

New Mexico Retiree Health Care Authority (NMRHCA)

**Governmental Accounting Standards Board (GASB) 74
Actuarial Valuation and Review of Other
Postemployment Benefits (OPEB)
as of June 30, 2019**

FINAL

This report has been prepared at the request of NMRHCA Board to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the NMRHCA Board and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.



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November 18, 2019

*Board of Directors
New Mexico Retiree Health Care Authority
4308 Carlisle Blvd NE, Suite 104
Albuquerque, NM 87107*

Dear Board members:

We are pleased to submit this Governmental Accounting Standards Board (GASB) 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2019. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL) as of June 30, 2019, and analyzes the preceding year's experience. The non-retired census information was provided by New Mexico ERB and PERA. The retiree census and medical data information was provided by NMRHCA. The updated financial information was provided by NMRHCA via its auditors. We have based our calculations on the information provided by these parties and assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

This report was prepared in accordance with generally accepted actuarial principles and practices to assist in administering the Plan. The actuarial calculations were completed under the supervision of Thomas Bergman, ASA, MAAA, and Mary Kirby, FCA, FSA, MAAA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for NMRHCA.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

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Senior Health Consultant & Actuary*

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cc: *David Archuleta, Executive Director*

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SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Statement No. 74 of the Governmental Accounting Standards Board as of June 30, 2019. This valuation is based on:

- The benefit provisions of the Other Postemployment Benefits (OPEB) Plan, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2019, provided by NMRHCA;
- The assets of the Plan as of June 30, 2019, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc.

General Observations on GASB 74 Actuarial Valuations

The following points should be considered when reviewing this GASB 74 report:

- The Governmental Accounting Standards Board (GASB) rules only define OPEB liability and expense for financial reporting purposes, and do not apply to contribution amounts for OPEB funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring OPEB liability, GASB uses the Entry Age actuarial cost method and, for benefits that are being fully funded on an actuarial basis, GASB prescribes the derivation of the discount rate used to calculate liabilities.
 - Pursuant to Paragraph 48 of the GASB Statement No. 74 and based on our understanding of subsequent guidance provided in *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, OPEB plans that are not being fully funded on an actuarial basis are required to go through a cross-over test in determining the discount rate that would be used in the valuation.
- The Net OPEB Liability (NOL) is equal to the difference between the Total OPEB Liability (TOL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NOL reflects all investment gains and losses as of the measurement date.

SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

Significant Issues in Valuation Year

The following findings were the results of this actuarial valuation.

- The NOL has decreased from \$4.348 billion as of June 30, 2018 to \$3.242 billion as of June 30, 2019. The decrease was primarily due to:
 - Health care costs lower than projected in the prior valuation,
 - A lower than expected number of new retirees who elected to enroll in NMRHCA benefits,
 - Decreasing the assumption for percentage of future retirees expected to enroll in NMRHCA benefits.
- The discount rates used to determine the TOL and NOL as of June 30, 2019 and 2018 were 4.16% and 4.08% respectively. The detailed calculations used in the derivation of the “cross-over date” to determine the discount rate of 4.16 % used in the calculation of the TOL and NOL as of June 30, 2019 can be found in Exhibit 5 of Section 2. Various other information that is required to be disclosed can be found throughout Exhibits 1 through 4 in Section 2.
- The discount rate used in the valuation for financial disclosure purposes as of June 30, 2019 is a blend of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2019 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.50 % as of June 30, 2019). Because NMRHCA is not fully prefunding benefits, Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make benefit payment through June 30, 2039 (the projected beginning balance at July 1, 2039 is less than the projected benefit payments for the 2039/2040 year, before including projected contributions for the year). Projected benefit payments are discounted by the Plan investment return assumption of 7.25% until June 30, 2039. Benefit payments after June 30, 2039 are then discounted by the municipal bond rate of 3.50 %. The 4.16% is the blended discount rate reflecting benefits discounted by the Plan investment return assumption rate and the bond rate.
- Amended November 29, 2018, and subsequently approved, the subsidy eligibility requirement of age 55 and the NMRHCA subsidy percentages based upon creditable service were deferred one year (from 2020) and will be effective for eligible retirees not in a PERA enhanced retirement plan who commence benefits on or after January 1, 2021.

SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

Summary of Key Valuation Results

	2019	2018
Disclosure elements for fiscal year ending June 30:		
1. Service cost ⁽¹⁾	\$156,597,766	\$188,372,284
2. Total OPEB Liability	3,999,137,737	5,006,011,109
3. Plan Fiduciary Net Position ⁽²⁾	<u>756,748,991</u>	<u>657,656,294</u>
4. Net OPEB Liability	\$3,242,388,746	\$4,348,354,815
Schedule of contributions for fiscal year ending June 30:		
5. Statutory contributions	\$160,077,200	\$156,266,741
6. Actual contributions	159,030,773	154,358,714
7. Contribution deficiency (excess)	1,046,427	1,908,027
Demographic data for plan year ending June 30:		
8. Number of retired members, beneficiaries, and married dependents	52,179	51,205
9. Number of vested terminated members	10,916	11,471
10. Number of active members	91,082	93,349
Key assumptions as of June 30:		
11. Discount rate	4.16%	4.08%
12. Medical cost trend rates		
Non-Medicare medical plan	Graded from 8.00% in fiscal year 2019/2020 to ultimate 4.50% over 14 years	Graded from 8.00% in fiscal year 2017/2018 to ultimate 4.50% over 14 years
Medicare medical plans	Graded from 7.50% in fiscal year 2019/2020 to ultimate 4.50% over 12 years	Graded from 7.50% in fiscal year 2017/2018 to ultimate 4.50% over 12 years

⁽¹⁾ The service cost is always based on the previous year's valuation, meaning the 2019 and 2018 values are based on the valuations as of June 30, 2018 and June 30, 2017, respectively.

