

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

# **REGULAR MEETING OF THE BOARD OF DIRECTORS**



**November 3, 2020  
9:30 AM**

**Online: <https://global.gotomeeting.com/join/903886285>  
Telephone: 1-408-650-3123/ Access Code: 903-886-285**

New Mexico Retiree Health Care Authority  
Regular Meeting

BOARD OF DIRECTORS

**ROLL CALL**

**November 3, 2020**

|                                | Member in Attendance |  |  |
|--------------------------------|----------------------|--|--|
| Mr. Crandall, President        |                      |  |  |
| Ms. Saunders, Vice President   |                      |  |  |
| Ms. 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

NOVEMBER 2020

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

Mr. Sanjay Bhakta  
100 Marquette Ave, 11<sup>th</sup> Floor  
City/County Building  
Albuquerque, NM 87102  
F: 505-768-3700  
[sbhakta@cabq.gov](mailto:sbhakta@cabq.gov)

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

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

Mr. Joe Montañó  
NM Assoc. of Educational Retirees  
5304 Hattiesburg NW  
Albuquerque, NM 87120  
[Jmountainman1939@msn.com](mailto:Jmountainman1939@msn.com)  
505- 897-9518

Ms. Pamela Moon  
NM Association of Counties  
One Civic Plaza  
10<sup>th</sup> Floor, Suite 10045  
Albuquerque, NM 87102  
[pmoon@bernco.gov](mailto:pmoon@bernco.gov)  
505-468-1407

Mr. Doug Crandall, President  
Retired Public Employees of New Mexico  
14492 E. Sweetwater Ave  
Scottsdale, AZ 85259  
[dougcinaz@gmail.com](mailto:dougcinaz@gmail.com)

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

Ms. Therese Saunders, Vice President  
NEA-NM, Classroom Teachers Assoc., & NM  
Federation of Educational Employees  
5811 Brahma Dr. NW  
Albuquerque, NM 87120  
[tsaunders3@mac.com](mailto:tsaunders3@mac.com)  
505-934-3058

Mr. Loren Cushman  
Superintendents' Association of NM  
#1 Panther Boulevard  
Animas, NM 88020  
[lrcushman@animask12.net](mailto:lrcushman@animask12.net)  
575-548-2299

Ms. Leane Madrid  
Classified State Employee  
2600 Cerrillos Rd.  
Santa Fe, NM 87505  
[Leane.Madrid@state.nm.us](mailto:Leane.Madrid@state.nm.us)  
505-629-3365

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

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

November 3, 2020

9:30 AM

Online: <https://global.gotomeeting.com/join/9038860285>

Telephone: 1-408-650-3123 / Access Code: 903-886-285

AGENDA

|  |                                       |      |
|--|---------------------------------------|------|
| 1. Call to Order   | Mr. Crandall, President               | Page |
| 2. Roll Call to Ascertain Quorum   | Ms. Beatty, Recorder                  |      |
| 3. Pledge of Allegiance  | Mr. Crandall, President               |      |
| 4. Approval of Agenda  | Mr. Crandall, President               | 4    |
| 5. Approval of Regular Meeting Minutes<br>October 6, 2020  | Mr. Crandall, President               | 5    |
| 6. Public Forum and Introductions  | Mr. Crandall, President               |      |
| 7. Committee Reports   | Mr. Crandall, President               | 13   |
| 8. Executive Director's Updates  | Mr. Archuleta, Executive Director     |      |
| a. Operations/HR Updates/COVID-19  |                                       | 15   |
| b. Employee Newsletter   |                                       | 21   |
| c. Opioid Litigation   |                                       |      |
| d. Livongo Diabetes Management Program   |                                       |      |
| e. Legislative   |                                       | 23   |
| f. September 30, 2020 SIC Report   |                                       | 25   |
| 9. Asset Allocation (Action Item)  | Mr. Toth, Managing Director, Wilshire | 26   |
| 10. GAS 74 Actuarial Valuation – June 30, 2020   | Ms. Krumholz, Actuary, Segal          | 44   |
| 11. FY21 First Quarter Budget Review   | Mr. Archuleta, Executive Director     | 87   |
| 12. FY21 Contract Amendments (Action Item)   | Mr. Kueffer, Deputy Director          | 93   |
| 13. Other Business   | Mr. Crandall, President               |      |
| 14. Executive Session  | Mr. Crandall, President               |      |
| 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               |      |
| December 1, 2020   |                                       |      |
| Via: GoToMeetings: <a href="https://global.gotomeeting.com/join/285319637">https://global.gotomeeting.com/join/285319637</a> |                                       |      |
| Telephone: 1 (669) 224-3412 / Access Code: 285-319-637   |                                       |      |
| 16. Adjourn  |                                       |      |



**ACTION SUMMARY**

**NM RETIREE HEALTH CARE AUTHORITY/REGULAR BOARD MEETING**

**October 6, 2020**

| <b><u>Item</u></b>  | <b><u>Action</u></b> | <b><u>Page</u></b> |
|---|----------------------|--------------------|
| APPROVAL OF AGENDA  | Approved             | 3                  |
| <u>APPROVAL OF MINUTES:</u><br>August 25, 2020  | Approved             | 3                  |
| COMMITTEE REPORTS   | Informational        | 3                  |
| PUBLIC FORUM & INTRODUCTIONS  | Informational        | 3                  |
| <u>EXECUTIVE DIRECTOR'S UPDATES</u><br>Operations/HR Updates/COVID-19<br>Davis Vision/Versant Health<br>Fall Switch/Open Enrollment/Newsletter<br>DPS Request<br>Opioid Litigation<br>SaveonSP Savings Program<br>Livongo Diabetes Management Program<br>Hospital Transparency Study<br>Legislative<br>August 31 SIC Report | Informational        | 3                  |
| 2021 LEGISLATIVE PROPOSAL   | Approved             | 5                  |
| FY21 PROGRAM SUPPORT CONTRACT<br>AMENDMENT  | Approved             | 5                  |
| SPECIAL APPROPRIATION REQUEST   | Approved             | 6                  |
| OTHER BUSINESS: None  |                      |                    |

**MINUTES OF THE**  
**NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS**  
**REGULAR MEETING/VIA TELECONFERENCE**

**October 6, 2020**

**1. CALL TO ORDER**

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

**2. ROLL CALL TO ASCERTAIN A QUORUM**

A quorum was present.

**Members Present:**

Ms. Therese Saunders, Vice President  
Ms. LeAnne Larrañaga-Ruffy, Secretary  
State Treasurer Tim Eichenberg  
Ms. Jan Goodwin  
Mr. Terry Linton  
Ms. Leane Madrid  
Mr. Joe Montaña  
Ms. Pamela Moon

**Members Excused:**

Mr. Doug Crandall, President  
Mr. Sanjay Bhakta  
Mr. Loren Cushman

**Staff Present:**

Mr. Dave Archuleta, Executive Director  
Mr. Neil Kueffer, Deputy Director  
Mr. Greg Archuleta, Director of Communication & Member Engagement  
Ms. Peggy Martinez, CFO  
Mr. Tomás Rodriguez, IT Manager  
Ms. Judith S. Beatty, Board Recorder

**3. PLEDGE OF ALLEGIANCE**

Ms. Saunders led the pledge.

**4. APPROVAL OF AGENDA**

Mr. Linton moved approval of the agenda, as published. Mr. Montañó seconded the motion, which passed unanimously by roll call vote.

**5. APPROVAL OF REGULAR MEETING MINUTES: August 25, 2020**

Ms. Montañó moved approval of the August 25 meeting minutes, as submitted. Ms. Goodwin seconded the motion, which passed by roll call vote, with Mr. Eichenberg in abstention.

**6. PUBLIC FORUM AND INTRODUCTIONS**

Guests introduced themselves. There were no persons wishing to address the board from the floor.

**7. COMMITTEE REPORTS**

- Ms. Saunders said the Executive Committee met last week to go over today's agenda.
- Ms. Larrañaga-Ruffy reported that the Finance Committee met last week and reviewed and approved all of the action items that they have on today's agenda.
- Ms. Saunders said the Legislative Committee plans to meet in November to discuss strategies and other matters.

**8. EXECUTIVE DIRECTOR'S UPDATES**

**a. Operations/HR Updates/COVID-19**

-- NMRHCA is now fully operational at its new location at 6300 Jefferson, N.E., Suite 150, with phones and computer systems set up, and the agency has resumed its modified work activities at the new office location. Offices are not open to the public, but employees continue to go into the office, answer phones, and serve the membership. Mr. Archuleta thanked Neil Kueffer and Tomás Rodríguez for all of their hard work in moving the office furniture.

-- Mr. Archuleta presented HR updates.

-- NMRHCA continues to follow public health directives as the COVID-19 situation evolves.

**b. Davis Vision/Versant Health**

-- NMRHCA received notice from Sam Garcia. Garcia represents Davis Vision, which is owned by Versant, and said that MetLife Insurance has purchased the company. MetLife has 3 million members, and this acquisition will grow its number to over 36 million. MetLife offers 35 group products and services, including a variety of life insurance plans as well as auto insurance. The acquisition of this company has in no way impacted the four-year rate guarantee that NMRHCA received as part of the agreements that were signed in July 2020. No change is expected in the account management of the program.

Mr. Garcia commented that when the Cambridge Group, which owned Superior Vision, purchased Davis Vision a few years ago, it was anticipated that Cambridge eventually would want to market the two

vision plans to a large insurance carrier. He added that Davis Vision would continue to operate independently with no changes in contracts, prices, staffing, or service capabilities.

**c. Fall Switch/Open Enrollment/Newsletter**

-- The first of two meetings kicked off last week, with two different Q&A periods. Webinars are scheduled through October 28 with a total of 20 2-hour Q&A periods that will include NMRHCA staff and a representative from each of the health plan partners available to answer questions asked verbally or typed into the system. Last week's meetings were successful, with 130 participants in the first meeting and 65 in the second meeting.

-- Last week, the fall switch enrollment newsletter was mailed out to members. It provided a summary of 2021 changes, notice of the deadlines, information about how to register and participate in the Q&A sessions, and access to the numbers that are available directly to the health plans or to the NMRHCA office.

**d. Department of Public Safety Request**

-- NMRHCA ran an analysis on behalf of DPS, which has a legislative proposal in the next session to convert individuals who are motor transportation officers into the Enhanced Plan. These members act mostly to supplement the New Mexico State Police and are not eligible to receive early retirement benefits. DPS has been working with PERA to determine the actuarial cost to convert those positions. This would include several members who are already retired, but mostly it would include those members who would now be eligible for the early retirement. On the PERA side, the cost would be a little over \$3.5 million, and the actuarial value associated with them having to purchase that equivalency from the NMRHCA is \$340,000. Segal performed this calculation.

**e. Opioid Litigation**

-- As reported to the board previously, NMRHCA is working with the Attorney General's Office to supply information regarding the consumption of opioids on behalf of the members going back to 2013. All of the information requested has been provided, including multiple scans of the servers and all emails and correspondence among staff. NMRHCA is working with attorneys in Washington that are collecting the data, and is now looking at providing information regarding generic drug utilization in response to two different lawsuits brought by the Attorney General's Office.

**f. SaveonSP Savings Report**

-- Through the first half of this year, NMRHCA's participation with the SaveonSP Program has produced savings of almost \$1.5 million. Since inception of the program in April 2019, nearly \$2.8 million of savings has been realized.

Express Scripts representative Jon Molberg added that Express Scripts' model predicts savings of about \$1.6 million annually for NMRHCA, but the number is closer to \$1.7 to \$1.8 million.

**g. Livongo Diabetes Management Program**

-- NMRHCA has 334 members enrolled as of last week, or 12.8 percent of the targeted population — those members who have diabetes and will benefit from this program. NMRHCA expects 25-30 percent of the diabetic population will actually engage in this program, so this is slightly less than half of that percentage in the two months the program has been in effect.

**h. Hospital Transparency Study**

-- NMRHCA has participated in the Rand Study, which evaluates hospital prices across the nation, and has turned over claim data on hospital costs. There is no real bombshell to report from that, other than NMRHCA's commercial population pays more for the same services as compared to Medicare. This result is unchanged from the last three studies.

**i. Legislative**

-- NMRHCA will be presenting an update later today to the Investments and Pensions Oversight Committee that will include proposed legislation, with a slide presentation, for the upcoming session.

-- The September 2020 LFC newsletter (in board package) contains an article, "Insurance Management Creates Cost Disparities," and a second article, "Covid-19 Suppresses Agency Performance."

-- On October 29 at 8:30 a.m., NMRHCA will present its FY22 appropriation request in Room 322.

**j. August 31, 2020 SIC Report**

-- The trust fund balance on August 31 was \$823 million, good news for NMRHCA.

-- NMRHCA continues to work with Wilshire on passive versus active management and will have proposed changes to present at the November meeting.

**9. 2021 LEGISLATIVE PROPOSAL**

Mr. Archuleta said the proposal does not include a proposed increase in Employee/Employer contribution but does include cleanup language staff feels is appropriate based on events that have occurred over the past year and a half, and to sync up language with the Affordable Care Act (ACA). In addition, instead of having contradictory language in the Retiree Health Care Authority Act, staff would like to increase the dependent eligibility requirement from the age of 19 to the age of 26 to sync up with the ACA, and to remove "unmarried" from "unmarried child." Also, staff proposes to remove "mental retardation" from the language and replace it with "intellectual disability." The section on creation of discount prescription drug program would be removed entirely, as it was defunded in FY 2011. The section on audit requirements of this program would also be removed.

**Ms. Larrañaga-Ruffly moved approval, with the changes. Mr. Linton seconded the motion, which passed unanimously by roll call vote.**

**10. FY21 PROGRAM SUPPORT CONTRACT AMENDMENT**

Mr. Archuleta referred to a list of contracts the NMRHCA has set aside for this fiscal year, which were allocated out of the FY21 approved operating budget of \$663,400. NMRHCA did not anticipate the

contract for Haworth, associated with moving furniture into the new office, as well as the Albuquerque Computer Recycle, and those are included on the list.

Mr. Archuleta stated that the small purchase contract totaling \$20,000 related to the V. Lopez appeal is set to expire in December. About \$14,600 has been expended, leaving an unexpended balance of \$5,339. Today's proposal is to increase the contract by \$15,000, to \$35,000, and extend the term from December 31, 2020 to June 30, 2021. This would address additional legal services that are now required from the Rodey Law Firm to address a Petition for Writ of Certiorari submitted by Ms. Lopez on July 24, 2020, and would leave a balance of \$9,024 to address other legal issues not related to this matter that may arise in the interim.

**Ms. Goodwin moved for approval. Ms. Moon seconded the motion, which passed unanimously by roll call vote.**

#### **11. SPECIAL APPROPRIATION REQUEST**

Mr. Rodriguez stated that NMRHCA had a web portal from about 2003 until 2007, but it was considered a security risk to maintain, was limited with the information it was able to provide and was not being utilized much by the 25,000-28,000 retirees. Today, there are more than 65,000 retirees, and the manual process NMRHCA currently uses is time consuming, tedious, and inefficient.

Mr. Rodriguez presented highlights from the business case he created outlining how the RHCA Portal Project will allow automation and streamlining of many of the agency's current paper-based processes. He pointed out that retirees are more computer-savvy than they were in the earlier days of the original web portal and generally are more accustomed to seeing portals on other platforms.

Mr. Rodriguez reviewed a cost analysis. The 5-year total cost of ownership is \$89,150, which includes contractor cost for programming, documentation and staff training, as well as potential IV&V cost, cloud services, and maintenance/service costs.

Mr. Archuleta said NMRHCA staff is requesting approval to submit a special appropriation request totaling \$100,000 for the development and implementation of the web portal. This would address the possibility that the actual cost could be higher than shown in the cost analysis, since in most situations that tends to be the case.

