which would no longer be serving the membership, would be moved

into Delta Dental's comparable plan, and that members had the option of dropping the plans or switching the plans this fall and choosing Delta's basic or comprehensive plan. He stated that a handful of members were not happy with this but stressed that there would be no disruption in service to the members.

Responding to a request from Ms. Moon, Mr. Archuleta discussed arrangements made with staff individual rotation schedules and work assignments in each of the NMRHCA's departments in Albuquerque and Santa Fe.

g. Case No. D101-cv-2019-025446

-- District Court Judge Biedscheid's ruling in the case of Victoria Lopez (page 23) states that the NMRHCA's decision was not arbitrary and capricious; that the decision of NMRHCA was supported by substantial evidence; that NMRHCA had the authority to review this case; and Appellant Lopez was not denied procedural or substantive due process. Therefore, the decision to remove Ms. Lopez from the plan has been affirmed.

h. GAS75 Employer Allocation Schedules

-- The final release notice was received yesterday. Following the five-day waiting period, the schedules will be posted on the NMRHCA website.

i. May 31, 2020 SIC Report

-- The May 31 balance was \$757 million, a slight improvement over the previous month, but short of the year-end projected total of \$770-plus million. There is only a slight impact on the solvency this year, which will be discussed during Segal's presentation later on the agenda.

8. COMMITTEE REPORTS

Executive Committee: Chairman Sullivan reported that the committee met several times to prepare the retreat agenda.

Nominating Committee: Mr. Linton said they are ready to offer a slate of officers tomorrow.

Audit Committee: Ms. Goodwin said the committee met on June 2, following the last board meeting, and the auditors presented the GASB 75 report and schedule of employer allocations, and it was accepted.

Finance Committee: Mr. Crandall said the committee addressed several issues, which will be heard on this agenda.

Comments by incoming board member Tomás Salazar

Rep. Salazar stated that Legislative Council Services Director Raul Burciaga has indicated that interim committees will be meeting. He said there will be some serious challenges the committees will be facing. During the time he has served on the IPOC Committee, Re. Salazar always made it a point to make sure NMRHCA was included on the agenda as much as possible. He said the leadership on the IPOC will remain unchanged going forward, with the same chair and vice chair, and health plans will be part of the discussion. He said he looks forward to working with the NMRHCA board.

9. CALENDAR YEAR 2021 PLAN CHANGES

Mr. Archuleta commented that, while NMRHCA is usually scrambling at this time to figure out how it can make slight adjustments to the plan to offset premium increases, the situation is entirely different this year because investment earnings remain strong, claim costs through Q4 of the last fiscal year declined significantly (a trend not expected to continue), and the results of the RFP were not expected or anticipated.

Mr. Archuleta presented the following rate increase scenarios. In each scenario, deficit spending would begin in 2025 (FY26). In each of those years, investment earnings are expected to exceed the deficit spending period:

- Baseline Scenario: Pre-Medicare Plans – 6%/Medicare Supplement – 4%. Projected Fund balance, \$6.1 billion 7/1/2051.
- “Scenario A”: Pre-Medicare Plans – 5%/Medicare Supplement – 2%. Projected Fund Balance, \$5.6 billion 7/1/2051.
- “Scenario B”: Pre-Medicare Plans – 4%/Medicare Supplement – 2%. Projected Fund Balance - \$5.5 billion 7/1/2051
- “Scenario C”: Pre-Medicare Plans – 0%/Medicare Supplement – 0%. Projected Fund Balance - \$4.7 billion 7/1/2051.

Staff Recommendations:

- Scenario B: 4% increase on Premier and Value Plans/2% increase on Medicare Supplement Plan.
- No plan design changes.
- All scenarios assume revised Medicare Advantage Default Strategy: all pre-Medicare defaults to UnitedHealthcare Plan I: broadest access to all available Medicare Advantage Plans and lowest out-of-pocket expenses.
- Member Responsibility will drop from \$94.68 per month under plan I to \$37.50 per month and from \$49.65 under Plan II to \$12.50 per month.
- Programs and benefits resulting from RFP: All Medicare Advantage Rates will be lower in CY21 to include additional benefits presented by vendors ranging from -38% to -88% .

Mr. Linton commented that he was “stunned in a good way” about the rate implications for the members, but noted that the rate modifications are quite substantial, which he isn’t seeing in the field with regular employer basis. He questioned how these rates were formulated.

Mr. Archuleta responded that the competition is leaner and more aggressive, and there was a big incentive for people to come forward with more competitive rates. He said this may be a move to acquire a larger portion of the membership, and it is a welcome change.

Ms. Goodwin noted that one of the major underlying assumptions is that NMRHCA will continue to receive the distribution from the Taxation & Revenue suspense fund, which increases at a substantial rate

every year. Her concern is that the legislature may be eyeing this fund and potentially reducing or eliminating it altogether. Because of that, the board needs to think seriously about possibly adopting increases of 8 percent for the Pre-Medicare Plans and 4 percent for the Medicare Supplement Plan. While there have been substantial savings because of the pandemic, there is a lot of pent-up demand that the agency will see once that is over. In addition, people will be sicker than they would otherwise have been, which will increase Medicare costs.

Mr. Madalena said lower rates are consistent with what he has been seeing around the nation. He said the financing mechanism that CMS has put in place has made this a very attractive business for carriers, who are actively jumping in.

Dr. Patani said the solvency model reflects a short-term higher trend in Medicare Advantage rates, the assumption being that they would increase at a higher rate later to compensate for the initial low rate.

10. ACTUARIAL PRESENTATIONS

[Presenting: Nura Patani and Melissa Krumholz, Segal; Mike Madalena, Madalena Consulting]

- a. Methodology Report**
- b. Solvency Study**
- c. Sensitivity Analysis**

Dr. Patani reviewed the methodology used to project the various revenue and expense components included in the long-term cash flow and solvency modeling.

Dr. Patani stated that the impact of the pandemic is not reflected in the modeling because of the very long time horizon.

Ms. Krumholz said Segal reviewed the 2019 and 2020 Baseline Solvency Model Assumptions to evaluate the key drivers, which she reviewed for the board. [Page 61 in board book.]

Referring to the gain of 5-plus years in the 2019 Baseline Scenario from updated Medicare PDP revenue, Mr. Madalena said he believes the growth is faster than the Feds intended when Part D was implemented. He stressed the need for caution going forward.

Mr. Linton said he was worried that both the state and federal government will recognize the very aggressive funding that NMRHCA is getting from the Tax & Revenue suspense fund as well as the PDP revenue. He personally feels that the numbers are “wonderful” but are very aggressive and probably will be revised in the next couple of years.

Chairman Sullivan asked how sensitive the 7.25 percent return on investment assumption is to solvency. Dr. Patani said the simulations include investment returns of 6.25 percent and 5.25 percent, and they show no impact on solvency or projected year of deficit spending.

11. CLAIMS AND DEMOGRAPHICS

- a. Non-Medicare
- b. Medicare
- c. COVID-19 Effects

Consultant Mike Madalena made this presentation.

Highlights and comments from this slide presentation:

- Inpatient facility charges continue to be the highest cost service for BCBSNM and Presbyterian.
- Surgery continues to comprise a higher percentage of Presbyterian claims than BCBSNM claims (since 2008).
- 2019 vs. 2018 All Carriers Premier Plan Claims Experience: PMPY experienced 6% decrease.
- For all carriers, Infusions and Injections in Premier Plan experienced a 30% price per unit increase, from \$972 to \$1,204.
- Value plan encounters PMPM increased 10.6% in 2019 from previous year. Value Plan PMPY trend was negative-16%. Inpatient Hospital Facility paid encounters decreased from \$15,000 to \$11,000, which is significant.
- Infusions and Injections 2019 vs. 2018 for all carriers in Value Plan decreased 29%.

Mr. Madalena said COVID-19 is currently a fluid situation, but given the number of unknowns, it is important to be reasonably conservative.

COVID-19 related claims paid through May 31, 2020:

- 296 members have either been diagnosed with, had suspected exposure to, or have been tested for the COVID-19 antigen or antibody.
- 22 members (.06%) have confirmed cases.
- Statewide, .57% of the population has been confirmed as cases with COVID-19.

Projected Cost Model

- Based on 12 months of incurred expenses for COVID-19, beginning March 1, 2020. Does not consider services lost to shutdown, cost of vaccines, or Medicare Advantage members.
- Infection assumption: 20%. Percentage of that population seeking care: 20%.
- Service assumption: 16.5% are hospitalized, 75% at highest rate of acuity. 33.5% have outpatient (e.g. ER) care. 50% have nonhospital care (e.g. testing). 90% have prescription drug expense for relief of symptoms.
- Financial effect: 2% increase on claim cost.

Anticipating the impact of rescheduled care: Risks from treatment delay

- 75-90% decrease in mammograms and colonoscopies.
- National Cancer Institute estimates approximate 1% increase in breast & colorectal cancer deaths in next decade due to delayed diagnosis.

- Potential for additional complications or other long-term effects that may impact costs and health outcomes.

12. PROVIDER INTRODUCTIONS & UPDATES

a. Presbyterian Health Plan

Presbyterian representatives Keith Witt, Ida Perez and Rosanne Tena made a slide presentation.

b. Blue Cross Blue Shield of New Mexico

Blue Cross Blue Shield representatives Lori Bell and Lisa Hentz made a slide presentation.

c. UnitedHealthcare Medicare Advantage

UnitedHealthcare representative Dan Cadriel made a slide presentation.

[RECESS: 1:07 p.m.]

ACTION SUMMARY

RETIREE HEALTH CARE AUTHORITY ANNUAL MEETING/DAY 2

July 10, 2020

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MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS
ANNUAL MEETING, DAY 2/VIA TELECONFERENCE

July 10, 2020

1. CALL TO ORDER

Day 2 of the Annual Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:30 a.m. via teleconference.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Mr. Tom Sullivan, President
Mr. Joe Montaña, Vice President
Mr. Doug Crandall, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Sanjay Bhakta
Ms. Jan Goodwin
Ms. LeAnne Larrañaga-Ruffy
Mr. Terry Linton
Ms. Leane Madrid
Ms. Pamela Moon
Ms. Therese Saunders

Members Excused:

None.

Staff Present:

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

Others Present:

Mr. Connor Jorgensen, LFC Analyst
Rep. Tomás Salazar
Mr. Loren Cushman

12. PROVIDER INTRODUCTIONS & UPDATES [Cont'd]

d. Humana Medicare Advantage

Humana representative Julie Bodenski made a presentation.

e. Express Scripts

Express Scripts representatives Amy Daily and Harris Zeyae made a presentation.

f. Delta Dental

Representative Rich Bolstad and JoLou Trujillo-Ottino made a presentation.

g. Davis Vision

Representative Sam Garcia made a presentation.

h. Standard Life

Representatives Jennifer Oswald and Martha Quintana made a presentation.

5. LIVONGO DIABETES MANAGEMENT PROGRAM

No representatives were present from Livongo or Express Scripts to make this presentation.

Mr. Archuleta made a brief presentation. He said the board voted on this program earlier this year to add to the pre-Medicare benefits provided by Presbyterian and Blue Cross Blue Shield. The program is being administered through a partnership with Express Scripts and will cost \$67 per member per month with the goal of improving adherence and diabetic blood sugar monitoring. NMRHCA will monitor these services and report on impact to the Wellness Committee.

Mr. Linton said the Wellness Committee endorsed this program “one hundred percent.” Ms. Goodwin added that diabetes has very widespread effects, as someone with diabetes stands a greater change of having high blood pressure and heart disease. By getting the diabetes metabolism issues under control, the person has much better quality of life and lower health expenses.

6. CY 2021 PLAN YEAR RECOMMENDATIONS

Mr. Archuleta reviewed the rate increase scenarios discussed yesterday. In each scenario, deficit spending would begin in 2026:

- Baseline Scenario: Pre-Medicare Plans – 6%/Medicare Supplement – 4%. Projected Fund balance, \$6.1 billion 7/1/2051.

- “Scenario A”: Pre-Medicare Plans – 5%/Medicare Supplement – 2%. Projected Fund Balance, \$5.6 billion 7/1/2051.
- “Scenario B”: Pre-Medicare Plans – 4%/Medicare Supplement – 2%. Projected Fund Balance - \$5.5 billion 7/1/2051
- “Scenario C”: Pre-Medicare Plans – 0%/Medicare Supplement – 0%. Projected Fund Balance - \$4.7 billion 7/1/2051.

Mr. Linton commented that, while it is good news about a better solvency window than expected, he is worried about the Taxation & Revenue tax suspense fund being adjusted, and he is also worried about Ms. Krumholz’s comments yesterday that the government will have to put the clamps on the Medicare PDP revenue. He said he hesitates to accept staff’s recommendation of Scenario B, and would be much more comfortable with Scenario A.

Mr. Crandall stated that these are just projections, and virtually every year, NMRHCA ends up putting money into its trust over and above what it has collected. The difference between 100 percent and 100.2 percent is minimal enough, and at a time when people are going to be hurting for many reasons, he thinks it is important that the board try to give something back to the membership. He also noted that this is a one-year reduction, and NMRHCA can go back and make adjustments if it loses money from the tax suspense fund next year. He said it is also his understanding that the Governor was going to make NMRHCA an important part of her legislative action next year. He said he was more inclined to support staff’s recommendation.

Ms. Larrañaga-Ruffy concurred with Mr. Crandall. She said the board should not make decisions based on what the legislature may or may not do, and it can go back later and make adjustments if necessary.

Ms. Goodwin stated that the board does have a precedent of typically going with 8 percent and 6 percent as the premium increases, and given all of the uncertainty, the board should stick with that. She said the membership could be facing significantly higher increases next year, depending on the outcome.

Ms. Moon stated that she supports Scenario B. While some board members believe the Governor will support legislation next year on behalf of NMRHCA, that may not necessarily happen, and there is still a long way to go, and the funding period is not going to be there in the long run.

Asked by Ms. Saunders to comment on what might be expected in the legislature, Rep. Salazar stated that the reason HB 45 was vetoed was because neither the Executive or Legislative interim committees decided to increase revenue by increasing employee/employer contributions. He said the Governor’s comments to him, which were made prior to the COVID crisis, was that she intended to work with NMRHCA. Based on the discussion he has heard about the 2021 legislation, he feels this issue will be revisited. He recommended looking at the fiscal impact report that accompanied SB7 in 2016 to get an idea of how much damage that has been done to NMRHCA.

Mr. Crandall moved to accept staff’s recommendation to adopt Scenario B. Ms. Larrañaga-Ruffy seconded the motion, which was defeated on a roll call vote, as follows:

Voting for: Chairman Sullivan; Mr. Montaño; Mr. Crandall; Ms. Larrañaga-Ruffy; Ms. Moon.

Voting against: Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Mr. Bhakta; Ms. Madrid.

Ms. Goodwin moved to adopt the Baseline Scenario. The motion died for lack of a second.

Mr. Montaña moved to adopt Scenario A. Ms. Madrid seconded the motion, which passed on the following roll call vote:

Voting for: Chairman Sullivan; Mr. Montaña; Mr. Crandall; Ms. Goodwin; Mr. Linton; Mr. Eichenberg;; Mr. Bhakta; Ms. Moon; Ms. Madrid

Voting against: Ms. Saunders; Ms. Larrañaga-Ruffy

7. HEALTHCARE BENEFITS ADMINISTRATION BUDGET ADJUSTMENT REQUEST

Mr. Archuleta stated that the Patient-Centered Outcomes Research Institute (PCORI) fee was set to expire after calendar year 2018, payable in July 2019 (for FY20), and therefore, NMRHCA did not request budget authority to cover the cost of the fee in FY21. In March, however, staff became aware that the PCORI fee had been reinstated for calendar year 2019 and is due by July 31, 2020. The fee equals \$2.54 multiplied by the average pre-Medicare membership in 2019, which was 14,114, or \$35,849.56.

Mr. Archuleta said the BAR will transfer a nominal amount from the contractual services category to “other” category to cover the fee due on July 31, 2020. The PCORI fee will become a recurring expense to NMRHCA through FY30. Sufficient budgeted authority will be requested as part of the annual appropriation process to meet this obligation in the future.

Mr. Crandall stated that the Finance Committee recommended approval of this request.

Mr. Crandall moved for approval of the BAR. Ms. Moon seconded the motion, which passed unanimously on the following roll call vote: Voting for: Chairman Sullivan; Mr. Montaña; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

8. DISPOSAL OF IT EQUIPMENT

Mr. Archuleta requested approval of this list. He stated that any equipment containing memory will be destroyed.

Mr. Crandall said the Finance Committee recommended approval of this request.

Mr. Crandall moved for approval Ms. Saunders seconded the motion, which passed unanimously on the following roll call vote: Voting for: Chairman Sullivan; Mr. Montaña; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

9. ELECTION OF BOARD OFFICERS

Chairman Sullivan said this would be his last meeting. He commented that he has worked for many boards, but this board has been a pleasure. He cited the tough and unpopular decisions that this board

has had to make over the years as part of its fiduciary responsibility. He thanked the board and staff for their hard work.

Secretary

Chairman Sullivan stated that the Nominating Committee nominates LeAnne Larrañaga-Ruffy as Secretary.

There were no other nominations.

Ms. Larrañaga-Ruffy was elected Board Secretary on the following unanimous roll call vote: Voting for: Chairman Sullivan; Mr. Montañó; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

Vice President

Chairman Sullivan said the Nominating Committee nominates Therese Saunders as Vice President.

There were no other nominations.

Ms. Saunders was elected Vice President on the following unanimous roll call vote: Voting for: Chairman Sullivan; Mr. Montañó; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

President

Chairman Sullivan said there were two nominations: Doug Crandall and Jan Goodwin.

There were no other nominations.

Chairman Sullivan said there was a recommendation to allow Mr. Crandall and Ms. Goodwin to offer their thoughts before the vote.

Mr. Crandall stated that has been on the board for almost 15 years in two different appointments, and would like to use this opportunity as President to take advantage of his institutional knowledge. He said his goal is that NMRHCA be affordable, comprehensive and sustainable, and every vote he makes is based on that. He said he is proud that he was the one who worked with the State Investment Council to allow NMRHCA to invest in many of its products, and to hire a consultant. He stated that he is retired and has no other obligations that would interfere with his duties as President.

Ms. Goodwin said she believes she is well qualified for the position of President. She has a solid 12 years of experience being on this board after becoming the Executive Director of the NM Educational Retirement Board in April 2008. Throughout these 12 years, she has become intimately familiar with every aspect of the board's work, and serves on the Audit Committee and the Wellness Committee. In addition, she has been on the Finance Committee for several years, and recently joined the Legislative Committee. Before she was Executive Director at ERB, she was cabinet secretary of the Taxation & Revenue Department and has served in New Mexico state and local governments for more than 23 years. In addition to being a CPA, she has an MBA from New York University and a Masters in Health Administration

from UNM. She has worked with the ERB Board's stakeholders, legislature and governors to improve ERB sustainability, and she wants to help do the same for NMRHCA. She said she is running for President in order to work toward three goals, which she elaborated on: 1) Improve NMRHCA solvency and sustainability; 2) formalize board training to help prepare board members to face the challenges ahead; and 3) increase wellness efforts, which will improve members' lives and healthcare costs. Ms. Goodwin said she strongly believes that NMRHCA should work toward 100 percent funding with 30 years or less, noting that NMRHCA has no constitutional protections and can be eliminated at any time.

Chairman Sullivan asked that the roll be called and that each board member indicate their choice of either Mr. Crandall or Ms. Goodwin, or to abstain. He said members could explain their vote at the time they voted.

Voting for Mr. Crandall: Mr. Sullivan; Mr. Montañó; Mr. Crandall; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Madrid.

Voting for Ms. Goodwin: Ms. Goodwin; Mr. Linton; Ms. Moon.

In explaining her vote, Ms. Saunders commented that both candidates were excellent choices and were eminently qualified; however, she felt it was too close of a relationship for the Executive Director of the ERB to also serve as Chairman of the NMRHCA board, because they might be considered sister agencies.

In explaining his vote, Mr. Bhakta said he would be voting for Mr. Crandall for the same reason cited by Ms. Saunders.

In explaining her vote, Ms. Moon said she thought both candidates would be excellent, but she would be voting for Ms. Goodwin because she shares her viewpoint.

In explaining his vote, Mr. Sullivan agreed that both candidates bring a great deal of expertise to the table, and that NMRHCA is the "little sister of the triad of PERA and ERB," but NMRHCA is an OPEB (Other Post-Employment Benefit), to be distinguished from the major post-employment benefits of pensions. He feels that keeping those two things separate may be important.

In explaining his vote, Mr. Montañó said the issues cited by Ms. Saunders and Mr. Sullivan weighed heavily on his mind. Although Ms. Goodwin does a tremendous job with ERB, saving the ERB and keeping it going will be a full time job, and the presidency of NMRHCA also takes a lot of time and might detract from Ms. Goodwin's efforts on behalf of ERB.

[The remainder of the meeting was chaired by Mr. Crandall.]

10. COMMITTEE ASSIGNMENTS

Mr. Crandall asked that anyone wanting to serve on any of the standing committees (Audit, Wellness, Legislative, Finance and Investment) to email him, David Archuleta or Greg Archuleta to indicate their interest.

11. BOARD POLICIES AND PROCEDURES

Mr. Archuleta stated that the Board Policies and Procedures document is acted upon for formal adoption at each annual meeting.

Mr. Linton moved for adoption. Ms. Larrañaga-Ruffy seconded the motion, which passed unanimously on the following roll call vote: Mr. Sullivan; Mr. Montaña; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

12. OPEN MEETINGS ACT RESOLUTION

Mr. Archuleta stated that the Open Meetings Act resolution is adopted annually. Language was added under paragraph 1 (Location and Time of Meetings) stating that meetings may be held at a location in Albuquerque, Santa Fe, or via teleconference and telephone as indicated in the meeting notice.

Mr. Eichenberg moved for approval. Mr. Sullivan seconded the motion, which passed unanimously on the following roll call vote: Mr. Sullivan; Mr. Montaña; Mr. Crandall; Ms. Goodwin; Mr. Linton; Ms. Saunders; Mr. Eichenberg; Ms. Larrañaga-Ruffy; Mr. Bhakta; Ms. Moon; Ms. Madrid.

13. CODE OF ETHICS/FINANCIAL DISCLOSURE FORM

Mr. Archuleta said the form has been emailed to the board members for signature.

14. OTHER BUSINESS

Mr. Crandall thanked Tom Sullivan and Joe Montaña for their years of service to the board and constituents.

15. DATE AND LOCATION OF NEXT BOARD MEETING:

**AUGUST 25, 2020, 9:30 a.m.
TELECONFERENCE**

16. EXECUTIVE SESSION

None.

17. ADJOURN

Meeting adjourned at 12:00 p.m.

Accepted by:

Doug Crandall, President



LOGAN MUNICIPAL SCHOOLS

P.O. Box 67
Logan, New Mexico 88426
Phone: (575) 487-2252
Fax: (575) 487-9479

July 13, 2020

David Archuleta, Executive Director
NM Retiree Health Care Authority
4308 Carlisle NE
Albuquerque, NM 87107

Dear Mr. Archuleta:

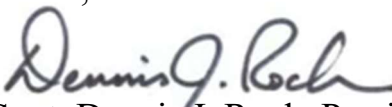
I am writing as the new president of the New Mexico School Superintendents Association (NMSSA).

As you know, Tom Sullivan has now resigned as the NMSSA representative to the New Mexico Retiree Health Care Authority (NMRHCA) Board of Directors. We are grateful for his long service in that role... his voice will be missed.

As president of NMSSA, I am appointing Superintendent Loren Cushman of the Animas Public Schools to serve as our association's new representative on the NMRHCA Board, effective immediately.

Thank you for the work your organization is doing to protect the current and future retirees of New Mexico's public workforce.

Yours,


Supt. Dennis J. Roch, President
NM School Superintendents Association



New Mexico Association of Educational Retirees

H. Russell Goff
Executive Director

Executive Board

Michael Torrez
President
P.O. Box 816
Ranchos de Taos, NM 87557
(575) 758-8748

Vicki Smith
Immediate Past President

Linda Carr
First Vice President

Pauline Rindone
Second Vice President

Vesta Henry
Third Vice President

Barbara Bonahoom
Joelyn Pafford
Raymond Vincent
At Large Representatives

H. Russell Goff
ERB Representative

Joe Montaño
NMRHCA Representative

Alice Pegues
Memoriams/Historian

Dr. Tomas Salazar
SREAL

Dr. Annette Johnson
AARP-NM President

Nominations & Elections

Staff:
Janice Sells, Treasurer
Peggy Clemmons, Office Mgr.
Debbie Garrison, Database

July 21, 2020

David Archuleta, Executive Director
New Mexico Retiree Health Care Authority
4308 Carlisle Boulevard, NE
Albuquerque, NM 87107

Dear Mr. Archuleta:

The NMAER Executive Board has received and accepted the resignation of Joe Montano as Representative to the New Mexico Retiree Health Care Authority to be effective December 31, 2020. President Michael Torrez with confirmation from the NMAER Executive Board have appointed Dr. Tomas Salazar to fill Joe Montano's term of office to be effective January 1, 2021, through June 30, 2023.

Yours,

H. Russell Goff
Executive Director

cc **Michael Torrez**
Dr. Tomas Salazar
Joe Montano

your Benefit Messenger



NMRHCA 2020 Newsletter Vol. 5 - SPECIAL Second Summer Edition

EXECUTIVE DIRECTOR'S UPDATE

LATEST ON CENSUS, BOARD ACTIONS, RATE AND PLAN DESIGN CHANGES

The U.S. Census is a national survey that happens every 10 years to count every person living in the United States that is used to determine adequate funding for essential programs and political representation based on how many people live in an area.

Responses can be submitted online by visiting: my2020Census.gov; by phone: 844-330-2020 (English) / 844-468-2020 (Spanish) or by mail if you received a paper copy. Due to the COVID-19 pandemic, the deadline for responding to the census has been extended to Oct. 31, 2020. Please take time to respond to this very important request for information.

ABQ. OFFICE RELOCATION

The New Mexico Retiree Health Care Authority is excited to announce the relocation of its Albuquerque Office to 6300 Jefferson St. NE, Suite 150, Albuquerque, NM 87109.

Members will be able to access both NMRHCA and the Public Employees Retirement Association, which will be under the same roof beginning mid-September, 2020.

RULE CHANGES DELAYED

On June 2, the Board of Directors approved amending NMAC 2.81.11, Sections 6-10 that will delay the implementation of the minimum age (55) and increased years of service requirements (from 20 to 25 years) from January 1, 2021 to July 31, 2021.

2021 RATE INFORMATION

Every four years, the New Mexico Retiree Health Care Authority joins the State of New Mexico, Public Schools Insurance Authority and Albuquerque Public Schools to leverage our collective purchasing authority, as required by the Health-care Purchasing Act and Procurement rules prescribed by statute.

The process itself provides an opportunity to evaluate new programs and services while encouraging competition among health plan sponsors to provide innovative services at the lowest possible cost.

For example, beginning Jan. 1, 2021, NMRHCA's Medicare Advantage Plan Partners all are lowering their monthly charges to reflect the elimination of certain fees imposed by

See EXECUTIVE on Page 2

OPEN ENROLLMENT MEETINGS TO BE DONE VIRTUALLY, BY PHONE

Given the continued uncertainty with regard to the safety of gathering groups, this year's Fall Open Enrollment presentation will be limited to an online format that will include a combination of narrated presentations, online and telephonic question and answer sessions and access to our customer service unit.

Open enrollment begins Oct. 1 and goes through Nov. 13. Members will have the opportunity to change their health plan selections effective Jan. 1, 2021.

Our health partners, who have offered wellness screenings, such as flu shots and blood pressure screenings, are researching alternatives for members to access during the pandemic restrictions.

Basic flu and pneumonia shots will be available and covered for members at Walgreens locations. Once we get more information on alternatives, NMRHCA will inform its members on its website, Facebook page, monthly online newsletter and fall newsletter prior to its open enrollment period.



EXECUTIVE DIRECTOR'S UPDATE: MA PLAN RATES FALL SIGNIFICANTLY

Continued from Page 1

Medicare Advantage Plan	2020 Rate	2021 Rate	Monthly Increase / Decrease	Annual Increase / Decrease	Percent Increase / Decrease
UHC Plan I	\$ 94.68	\$ 37.50	\$ (57.18)	\$ (686.16)	-60%
UHC Plan II	\$ 49.65	\$ 12.50	\$ (37.15)	\$ (445.80)	-75%
PHP Plan I	\$ 94.50	\$ 56.50	\$ (38.00)	\$ (456.00)	-40%
PHP Plan II	\$ 71.00	\$ 44.00	\$ (27.00)	\$ (324.00)	-38%
BCBS Plan I	\$ 64.80	\$ 30.00	\$ (34.80)	\$ (417.60)	-54%
BCBS Plan II	\$ 21.70	\$ 2.50	\$ (19.20)	\$ (230.40)	-88%
Humana Plan I	\$ 66.82	\$ 42.47	\$ (24.35)	\$ (292.20)	-36%
Humana Plan II	\$ 34.07	\$ 5.38	\$ (28.69)	\$ (344.28)	-84%
Self-Insured					
Medicare Supplement	\$ 222.55	\$ 227.00	\$ 4.45	\$ 53.40	2%
Premier Plan	\$ 279.01	\$ 292.96	\$ 13.95	\$ 167.40	5%
Value Plan	\$ 217.95	\$ 228.85	\$ 10.90	\$ 130.80	5%

the Affordable Care Act (ACA), increased reimbursements from the Centers for Medicare and Medicare Services (CMS) for prescription benefits and the individual quality and outcome performance of each plan.

Examples of these improvements are shown above for a retiree with 20 or more years of service beginning Jan. 1, 2021. The fully-insured arrangements negotiated through the Medicare Advantage plans allow us to lower our plan costs while taking advantage of programs and services heavily subsidized by CMS, including: SilverSneakers, Wellness and Reward programs, Case Management, Disease Management, Discount Programs and telemedicine.

In terms of our Medicare Supplement and Pre-Medicare Plans (Premier and Value), or our self-insured

arrangements, NMRHCA charges a rate sufficient to support the cost of the plan.

For example, if I am a member participating under one of our self-insured arrangements, NMRHCA pays our health plan partners a flat monthly rate for administering the plan on my behalf — along with any costs incurred related to medical or prescription drug services. In reference to the chart above, a member participating in our Premier Plan is projected to cost, on average: \$750.51 per month (NMRHCA pays \$457.75; the retiree pays \$292.96).

While the frequency of members seeing their primary care physician (PCP visits) and having certain elective procedures has declined during this COVID-19 crisis, the prevalence of members dealing with serious health conditions has not.

So while we may save \$125 for some PCP visits, we are still liable for thousands of members who suffer from multiple chronic conditions, rare disorders, cancer and heart disease.

As a result, rates for the Medicare Supplement Plan are scheduled to grow 2%, while rates for the Pre-Medicare Plans will grow 5% beginning Jan. 1, 2021.

While the decision to increase rates charged to our members each year is never easy, the cost associated with administering the program continues to grow exponentially.

However, ALL MEDICARE PLAN PARTICIPANTS will either save money or are eligible to save money next year in terms of their monthly premiums.

- David Archuleta
Executive Director

OUTGOING BOARD PRESIDENT SULLIVAN WILL BE GREATLY MISSED

Tom Sullivan, a longtime educator and superintendent of several schools in New Mexico, retired as NMRHCA Board of Directors President in July.

Sullivan joined the board in 2005 as a New Mexico Superintendent of Schools and became the body's chair in 2013. NMRHCA has increased its solven-



cy from seven years to more than 30 during Sullivan's time on the board, guaranteeing the health insurance

benefits for future generations of retired public employees and educators in New Mexico.

Sullivan is a former New Mexico Coalition of School Administrators executive director and was the New Mexico Superintendent of the Year for the 2003-04 school year.

Doug Crandall, the NMRHCA board secretary and representative of the Retired Public Employees of New Mexico, will replace Sullivan as President, after a board election during its annual meeting July 10.

The board also elected Therese Saunders, a representative of the National

Education Association of New Mexico, as Vice President. She replaces Joe Montaña (New Mexico Association of Educational Retirees), who will step down at the end of the year. LeAnne Larrañaga-Ruffy (Public Employers Retirement Association) will replace Crandall as Secretary.

NMRHCA Executive Director David Archuleta and staff are excited to work with the new board executive officers but recognize the rather large shoes to fill by Mr. Sullivan's departure. NMRHCA wishes to thank Mr. Sullivan for his tireless dedication and years of service to the agency.

NMRHCA ADDS PROGRAMS TO IMPROVE MEMBERS' ACCESS TO CARE

NMRHCA announces several new programs aimed at improving access to care, health care outcomes and chronic condition management:

For ALL members enrolled in Pre-Medicare plans:

LIVONGO FOR DIABETES (A health benefit at no cost that helps make living with diabetes easier): This plan, which began Aug. 1, comes with the following:

Connected Meter: Automatically uploads your blood glucose readings to your secure online account and provides real-time personalized tips.

Support From Coaches When You Need It: Communicate with a coach anytime about diabetes questions on nutrition or lifestyle changes.

Unlimited Strips at No Cost to You: When you are about to run out, we ship more supplies, right to your door.

Enroll at this link: join.livongo.com/NMRHCA/begin

For all members enrolled in Presbyterian Pre-Medicare plans (Premier and Value):

DEDICATED MEMBER SERVICE TEAM: Available since July 1, a highly-trained dedicated customer service team can help members navigate to the most cost-effective level of medical care including virtual visits, outpatient options or urgent/emergency care.

To contact your dedicated customer service team, please call (505) 923-5600 or 1-888-ASK-PRES (1-888-275-7737), Monday through Friday from 7 a.m.-6 p.m.

COMMUNITY HEALTH WORKER PROGRAM: Available since July 1, the Community Health Workers Program consists of community health workers who live in your community and are trained to help you get what you need to stay as

healthy as possible.

These professionals can help you find housing, food, utility assistance, transportation and translation assistance, and can help you schedule a visit with healthcare provider. This service is confidential and provided at no additional cost to you. For more information, call (505) 923-8567.

DISEASE MANAGEMENT PROGRAM: This program has been available since July 1. Members have access to several comprehensive disease management programs to help manage diabetes, asthma, chronic obstructive pulmonary disease (COPD), congestive heart failure (CHF) or coronary artery disease (CAD).

This program connects the member with a licensed nurse who collaborates with your healthcare provider to provide coaching and self-management tools. To enroll in one or more of these programs, call 1-800-841-9705 or email healthsolutionsphs.org.



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PERMIT #1645



Find us on Facebook: <https://www.facebook.com/nmrhca>



CONTACT YOUR HEALTHCARE PROVIDERS DIRECTLY

Blue Cross Blue Shield

BCBSNM 800-788-1792
BCBSNM Medicare Advantage..... 877-299-1008
www.bcbsnm.com

Presbyterian Health Plan

Presbyterian Health Plan 888-275-7737
Presbyterian Medicare Advantage .800-797-5343
www.phs.org

Express Scripts

Express Scripts Medicare 800-551-1866
Express Scripts Non-Medicare .. 800-501-0987
www.express-scripts.com

Humana 866-396-8810
<https://our.humana.com/nmrhca>

UnitedHealthcare..... 866-622-8014
www.uhcretiree.com

Delta Dental..... 877-395-9420
www.deltadentalnm.com

Davis Vision 800-999-5431
www.davisvision.com

Standard Insurance..... 888-609-9763
www.standard.com/mybenefits/newmexico_rhca

NMRHCA CONTACT INFORMATION

4308 Carlisle Blvd NE, Suite 104
Albuquerque, NM 87107-4849

33 Plaza La Prensa
Santa Fe, NM 87507

800-233-2576 (Toll Free)
505-476-7540 (Santa Fe)
505-884-8611 (Fax)

Email: customerservice@state.nm.us

Hours: 8 a.m.-5 p.m. Monday-Friday*
Please visit us online at www.nmrhca.org
*Check website for official opening and closing times



Mark Reynolds

IN THE COURT OF APPEALS FOR THE STATE OF NEW MEXICO

VICTORIA LOPEZ,

Appellant/Petitioner

v.

No. A-1-CA-39121

NEW MEXICO RETIREE HEALTH
CARE AUTHORITY,

Appellee/Respondent.

On Petition for Writ of Certiorari Regarding
District Court Review of Administrative Decision

RESPONSE TO PETITION FOR WRIT OF CERTIORARI

RODEY, DICKASON, SLOAN
AKIN & ROBB, P.A.,
Jocelyn Drennan
Jenica Jacobi
P.O. Box 1888
Albuquerque, NM 87103
Telephone: (505)765-5900
Facsimile: (505) 768-7395

*Attorneys for Respondent New Mexico
Retirement Health Care Authority*

Introduction

The petition presents issues regarding the decision by the New Mexico Retirement Health Care Authority (“NMRHCA”) to terminate Petitioner’s health care coverage based upon its determination that she did not meet the eligibility requirements for coverage as a disabled dependent. Placed in context, the issues do not prove to be significant ones that justify granting a writ of certiorari. Rio Grande Chapter of Sierra Club v. N.M. Mining Comm’n, 2003-NMSC-005, ¶ 16, 133 N.M. 97. Petitioner’s case is a unique one, in which coverage improperly granted was properly terminated.

Statement of Material Facts¹

In 1990, pursuant to the Retiree Health Care Act (“Act”), NMRHCA created health care coverage for retired eligible public employees and their eligible dependents. That year, Richard Lopez, a retired public employee, enrolled in coverage for himself and his wife. He also applied for coverage for one of their sons, who was eligible for coverage as a disabled dependent child. Mr. Lopez did not apply for coverage for their daughter, Victoria Lopez, who had other health care coverage and was 29 years old.

In 2015, after Ms. Lopez’s health care coverage changed, Mr. Lopez applied for NMRHCA coverage for her as a disabled dependent child. Ms. Lopez, who

¹ Petitioner improperly incorporates facts by reference. (Pet. at 3.) Contra Rule 12-505(E) NMRA.

had been diagnosed in 1999 with mitochondrial disease, was 54 years old. Mark Tyndall, who was NMRHCA's Executive Director, approved the application.

In 2019, when David Archuleta was NMRHCA's executive director, a customer service agent alerted him that Ms. Lopez's coverage did not appear to be proper. Initially, believing that Ms. Lopez was on the wrong coverage plan and that she should have been on a Medicare plan, Mr. Archuleta contacted Ms. Lopez and explained she should apply for Social Security disability benefits. After further review, Mr. Archuleta determined that Mr. Tyndall's granting of NMRHCA coverage for Ms. Lopez was improper because she did not meet the eligibility requirements for a disabled dependent and consequently that her coverage needed to be terminated. Mr. Archuleta notified Ms. Lopez about his determination in February 2019 and that her coverage would be terminated in March 2019.

Ms. Lopez's ensuing appeal was referred to a hearing officer who, after an evidentiary hearing, issued a report recommending termination of Ms. Lopez's coverage. After another hearing before NMRHCA's board, the board adopted the hearing officer's report and recommendation. Ms. Lopez appealed the board's decision to the district court which in a Rule 1-074 NMRA Order ("Order") affirmed. The petition from Ms. Lopez ("Petitioner") ensued.

Argument

The District Court Applied The Correct Standards Of Review, Including De Novo Review Of Matters of Law.

Where Petitioner addresses Issue D (Pet. at 3) in her arguments (cf. id. at 12-13), she argues that the fact that the district court did not say it conducted “de novo review” in the Order signifies that the court failed to undertake such review of the matters of law presented by her appeal. This Court has rejected that sort of argument. State ex rel. Office of State Engineer v. Elephant Butte Irrigation Dist., 2012-NMCA-090, ¶¶ 22-23, 287 P.3d 324 (district court did not have to recite in order that facts were found by clear and convincing evidence; absent a contrary indication, court presumed to have applied correct burden of proof). In this case, the standard of review cases the district court cited (Ex. 1 to Pet. at 2) show the court knew which standards of review to apply, including de novo review for any matters of law. E.g., Tom Growney Equip. Co. v. Jouett, 2005-NMSC-015, ¶ 13, 137 N.M. 497. Nothing in the court’s analysis indicates that it did not apply them.

The District Court Correctly Found NMRHCA Acted Properly In Terminating Petitioner’s Health Care Coverage.

Where Petitioner addresses Issue B (Pet. at 2) in her arguments (cf. id. at 10-11), she does so in a paragraph. After premising the issue upon alleged error by the district court (Pet. at 2), Petitioner does not address the court’s analysis. Cf. Best v. Marino, 2017-NMCA-073, ¶ 42, 404 P.3d 450 (presumption district court

rulings correct); Farmers, Inc. v. Dal Mach. & Fabricating, Inc., 1990-NMSC-100, ¶ 8, 111 N.M. 6 (appellant must demonstrate asserted error). Instead, Petitioner lists arguments which she states are “outlined fully” in her statement of appellate issues and improperly incorporates by reference (id. at 10).

The issue of whether NMRHCA’s board improperly terminated Petitioner’s coverage turns upon whether Petitioner qualified as a disabled “eligible dependent.” The Act defines such an individual as

a dependent child over nineteen who is wholly dependent on the eligible retiree for maintenance and support and who is incapable of self-sustaining employment by reason of mental retardation or physical handicap; provided that proof of incapacity and dependency shall be provided within thirty-one days after the child reaches the limiting age and at such times thereafter as may be required by the board.

NMSA 1978, § 10-7C-4(F)(4) (2009).²

Correspondingly, NMRHCA’s Disabled Dependent Certification form requires an eligible retiree applying for such coverage to certify:

Your NMRHCA-covered unmarried child up to the age of 26 . . . is wholly dependent on you for maintenance and support and is incapable of self-sustaining, employment by reason of mental incapacity or physical handicap. Proof of incapacity and dependency must be provided within 31 days after the child reaches the limiting age. The disability must have occurred before the child reached the limiting age.

(RP 171.)

² In 1990, when NMRHCA coverage began, the limiting age was 19. In 2010, under the federal Affordable Care Act, the limiting age became 26.

During the evidentiary hearing, Mr. Archuleta explained the only time when a disabled eligible dependent may be enrolled in NMRHCA's health plan coverage after age 26. When an eligible retiree enrolls, the retiree may apply to enroll a disabled eligible dependent who was covered under the retiree's pre-retirement public employer health plan. (RP 140-44.) NMRHCA views such coverage as in essence a continuation of benefits. (Ex. 3 to Pet. at 5-6, ¶ 36.)