⁽²⁾ The assets as of June 30, 2019 and June 30, 2018 were based on final financial statements provided by NMRHCA.

SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

Important Information about Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of an OPEB plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare an actuarial valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary in this report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by NMRHCA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date. The assets were based on final financial statements provided by NMRHCA (via its auditor).
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to health care trends and member enrollment in retiree health benefits. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the OPEB plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures other than those required by GASB 74. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If NMRHCA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the NMRHCA Plan.

SECTION 1: Valuation Summary for the New Mexico Retiree Health Care Authority

Actuarial Certification

November 18, 2019

This is to certify that Segal Consulting, a Member of The Segal Group, Inc., has conducted an actuarial valuation of certain benefit obligations of NMRHCA's other postemployment benefit programs based on a June 30, 2019 measurement date for plan reporting as of June 30, 2019, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statement No. 74 for the determination of the liability for postemployment benefits other than pensions.

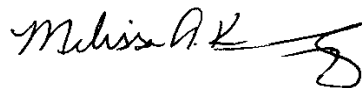
The actuarial valuation is based on the plan of benefits verified by NMRHCA and reliance on participant, premium, claims and expense data provided by the NMRHCA or from vendors employed by NMRHCA. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience or rates of return on assets differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential change of such future measurements except where noted.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statement No. 74 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and meet the "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

By:



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Senior Health Consultant & Actuary



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



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Retiree Health Actuary

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 1

General Information – Financial Statements, Note Disclosures and Required Supplementary Information for a Multiple-Employer Cost Sharing OPEB Plan

Plan Description

Plan administration. The NMRHCA administers the OPEB Plan - a multiple employer cost sharing OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of an employer participating in NMRHCA and eligible to receive a pension from either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB). For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation. At the July 11, 2014 meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from NMRHCA before age 55. Amended November 29, 2018, the subsidy eligibility requirement of age 55 was deferred one year (from 2020) such that retirees not in a PERA enhanced pension plan who commence benefits after January 1, 2021 will not receive a subsidy from NMRHCA before age 55.

Plan membership. At June 30, 2019 (captured as of January 1, 2019 with service for active members increased by half-year from census date to valuation date), OPEB Plan membership consisted of the following

Retired members, beneficiaries and married dependents	52,179
Vested terminated members entitled to, but not yet receiving benefits	10,916
Active members	<u>91,082</u>
Total	154,177

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

Benefits provided

- Benefit Types:** Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.
- Duration of Coverage:** Employees and dependents are valued for life.
- Dependent Benefits:** Same as retirees.
- Dependent Coverage:** Same as retirees.
- Retiree Contributions:** The retiree contribution is derived on a service-based schedule implemented effective July 1, 2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

	<u>FY 2020</u>	<u>FY 2021 And Later</u>
Non-Medicare Retiree	35.5%	36.0%
Non-Medicare Spouse	63.0%	64.0%
Medicare Retiree	50.0%	50.0%
Medicare Spouse	75.0%	75.0%

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

Amended November 29, 2018, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements for retirements after 2020 and not in a Public Safety pension plan:

<u>Years of Service</u>	<u>Retired Before 2021 or in Public Safety Pension Plan</u>	<u>Retired After 2020 and Not in Public Safety Pension Plan</u>
	<u>Percent of full subsidy based on service</u>	<u>Percent of full subsidy based on service</u>
5	6.25%	4.76%
6	12.50%	9.52%
7	18.75%	14.29%
8	25.00%	19.05%
9	31.25%	23.81%
10	37.50%	28.57%
11	43.75%	33.33%
12	50.00%	38.10%
13	56.25%	42.86%
14	62.50%	47.62%
15	68.75%	52.38%
16	75.00%	57.14%
17	81.25%	61.90%
18	87.50%	66.67%
19	93.75%	71.43%
20	100.00%	76.19%
21	100.00%	80.95%
22	100.00%	85.71%
23	100.00%	90.48%
24	100.00%	95.24%
25+	100.00%	100.00%

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 2

Net OPEB Liability

The components of the Net OPEB Liability are as follows:

	June 30, 2019	June 30, 2018
Total OPEB Liability	\$3,999,137,737	\$5,006,011,109
Plan Fiduciary Net Position	<u>756,748,991</u>	<u>657,656,294</u>
System's Net OPEB Liability	\$3,242,388,746	\$4,348,354,815
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	18.92%	13.14%

The Net OPEB Liability (NOL) was measured as of June 30, 2019 and 2018. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date:

- Discount rate has been calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74 and Illustration 2 of *Implementation Guide No. 2017-2, Financial Reporting Postemployment Benefit Plans Other Than Pension Plans*.

Plan provisions. The plan provisions used in the measurement of the Total OPEB Liability (TOL) as of June 30, 2019 are outlined in Exhibit II of Section 3.