Mr. Archuleta commented that, since shutting down the offices, staff has identified several opportunities to improve the services it provides to customers, one of which is cutting down on the need for face-to-face interactions by providing them access to update small things like an address, adding or dropping a dependent, etc. A link on the website allowing for those updates would reduce frustration and confusion for the members and result in less paperwork for staff. DFA and LFC analysts suggested that, instead of incorporating this recurring expenditure in the NMRHCA's operating budget, the agency submit a special appropriation request, which would allow the funding process to start a bit early after the Executive signs off the General Appropriation Act in April 2021.

Ms. Moon commented that beefing up support services for retirees in this day and age is a very good idea, and she supported this request. She added that if the state were to offer up CARES funding again, the contract costs might be eligible under the improved teleworking category. She suggested looking into this.

Mr. Linton asked if there would be a rightsizing of staff with the use of this technology.

Mr. Archuleta responded that the size of the agency has shrunk over the last seven and a half years, and the number of face-to-face interactions and phone calls has leveled off somewhat; however, there are about 10,000 more retirees than there were seven years ago, and the agency gets 45,000 to 50,000 phone calls a year and has 10,000 to 11,000 face-to-face interactions. While no one has been seen in the offices over the last six months, call volume remains high. He said a number of products have been evaluated and identified that will enhance services and improve record-keeping of requests, and this web portal is probably a step in that direction, but NMRHCA hasn't grown in the number of FTEs and has taken on additional responsibilities as well as served a greater number of people. This is already a small organization and is only filling positions that are considered critical, and there are two vacancies that remain unfilled until the agency returns to a modified work arrangement.

Ms. Madrid said she wanted to be sure that this is an enhancement, benefit and additional resource for NMRHCA and its members, since she did not want to see someone's job eliminated and replaced by automation. She cited Mr. Archuleta's comments that the number of retirees has increased over the years.

Mr. Archuleta responded that the intent is not to replace FTE but to enhance current services and improve access to information. As the agency looks forward three to five years down the road, obviously this is an effort to contain its requests for future resources.

Responding to Ms. Saunders on any concerns about security for the membership, Mr. Rodriguez said security is his biggest concern. He said it was determined after talking with various contractors that cloud computing would provide the most security, and a company like Microsoft will be able to protect his data better than he can behind the technologies that it has. He said he fully believes in what NMRHCA will be doing with this, and having a large company like Microsoft or Amazon to protect the information and data is, to him, the best solution to securing the agency's information.

**Ms. Larrañaga-Ruffy moved for approval. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote.**

**12. OTHER BUSINESS**

None.

**13. EXECUTIVE SESSION**

None.

**14. DATE AND LOCATION OF NEXT BOARD MEETING**

Mr. Archuleta noted that the next meeting is scheduled for November 3, which is Election Day, and may be rescheduled.

**ADJOURN**

Meeting adjourned at 10:45 a.m.

Accepted by:

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Doug Crandall, President



Regular Meeting of the  
NEW MEXICO RETIREE HEALTH CARE AUTHORITY

FINANCE COMMITTEE

9:30 AM, October 30, 2020  
NMRHCA  
Via Videoconference

Videoconferencing link — <https://global.gotomeeting.com/join/822143565>  
Phone Number — 1 (872) 240-3212 / Access Code — 822-143-565

AGENDA

Attendees: Ms. LeAnne Larrañaga-Ruffy, Chair  
Mr. Doug Crandall  
Ms. Jan Goodwin  
Ms. Pamela Moon  
Mr. Sanjay Bhakta

Staff: Mr. David Archuleta, Executive Director  
Mr. Neil Kueffer, Deputy Director  
Mr. Greg Archuleta, Director of Communications and Member Engagement  
Ms. Peggy Martinez, Chief Financial Officer

|  |   |
|--|---|
| Call to Order  | Ms. Larrañaga-Ruffy, Chair                |
| Roll Call to Ascertain Quorum                            | Mr. Greg Archuleta, Recorder              |
| Approval of Agenda                                       | Ms. Larrañaga-Ruffy, Chair                |
| Executive Director's Update                              | Mr. Archuleta, Executive Director         |
| September 30, 2020 SIC Report                            | Mr. Archuleta, Executive Director         |
| Asset Allocation Recommendation (Action Item)            | Mr. Tom Toth, Managing Director, Wilshire |
| GAS 74 Actuarial Valuation — June 30, 2020               | Ms. Melissa Krumholz, Actuary, Segal      |
| FY21 Q1 Budget Review                                    | Mr. Archuleta, Executive Director         |
| FY21 Contract Amendments (Action Item)                   | Mr. Kueffer, Executive Director           |
| Other Business   | Ms. Larrañaga-Ruffy, Chair                |
| Date and Location for the Next Finance Committee Meeting |   |
| Adjourn  |   |



Regular Meeting of the  
NEW MEXICO RETIREE HEALTH CARE AUTHORITY

EXECUTIVE COMMITTEE

10:00 AM, October 30, 2020  
(or after conclusion of Finance Committee Meeting)  
NMRHCA  
Via Videoconference

Videoconferencing link — <https://global.gotomeeting.com/join/687135493>  
Phone Number — 1 (408) 650-3123 / Access Code — 687-135-493

AGENDA

|  |   |
|--|---|
| Attendees:                                     | Mr. Doug Crandall, Chair<br>Ms. Therese Saunders<br>Ms. LeAnne Larrañaga-Ruffy  |
| Staff:   | Mr. David Archuleta, Executive Director<br>Mr. Neil Kueffer, Deputy Director<br>Mr. Greg Archuleta, Director of Communication and Member Engagement |
| Call to Order                                  | Mr. Crandall, Chair   |
| Roll Call to Ascertain Quorum                  | Mr. Greg Archuleta, Recorder  |
| Approval of Agenda                             | Mr. Crandall, Chair   |
| Executive Director's Update                    | Mr. Archuleta, Executive Director   |
| November 3, 2020 Board Meeting Agenda Review   | Mr. Archuleta, Executive Director   |
| Other Business                                 | Mr. Crandall, Chair   |
| Date and Location for the Next Regular Meeting |   |
| Adjourn  |   |



# **New Mexico State Personnel Board**

## **State Personnel Office**

**Michelle Lujan Grisham**  
Governor

**Pamela D. Coleman**  
Director

**State Personnel Board**  
Christine B. Romero, Chair  
Laura A. Liswood, Vice Chair  
Carmen V. Chavez, Member  
Jerry Manzagol, Member

**BEFORE THE NEW MEXICO STATE PERSONNEL BOARD**

**IN RE: AMENDMENTS TO 1.7.7 NMAC – ABSENCE AND LEAVE**

**RULEMAKING PROCEEDING FOR  
AMENDMENTS TO 1.7.7 NMAC  
(ABSENCE AND LEAVE)**

### **CONCISE EXPLANATORY STATEMENT**

The New Mexico State Personnel Board (the "Board") hereby amends 1.7.7 NMAC — Absence and Leave. The rule is currently codified in Title 1, Chapter 7, Part 7 of the New Mexico Administrative Code.

**(1) Statutory Authority for Rule Promulgation:**

Under the Personnel Act, "The [personnel] director shall...recommend to the board rules [she] considers necessary or desirable to effectuate the Personnel Act," and "the board shall...promulgate regulations to effectuate the Personnel Act[.]" NMSA 1978, §§ 10-9-10(A), 12(E).

**(2) Date of Notice in New Mexico Register:**

The Notice of Rulemaking was published in Volume xxxi, Issue: 17 of the New Mexico Register on September 15, 2020.

(3) Date of Meeting Approving Rule:

October 16, 2020

(4) Date of Adoption of Rule:

October 16, 2020

(5) Date of Publication of Adopted Rule in New Mexico Register:

The adopted Rule will be published in Volume xxxi, Issue: 21 of the New Mexico Register on November 10, 2020.

(6) Effective Date of Rule:

January 1, 2021 (1.7.13.10 NMAC “The Board shall determine the effective date of Rules....”).

(7) Reasons for Adopting Rule:

Amendment to 1.7.7.8 – Annual Leave

The amendment to Subsection E permits classified State employees to carry forward more than 240 hours of annual leave beyond the last pay period of December 2020, but not beyond July 9, 2021, in order to provide those employees with an additional six months to use, rather than lose, annual leave they may have accrued and been unable to use during the COVID-19 public health emergency. The division of Subsection G into Subsections G and H distinguishes the regulations pertaining to all employees separating from the classified service from those pertaining to employees separating from the classified service due to a reduction in force. The amendment to Subsection G clarifies that the annual leave payout for an employee separating from the classified service may not exceed 240 hours, even with the amendment to Subsection E. The amendment to Subsection H clarifies that the payout for an employee separating from the classified service due to a reduction in force may not exceed 240 hours because of the amendment to Subsection E. And the amendment to new Subsection I clarifies that the accrued annual leave payout of an employee who dies may not exceed 240 hours because of the amendment to Subsection E.

Amendment to 1.7.7.9 – Donation of Annual and/or Sick Leave

The amendment to Subsection A clarifies that classified State employees may donate annual and/or sick leave to other classified State employees within the same agency. The amendment also permits classified State employees to make and receive donations of annual leave to and from employees in the exempt service within the same agency, aligning the rule with Department of Finance and Administration (“DFA”) *Policies for Governor Exempt Employees*. DFA policy currently states, “Exempt employees may donate accrued annual leave to or receive accrued annual leave from a classified employee within the same agency.” *Policies for Governor Exempt Employees*, Policy No. ESPP 20.c.

Amendment to 1.7.7.17 – Personal Leave Day

The amendments to Subsections A-D provide classified State employees who have passed their probationary period with two personal leave days each calendar year, instead of one.

(8) Reasons for Changes from Published Proposed Rule:

There are no changes from the published proposed rules. The proposed rules, which were available for public review and introduced as an exhibit at the public hearing, have been adopted in full.

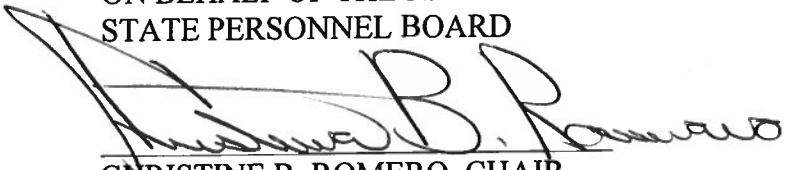
(9) Reasons for Not Accepting Substantive Arguments from Public Comment:

There were no substantive arguments from public comment related to the amendment of 1.7.7 NMAC – Absence and Leave. The public comment received was in support of the amendment of 1.7.7. NMAC.

The amended Rule, as authorized by the Board during its regular meeting held October 16, 2020, is hereby adopted as of the date of this Concise Explanatory Statement.

**IT IS SO ORDERED,**

10/16/20  
DATE

ON BEHALF OF THE NEW MEXICO  
STATE PERSONNEL BOARD  
  
CHRISTINE B. ROMERO, CHAIR



# New Mexico Environment Department

SCIENCE | INNOVATION | COLLABORATION | COMPLIANCE

## Reporting workplace COVID-19 cases to NMED: What you need to know

Updated Aug. 7, 2020

On Aug. 5, 2020, the New Mexico Environment Department (NMED) filed an emergency amendment to require employers to report positive COVID-19 cases in the workplace to the NMED Occupational Health and Safety Bureau within four hours of being notified of the case. The emergency amendment is available [here](#). The emergency rule is in place for 120 days (Dec. 3, 2020), unless NMED proposes and the Environmental Improvement Board adopts a permanent rule prior to the end of the 120-day period.

### ***Why was this rule put into place?***

When the state learns of a positive case in the workplace, state agencies deploy a “rapid response,” offering guidance and support to employers around testing, disinfection and other actions that need to be taken to prevent the spread of COVID-19 beyond the infected employee. Most of these rapid responses are led by NMED.

Frequently, NMED does not learn of positive cases until after the employer is notified by the positive employee, causing a delay in rapid response deployment. The emergency rule, which requires employers to report positive COVID-19 cases among employees within four hours of being notified, will ultimately allow NMED to more quickly respond and prevent spread among employees as a result.

### ***How should I notify NMED?***

Report positive cases via email at [NMENV-OSHA@state.nm.us](mailto:NMENV-OSHA@state.nm.us).

If you are unable to email us, you may report via phone or fax at:

- Phone: 505-476-8700
- Fax: 505-476-8734

### ***What information does NMED need?***

The initial notification must include:

- Establishment name
- Establishment address
- Employer representative name and contact information (phone and email)
- Number of people employed at the location
- Number of employees who tested positive
- Date each positive employee was tested
- Date and time employer was notified of the positive test(s)
- Last date each positive employee was in the establishment
- Date each positive employee began self-quarantine

Please **do not** provide employee names or other personally identifiable information.

Additional information may be collected during follow-up from an NMED representative.

***Does the four-hour window apply on weekends? After business hours?***

Yes.

***Which employers does this emergency rule apply to?***

The emergency rule applies to all New Mexico employers with a few narrow exemptions. The exemptions include employers on tribal lands, mining operations, federal military installations, most U.S. Department of Energy installations and the U.S. Postal Service.

***Healthcare facilities already report employee cases to the Department of Health; do hospitals and other healthcare facilities need to follow the emergency rule?***

Yes. NMED will work with the Department of Health to determine which agency will work with the employer to conduct a rapid response.

***Do I need to report all COVID-19 cases among employees, or just the ones that are workplace related?***

It is typically very difficult to determine the origin of infections, so all COVID-19 cases among employees must be reported. In addition, COVID-positive employees may be infectious to others regardless of where the infection originated, making a rapid response critical.

***Many employees are working from home these days. Does the emergency rule require employers to report positive cases among them, too?***

Yes.

***If an employee who lives in another state but is working in New Mexico and tests positive, do I need to report those positive cases?***

Yes. If an employee worked on a jobsite in New Mexico within 14 days of the employer learning the employee tested positive for COVID-19, then the employer must report the case.

***What happens if I don't report within four hours?***

Failure to report to NMED within four hours may result in enforcement action by the Department, including fines and/or court action.

Additional resources:

- [NMED COVID-19 resources](#)
- [New Mexico Department of Health COVID-19 information](#)





# NMRHCA

Quarterly Online Newsletter  
October 2020

## Enrolling in NMRHCA During Age of Covid-19

**I**t now has been seven months since we at the New Mexico Retiree Health Care Authority have been able to visit with our current and future members face to face.

We understand the inconvenience that the lack of in-person communication may cause, but we remain committed to serving members via telephone Monday through Friday during office hours from 8 a.m. until 5 p.m., as well as through email and regular mail.

If you are getting ready to retire, please visit the Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB) to establish your official retirement date. This will automatically generate an NMRHCA enrollment packet that will be mailed to your address.

The packet you receive from NMRHCA will include a summary of plan options, benefits and applicable charges. If you have questions or concerns about the information provided, please call our toll-free number at 1-800-233-2576, during office hours or leave a message with us if you are calling after office hours.

The sooner you return your completed application, the sooner we can work toward seamlessly transitioning your coverage in case you need to see the doctor. You are allowed to return your packet within 31 days of your official retirement date or last day of medical coverage with your PERA- or ERB-affiliated employer with NMRHCA.

Your packet will include detailed instructions on how to fill out your enrollment application — including the selection of a medical, dental, vision and/or life insurance provider. You are not required to select all insurance offerings; you can simply choose the coverages you need through NMRHCA.