As the district court recognized, that was the only time when Petitioner, who was 29 years old in 1990 (Ex. 1 to Pet. at 5), could have met the eligibility requirements for a disabled dependent. But hers was not a continuation of benefits case. (Id. at 6.) When Petitioner's father enrolled in NMRHCA's health care coverage in 1990, he did not apply for coverage for Petitioner. (Id. at 7.) Unlike her brother, Petitioner was not on her father's pre-retirement health plan. (Id.) In fact, Petitioner did not receive her diagnosis until 1999. (Id.) Consequently, when Petitioner's father applied for coverage for her in 2015, Petitioner was a "new applicant" (id.) at age 54 (id. at 3).

If the arguments Petitioner incorporates by reference are considered, only those listed as (b)-(f) relate to Issue B. (Cf. Pet. at 2 with id. at 10-11.) Rearranged to facilitate the analysis and placed in context, they do not help her.

Petitioner's argument that NMRHCA terminated her coverage for failing to meet eligibility requirements not consistently enforced against others (Pet. at 10

(d)) is unsupported. Below, Petitioner failed to make such a showing. (Ex. 1 to Pet. at 7 (“Ms. Lopez’s argument that others are treated differently is not supported by the record.”; “Ms. Lopez failed to put forth evidence of any dependent, over the age of 26 being granted health insurance for the first time[.]”); see also Ex. 4 to Pet. at 7, 16-17; cf. RP 140-44.)

Petitioner’s argument that NMRHCA failed to adequately address her testimony (Pet. at 11 (f)) also is not well-founded. Petitioner believes her testimony that she was reliant on her father for support since 1990 due to her lifelong condition establishes that she met the eligibility requirements for a disabled dependent. (See Ex. 4 to Pet. at 14.) But Petitioner’s belief is not what matters. Instead what matters is that Petitioner’s father did not timely submit information showing that Petitioner met the eligibility requirements for a disabled dependent so as to enable NMRHCA to evaluate whether in fact Petitioner met the requirements in a timely way.³ Correspondingly, in its decision, the board remarked, “[t]he uncertainty of Ms. Lopez’s health condition at ages 19, 26, or in 1990 prior to her diagnosis highlights the issues [associated with] allowing or

³ Findings by the board indicate Petitioner’s father lacked such information in 1990. (Ex. 3 to Pet. at 2, ¶¶ 10-12 (findings reflect Petitioner’s testimony about her symptoms worsening and her condition being a “hidden” one before it was diagnosed in 1999 and the lack of information otherwise showing Petitioner met the requirements for a disabled dependent at the points in time she would have been eligible for coverage).

evaluating applications for benefits twenty-five years” later. (Ex. 3 at 6, ¶ 2.) In other words, Petitioner’s testimony came too late.

That point brings up the policy considerations that also guided the board’s decision. (Cf. Pet. at 10 (c).) The Act reflects the legislature’s recognition that the need to provide affordable health care coverage for public employee retirees and their dependents must be met within fiscal constraints. NMSA 1978, § 10-7C-3(A). Correspondingly, the board concluded, “[t]he legislative findings and declarations of policy for the Act clearly state a need and intent to operate the NMRHCA within realistic financial constraints. This necessarily requires prudence in making eligibility decisions only in accordance with the Act.” (Ex. 3 to Pet. at 6, ¶ 3.) Against that interpretation or expression of policy by the board, for which deference is appropriate, Morningstar Water Users Ass’n v. N.M. Pub. Util. Comm’n, 1995-NMSC-062, ¶ 11, 120 N.M. 579; New Energy Econ., Inc. v. N.M. Pub. Regulation Comm’n, 2018-NMSC-024, ¶ 25, 416 P.3d 277, Petitioner’s literal, self-serving reading of the Act (Ex. 4 to Pet. at 14-15) rings hollow.

The fact that Petitioner’s coverage was granted and terminated under the same regulation does not show NMRHCA acted arbitrarily and capriciously. (Pet. at 10-11 (e); Ex. 4 to Pet. at 17-18.) The regulation grants NMRHCA’s executive director authority to grant or deny coverage subject to a right of appeal. 2.81.7.10(E)-(F) NMAC. Once Mr. Archuleta determined that Mr. Tyndall had

improperly granted Petitioner coverage, Mr. Archuleta had to terminate it, as NMRHCA's board concluded in considering Petitioner's appeal. (Ex. 3 to Pet. at 6, ¶¶ 4-5.)

The fact that NMRHCA's board provided grounds not cited in the letter terminating Petitioner's coverage does not show that NMRHCA acted improperly. (Cf. Pet. at 10 (b); Ex. 4 to Pet. at 13-14.) Acting in its appellate capacity as it was, 2.81.7.10(F)-(G) NMAC, the board appropriately addressed the evidence developed during the appellate proceedings and provided the grounds for its final determination regarding Petitioner's coverage. (Ex. 3 to Pet.) Like the letter Mr. Archuleta initially sent Petitioner (RP 194), the board's decision was grounded in its determination she did not meet the eligibility requirements for a disabled dependent. (Ex. 3 to Pet. at 6, ¶ 1.)

In framing the issue (Pet. at 10), Petitioner asserts the district court erred in finding NMHCRA's decision was supported by substantial evidence. Since Petitioner does not develop such an argument as she must, State v. Murillo, 2015-NMCA-046, ¶ 17, 347 P.3d 284, Respondent does not further address the assertion.

The District Court Correctly Found NMRHCA's Submission of Additional Evidence Did Not Warrant Reversal.

Where Petitioner addresses Issue A (Pet. at 2) in her arguments (id. at 10, 11-12), after framing the issue as one that implicates error by the district court (id. at 2), Petitioner does not address the court's analysis (id. at 11-12). Cf. supra pp.

3-4 (Best; Farmers, Inc.). Instead, Petitioner improperly incorporates arguments by reference (id. at 11, 12), which she partially reiterates (cf. Ex. 4 to Pet. at 10-13).

The pertinent facts follow. After the hearing before the hearing officer took place on August 2, 2019, the parties submitted closing argument briefs on August 9, 2019. (Ex. 1 to Pet. at 4.) On August 19, 2019, NMRHCA sent an email to Petitioner’s attorney offering to reinstate Petitioner’s health care coverage, “either (1) retroactive to April 1, 2019; or (2) retroactive to August 1, 2019[.]” (RP 72-73.) Email exchanges ensued. (RP 71-72.) On August 23, 2019, the emails were submitted to the hearing officer before she issued her findings, conclusions, and recommendations, about an hour later. (Ex. 1 to Pet. at 4.) The hearing officer concluded that the offer made it unnecessary to address Petitioner’s due process claims. (Id.) During the hearing before NMRHCA’s board on August 27, 2019, Petitioner’s attorney was afforded the opportunity to object to consideration of the emails which the board subsequently decided to include in the record. (Id.)

This case therefore is distinguishable from State ex rel. Human Services Department v. Gomez, upon which Petitioner relied below. (Ex. 4 to Pet. at 10-11.) In Gomez, following a hearing, the hearing officer requested and considered an outside report without the claimant being afforded an opportunity to address it.

While consideration of the report was error, it was not reversible error in light of other aspects of the record. 1982-NMSC-153, ¶¶ 1, 35-37, 99 N.M. 261.

And, as the district court recognized, Petitioner “was seeking reinstatement of her health benefits, and the offer of reinstatement provided her the remedy she was seeking,” making it “appropriate to apprise the [h]earing [o]fficer” about the offer. (Ex. 1 to Pet. at 5.) Further, “any error was rectified” by Petitioner’s “opportunity to be heard in front of the [b]oard.” (Id.)

Insofar as the Court considers Petitioner’s arguments, they do not warrant further review. If any error was associated with the email submittal to the hearing officer, correcting it would not change the result. In re Estate of Heeter, 1992-NMCA-032, ¶ 23, 113 N.M. 691.

The District Court Correctly Found Petitioner Did Not Suffer A Constitutional Rights Violation.

Where Petitioner addresses Issue C (Pet. at 3) in her arguments (id. at 13-15), after framing the issue as one involving error by the district court (id. at 13), Petitioner does not address the court’s analysis (id. at 13-15). Cf. supra pp. 3-4 (Best; Farmers, Inc.). Instead, after listing alleged constitutional violations, Petitioner improperly incorporates arguments by reference. (Pet. at 13.)

In framing the equal protection issue as one that involves selective enforcement of eligibility criteria for NMRHCA health care coverage (Pet. at 13), Petitioner is alluding to NMRHCA allowing a continuation of coverage for

disabled eligible dependents, supra p. 5, without their providing notice of their disability within thirty-one days of turning age 26. Petitioner contends that she was not treated equally because the notice requirement was considered in her case. (Ex. 4 to Pet. at 20-21.)

As the district court found (Ex. 1 to Pet. at 8), the interests implicated by the eligibility requirements for NMRHCA coverage are of “an economic or financial nature,” which means “[r]ational basis scrutiny is the appropriate equal protection analysis to be employed.” Trujillo v. City of Albuquerque, 1998-NMSC-031, ¶ 26, 125 N.M. 721. Under such scrutiny, “legislation is considered presumptively valid,” and, to prevail, the challenger must show that “the statute’s classification is not rationally related to the legislative goal.” Id. ¶ 14.

The eligibility requirements under Section 10-7C-4(F)(4), including the notice requirement, serve as a means of preserving and maximizing benefits for those who are eligible to receive health care coverage under the Act. See NMSA 1978, § 10-7C-3(A) (1990). Such financial considerations are rational and closely related to the purpose of the Act. Id.

It is rational to treat a disabled dependent over age 26 who has been receiving coverage under a parent’s public employer health care plan differently. At some point in time the disabled dependent was required to prove he or she was

disabled and wholly dependent on his or her public employee parent, thereby meeting the eligibility requirements under NMRHCA's health care plan.

For the remaining due process issues (Pet. at 13), it appears the district court assumed without deciding that Petitioner had a constitutionally protected right that entitled her to due process protections. In developing only one of the procedural due process issues, Petitioner argues that because the notice she received did not detail the reasons for termination of her NMRHCA coverage, the notice prevented her from adequately presenting her case. (Pet. at 13, 14-15.) Placed in context, the argument fails.

Petitioner cites no authority establishing that the notice, which informed her that she did "not meet the eligibility requirements to participate as a disabled dependent" on NMRHCA's health care plan (RP 194), was insufficient in the present context. Jones v. N.M. State Racing Comm'n, 1983-NMSC-089, ¶¶ 5-7, 100 N.M. 434 (observing appellant failed to cite authority that required greater specificity than that initially given). For the ensuing proceedings, Petitioner overlooks the parties' pre-hearing statement that her attorney helped prepare which identified the issues to be addressed during the evidentiary hearing. (RP 274-75, 282.) During the hearing Petitioner was allowed to adduce testimony and introduce exhibits and, afterward, to file a closing argument brief, represented by her attorney. (RP 75-169; RP 51.) Petitioner was afforded more process during

the hearing before NMRHCA's board. (RP 8-43.) Notably, Petitioner's attorney told the board that the hearing officer had everything she needed to make the decision. (Ex. 1 to Pet. at 9.)

Perhaps most critically, Petitioner fails to show she was prejudiced (Pet. at 14-15), as she must. E.g., Jones, 1983-NMSC-089, ¶¶ 5-9 (rejecting procedural due process claim absent showing of prejudice). She cannot. As the district court concluded, Petitioner "received all the process she was due." (Ex. 1 to Pet. at 9).

If considered, the other due process issue alluded to by Petitioner relates to NMRHCA's termination of her health care coverage while she appealed the termination. (Pet. at 13; Ex. 4 to Pet. at 21-22.) As the district court noted, NMRHCA admitted that its coverage decisions are not appealed often and aspects of Petitioner's appeal could have been handled better. (Ex. 1 to Pet. at 8.) As the court further noted, such considerations do not equate to a constitutional violation. (Id.) Before the hearing officer issued her recommendation, NMRHCA offered to reinstate Petitioner's coverage. (Id. at 9.) The court itself reinstated Petitioner's coverage retroactively and extended the coverage until its decision. (Id.) Thus, Petitioner received the relief she sought.

Although Petitioner invokes substantive due process in framing the constitutional rights violation issue (Pet. at 3), Petitioner makes no substantive due process argument (cf. id. at 13-15; Ex. 4 to Pet. at 19-23) which requires a different

showing. See Archuleta v. Colo. Dep't of Insts., Div. of Youth Servs., 936 F.2d 483, 490 (10th Cir. 1991); Graves v. Thomas, 450 F.3d 1215, 1220 (10th Cir. 2006) see also Madrid v. St. Joseph Hosp., 1996-NMSC-064, ¶ 26, 122 N.M. 524. Absent such an argument, there is no substantive due process issue to address. Supra p. 8 (Murillo).

Conclusion

The petition should be denied.

Respectfully submitted,

RODEY, DICKASON, SLOAN,
AKIN & Robb, P.A.,

s/ Jocelyn Drennan

By _____

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Retirement Health Care Authority*

CERTIFICATE OF COMPLIANCE

The body of the attached response exceeds the 10-page limit set forth in Rule 12-505(E)(2) NMRA. As required by Rule 12-505(F) NMRA, we certify that this response complies with Rule 12-505(E)(3) NMRA, in that the response is proportionately spaced and the body of the response contains 3,146 words. The response was prepared and the word count determined using Microsoft Word 2010.

RODEY, DICKASON, SLOAN,
AKIN & Robb, P.A.,

s/ Jocelyn Drennan

By _____
Jocelyn Drennan

CERTIFICATE OF SERVICE

We certify that the foregoing response was filed through the Odyssey File-and-Serve electronic filing system, which caused a copy of the brief to be served automatically on all counsel of record this 11th day of August, 2020.

RODEY, DICKASON, SLOAN,
AKIN & Robb, P.A.,

s/ Jocelyn Drennan

By _____
Jocelyn Drennan

New Mexico Retiree Health Care Authority (CP)

Change in Market Value

For the Month of Jun 2020

(Report as of July 19, 2020)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains-Realized & Unrealized	Market Value
Core Bonds Pool	169,420,644.86	4,000,000.00	-	(41,973.42)	389,901.59	1,074,900.06	174,843,473.09
Credit & Structured Finance	104,998,483.66	3,000,000.00	-	-	501.87	501,975.83	108,500,961.36
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	93,723,155.04	2,800,000.00	-	(10,159.35)	230,445.26	2,758,954.66	99,502,395.61
Non-US Emerging Markets Index Pool	66,092,989.99	2,000,000.00	-	(21,261.26)	279,919.31	5,020,838.35	73,372,486.39
Private Equity Pool	88,849,533.30	2,000,000.00	-	-	102,788.83	(6,977,982.29)	83,974,339.84
Real Estate Pool	78,961,542.35	2,000,000.00	-	-	163,348.02	(2,298,879.00)	78,826,011.37
Real Return Pool	34,729,964.74	1,000,000.00	-	(7,959.50)	109,530.85	(2,492,761.54)	33,338,774.55
US Large Cap Index Pool	107,545,893.36	2,800,000.00	-	(2,496.99)	141,693.95	2,001,878.59	112,486,968.91
US Small/Mid Cap Pool	12,747,846.52	400,000.00	-	(15,420.76)	16,519.84	306,544.08	13,455,489.68
Sub - Total New Mexico Retiree Health Care Aut	757,070,053.82	20,000,000.00	-	(99,271.28)	1,434,649.52	(104,531.26)	778,300,900.80
Total New Mexico Retiree Health Care Aut	757,070,053.82	20,000,000.00	-	(99,271.28)	1,434,649.52	(104,531.26)	778,300,900.80

New Mexico Retiree Health Care Authority (CP)

Change in Market Value

For the Month of Jul 2020

(Report as of August 19, 2020)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	174,843,473.09	-	-	-	427,390.73	3,106,686.91	178,377,550.73
Credit & Structured Finance	108,500,961.36	-	-	-	166.97	2,026,675.81	110,527,804.14
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	99,502,395.61	-	-	-	129,390.39	2,672,015.35	102,303,801.35
Non-US Emerging Markets Index Pool	73,372,486.39	-	-	-	358,141.22	6,342,367.89	80,072,995.50
Private Equity Pool	83,974,339.84	-	-	-	215.96	572,530.70	84,547,086.50
Real Estate Pool	78,826,011.37	-	-	-	172,516.38	85,216.00	79,083,743.75
Real Return Pool	33,338,774.55	-	-	-	119,137.14	(172,931.86)	33,284,979.83
US Large Cap Index Pool	112,486,968.91	2,794,201.00	-	-	132,489.61	6,607,811.47	122,021,470.99
US Small/Mid Cap Pool	13,455,489.68	-	-	-	3,712.35	763,690.87	14,222,892.90
Sub - Total New Mexico Retiree Health Care	778,300,900.80	2,794,201.00	-	-	1,343,160.75	22,004,063.14	804,442,325.69
Total New Mexico Retiree Health Care /	778,300,900.80	2,794,201.00	-	-	1,343,160.75	22,004,063.14	804,442,325.69

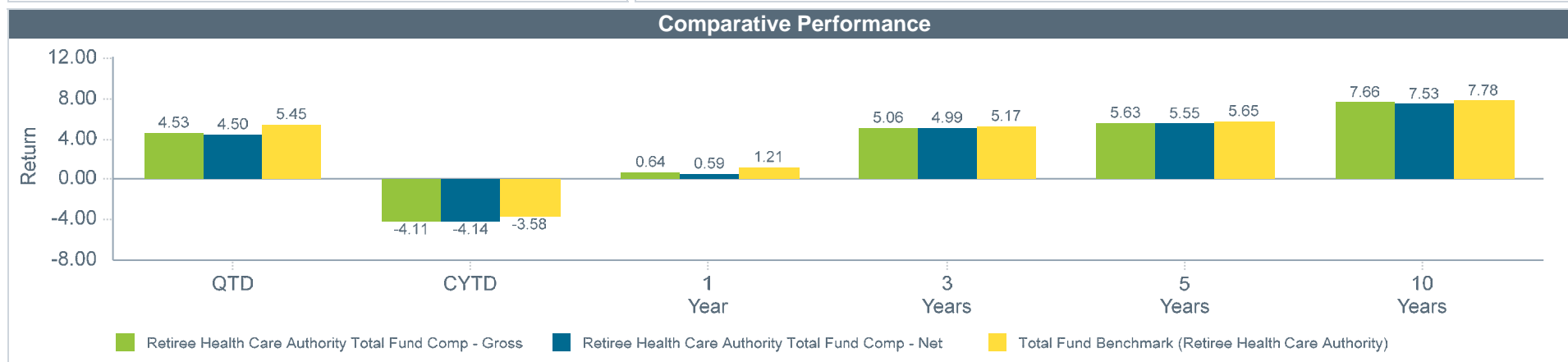
Retiree Health Care Authority



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

As of June 30, 2020

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	Large Cap US Equity Index	112,486,969	14.47	14.00	0.47
	Small/Mid Cap US Equity Active	13,455,490	1.73	2.00	-0.27
	Non-US Developed Markets Index	99,502,394	12.80	14.00	-1.20
	Non-US Emerging Markets Index	73,372,486	9.44	10.00	-0.56
	US Core Bonds	174,843,464	22.49	20.00	2.49
	Credit & Structured Finance	108,500,961	13.96	15.00	-1.04
	Private Equity	83,974,340	10.80	10.00	0.80
	Real Estate	77,853,149	10.02	10.00	0.02
	Real Return	33,338,775	4.29	5.00	-0.71
Total Fund	777,328,026	100.00	100.00	0.00	



Comparative Performance

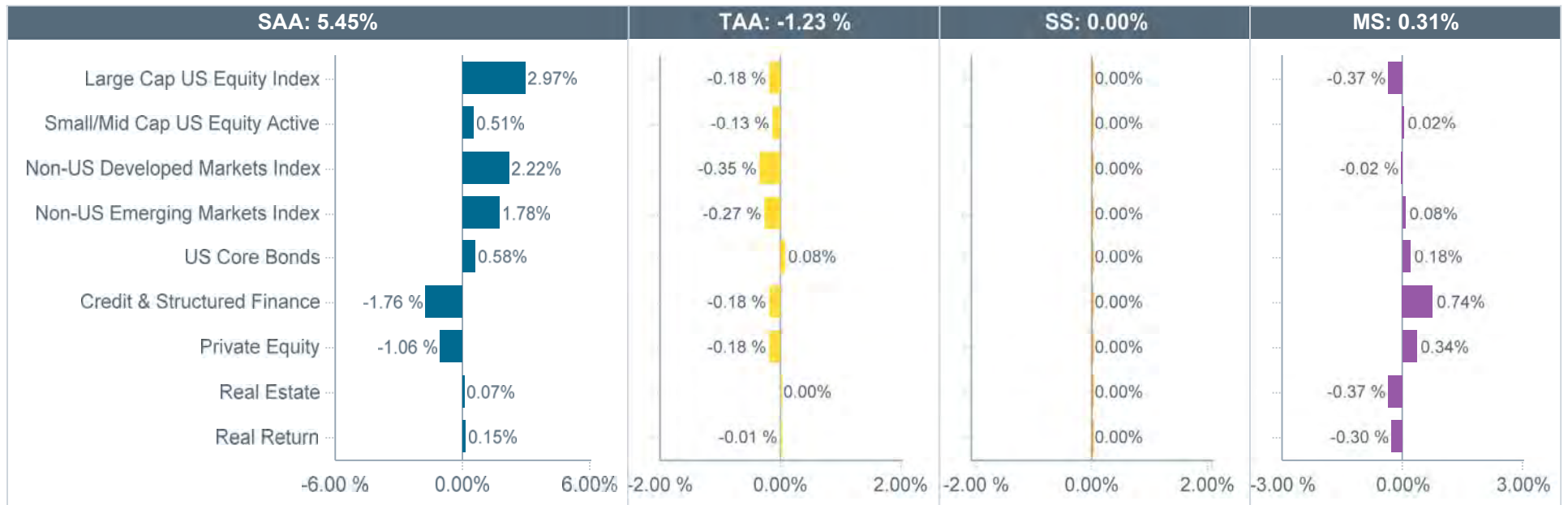
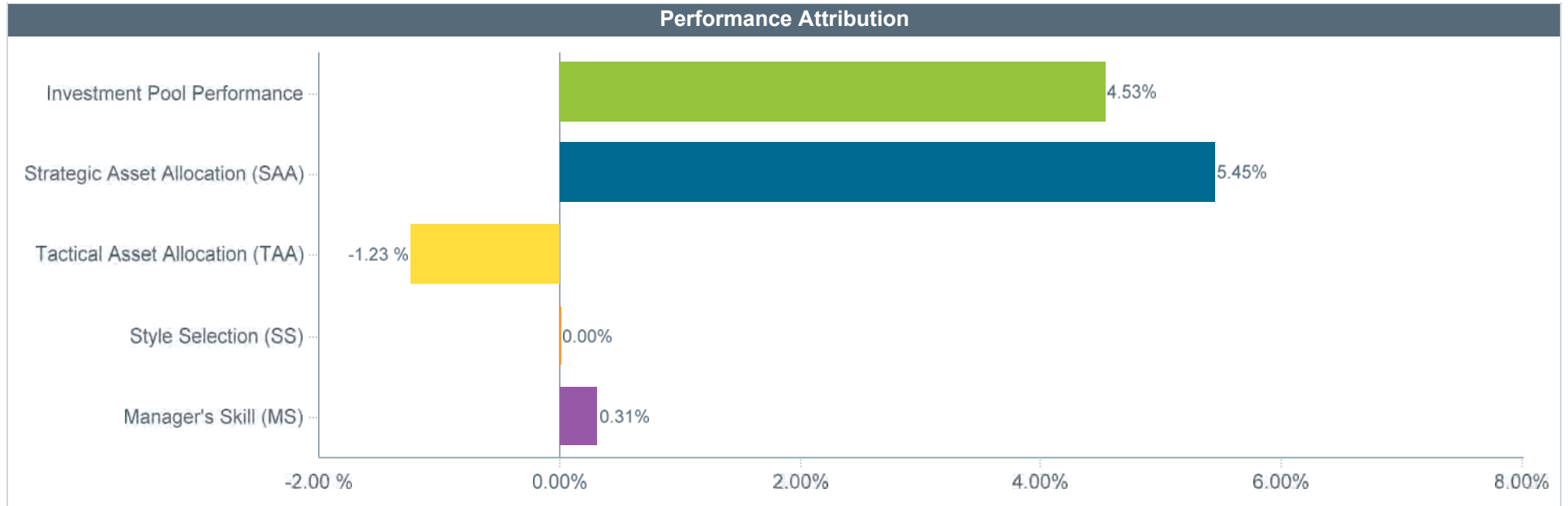
	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	2017
Retiree Health Care Authority Total Fund Comp - Gross	4.53	-4.11	0.64	5.06	5.63	7.66	13.27	-1.24	17.44
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	5.45	-3.58	1.21	5.17	5.65	7.78	14.25	-2.04	16.94
Difference	-0.92	-0.53	-0.57	-0.11	-0.02	-0.12	-0.98	0.80	0.50
Retiree Health Care Authority Total Fund Comp - Net	4.50	-4.14	0.59	4.99	5.55	7.53	13.21	-1.32	17.35
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	5.45	-3.58	1.21	5.17	5.65	7.78	14.25	-2.04	16.94
Difference	-0.95	-0.56	-0.62	-0.18	-0.10	-0.25	-1.04	0.72	0.41

Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	780,225,287	28,999,043	-31,896,304	777,328,026	-4.14

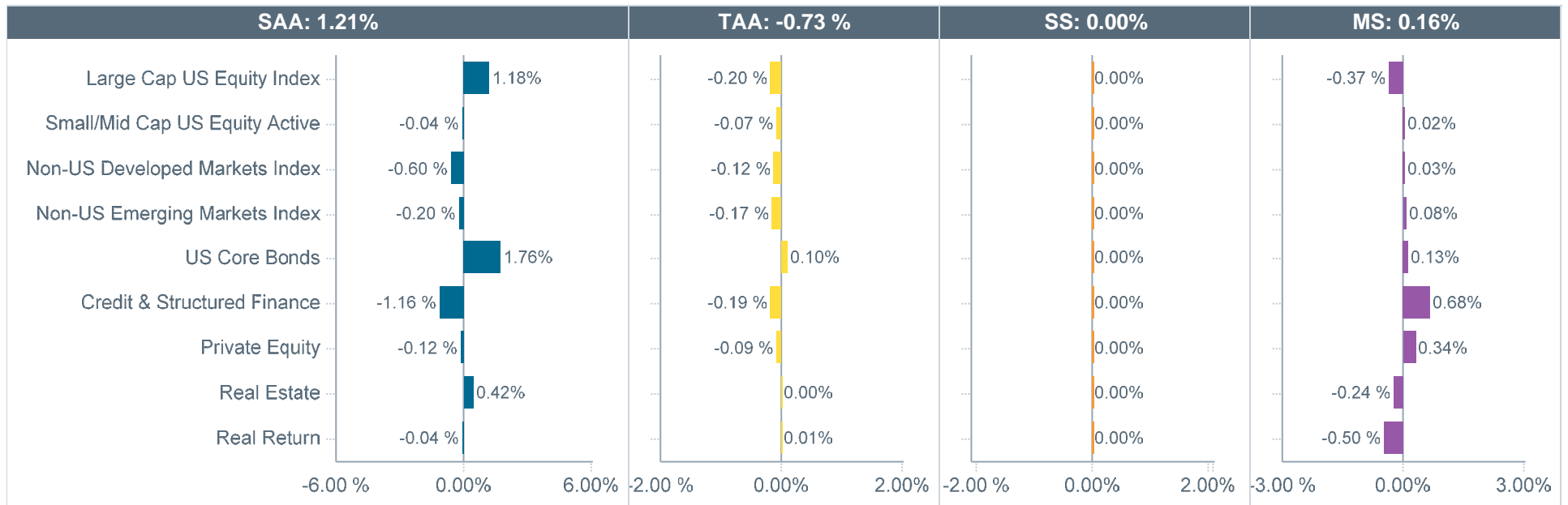
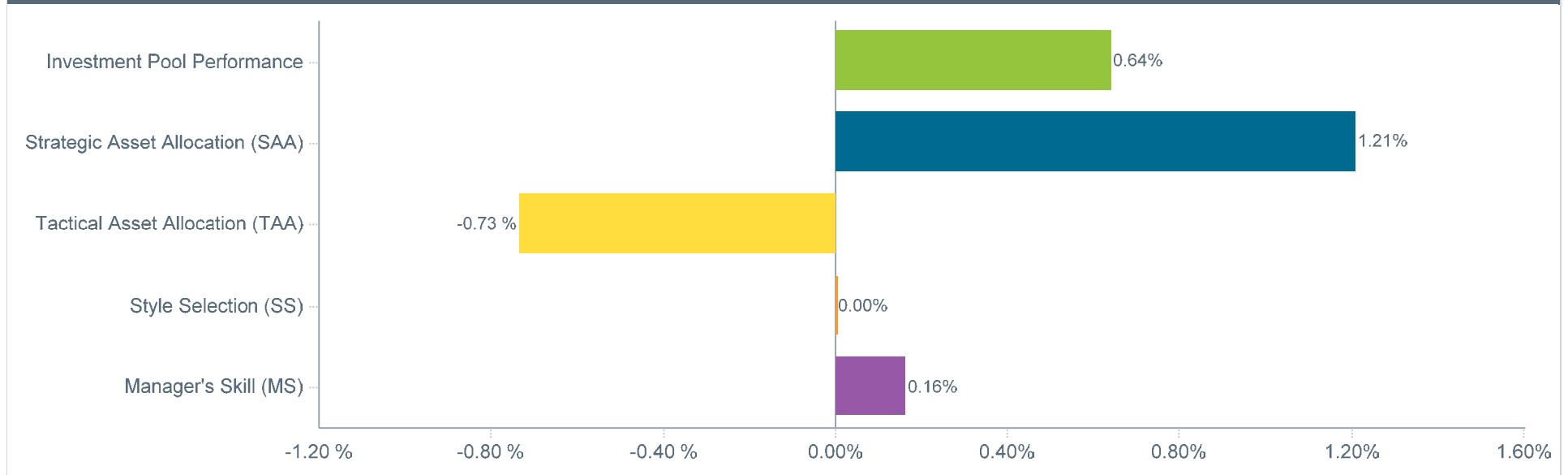
Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise.





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

Performance Attribution



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

New Mexico State Investment Council
Third Party Investment Pools
Comparative Performance

As of June 30, 2020

	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	Since Incep.	Inception Date
US Equity											
US Large Cap Active Pool	23.19	2.64	11.77	11.77	14.22	12.84	14.14	30.05	-0.26	6.53	05/01/1999
Russell 1000 Index	21.82	-2.81	7.48	7.48	10.64	10.47	13.97	31.43	-4.78	6.34	
US Large Cap Index Pool	18.81	-5.35	4.68	4.68	9.62	9.86	13.57	31.36	-4.85	6.62	05/01/1999
Russell 1000 Index	21.82	-2.81	7.48	7.48	10.64	10.47	13.97	31.43	-4.78	6.34	
US Small/Mid Cap Active Pool	28.25	-16.27	-4.22	-4.22	0.85	3.80	9.61	32.94	-13.40	7.33	11/01/1998
US Small/Mid Cap Equity Custom Index	25.42	-12.98	-6.63	-6.63	2.52	4.67	10.88	26.33	-10.40	8.17	
US Small/Mid Cap Index Pool	22.00	-17.77	-11.21	-11.21	N/A	N/A	N/A	22.32	N/A	-12.83	09/01/2018
S&P Sm Cap 600 Index (Cap Wtd)	21.94	-17.85	-11.29	-11.29	0.56	4.48	11.24	22.78	-8.48	-12.66	
Non-US Equity											
Non-US Developed Markets Active Pool	16.76	-12.72	-4.32	-4.32	1.56	3.22	N/A	25.57	-14.60	4.49	09/01/2013
Non-US Developed Markets Custom Index	15.57	-11.60	-4.90	-4.90	0.77	2.19	5.80	22.44	-14.40	3.55	
Non-US Developed Markets Index Pool	15.97	-11.47	-4.87	-4.87	1.02	2.42	6.00	22.96	-14.32	3.83	05/01/1999
Non-US Developed Markets Passive Custom Index	16.21	-11.68	-5.11	-5.11	0.80	2.04	5.72	22.91	-14.68	3.44	
Non-US Emerging Markets Active Pool	22.52	-6.98	0.75	0.75	3.90	4.35	N/A	23.33	-16.54	2.93	10/01/2013
MSCI Emg Mkts Index (USD) (Net)	18.08	-9.78	-3.39	-3.39	1.90	2.86	3.27	18.44	-14.58	2.49	
Non-US Emerging Markets Index Pool	19.08	-9.64	-2.65	-2.65	1.71	2.72	2.47	17.34	-13.98	7.44	05/01/1999
MSCI Emg Mkts Index (USD) (Net)	18.08	-9.78	-3.39	-3.39	1.90	2.86	3.27	18.44	-14.58	7.17	
Fixed Income											
US Core Plus Bonds Pool	6.50	4.67	7.78	7.78	5.89	5.35	5.26	10.57	0.27	5.64	05/01/1999
Bloomberg US Unv Bond Index	3.81	5.17	7.88	7.88	5.15	4.42	4.12	9.29	-0.25	5.21	
US Core Bonds Pool	3.67	6.89	9.35	9.35	5.62	4.46	N/A	8.85	0.21	4.00	11/01/2014
Bloomberg US Agg Bond Index	2.90	6.14	8.74	8.74	5.32	4.30	3.82	8.72	0.01	3.92	
Credit & Structured Finance Pool	-7.41	-6.06	-4.69	-4.69	1.74	3.12	8.71	3.06	4.52	2.67	04/01/2006
Non-Core FI Custom Index (Lagged 1 Month)	-12.37	-11.39	-9.53	-9.53	-1.33	1.25	4.80	6.89	-0.81	4.55	

Performance shown is gross of fees unless otherwise noted. Performance shown for Credit & Structured Finance is net of fees, while performance shown for Private Equity, Real Estate, and Real Return investments is net of fees and 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *Indicates performance is lagged 1 quarter.

**New Mexico State Investment Council
Third Party Investment Pools
Comparative Performance**

As of June 30, 2020

	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	Since Incep.	Inception Date
Private Equity											
Private Equity Pooled Funds*	-7.33	-4.13	0.74	0.74	8.79	8.62	N/A	9.55	14.07	9.16	07/01/2011
Cambridge US Prvt Eq Index (Lagged 1 Qtr)	-10.07	-6.68	-2.32	-2.32	8.57	9.20	12.24	7.56	18.24	11.13	
Real Estate											
Townsend-Reported Real Estate Composite*	-2.94	-0.93	1.76	1.76	6.44	8.43	9.23	5.64	10.27	4.99	10/01/2004
NCREIF ODCE Index (Net) (Lagged 1 Qtr)	0.75	2.03	3.93	3.93	5.85	7.48	10.42	4.64	7.71	6.88	
NCREIF/Townsend Wtd Index (Lagged 1 Qtr)	-1.69	-0.40	1.67	1.67	5.64	7.60	10.69	4.55	8.78	7.31	
Real Return											
Real Return Composite*	-3.63	-10.51	-11.22	-11.22	-1.23	0.45	N/A	4.09	1.88	2.31	06/01/2012
Real Return Custom Index	2.91	-2.62	-0.85	-0.85	1.71	0.90	1.74	6.28	-1.70	0.86	

The Private Equity Pooled Funds excludes the Severance Tax Stock Distributions account, which differs from the Private Equity Composite (Ex. State). As such, performance for the Private Equity Pooled Funds differs from the Private Equity Composite (Ex. State).

Performance shown is gross of fees unless otherwise noted. Performance shown for Credit & Structured Finance is net of fees, while performance shown for Private Equity, Real Estate, and Real Return investments is net of fees and 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *Indicates performance is lagged 1 quarter.

New Mexico State Investment Council
Third Party Investment Pools
Comparative Performance - (Net of Fees)

As of June 30, 2020

	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	Since Incep.	Inception Date
US Equity											
US Large Cap Active Pool	23.03	2.42	11.44	11.44	13.84	12.40	13.74	29.65	-0.63	6.26	05/01/1999
Russell 1000 Index	21.82	-2.81	7.48	7.48	10.64	10.47	13.97	31.43	-4.78	6.34	
US Large Cap Index Pool	18.80	-5.35	4.67	4.67	9.61	9.85	13.54	31.35	-4.86	6.57	05/01/1999
Russell 1000 Index	21.82	-2.81	7.48	7.48	10.64	10.47	13.97	31.43	-4.78	6.34	
US Small/Mid Cap Active Pool	27.95	-16.58	-4.68	-4.68	0.27	3.13	8.98	32.20	-13.96	6.85	11/01/1998
US Small/Mid Cap Equity Custom Index	25.42	-12.98	-6.63	-6.63	2.52	4.67	10.88	26.33	-10.40	8.17	
US Small/Mid Cap Index Pool	21.97	-17.80	-11.26	-11.26	N/A	N/A	N/A	22.27	N/A	-12.87	09/01/2018
S&P Sm Cap 600 Index (Cap Wtd)	21.94	-17.85	-11.29	-11.29	0.56	4.48	11.24	22.78	-8.48	-12.66	
Non-US Equity											
Non-US Developed Markets Active Pool	16.53	-13.01	-4.75	-4.75	1.07	2.70	N/A	24.98	-15.05	3.95	09/01/2013
Non-US Developed Markets Custom Index	15.57	-11.60	-4.90	-4.90	0.77	2.19	5.80	22.44	-14.40	3.55	
Non-US Developed Markets Index Pool	15.95	-11.50	-4.91	-4.91	0.98	2.38	5.90	22.92	-14.36	3.58	05/01/1999
Non-US Developed Markets Passive Custom Index	16.21	-11.68	-5.11	-5.11	0.80	2.04	5.72	22.91	-14.68	3.44	
Non-US Emerging Markets Active Pool	22.16	-7.40	0.14	0.14	3.28	3.67	N/A	22.59	-17.02	2.24	10/01/2013
MSCI Emg Mkts Index (USD) (Net)	18.08	-9.78	-3.39	-3.39	1.90	2.86	3.27	18.44	-14.58	2.49	
Non-US Emerging Markets Index Pool	19.01	-9.72	-2.76	-2.76	1.59	2.55	2.29	17.20	-14.10	7.00	05/01/1999
MSCI Emg Mkts Index (USD) (Net)	18.08	-9.78	-3.39	-3.39	1.90	2.86	3.27	18.44	-14.58	7.17	
Fixed Income											
US Core Plus Bonds Pool	6.41	4.55	7.62	7.62	5.69	5.13	5.06	10.37	0.05	5.55	05/01/1999
Bloomberg US Unv Bond Index	3.81	5.17	7.88	7.88	5.15	4.42	4.12	9.29	-0.25	5.21	
US Core Bonds Pool	3.62	6.82	9.27	9.27	5.55	4.40	N/A	8.77	0.14	3.95	11/01/2014
Bloomberg US Agg Bond Index	2.90	6.14	8.74	8.74	5.32	4.30	3.82	8.72	0.01	3.92	
Credit & Structured Finance Pool	-7.41	-6.06	-4.69	-4.69	1.74	3.12	8.71	3.06	4.52	2.67	04/01/2006
Non-Core FI Custom Index (Lagged 1 Month)	-12.37	-11.39	-9.53	-9.53	-1.33	1.25	4.80	6.89	-0.81	4.55	

Performance shown is net of fees and calculated using investment manager fee schedules through the third quarter of 2015. Performance beyond the third quarter of 2015 is calculated using investment manager fees reported in New Mexico SIC Investment Holdings Reports. During periods of no fee accruals, gross and net performance will be the same. Performance shown for Private Equity, Real Estate, and Real Return investments is 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *Indicates performance is lagged 1 quarter.

New Mexico State Investment Council
 Third Party Investment Pools
 Comparative Performance - (Net of Fees)

As of June 30, 2020

	QTD	CYTD	FYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	Since Incep.	Inception Date
Private Equity											
Private Equity Pooled Funds*	-7.33	-4.13	0.74	0.74	8.79	8.62	N/A	9.55	14.07	9.16	07/01/2011
Cambridge US Prvt Eq Index (Lagged 1 Qtr)	-10.07	-6.68	-2.32	-2.32	8.57	9.20	12.24	7.56	18.24	11.13	
Real Estate											
Townsend-Reported Real Estate Composite*	-2.94	-0.93	1.76	1.76	6.44	8.43	9.23	5.64	10.27	4.99	10/01/2004
NCREIF ODCE Index (Net) (Lagged 1 Qtr)	0.75	2.03	3.93	3.93	5.85	7.48	10.42	4.64	7.71	6.88	
NCREIF/Townsend Wtd Index (Lagged 1 Qtr)	-1.69	-0.40	1.67	1.67	5.64	7.60	10.69	4.55	8.78	7.31	
Real Return											
Real Return Composite*	-3.63	-10.51	-11.22	-11.22	-1.23	0.45	N/A	4.09	1.88	2.31	06/01/2012
Real Return Custom Index	2.91	-2.62	-0.85	-0.85	1.71	0.90	1.74	6.28	-1.70	0.86	

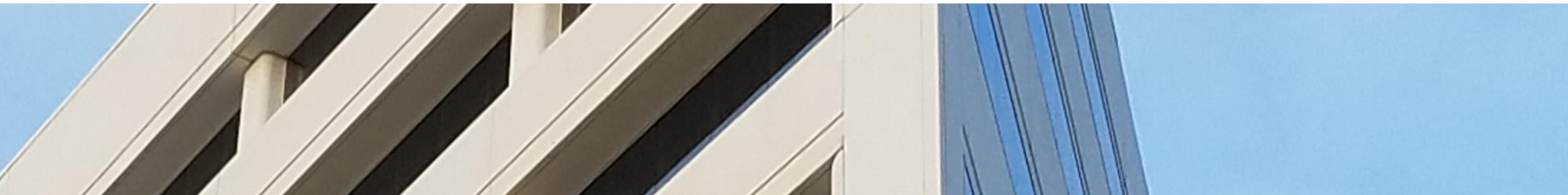
The Private Equity Pooled Funds excludes the Severance Tax Stock Distributions account, which differs from the Private Equity Composite (Ex. State). As such, performance for the Private Equity Pooled Funds differs from the Private Equity Composite (Ex. State).

Performance shown is net of fees and calculated using investment manager fee schedules through the third quarter of 2015. Performance beyond the third quarter of 2015 is calculated using investment manager fees reported in New Mexico SIC Investment Holdings Reports. During periods of no fee accruals, gross and net performance will be the same. Performance shown for Private Equity, Real Estate, and Real Return investments is 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *Indicates performance is lagged 1 quarter.