- Amended November 29, 2018 and subsequently approved, the subsidy eligibility requirement of age 55 and the lower NMRHCA subsidy percentages were deferred one year (from 2020) and will be effective for eligible retirees not in a PERA enhanced retirement plan who commence benefits on or after January 1, 2021.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

Actuarial assumptions. The TOL as of June 30, 2019 is based upon the GASB 74 valuation as of June 30, 2019. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 and the New Mexico Educational Retirement Board (ERB) Actuarial Valuation Report as of June 30, 2018. In particular, the following actuarial assumptions were applied to all periods included in the June 30, 2019 measurement:

Inflation	2.50% for ERB, 2.50% for PERA
Salary increases	ERB: Ranges from 3.25% to 12.00% based on years of service, including inflation. PERA: Ranges from 3.25% to 13.50% based on years of service, including inflation.
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Other assumptions	Same as those shown in Exhibit I of Section 3.
Health care trend	8.0% in 2019/2020 graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% in 2019/2020 graded down to 4.5% over 12 years for Medicare medical plan costs.

The TOL measured as of June 30, 2018 is based upon the GAS 74 valuation dated November 14, 2018.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Investment policy:

The New Mexico Retiree Health Care Authority’s Investment Policy, signed March 3, 2015, detailed in the following table is the Board’s adopted asset allocation policy as of June 30, 2018 and June 30, 2019:

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

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense and margin for adverse deviation, was assumed to be 7.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

Municipal Bond Rate: 3.50% and 3.87% based on the 20-year municipal bond rate for the Bond Buyer 20-Bond GO Index as of June 30, 2019 and June 30, 2018, respectively.

Discount rate: The discount rate used to measure the TOL was 4.16% as of June 30, 2019 and 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed employer and plan member contributions will be made at the current contribution rate. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB Plan's assets was projected to be sufficient to make projected future benefit payments for current plan members through June 30, 2039 (the projected beginning balance at July 1, 2039 is less than the projected benefit payments for the 2039/2040 year, before including projected contributions for the year). Payments after that date would be funded by employer assets. Therefore, the long-term expected rate of return on OPEB Plan investments (7.25%) was applied to periods of projected benefit payments through June 30, 2039, and the 20-year municipal bond rate (3.50 %) was applied to periods after June 30, 2039 to determine the TOL.

Funding Policy: Retiree benefits are funded from a combination of employer contributions as a percentage (2.50% for Public Safety, and 2.00% for Other Occupations) of compensation and member contributions as a percentage (1.25% for Public Safety and 1.00% for Other Occupation) of compensation to fund the cost of the subsidy, with the remaining cost funded by retiree contributions, RHCA Statutory Distribution, investment income and pharmacy plan subsidies from CMS.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

Sensitivity of the Net OPEB Liability (NOL) to changes in the discount rate. The following presents the NOL of NMRHCA as of June 30, 2019, calculated using the discount rate of 4.16%, as well as what NMRHCA’s NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16%) or 1-percentage-point higher (5.16%) than the current rate:

	1% Decrease (3.16%)	Current Discount (4.16%)	1% Increase (5.16%)
Net OPEB Liability as of June 30, 2019	\$3,966,222,871	\$3,242,388,746	\$2,673,387,007

Sensitivity of the NOL to changes in the trend rate. The following presents the NOL of NMRHCA as of June 30, 2019, calculated using the current trend rates as well as what NMRHCA’s NOL would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend*	1% Increase
Net OPEB Liability as of June 30, 2019	\$2,699,497,654	\$3,242,388,746	\$3,677,049,973

* Current (applied to fiscal year ending June 30, 2020) trend rates: 8.00% graded down to 4.50% over 14 years for Non-Medicare medical plan costs and 7.50% graded down to 4.50% over 12 years for Medicare medical plan costs.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 3

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

	2019	2018
Total OPEB Liability		
Service cost	\$156,597,766	\$188,372,284
Interest	208,644,150	199,583,585
Change of benefit terms	14,004,267	0
Differences between expected and actual experience	(753,099,464)	(145,524,098)
Changes of assumptions	(535,456,730)	(225,363,066)
Benefit payments ⁽¹⁾	<u>(97,563,361)</u>	<u>(122,199,255)</u>
Net change in Total OPEB Liability	(\$1,006,873,372)	(\$105,130,550)
Total OPEB Liability – beginning	<u>\$5,006,011,109</u>	<u>\$5,111,141,659</u>
Total OPEB Liability – ending (a)	<u>\$3,999,137,737</u>	<u>\$5,006,011,109</u>
Plan Fiduciary Net Position⁽²⁾		
Contributions – total employer	\$88,516,368	85,401,662
Contributions – total employee	44,258,184	42,700,831
Net investment income	41,663,496	49,757,591
Benefit payments ⁽¹⁾	(97,563,361)	(122,199,255)
Administrative expense	(2,921,370)	(2,821,224)
Other ⁽³⁾	<u>25,139,380</u>	<u>25,348,048</u>
Net change in Plan Fiduciary Net Position	\$99,092,697	\$78,187,653
Plan Fiduciary Net Position – beginning	<u>\$657,656,294</u>	<u>\$579,468,641</u>
Plan Fiduciary Net Position – ending (b)	<u>\$756,748,991</u>	<u>\$657,656,294</u>
Plan's Net OPEB Liability – ending (a) – (b)	\$3,242,388,746	\$4,348,354,815
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	18.92%	13.14%
Covered payroll	\$4,172,928,635	\$4,290,616,760
Plan Net OPEB Liability as percentage of covered payroll	77.70%	101.35%

See accompanying notes to this exhibit on the next page.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