Please note that if you don't sign up for an NMRHCA medical plan within 31 days of your official retirement date or



Photo by Yaroslav Danylchenko from Pexels

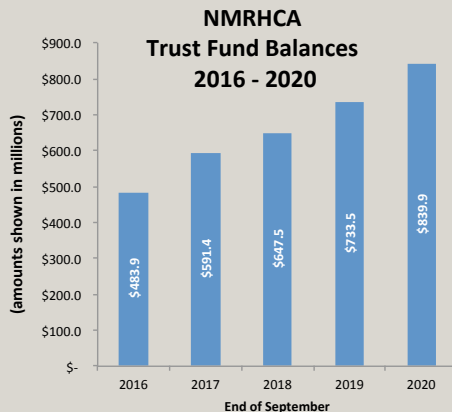
last day of medical coverage for instances outside of a qualifying event (such as moving to a spouse's employee-sponsored health insurance), you won't be allowed to join NMRHCA until the next Open Enrollment Period, which is every odd-numbered year — 2021, 2023, 2025, etc.

You can mail in your packet to us (please note on the back of this newsletter that our Albuquerque office location/address has changed), or we have a drop-off bin outside each of our Albuquerque and Santa Fe offices if you'd rather not rely on the post office.

Please call us or email us at [customerservice@state.nm.us](mailto:customerservice@state.nm.us) if you have any questions or need help filling out your enrollment packet.

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

## Investments



## Seminars Have Moved To Online Format

The New Mexico Retiree Health Care Authority traditionally has traveled to human resource and retirement seminars around the state with PERA and ERB specialists to give employees an opportunity to find out how to sign up with NMRHCA when they're ready to retire and need health insurance.

If any employer group has an interest in NMRHCA providing information on the enrollment process to their employees via, the enrollment process with Medicare or discussing our minimum age rule and increased years of service to qualify for the maximum subsidy rule via video conferencing, contact Greg Archuleta, NMRHCA Director of Communication and Member Engagement at [gregoryr.archuleta@state.nm.us](mailto:gregoryr.archuleta@state.nm.us).

## Important Links:

New Mexico Retiree Health Care Authority:  
[www.nmrhca.org](http://www.nmrhca.org)

New Mexico Educational Retirement Board:  
[www.nmerb.org](http://www.nmerb.org)

Public Employees Retirement Association:  
[www.nmpera.org](http://www.nmpera.org)

## NMRHCA's Office in Albuquerque Is Officially Relocated With PERA

To better serve its members, the New Mexico Retiree Health Care Authority is excited to announce its move to a new office location in Albuquerque.

On Oct. 1, NMRHCA relocated to 6300 Jefferson St. NE, Suite 150, 87109 (south of Osuna on the east side of the street), where it shares office space with the Public Employ-

ees Retirement Association (PERA). Please note that our Santa Fe office remains in the Santa Fe PERA building at 33 Plaza La Prensa.

NMRHCA has retained its current toll-free number, 1-800-233-2576, and general email address, [customer-service@state.nm.us](mailto:customer-service@state.nm.us), amid the move. Our offices remain closed to in-person visitation until further notice.

## Open Enrollment Period, Other Important 2021 Information

2021 marks an Open Enrollment Period for the New Mexico Retiree Health Care Authority. That means that any retiree who didn't sign up for a plan through NMRHCA upon retirement now can sign up for one of our medical, dental over vision plans.

The deadline to sign up is Jan. 31 for coverage to take effect on Jan. 1. If you miss the deadline, you won't be eligible to sign up again until Jan. 1, 2023.

If you're not yet ready to retire but still want to learn more about NMRHCA and its plans, we have a lot of information on our website, [www.nmrhca.org](http://www.nmrhca.org).

All of our insurance providers have uploaded narrated presentations that you can check out at this link: <https://www.nmrhca.org/2021-open-switch-enrollment-narrated-presentations/> (or go to our home page, hover your mouse over the Switch/Open Enrollment Information box under the scrolling photo box and click on the "2021 Open/Switch Enrollment Presentations" tab).

The presentations will give you a good idea of what our Pre-Medicare plans (Premier Plan and Value Plan) through

Blue Cross Blue Shield of New Mexico and Presbyterian Health Plan offer.

We also have nine Medicare plan presentations (eight Medicare Advantage Plans broken into four plans in the Advantage I category and four plans in the Advantage II category from BCBSNM, Presbyterian, Humana and UnitedHealthcare, and our Medicare Supplement Plan from BCBSNM).

### RULE CHANGES IN EFFECT ON JULY 31, 2021:

Our rule changes — implementing a minimum age of 55 to qualify for any insurance subsidy or discount (regardless of years of service) and increasing the years of service to earn the maximum subsidy or discount from 20 to 25 years — take effect July 31, 2021. The changes do not apply to members retiring under an enhanced retirement plan (police officers, firefighters, correctional officers and judges).

Your official retirement date on file with PERA or ERB must be before July 31, 2021 to qualify under the current rules (no minimum age requirement and the maximum subsidy provided at 20 years of service).





# LFC Newsletter

A publication of the

**Legislative Finance Committee**

Senator John Arthur Smith, Chairman

Representative Patricia Lundstrom, Vice Chairwoman

David Abbey, Director

Volume 21 Issue 04

October 2020

## From the Chair

### More of the Same

We might be done with Covid-19 but it's not done with us. New Mexico has seen a series of record-setting days for the number of cases this month, just as the weather is getting colder and we head indoors to riskier environments.

We can hope for quick, widespread access to a safe and effective vaccine. We can encourage responsible mask use and social distancing. But we need to plan for the pandemic to continue for many more months. We need to stop thinking in terms of stop-gap measures and start working on the longer-term changes needed to overcome pandemic-related barriers and the damage it will leave behind.

This will mean rethinking how government, schools, and even business do business. Public health restrictions can't rely solely on shutdown to stop contagion. The administration needs – and to its credit is beginning – to focus on intervention and prevention that will allow businesses to stay open with required and enforced Covid-safe practices.

Keeping schools closed is setting children back academically by months. Children are missing out on important interventions designed to catch special needs and family issues early. The Public Education Department needs to provide schools with the guidance and resources needed for schools to employ the best remote learning practices and perhaps open schools to students who are at greater risk because of home environments, learning needs, or lack of technology.

Business and government together need to start planning for the permanent economic damage that will be left in the wake of this crisis and the ripple effect it will have throughout communities.

And the Legislature needs to rethink its practices, as well; it needs to rethink the necessity – we already know it's unwise – of putting 112 lawmakers, thousands of legislative staff members, and innumerable experts and advocates in a closed building in the middle of winter just because it always meets in January. Lawmakers could, instead, gather long enough to satisfy the Constitution with plans to come together in an extraordinary session during a less dangerous time of the year, when they have a clearer picture of the economic toll of the pandemic.

Covid-19 has triggered an unprecedented crisis for our nation and our state, and it will continue to impact us long after contagion has subsided. We must stop hoping for a miraculous cure, a magical return to normal, and start treating it like the long-term issue it is.

*Senator John Arthur Smith  
Chairman*

**The committee will hold a one-day virtual meeting in October. Visual and audible access to the videoconference will be available to the public via webstream at [www.nmlegis.gov](http://www.nmlegis.gov).**

## Tax Expenditures Cost \$1B

The state gives up \$1 billion in revenue a year through tax benefits for certain taxpayers and activities but has limited information on whether the state gets anything in return, LFC economists report.

New Mexico's more than 100 different "tax expenditures" – mostly exemptions, deductions, and credits – are intended to promote the general welfare or promote the economy generally or an industry specifically.

However, while the Taxation and Revenue Department reports annually on the purpose and cost of the state's tax expenditures, the report says little about the impact.

The TRD report does not include information on impact, such as the number of jobs created, or other details that would allow policymakers to assess effectiveness, according to a LFC staff brief prepared for a hearing scheduled for 10:30 a.m. October 28.

The lack of detail is partly the result of the state failing to require sufficient reporting by the taxpayers, but many of the statutes enabling the tax benefits also fall short by failing to state the purpose of the tax expenditure.

The largest tax expenditures are the nonprofit exemption from the gross receipts tax, the film production tax credits, and the gross receipts tax deduction for prescription drugs and food and medical spending, which include "hold harmless" payments to reduce the impact on local governments.

Tax benefits intended to promote the

general welfare of New Mexicans make up the largest category of tax expenditures, both in terms of the number of carve-outs and the cost.

The state spends over half a billion dollars a year on tax benefits intended to reduce the cost of food, medical care, and other necessities; encourage donations and other activities; and alleviate the tax burden for low-income families, veterans, and other specific populations.

The gross receipts tax deductions for food purchases and receipts of nonprofits cost over \$350 million per year, and the cost of the working families income tax credit is estimated to cost some \$90 million a year.

Tax expenditures related to healthcare, including the gross receipts tax deductions for prescriptions and physician care, cost about \$270 million a year and make up about a quarter of the total cost of state tax expenditures.

TRD estimates the cost of tax expenditures for economic development at about \$155 million a year.

That cost is expected to rise with the expansion of the film production tax credit, which is expected to grow substantially because the cap that limited total claims for a year was lifted in 2019 for companies that sign long-term leases. The film credit is expected to cost the state about \$145 million a year by FY23.

Other economic-related incentives include tax credits for rural and high-wage job creation and partnerships with the state's national labs.

## Officials Question Fall School Testing

Student assessments, optional for most public schools this fall, might not be reliable indicators of pandemic-related learning loss because participation was low and some students appeared to get help from their parents, an LFC report finds.

While most schools canceled annual standards-based assessments in the spring, with state department approval, many opted to test students this fall, but administrators are suspicious of the results for some students and low completion rates suggest testing failed to capture the least engaged students.

LFC evaluation staff is scheduled to present the report, *Spotlight: Reopening Schools and Remote Education* to the committee at 1 p.m. on October 28.

Accurate assessment reports are important because schools need to know where students stand academically after the long break from the traditional classroom.

According to the report, state-specific projections from Stanford University's Center for Research on Education Outcomes confirm earlier findings that students nationally lost from four months to more than a year of learning because of school closures.

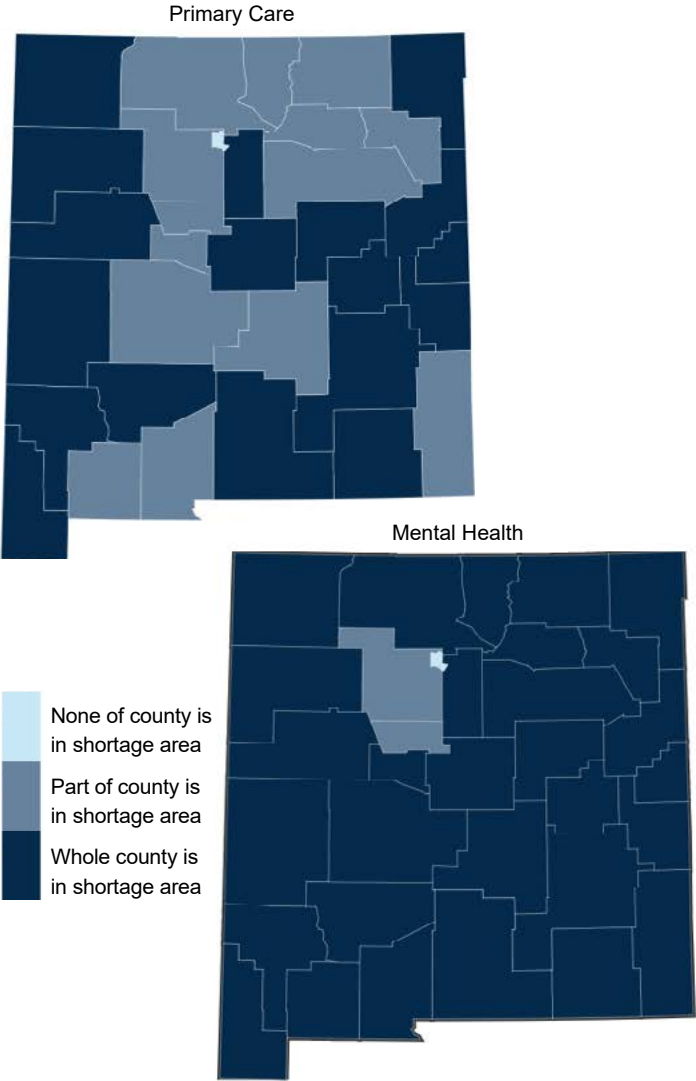
Stanford researchers worked with the Northwest Evaluation Association on new state-level estimates that suggest New Mexico third through eighth-grade students started school this fall an average of 98 school days behind in reading and 208 days behind in math.

# New Mexico Short on Doctors

The majority of New Mexico counties fall under the federal Health Resources and Services Administration designation of having a health professional shortage, with all but Los Alamos County have some areas with too few primary and mental health providers.

University of New Mexico healthcare workforce data from 2018 showed similar shortfalls, with just five counties hitting the benchmark for an adequate number of psychiatrists and just eight hitting the mark for primary care physicians.

Health Professional Shortage Areas  
2019



## LFC Newsletter

2020-2021 Fiscal Year, Month 04

Published monthly in the interim by the Legislative Finance Committee.

Staff Editor - Alison Nichols

Writer, Editor - Helen Gaussoin

Questions, comments: 505-986-4550

[www.nmlegis.gov/Entity/LFC/Default](http://www.nmlegis.gov/Entity/LFC/Default)

Please contact Adreena Lujan at [adreena.lujan@nmlegis.gov](mailto:adreena.lujan@nmlegis.gov) if you would prefer to receive this newsletter electronically.

## On the Table

### Earnings Projected to Fall Short

The State Investment Council projects low returns on the state’s permanent funds over the next seven to 10 years. The land grant permanent fund is expected to grow an average of 3.3 percent per year, compared with the fund’s long-term target of 7 percent. Annual growth in the severance tax permanent fund is projected at 1 percent, far short of the target of 6.75 percent.

### Oil Up From Last Year, Down From March

July oil production of an average 1 million barrels of oil per day was up 11 percent from July 2019 but down almost 12 percent from the peak of 1.1 million barrels per day in March. The active drilling rig count of 45 in early October is down from July and down by more than half from the 117 rigs active in March.

### Public Schools Save on Healthcare

The Public School Insurance Authority, which provides health insurance for all public schools except those in the Albuquerque district, realized healthcare cost saving of \$15 million in FY20 because medical procedures were canceled or delayed due to the Covid-19 pandemic. Costs are expected to be \$5.2 million more in FY21 as a result of those procedures being rescheduled, resulting in projected net savings from the pandemic of \$9.8 million.

### Births Down

The number of New Mexico births in 2019, 22,964, is down 20 percent from the number in 2009. The birth to age 5 population has also dropped by 20 percent over 10 years.

### Plant Makes Plans for Santa Teresa

Prent Corporation, which makes custom packaging for the medical, electronics, and consumer industries, will open a new manufacturing facility in Santa Teresa. Prent plans to invest \$12.5 million and create 85 new jobs with an average wage of \$26.14 an hour. The company received \$500 thousand from the Local Economic Development Act fund.

### Transitions

Los Alamos County Magistrate Judge Pat A. Casados was re-elected president of the New Mexico Magistrate Judges Association, an office she has held for the past four years. Linnea Forsythe is the new acting director of the Governor’s Commission on Disability. Former director Anthony Alarid is retiring.