WILSHIRE ASSOCIATES

New Mexico Retiree Health Care Authority



Asset Allocation Review and Analysis

Thomas Toth, CFA
Managing Director

August 2020

CONTENTS

New Mexico Retiree Health Care Authority Portfolio
and Performance

Numbers in Context – Economic Review

Asset Allocation Analysis

- Risk Lenses
- Capital Market Assumptions and Modeling
- Asset Allocation Options and Decision Factors
- Strategic and Relative Valuation Considerations

Appendix – Liquidity, Capital Market Assumption
Methodology, Real Assets



BACKGROUND & OVERVIEW

BACKGROUND & OVERVIEW

- The asset allocation decision is the most important decision an investor can make
 - The asset allocation decision drives 90% of return variability among portfolios
- Wilshire recommends revisiting the asset allocation decision every three to five years, or sooner, as market conditions warrant
 - New Mexico Retiree Healthcare last reviewed their asset allocation in mid-2018
 - » Added dedicated exposure to inflation sensitive Real Return investments
 - » Increased exposure to Real Estate and Credit
- This study is being performed as part of a regular asset allocation cycle, which also coincides with considerable market volatility brought on by COVID-19 pandemic
- Worked with Staff to collect appropriate actuarial data and portfolio information

CONSIDERATIONS

- Board acknowledges that the asset allocation decision should be long-term focused
 - Diversification and illiquidity premium are expected to benefit the portfolio over the long-term
 - Implementation is particularly important in less liquid asset classes
- Focus of the 2020 asset allocation review
 - Re-examine current targets in light of Wilshire's evolving asset class expectations
 - Consider adjusting allocations to account for shifting economic environment
 - Portfolio utilizes full set of asset classes, so no additional asset classes were introduced in this asset allocation study

RETIREE HEALTH CARE AUTHORITY

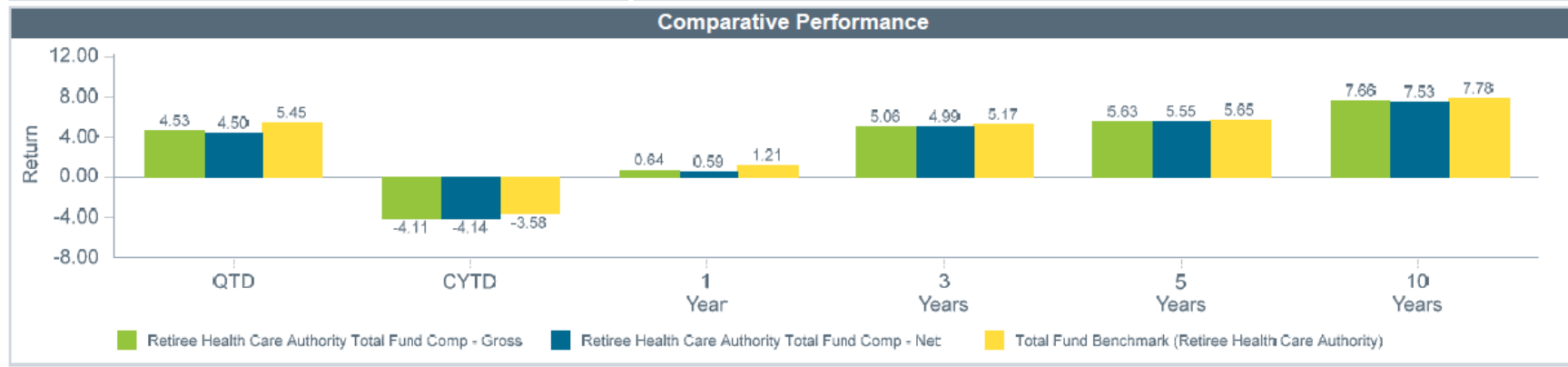
New Mexico State Investment Council

As of June 30, 2020

Retiree Health Care Authority Total Fund Comp

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

Asset Allocation vs. Target Allocation				
	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)
Large Cap US Equity Index	112,486,969	14.47	14.00	0.47
Small/Mid Cap US Equity Active	13,455,490	1.73	2.00	-0.27
Non-US Developed Markets Index	99,502,394	12.80	14.00	-1.20
Non-US Emerging Markets Index	73,372,486	9.44	10.00	-0.56
US Core Bonds	174,843,464	22.49	20.00	2.49
Credit & Structured Finance	108,500,961	13.96	15.00	-1.04
Private Equity	83,974,340	10.80	10.00	0.80
Real Estate	77,853,149	10.02	10.00	0.02
Real Return	33,338,775	4.29	5.00	-0.71
Total Fund	777,328,026	100.00	100.00	0.00



Comparative Performance									
	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	2019	2018	2017
Retiree Health Care Authority Total Fund Comp - Gross	4.53	-4.11	0.64	5.06	5.63	7.66	13.27	-1.24	17.44
Total Fund Benchmark (Retiree Health Care Authority)	5.45	-3.58	1.21	5.17	5.65	7.78	14.25	-2.04	16.94
Difference	-0.92	-0.53	-0.57	-0.11	-0.02	-0.12	-0.98	0.80	0.50
Retiree Health Care Authority Total Fund Comp - Net	4.50	-4.14	0.59	4.99	5.55	7.53	13.21	-1.32	17.35
Total Fund Benchmark (Retiree Health Care Authority)	5.45	-3.58	1.21	5.17	5.65	7.78	14.25	-2.04	16.94
Difference	-0.95	-0.56	-0.62	-0.18	-0.10	-0.25	-1.04	0.72	0.41

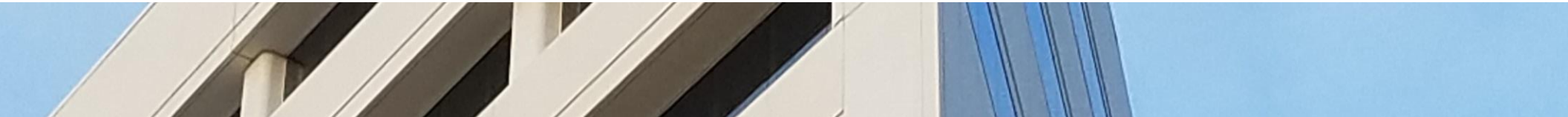
Schedule of Investable Assets					
Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	780,225,287	28,999,043	-31,896,304	777,328,026	-4.14

INVESTMENT OPTIONS AND FEES

New Mexico State Investment Council Client Investment Pools				
Market Cap/Style	Management	Benchmark	Estimated Annual Management Fee	Underlying Investment Managers
Large Cap US Stocks	Active	Russell 1000 Index	0.33%	Brown Brothers, T.Rowe Price
Large Cap US Stocks Index	Passive	Russell 1000 Index	0.01%	Northern Trust
Small/Mid Cap US Stocks	Active	US Small/Mid Cap Equity Custom Index	0.48%	Donald Smith, BlackRock
Small/Mid Cap US Stocks	Passive	S&P Small Cap 600 Index (Cap Weighted)	0.04%	Northern Trust
International Developed	Active	MSCI EAFE Index	0.46%	LSV, T.Rowe Price, Neuberger Berman, MFS, Templeton
International Developed Index	Passive	MSCI EAFE Index	0.04%	Alliance Bernstein
International Emerging	Active	MSCI Emerging Mkts	0.59%	BlackRock, William Blair
International Emerging Index	Passive	MSCI Emerging Mkts Index	0.11%	Alliance Bernstein
Core Bonds Plus	Active	Bloomberg Universal Bond Index	0.17%	Loomis Sayles, Prudential
Core Bonds	Passive	Bloomber US Agg Bond Index	0.07%	BlackRock, PIMCO
Private Market Pools*				
Private Equity	Active	Cambridge US Equity	1.27%	Various
Credit/Structured Finance	Active	Custom	1.00%	Various
Real Estate	Active	NCREIF ODCE Index	1.08%	Various
Real Return	Active	Custom	1.33%	Various

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

- SIC introduced a new passive small cap option since the last asset allocation study
- Public market pools have generally seen fees come down in the last two years

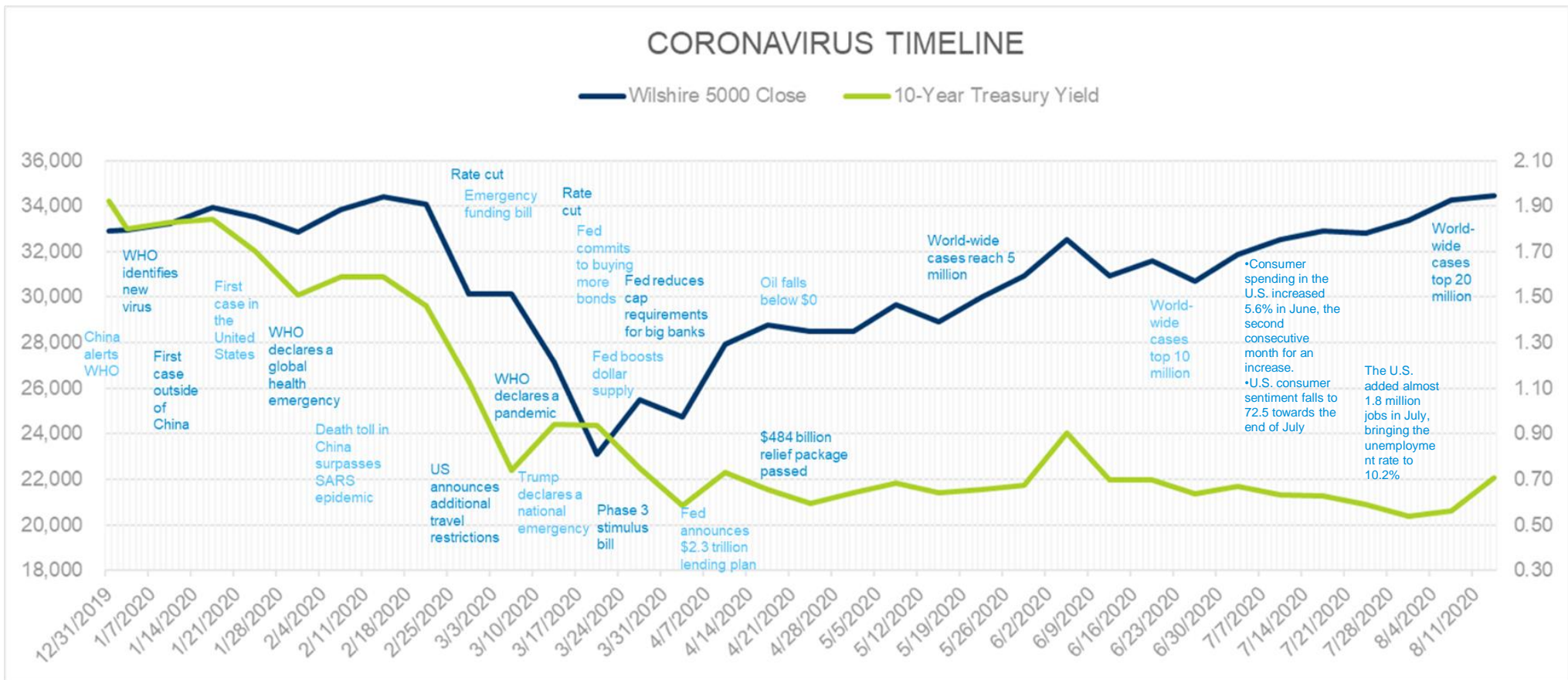


NUMBERS IN CONTEXT

CORONAVIRUS TIMELINE

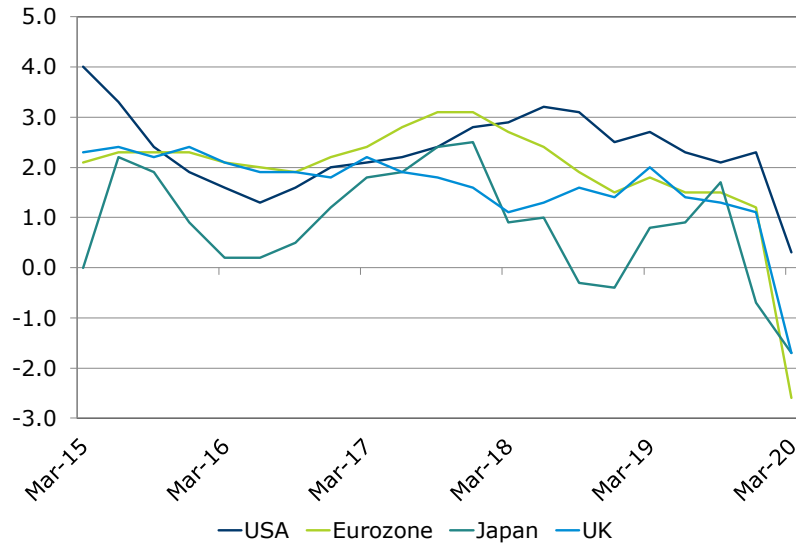
AS OF AUGUST 14

<https://wilshire.com/covid19-timeline>

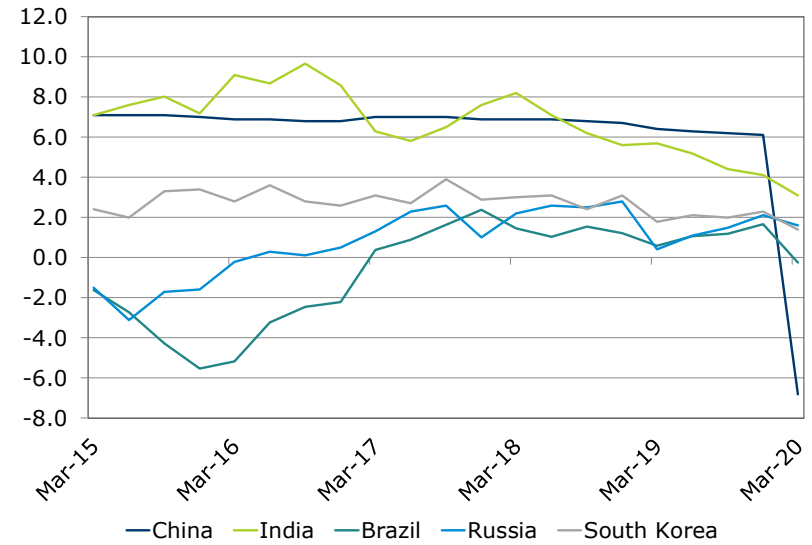


GROWTH AND INFLATION

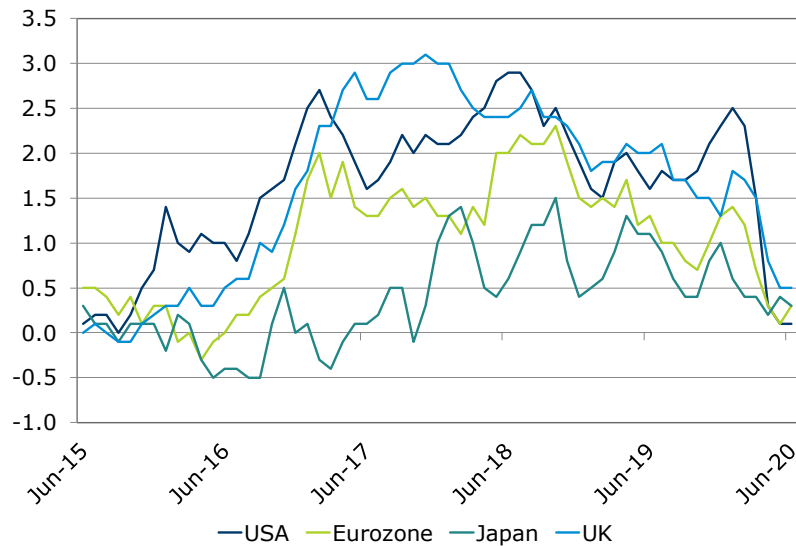
DEVELOPED MARKETS REAL GDP GROWTH YoY (%)



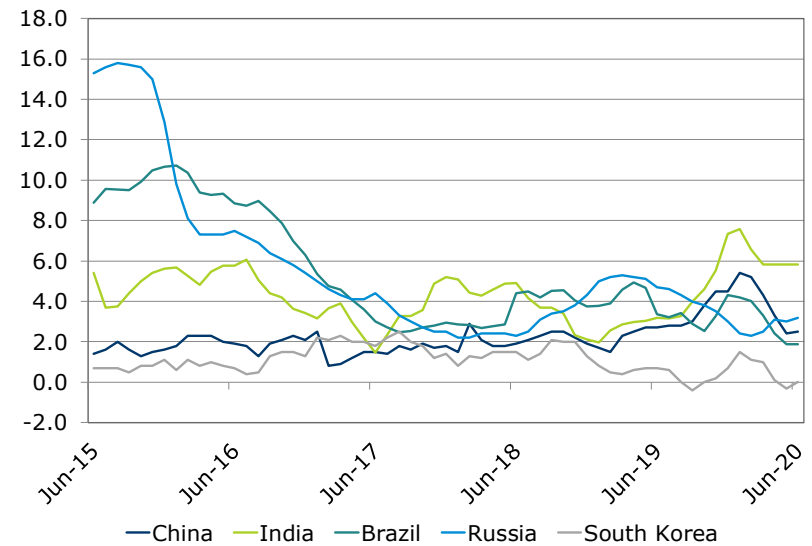
EMERGING MARKETS REAL GDP GROWTH YoY (%)



DEVELOPED MARKETS CPI GROWTH YoY (%)



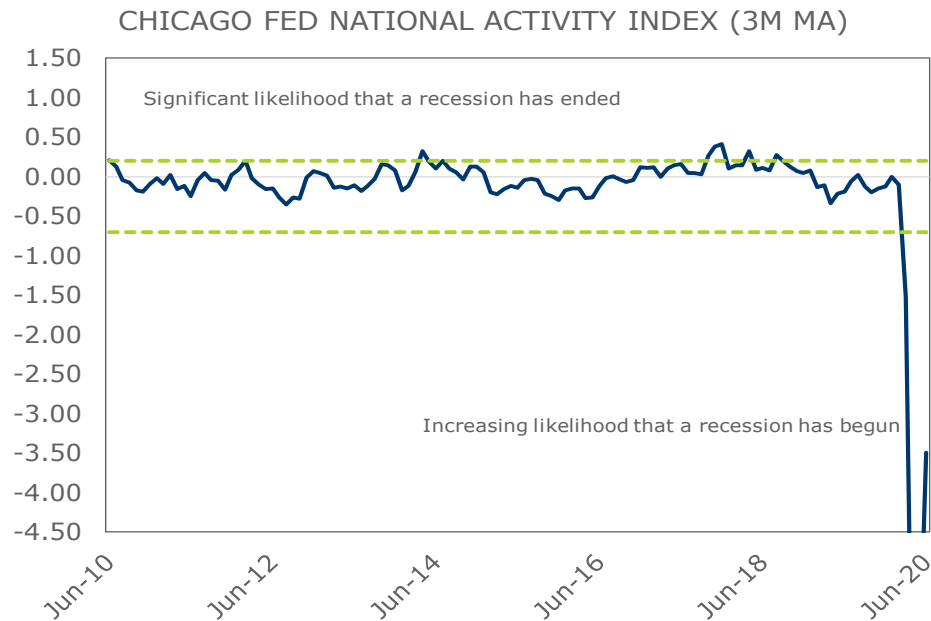
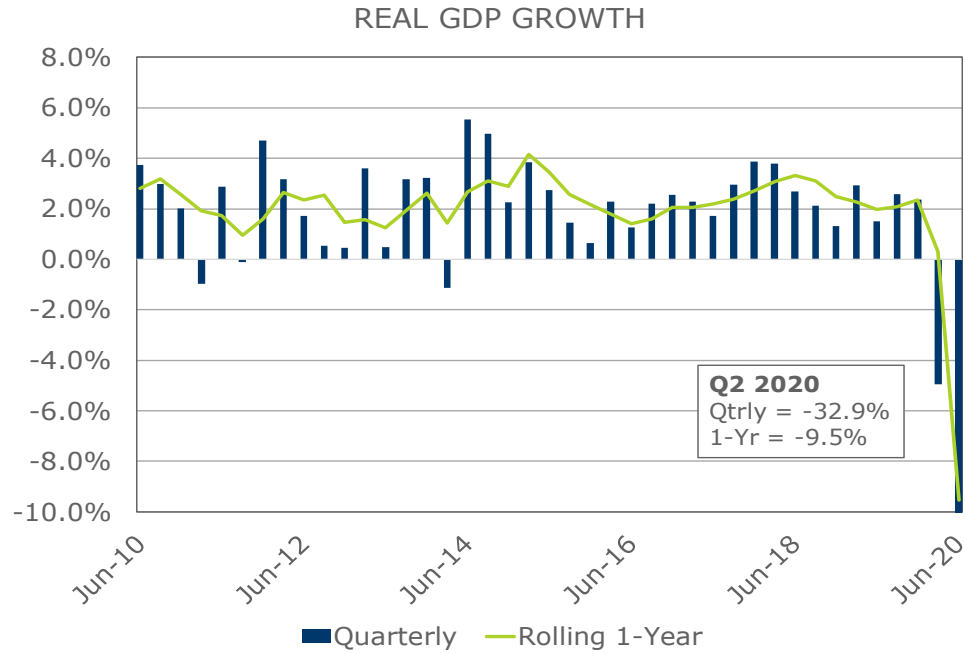
EMERGING MARKETS CPI GROWTH YoY (%)



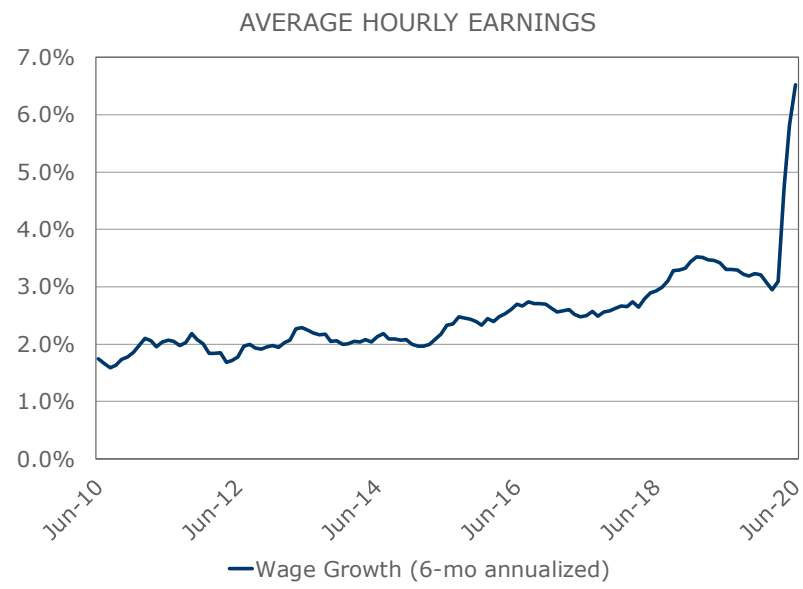
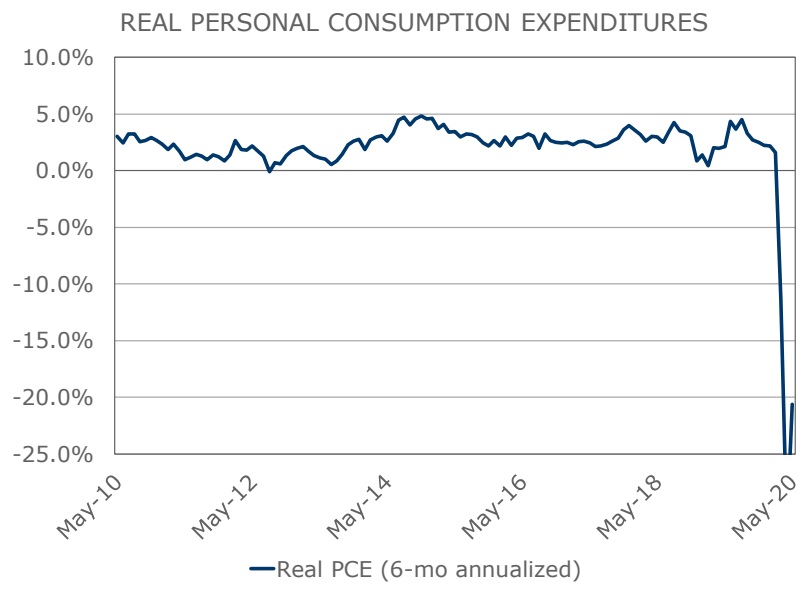
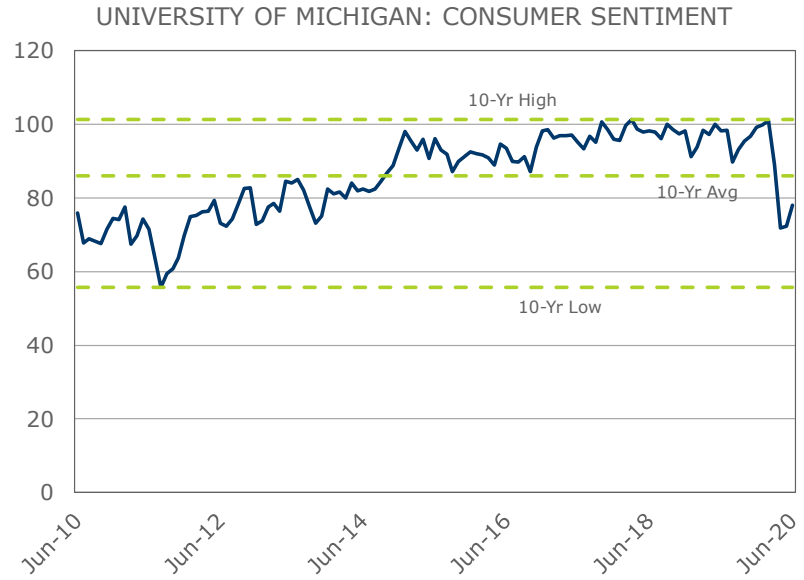
Data sources: Bloomberg

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ECONOMIC GROWTH

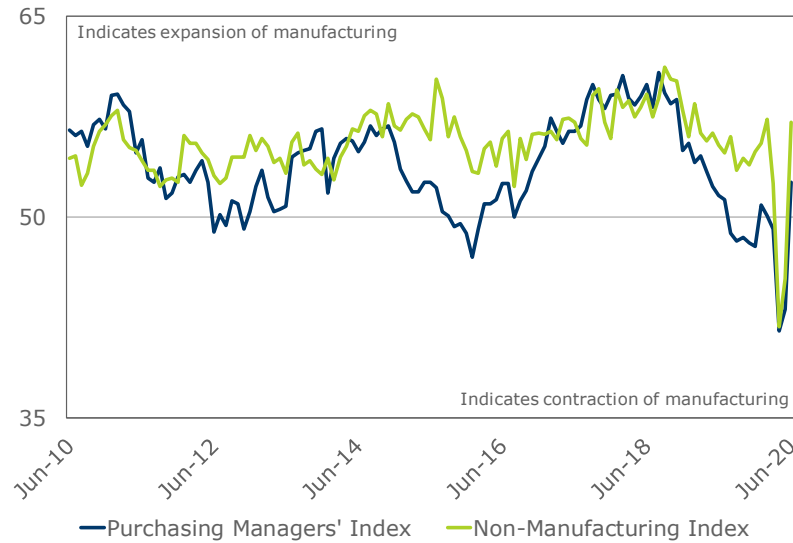


CONSUMER ACTIVITY



BUSINESS ACTIVITY

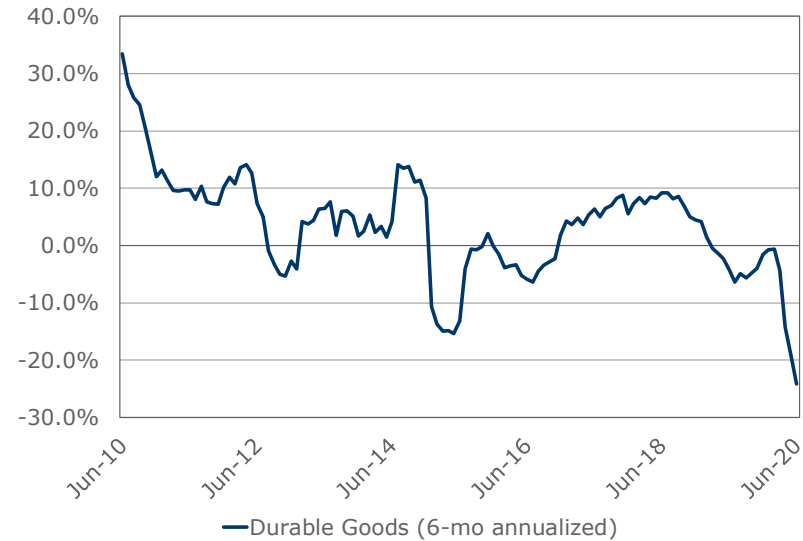
ISM REPORT ON BUSINESS



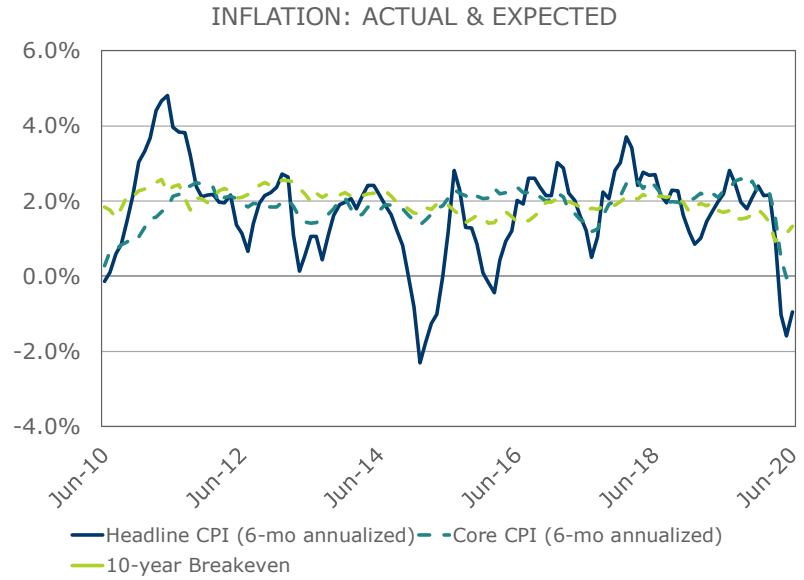
INDUSTRIAL PRODUCTION INDEX



DURABLE GOODS NEW ORDERS



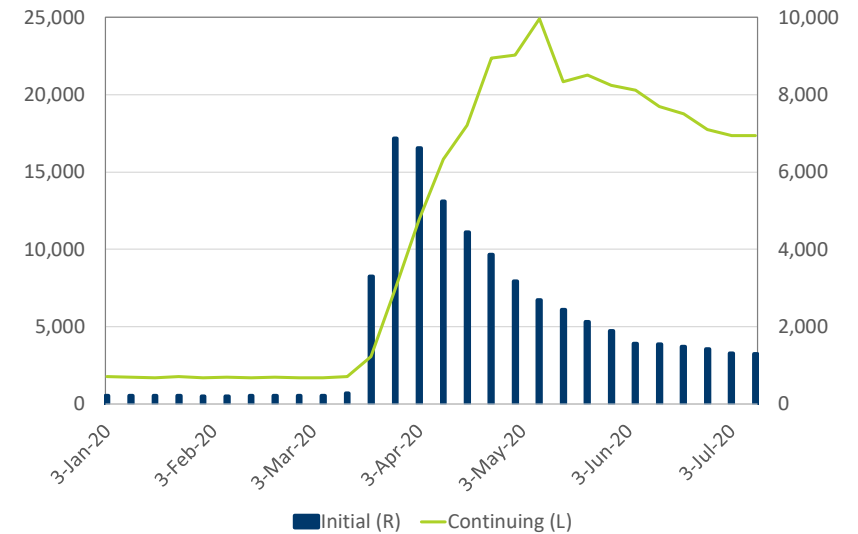
INFLATION AND EMPLOYMENT



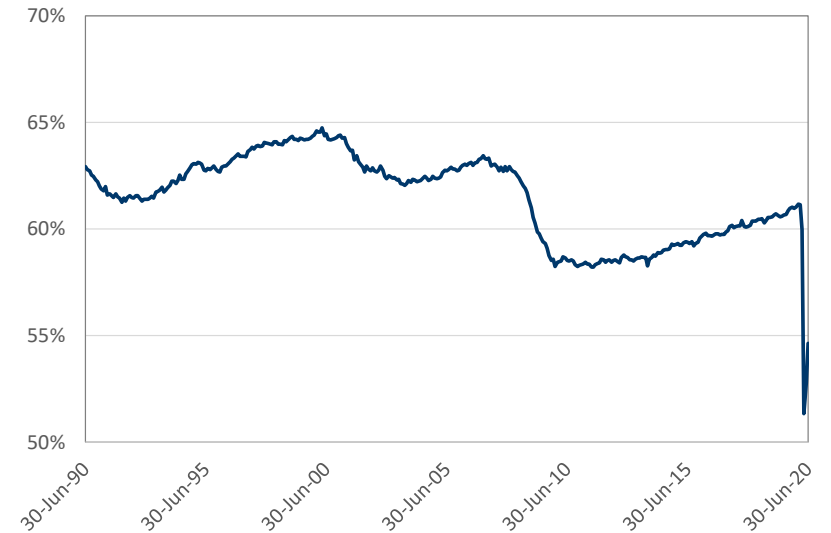
U.S. EMPLOYMENT

- Employment conditions have been volatile this year with massive gains and losses, as seen on the previous page
- Unemployment claims have been declining with continued claims currently at 17 million
- Employment as a percent of the civilian, non-institutional population dropped to nearly 50%
- The ratio has never been that low in the post-WWII history

UNEMPLOYMENT CLAIMS (000)



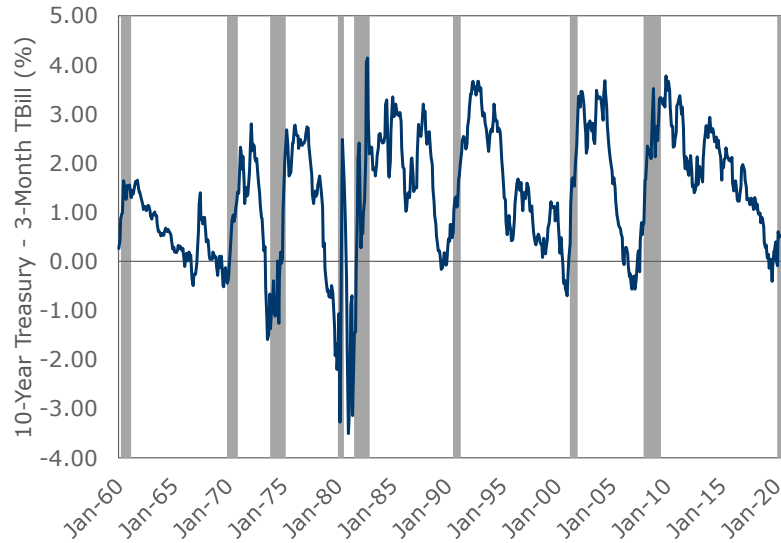
EMPLOYED PERSONS / CIVILIAN POPULATION



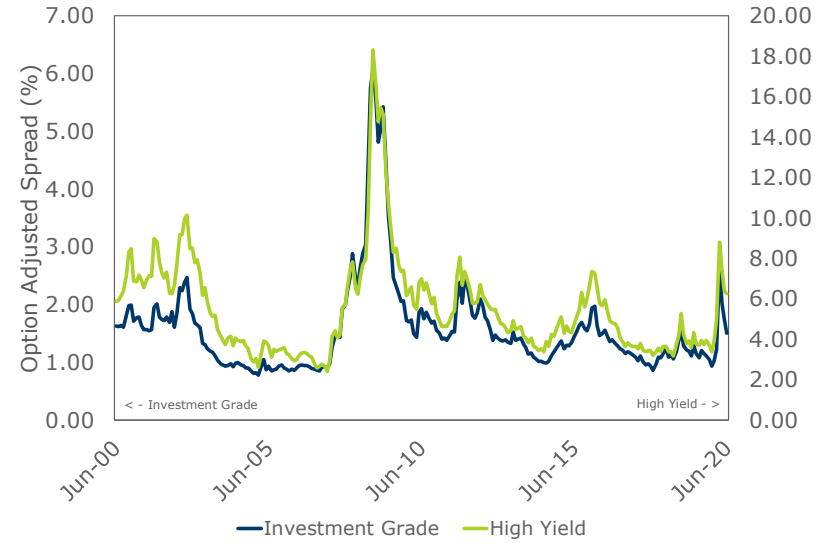
Data sources: Federal Reserve, Bloomberg

RISK MONITOR

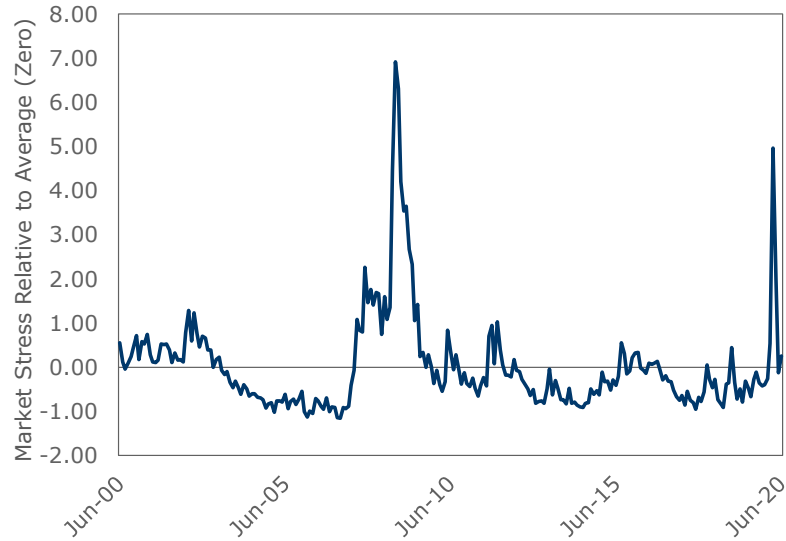
YIELD CURVE SLOPE VS RECESSIONS (IN GRAY)



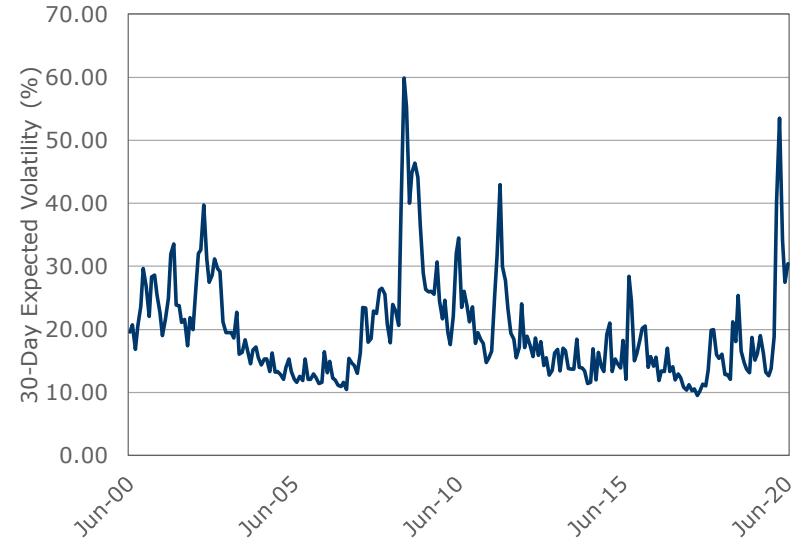
BLOOMBERG BARCLAYS CREDIT INDEXES



ST. LOUIS FED FINANCIAL STRESS INDEX



CBOE VOLATILITY INDEX

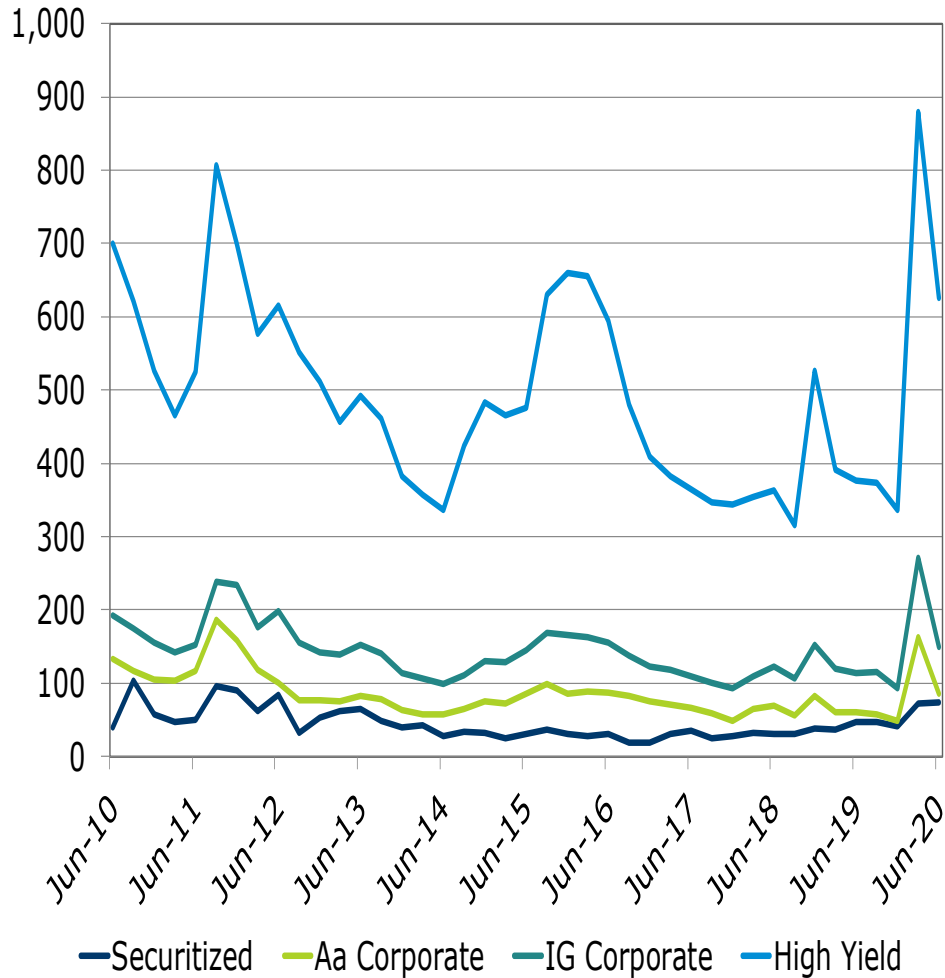


Data sources: Bloomberg

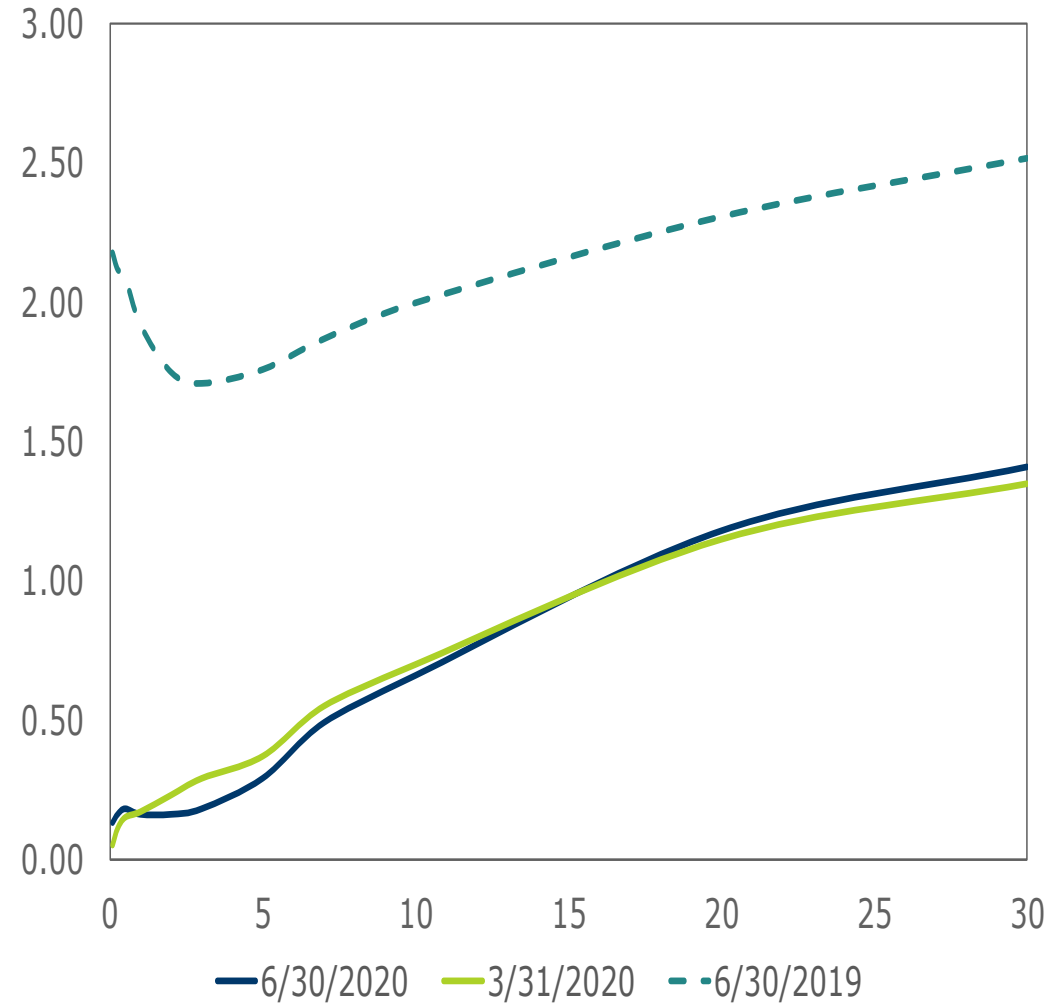
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INTEREST RATE ENVIRONMENT