- ⁽¹⁾ For measurement date June 30, 2019, this category equals Premium and claims paid (\$296,459,494) offset by the sum of Retiree contributions (\$172,270,192) and Medicare Part D, subrogation, refunds, rebates and miscellaneous (\$26,625,941). For measurement date June 30, 2018, this category equals Premium and claims paid (\$320,403,577) offset by the sum of Retiree contributions (\$167,949,226) and Medicare Part D, subrogation, refunds, rebates and miscellaneous (\$30,255,096).
- ⁽²⁾ The Plan Fiduciary Net Position values are based on final financial statements provided by NMRHCA (via its auditor).
- ⁽³⁾ For measurement date June 30, 2019, this category equals sum of Employer buy-ins interest portion (\$67,291) and Tax administration suspense fund revenue (\$26,256,221) offset by the sum of Losses and loss adjustment accrual decrease (-\$42,000), Refunds – retirees (\$962,603), and Depreciation expense (\$263,529). For measurement date June 30, 2018, this category equals sum of Employer buy-ins revenue (\$939,677), employer buy-ins interest portion (\$78,947), and tax administration suspense fund revenue (\$26,256,221) offset by the sum of Losses and loss adjustment accrual increase (\$1,076,000), Refunds – retirees (\$426,884), and Depreciation expense (\$423,913).

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 4

Schedule of NMRHCA's Contributions – Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions⁽¹⁾⁽²⁾	Contributions in Relation to the Actuarially Determined Contributions⁽¹⁾	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2010	\$297,999,753	\$114,847,107	\$183,152,646	N/A	N/A
2011	326,994,988	120,873,224	206,121,764	\$4,001,802,240	3.02%
2012	340,074,787	142,053,551	198,021,236	N/A	N/A
2013	353,657,828	135,388,449	218,269,379	3,876,220,608	3.49%
2014	367,804,141	149,277,185	218,526,956	N/A	N/A
2015	292,656,765	156,670,251	135,986,514	3,941,587,760	3.97%
2016	303,631,394	159,862,801	143,768,593	N/A	N/A
2017	317,546,941	159,379,195	158,167,747	4,165,647,340	3.83%
2018 ^{(3),(4)}	156,266,741	154,358,714	1,908,027	4,290,616,760	3.60%
2019 ⁽³⁾	160,077,200	159,030,773	1,046,427	4,172,928,635	3.81%

⁽¹⁾ Includes an interest adjustment to the end of the year through fiscal year-end June 30, 2017.

⁽²⁾ All "Actuarially Determined Contributions" through June 30, 2017 were determined as the "Annual Required Contribution" (ARC) under GASB 43.

⁽³⁾ The funding policy for the Plan does not rely upon an actuarially determined contribution. For illustration purposes, for fiscal years ended after June 30, 2017, we have applied the statutory contributions as described in the funding policy to payroll as of the beginning of the period.

⁽⁴⁾ Covered payroll was rolled forward from the June 30, 2017 at 3.00% assumed payroll increases using a member-weighted average by PERA and ERB payroll growth rates rounded to the nearest 0.25%.

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2019

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position* (f) = (a) + (b) - (c) - (d) + (e)
2019	\$756,748,991	\$157,728,768	\$133,497,294	\$0	\$55,742,693	\$836,723,158
2020	836,723,158	149,971,190	138,779,336	0	61,068,134	908,983,146
2021	908,983,146	143,845,490	145,351,653	0	65,846,680	973,323,663
2022	973,323,663	138,373,335	149,468,070	0	70,163,781	1,032,392,709
2023	1,032,392,709	133,237,989	155,999,474	0	74,023,368	1,083,654,592
2024	1,083,654,592	128,357,529	162,515,246	0	77,326,741	1,126,823,616
2025	1,126,823,616	123,586,386	169,218,558	0	80,040,546	1,161,231,990
2026	1,161,231,990	118,887,014	176,595,845	0	82,097,374	1,185,620,533
2027	1,185,620,533	114,163,629	184,815,319	0	83,396,365	1,198,365,208
2028	1,198,365,208	109,455,631	193,873,881	0	83,821,316	1,197,768,274
2029	1,197,768,274	104,722,502	203,056,604	0	83,273,589	1,182,707,761
2030	1,182,707,761	99,998,134	212,483,267	0	81,668,727	1,151,891,355
2031	1,151,891,355	95,225,287	222,660,662	0	78,892,591	1,103,348,571
2032	1,103,348,571	90,525,698	231,775,326	0	74,872,472	1,036,971,415
2033	1,036,971,415	85,857,865	241,034,850	0	69,555,262	951,349,692
2034	951,349,692	81,307,131	249,566,898	0	62,873,436	845,963,361
2035	845,963,361	77,204,609	256,796,223	0	54,822,148	721,193,895
2036	721,193,895	73,477,149	263,701,462	0	45,390,926	576,360,507
2037	576,360,507	70,151,058	270,575,232	0	34,520,760	410,457,094
2038	410,457,094	67,026,776	276,986,637	0	22,147,094	222,644,326
2039	222,644,326	64,163,331	283,456,359	0	8,192,341	11,543,639
2040	11,543,639	61,290,859	289,788,962	0	0	0

Note: Shown until Projected Plan Fiduciary Net Position goes to zero. The discount rate is determined by discounting the projected benefits financed by the OPEB plan investments (benefit payments through the 2038/2039 plan year, since the projected beginning balance at July 1, 2039 is less than the projected benefit payments for the 2039/2040 year, before including projected contributions for the year) using the 7.25% discount rate and benefit payments beyond the 2038/2039 plan year using the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.50%).