Legislative Finance Committee  
325 Don Gaspar Street Ste101  
Santa Fe NM 87501

# New Mexico Retiree Health Care Authority (CP)

## Change in Market Value

For the Month of Sep 2020

(Report as of October 20, 2020)

| Investment Name                                 | Prior Ending Market Value | Contributions        | Distributions | Fees     | Income              | Gains-Realized & Unrealized | Market Value          |
|---|---------------------------|----------------------|---------------|----------|---------------------|-----------------------------|-----------------------|
| Core Bonds Pool                                 | 176,979,865.67            | 4,000,000.00         | -             | -        | 406,345.63          | (723,083.38)                | 180,663,127.92        |
| Credit & Structured Finance                     | 112,758,393.54            | 3,000,000.00         | -             | -        | 36.30               | 2,155,643.90                | 117,914,073.74        |
| NM Retiree Health Care Authority Cash Account   | -                         | -                    | -             | -        | -                   | -                           | -                     |
| Non-US Developed Markets Index Pool             | 107,848,817.74            | 2,800,000.00         | -             | -        | 303,760.40          | (3,100,249.63)              | 107,852,328.51        |
| Non-US Emerging Markets Index Pool              | 82,328,719.42             | 2,000,000.00         | -             | -        | 132,982.92          | (1,568,531.67)              | 82,893,170.67         |
| Private Equity Pool                             | 84,700,547.51             | 2,000,000.00         | -             | -        | 152,421.59          | 6,084,080.34                | 92,937,049.44         |
| Real Estate Pool                                | 79,153,679.56             | 2,000,000.00         | -             | -        | 178,461.27          | (1,029,559.21)              | 80,302,581.62         |
| Real Return Pool                                | 33,377,446.39             | 1,000,000.00         | -             | -        | 125,408.38          | (433,849.74)                | 34,069,005.03         |
| US Large Cap Index Pool                         | 130,634,120.87            | 2,800,000.00         | -             | -        | 161,935.65          | (5,039,019.80)              | 128,557,036.72        |
| US Small/Mid Cap Pool                           | 14,922,452.79             | 400,000.00           | -             | -        | 20,454.40           | (660,510.70)                | 14,682,396.49         |
| Sub - Total New Mexico Retiree Health Care Aut  | 822,704,043.49            | 20,000,000.00        | -             | -        | 1,481,806.54        | (4,315,079.89)              | 839,870,770.14        |
| <b>Total New Mexico Retiree Health Care Aut</b> | <b>822,704,043.49</b>     | <b>20,000,000.00</b> | <b>-</b>      | <b>-</b> | <b>1,481,806.54</b> | <b>(4,315,079.89)</b>       | <b>839,870,770.14</b> |



## Active Management in Small Cap and Emerging Market Equity

OCTOBER 2020



# Active vs. Passive Management



**BETA** measures the systematic exposure of an asset or portfolio relative to the market

- Asset allocation process remains the most important investment decision
- More stable
- Inexpensive

**ALPHA** measures the idiosyncratic return relative to a market after adjusting for Beta

- Complements Beta (should be uncorrelated)
- Less stable than Beta
- More expensive

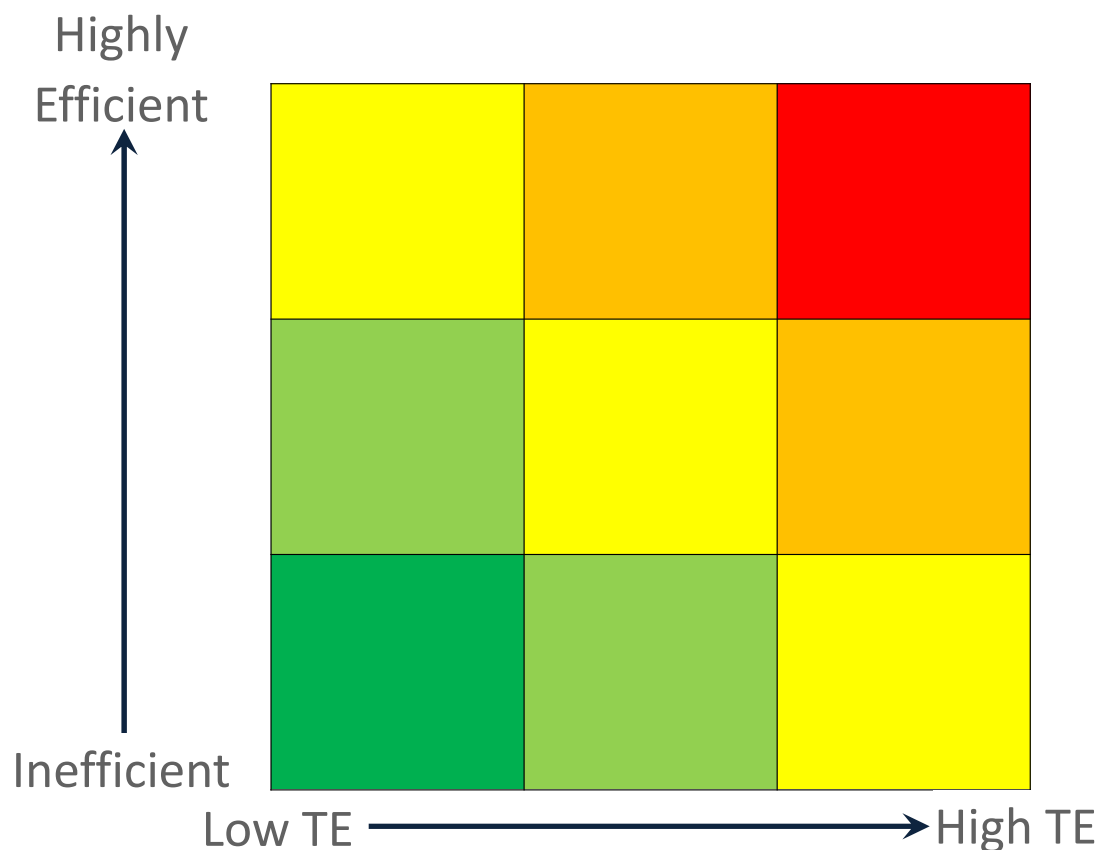


# Probability of Success

Success of active management, measured by **information ratio** (excess return over excess risk), is generally higher in less-efficient markets and in low excess risk (tracking error) strategies

Information ratios tend to fall as:

- Investment shifts towards highly efficient markets
- Investment shifts towards high tracking error strategies





# General Observations on Market Efficiency

| INVESTMENT CATEGORY        | MARKET OBSERVATIONS  |
|----------------------------|----------------------|
| EQUITY                     |                      |
| U.S. Large Cap             | Highly Efficient     |
| U.S. Small Cap             | Moderately Efficient |
| Non U.S. Developed Markets | Moderately Efficient |
| Non U.S. Emerging Markets  | Inefficient          |
| FIXED INCOME               |                      |
| Core Bonds                 | Moderately Efficient |
| High Yield                 | Inefficient          |
| ALTERNATIVE                |                      |
| Commodities                | Inefficient          |
| Public Real Estate         | Moderately Efficient |
| Private Real Estate        | Active Only          |
| Private Equity             | Active Only          |
| Hedge Funds                | Inefficient          |

- 1<sup>st</sup> Quartile (red cell) means managers had a difficult time producing excess returns
- 4<sup>th</sup> Quartile (green cell) means managers were able to out perform the benchmark

| INDEX TABLE REPRESENTS THE INDEX PERCENTILE RANKING IN THE REVIEW PERIOD  |  |  |  |  |  |
|---|--|--|--|--|--|
| The red cell indicates managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing excess returns (red cell) means managers had a difficult time producing 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- |  | 5 Year  | 10 Year   | 15 Year   | 20 Year   |
|--|---|---|---|---|
| Broad universe data from Wilshire annual active management review indicates:   |   |   |   |   |
| • Style-specific small cap managers have tended to outperform their respective Wilshire growth and value benchmarks over longer term 5 and 10 year periods, while core small cap managers have not | <p>MSCI Small Cap US Index</p> <p>Emerging Market Segments</p> <p>MSCI Small Cap US Index (Gt)</p> <p>Emerging Market Index (Gt)</p> <p>Wilshire Small Cap Index (\$N)</p> <p>Barclays US HY Index</p> <p>MSCI Emerging Markets Index (\$N)</p> | <p>54</p> <p>42</p> <p>28</p> <p>64</p> <p>36</p> <p>69</p> | <p>49</p> <p>45</p> <p>32</p> <p>43</p> <p>56</p> | <p>43</p> <p>47</p> <p>60</p> <p>30</p> <p>39</p> |
| • Emerging markets managers have tended to consistently outperform the MSCI Emerging Market Index (\$N)  | <p>54</p> <p>36</p> <p>64</p>   | <p>42</p> <p>45</p> <p>51</p>                               | <p>43</p> <p>47</p> <p>60</p>                     | <p>71</p> <p>49</p>                               |

# Decision Factors

- Decisions regarding active vs. passive management should be consistent with:
  - Investor's view regarding market efficiency
  - Investor's appetite for active management risk
  - Ability to identify skilled managers that can produce excess returns
  - Cost effective implementation relative to excess return prospects
- Quantitative tools can help
  - In understanding the relationship between active management risk and active return
  - Evaluate and better understand historical success (or lack thereof) of active management



## Pool Information

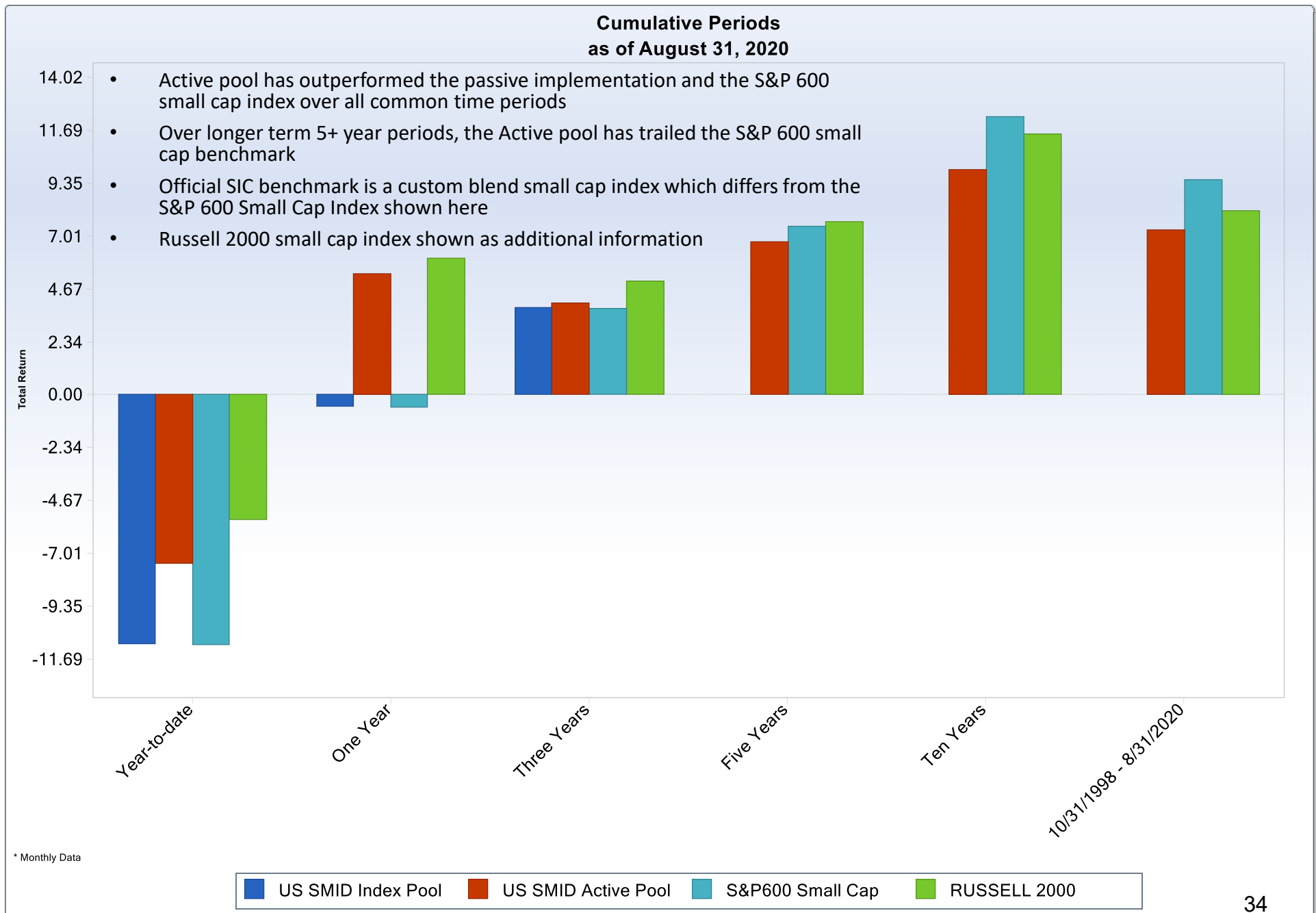
# Active Returns and Active Risk

**New Mexico State Investment Council (SIC) Client Investment Pools**

| Market Cap/Style               | Management | Benchmark                            | Annual Investment Management Fee* | Underlying Investment Managers |
|--------------------------------|------------|--------------------------------------|-----------------------------------|--------------------------------|
| Small/Mid Cap US Equity Active | Active     | US Small/Mid Cap Equity Custom Index | 0.57%                             | Donald Smith & BlackRock       |
| Small/Mid Cap US Equity Index  | Passive    | S&P Sm Cap 600 Index (Cap Wtd)       | 0.07%                             | Northern Trust                 |
| Non-US Emerging Markets Active | Active     | MSCI Emg Mkts Index (Net)            | 0.68%                             | BlackRock & William Blair      |
| Non-US Emerging Markets Index  | Passive    | MSCI Emg Mkts Index (Net)            | 0.14%                             | Alliance Bernstein             |

- Estimated annual fees and underlying managers provided by SIC
  - Subject to change as they are on a tiered fee structure based on asset size
  - Small/Mid Cap fees estimated to fall to around 45 bps after pool restructuring
- In order to provide directly comparable quantitative information, the following charts will utilize:
  - S&P Small Cap 600 Index for both active and passive Small/Mid Cap pools
  - MSCI Emerging Markets \$N Index for both Non-US Emerging Markets pools
- Returns were provided net of fees through August 2020 by SIC
  - Inception date for small cap pool active is 11/1/1998, small cap index is 6/1/2017
  - Inception date for emerging market active pool is 10/1/2013, emerging index is 5/1/1999