FIXED INCOME OPTION ADJUSTED SPREAD (BPS)



TREASURY YIELD CURVE (%)

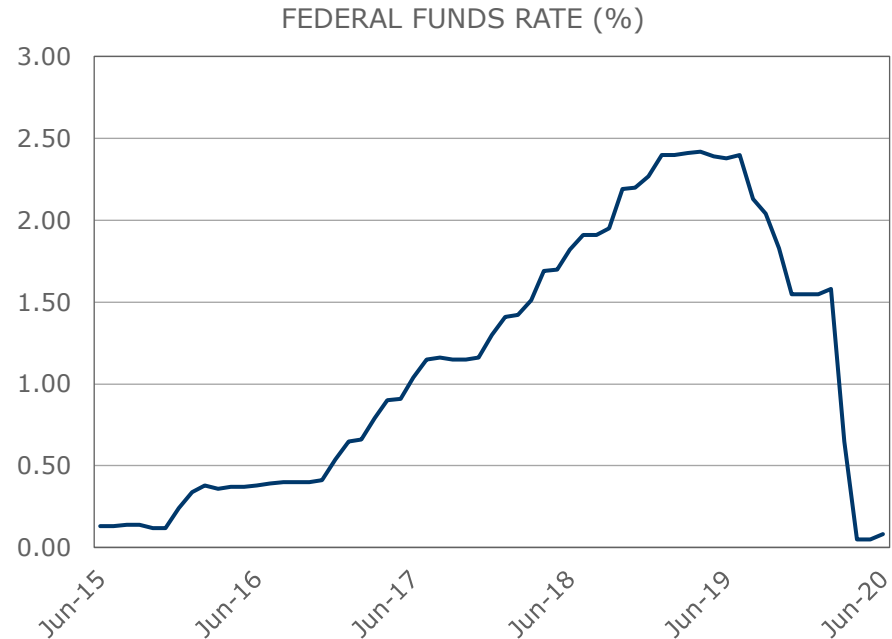


Data sources: Bloomberg

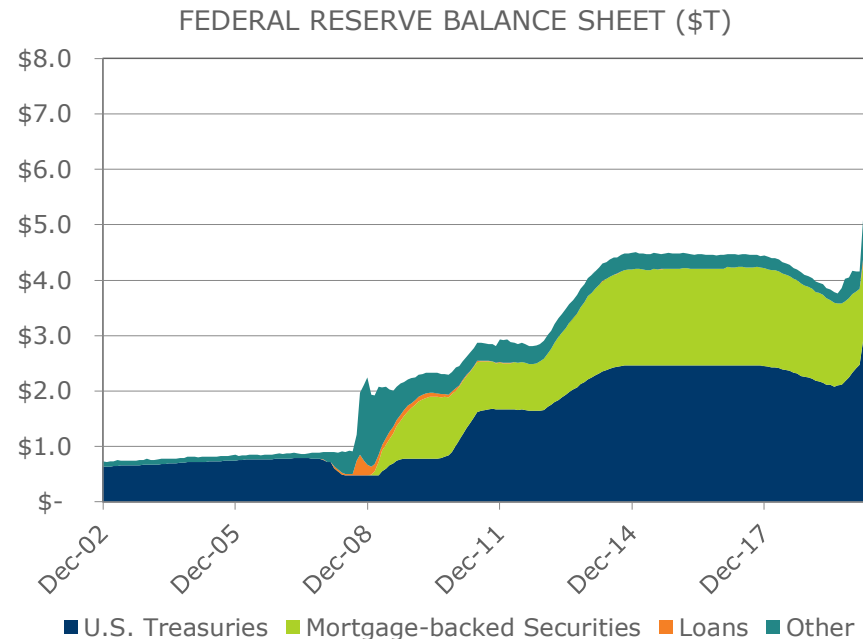
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FEDERAL RESERVE

- Current expectation for the Fed-funds rate is to remain near zero through 2022
- Federal Reserve has added nearly \$3 trillion in assets to their balance sheet just this year
- Unlike after the GFC, the Fed is also buying corporate and municipal bonds in addition to Treasuries and MBS



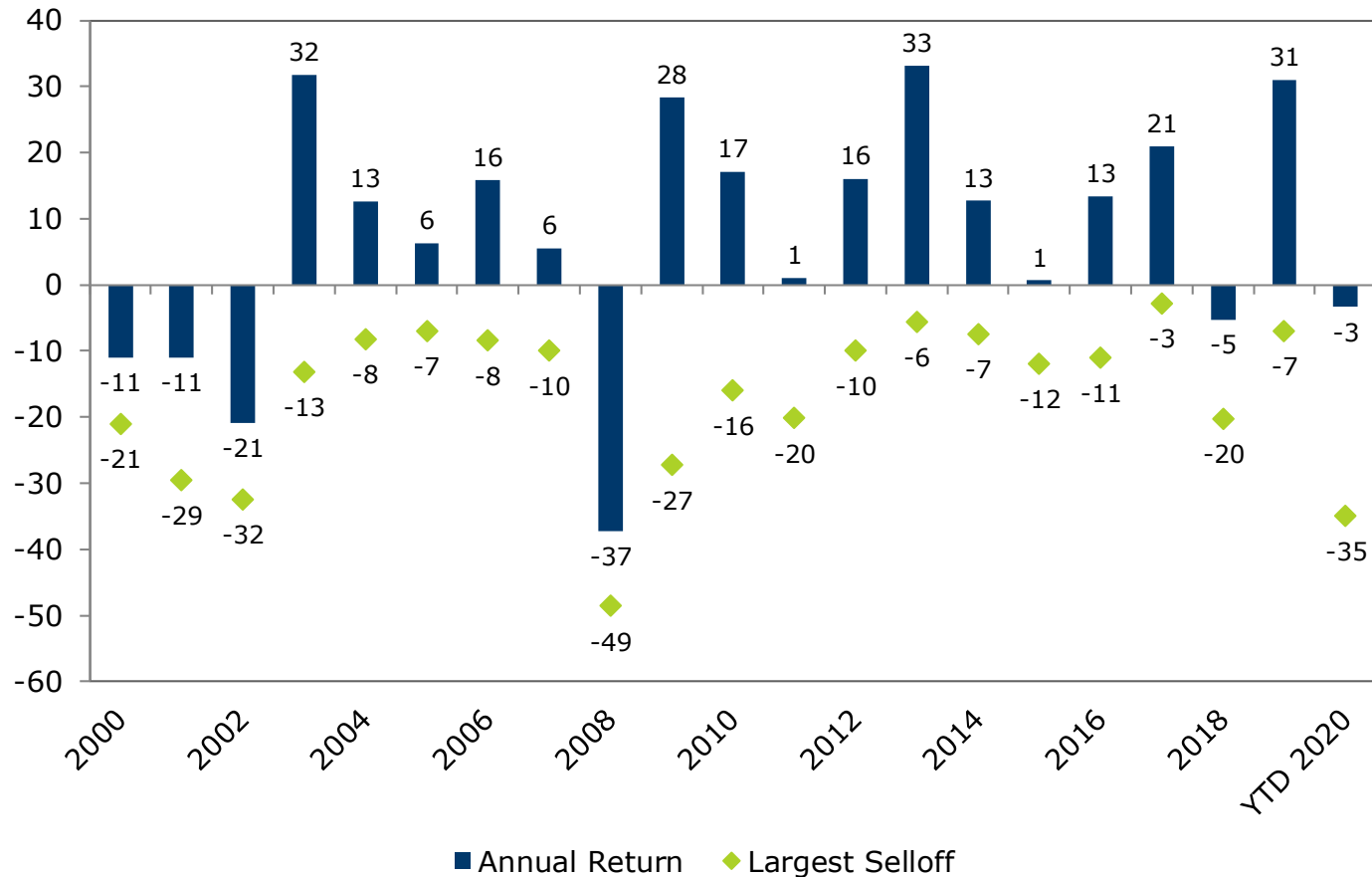
	Announced	Closed	Amount (bil)
QE1	11/25/2008	3/31/2010	\$1,403
QE2	11/3/2010	6/29/2012	\$568
QE3	9/13/2012	10/29/2014	\$1,674
QE4	3/23/2020		\$2,924



ANNUAL RETURNS

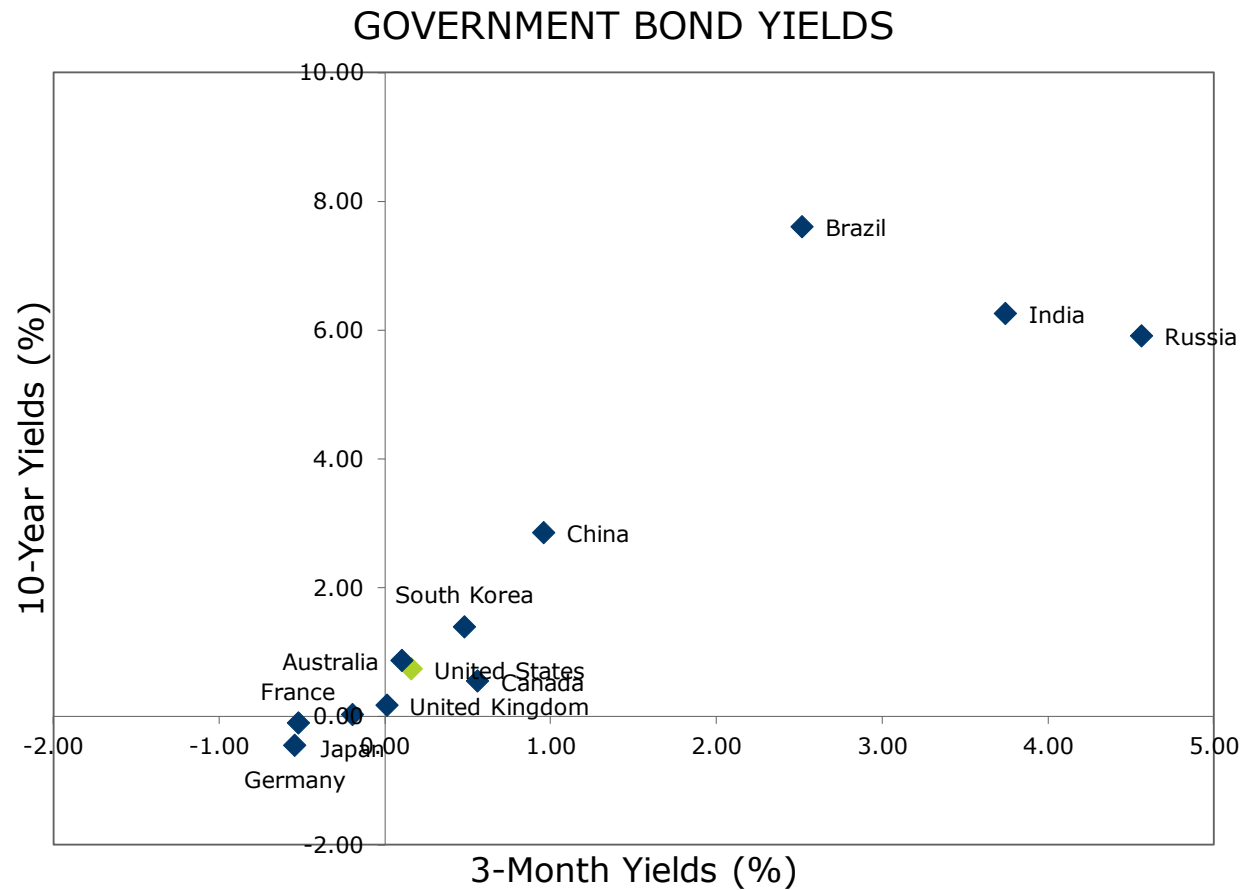
- Coronavirus sell-off began in late February and reached -35% in late March
- Q2 return of 21.9% was the strongest quarterly return in 21 years

WILSHIRE 5000 INDEX
WORST INTRA-PERIOD SELLOFF VS ANNUAL RETURN (%)

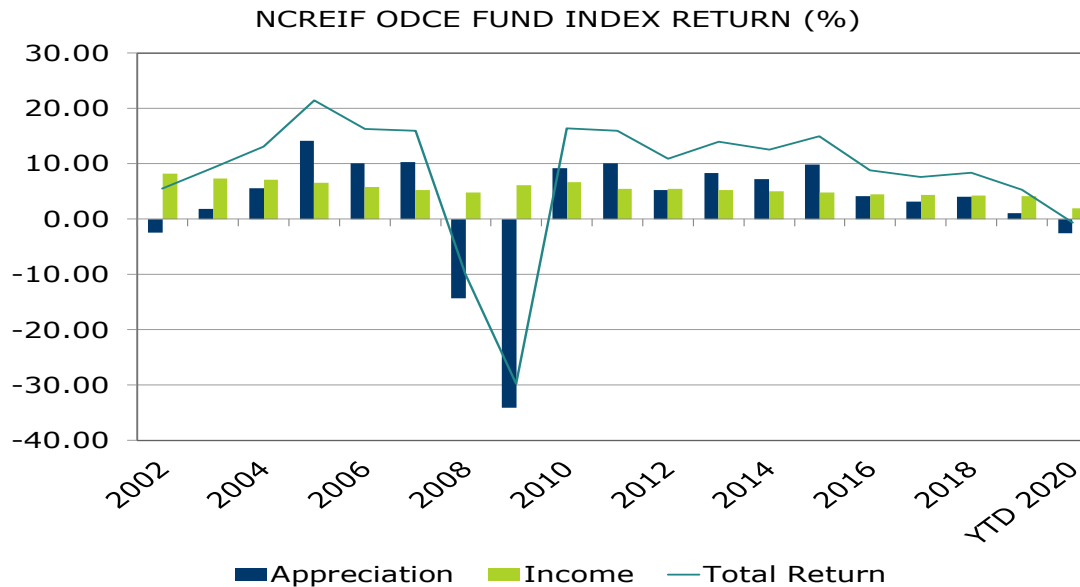
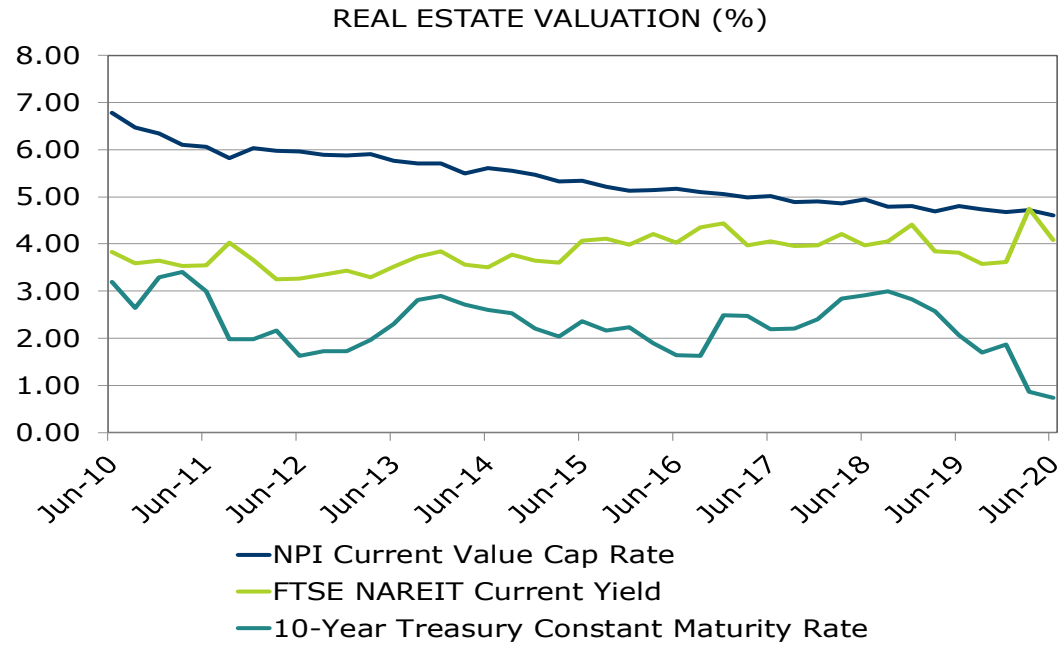


GLOBAL INTEREST RATES

Negative rates found in Germany and France; low but positive rates, and at similar levels, in the U.S. and Australia while the U.K. approaches zero in both the short and long-term



Data sources: Bloomberg



ASSET CLASS PERFORMANCE

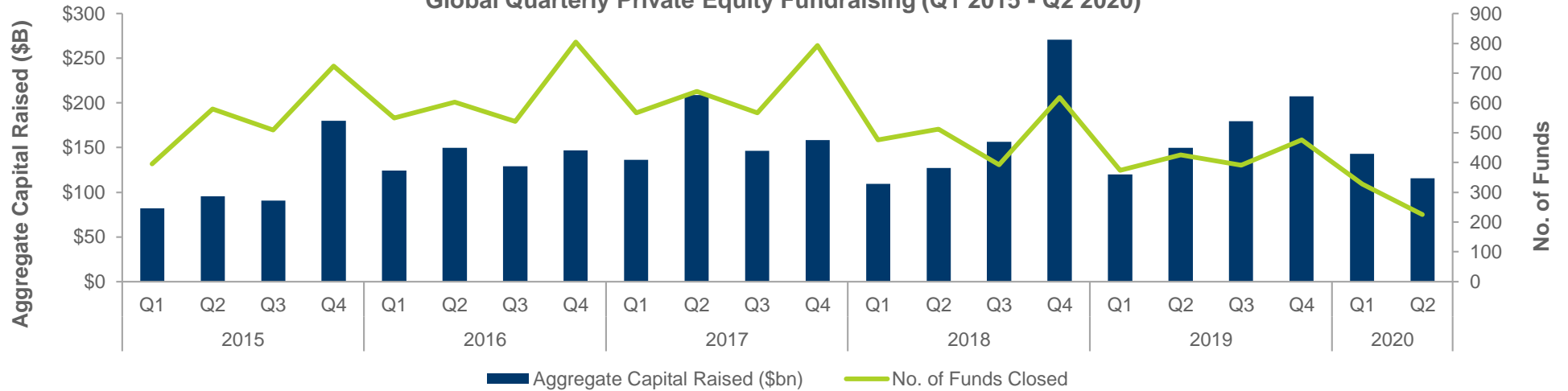
ASSET CLASS RETURNS - BEST TO WORST						ANNUALIZED 5-YEAR AS OF 6/20
2015	2016	2017	2018	2019	2020 YTD	
REITs 4.2%	MLPs 18.3%	Emrg Mrkts 37.7%	T-Bills 1.9%	U.S. Equity 31.0%	Core Bond 6.1%	U.S. Equity 10.3%
U.S. Equity 0.7%	High Yield 17.1%	Developed 25.6%	Core Bond 0.0%	REITs 25.8%	U.S. TIPS 6.0%	High Yield 4.8%
Core Bond 0.6%	U.S. Equity 13.4%	U.S. Equity 21.0%	U.S. TIPS -1.3%	Developed 22.7%	T-Bills 0.7%	Core Bond 4.3%
T-Bills 0.1%	Commodities 11.8%	High Yield 7.5%	High Yield -2.1%	Emrg Mrkts 18.9%	U.S. Equity -3.3%	REITs 4.0%
Developed -0.4%	Emrg Mrkts 11.6%	REITs 4.2%	REITs -4.8%	High Yield 14.3%	High Yield -3.8%	U.S. TIPS 3.7%
U.S. TIPS -1.4%	REITs 7.2%	Core Bond 3.6%	U.S. Equity -5.3%	Core Bond 8.7%	Emrg Mrkts -9.7%	Emrg Mrkts 3.2%
High Yield -4.5%	U.S. TIPS 4.7%	U.S. TIPS 3.0%	Commodities -11.2%	U.S. TIPS 8.4%	Developed -11.1%	Developed 2.5%
Emrg Mrkts -14.6%	Core Bond 2.6%	Commodities 1.7%	MLPs -12.4%	Commodities 7.7%	REITs -17.8%	T-Bills 1.2%
Commodities -24.7%	Developed 1.5%	T-Bills 0.8%	Developed -13.4%	MLPs 6.6%	Commodities -19.4%	Commodities -7.7%
MLPs -32.6%	T-Bills 0.3%	MLPs -6.5%	Emrg Mrkts -14.2%	T-Bills 2.3%	Midstream -29.6%	MLPs -12.9%

Data sources: Bloomberg

Note: Developed asset class is developed equity markets ex-U.S., ex-Canada

PRIVATE EQUITY – FUNDRAISING & INVESTMENT ACTIVITY

Global Quarterly Private Equity Fundraising (Q1 2015 - Q2 2020)



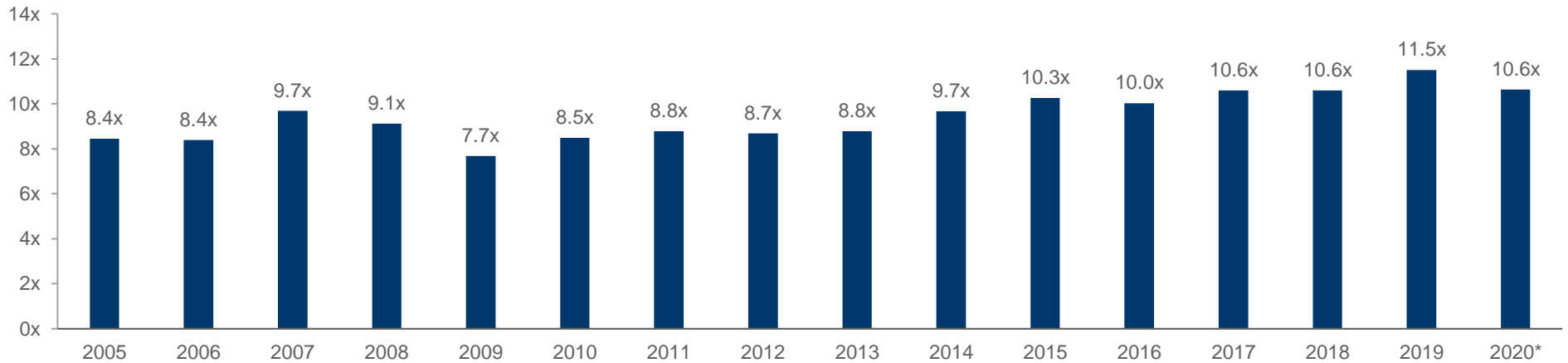
Global Quarterly Private Equity-Backed Buyout Deals (Q1 2015 - Q2 2020)



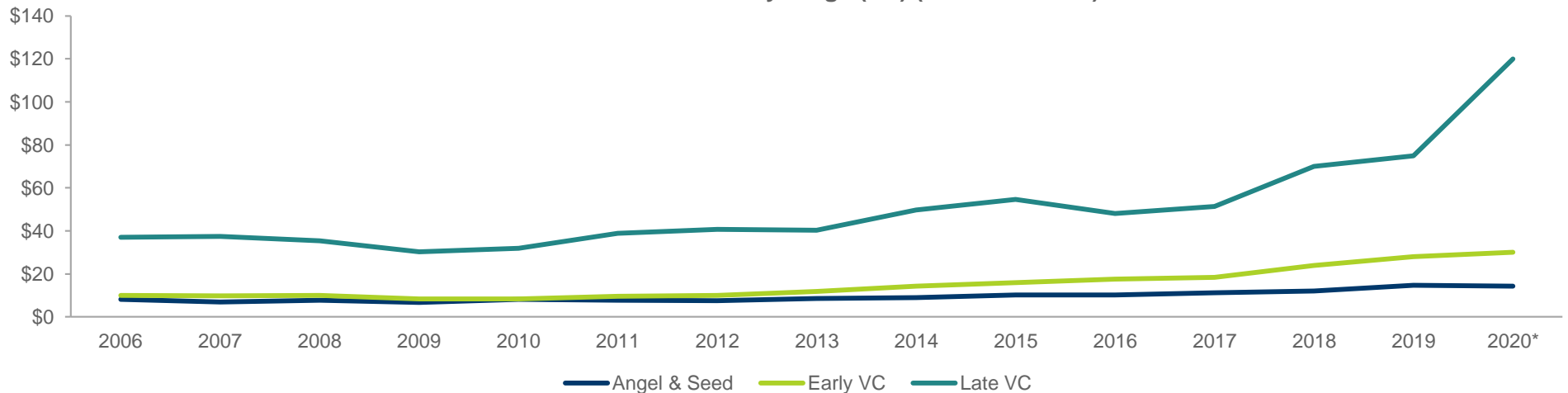
Source: Preqin, as of June 30, 2020.

PRIVATE EQUITY – PRICING & VALUATIONS

LBO Purchase Price Multiples (2005 - Q2 2020)



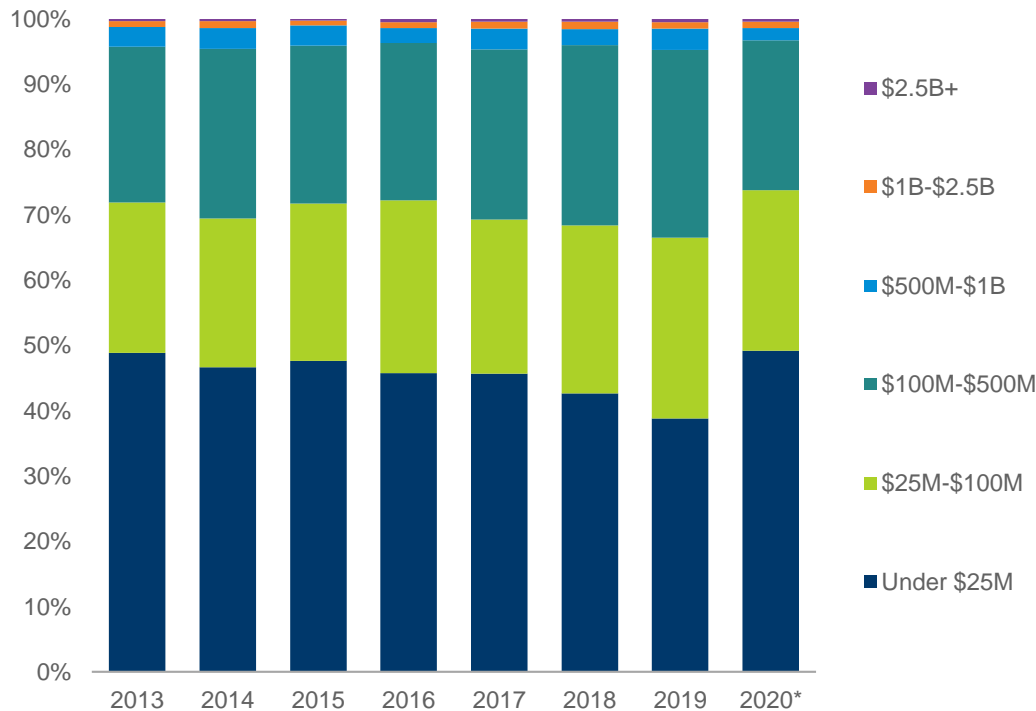
U.S. Median Pre-Value by Stage (\$M) (2006 - Q2 2020)



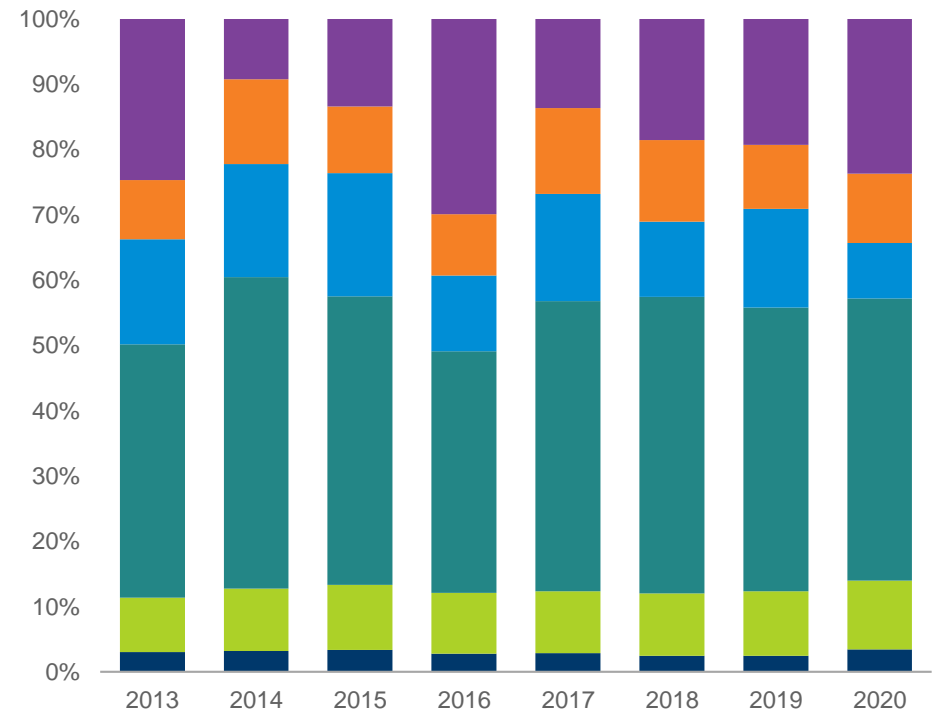
Source: S&P LBO; PitchBook, *as of June 30, 2020.

U.S. INVESTMENT ACTIVITY BY DEAL SIZE

Percentage of Deal Volume by Deal Size (by Count)*



Percentage of Deal Volume by Deal Size (by Dollars)*



- Deal volume continues to be dominated by lower middle market deals with investment sizes below \$100 million through the second quarter of 2020
- However, deals with below \$100 million check sizes comprised only 14% of all deal volume by amount of capital invested in the second quarter of 2020

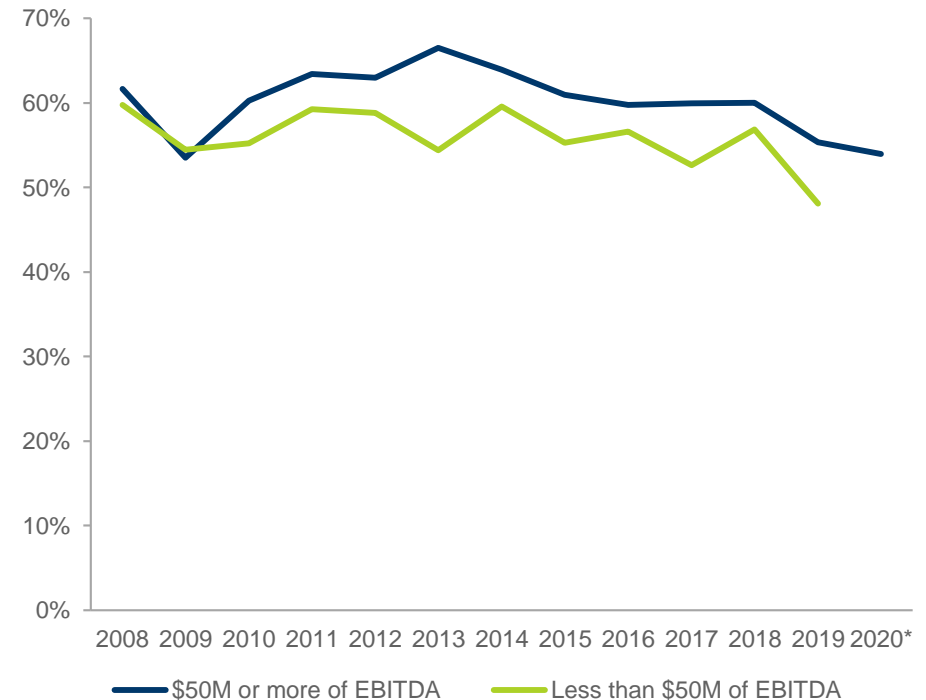
Source: PitchBook, *as of June 30, 2020.

PRIVATE EQUITY - U.S. DEBT MARKETS

Total U.S. LBO Loan Volume (\$B) (2005 - Q2 2020)



Percentage of Debt Used in LBOs (2008 - Q2 2020)

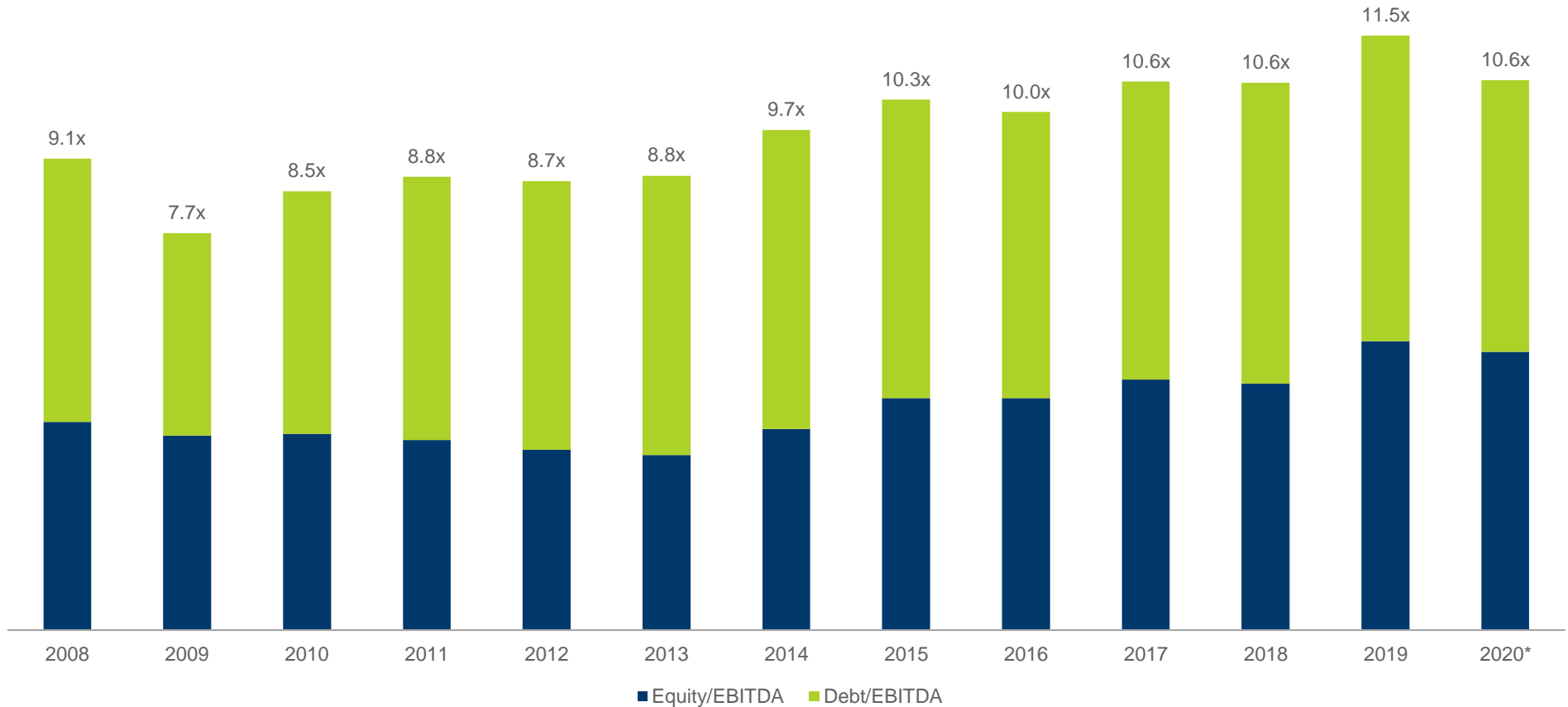


- 2020 has generated approximately \$38 billion in loan volume so far and is on pace to see a slight decrease in loan volume from 2019
- As debt multiples continue to increase, the percentage of debt used to finance leveraged buyouts through the second quarter of 2020 has dropped from 2019 marks

Source: S&P LBO, *as of June 30, 2020. "Less than \$50M of EBITDA" data for 2020 not yet available

PRIVATE EQUITY - U.S. LBO PURCHASE PRICE MULTIPLES

Purchase Price Multiples of U.S. LBO Transactions (2008 - Q2 2020)

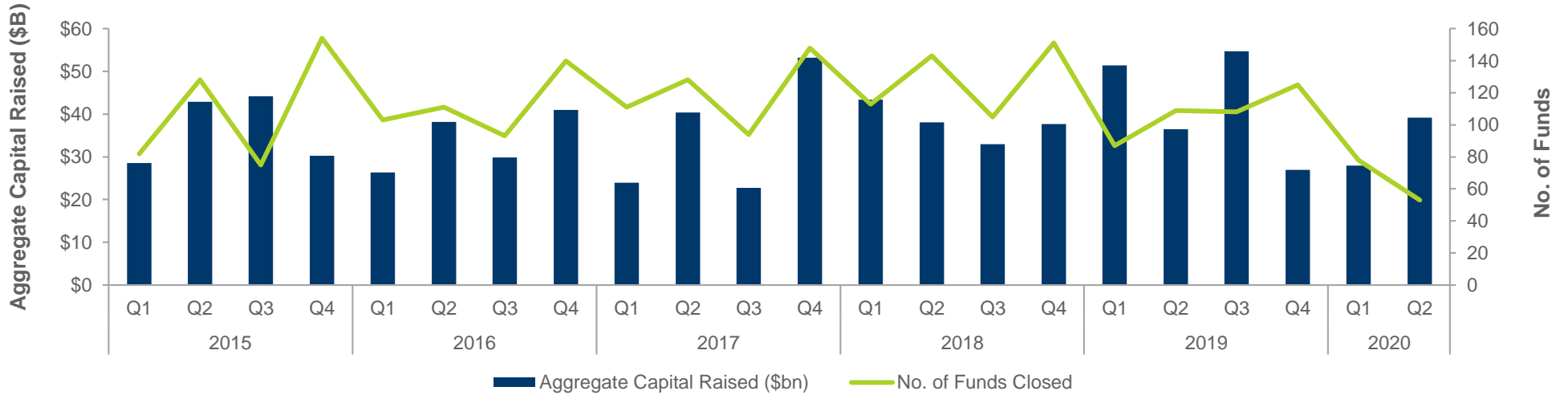


- Purchase price multiples for U.S. LBOs have slightly decreased through Q2 2020, relative to 2019 levels

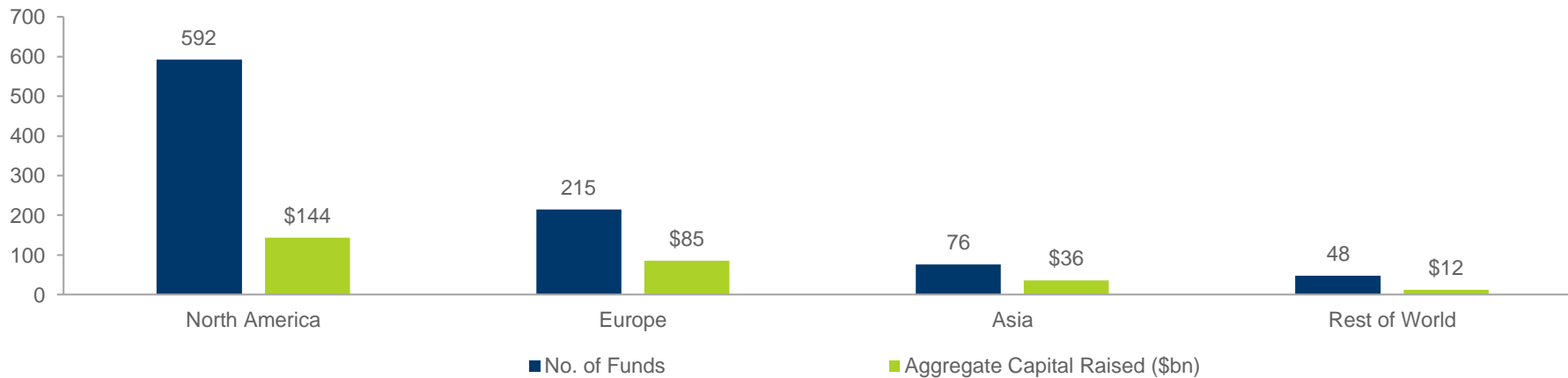
Source: S&P LBO, *as of June 30, 2020.