SECTION 2: GASB 74 Information for the New Mexico Retiree Health Care Authority

EXHIBIT 5

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2019 (\$ in thousands) - Continued

Notes:

- (1) Amounts may not total exactly due to rounding.
- (2) Years beyond 2040/2041 have been omitted from this table as the Fiduciary Net Position is zero.
- (3) Column (b): Projected total contributions are calculated as fixed percentages of payroll plus the Pension Tax Revenue. Contributions are assumed to occur halfway through the year on average.
- (4) Column (c): Projected benefit payments have been determined in accordance with paragraphs 43-47 of GASB Statement No. 74 and are based on the closed group of active, retired members, and beneficiaries as of June 30, 2019.
- (5) Column (d): Projected administrative expenses have been reflected in benefit payments.
- (6) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum and reflect the assumed timing of benefit payments made at the beginning of each month.
- (7) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be exhausted by June 30, 2041.

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method

Rationale for Demographic and Economic Assumptions:

Mortality, Retirement, Disability, Turnover, Inflation Rate and Salary Scale assumptions are based on:

- For PERA, the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018.
- For ERB, the New Mexico Educational Retirement Board (ERB) Actuarial Valuation Report as of June 30, 2018.

Data:

Detailed census data and financial data for postemployment benefits were provided by: The non-retired census information was provided by New Mexico ERB and PERA. The retiree census and medical data information was provided by NMRHCA. The financial information was provided by the auditors.

Actuarial Cost Method:

Entry age, level percent of pay, calculated on individual basis.

Measurement Date:

June 30, 2019

Census Date:

January 1, 2019

Discount Rate:

4.16%

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

PERA Post-Retirement Mortality Rates:

After Service Retirement: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

After Disability Retirement: Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

The tables shown above were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2018 PERA pension valuation.

PERA Termination Rates before Retirement:

Pre-Retirement Mortality: Headcount-Weighted RP-2014 Blue Collar Employee Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

State General Males					
Rates of Active Members Terminating During Year					
Sample Ages	Sample Service (Yr.):				
	2	4	6	8	10+
20	18.76%	10.86%	8.21%	7.78%	5.11%
25	17.72	11.06	8.10	7.07	4.65
30	16.45	11.27	7.97	6.18	4.13
35	15.31	10.81	7.59	5.58	3.89
40	14.30	9.97	7.08	5.40	3.86
45	13.55	9.06	6.63	5.40	3.86
50	13.26	8.45	6.49	5.40	3.86
55	13.26	8.37	6.49	5.40	3.86
60	13.26	8.37	6.49	5.40	3.86

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

**Actuarial Assumptions and Actuarial Cost Method (continued)
Assumptions used for PERA members**

State General Females					
Rates of Active Members Terminating During Year					
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	18.13%	11.95%	8.22%	6.05%	4.83%
25	17.76	11.95	8.02	5.81	4.25
30	17.28	11.89	7.81	5.54	3.55
35	16.34	11.23	7.45	5.28	3.46
40	15.22	10.24	6.99	5.06	3.46
45	14.19	9.20	6.58	4.95	3.46
50	13.52	8.55	6.45	4.80	3.46
55	13.37	8.50	6.45	4.70	3.46
60	13.37	8.50	6.45	4.70	3.46

Municipal General Males					
Rates of Active Members Terminating During Year					
Sample	Sample Service (Yr.):				
Ages	2	4	6	8	10+
20	21.70%	14.59%	11.29%	8.93%	8.54%
25	20.00	13.52	10.26	8.05	7.32
30	17.73	12.04	8.96	6.94	5.69
35	15.77	10.65	8.01	6.20	4.61
40	14.06	9.37	7.29	5.73	3.92
45	12.80	8.39	6.87	5.58	3.65
50	12.20	8.01	6.79	5.58	3.65
55	12.18	8.01	6.79	5.58	3.65
60	12.18	8.01	6.79	5.58	3.65

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

**Actuarial Assumptions and Actuarial Cost Method (continued)
Assumptions used for PERA members**

Municipal General Females					
Rates of Active Members Terminating During Year					
Sample Ages	Sample Service (Yr.):				
	2	4	6	8	10+
20	24.40%	17.77%	14.41%	11.94%	7.51%
25	21.96	16.06	12.80	10.32	6.38
30	18.85	13.77	10.63	8.16	4.94
35	16.69	11.96	9.08	6.70	4.09
40	15.16	10.49	7.84	5.74	3.67
45	14.28	9.49	6.50	5.31	3.62
50	14.01	9.14	6.50	5.30	3.62
55	14.01	9.14	6.50	5.30	3.62
60	14.01	9.14	6.50	5.30	3.62

Service Based Rates of Active Members Terminating During Year					
All Ages	Sample Service (Yr.):				
	1	3	5	7	10+
State Police & Corrections*	20.00%	16.00%	9.00%	8.00%	5.75%
Municipal Detention	22.00	16.00	10.00	10.00	6.00
Municipal Police	14.00	9.50	6.80	5.15	3.50
Municipal Fire	10.00	7.50	5.00	3.30	2.75

* *Police and Corrections were not identified separately in the census data. We have used the Corrections assumption because the subgroup comprises about 70% of the combined group total.*