# ACTIVE MANAGEMENT Small/Mid Cap Equity

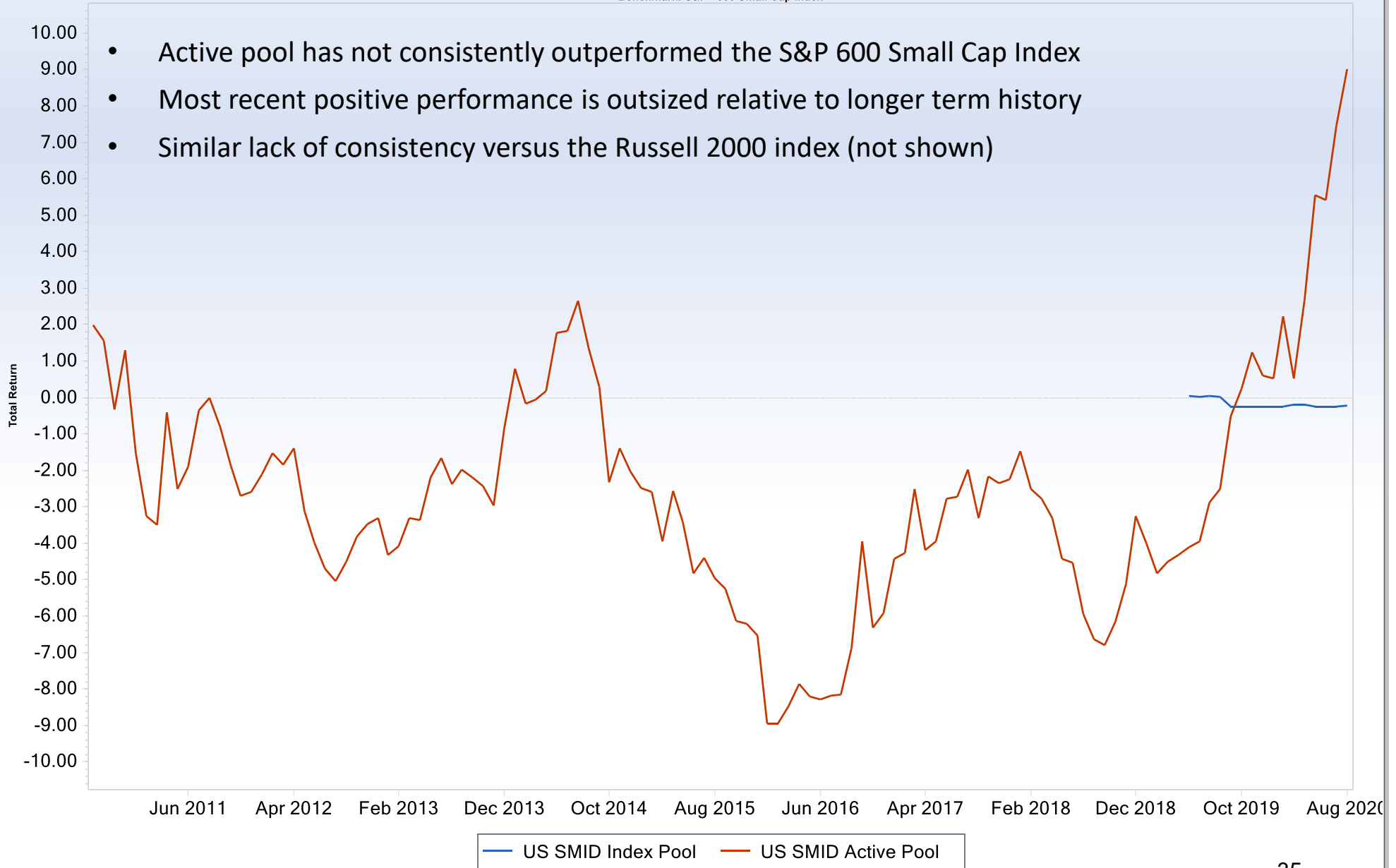


# Small/Mid Cap Equity Active Return

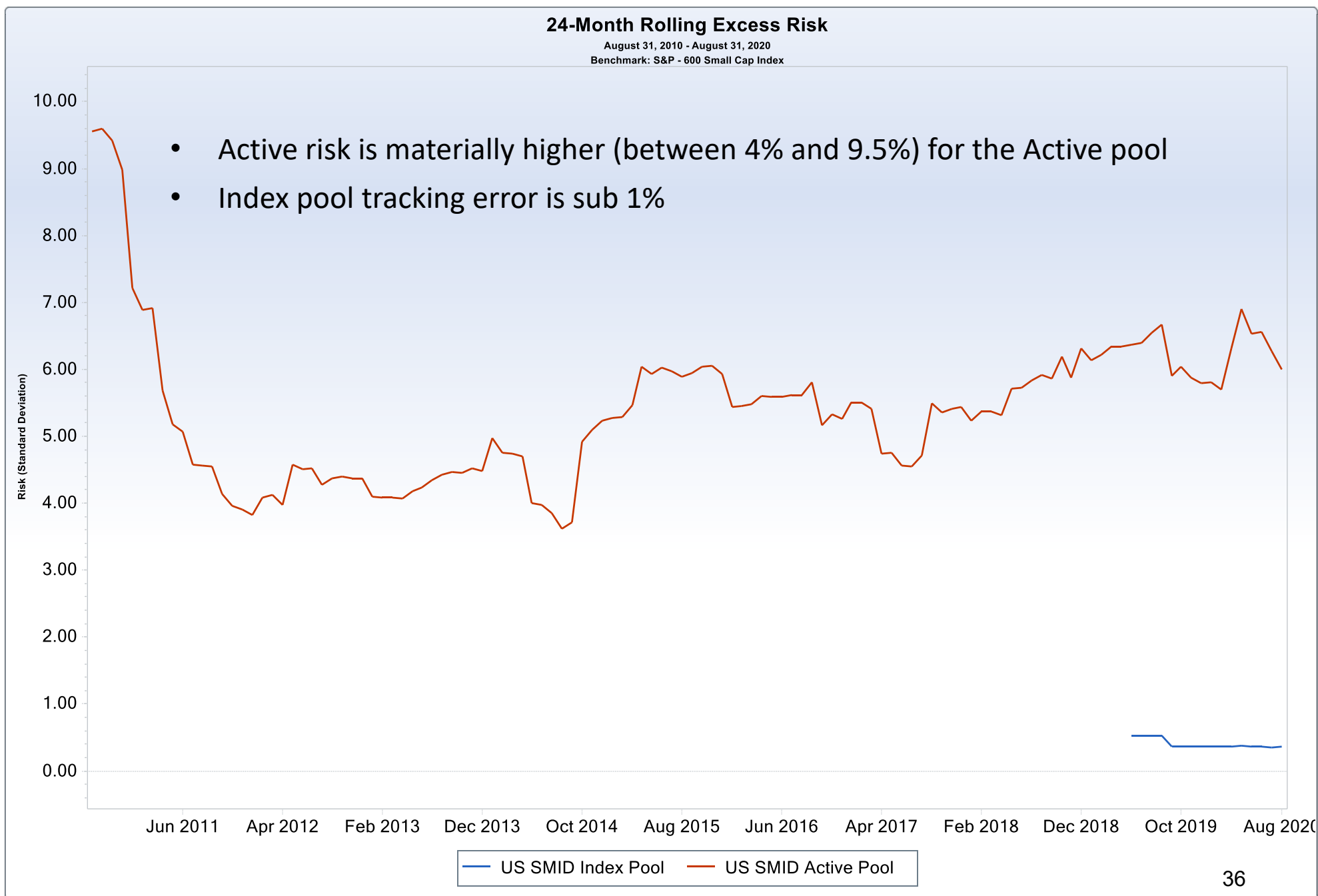
## 24-Month Rolling Excess Return

August 31, 2010 - August 31, 2020

Benchmark: S&P - 600 Small Cap Index



# Small/Mid Cap Equity Active Risk



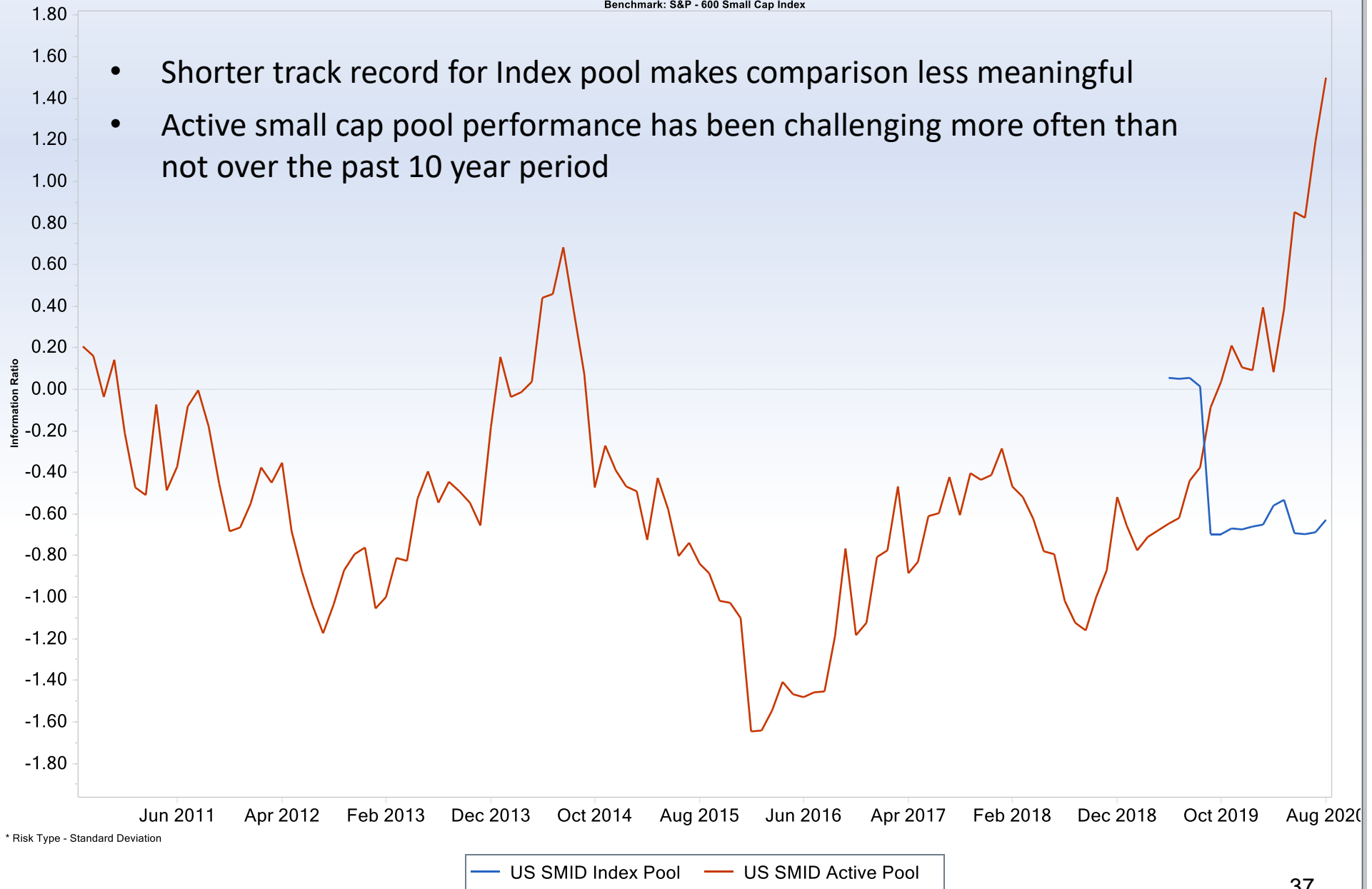


# Small/Mid Cap Equity Risk Adjusted Return

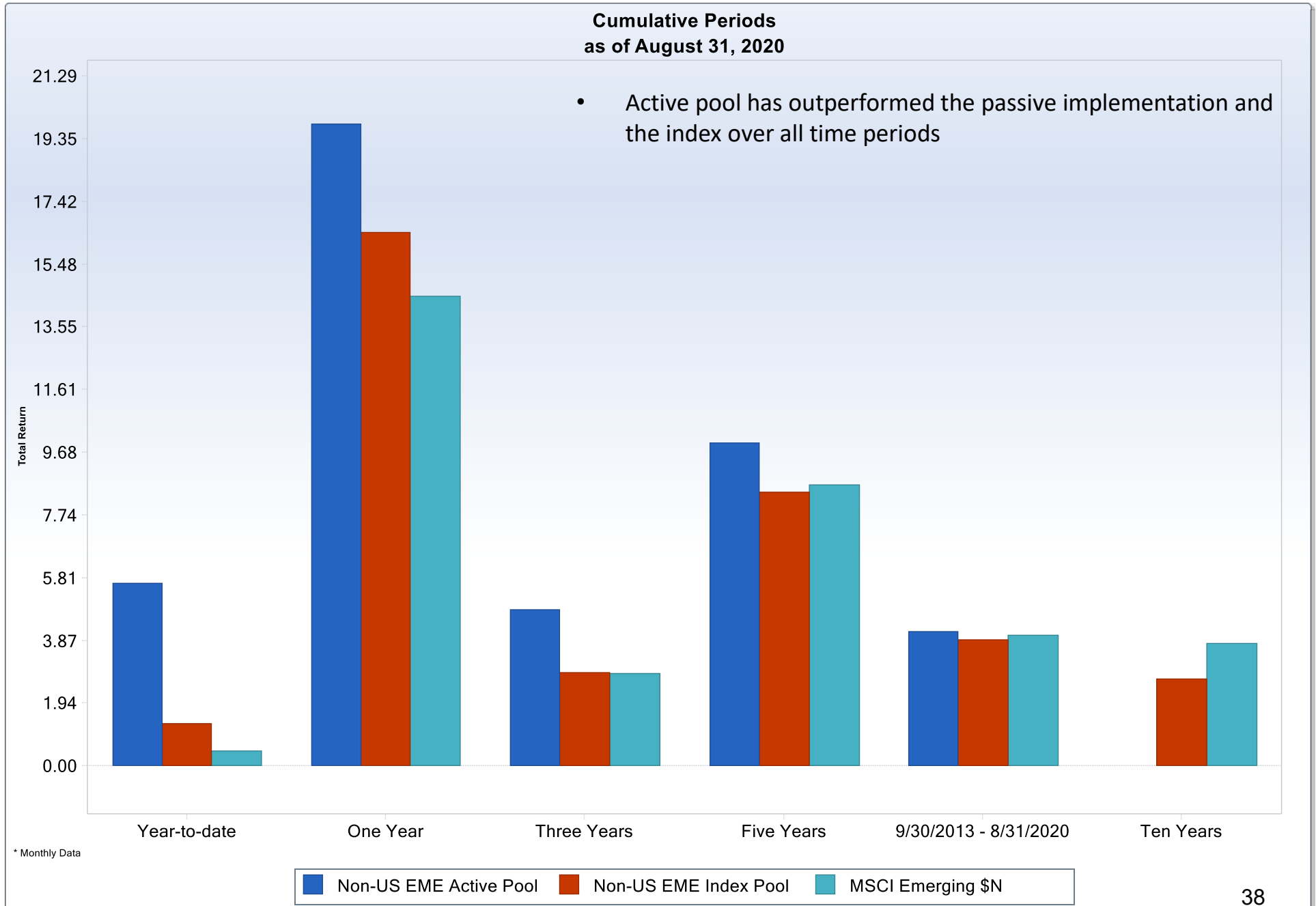
## 24-Month Rolling Information Ratio

August 31, 2010 - August 31, 2020  
Benchmark: S&P - 600 Small Cap Index

- Shorter track record for Index pool makes comparison less meaningful
- Active small cap pool performance has been challenging more often than not over the past 10 year period