PRIVATE REAL ESTATE – FUNDRAISING ACTIVITY

Global Quarterly Closed-End Private Real Estate Fundraising (Q1 2015 - Q2 2020)



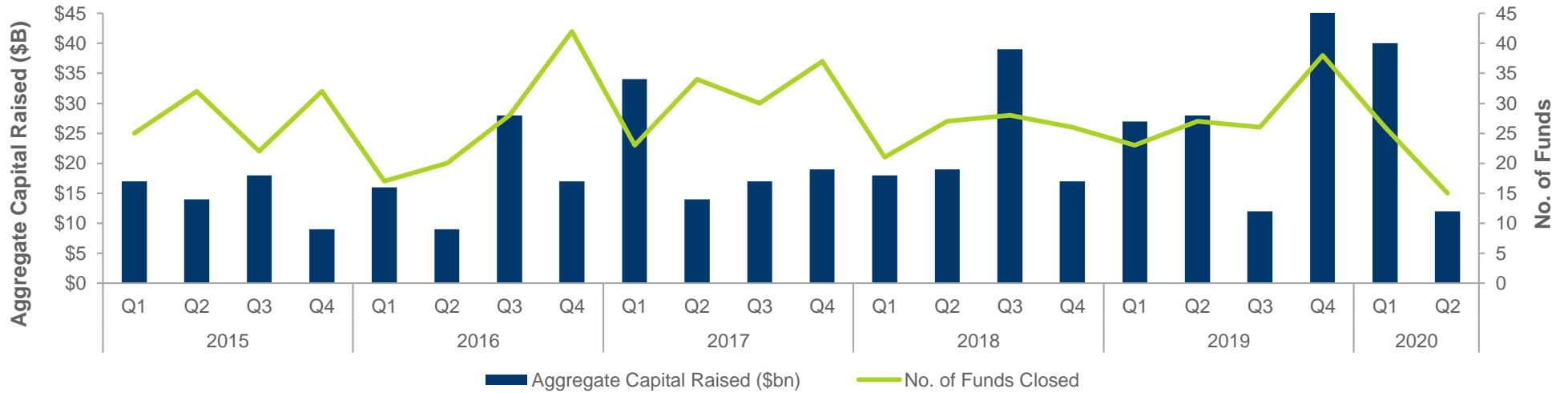
Closed-End Private Real Estate Funds Actively in Market in Q2 2020 by Primary Geographic Focus



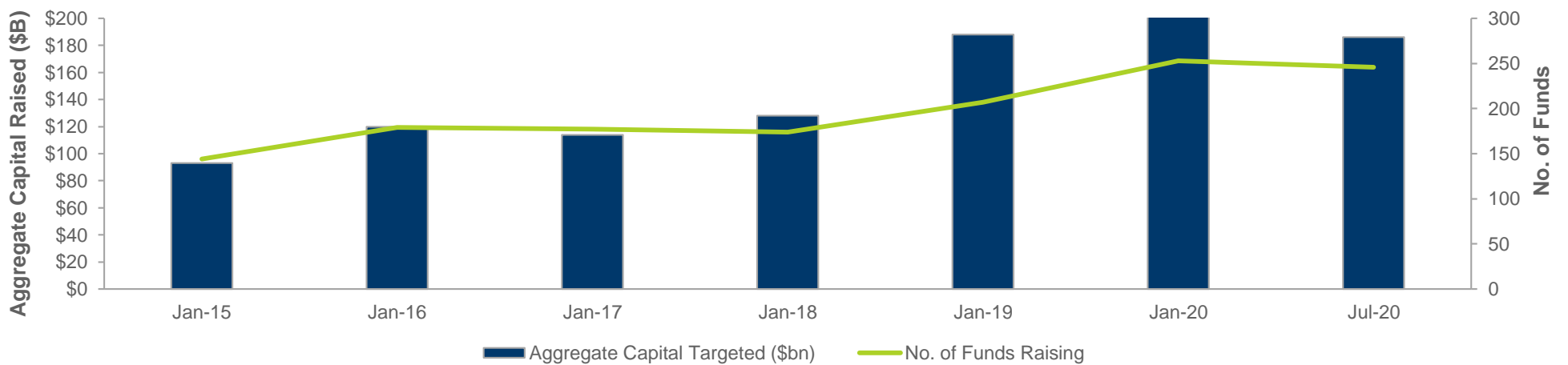
Source: Preqin, as of June 30, 2020.

UNLISTED INFRASTRUCTURE – FUNDRAISING & INVESTMENT ACTIVITY

Global Quarterly Unlisted Infrastructure Fundraising (Q1 2015 - Q2 2020)

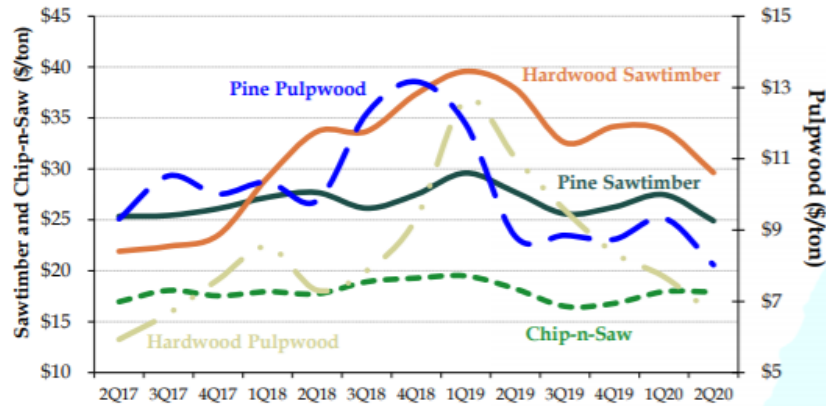


Unlisted Infrastructure Funds in Market over Time (2015 - July 2020)



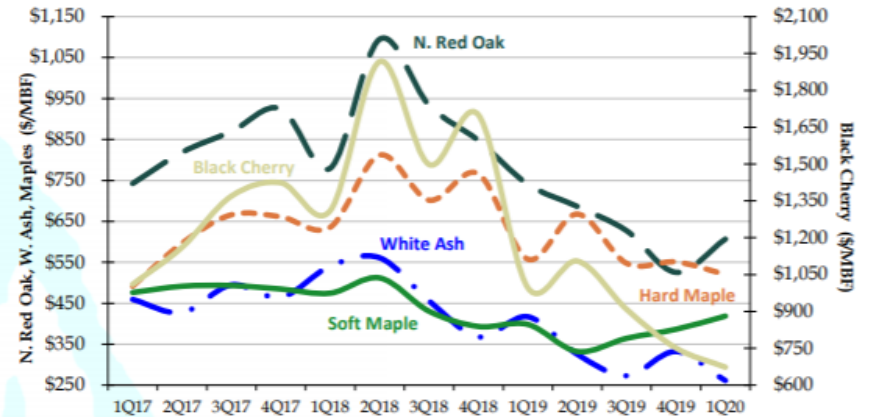
Source: Preqin, as of June 30, 2020.

Southeastern Timber Prices



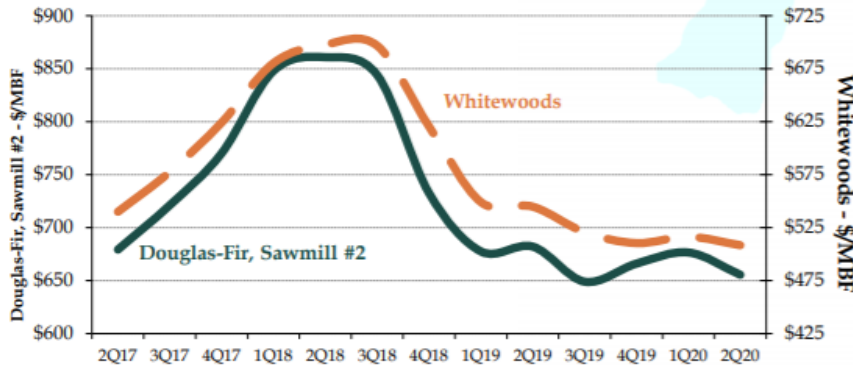
Source: Forest2Market®

Northeastern Hardwood Timber Prices



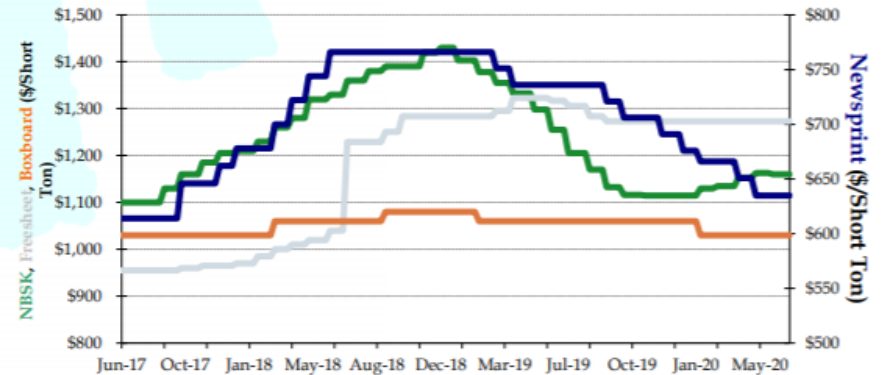
Source: Pennsylvania Woodlands Timber Market Report - Northwest Region

Pacific Northwest Timber Prices



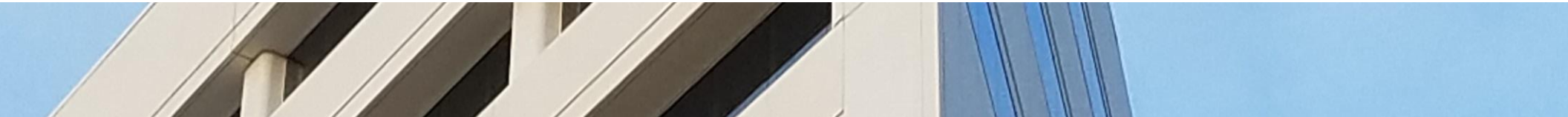
Source: Fastmarkets RISI - Log Lines®

Pulp and Paper



Source: Fastmarkets RISI

Data sources: Forest Investment Associates



ASSET ALLOCATION ANALYSIS

FUNDAMENTAL BELIEFS REGARDING RISK

Our experience has shown repeatedly that effectively managing risks and costs are critical factors in achieving long-term investment objectives.

Understanding Risk Drives the Investment Process

- **Risk should be compensated:** Risk and return go hand-in-hand, but not all risks are rewarded equally. Be extremely selective.
- **Downside and behavioral risks should be managed:** Investors are enamored with potential returns and often underestimate the associated risks. Drawdowns destroy long-term wealth potential. Actively manage risk exposures.
- **Market timing can be dangerous:** "Tactical" investments may create more risk than return...use tactical positioning only when the potential reward is compelling.
- **Costs matter:** In a world of uncertain outcomes, fees and expenses are risks that are known with near-perfect insight and are a hurdle between the portfolio and its objectives. Be an extremely disciplined buyer.
- **The illiquidity risk premium varies and, alone, may be insufficient to justify private investments:** Tailor alternative investment strategies to take advantage of specific markets or managers that offer unique opportunities.

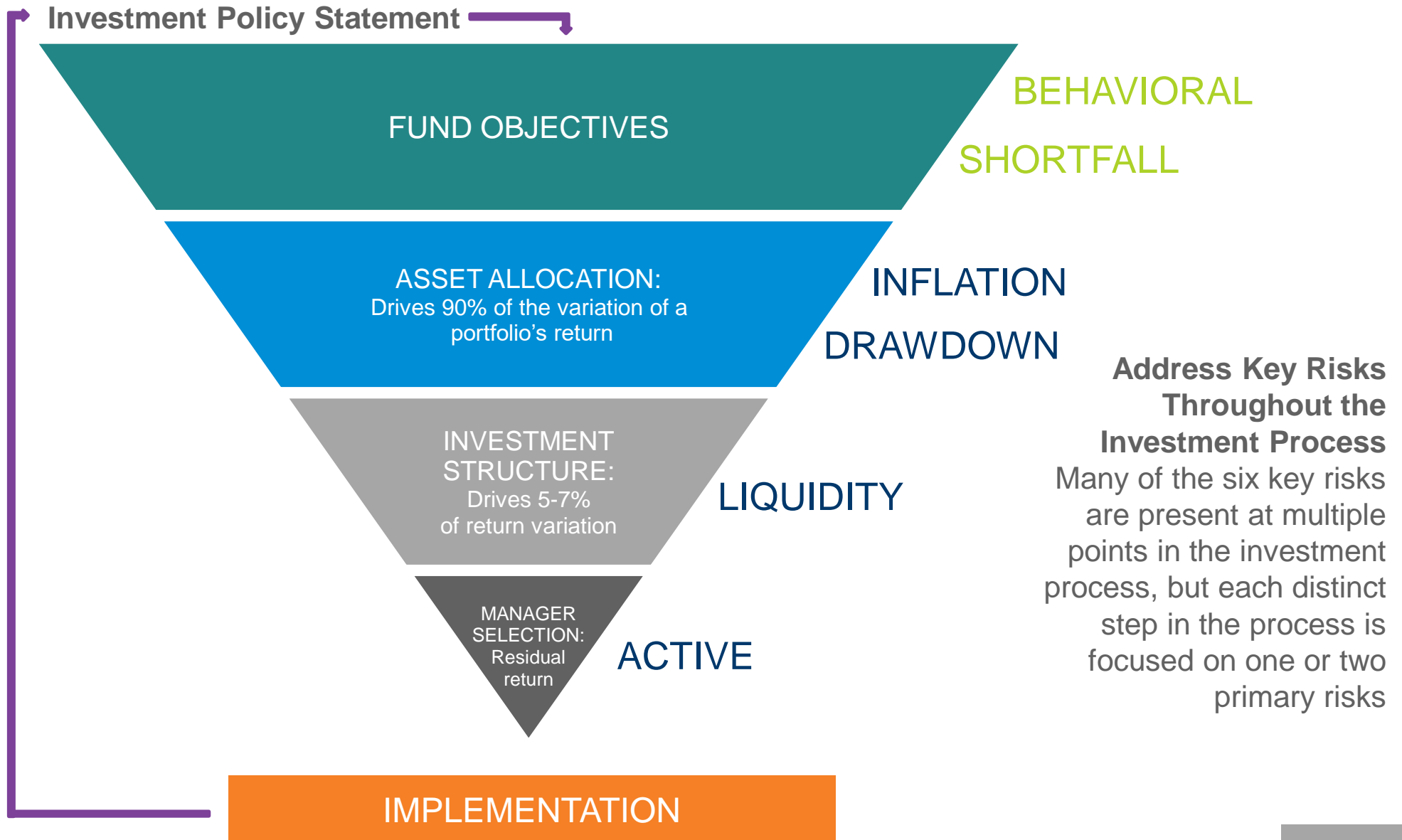
THE WORLD THROUGH RISK LENSES

Finding the optimal balance between mitigating certain risks while profiting from others is the key to long-term success. Risk lenses help to focus the asset allocation process by providing context for modeling results and orienting decisions around organizational goals.

- Drawdown:** The potential for the portfolio to experience a significant decline in value.
- Inflation:** The potential for financial assets to lose purchasing power over time.
- Liquidity:** The potential for an investor to be unable to buy or sell specific assets in the portfolio.
- Active:** The potential for an investment strategy to experience tracking error due to characteristics that differ from those of the market
- Behavioral:** The potential for biased decision making to impede the organization’s ability to reach its investment goals
- Shortfall:** The potential for the portfolio to fail to reach the organization’s objectives.

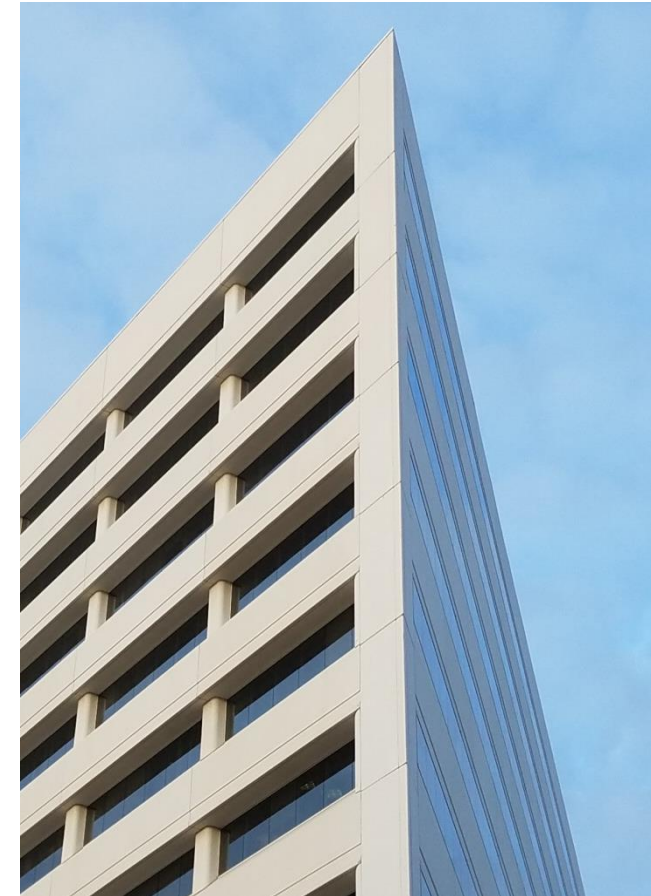


THE WORLD THROUGH RISK LENSES



ASSET ALLOCATION INPUTS

- Forecasting asset class return, risk and correlation assumptions is the first step in the asset allocation process
- Long-term estimates (10+ years)
- Combines historical data with forward-looking analysis
- Assumptions are updated quarterly
 - Methodology for building asset class assumptions included in the appendix



ASSET CLASS EXPECTATIONS



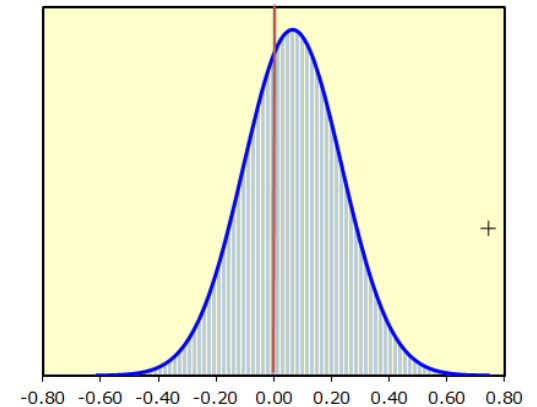
Median Return

- 50% probability that the return will be greater than the expected return.
- 50% probability that it will be less than the expected return.

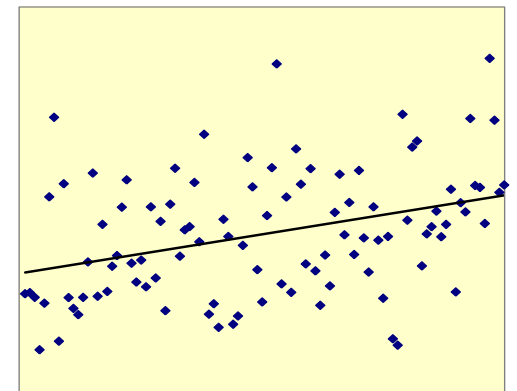
Measures the dispersion of asset class returns around the expected return.

Measures the movement of asset class returns in relation to one another.

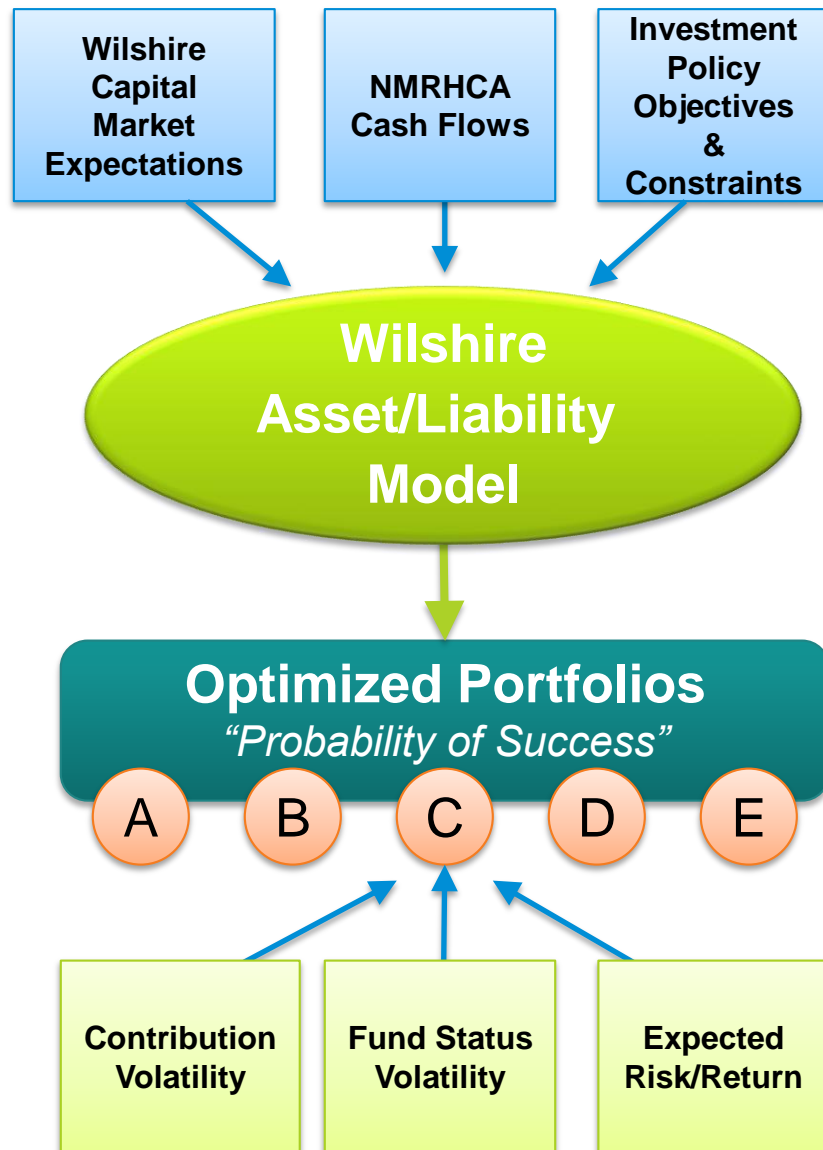
Distribution of U.S. Equity Geometric Return
Median Return = 6.5%, Expected Risk = 17.00%



Correlation = .35



ASSET LIABILITY ANALYSIS MODEL



- Wilshire believes the mission is to fund benefits promised to participants
- The role of asset allocation is to manage risk in order to fulfill that core mission
 - Maximize safety of promised benefits (*Addressed by managing drawdown and liquidity risk*)
 - Minimize cost of funding these benefits (*Addressed by managing inflation and shortfall risk*)
- Wilshire’s Asset Liability model provides methodology for selecting policy portfolio that considers both goals
- Given that short-term volatility is also important, we identify the impact of the asset allocation decision on funded ratios, annual contribution requirements, and other metrics.

SUMMARY ASSUMPTION CHANGES

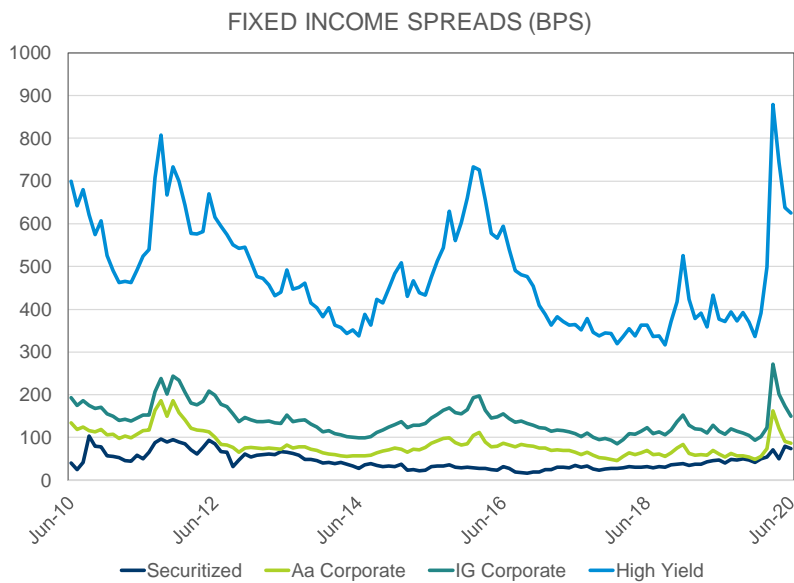
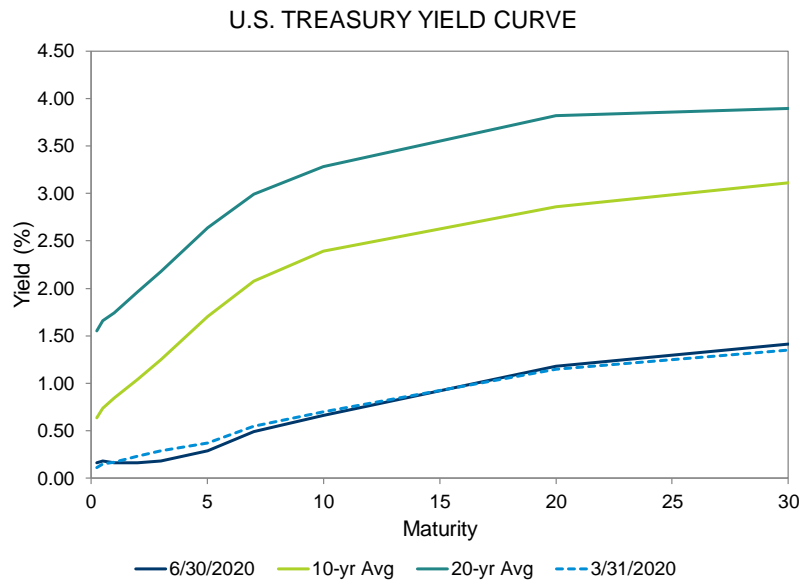
- Although Treasury yields did not fall much in Q2 2020, fixed income returns are down meaningfully YTD
 - Falling yields increases duration
 - Forward curve was up, meaning higher future yields and falling bond prices
 - Credit spreads tightened
- Real asset assumptions are mostly down on lower yields
- Equity forecasts are down after a return of 22% during Q2
- Private equity is down but less than public equity as leverage conditions improved

	TOTAL RETURN (%)			RISK (%)
	MAR 2020	CHANGE	JUNE 2020	
INFLATION	1.15	0.35	1.50	1.75
CASH EQUIVALENTS	0.70	0.05	0.75	1.25
TREASURIES	0.65	-0.30	0.35	5.00
CORE BONDS	1.80	-0.55	1.25	5.15
LT CORE BONDS	2.70	-0.60	2.10	10.00
HIGH YIELD BONDS	5.40	-1.40	4.00	9.85
GLOBAL RE SECURITIES	5.80	-0.50	5.30	15.80
PRIVATE REAL ESTATE	7.00	-0.20	6.80	14.00
U.S. STOCKS	6.75	-0.75	6.00	17.00
DEV. EX-U.S. STOCKS	7.25	-0.75	6.50	18.00
EMERGING MARKET STOCKS	7.25	-0.75	6.50	26.00
PRIVATE EQUITY	8.40	-0.25	8.15	28.00
GLOBAL 60/40 (ACWI/U.S. Core)	5.35	-0.70	4.65	10.85

	RELATIVE RETURN CHANGES (%)		
	MAR 2020	CHANGE	JUNE 2020
CASH - INFLATION	-0.45	-0.30	-0.75
TREASURY - CASH	-0.05	-0.35	-0.40
CORE - TREASURY	1.15	-0.25	0.90
LONG-TERM CORE - CORE	0.90	-0.05	0.85
HIGH YIELD - CORE	3.60	-0.85	2.75
GLOBAL RESI - CORE	4.00	0.05	4.05
U.S. STOCKS - CORE	4.95	-0.20	4.75
PRIVATE EQUITY - U.S. STOCKS	1.65	0.50	2.15
RETURNS MINUS INFLATION			
U.S. STOCKS	5.60	-1.10	4.50
U.S. BONDS	0.65	-0.90	-0.25
CASH EQUIVALENTS	-0.45	-0.30	-0.75

Wilshire Consulting

FIXED INCOME

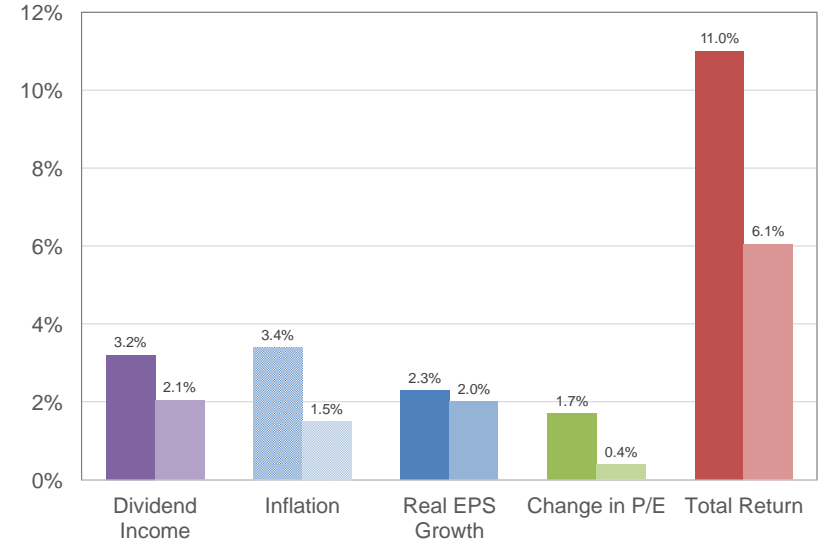


INFLATION & FIXED INCOME		MAR 2020	CHANGE	JUN 2020
INFLATION	10-Year Treasury	0.70	-0.04	0.66
	10-Year Real	<u>-0.17</u>	-0.51	<u>-0.68</u>
	Breakeven	0.87	0.47	1.34
	Wilshire ACA	1.15	0.35	1.50
CASH	91-Day T-Bill	0.08	0.05	0.13
	Yield Forecast in Year 10	1.00	0.25	1.25
	Wilshire ACA	0.70	0.05	0.75
CORE	U.S. Treasury Index	0.58	-0.08	0.50
	Yield Forecast in Year 10	1.65	0.20	1.85
	Wilshire ACA	0.65	-0.30	0.35
SPREAD	U.S. Corporate Spread	2.76	-1.26	1.50
	Spread Forecast in Year 10	1.64	0.00	1.64
	Wilshire ACA	3.25	-1.45	1.80
	Core Bonds ACA	1.80	-0.55	1.25
	High Yield Spread	8.99	-2.45	6.54
DURATION	Long-Term Treasury	1.31	0.01	1.32
	Yield Forecast in Year 10	1.90	0.05	1.95
	Wilshire ACA	1.15	-0.30	0.85
	Long G/C ACA	2.70	-0.60	2.10

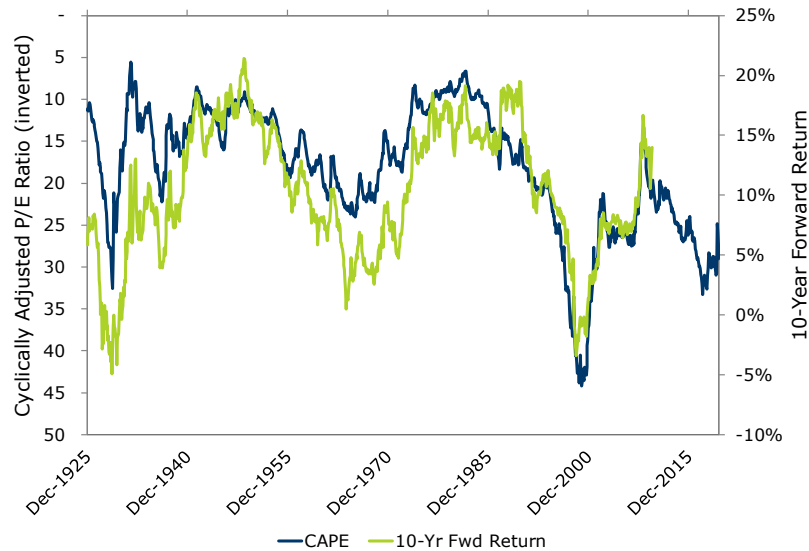
EQUITY MARKETS

EQUITY: PUBLIC & PRIVATE		MAR 2020	CHANGE	JUN 2020
US EQUITY	DDM	6.50	-0.75	5.75
	IGV	7.95	-1.90	6.05
	CAPE	9.00	-2.60	6.40
	Wilshire ACA	6.75	-0.75	6.00
	Global ex-US ACA	7.50	-0.75	6.75
PRIVATE	Cost of Debt - Public	3.05	0.00	3.05
	Cost of Debt - Private	6.25	-0.80	5.45
	Wilshire ACA	8.40	-0.25	8.15

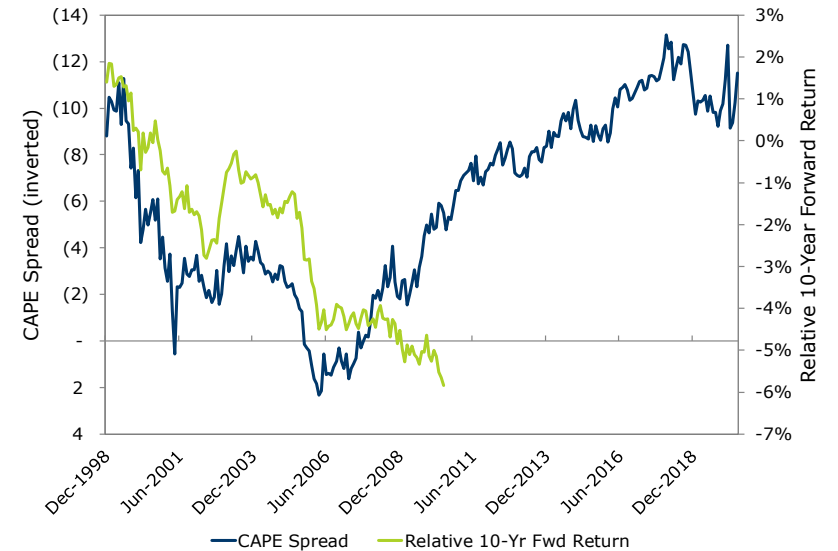
IGV Components: History (since 1951) vs. Forecast



U.S. EQUITY: ADJUSTED P/E RATIO VS FORWARD RETURN



RELATIVE DEV. - U.S. EQUITY: CAPE VS FORWARD RETURN



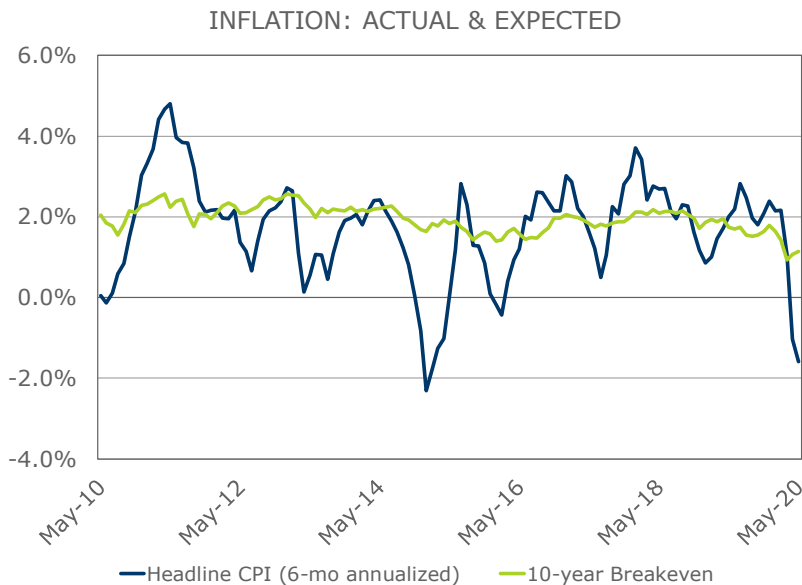
Wilshire Consulting

REAL ASSETS



- Breakeven dipped to 0.5% in mid-March and has been steadily increasing since then
- Assumption of 1.5% is higher than actual BE, but closer than in Q1
- Yields are lower across real assets

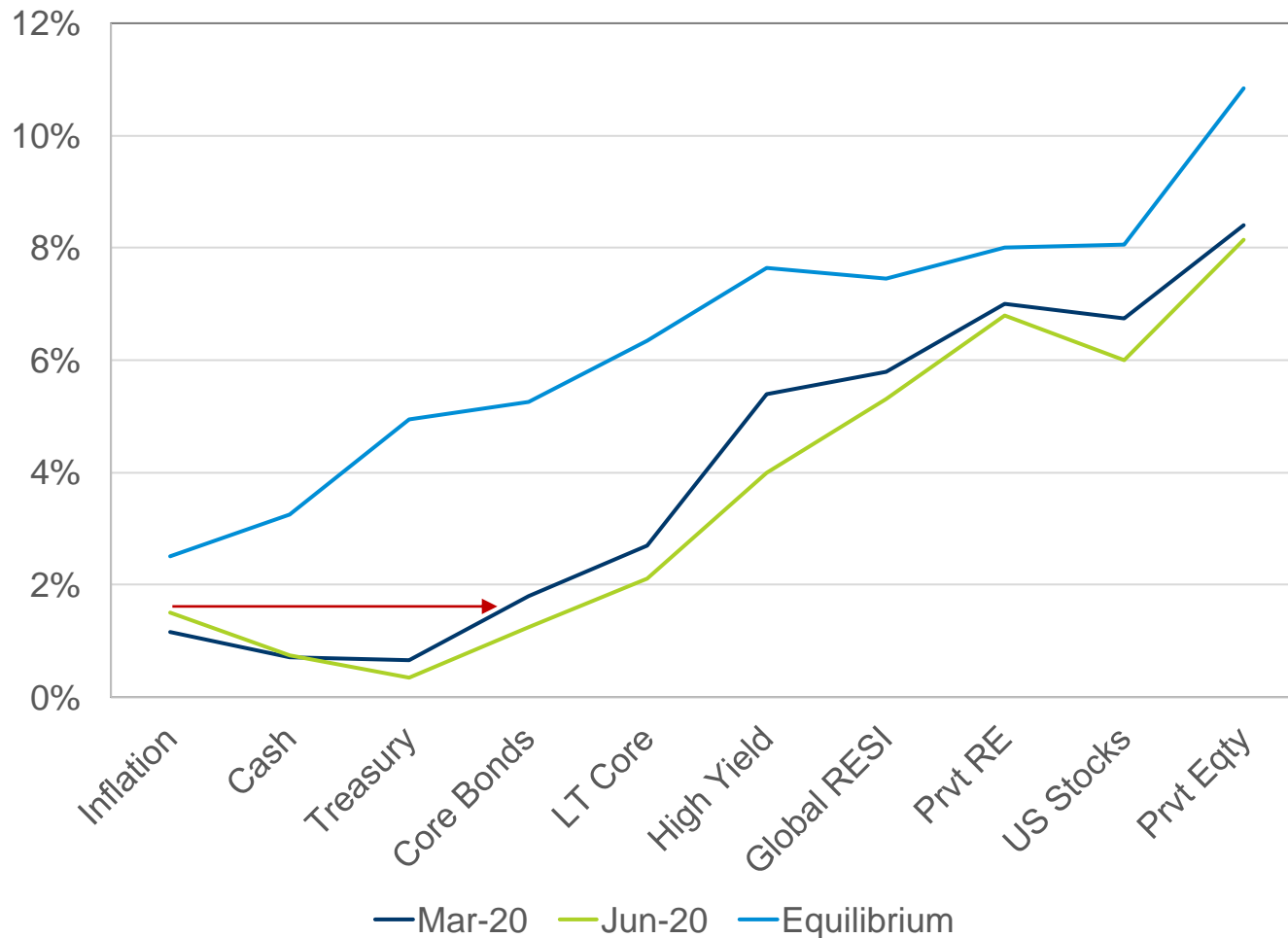
	TOTAL RETURN (%)			RISK (%)
	MAR 2020	CHANGE	JUNE 2020	
U.S. TIPS	0.70	-0.40	0.30	6.00
GLOBAL RE SECURITIES	5.80	-0.50	5.30	15.80
PRIVATE REAL ESTATE	7.00	-0.20	6.80	14.00
COMMODITIES	1.85	0.40	2.25	15.00
INFLATION	1.15	0.35	1.50	1.75



REAL ASSETS		MAR 2020	CHANGE	JUN 2020
LISTED	Inflation Capture	0.86	0.26	1.13
	REIT Yield	4.75	-0.78	3.97
	Midstream Yield	12.36	-2.72	9.64
	Infrastructure Yield	5.13	-1.41	3.72
	Commodities (π + Cash)	1.85	0.40	2.25
PRIVATE	RE Assumed Cap Rate	4.79	-0.42	4.37
	Cost of Debt - Private	3.22	0.08	3.30
	Infrastructure Prm/Dsct	0.38	-0.63	-0.25
	Leverage vs. Real Estate	2.5	0.00	2.5

EQUILIBRIUM ASSUMPTIONS

Current versus Equilibrium Asset Class Assumptions

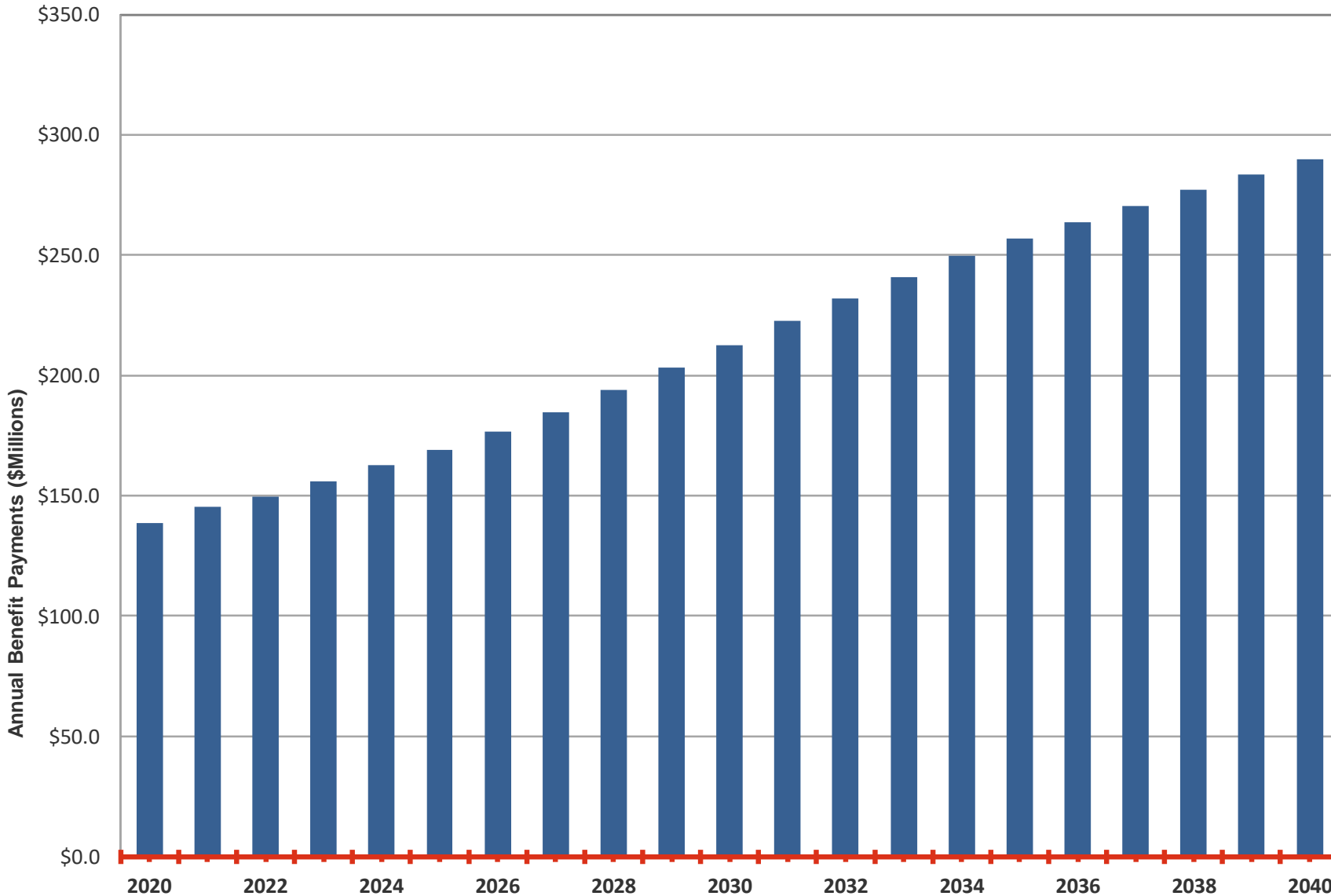


- March and June 2020 assumptions are based on the current market environment and forward looking outlook
- Equilibrium expectations utilize a building block approach with long term historical averages of:
 - Inflation
 - Real interest rates
 - Risk premiums

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
<i>Asset and Liability Data (\$ - Millions)</i>		
1. Plan Fiduciary Net Position	\$756.7	\$778.3
2. Actuarial Accrued Liability (AAL)	<u>3,999.1</u>	<u>4,185.9</u>
3. AAL Funded Ratio (1. / 2.)	18.92%	18.59%
Economic Assumptions		
Discount Rate	7.25%	7.25%

- June 30, 2019 actuarial data was provided in the actuarial valuation reports by the plan actuary.
- June 30, 2020 actuarial data was provided in the actuarial valuation reports by the plan actuary.