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

Age	Rates (%) – Disability Incidence						
	State General		State Police and Corrections*	Municipal General		Municipal Police	Municipal Fire
	Male	Female		Male	Female		
25	0.02	0.02	0.14	0.03	0.04	0.01	0.02
30	0.04	0.03	0.16	0.06	0.04	0.01	0.02
35	0.08	0.06	0.21	0.09	0.04	0.05	0.02
40	0.13	0.12	0.27	0.13	0.06	0.11	0.08
45	0.24	0.20	0.46	0.18	0.14	0.18	0.08
50	0.41	0.39	0.90	0.30	0.25	0.28	0.33
55	0.57	0.61	1.40	0.49	0.39	0.46	0.33
60	0.74	0.73	1.88	0.60	0.51	0.74	1.17
65	0.75	0.73	1.88	0.62	0.59	1.08	1.17

* Police and Corrections were not identified separately in the census data. We have used the Corrections assumption because the subgroup comprises about 70% of the combined group total.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for PERA members

PERA Retirement Rates:

These rates are applicable when employee becomes eligible for retirement based on age/service combination.

Retirement Ages	Retirement Rates (%)						
	State General		State Police and Corrections*	Municipal General		Municipal Police**	Municipal Fire**
	Male	Female		Male	Female		
40	25	25	40	20	25	30	30
45	25	25	40	20	25	30	25
50	25	25	40	20	25	30	20
55	25	25	40	20	25	30	25
60	30	25	35	15	25	30	20
65	25	25	35	15	25	30	20
70	25	20	100	20	15	100	100
75	25	20		20	15		
80	100	100		100	100		

* Police and Corrections were not identified separately in the census data. We have used the Corrections assumption because the subgroup comprises about 70% of the combined group total.

** Plan 1-5 were not identified separately in the census data. We have used the Plan 3-5 assumptions because this subgroup comprises over 95% of the combined group total for Municipal Police and Fire.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

PERA Salary Increases: Salary increases occur in recognition of (i) individual merit and longevity, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) other factors such as productivity gains and competition from other employers for personnel. Sample rates follow:

Attributable to:	Annual Rates (%) of Salary Increase for Sample Years of Service				
	1	5	10	15	20
General Increase in Wage Level Due to:					
Inflation	2.50	2.50	2.50	2.50	2.50
Other factors	0.75	0.75	0.75	0.75	0.75
Increase Due to Merit/Longevity:					
State General	5.00	1.25	0.50	0.00	0.00
State Police and Corrections*	9.75	3.50	2.00	1.50	1.50
Municipal General	2.50	1.50	0.50	0.00	0.00
Municipal Police	7.75	2.75	1.50	0.75	0.75
Municipal Fire	7.75	2.75	1.50	1.25	1.25

* Police and Corrections were not identified separately in the census data. We have used the Corrections assumption because the subgroup comprises about 70% of the combined group total.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Post-Retirement Mortality Rates:

After Retirement:

Males: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment generationally projected with Scale BB.

Females: GRS Southwest Region Teacher Mortality Table, set back one year, generationally projected with Scale BB.

After Disability Retirement: RP-2000 Disabled Mortality Table, set back three years for males and no set back for females, projected with Scale BB to 2016.

The tables shown above were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2018 ERB pension valuation.

ERB Assumptions used for ERB members

Pre-Retirement Mortality RP-2000 Employee Mortality Table, set back two years and scaled 80% for males and set back five years and scaled 70% for females, projected with Scale BB to 2016.

ERB Disability Rates before Retirement:

Age	Disability Incidence – Rates(%)	
	Males	Females
25	0.007	0.010
30	0.007	0.020
35	0.042	0.050
40	0.091	0.080
45	0.133	0.120
50	0.168	0.168
55	0.182	0.168

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Termination Rates before Retirement (continued):

Active Members Terminating During year – Rates (%)

Completed Service	Males	Females
0	43.4	31.4
1	28.1	23.8
2	19.6	17.2
3	14.3	13.5
4	11.9	10.6
5	10.0	9.8
6	9.1	8.6
7	7.3	7.2
8	6.1	6.3
9	5.7	5.5
10	5.2	5.0
11	4.2	4.7
12	4.0	4.2
13	3.4	3.6
14	3.4	3.5
15	3.1	3.3
16	2.2	2.3
17	2.3	2.7
18	2.3	2.1
19 and over	0.0	0.0

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Retirement Rates:

Members Hired before July 1, 2010 and Normal Retirement for Members Hired on or After July 1, 2010

Retirement – Rates(%)

Age	<u>Males</u>					
	<u>Years of Service</u>					
	0-4	5-9	10-14	15-19	20-24	25+
45	0	0	0	0	0	15
50	0	0	0	0	0	18
55	0	0	0	0	5	20
60	0	0	0	15	20	25
62	0	0	30	30	30	30
65	0	40	35	30	30	30
67	0	25	25	25	30	30
70	100	100	100	100	100	100
	<u>Females</u>					
	<u>Years of Service</u>					
	0-4	5-9	10-14	15-19	20-24	25+
45	0	0	0	0	0	15
50	0	0	0	0	0	18
55	0	0	0	0	6	23
60	0	0	0	20	15	25
62	0	0	40	30	30	35
65	0	35	40	40	40	40
67	0	25	25	25	30	30
70	100	100	100	100	100	100

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Assumptions used for ERB members

ERB Retirement Rates:

Members Hired on or after July 1, 2010

Retirement – Rates(%)

Males
Years of Service

<u>Age</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>
55	0	0	5
60	0	20	20
62	30	30	30
65	30	30	30