# ACTIVE MANAGEMENT Emerging Markets Equity

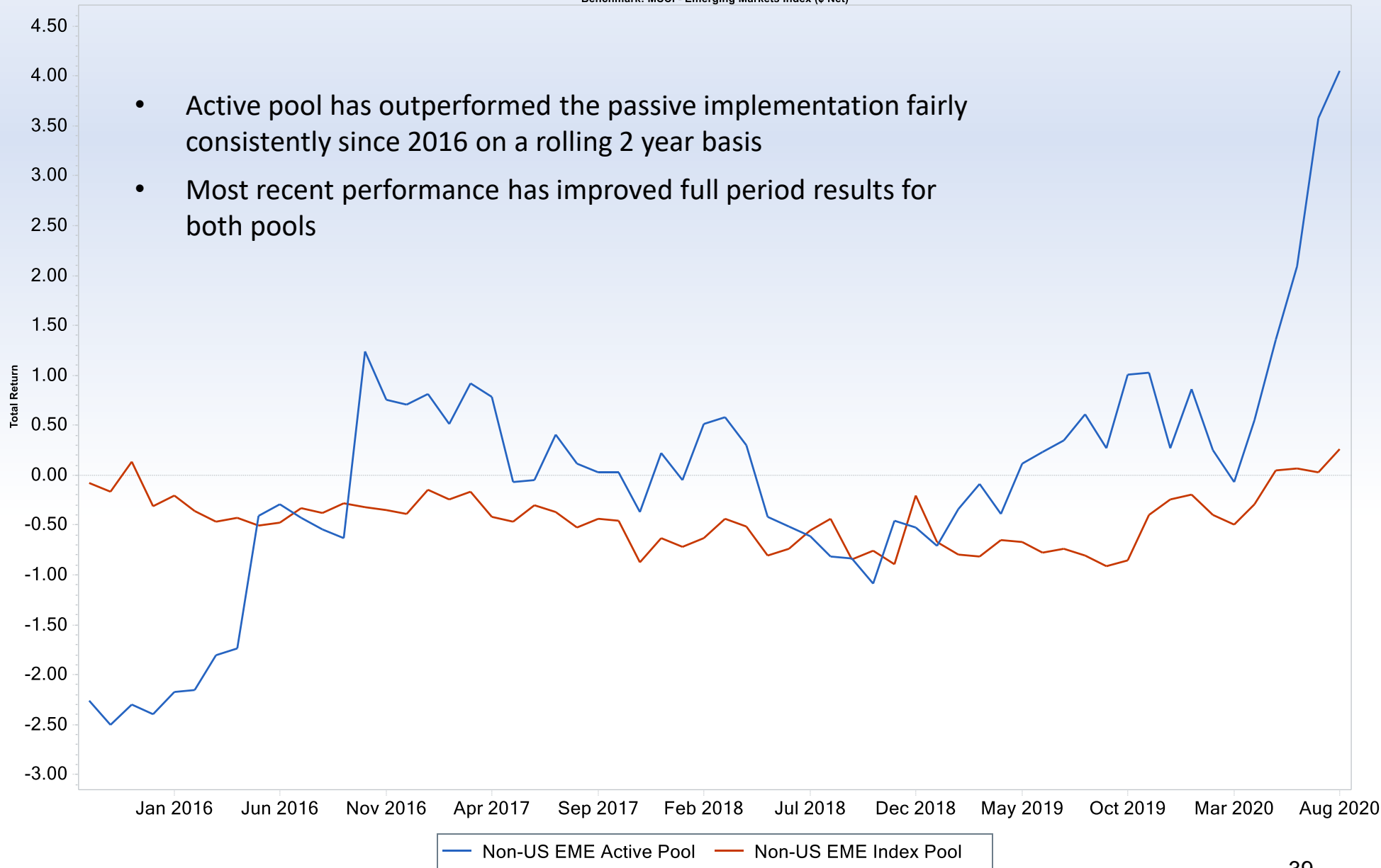


# Emerging Markets Equity Active Return

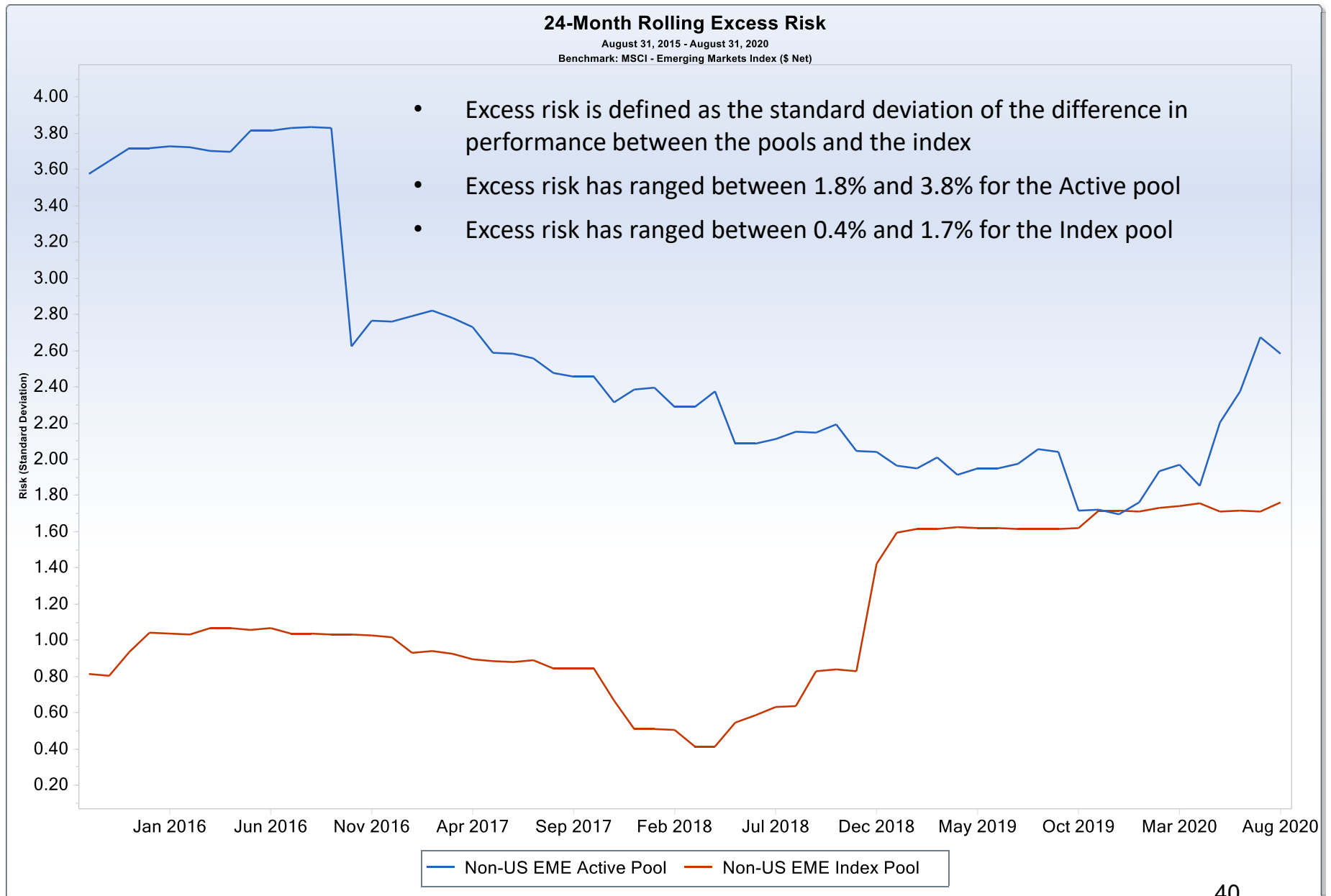
## 24-Month Rolling Excess Return

August 31, 2015 - August 31, 2020

Benchmark: MSCI - Emerging Markets Index (\$ Net)



# Emerging Markets Equity Active Risk

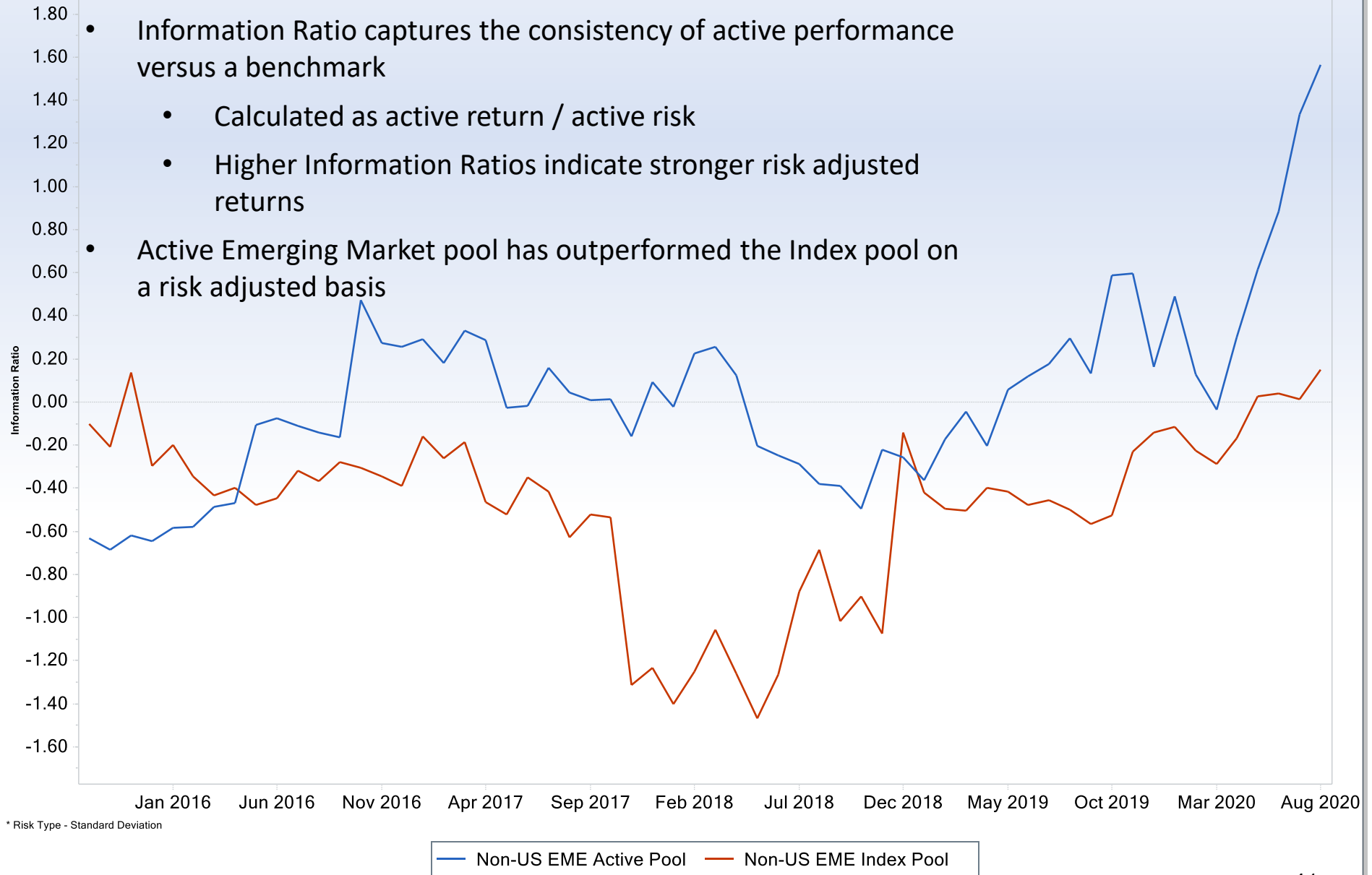


# Emerging Markets Equity Risk Adjusted Return

## 24-Month Rolling Information Ratio

August 31, 2015 - August 31, 2020

Benchmark: MSCI - Emerging Markets Index (\$ Net)



- Index oriented management for Small/Mid Cap portfolio
  - Small Cap Core universe of active managers have not consistently outperformed the index, indicating a challenging stock selection environment
  - Active pool has not consistently added value versus the S&P 600 small cap index or the Russell 2000
  - Index pool is currently about 50 bps less expensive than the Active pool
- Active management for Emerging Markets Equity
  - Active management in emerging markets increases opportunity to manage downside market risk
  - Active emerging market managers have, on average, outperformed the index
  - Emerging Market Active pool has produced better risk-adjusted returns than the Index pool on a net of fee basis

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## New Mexico Retiree Healthcare Authority

**Governmental Accounting Standards Board (GASB)  
Statement 74 Actuarial Valuation and Review of Other  
Postemployment Benefits (OPEB) as of June 30, 2020**

**DRAFT pending final Segal & Auditor Review**

DRAFT



This report has been prepared at the request of the NMRHCA Board to assist in administering the Plan. 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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**Segal**



October 28, 2020

Board of Trustees  
New Mexico Retiree Healthcare Authority  
4308 Carlisle Blvd NE, Suite 104  
Albuquerque, NM 87107

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2020 under Governmental Accounting Standards Board Statement No. 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), 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 NMRHCA on October 26, 2020. We have based our calculations on the information provided by these parties and the 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.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Section 3, Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Section 3, Exhibit III.

Sincerely,

Segal

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

---

Melissa A. Krumholz, FSA, MAAA  
Senior Health Consultant & Actuary

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Thomas Bergman, ASA, MAAA  
Retiree Health Actuary

cc: David Archuleta, Executive Director

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# Actuarial Valuation Summary

## Purpose and basis

This report presents the results of our actuarial valuation of NMRHCA (the “Employer”) OPEB plan as of June 30, 2020, required by Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. 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. This valuation is based on:

- The benefit provisions of NMRHCA 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, 2020, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2019 valuation; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc.

## Highlights of the valuation

### ***Accounting and Financial Reporting***

1. For GASB 74 reporting as of June 30, 2020, the NOL was measured as of June 30, 2020. The Plan’s Fiduciary Net Position (plan assets) and the TOL were valued as of the measurement date.
2. Valuation assumption changes increased the Net OPEB Liability by \$989.8 million. This was due to a decrease in the blended discount rate driven by lower bond index rates.
3. The discount rates used to determine the TOL and NOL as of June 30, 2020 and 2019 were 2.86% and 4.16% respectively. The detailed calculations used in the derivation of the “cross-over date” to determine the discount rate of 2.86% used in the calculation of the TOL and NOL as of June 30, 2020 can be found in Appendix A of Section 3. Various other information that is required to be disclosed can be found in Section 2.

## Section 1: Actuarial Valuation Summary

4. The discount rate used in the valuation for financial disclosure purposes as of June 30, 2020 is a blend of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2020 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 2.21% as of June 30, 2020 compared to 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, 2041 (the projected beginning balance at July 1, 2041 is less than the projected benefit payments for the 2041/2042 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, 2041. Benefit payments after June 30, 2041 are then discounted by the municipal bond rate of 2.21 %. The 2.86% is the blended discount rate reflecting benefits discounted by the Plan investment return assumption rate and the bond rate.
5. The Net OPEB Liability (NOL) as of June 30, 2020 is \$4.199 billion, an increase of \$0.957 billion, from the prior valuation NOL of \$3.242 billion. The increase was the net effect of the lower discount rate and plan change delay, offset by experience gains and losses.
6. An actuarial experience gain decreased the NOL by \$150.5 million. This was primarily due to Medicare Advantage premiums lower than projected in the prior valuation and enrollment in medical carriers different than expected in the prior valuation.
7. Plan changes increased the Net OPEB Liability by \$6.6 million. Amended November 29, 2018, and subsequently on June 2, 2020, the Board approved the subsidy eligibility requirement of age 55 and the NMRHCA subsidy percentages based upon creditable service were deferred 7 months and will be effective for eligible retirees not in a PERA enhanced retirement plan who commence benefits on or after July 31, 2021. The current plan of benefits is summarized in Exhibit III of Section 3.
8. As of June 30, 2020, the ratio of assets to the Total OPEB Liability (the funded ratio) is 16.50%. This is based on the market value of assets at this point in time. The funded ratio as of June 30, 2019 was 18.92%.

### ***Funding (with funding policy)***

9. The funding policy for the Plan does not rely upon an actuarially determined contribution. 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 Centers for Medicare and Medicaid Services (CMS).

## Section 1: Actuarial Valuation Summary

10. The Coronavirus (COVID-19) pandemic is rapidly evolving and is having a significant impact on the US economy in 2020, including most retiree health plans, and will likely continue to have an impact in the future. Our results do not include the impact of the following:
- Direct or indirect effects of COVID-19 on short-term health plan costs
  - Short-term or long-term impacts on mortality of the covered population
  - The potential for federal or state fiscal relief

Each of the above factors could significantly impact these results. Given the high level of uncertainty and fluidity of the current events, you may wish to consider updated estimates to monitor the plan's financial status. Segal will keep NMRHCA updated on emerging developments.

## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

| Measurement Date   |   | June 30, 2020   | June 30, 2019   |
|--|---|-----------------|-----------------|
| <b>Disclosure elements for<br/>fiscal year ending<br/>June 30:</b>       | • Total OPEB Liability  | \$5,028,579,923 | \$3,999,137,737 |
|  | • Plan Fiduciary Net Position (Assets)                                | 829,671,905     | 756,748,991     |
|  | • Net OPEB Liability  | 4,198,908,018   | 3,242,388,746   |
|  | • Plan Fiduciary Net Position as a percentage of Total OPEB Liability | 16.50%          | 18.92%          |
|  | • Service Cost at Beginning of Year                                   | 123,904,973     | 156,597,766     |
|  | • Total Payroll   | 4,298,116,494   | 4,172,928,635   |
| <b>Schedule of contributions<br/>for fiscal year ending<br/>June 30:</b> | • Statutory contributions   | \$161,578,422   | \$160,077,200   |
|  | • Actual contributions  | 174,162,723     | 159,030,773     |
|  | • Contribution deficiency / (excess)                                  | -12,584,301     | 1,046,427       |

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

|                              |  |
|------------------------------|--|
| <b>Plan of benefits</b>      | 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. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for NMRHCA to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.   |
| <b>Participant data</b>      | An actuarial valuation for a plan is based on data provided to the actuary by the plan. 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 not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.   |
| <b>Assets</b>                | The valuation is based on the market value of assets as of the valuation date. The assets were based on financial statements as provided by NMRHCA on October 26, 2020.  |
| <b>Model</b>                 | Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuaries.  |
| <b>Actuarial assumptions</b> | In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or |

## Section 1: Actuarial Valuation Summary

index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

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

The actuarial valuation is prepared for use by the NMRHCA Finance Department. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.

If the 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.

An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. 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.

Sections of this report include actuarial results that are rounded, but that does not imply precision.

Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.

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 NMRHCA Board should look to their other advisors for expertise in these areas.

While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.

Segal's report shall be deemed to be final and accepted by the NMRHCA Board upon delivery and review. NMRHCA Board should notify Segal immediately of any questions or concerns about the final content.

As Segal 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 Plan.



## Section 1: Actuarial Valuation Summary

### **Actuarial Certification**

**October 28, 2020**

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of New Mexico Retiree Healthcare Authority's other postemployment benefit programs as of June 30, 2020, 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 the Employer and reliance on participant, premium, claims and expense data provided by the Employer or from vendors employed by the Employer. Segal 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 collectively meet the "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

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

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Melissa A. Krumholz, FSA, MAAA  
Senior Health Consultant & Actuary

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Thomas Bergman, ASA, MAAA  
Retiree Health Actuary

# Section 2: GASB 74 Information

## General information about the 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. On June 2, 2020, the Board approved amending the effective date of minimum years of service and age requirements to receive the maximum subsidy provided by the program from January 1, 2021 to July 31, 2021 in order to align with the school year-end and subsequent potential teacher retirements.

*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:

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

### *Benefits provided.*

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. Employees and dependents are valued for life. A description of these benefits may be found at [www.nmrhca.org](http://www.nmrhca.org) by clicking on Retirees.

## Section 2: GASB 74 Information

### Net OPEB liability

| Measurement Date  | June 30, 2020   | June 30, 2019   |
|---|-----------------|-----------------|
| <b>Components of the Net OPEB Liability</b>                             |                 |                 |
| Total OPEB Liability  | \$5,028,579,923 | \$3,999,137,737 |
| Plan Fiduciary Net Position   | 829,671,905     | 756,748,991     |
| Net OPEB Liability  | 4,198,908,018   | 3,242,388,746   |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 16.50%          | 18.92%          |

The Net OPEB Liability (NOL) was measured as of June 30, 2020 and 2019. 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 B2 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, 2020 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.
- On June 2, 2020, the Board approved amending the effective date of minimum years of service and age requirements to receive the maximum subsidy provided by the program from January 1, 2021 to July 31, 2021 (defer 7 months) in order to align with the school year.
- On June 2, 2020, the Board approved the reaffirmation of intent to modify plan designs to remain under the threshold that would have been in effect based on the PPACA "Cadillac" tax provisions that were in place immediately prior to its repeal on December 20, 2019.

## Section 2: GASB 74 Information

*Actuarial assumptions.* See Exhibit II in Section 3 for complete description. 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, 2020 measurement:

|                                    |  |
|------------------------------------|--|
| <b>Inflation</b>                   | 2.50% for ERB, 2.50% for PERA  |
| <b>Salary increases</b>            | ERB: Ranges from 3.25% to 12.00% based on years of service, including inflation.<br>PERA: Ranges from 3.25% to 13.50% based on years of service, including inflation |
| <b>Investment rate of return</b>   | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation  |
| <b>Discount rate</b>               | 2.86%  |
| <b>Healthcare cost trend rates</b> |  |
| <b>Non-Medicare Medical</b>        | 8.0% in 2019/2020 (used as part of the roll forward valuation) graded down to 4.5% over 14 years   |
| <b>Medicare Supplement</b>         | 7.5% in 2019/2020 (used as part of the roll forward valuation) graded down to 4.5% over 12 years   |
| <b>Medicare Advantage</b>          | Trends reflect actual premium increase in 2019/2020 and 2020/2021, then 7.00% in 2021/2022 graded down to 4.50% over 10 years  |
| <b>Other assumptions</b>           | Same as those shown in Exhibit II of Section 3   |

Detailed information regarding all actuarial assumptions can be found in Section 3, Exhibit II.

The actuarial assumptions applied to the June 30, 2019 measurement were the same as the current valuation but with the following exceptions:

|                                    |  |
|------------------------------------|--|
| <b>Discount rate</b>               | 4.16%  |
| <b>Healthcare cost trend rates</b> |  |
| <b>Non-Medicare Medical</b>        | 8.0% in 2019/2020 graded down to 4.5% over 14 years  |
| <b>Medicare Supplement</b>         | 7.5% in 2019/2020 graded down to 4.5% over 12 years  |
| <b>Medicare Advantage</b>          | Trends reflect actual premium increase in 2019/2020, then 7.25% in 2020/2021, graded down to 4.50% over 11 years |

## Section 2: GASB 74 Information

### Determination of discount rate and investment rates of return

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

| Asset Class                 | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap U.S. Equity       | 20.00%            | 7.10%                                  |
| Mid/Small Cap U.S. Equity   | 3.00%             | 7.10%                                  |
| Developed Non-US Equity     | 12.00%            | 7.80%                                  |
| Emerging Markets Equity     | 15.00%            | 10.20%                                 |
| U.S. Core Fixed Income      | 20.00%            | 2.10%                                  |
| Private Equity              | 10.00%            | 11.80%                                 |
| Credit & Structured Finance | 10.00%            | 5.30%                                  |
| Absolute Return             | 5.00%             | 4.10%                                  |
| Real Estate                 | 5.00%             | 4.90%                                  |
| Total                       | 100.00%           |  |

*Rate of return.* For the year ended June 30, 2020, 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.

*Municipal Bond Rate.* 2.21% and 3.50% based on the 20-year municipal bond rate for the Bond Buyer GO Index as of June 30, 2020 and June 30, 2019, respectively.

*Discount rate.* The discount rates used to measure the Total OPEB Liability (TOL) were 2.86% and 4.16% as of June 30, 2020 and June 30, 2019, respectively. 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 for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan

## Section 2: GASB 74 Information

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, 2040 (the projected beginning balance at July 1, 2040 is less than the projected benefit payments for the 2040/2041 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, 2040, and the 20-year municipal bond rate (2.21%) was applied to periods after June 30, 2040 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

### Sensitivity

The following presents the NOL of NMHRCA as well as what the NMRHCA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (1.86%) or 1-percentage-point higher (3.86%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates.

|                            | <b>1% Decrease<br/>(1.86%)</b>                             | <b>Current<br/>Discount Rate<br/>(2.86%)</b>        | <b>1% Increase<br/>(3.86%)</b>                             |
|----------------------------|--|---|--|
| Net OPEB Liability (Asset) | \$5,219,259,918  | \$4,198,908,018                                     | \$3,410,281,542  |
|                            | <b>1% Decrease in<br/>Health Care Cost<br/>Trend Rates</b> | <b>Current<br/>Health Care Cost<br/>Trend Rates</b> | <b>1% Increase in<br/>Health Care Cost<br/>Trend Rates</b> |
| Net OPEB Liability (Asset) | \$3,446,518,222  | \$4,198,908,018                                     | \$4,769,615,641  |

## Section 2: GASB 74 Information

### Schedule of changes in Net OPEB Liability – Last two fiscal years

| Measurement Date  | June 30, 2020          | June 30, 2019          |
|---|------------------------|------------------------|
| <b>Total OPEB Liability</b>   |                        |                        |
| Service cost  | \$123,904,973          | \$156,597,766          |
| Interest  | 169,239,236            | 208,644,150            |
| Change of benefit terms   | 6,623,960              | 14,004,267             |
| Differences between expected and actual experience                      | -150,535,215           | -753,099,464           |
| Changes of assumptions  | 989,792,910            | -535,456,730           |
| Benefit payments <sup>1</sup>   | -109,583,678           | -97,563,361            |
| Net change in Total OPEB Liability                                      | \$1,029,442,186        | -\$1,006,873,372       |
| Total OPEB Liability – beginning  | <u>3,999,137,737</u>   | <u>5,006,011,109</u>   |
| Total OPEB Liability – ending   | <u>\$5,028,579,923</u> | <u>\$3,999,137,737</u> |
| <b>Plan Fiduciary Net Position<sup>2</sup></b>                          |                        |                        |
| Contributions – employer  | \$96,503,837           | \$88,516,368           |
| Contributions – employee  | 48,251,919             | 44,258,184             |
| Net investment income   | 10,836,882             | 41,663,496             |
| Benefit payments <sup>1</sup>   | -109,583,678           | -97,563,361            |
| Administrative expense  | -3,072,619             | -2,921,370             |
| Other <sup>3</sup>  | <u>29,986,573</u>      | <u>25,139,380</u>      |
| Net change in Plan Fiduciary Net Position                               | \$72,922,914           | \$99,092,697           |
| Plan Fiduciary Net Position – beginning                                 | <u>756,748,991</u>     | <u>657,656,294</u>     |
| Plan Fiduciary Net Position – ending                                    | \$829,671,905          | \$756,748,991          |
| Net OPEB Liability – ending   | <u>\$4,198,908,018</u> | <u>\$3,242,388,746</u> |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 16.50%                 | 18.92%                 |
| Covered payroll <sup>4</sup>  | \$4,298,116,494        | \$4,172,928,635        |
| Plan Net OPEB Liability as percentage of covered employee payroll       | 97.69%                 | 77.70%                 |
| See next page for footnotes   |                        |                        |



## Section 2: GASB 74 Information

<sup>1</sup> For measurement date June 30, 2020, this category equals Premium and claims paid (\$318,068,212) offset by the sum of Retiree contributions (\$178,132,212) and Medicare Part D, subrogation, and rebates (\$30,352,322). 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).

<sup>2</sup> The Plan Fiduciary Net Position values are based on financial statements provided by NMRHCA on October 26, 2020.

<sup>3</sup> For measurement date June 30, 2020, this category equals sum of Employer buy-ins interest portion (\$61,809) and tax administration suspense fund revenue (\$29,406,967) offset by the sum of Losses and loss adjustment accrual increase (-\$1,132,145), Refunds to retirees (\$579,270), and Depreciation expense (\$35,078). 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).

<sup>4</sup> Covered payroll was rolled forward from the June 30, 2019 at 3.00% assumed payroll increases for PERA and ERB.

## Section 2: GASB 74 Information

### Schedule of contributions – Last ten fiscal years

| Year Ended<br>June 30 | Statutory<br>Contributions <sup>1,2</sup> | Contributions in<br>Relation to the<br>Statutory<br>Contributions | Contribution<br>Deficiency /<br>(Excess) | Covered Payroll | Contributions as<br>a Percentage of<br>Covered Employee<br>Payroll |
|-----------------------|---|---|--|-----------------|--|
| 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 <sup>3,4</sup>   | 156,266,741                               | 154,358,714   | 1,908,027                                | 4,290,616,760   | 3.60%  |
| 2019 <sup>4</sup>     | 160,077,200                               | 159,030,773   | 1,046,427                                | 4,172,928,635   | 3.81%  |
| 2020 <sup>4,5</sup>   | 161,578,422                               | 174,162,723   | -12,584,301                              | 4,298,116,494   | 4.05%  |

<sup>1</sup> All "Statutory Contributions" through June 30, 2017 were determined as the "Annual Required Contribution" under GASB 43 and 45.

<sup>2</sup> Includes an interest adjustment to the end of the year though fiscal year end June 30, 2017.

<sup>3</sup> Covered payroll was rolled forward from the June 30, 2017 at 3.00% assumed payroll increases using a member-weighted average of PERA and ERB payroll growth rates rounded to the nearest 0.25%.

<sup>4</sup> 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.

<sup>5</sup> Covered payroll was projected forward from June 30, 2019 valuation at 3.00% assumed payroll increases for PERA and ERB.

# Section 3: Supporting Information

## Exhibit I: Summary of Participant Data

| As of June 30, 2019         |        |
|-----------------------------|--------|
| Number of retirees          | 38,426 |
| Average age of retirees     | 70.52  |
| Number of spouses           | 11,445 |
| Average age of spouses      | 69.78  |
| Number of surviving spouses | 2,308  |
| Average age                 | 78.35  |
| Number inactive vested      | 10,916 |
| Average age                 | 52.06  |
| Number of actives           | 91,082 |
| Average age                 | 45.37  |
| Average service             | 9.69   |

## Section 3: Supporting Information

### Exhibit II: Actuarial Assumptions and Actuarial Cost Method

|                                 |   |
|---------------------------------|---|
| <b>Data</b>                     | 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 NMRHCA on October 26, 2020.   |
| <b>Demographic Assumptions</b>  | Mortality, Retirement, Disability, Turnover, Inflation Rate and Salary Scale assumptions are based on: <ul style="list-style-type: none"><li>➤ For PERA, the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018.</li><li>➤ For ERB, the New Mexico Educational Retirement Board (ERB) Actuarial Valuation Report as of June 30, 2018</li></ul>   |
| <b>Actuarial Cost Method</b>    | 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.  |
| <b>Roll-forward Techniques</b>  | The results as of June 30, 2020 were based on the results for this Plan in the Actuarial Valuation and Review of Postretirement Welfare Benefits as of June 30, 2019 in accordance with GASB Statement No. 74, dated November 18, 2019, completed by Segal, adjusted forward using standard actuarial techniques and also adjusted for the changes in assumptions described below and the changes in the plan of benefits described in Exhibit III. |
| <b>Asset Valuation Method</b>   | Market Value. The assets as of June 30, 2020 were based on financial statements provided by NMRHCA on October 26, 2020.   |
| <b>Measurement Date</b>         | June 30, 2020   |
| <b>Actuarial Valuation Date</b> | June 30, 2019   |
| <b>Census Date</b>              | January 1, 2019   |
| <b>Discount Rate</b>            | 2.86%   |
| <b>Payroll Increase</b>         | 3.00%, assumed payroll increases for PERA and ERB.  |

## Section 3: Supporting Information

### 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 <sup>1</sup> | 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 |

<sup>1</sup> 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.

### ERB Salary Scale

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:

| Years of Service | Annual Step Rate (%) / Promotional Components Rates of Increase | Total Annual Rate (%) of Increase |
|------------------|---|-----------------------------------|
| 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: Supporting Information

### PERA Post-Retirement Mortality Rates

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

*Disabled:* 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 Pre-Retirement Mortality Rates

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

### PERA Termination Rates before Retirement

| Age | Rates (%) of Active Members Terminating During Year |       |      |      |      |
|-----|---|-------|------|------|------|
|     | State General Males 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 |

| Age | Rates (%) of Active Members Terminating During Year |       |      |      |      |
|-----|---|-------|------|------|------|
|     | State General Females Sample Service (Yr.)          |       |      |      |      |
|     | 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 |

## Section 3: Supporting Information

### PERA Termination Rates before Retirement (continued)

| Age | Rates (%) of Active Members Terminating During Year |       |       |      |      |
|-----|---|-------|-------|------|------|
|     | Municipal General Males Sample Service (Yr.)        |       |       |      |      |
|     | 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 |

| Age | Rates (%) of Active Members Terminating During Year |       |       |       |      |
|-----|---|-------|-------|-------|------|
|     | Municipal General Females 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 |

| Age                                     | Service Based Rates (%) of Active Members Terminating During Year |       |       |       |      |
|---|---|-------|-------|-------|------|
|   | Sample Service (Yr.)  |       |       |       |      |
|   | 1   | 3     | 5     | 7     | 10+  |
| State Police & Corrections <sup>1</sup> | 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 |

<sup>1</sup> 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: Supporting Information

### PERA Termination Rates before Retirement (continued)

| Age | Disability Incidence Rates (%) |        |  |                   |        |                     |                   |
|-----|--------------------------------|--------|--|-------------------|--------|---------------------|-------------------|
|     | State General                  |        | State Police and<br>Corrections <sup>1</sup> | Municipal General |        | Municipal<br>Police | Municipal<br>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              |

<sup>1</sup> 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.