PROJECTED BENEFIT PAYMENTS



* Benefit payments provided by plan actuary.

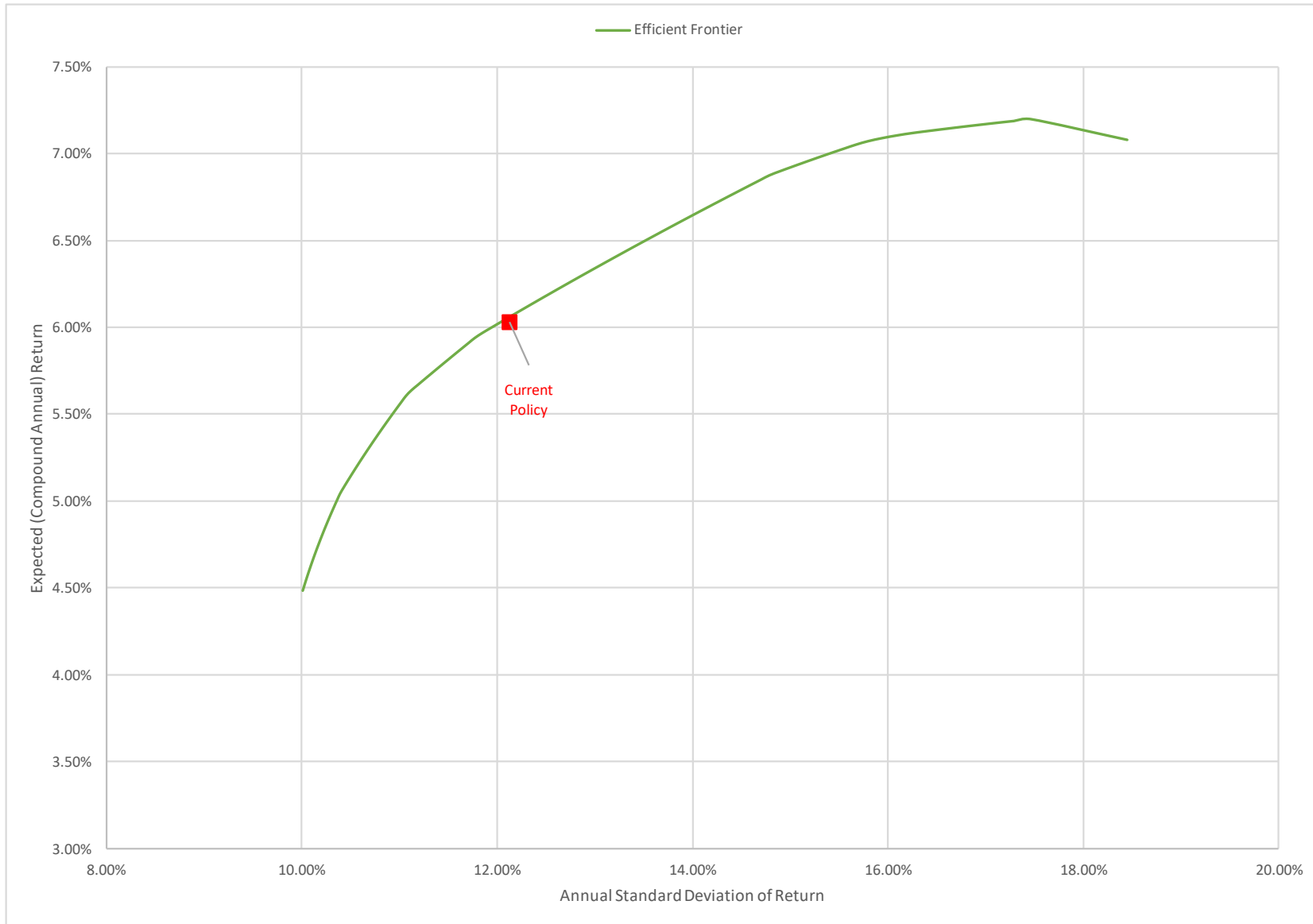
CAPITAL MARKET ASSUMPTIONS (as of June 30, 2020)

- Wilshire’s asset class return, risk and correlation assumptions are developed on multi-year forward looking expected rates of return and historical risk and correlation, adjusted to incorporate recent trends
- Public market return expectations represent a passive investment in the asset class (beta). They do not reflect value added from active management (alpha).

Asset Classes	Expected Return 10 Years	Expected Return 30 Years	Risk	Cash Yield	Factor Exposure Growth	Factor Exposure Inflation	Liquidity Market Level	Liquidity Stressed Metric
US Stock	6.00	7.05	17.00	2.00	8.00	0.00	1.00	0.15
Non-US Developed Stock	6.50	7.30	18.00	3.00	9.00	3.00	1.00	0.15
Emerging Markets Stock	6.50	7.30	26.00	2.50	7.50	12.00	0.90	0.05
Private Equity	8.15	9.55	28.00	0.00	14.00	1.00	0.00	0.00
Credit and Structured Finance	5.05	6.05	8.10	2.30	4.40	1.85	0.00	0.00
Core Bonds	1.25	3.30	5.15	1.85	-0.90	-2.50	1.00	0.85
Core Plus Fixed Income	1.45	3.55	5.00	2.20	-0.55	-2.25	0.80	0.10
Real Estate	6.85	7.55	14.15	2.50	5.50	0.00	0.00	0.00
Real Return	7.90	9.10	18.40	2.40	7.60	4.10	0.00	0.00

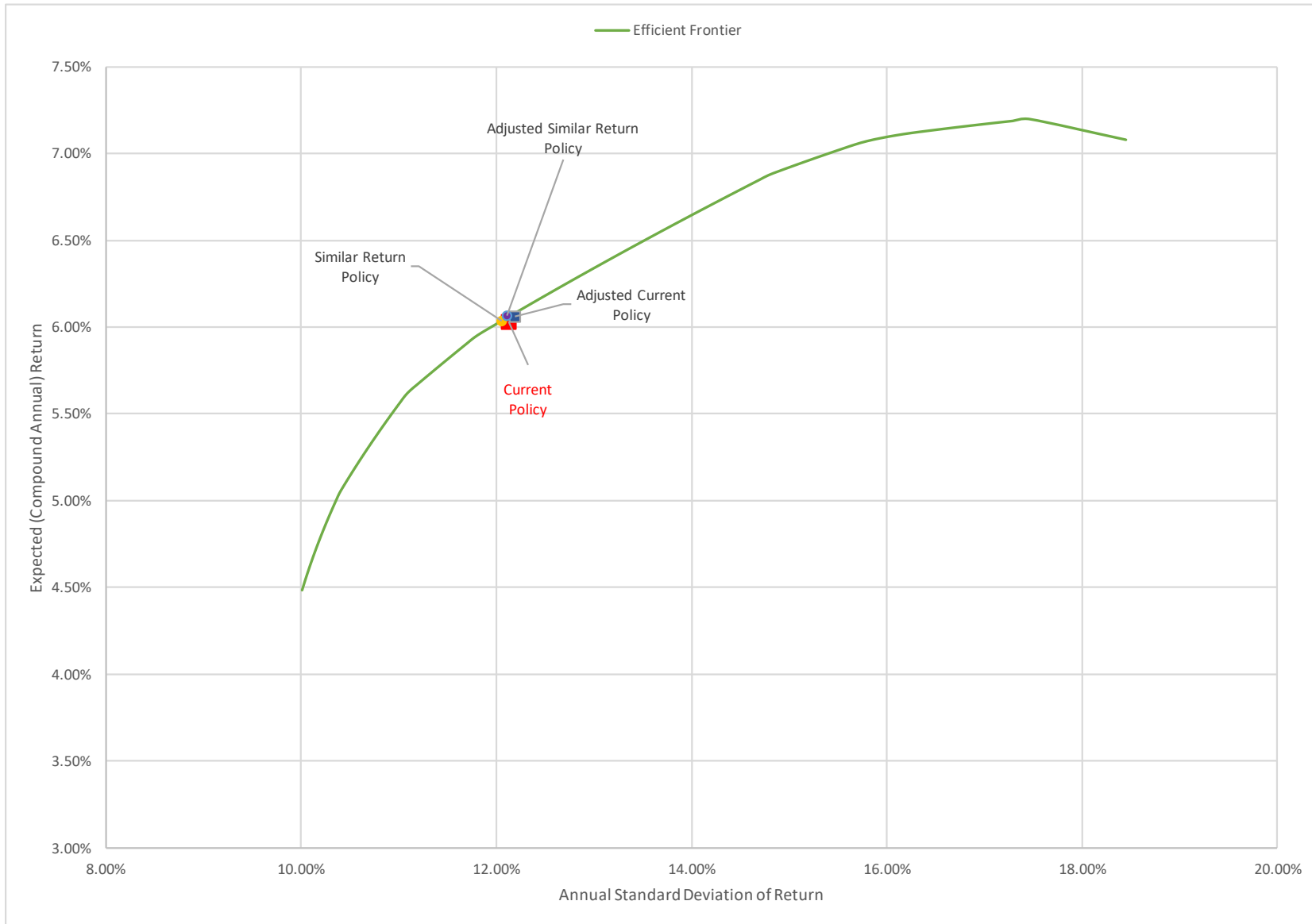
Credit & Structured Finance and Real Return were modeled based on underlying target allocations provided by SIC

ASSET ONLY EFFICIENT FRONTIERS



- The Current policy lies very close to the efficient frontier.

ASSET ONLY EFFICIENT FRONTIERS



- The Current policy lies very close to the efficient frontier.

EFFICIENT FRONTIER PORTFOLIOS

Asset Class	Current Policy	Adjusted Current Policy	Optimization Constraints	Minimum Risk	Portfolio 2	Portfolio 3	Portfolio 4	Portfolio 5	Portfolio 6	Portfolio 7	Portfolio 8	Portfolio 9	Maximum Risk
US Stock	16.00%	16.00%	0% - 100% ¹	20.00%	20.00%	20.47%	23.63%	26.80%	29.67%	30.00%	31.31%	34.78%	40.00%
Non-US Developed Stock	14.00%	14.00%	0% - 100% ^{1,2}	16.00%	16.00%	16.37%	18.91%	21.44%	23.74%	24.00%	15.66%	17.39%	20.00%
Emerging Markets Stock	10.00%	10.00%	0% - 100% ^{1,2,3}	4.00%	4.00%	4.09%	4.73%	5.36%	5.93%	6.00%	15.66%	17.39%	20.00%
Private Equity	10.00%	10.00%	10% - 15%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	14.72%	15.00%	15.00%	15.00%
Credit and Structured Finance	15.00%	15.00%	0% - 15%	0.00%	15.00%	15.00%	15.00%	15.00%	15.00%	10.28%	7.38%	0.44%	0.00%
Total Growth Assets	65.00%	65.00%		50.00%	65.00%	65.94%	72.26%	78.59%	84.34%	85.00%	85.00%	85.00%	95.00%
Core Bonds	20.00%	0.00%	0% - 100%	50.00%	27.01%	19.06%	12.74%	6.41%	0.66%	0.00%	0.00%	0.00%	0.00%
Core Plus Fixed Income	0.00%	20.00%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Safety Assets	20.00%	20.00%		50.00%	27.01%	19.06%	12.74%	6.41%	0.66%	0.00%	0.00%	0.00%	0.00%
Real Estate	10.00%	10.00%	0% - 10%	0.00%	7.99%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	0.00%
Real Return	5.00%	5.00%	0% - 5%	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Total Inflation Hedging Assets	15.00%	15.00%		0.00%	7.99%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	5.00%
Total Assets	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expected Return - 10 Years (%)	6.03	6.06		4.48	5.51	6.00	6.30	6.59	6.85	7.05	7.14	7.20	7.08
Standard Deviation of Return (%)	12.13	12.19		10.01	10.94	11.93	12.87	13.82	14.70	15.67	16.60	17.46	18.45
+ / (-) in Expected Return - 10 Years (bps)		3		(155)	(52)	(3)	27	56	82	102	111	117	105
+ / (-) in SD of Return (bps)		6		(212)	(119)	(20)	74	169	257	354	447	533	632
Sharpe Ratio	0.44	0.44		0.37	0.43	0.44	0.43	0.42	0.41	0.40	0.39	0.37	0.34

- Optimization shows that Current and Adjusted Current portfolio has risk adjusted return on par with most efficient portfolios at 0.44
- Increasing returns requires tilting further towards Growth assets and comes at the cost of increased expected volatility

¹ US Stock, Non-US Developed Stock & Emerging Markets Stock are constrained to be at least 40%.
² Non-US Developed Stock & Emerging Markets Stock are constrained to not exceed 50% of Total Equity.
³ Emerging Markets Stock is constrained to be at least 10% but not exceed 20% of Total Equity.

TARGET PORTFOLIO OPTIONS

Asset Class	Current Policy	Adjusted Current Policy	Optimization Constraints	Similar Return Policy	Adjusted Similar Return Policy
US Stock	16.00%	16.00%	0% - 100% ¹	20.75%	20.75%
Non-US Developed Stock	14.00%	14.00%	0% - 100% ^{1, 2}	16.75%	16.75%
Emerging Markets Stock	10.00%	10.00%	0% - 100% ^{1, 2, 3}	4.25%	4.25%
Private Equity	10.00%	10.00%	10% - 15%	10.00%	10.00%
Credit and Structured Finance	<u>15.00%</u>	<u>15.00%</u>	0% - 15%	<u>15.00%</u>	<u>15.00%</u>
Total Growth Assets	65.00%	65.00%		66.75%	66.75%
Core Bonds	20.00%	0.00%	0% - 100%	18.25%	0.00%
Core Plus Fixed Income	<u>0.00%</u>	<u>20.00%</u>		<u>0.00%</u>	<u>18.25%</u>
Total Safety Assets	20.00%	20.00%		18.25%	18.25%
Real Estate	10.00%	10.00%	0% - 10%	10.00%	10.00%
Real Return	<u>5.00%</u>	<u>5.00%</u>	0% - 5%	<u>5.00%</u>	<u>5.00%</u>
Total Inflation Hedging Assets	15.00%	15.00%		15.00%	15.00%
Total Assets	100.0%	100.0%		100.0%	100.0%
Expected Return - 10 Years (%)	6.03	6.06		6.04	6.07
Expected Return - 30 Years (%)	7.22	7.26		7.21	7.25
Standard Deviation of Return (%)	12.13	12.19		12.06	12.11
+ / (-) in Expected Return - 10 Years (bps)		3		1	4
+ / (-) in Expected Return - 30 Years (bps)		4		(1)	3
+ / (-) in SD of Return (bps)		6		(7)	(2)
Sharpe Ratio	0.44	0.44		0.44	0.44

¹ US Stock, Non-US Developed Stock & Emerging Markets Stock are constrained to be at least 40%.

² Non-US Developed Stock & Emerging Markets Stock are constrained to not exceed 50% of Total Equity.

³ Emerging Markets Stock is constrained to be at least 10% but not exceed 20% of Total Equity.

TARGET PORTFOLIO OPTIONS

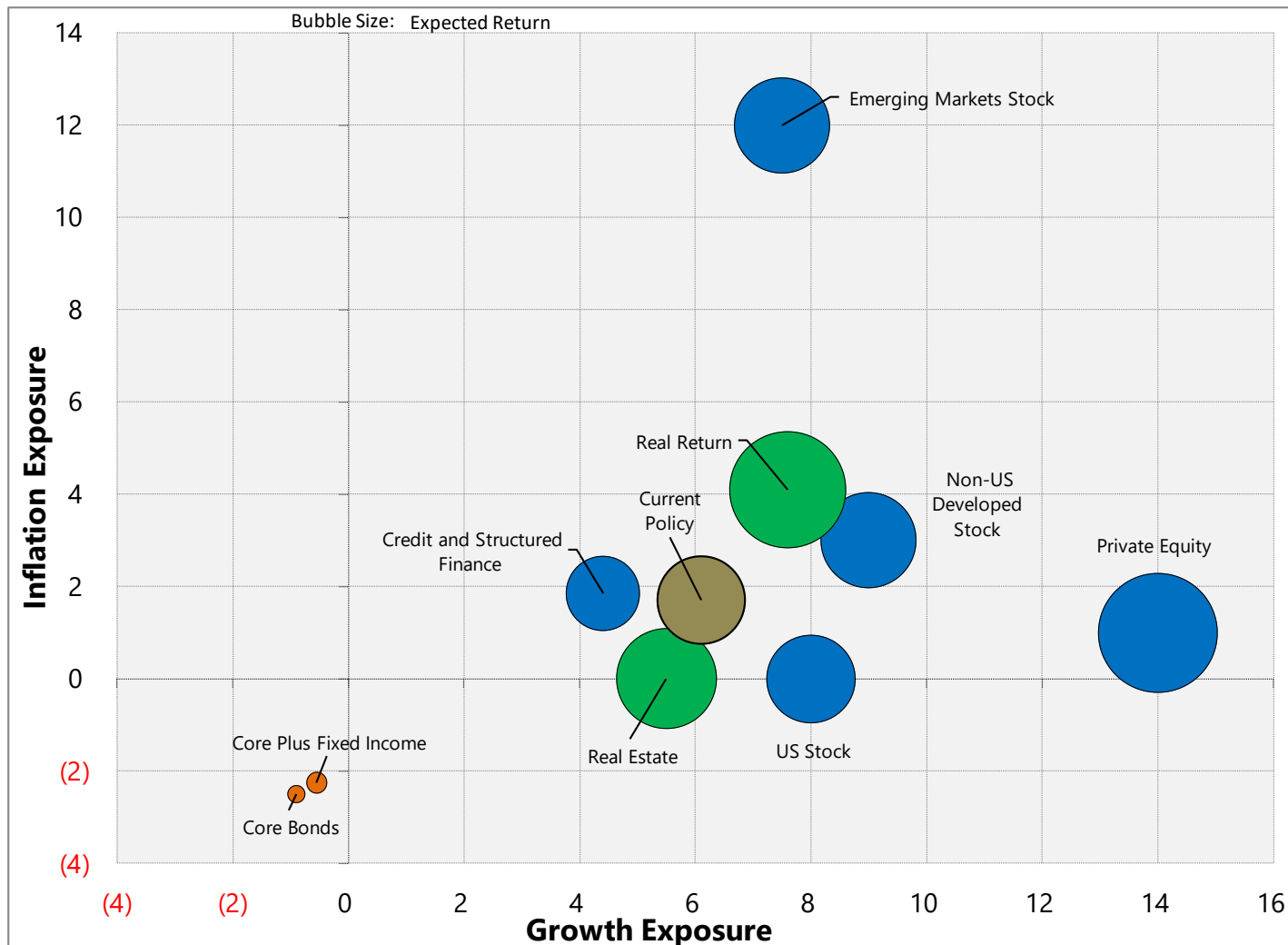
Asset Class	Current Policy	Adjusted Current Policy	Similar Return Policy	Adjusted Similar Return Policy
Total Growth Assets	65.00%	65.00%	66.75%	66.75%
Total Safety Assets	20.00%	20.00%	18.25%	18.25%
Total Inflation Hedging Assets	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>	<u>15.00%</u>
Total Assets	100.0%	100.0%	100.0%	100.0%
Expected Return - 10 Years (%)	6.03	6.06	6.04	6.07
Expected Return - 30 Years (%)	7.22	7.26	7.21	7.25
Standard Deviation of Return (%)	12.13	12.19	12.06	12.11
+ / (-) in Expected Return - 10 Years (bps)		3	1	4
+ / (-) in Expected Return - 30 Years (bps)		4	(1)	3
+ / (-) in SD of Return (bps)		6	(7)	(2)
Contribution to Asset Volatility (%):				
Growth	83.0	82.6	83.0	82.7
Safety	2.6	3.0	2.5	2.9
Inflation	14.4	14.4	14.5	14.4
Cash Yield	2.1	2.1	2.1	2.1
Growth Factor	6.1	6.2	6.3	6.4
Inflation Factor	1.7	1.8	1.1	1.2
Liquidity (%)				
Market	59.0	55.0	59.6	55.9
Stressed	22.0	7.0	21.4	7.7
Probability of Negative Return in 1-Year (%)	30.3	30.3	30.1	30.1
Probability of Reaching Return (%)				
Assumed Return of 7.50%				
Year 10	35.0	35.4	35.0	35.4
Year 30	44.8	45.6	44.8	45.5
Assumed Return of 7.25%				
Year 10	37.5	37.8	37.5	37.8
Year 30	49.4	50.1	49.3	50.0

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

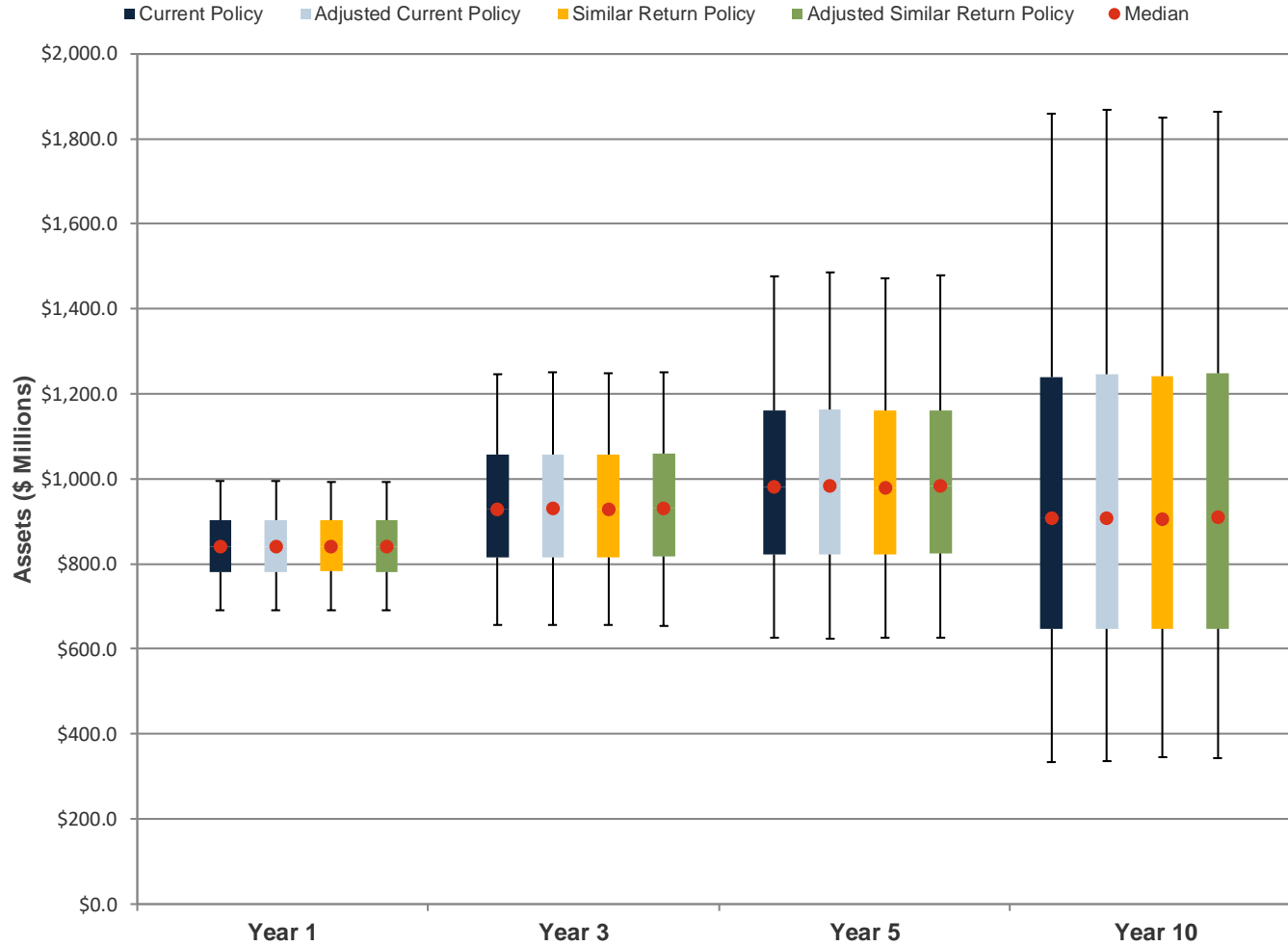
ECONOMIC FACTOR EXPOSURES

Concentrated factor tilts can represent portfolio vulnerability

To the extent possible, portfolios with factor neutrality are desirable



DECISION FACTOR – ASSET GROWTH



Shortfall Risk:

The potential for the alternatives to have higher median assets than the current policy.

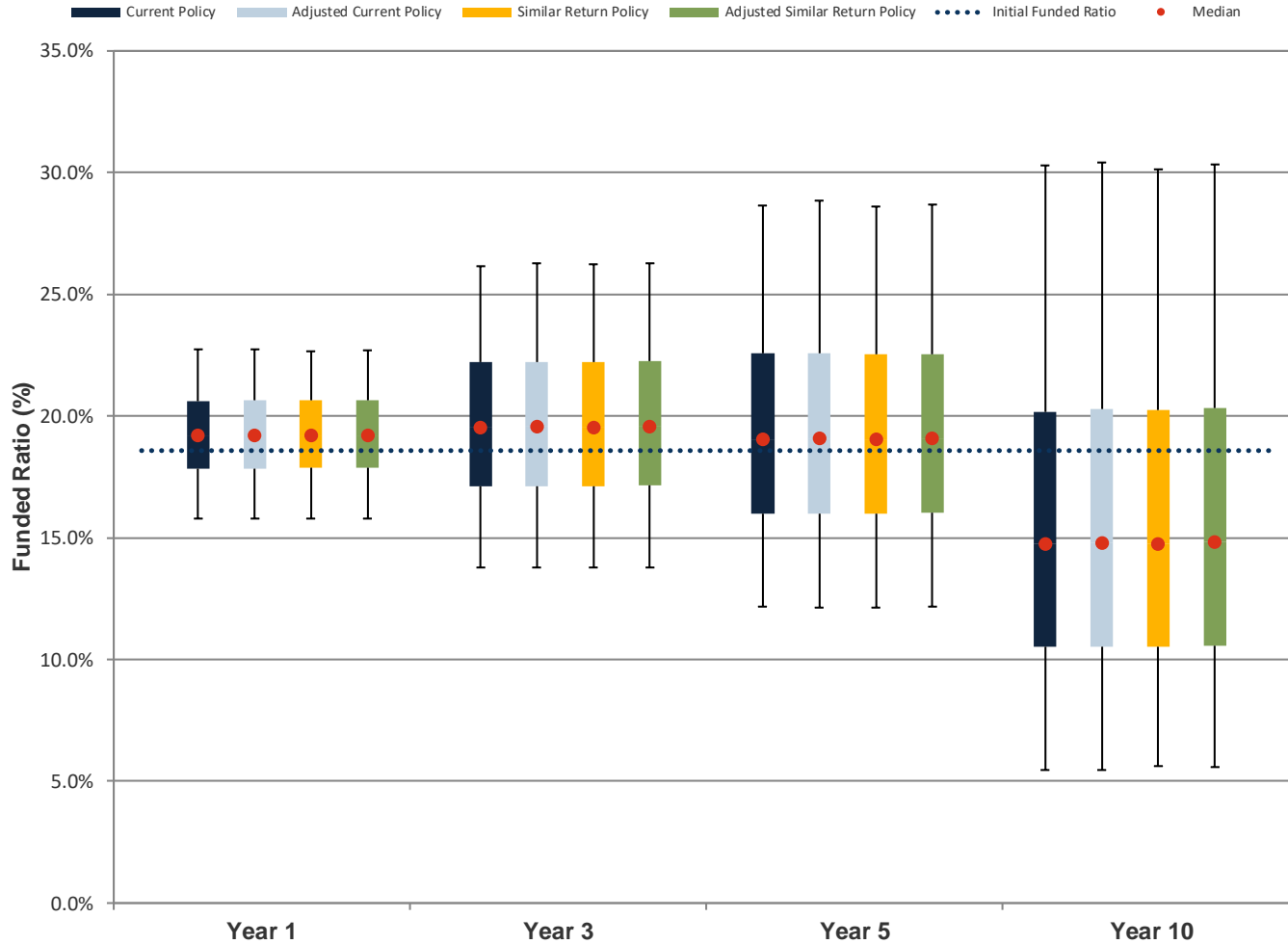
Drawdown Risk:

The potential for the alternatives to have higher “very pessimistic” assets than the current policy.

**Initial Assets =
\$778.3M**

(\$ Millions)	Year 1				Year 3				Year 5				Year 10			
		Adjusted	Similar	Adjusted		Adjusted	Similar	Adjusted		Adjusted	Similar	Adjusted		Adjusted	Similar	Adjusted
	Current Policy	Current Policy	Return Policy	Return Policy	Current Policy	Current Policy	Return Policy	Return Policy	Current Policy	Current Policy	Return Policy	Return Policy	Current Policy	Current Policy	Return Policy	Return Policy
Very Optimistic	994.3	994.5	991.6	992.8	1,245.3	1,251.0	1,248.5	1,249.7	1,476.2	1,485.1	1,472.8	1,478.5	1,860.0	1,867.4	1,849.7	1,862.5
Optimistic	902.4	903.2	903.3	903.9	1,056.8	1,057.4	1,057.6	1,058.8	1,162.0	1,163.0	1,160.9	1,161.0	1,239.0	1,247.0	1,242.4	1,247.6
Median (Expected)	839.8	840.1	839.8	840.3	928.5	930.4	928.4	930.5	981.0	983.1	980.0	982.4	906.4	907.8	904.9	910.7
Pessimistic	780.0	780.2	781.9	781.6	814.3	815.0	815.3	816.4	822.5	823.2	822.8	824.7	646.0	647.3	646.8	647.8
Very Pessimistic	690.4	690.1	690.4	690.2	655.6	655.4	655.5	654.9	626.1	624.7	625.3	626.3	334.4	335.6	346.0	342.5

DECISION FACTOR – FUNDING LEVEL



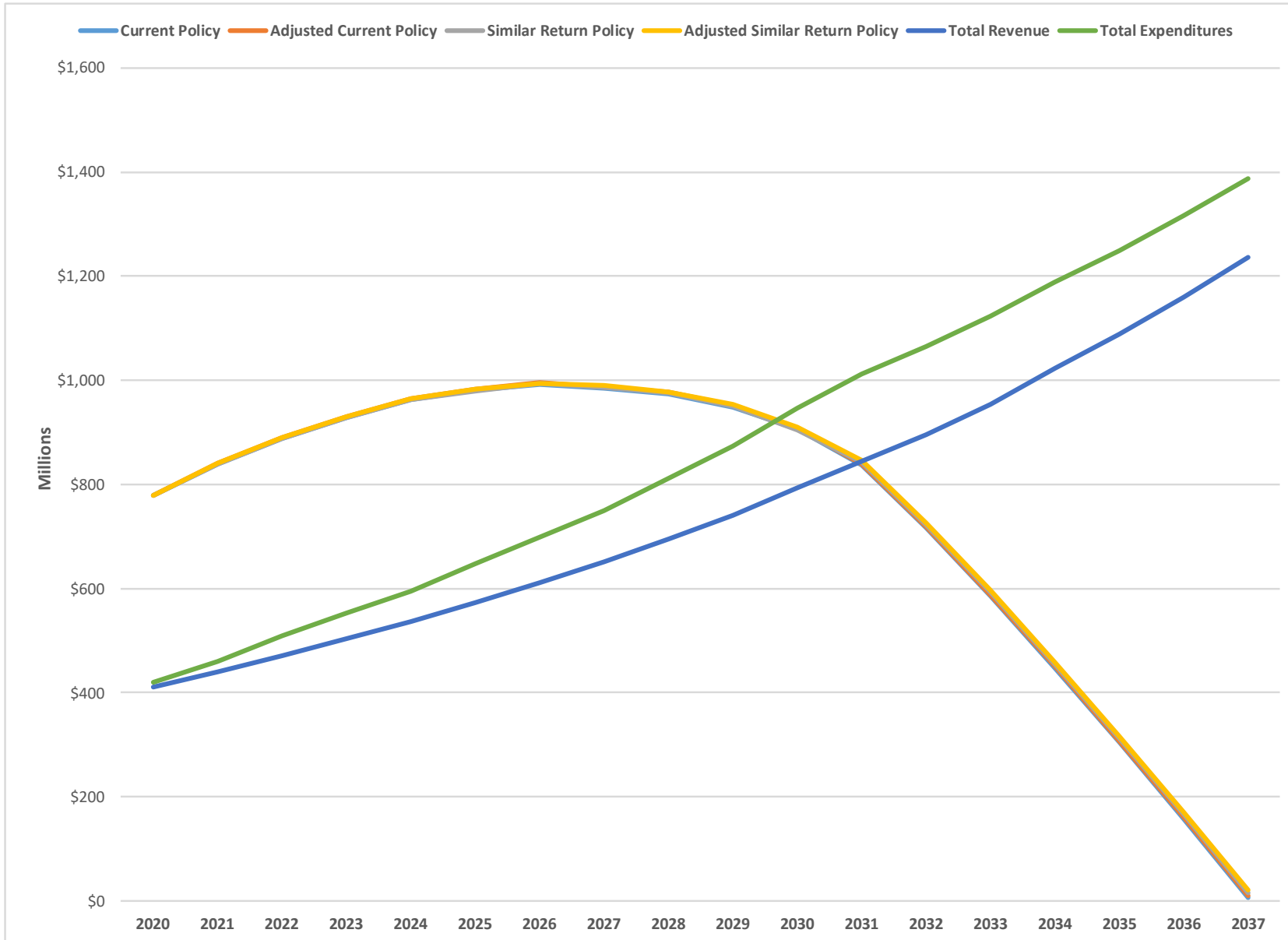
Shortfall Risk:
The potential for the alternatives to have a higher median funded ratio than the current policy.

Drawdown Risk:
The potential for the alternatives to have a higher “very pessimistic” funded ratio than the current policy.