Females
Years of Service

<u>Age</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>
55	0	0	6
60	0	15	15
62	30	30	30
65	40	40	40

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

ERB Salary Increases:

General Increase in Wage Level Due to:

Inflation:	2.50%
Productivity increase rate:	0.75%

Salary increases occur in recognition of (i) individual merit and longevity, (ii) plus step-rate/promotional as shown:

<u>Years of Service</u>	<u>Annual Step-Rate (%) / Promotional Component Rates of Increase</u>	<u>Total Annual Rate (%) of Increase</u>
0	8.75	12.00
1	3.00	6.25
2	2.00	5.25
3	1.50	4.75
4	1.25	4.50
5	1.00	4.25
6	0.75	4.00
7	0.50	3.75
8	0.50	3.75
9	0.50	3.75
10 or more	0.00	3.25

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Administrative Expenses:

Non-Medicare:	\$349/year
Medicare Supplement:	\$450/year
Medicare Advantage:	\$60/year

The administrative expenses were assumed to increase by 2.5% in 2019/2020 and thereafter.

Per Capita Cost Development:

The assumed costs on a composite basis (and other demographic factors such as sex and family status) are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical claims costs are reviewed, and adjusted for increases in the cost of health care services.

Per Capita Costs:

Annual medical and drug claims costs for the 2019/2020 plan year, excluding assumed expenses were developed actuarially for retirees and spouses at select ages and are shown in the table below. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Premier Non-Medicare				Value Non-Medicare				Non-Medicare Drug Rebates			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
50	\$8,384	\$9,550	\$5,856	\$7,668	\$6,105	\$6,954	\$4,264	\$5,583	-\$487	-\$555	-\$340	-\$446
55	9,957	10,280	7,837	8,876	7,250	7,485	5,706	6,463	-579	-597	-455	-516
60	11,825	11,081	10,491	10,294	8,610	8,068	7,639	7,496	-687	-644	-610	-598
64	13,567	11,755	13,243	11,586	9,878	8,559	9,643	8,436	-788	-683	-769	-673

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Age	United Healthcare Medicare Advantage				BCBS Supplemental				BCBS (Medicare Advantage)			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	\$1,668	\$1,418	\$1,668	\$1,418	\$5,340	\$4,539	\$5,340	\$4,539	\$1,127	\$958	\$1,127	\$958
70	1,933	1,528	1,933	1,528	6,189	4,891	6,189	4,891	1,306	1,032	1,306	1,032
75	2,083	1,645	2,083	1,645	6,670	5,265	6,670	5,265	1,408	1,111	1,408	1,111
80	2,243	1,773	2,243	1,773	7,182	5,676	7,182	5,676	1,516	1,198	1,516	1,198
Age	Presbyterian Medicare Advantage				Medicare Drug Rebates				Medicare Drug Subsidy			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
65	\$2,099	\$1,784	\$2,099	\$1,784	-\$2,036	-\$1,731	-\$2,036	-\$1,731	-\$74	-\$63	-\$74	-\$63
70	2,433	1,923	2,433	1,923	-2,360	-1,865	-2,360	-1,865	-86	-68	-86	-68
75	2,622	2,070	2,622	2,070	-2,543	-2,007	-2,543	-2,007	-92	-73	-92	-73
80	2,823	2,231	2,823	2,231	-2,738	-2,164	-2,738	-2,164	-100	-79	-100	-79
Age	Humana Medicare Advantage											
	Retiree		Spouse									
	Male	Female	Male	Female								
65	\$819	\$696	\$819	\$696								
70	949	750	949	750								
75	1,023	808	1,023	808								
80	1,102	871	1,102	871								

Drug Increase Rebate Assumptions

The 2019/2020 annual drug rebate for non-Medicare retirees was assumed to have no projected future increases.

The 2019/2020 annual drug rebate for Medicare retirees with BCBS Medicare Supplement plan was assumed to have no projected future increases.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

**Medicare Part D
Subsidy Assumption:**

These calculations include an offset for retiree prescription drug plan federal subsidies that the Plan is eligible to receive because the Plan has been determined to be a Medicare PDP. The subsidy shown above per eligible retiree or spouse for 2019/2020, was assumed to increase by 4%.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male. For active participants with unknown dates of birth, we assumed their age at entry was that of the average for actives with date of birth.

Spouse Coverage:

35% male, 30% female.

Age of Spouse:

Wives are 3 years younger than their husbands.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Future Benefit Accruals: 1.0 year of service per year.

Participation and Election: 60% of the active participants are assumed to continue coverage at retirement. 25% of employees terminating prior to retiring, and eligible, are assumed to elect NMRHCA benefits at retirement.

Future retirees are assumed to elect medical carriers in the same proportion as current retirees:

<u>Non-Medicare Plan</u>	<u>Medical Election %</u>
Premier	78%
Value Plan	22%
<u>Medicare Plan</u>	<u>Medical Election %</u>
BCBS Medicare Supplement	60%
BCBS Senior Plan I or II	10%
Presbyterian Senior Plan I or II	19%
United Healthcare Plan I or II	9%
Humana Plan I or II	2%

Former Vested Retirement Age: Former vested members are assumed to begin receiving retiree health benefits at the later of age 60 and early retirement eligibility.

Actuarial Value of Assets*: The actuarial value of assets is equal to the market value of assets.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry Age is the age at the member’s hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

** The assets as of June 30, 2019 were based on final financial statements provided by the auditor.*

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

**Health Care Cost Subsidy
Trend Rates:**

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the stated subsidies into the future. For example, the projected per capita cost for a male retiree age 64 covered under the Premier Plan in the year July 1, 2020 through June 30, 2021 would be determined with the following formula: [$\$13,567 \times (1 + 8.0\%)$] = \$14,652.

Plan Year Ended June 30,	Rates (%)	
	All Non-Medicare Plans	All Medicare Plans
2020	8.00	7.50
2021	7.75	7.25
2022	7.50	7.00
2023	7.25	6.75
2024	7.00	6.50
2025	6.75	6.25
2026	6.50	6.00
2027	6.25	5.75
2028	6.00	5.50
2029	5.75	5.25
2030	5.50	5.00
2031	5.25	4.75
2032	5.00	4.50
2033	4.75	4.50
2034 & Later	4.50	4.50

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT I

Actuarial Assumptions and Actuarial Cost Method (continued)

Funding Policy:	Retiree benefits are funded from a combination of employer contributions as a percentage (2.50% for Public Safety, and 2.00% for Other Occupations) of compensation and member contributions as a percentage (1.25% for Public Safety and 1.00% for Other Occupation) of compensation to fund the cost of the subsidy, with the remaining cost funded by retiree contributions, RHCA Statutory Distribution, investment income and pharmacy subsidies from CMS.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Changes in Assumptions:	<p>Per capita health costs were recalculated based on more recent data.</p> <p>Medical carrier election assumptions were updated.</p> <p>The discount rate was updated from 4.08% to 4.16%.</p> <p>Mortality, salary scale, disability, retirement, and turnover rates were updated for PERA members.</p> <p>The assumed retirement age was updated for inactive vested members.</p> <p>Participation in retiree health for future retirees was lowered from 75% to 60%.</p> <p>Spouse coverage for future male retirees was lowered from 55% to 35%.</p> <p>Future trend rates were updated.</p>

EXHIBIT II

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

A retiree who was an employee of either New Mexico PERA or an ERB eligible to receive a pension, is eligible for retiree health benefits.

For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation.

Amended November 29, 2018, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2021 will not receive any subsidy from NMRHCA before age 55.

Benefit Types:

Retirees and spouses are eligible for medical and prescription drug benefits.

For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of \$6000 for all retirees who commenced benefits on or before December 31, 2012. The \$6000 benefit decreases \$1500 per year commencing January 1, 2018 until January 1, 2021 at which time retirees must pay 100% of the premium cost.

Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid.

A description of these benefits may be found at www.nmrhca.state.nm.us by clicking on Enrolled Participants.

Duration of Coverage:

Employees and dependents are valued for life.

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT II

Summary of Plan (continued)

Retiree Contributions:

The retiree contribution is derived on a service-based schedule implemented effective July 1, 2001 and updated annually. The table below shows the anticipated employee paid portion of claims.

	<u>FY 2020</u>	<u>FY 2021 And Later</u>
Non-Medicare Retiree	35.5%	36.0%
Non-Medicare Spouse	63.0%	64.0%
Medicare Retiree	50.0%	50.0%
Medicare Spouse	75.0%	75.0%

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT II

Summary of Plan (continued)

Amended November 29, 2018 and subsequently approved, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements for retirements after 2020 and not in a Public Safety pension plan:

<u>Years of Service</u>	<u>Retired Before 2021 or in Public Safety Pension Plan</u> <u>Percent of full subsidy based on service</u>	<u>Retired After 2020 and Not in Public Safety Pension Plan</u> <u>Percent of full subsidy based on service</u>
5	6.25%	4.76%
6	12.50%	9.52%
7	18.75%	14.29%
8	25.00%	19.05%
9	31.25%	23.81%
10	37.50%	28.57%
11	43.75%	33.33%
12	50.00%	38.10%
13	56.25%	42.86%
14	62.50%	47.62%
15	68.75%	52.38%
16	75.00%	57.14%
17	81.25%	61.90%
18	87.50%	66.67%
19	93.75%	71.43%
20	100.00%	76.19%
21	100.00%	80.95%
22	100.00%	85.71%
23	100.00%	90.48%
24	100.00%	95.24%
25+	100.00%	100.00%

SECTION 3: GASB 74 Supporting Information for the New Mexico Retiree Health Care Authority

EXHIBIT II

Summary of Plan (continued)

Dental

Eligibility

This benefit was not included in the valuation, because retirees pay 100% of the cost.

Vision

Eligibility

This benefit was not included in the valuation, because retirees pay 100% of the cost.

Life Insurance Death Benefit

Eligibility

For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of \$6000 for all retirees who commenced benefits on or before December 31, 2012. The \$6000 benefit decreases \$1500 per year commencing January 1, 2018 until January 1, 2021 at which time retirees must pay 100% of the premium cost.

Excise Tax on High Cost Health Plans Imposed by The Affordable Care Act (ACA “Cadillac Tax”)

In 2013, NMRHCA’s Board of Directors approved its intent to modify plan designs as necessary to preclude the payment of any excise tax established by the ACA. Therefore, we have only valued benefits up to the tax threshold levels.

Plan Changes since Prior Valuation

Amended November 29, 2018, the subsidy eligibility requirement of age 55 and the lower NMRHCA subsidy percentages were deferred one year (from 2020) and will be effective for eligible retirees not in a PERA enhanced retirement plan who commence benefits on or after January 1, 2021.

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