Initial Funded Ratio = 18.59%

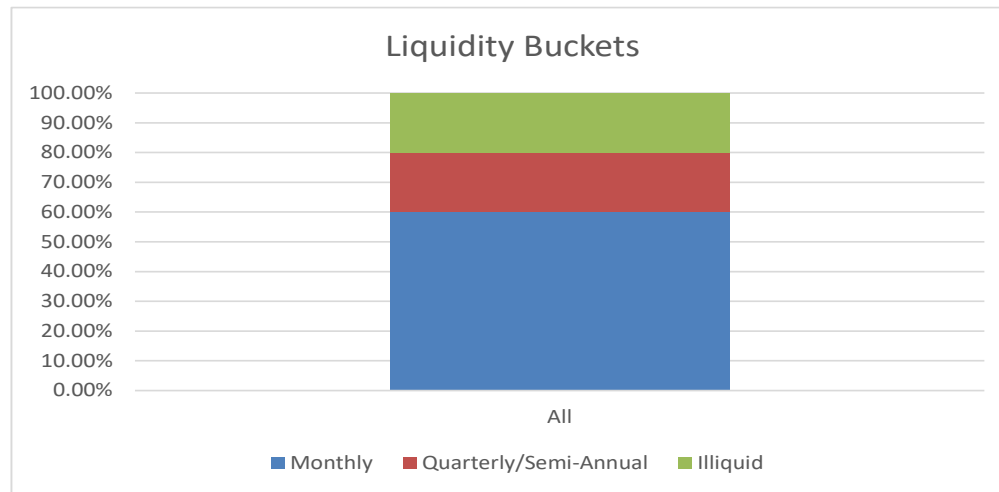
Funded Ratio (%)	Year 1				Year 3				Year 5				Year 10			
	Current	Adjusted	Similar	Adjusted	Current	Adjusted	Similar	Adjusted	Current	Adjusted	Similar	Adjusted	Current	Adjusted	Similar	Adjusted
	Policy	Policy	Return	Return	Policy	Policy	Return	Return	Policy	Policy	Return	Return	Policy	Policy	Return	Return
Very Optimistic	22.73	22.73	22.67	22.69	26.17	26.29	26.23	26.26	28.66	28.83	28.59	28.70	30.28	30.40	30.12	30.33
Optimistic	20.63	20.64	20.65	20.66	22.21	22.22	22.22	22.25	22.56	22.58	22.54	22.54	20.17	20.30	20.23	20.31
Median (Expected)	19.20	19.20	19.20	19.21	19.51	19.55	19.51	19.55	19.04	19.08	19.02	19.07	14.76	14.78	14.73	14.83
Pessimistic	17.83	17.83	17.87	17.86	17.11	17.12	17.13	17.15	15.97	15.98	15.97	16.01	10.52	10.54	10.53	10.55
Very Pessimistic	15.78	15.77	15.78	15.78	13.78	13.77	13.77	13.76	12.15	12.13	12.14	12.16	5.44	5.47	5.63	5.58

PROJECTED MARKET VALUE OF ASSETS



DECISION FACTOR - LIQUIDITY PROFILE

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



- Liquidity buckets remain consistent across modeled portfolios



OBSERVATIONS & RECOMMENDATION

OBSERVATIONS & RECOMMENDATION

- Wilshire recommends that the Board reaffirm the existing Current Policy asset allocation targets
- Alternative asset allocation do not materially improve the risk adjusted return of the portfolio relative to the Current Policy
- Examined impact of shifting to a more active Core Plus fixed income allocation
 - Moderately higher expected returns come at a cost of increased risk
 - Dedicated allocation to Credit oriented assets already exists in the portfolio
- Current Policy
 - Risk adjusted return on par with other modeled portfolios
 - Increasing expected returns along the efficient frontier requires adding additional risk to the portfolio
 - » Degrades risk-adjusted return at higher risk levels
 - Maintains allocation to private asset classes
 - » Exposure across variety of asset classes – equity, credit, real estate and real assets

STRATEGIC CONSIDERATIONS - RISK LENSES

Risk Lenses	Liability Considerations	Asset Allocation Impact
Drawdown	Given cash flow projections, material drawdowns will decrease time to asset depletion	Maintain risk-adjusted return
Inflation	Liabilities are subject to medical inflation which is expected to be greater than overall inflation	Retain dedicated real return and real estate exposure, both of which tend to be more inflation sensitive
Liquidity	Portfolio is cash flow negative	Maintain reasonable level of liquidity and SIC pools do offer possibility to shift allocations
Active		Active risk is focused on less efficient idiosyncratic market areas such as small cap equity and private assets
Behavioral		Maintaining strategic targets is not predicated on anchoring to the current portfolio targets, rather its based on optimization results using current forward looking expectations
Shortfall	Discount rate of 7.25% is higher than the expected return for recommended asset allocation	Expected return environment makes achieving the 7.25% return difficult over the next 10 years, although longer term 30 year equilibrium expectations are closer to the discount rate

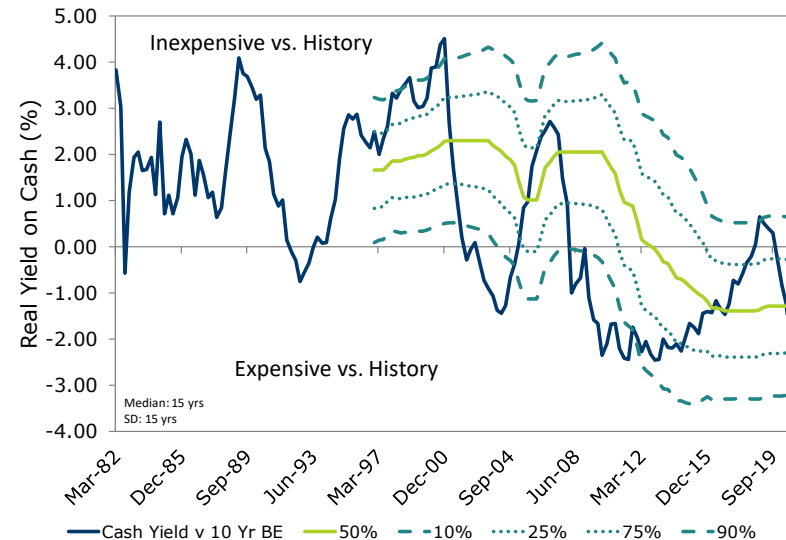
RELATIVE VALUATION CONSIDERATIONS

- Real yield on cash is again below zero
 - 3-month Treasury = 0.09%; Breakeven inflation = 1.55%
 - Yield on 10-year TIPS is negative (-1.03%); first time below -1% since their inception

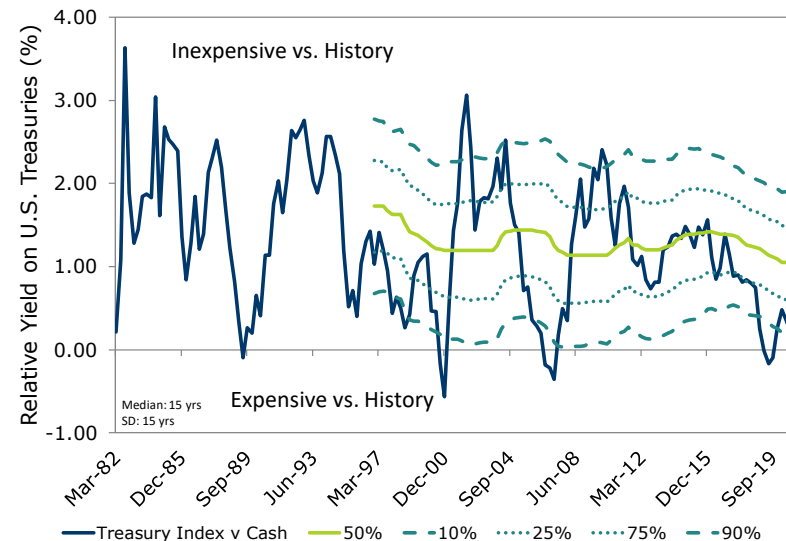
- Spread between the broad Treasury market index and cash is again positive (0.32%)

- Although yields have fallen dramatically in 2020, the curve is at least upward sloping across most maturities

CASH YIELD VS 10-YEAR BREAKEVEN



TREASURY INDEX VS CASH

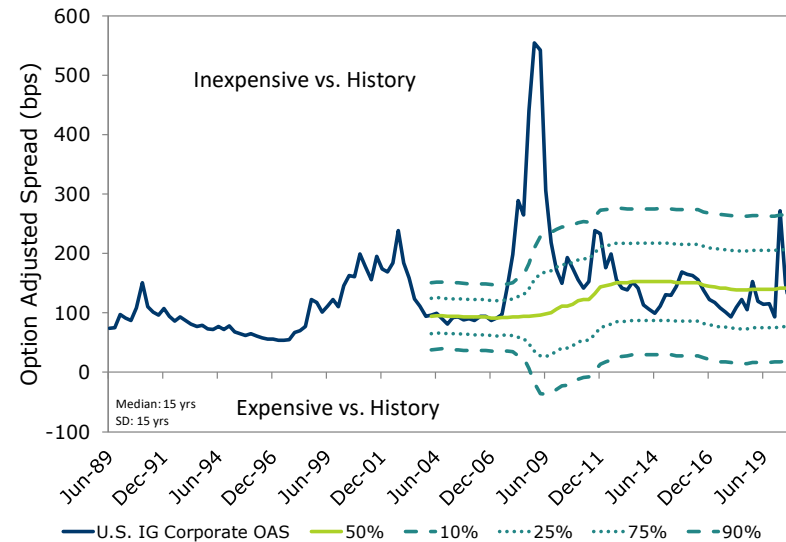


Data source: Bloomberg

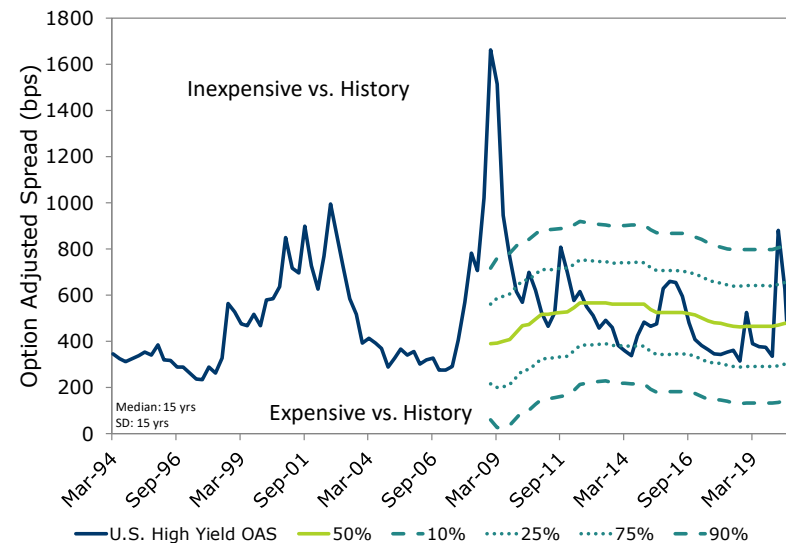
RELATIVE VALUATION CONSIDERATIONS

- Spread versus Treasuries on the investment grade index spiked during the first quarter but has since tightened; currently at the 46%-percentile outcome versus its 15-year history
- Spread on high yield bonds has exhibited a similar pattern and is currently at the 52%-percentile outcome

INVESTMENT GRADE CORPORATE OAS



HIGH YIELD OAS

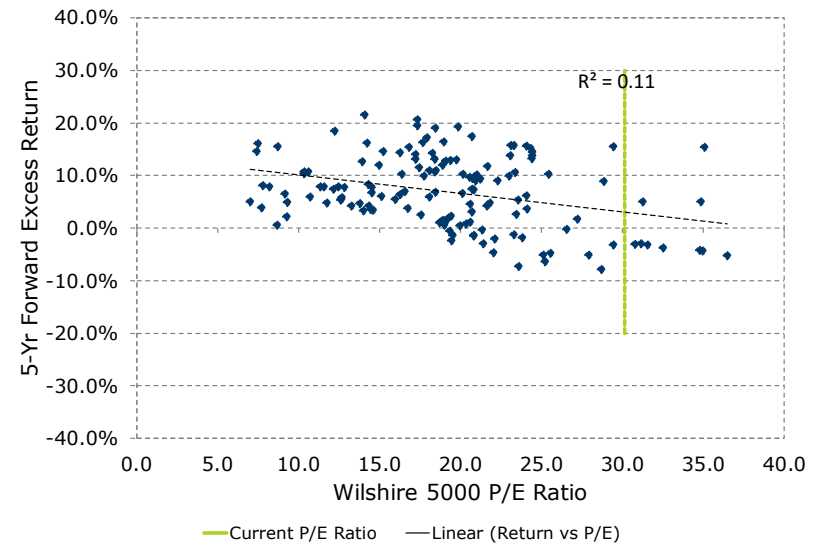


Data source: Bloomberg

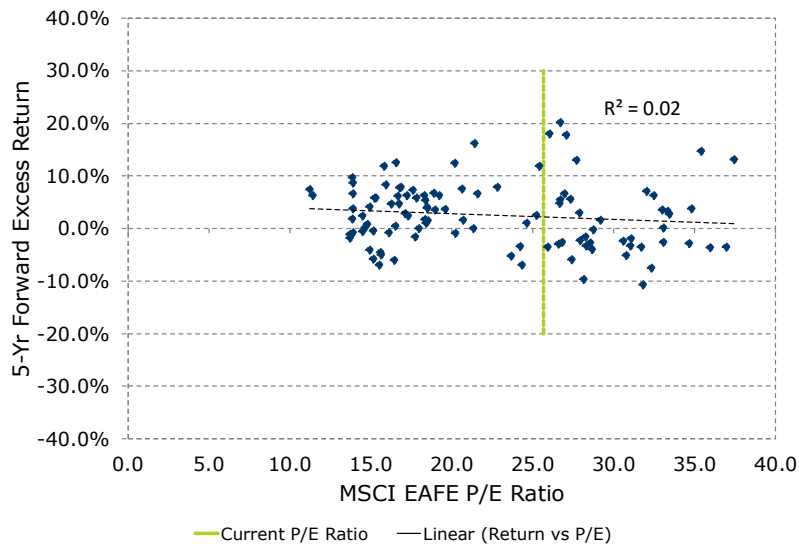
RELATIVE VALUATION CONSIDERATIONS

- Regional equity yield comparisons for US/non-US/Emerging are tight (expensive) relative to history
- Developed non-US equity P/E ratio is average compared to historical readings, while the US and Emerging Markets are higher than average

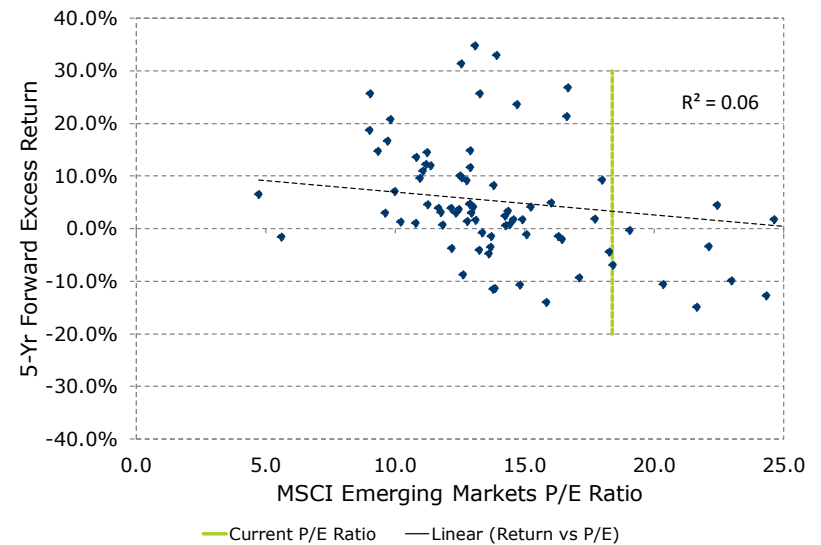
P/E RATIO & SUBSEQUENT EXCESS RETURN (OVER CASH)



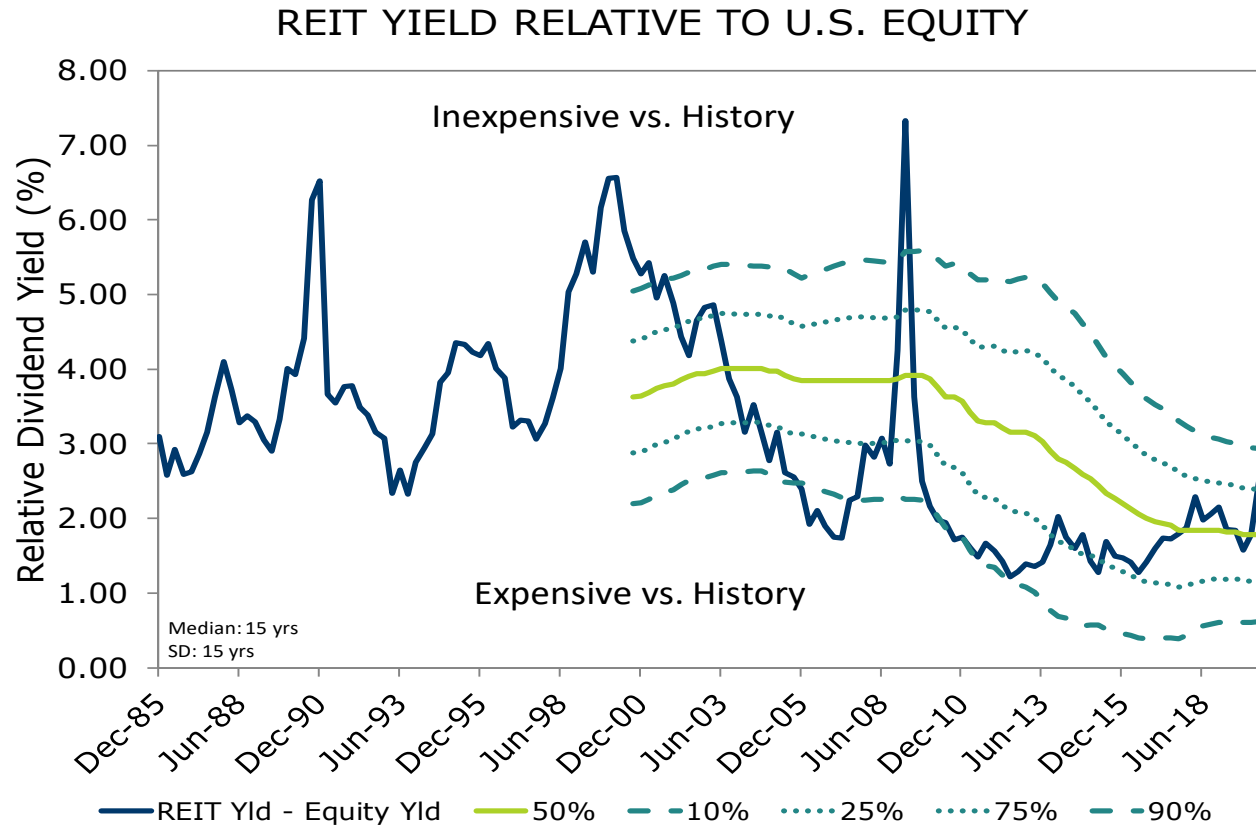
P/E RATIO & SUBSEQUENT EXCESS RETURN (OVER LIBOR)



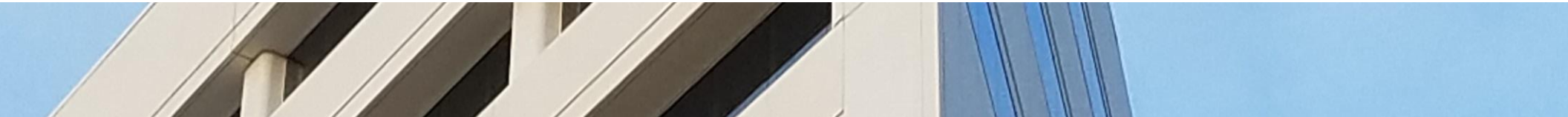
P/E RATIO & SUBSEQUENT EXCESS RETURN (OVER LIBOR)



RELATIVE VALUATION CONSIDERATIONS



- REIT yields typically run higher than the earnings yield for the broad equity market
- Current relative yield at the 50%-percentile outcome



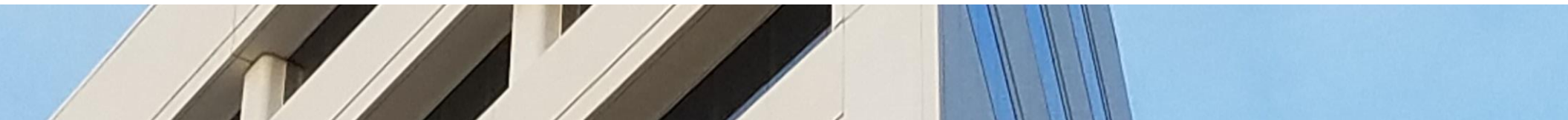
APPENDIX: CAPITAL MARKET ASSUMPTION METHODOLOGY

Q2 2020 CORRELATION MATRIX

	EQUITY						FIXED INCOME						REAL ASSETS					
	US Stock	Dev ex-US Stock	Emg Stock	Global ex-US Stock	Global Stock	Private Equity	Cash	Core Bond	LT Core Bond	TIPS	High Yield	Dev ex-US Bond (Hdg)	Real Estate			Cmnty	Real Assets	US CPI
													US RES	Global RES	Private RE			
COMPOUND RETURN (%)	6.00	6.50	6.50	6.75	6.45	8.15	0.75	1.25	2.10	0.30	4.00	0.40	5.10	5.30	6.80	2.25	5.45	1.50
ARITHMETIC RETURN (%)	7.30	7.95	9.45	8.35	7.80	11.50	0.75	1.40	2.55	0.50	4.50	0.45	6.45	6.45	7.70	3.30	5.80	1.50
EXPECTED RISK (%)	17.00	18.00	26.00	18.95	17.10	28.00	1.25	5.15	9.85	6.00	10.00	3.50	17.00	15.80	14.00	15.00	8.75	1.75
CASH YIELD (%)	2.00	3.00	2.50	2.85	2.40	0.00	0.75	1.85	2.65	1.15	7.00	1.10	4.00	4.00	2.60	0.75	2.25	0.00
GROWTH EXPOSURE	8.00	9.00	7.50	8.60	8.25	14.00	0.00	-0.90	-2.30	-3.00	4.00	-1.00	8.00	8.00	5.50	0.00	1.90	0.00
INFLATION EXPOSURE	0.00	3.00	12.00	5.45	2.40	1.00	0.00	-2.50	-6.70	2.50	1.00	-3.00	0.00	1.35	0.00	12.00	4.40	1.00
CORRELATIONS																		
US Stock	1.00																	
Dev ex-US Stock (USD)	0.81	1.00																
Emerging Mkt Stock	0.74	0.74	1.00															
Global ex-US Stock	0.83	0.96	0.87	1.00														
Global Stock	0.95	0.92	0.83	0.94	1.00													
Private Equity	0.74	0.64	0.62	0.67	0.74	1.00												
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.07	0.00	1.00											
Core Bond	0.28	0.13	0.00	0.09	0.20	0.31	0.19	1.00										
LT Core Bond	0.31	0.16	0.01	0.12	0.23	0.32	0.11	0.93	1.00									
TIPS	-0.05	0.00	0.15	0.05	0.00	-0.03	0.20	0.60	0.47	1.00								
High Yield Bond	0.54	0.39	0.49	0.45	0.51	0.34	-0.10	0.25	0.32	0.05	1.00							
Dev ex-US Bond (Hdg)	0.16	0.25	-0.01	0.18	0.18	0.26	0.10	0.67	0.66	0.39	0.26	1.00						
US RE Securities	0.59	0.47	0.44	0.49	0.56	0.50	-0.05	0.17	0.23	0.10	0.56	0.05	1.00					
Global RE Securities	0.65	0.59	0.56	0.62	0.66	0.58	-0.05	0.17	0.22	0.11	0.62	0.03	0.94	1.00				
Private Real Estate	0.54	0.44	0.44	0.47	0.52	0.51	-0.05	0.19	0.25	0.09	0.57	0.05	0.78	0.76	1.00			
Commodities	0.25	0.34	0.39	0.38	0.32	0.27	0.00	-0.02	-0.02	0.25	0.29	-0.10	0.25	0.28	0.25	1.00		
Real Assets	0.42	0.43	0.50	0.48	0.47	0.43	0.01	0.24	0.25	0.41	0.53	0.06	0.65	0.69	0.69	0.59	1.00	
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	-0.08	0.05	0.03	0.05	0.44	0.26	1.00

Q2 2020 ALTERNATIVE INVESTMENT ASSUMPTIONS

	BASKET WEIGHT	EXPECTED RETURN (%)	EXPECTED RISK (%)
PRIVATE EQUITY			
BUYOUTS	50%	6.50	30.00
VENTURE CAPITAL	20%	8.05	44.00
DISTRESSED DEBT	5%	6.40	20.00
MEZZANINE DEBT	5%	6.15	20.00
NON-US BUYOUTS	20%	7.30	32.00
PRIVATE EQUITY BASKET		8.15	28.00
PRIVATE REAL ESTATE			
CORE	70%	5.55	12.00
VALUE ADDED	15%	8.00	17.50
OPPORTUNISITC	15%	9.55	25.00
PRIVATE REAL ESTATE BASKET		6.80	14.00
PUBLIC REAL ASSETS			
GLOBAL REAL ESTATE	15%	5.30	15.80
U.S. TIPS	50%	0.30	6.00
COMMODITIES	20%	2.25	15.00
MDSTRM ENERGY INFR.	15%	8.55	19.00
PUBLIC REAL ASSETS BASKET		3.15	7.60
PRIVATE REAL ASSETS			
PRIVATE REAL ESTATE	35%	6.80	14.00
TIMBER	35%	6.50	15.00
OIL & GAS	30%	8.20	18.00
PRIVATE REAL ASSETS BASKET		7.65	11.25
HEDGE FUNDS			
EQUITY MARKET NEUTRAL	10%	2.90	4.50
EVENT DRIVEN	25%	4.65	7.00
EQUITY LONG/SHORT	35%	5.45	9.75
GLOBAL MACRO	5%	4.40	6.75
RELATIVE VALUE	25%	3.90	5.75
HEDGE FUND BASKET		4.60	6.60



APPENDIX – LIQUIDITY

LIQUIDITY RISK: WHAT ARE THE CONSEQUENCES?

Default/Insolvency is the most severe outcome from having insufficient liquidity, but...

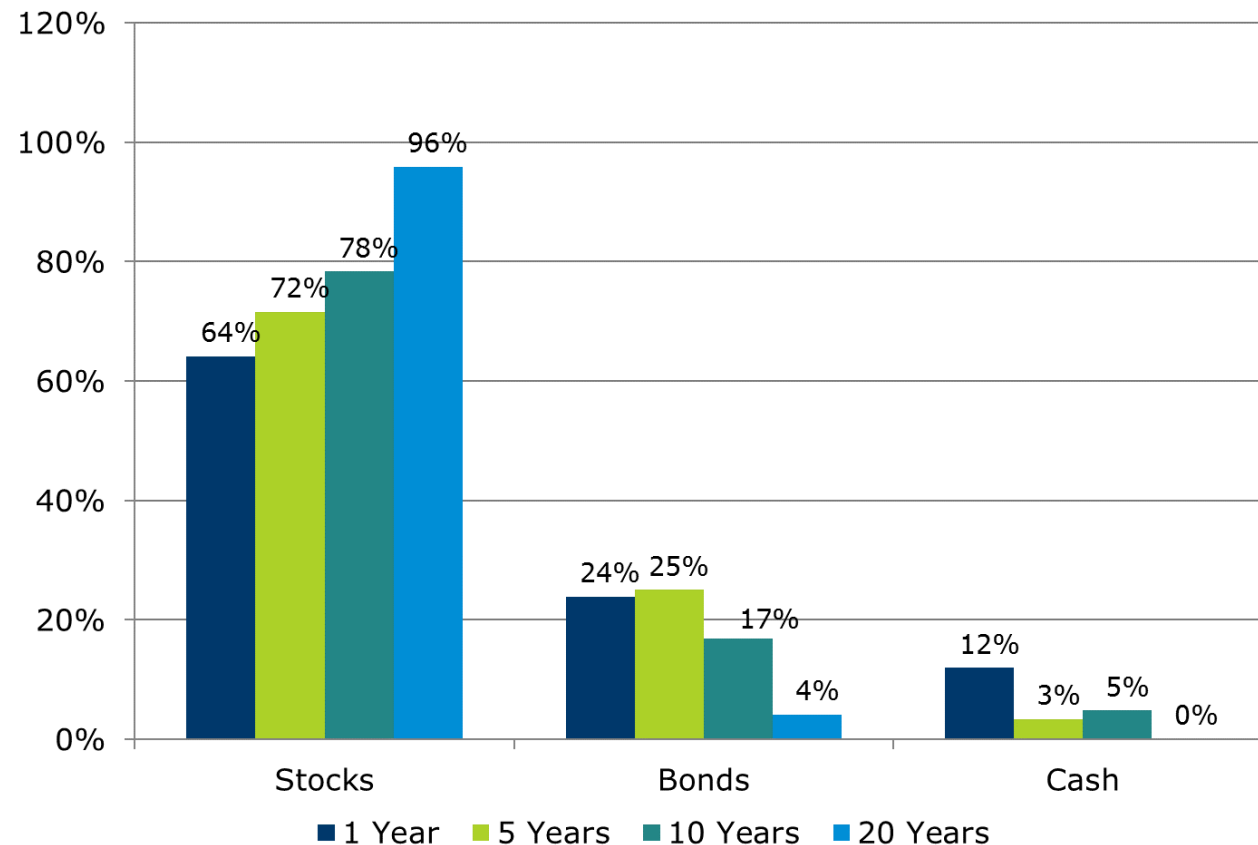
There are many other, more likely, disruptive impacts that a lack of liquidity can impose on an investment portfolio

Liquidity breaches can rob an investor of their biggest advantage: a long-term investment horizon

The timing and price of such sales dictated by liquidity needs rather than by explicit investment rationale

Can destroy portfolio value and effectively strip a portfolio from its ability to recover from market sell-offs

ASSET CLASS WINNING PERCENTAGES (1926-2017)



WILSHIRE LIQUIDITY METRIC

Wilshire's Liquidity Metric framework has two levels

1. Market Level of Liquidity
2. Stressed Level of Liquidity Metric

Market Level of liquidity

- Quantified on scale from 0% (low liquidity) to 100% (high liquidity)
- Designed to capture general notion of marketable versus private/off-market transactions
 - Marketable asset classes typically reflect a 90% or 100%
 - Private asset classes reflect 0%
- Goal is to reflect the tradability of assets, which is helpful in connecting these values back to our definitional framework (i.e., to quantify the differences between Convertible Liquidity and Delayed Liquidity)

WILSHIRE LIQUIDITY METRIC

Stressed Level of Liquidity Metric

Includes a penalty process to reflect the loss in practical liquidity due to asset class volatility and sensitivity to particular economic environments

Penalty components:

1. Growth Penalty:

- Impacts asset classes with vulnerability to slowing growth
- Recognizes the hit to liquidity that can occur during growth related bear markets

2. Inflation Penalty:

- Impacts asset classes with vulnerability to rising inflation
- Recognizes the hit to liquidity that can occur during inflation driven bear markets

3. Volatility Penalty:

- Impacts higher volatility asset classes
- Recognizes the hit to liquidity that can occur from any form of volatility

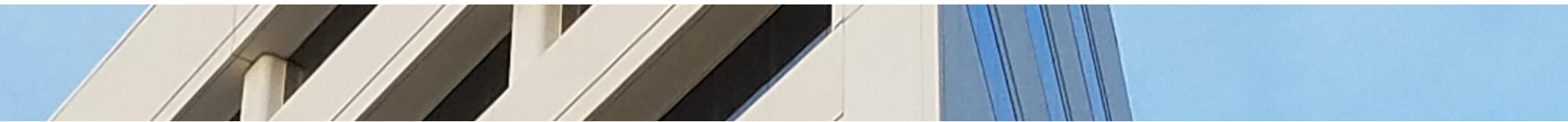
WILSHIRE STRESSED LIQUIDITY METRIC

Stressed Level of Liquidity Metric

Asset Class	Market Liquidity	Liquidity Penalty Components			Applied Penalty	Stressed Liquidity
		Growth	Inflation	Volatility		
US Equity	100	50		24	50	13
Dev ex-US Equity	100	50		26	50	13
EM Equity	90	50		40	50	3
Private Equity	0	50		40	0	0
Cash Equivalents	100				0	100
Core Bonds	100		8		8	86
High Yield Bonds	80	40		10	40	10
US Real Estate Securities	90	50		24	50	3
Private Real Estate	0	50		18	0	0
Commodities	90			20	20	55

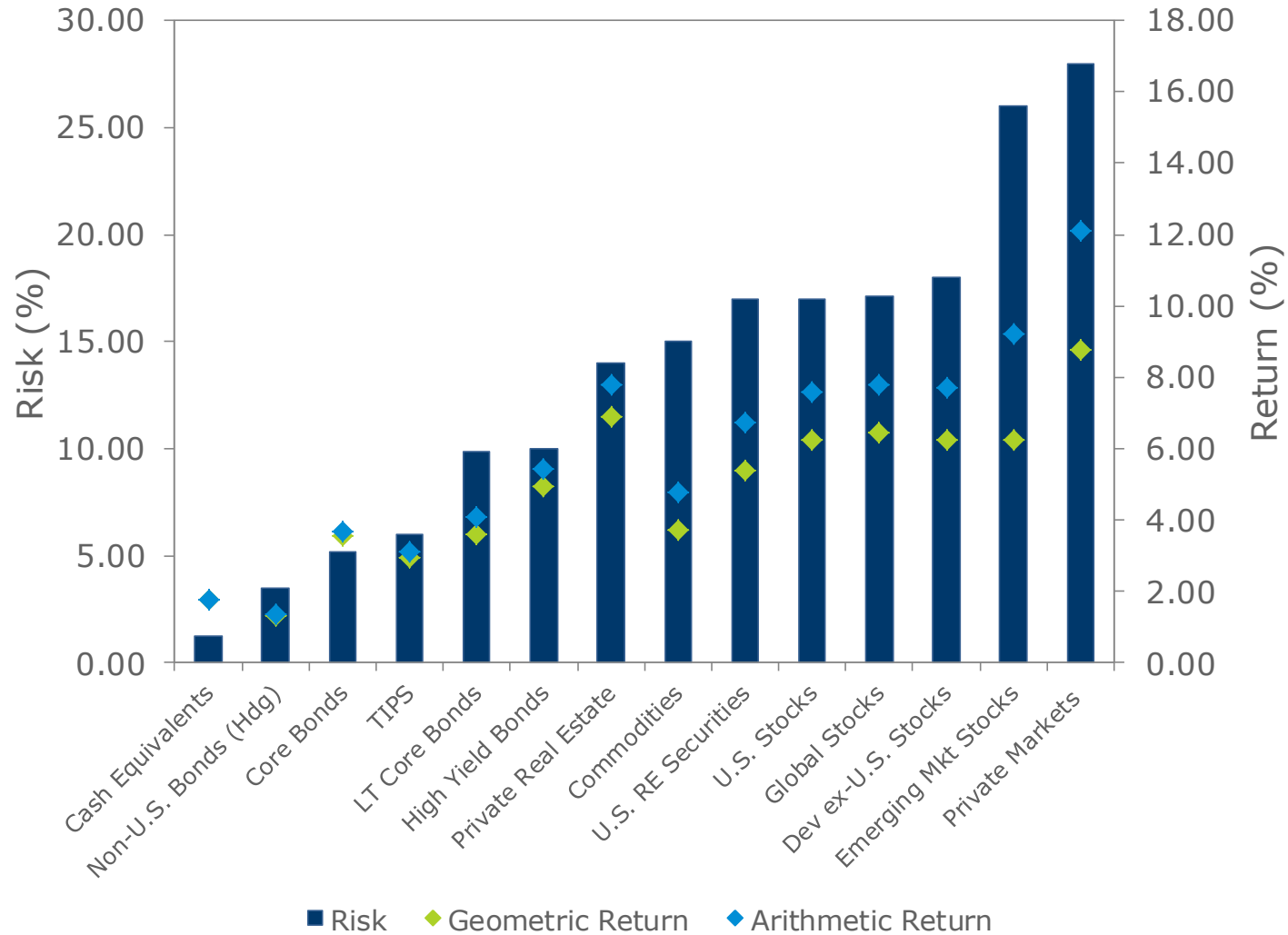
Applied Penalty = $\text{Min}(\text{Max}(\text{Growth} + \text{Inflation}, \text{Volatility}), \text{Market Liquidity})$

Stressed Liquidity Metric = $\text{Market Liquidity} - (1.75 \times \text{Applied Penalty})$



2020 CAPITAL MARKET ASSUMPTION METHODOLOGY

WILSHIRE'S RETURN AND RISK ASSUMPTIONS



INFLATION ASSUMPTION

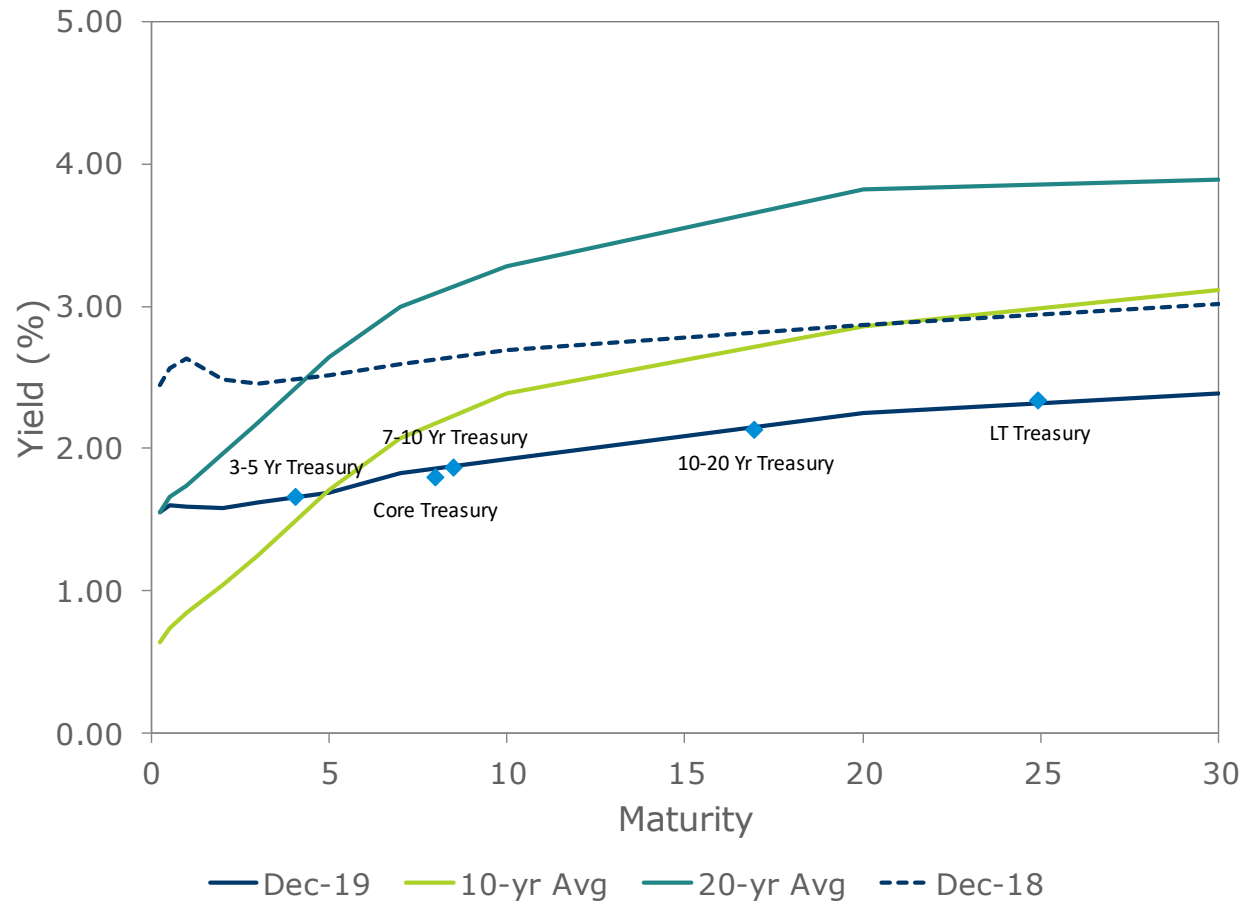
- Market-based inflation forecast
 - TIPS are used to forecast inflation
 - Subtract TIPS YTM from nominal Treasury YTM with same maturity

- As of year-end 2019:
 - 10-year Treasury yield = 1.92%
 - 10-year TIPS yield = 0.15%
 - Difference is 10-year “breakeven inflation rate” = 1.77%

- Wilshire utilizes the 1.77% “breakeven inflation rate” to arrive at a rounded 1.75% 10-year inflation forecast

FIXED INCOME: YIELD CURVE

- U.S. Interest Rate Environment: December 2019 vs. December 2018, 10-Year & 20-Year Averages



Data sources: Bloomberg Index Services Limited, U.S. Department of Treasury

FIXED INCOME MODEL FRAMEWORK

- Three components comprise fixed income returns:
 - Yield to Maturity
 - Annual Roll-down Return (“Roll”)
 - Return on principal from our “view” on interest rates/yield changes and appropriate spread factors

- Our fixed income return assumptions build off of key inputs:
 - Inflation assumption
 - Current observed yield and spread levels
 - Historical spread and real yield levels; forward yield curve

- Current observed maturity and credit risk premiums are normalized to historical levels over our forecast period to calculate fixed income return assumptions

FIXED INCOME: CORE AND TREASURY BONDS

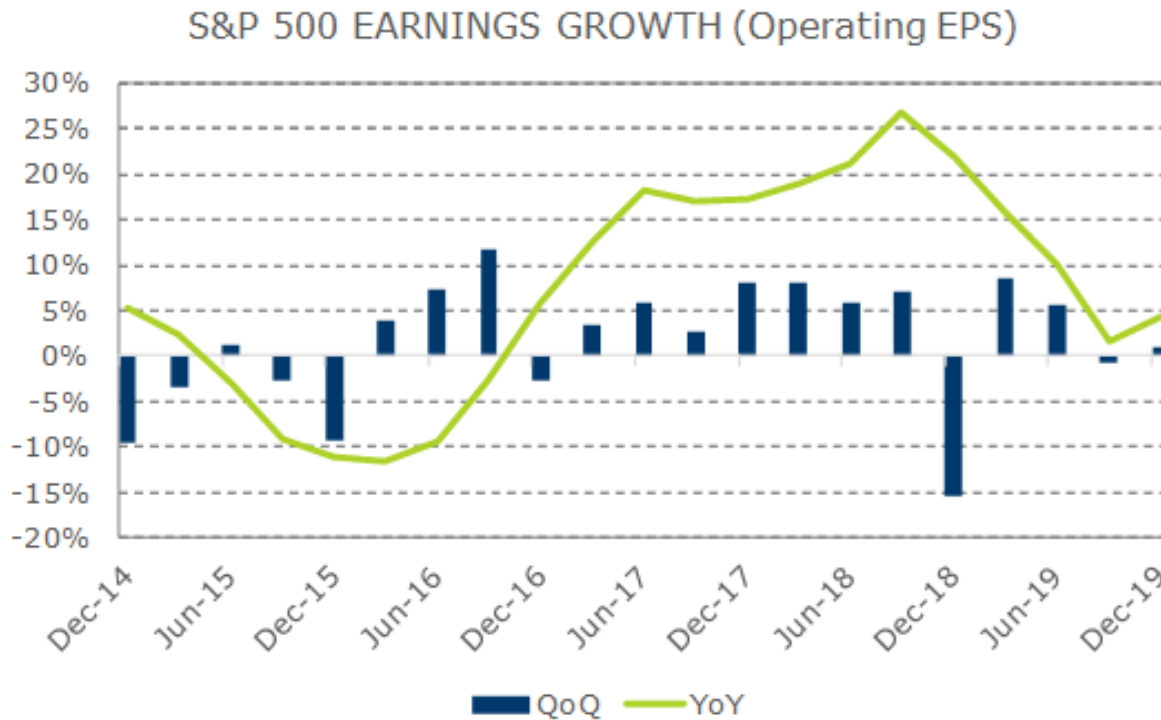
- Fixed income forecasts reflect a rising rate environment over the forecasting horizon
 - Increases are largely based on the 10-year forward Treasury curve and historical real yield observations
- Short & Intermediate Fixed income forecasts are aided by rising reinvestment rate (versus their current yields)
 - U.S. Core Bonds = 2.85% vs. Dec 2019 yield of 2.31%
 - Treasuries = 2.25% vs. Dec 2019 yield of 1.80%
 - TIPS = 2.15% vs. Dec 2019 yield of 1.87% (Barclays Capital 7-10 Treasury Index)
- Long term fixed income forecasts relatively close to current yields as decreased principal from rising rate environment offset by higher reinvestment rates
 - U.S. Long Term Core Bonds = 3.25% vs. Dec 2019 yield of 3.08%
 - Long Term Treasuries = 2.40% vs. Dec 2019 yield of 2.34%

HIGH YIELD BONDS & EMERGING MARKET DEBT

- Wilshire utilizes a high yield bond model to forecast returns, which accounts for credit yield spreads, defaults, recoveries & appreciation/depreciation of principal
- Model Inputs:
 - Initial yield spread of 3.57%, widening to historical average of 5.92%
 - Annual default rate of 4.25% over the forecast period
 - A 40% recovery rate
- Wilshire forecasts 4.30% return for high yield bonds
- Wilshire forecasts 4.50% return for emerging market debt

U.S. CORPORATE EARNINGS

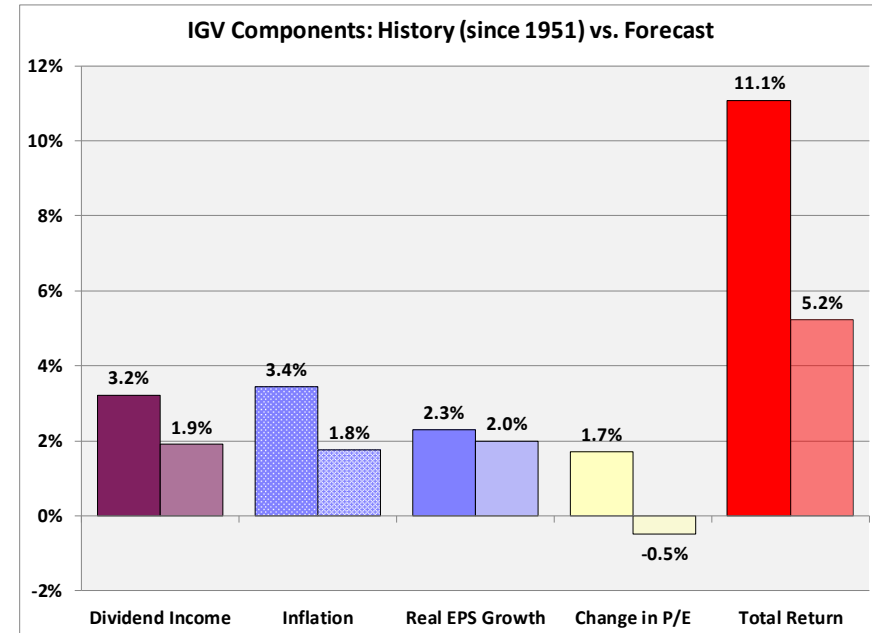
- Even after Q4 2018’s steep contraction in EPS (down -15.3%), growth in operating earnings on the S&P 500 Index decelerated from 21.8% in 2018 to 4.3% in 2019
- U.S. equities rebounded off a -14.3% Q4 2018 selloff to return 31.0% for the year, notching 35 new daily highs along the way



Data sources: S&P Dow Jones Indices

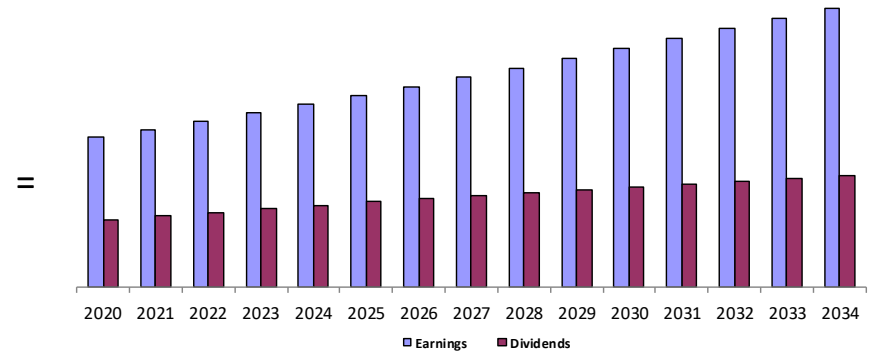
U.S. STOCKS: MODEL FORECASTING

- Income, Growth, Valuation (IGV) Model



- Dividend Discount Model (DDM)
 - Year-end 2019 S&P 500 Index price of 3,231
 - Base earnings level of \$158 per share
 - Earnings-per-share growth of 5.00% during the next five years, dropping incrementally to 3.80% from years six through 15
 - 45% dividend payout ratio over the next five years

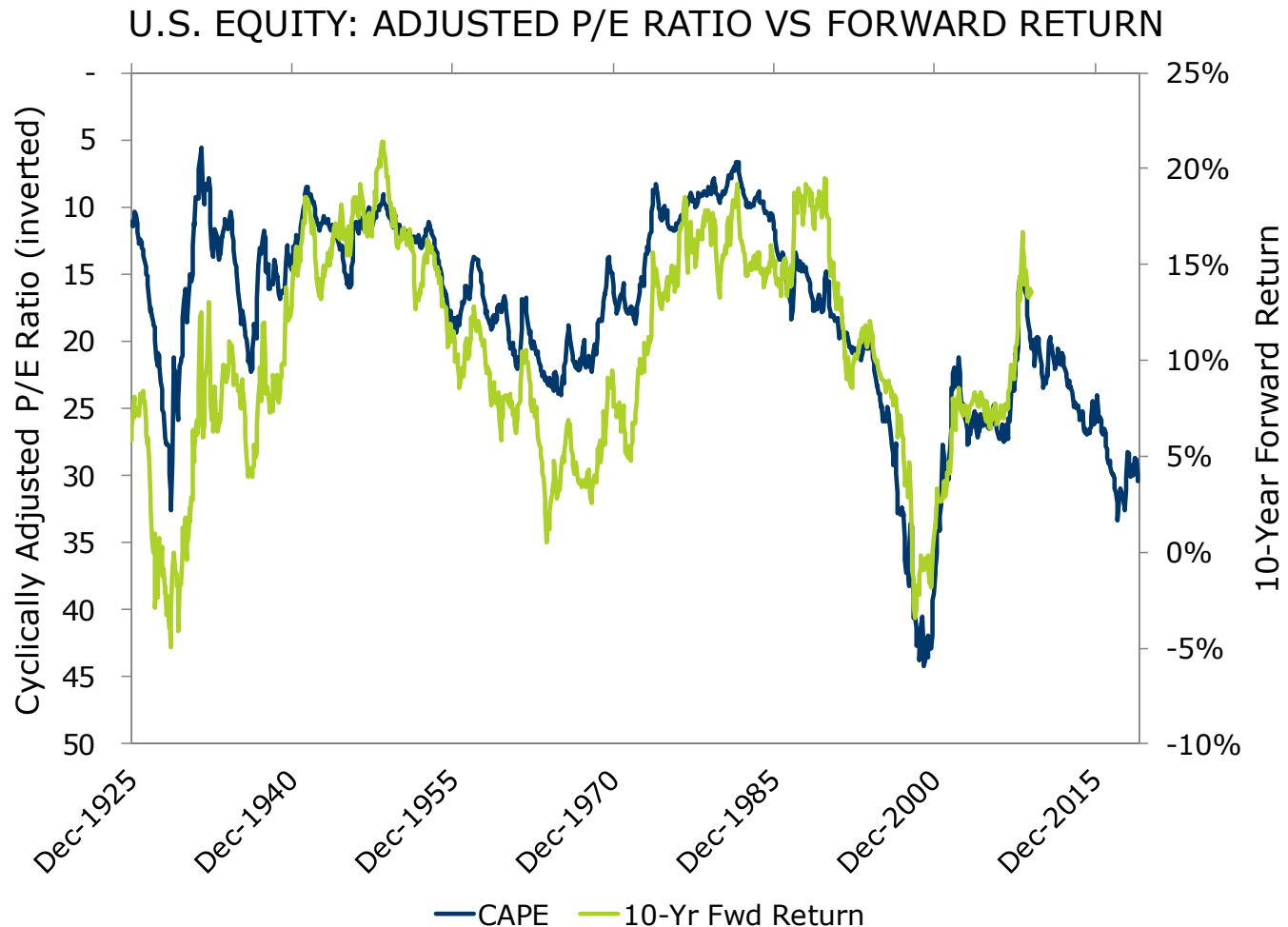
Market Price



Discount Rate (Expected Stock Return)

CYCLICALLY ADJUSTED P/E

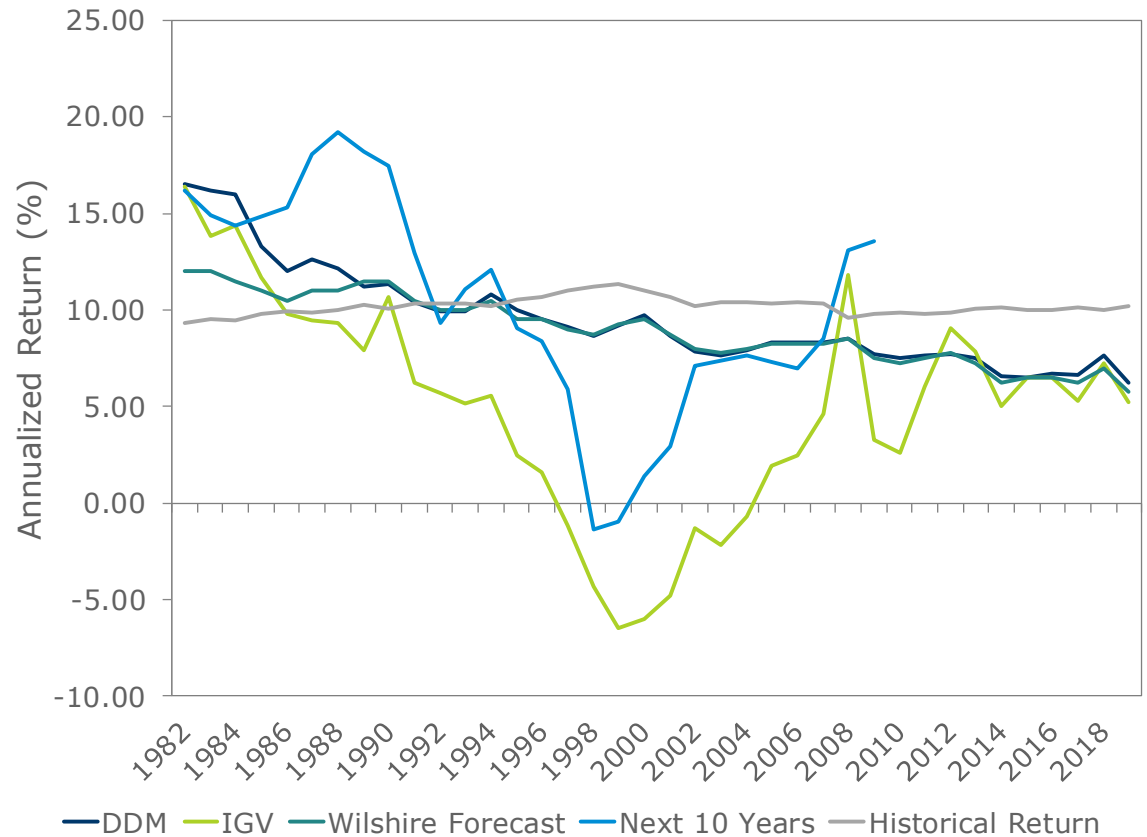
- CAPE ratio's cyclical nature of smoothing historical earnings provides additional and valuable insights into anchoring long-term return prospects
- Strong relationship between the raw CAPE ratio and 10-year forward equity returns



Data sources: Robert J. Shiller

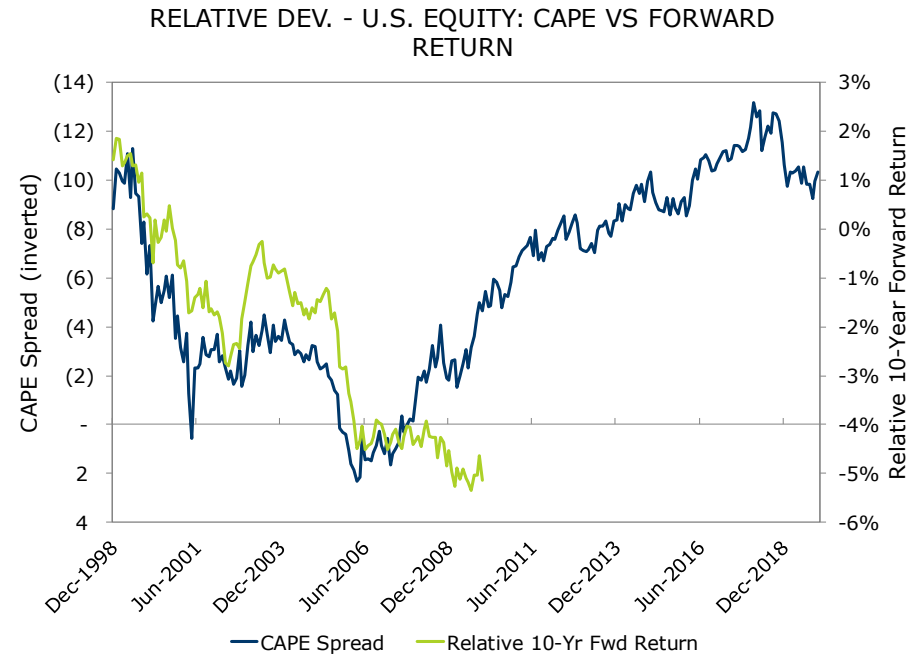
U.S. STOCKS: MODEL FORECASTING

- Wilshire's forecast for U.S. Stocks is 5.75%
 - IGV: 5.3%
 - DDM: 6.3%
 - CAPE-based regression signals 5.50%
- IGV and CAPE offer valuable information during periods of large fluctuations in price multiples

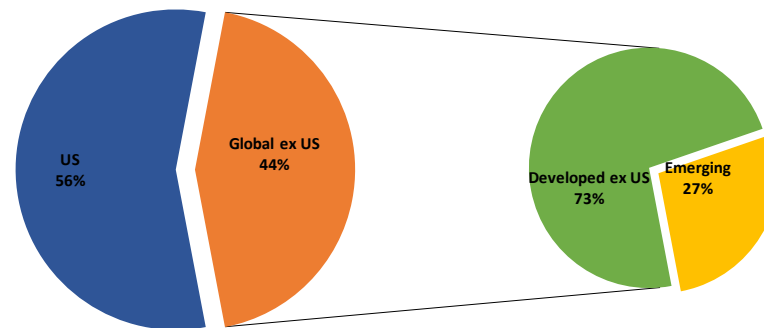


GLOBAL MARKET STOCKS

- CAPE model serves as a valuable indicator of relative return prospects across regions
- Current pricing points to relatively attractive non-U.S. valuations, which lead us to project a 0.5% return premium for non-U.S. stocks
- Market-weighted blends of Wilshire’s equity return and risk assumptions results in a 6.20% and 6.50% return forecast for Global and Global ex-U.S. Equity, respectively



Global & Global ex US Equity Market Breakdown



Data sources: MSCI, Wilshire Compass, Wilshire AtlasSM

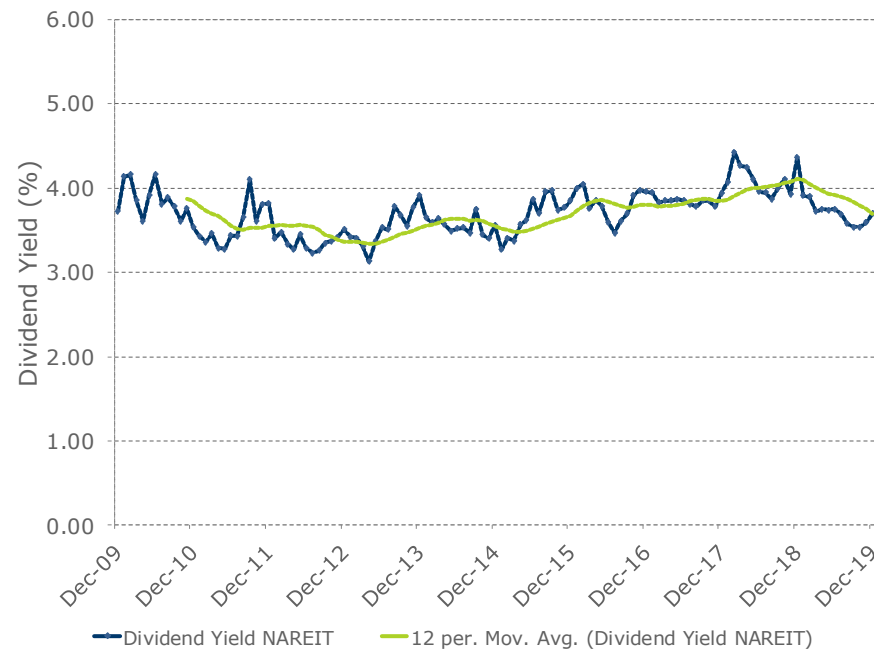
PRIVATE MARKETS

- Expected return based on Wilshire private market models as well as historical relative relationships
 - Buyouts = 6.20%
 - Venture Capital = 8.40%
 - Mezzanine Debt= 6.05%
 - Distressed Debt = 6.30%
 - Non-US Buyouts = 6.95%

- Wilshire forecasts 7.95% return for private markets portfolio
 - 70% buyouts | 20% venture capital | 5% mezzanine debt | 5% distressed debt

REAL ESTATE SECURITIES

- REIT assumption based on dividend yield + dividend growth
 - Yields have moved within a range the last decade, equaling 3.70% at year-end
 - Expected growth equals 75% of Wilshire’s 1.75% inflation forecast (1.31%)



- Wilshire forecasts 5.00% return for U.S. & non-U.S. RE securities
- Wilshire forecasts 6.60% return for private real estate
 - 70% Core / 15% Value-added / 15% Opportunistic



REAL ASSETS BACKGROUND

REAL ASSETS THROUGH RISK LENSES

Risk lenses help to focus the investment process by providing context for results and orienting decisions around organizational goals.

Real Assets Address

- **Shortfall** – Higher potential return (beta) opportunity within certain asset classes, specifically on the Private Market side. **Examples include the portfolio not being able to meet certain return goals and targets.**
- **Inflation** – The potential for financial assets to lose purchasing power over time. **Examples include the portfolio not being sensitive to inflationary economic environments, such as the early 1980s.**

May Introduce

- **Liquidity** – The potential for an investor to be unable to buy or sell specific assets in the portfolio.
- **Active** – The potential for an investment strategy to experience tracking error due to characteristics that differ from those of the market.



INVESTMENT CHARACTERISTICS

- Investors should establish expectations regarding the effectiveness of asset classes in meeting their objectives.

	ASSET CLASS	SHORT-TERM CORRELATION TO CPI	LONG-TERM CORRELATION TO CPI	HIGHER YIELD OPPORTUNITY	HIGHER RETURN OPPORTUNITY (BETA)	HIGHER ALPHA OPPORTUNITY	LIQUIDITY
PUBLIC INVESTMENTS	Treasury Inflation Protected Securities ("TIPS")	X	X				X
	Commodities	X	X			X	X
	Real Estate Investment Trusts ("REITs")		X	X		X	X
	Master Limited Partnerships ("MLPs")		X	X	X	X	X
	Diversified Public RA	X	X	X		X	X
PRIVATE INVESTMENTS	Private Real Estate		X	X	X	X	
	Timber / Farmland		X		X	X	
	Infrastructure		X	X	X	X	
	Energy (Oil and Gas)		X	X	X	X	
	Diversified Private RA		X	X	X	X	

Real Assets Overview

HOW ARE REAL ASSETS TIED TO INFLATION?

Real Estate / Infrastructure

- Income stream (lease, rents, tolls) periodically adjusted by property owners – inflation escalation provisions often “built-in”
- Capital appreciation of assets indirectly linked to GDP and population growth and/or inflation

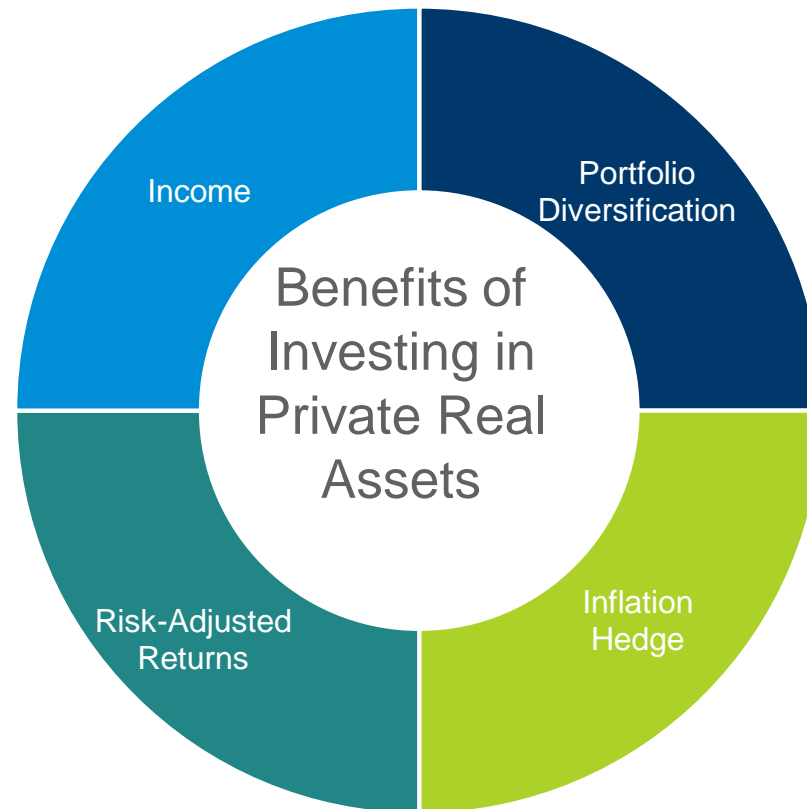
Timberland / Farmland

- Like commodities, provide final and raw material in production of consumer goods
- Like real estate and infrastructure, potential increase in property value exists based on supply and demand

Natural Resources / Energy

- Supply and demand factors affect prices of commodities, which typically lead inflation
- Higher commodities prices lead to increased prices of goods and services (i.e., higher CPI)

DIVERSIFIED APPROACH



Near-term inflation is highly uncertain. Longer-term inflation is even more uncertain.

- Private Real Assets can provide the following benefits:
 - Higher income and risk-adjusted total return, including Beta and Alpha opportunities
 - Insurance against high or unexpected inflation, particularly over the long-term.
- A diversified approach can increase the effectiveness of the real assets portfolio over time.

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NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

FY22 Appropriation Request

Presented to the Finance & Investments Committee

August 21, 2020

FY22 Appropriation Request (Action Item)

Background

The statutory deadline for submission of the FY22 Appropriation Request to the State Budget Division and Legislative Finance Committee is September 1, 2020. The information presented includes actual expenditures for period between July 1, 2019 and June 30, 2020 (FY20), the approved operating budget for July 1, 2020 – June 30, 2021 (FY21), and proposed increases for the period beginning July 1, 2021 (FY22).

Summary

The chart below provides a summary of NMRHCA's programs for fiscal years 2021 and 2022:

	FY21 Operating	FY22 Request	Increase	Percent
Healthcare Benefits Administration				
Contractual Services	\$ 355,151.7	\$ 353,501.7	\$ (1,650.0)	-0.5%
Other	\$ 39.9	\$ 43.9	\$ 4.0	10.0%
Other Financing Uses	\$ 3,306.7	\$ 3,272.3	\$ (34.4)	-1.0%
Total	\$ 358,498.3	\$ 356,817.9	\$ (1,680.4)	-0.5%
Program Support				
PS&EB	\$ 2,077.1	\$ 2,102.3	\$ 25.2	1.2%
Contractual Services	\$ 663.4	\$ 621.4	\$ (42.0)	-6.3%
Other	\$ 566.2	\$ 548.6	\$ (17.6)	-3.1%
Total	\$ 3,306.7	\$ 3,272.3	\$ (34.4)	-1.0%
Agency Total				
PS&EB	\$ 2,077.1	\$ 2,102.3	\$ 25.2	1.2%
Contractual Services	\$ 355,815.1	\$ 354,123.1	\$ (1,692.0)	-0.5%
Other	\$ 606.1	\$ 592.5	\$ (13.6)	-2.2%
Other Financing Uses	\$ 3,306.7	\$ 3,272.3	\$ (34.4)	-1.0%
Total	\$ 361,805.0	\$ 360,090.2	\$ (1,714.8)	-0.5%

Health Care Benefits Administration

Overall, the FY22 request totals \$356.8 million, a \$1.6 million or 0.5% decrease compared to the FY21 approved/adjusted operating budget. Assumptions with regard to revenues are shown in the table below and described thereafter.

Health Benefit Fund - Revenue Detail								
	FY20 OPBUD	FY20 Actuals	*FY21 OPBUD	FY22 Inc/Dec	FY22 Request	Percent Change		
REVENUE:								
1	Employer/Employee Contributions	\$ 124,696.7	\$ 146,293.7	\$ 120,162.6	\$ (5,625.7)	\$ 114,536.9	-4.7%	1
2	Retiree Contributions	\$ 170,030.0	\$ 178,132.2	\$ 175,000.0	\$ -	\$ 175,000.0	0.0%	2
3	Taxation and Revenue Suspense Fund	\$ 32,935.7	\$ 26,956.4	\$ 32,935.7	\$ 3,945.3	\$ 36,881.0	12.0%	3
4	Other Miscellaneous Revenue	\$ 30,230.7	\$ 30,319.9	\$ 30,000.0	\$ -	\$ 30,000.0	0.0%	4
5	Interest Income	\$ 100.0	\$ 1,214.8	\$ 400.0	\$ -	\$ 400.0	0.0%	5
6	TOTAL REVENUE:	\$ 357,993.1	\$ 382,917.0	\$ 358,498.3	\$ (1,680.4)	\$ 356,817.9	-0.5%	6

- In FY22 employee and employer contributions are expected to remain flat or shrink compared to FY20 actuals. However, actual employee and employer contributions are expected to exceed approved operating levels.
- Retiree contributions are expected to remain relatively flat compared to FY21 approved operating levels, with the difference between actual and budgeted amounts being transferred to the long-term trust fund. Assumptions are as follows:
 - Premium increases on the self-insured plans of 5% and 2% effective for half of FY22 (July 1, 2021 – December 31, 2021), with the possibility of additional increases effective January 1, 2022 - June 30, 2022.
 - Medicare Advantage Rates will decline significantly beginning January 1, 2021 and carry through the first half of FY22, which will reduce contributions collected from retirees each month. However, it is expected that rates and participation will increase during the second half of FY22 beginning January 1, 2022.
 - Flat/negative growth in participation with the Pre-Medicare Plans combined with continued migration to and selection of lower costing Value Plan.
 - Continued membership growth in Voluntary Programs (dental, vision and life insurance) – does not have a financial impact to the agency, but it does have a budgetary impact.
 - Beginning January 1, 2021 retiree will begin paying 100% of the cost associated with providing the basic/supplemental life insurance policy granted to members who retired prior to December 31, 2012.
- Revenues received from the Tax Suspense Fund are established by statute and distributed according to a schedule developed by the Taxation and Revenue Department. Absent a change in legislation, these amounts are expected to reflect the total shown above.
- Miscellaneous revenues are expected to remain flat with FY21 approved operating amounts.
- Interest income is projected to remain flat with FY21 approved operating levels and less than FY20 actuals.

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

Health Benefit Fund Expenditure Summary						
	FY20	FY20	*FY21	FY22	FY22	Percent
Contractual Services	OPBUD	Actuals	OPBUD	Inc/Dec	Request	Change
1 Prescriptions	\$ 105,000.0	\$ 99,563.9	\$ 115,000.0	\$ 2,500.0	\$ 117,500.0	2.2%
2 Medical - Supplement/Self- Insured	\$ 175,000.0	\$ 153,059.7	\$ 170,651.7	\$ (2,500.0)	\$ 168,151.7	-1.5%
3 Medicare Advantage	\$ 36,343.4	\$ 29,669.9	\$ 30,750.0	\$ (3,150.0)	\$ 27,600.0	-10.2%
4 Voluntary Coverages	\$ 38,400.0	\$ 35,829.8	\$ 38,750.0	\$ 1,500.0	\$ 40,250.0	3.9%
5 Total Contractual Services	\$ 354,743.4	\$ 318,123.3	\$ 355,151.7	\$ (1,650.0)	\$ 353,501.7	-0.5%
Other						
6 PCORI Fee	\$ 42.0	\$ 39.2	\$ 39.9	\$ 4.0	\$ 43.9	10.0%
7 Total Other	\$ 42.0	\$ 39.2	\$ 39.9	\$ 4.0	\$ 43.9	10.0%
Other Financing Uses						
8 Program Support	\$ 3,207.7	\$ 3,207.7	\$ 3,306.7	\$ (34.4)	\$ 3,272.3	-1.0%
9 Total Other Financing Uses	\$ 3,207.7	\$ 3,207.7	\$ 3,306.7	\$ (34.4)	\$ 3,272.3	-1.0%
10 Total Expenditures	\$ 357,993.1	\$ 321,370.2	\$ 358,498.3	\$ (1,680.4)	\$ 356,817.9	-0.5%

- Expenditures related to our self-insured prescription drug plan (line 1) for our pre-Medicare and Medicare Supplement benefits are expected to continue growing. However, a shrinking pre-Medicare population and the migration of Medicare Supplement plan participants to the Medicare Advantage Plans will offset a portion of that growth.
- Expenditures for the self-insured medical plans (line 2) are expected to continue growing. However, a shrinking pre-Medicare population and the migration of Medicare Supplement plan participants to the Medicare Advantage Plans will offset a portion of that growth.

- Expenditures related to Medicare Advantage (MA) Plans are expected to continue growing at a higher percentage of our overall costs as members migrate to lower costing monthly plans. While participation is expected to increase, the rates will shrink significantly in calendar year 2021 and halfway through FY22 before they are expected to grow again in calendar year 2022. The increase includes assumptions with regard to continued growth in participation as well as assumed rate increases approved by CMS for each of our Medicare Advantage offerings beginning January 1, 2022 (mid-FY22).
- Expenditures related to voluntary coverages (dental, vision and life) are expected to grow at a rate in line with increased participation (7% in FY18, 8.5% in FY19, 7% in FY20), which will be slightly offset by a reduction in vision and dental rates. Voluntary coverages (except for basic life) are 100% paid for by the retiree.
- Patient Centered Outcomes Research Institute Fee (PCORI) was eliminated and then reinstated for FY21 (lines 6 and 7). The cost is determined by multiplying the average pre-Medicare membership for calendar year 2020 by a rate yet to be determined.
- Lastly, the request will include an amount sufficient to support the operating activities of the agency as reflected in the "Other Financing Uses" category (lines 8 and 9).

Program Support

The chart below provides a categorical summary of expenditures related to the operating activities of the agency. Overall, the request is a \$34,400 decrease compared to the FY21 approved operating budget. This includes an increase in the personal services and employee benefits category, offset by reductions in the contractual services and other costs categories.

Program Support Expenditure Summary									
			FY20	FY20	FY21	FY22	FY22	PERCENT	
	Uses		OPBUD	ACTUAL	OPBUD	INC/DEC	REQUEST	CHANGE	
1	200	Personal Services/ Employee Benefits	2,053.0	1,869.7	2,077.1	25.2	2,102.3	1.2%	1
2	300	Contractual Services	616.6	634.9	663.4	(42.0)	621.4	-6.3%	2
3	400	Other Costs	538.1	489.4	566.2	(17.6)	548.6	-3.1%	3
4		TOTAL	3,207.7	2,994.0	3,306.7	(34.4)	3,272.3	-1.0%	4
Summary of Revenues									
			FY20	FY20	FY21	FY22	FY22	PERCENT	
	Sources		OPBUD	ACTUAL	OPBUD	INC/DEC	REQUEST	CHANGE	
5	112	Other Transfers	3,207.7	3,207.7	3,306.7	-34.4	3,272.3	-1.1%	5
6		Total	3,207.7	3,207.7	3,306.7	-34.4	3,272.3	-1.1%	6
7		FTE	26.0	26.0	26.0	0.0	26.0	0.0%	7

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

Expenditure Detail (Personal Services and Employee Benefits)									
		FY20	FY20	FY21	FY22	FY22	Percent		
		OPBUD	Actual	OPBUD	Inc/Dec	Request	Change		
1	520100	Exempt Positions	276.1	286.6	292.4	(6.5)	285.9	-2.4%	1
2	520300	Classified Perm. Positions	1,203.4	1,031.3	1,167.2	40.0	1,207.2	3.3%	2
3	520800	Annual & Comp Paid/Unused Sick/Overtime	-	13.1	-	-	-	-	3
4	521100	Group Insurance Premium	197.6	177.6	195.9	6.3	202.2	3.2%	4
5	521200	Retirement Contributions	232.1	227.2	268.1	(9.3)	258.8	-4.0%	5
6	521300	FICA	105.5	96.8	111.7	2.5	114.2	2.4%	6
7	521400	Workers Comp	0.2	0.2	0.2	-	0.2	0.0%	7
8	521410	GSD Work Comp Ins	1.6	1.6	1.2	(0.2)	1.0	-12.5%	8
9	521500	Unemployment Comp	-	-	-	-	-	-	9
10	521600	Employee Liability Insurance	9.0	8.9	9.5	(6.6)	2.9	-73.3%	10
11	521700	Retiree Health Care	27.5	26.4	30.9	(1.0)	29.9	-3.6%	11
12	521900	Other Employee Benefits	-	-	-	-	-	-	12
13		TOTAL	2,053.0	1,869.7	2,077.1	25.2	2,102.3	1.2%	13
Expenditure Detail (Contractual Services)									
		FY20	FY20	FY21	FY22	FY22	PERCENT		
		OPBUD	ACTUAL	OPBUD	INC/DEC	REQUEST	CHANGE		
14	535200	Professional Services	399.8	360.6	396.4	(37.5)	358.9	-9.4%	14
15	535300	Other Services	10.0	9.6	12.5	-	12.5	0.0%	15
16	535309	Other Services InterA	20.0	15.8	26.0	(10.2)	15.8	-51.0%	16
17	535400	Audit Services	86.8	71.4	78.5	5.7	84.2	6.6%	17
18	535500	Attorney Services	40.0	73.8	60.0	-	60.0	0.0%	18
19	535600	Information Technology Services	60.0	103.7	90.0	-	90.0	0.0%	19
20		TOTAL	616.6	634.9	663.4	(42.0)	621.4	-6.3%	20
Expenditure Detail (Other)									
		FY20	FY20	FY21	FY22	FY22	PERCENT		
		OPBUD	ACTUAL	OPBUD	INC/DEC	REQUEST	CHANGE		
21	542100	Employee In-State Mileage & Fares	1.5	0.5	1.5	-	1.5	0.0%	21
22	542200	Employee In-State Meals & Lodging	2.5	1.9	2.5	-	2.5	0.0%	22
23	542300	Board & Commission - In-State	13.5	8.1	13.5	-	13.5	0.0%	23
24	542500	Transportation-Fuel & Oil	1.0	0.3	1.0	-	1.0	0.0%	24
25	542600	Transportation	0.1	0.1	0.1	-	0.1	0.0%	25
26	542700	Transportation Insurance	0.2	-	0.2	-	0.2	0.0%	26
27	542800	State Transportation Pool Charges	4.5	4.5	4.5	-	4.5	0.0%	27
28	543200	Maintenance - Furniture, Fixtures & Equipment	6.0	5.4	6.0	-	6.0	0.0%	28
29	543300	Maintenance - Building & Structure	4.5	0.7	4.5	-	4.5	0.0%	29
30	543400	Maintenance - Property Insurance	-	-	-	-	-	0.0%	30
31	543830	IT Maintenance	7.5	1.8	7.5	-	7.5	0.0%	31
32	544000	Supply Inventory IT	25.0	12.6	25.0	(2.0)	23.0	-8.0%	32
33	544100	Supplies - Office Supplies	10.0	8.7	10.0	(1.5)	8.5	-15.0%	33
34	544900	Supplies - Inventory Exempt	9.3	3.7	5.0	-	5.0	0.0%	34
35	545600	Reporting & Recording	6.0	-	-	-	-	0.0%	35
36	545609	Report/Record Inter St Agency	-	-	-	-	-	*	36
37	545700	DoIT ISD Services	3.8	4.3	4.2	-	4.2	0.0%	37
38	545710	DoIT HCM Assessment	10.7	10.8	10.7	(1.2)	9.5	-11.2%	38
39	545900	Printing & Photo. Services	56.0	59.8	56.0	-	56.0	0.0%	39
40	546100	Postage & Mail Services	105.0	87.7	120.0	-	120.0	0.0%	40
41	546400	Rent of Land & Buildings	112.8	113.6	124.1	(8.3)	115.8	-7.4%	41
42	546409	Rent Expense - Interagency	8.1	8.1	8.4	0.2	8.6	2.5%	42
43	546500	Rent of Equipment	46.0	41.7	48.3	(5.0)	43.3	-10.9%	43
44	546600	Communications	21.0	13.6	21.0	-	21.0	0.0%	44
45	546610	DOIT Communications	59.8	57.6	58.9	(2.8)	56.1	-4.7%	45
46	546700	Subscriptions & Dues	2.0	3.3	7.0	-	7.0	0.0%	46
47	546800	Employee Training & Edu.	3.0	5.8	5.0	-	5.0	0.0%	47
48	546801	Board Member Training	5.0	-	5.0	5.0	10.0	100.0%	48
49	546900	Advertising	0.5	0.7	1.0	-	1.0	0.0%	49
50	547900	Miscellaneous Expense	1.3	2.3	1.3	-	1.3	0.0%	50
51	547999	Request to Pay Prior Year	-	-	-	-	-	0.0%	51
52	548300	Information Technology Equipment	5.0	26.9	5.0	-	5.0	0.0%	52
53	549600	Employee Out-Of-State Mileage & Fares	1.5	0.5	2.0	(1.0)	1.0	-66.7%	53
54	549700	Employee Out-Of-State Meals & Lodging	2.0	0.9	2.0	(1.0)	1.0	-50.0%	54
55	549800	B&C-Out-Of-State Mileage & Fares	1.5	3.5	3.5	-	3.5	0.0%	55
56	549900	B&C- Out-Of-State Meals & Lodging	1.5	-	1.5	-	1.5	0.0%	56
57		TOTAL	538.1	489.4	566.2	(17.6)	548.6	2.3%	57

- Personal services and employee benefits shows a \$25,000, or 1.2%, increase above FY21 approved operating levels to include full funding for all 26 FTE according to the E1 calculation in the budget preparation system.
- The request in the contractual services category includes sufficient funding for the following services:
 - Actuarial and benefits consulting services related to our annual solvency projections and GAS reporting requirements
 - Consulting services related to a PBM rebate audit
 - Board recording and reporting, and document destruction services
 - Interagency transfers related to HR services provided by the State Personnel Office
 - Funding for contract general counsel services
 - Increase in IT funding for programing changes and updates to billing and eligibility system
- Lastly, the request in the other category includes sufficient amounts to support the projected operating expenses of the agency in FY22, including rent of 2 offices locations, rent of copying and printing equipment, printing, postage, employee and board members training, office supplies and IT related charges.

Performance Measures

The table below provides a list of performance measures approved by DFA and LFC, FY20 targets, FY20 reported performance, FY21 targeted performance and FY22 requested targets.

			FY20 Target	FY20 Actuals	FY21 Target	FY22 Request
Healthcare Benefits Administration						
1	Output	Minimum number of years of positive fund balance	18	25	25	30
2	Outcome	Number of years of projected balance spending	5	5	3	4
3	Outcome	Percent of diabetics properly managed according to clincial guidelines	75%	93.8%	85%	Discontinue
4	Efficiency	Emergency room visits per thousand members	<300	192	<200	<200
5	*Outcome	Percent of members with diabetes receiving at least one hemoglobin A1C test in the last 12 months				Baseline
6	*Outcome	Percent of members with diabetes receiving an annual screening for diabetic nephropathy				Baseline
7	*Outcome	Annual loss ratio for the health benefits fund				Baseline
8	*Explanatory	Year-end fund balance of the health benefits fund				Baseline
Program Support						
9	Outcome	Percent of deposits made within 24 hours	100	100	100	100
10	Efficiency	Percent of payments made within 30 days	99	100	99	99

*Indicates new measure for FY22

Requested Action

NMRHCA staff respectfully requests Finance and Investments Committee approval of the FY22 appropriation request as presented above.

Wellness Gift Card Incentive (Action Item)

Background: In 2016 the New Mexico Retiree Health Care Authority began offering a \$50 gift card to members who engaged in certain wellness activities. Given the broad range of our membership in terms of age, geographical location, income, educational levels and access to programs, NMRHCA through its partnerships with Blue Cross & Blue Shield, Presbyterian Health Plan, Humana and UnitedHealthcare has attempted to make programs and services available in person and virtually, even prior to the pandemic. Since 2016 we have issued 1,541 gift cards (\$77,050 worth) to members engaging exercise programs, submitting health risk assessments, taking educational courses on diet and exercise, and engaging in disease management programs.

While we consider our efforts to be worthwhile, engagement levels remain low with only a few hundred out of 55,000 members participating in our medical plans, many of which, are repeat recipients from prior years. It is also important to note that not everyone who is eligible to receive the gift card actually requests one. In conclusion, NMRHCA staff proposes to continue engaging in strategic investments to improve the health and wellbeing of our members by investing in programs such as Livongo, Naturally Slim and Good Measures. NMRHCA staff is also researching opportunities to further leverage engagement in programs that would be beneficial for members suffering from chronic conditions.

Requested Action

NMRHCA staff respectfully requests to discontinue the Gift Card Incentive Program effective January 1, 2021.

Board Elections/Committee Assignments (Action Item)

Background

Article 7C Section 10-7C-6. Board created; membership; authority.

- A. There is created the "board of the retiree health care authority". The board shall be composed of not more than twelve members.
- B. The board shall include:
- (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 Retiree Health Care Act and who shall be appointed by the governor to serve at the pleasure of the governor;
 - (2) the educational retirement director or the educational retirement director's designee;
 - (3) one member to be selected by the public school superintendents' association of New Mexico;
 - (4) one member who is 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 is an eligible retiree of a public school and who is selected by the New Mexico association of retired educators;
 - (6) the executive secretary of the public employees retirement association or the executive secretary's designee;
 - (7) one member who is an eligible retiree receiving a benefit from the public employees retirement association and who is selected by the retired public employees of New Mexico;
 - (8) one member who is an elected official or employee of a municipality participating in the Retiree Health Care Act and who is selected by the New Mexico municipal league;
 - (9) the state treasurer or the state treasurer's designee; and
 - (10) one member who is a classified state employee selected by the personnel board.
- C. The board, in accordance with the provisions of Paragraph (3) of Subsection D of [Section 10-7C-9](#) NMSA 1978, shall include, if they qualify:
- (1) one member who is an eligible retiree of an institution of higher education participating in the Retiree Health Care Act and who is selected by the New Mexico association of retired educators; and
 - (2) one member who is an elected official or employee of a county participating in the Retiree Health Care Act and who is selected by the New Mexico association of counties.
- D. Every member of the board shall serve at the pleasure of the party that selected that member.
- E. The members of the board shall begin serving their positions on the board on the effective date of the Retiree Health Care Act or upon their selection, whichever occurs last, unless that member's corresponding position on the board has been eliminated pursuant to Subsection D of [Section 10-7C-9](#) NMSA 1978.
- F. The board shall elect from its membership a president, vice president and secretary.
- G. The board may appoint such officers and advisory committees, as it deems necessary. 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 Retiree Health Care Act.

H. The members of the board and its advisory committees shall receive per diem and mileage as provided in the Per Diem and Mileage Act [[10-8-1](#) NMSA 1978] but shall receive no other compensation, perquisite or allowance.

History: Laws 1990, ch. 6, § 6; 1993, ch. 362, § 2; 2003, ch. 382, § 1.

Action Item

In compliance with section F, NMRHCA’s board elections typically occur in July of each year for the ensuing 12-month period. In addition, committee assignments are designated for same time period with a full list of current committee assignments is provided below.

Current Committee Assignments

Executive

Mr. Crandall, Chair

Ms. Saunders

Ms. Larrañaga-Ruffy

Finance & Investment

Ms. Larrañaga-Ruffy, Chair

Mr. Crandall

Ms. Goodwin

Mr. Bhakta

Ms. Moon

Legislative

Ms. Saunders, Chair

Ms. Larrañaga-Ruffy

Ms. Goodwin

Ms. Madrid

Mr. Cushman

Audit

Mr. Bhakta, Chair

Mr. Linton

Ms. Moon

Ms. Madrid

Ms. Goodwin

Wellness (Ad-Hoc)

Ms. Goodwin, Chair

Ms. Saunders

Mr. Linton

Mr. Cushman