### PERA Actives' Retirement Rates

| Age | Retirement Rates (%) |        |  |                   |        |                                  |                                |
|-----|----------------------|--------|--|-------------------|--------|----------------------------------|--------------------------------|
|     | State General        |        | State Police and<br>Corrections <sup>1</sup> | Municipal General |        | Municipal<br>Police <sup>2</sup> | Municipal<br>Fire <sup>2</sup> |
|     | 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    |                                  |                                |

<sup>1</sup> 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.

<sup>2</sup> 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: Supporting Information

### ERB Post-Retirement Mortality Rates

*Healthy:*

*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.

*Disabled:* 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 Pre-Retirement Mortality Rates

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

| Years of Service | 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: Supporting Information

### ERB Termination Rates before Retirement

| Completed Service | Active Members Terminating During Year Rates (%) |         |
|-------------------|--|---------|
|                   | 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     |

### ERB Retirement Rates

| Age | Members Hired Before July 1, 2010 and Normal Retirement for Members Hired On Or After July 1, 2020 |     |       |       |       |     |
|-----|--|-----|-------|-------|-------|-----|
|     | Male Retirement Rates (%)  |     |       |       |       |     |
|     | Years of Service   |     |       |       |       |     |
|     | 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 |

## Section 3: Supporting Information

### ERB Retirement Rates (continued)

#### Members Hired Before July 1, 2010 and Normal Retirement for Members Hired On Or After July 1, 2020

| Age | Female Retirement Rates (%) |     |       |       |       |     |
|-----|-----------------------------|-----|-------|-------|-------|-----|
|     | Years of Service            |     |       |       |       |     |
|     | 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 |

#### Members Hired On Or After July 1, 2010

##### Male Retirement Rates (%)

| Age | Years of Service |       |       |
|-----|------------------|-------|-------|
|     | 15-19            | 20-24 | 25-29 |
| 55  | 0                | 0     | 5     |
| 60  | 0                | 20    | 20    |
| 62  | 30               | 30    | 30    |
| 65  | 30               | 30    | 30    |

#### Members Hired On Or After July 1, 2010

##### Female Retirement Rates (%)

| Age | Years of Service |       |       |
|-----|------------------|-------|-------|
|     | 15-19            | 20-24 | 25-29 |
| 55  | 0                | 0     | 6     |
| 60  | 0                | 15    | 15    |
| 62  | 30               | 30    | 30    |
| 65  | 40               | 40    | 40    |

## Section 3: Supporting Information

### 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 |         |         |         |
|-----|----------------------|---------|---------|---------|--------------------|---------|---------|---------|
|     | Retiree              |         | Spouse  |         | Retiree            |         | Spouse  |         |
|     | 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 |
| 55  | 9,957                | 10,280  | 7,837   | 8,876   | 7,250              | 7,485   | 5,706   | 6,463   |
| 60  | 11,825               | 11,081  | 10,491  | 10,294  | 8,610              | 8,068   | 7,639   | 7,496   |
| 64  | 13,567               | 11,755  | 13,243  | 11,586  | 9,878              | 8,559   | 9,643   | 8,436   |

| Age | Non-Medicare Drug Rebates |        |        |        |
|-----|---------------------------|--------|--------|--------|
|     | Retiree                   |        | Spouse |        |
|     | Male                      | Female | Male   | Female |
| 50  | -\$487                    | -\$555 | -\$340 | -\$446 |
| 55  | -579                      | -597   | -455   | -516   |
| 60  | -687                      | -644   | -610   | -598   |
| 64  | -788                      | -683   | -769   | -673   |

## Section 3: Supporting Information

### Per Capita Costs (continued)

| Age | United Healthcare Medicare Advantage |          |          |          | BCBS Supplemental               |         |         |         |
|-----|--------------------------------------|----------|----------|----------|---------------------------------|---------|---------|---------|
|     | Retiree                              |          | Spouse   |          | Retiree                         |         | Spouse  |         |
|     | 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 |
| 70  | 1,933                                | 1,528    | 1,933    | 1,528    | 6,189                           | 4,891   | 6,189   | 4,891   |
| 75  | 2,083                                | 1,645    | 2,083    | 1,645    | 6,670                           | 5,265   | 6,670   | 5,265   |
| 80  | 2,243                                | 1,773    | 2,243    | 1,773    | 7,182                           | 5,676   | 7,182   | 5,676   |
| Age | BCBS (Medicare Advantage)            |          |          |          | Presbyterian Medicare Advantage |         |         |         |
|     | Retiree                              |          | Spouse   |          | Retiree                         |         | Spouse  |         |
|     | Male                                 | Female   | Male     | Female   | Male                            | Female  | Male    | Female  |
| 65  | \$1,127                              | \$958    | \$1,127  | \$958    | \$2,099                         | \$1,784 | \$2,099 | \$1,784 |
| 70  | 1,306                                | 1,032    | 1,306    | 1,032    | 2,433                           | 1,923   | 2,433   | 1,923   |
| 75  | 1,408                                | 1,111    | 1,408    | 1,111    | 2,622                           | 2,070   | 2,622   | 2,070   |
| 80  | 1,516                                | 1,198    | 1,516    | 1,198    | 2,823                           | 2,231   | 2,823   | 2,231   |
| Age | Medicare Drug Rebates                |          |          |          | Medicare Drug Subsidy           |         |         |         |
|     | Retiree                              |          | Spouse   |          | Retiree                         |         | Spouse  |         |
|     | Male                                 | Female   | Male     | Female   | Male                            | Female  | Male    | Female  |
| 65  | -\$2,036                             | -\$1,731 | -\$2,036 | -\$1,731 | -\$74                           | -\$63   | -\$74   | -\$63   |
| 70  | -2,360                               | -1,865   | -2,360   | -1,865   | -86                             | -68     | -86     | -68     |
| 75  | -2,543                               | -2,007   | -2,543   | -2,007   | -92                             | -73     | -92     | -73     |
| 80  | -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      |                                 |         |         |         |

## Section 3: Supporting Information

| <b>Drug Increase Rebate Assumptions</b>   | 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.   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
|---|--|-------------------|---------------------------|---------|----|------------|----|---------------|---------------------------|--------------------------|----|--------------------------|---|----------------------------------|----|--------------------------------|----|---------------------|---|
| <b>Medicare Part D Subsidy Assumption</b> | 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% in 2019/2020 and thereafter.   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Unknown Data for Participants</b>      | 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.  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Spouse Coverage</b>                    | 35% male, 30% female   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Age of Spouse</b>                      | Wives are 3 years younger than their husbands.   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Future Benefit Accruals</b>            | 1.0 year of service per year.  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Participation and Election</b>         | <p>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.</p> <p>Future retirees are assumed to elect medical carriers in the same proportion as current retirees:</p> <table> <tr> <th>Non-Medicare Plan</th><th>Medical Election Rate (%)</th></tr> <tr> <td>Premier</td><td>75</td></tr> <tr> <td>Value Plan</td><td>25</td></tr> <tr> <th>Medicare Plan</th><th>Medical Election Rate (%)</th></tr> <tr> <td>BCBS Medicare Supplement</td><td>57</td></tr> <tr> <td>BCBS Senior Plan I or II</td><td>9</td></tr> <tr> <td>Presbyterian Senior Plan I or II</td><td>20</td></tr> <tr> <td>United Healthcare Plan I or II</td><td>11</td></tr> <tr> <td>Humana Plan I or II</td><td>3</td></tr> </table> | Non-Medicare Plan | Medical Election Rate (%) | Premier | 75 | Value Plan | 25 | Medicare Plan | Medical Election Rate (%) | BCBS Medicare Supplement | 57 | BCBS Senior Plan I or II | 9 | Presbyterian Senior Plan I or II | 20 | United Healthcare Plan I or II | 11 | Humana Plan I or II | 3 |
| Non-Medicare Plan                         | Medical Election Rate (%)  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| Premier                                   | 75   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| Value Plan                                | 25   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| Medicare Plan                             | Medical Election Rate (%)  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| BCBS Medicare Supplement                  | 57   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| BCBS Senior Plan I or II                  | 9  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| Presbyterian Senior Plan I or II          | 20   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| United Healthcare Plan I or II            | 11   |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| Humana Plan I or II                       | 3  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |
| <b>Former Vested Retirement Age</b>       | Former vested members are assumed to begin receiving retiree health benefits at the later of age 60 and early retirement eligibility.  |                   |                           |         |    |            |    |               |                           |                          |    |                          |   |                                  |    |                                |    |                     |   |

## Section 3: Supporting Information

### Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year’s cost to yield the next year’s projected cost. 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:  
 $[\$13,567 \times (1 + 8.0\%)] = \$14,652.$

| Year Ending<br>June 30 | Rate (%)               |                          |                        |                         |                           |                                 |
|------------------------|------------------------|--------------------------|------------------------|-------------------------|---------------------------|---------------------------------|
|                        | All Non-Medicare Plans | Medicare Supplement Plan | UHC Medicare Advantage | BCBS Medicare Advantage | Humana Medicare Advantage | Presbyterian Medicare Advantage |
| 2020                   | 8.00                   | 7.50                     | 0.00                   | -2.00                   | 0.00                      | 0.00                            |
| 2021                   | 7.75                   | 7.25                     | -52.52                 | -47.34                  | 3.50                      | -33.09                          |
| 2022                   | 7.50                   | 7.00                     | 7.00                   | 7.00                    | 7.00                      | 7.00                            |
| 2023                   | 7.25                   | 6.75                     | 6.75                   | 6.75                    | 6.75                      | 6.75                            |
| 2024                   | 7.00                   | 6.50                     | 6.50                   | 6.50                    | 6.50                      | 6.50                            |
| 2025                   | 6.75                   | 6.25                     | 6.25                   | 6.25                    | 6.25                      | 6.25                            |
| 2026                   | 6.50                   | 6.00                     | 6.00                   | 6.00                    | 6.00                      | 6.00                            |
| 2027                   | 6.25                   | 5.75                     | 5.75                   | 5.75                    | 5.75                      | 5.75                            |
| 2028                   | 6.00                   | 5.50                     | 5.50                   | 5.50                    | 5.50                      | 5.50                            |
| 2029                   | 5.75                   | 5.25                     | 5.25                   | 5.25                    | 5.25                      | 5.25                            |
| 2030                   | 5.50                   | 5.00                     | 5.00                   | 5.00                    | 5.00                      | 5.00                            |
| 2031                   | 5.25                   | 4.75                     | 4.75                   | 4.75                    | 4.75                      | 4.75                            |
| 2032                   | 5.00                   | 4.50                     | 4.50                   | 4.50                    | 4.50                      | 4.50                            |
| 2033                   | 4.75                   | 4.50                     | 4.50                   | 4.50                    | 4.50                      | 4.50                            |
| 2034 & Later           | 4.50                   | 4.50                     | 4.50                   | 4.50                    | 4.50                      | 4.50                            |

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using data sources such as the Segal Health Trend Survey, internal client results, and trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

## Section 3: Supporting Information

|                           |   |
|---------------------------|---|
| <b>Funding Policy</b>     | 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. |
| <b>Plan Design</b>        | Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.  |
| <b>Assumption Changes</b> | <p>The discount rate was updated from 4.16% to 2.86%.</p> <p>Medical carrier election assumptions were updated based on recent enrollment.</p> <p>The 2020/2021 and 2021/2022 trends for Medicare Advantage plans were updated to reflect actual calendar year 2020 and 2021 premiums.</p>  |



## Section 3: Supporting Information

### Exhibit III: 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.

| <b>Eligibility</b>           | <p>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.</p> <p>For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation.</p> <p>Amended June 2, 2020, 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 July 31, 2021 will not receive any subsidy from NMRHCA before age 55</p>  |                   |  |         |                   |                      |       |       |                     |      |      |                  |      |      |                 |      |      |
|------------------------------|--|-------------------|--|---------|-------------------|----------------------|-------|-------|---------------------|------|------|------------------|------|------|-----------------|------|------|
| <b>Benefit Types</b>         | <p>Retirees and spouses are eligible for medical and prescription drug benefits.</p> <p>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.</p> <p>Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid.</p> <p>A description of these benefits may be found at <a href="http://www.nmrhca.state.nm.us">www.nmrhca.state.nm.us</a> by clicking on Retirees.</p> |                   |  |         |                   |                      |       |       |                     |      |      |                  |      |      |                 |      |      |
| <b>Duration of Coverage</b>  | Employees and dependents are valued for life.  |                   |  |         |                   |                      |       |       |                     |      |      |                  |      |      |                 |      |      |
| <b>Retiree Contributions</b> | <p>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.</p> <table><tr><th></th><th>FY 2020</th><th>FY 2021 And Later</th></tr><tr><td>Non-Medicare Retiree</td><td>35.5%</td><td>36.0%</td></tr><tr><td>Non-Medicare Spouse</td><td>63.0</td><td>64.0</td></tr><tr><td>Medicare Retiree</td><td>50.0</td><td>50.0</td></tr><tr><td>Medicare Spouse</td><td>75.0</td><td>75.0</td></tr></table>  |                   |  | FY 2020 | FY 2021 And Later | 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 |
|                              | FY 2020  | FY 2021 And Later |  |         |                   |                      |       |       |                     |      |      |                  |      |      |                 |      |      |
| 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: Supporting Information

### Retiree Contributions (continued)

Amended on June 2, 2020, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements for retirements on or after July 31, 2020 (deferred 7 months from January 1, 2021) and not in a Public Safety pension plan:

| Years of Service | Retired Before<br>July 31, 2021 or in Public<br>Safety Pension Plan<br>Percent of Full Subsidy<br>Based on Service (%) | Retired on or after<br>July 31, 2021 and Not in<br>Public Safety Pension Plan<br>Percent of Full Subsidy<br>Based on Service (%) |
|------------------|--|--|
| 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: Supporting Information

|   |  |
|---|--|
| <b>Dental Eligibility</b>   | This benefit was not included in the valuation because retirees pay 100% of the cost.  |
| <b>Vision Eligibility</b>   | This benefit was not included in the valuation because retirees pay 100% of the cost   |
| <b>Life Insurance Death Benefit Eligibility</b>   | 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.   |
| <b>Excise Tax on High Cost Health Plans Imposed by The Affordable Care Act (ACA “Cadillac Tax”)</b> | <p>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.</p> <p>On June 2, 2020, the Board approved the reaffirmation of intent to modify plan designs to remain under the threshold that would have been in effect based on the PPACA “Cadillac” tax provisions that were in place immediately prior to its repeal on December 20, 2019.</p> |
| <b>Plan Changes</b>   | On June 2, 2020, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements for retirements on or after July 31, 2021 (deferred 7 months from January 1, 2021) and not in a Public Safety (enhanced) pension plan.   |

## Section 3: Supporting Information

### Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2020

| Year Beginning<br>July 1 | Projected<br>Beginning Plan<br>Fiduciary Net<br>Position<br>(a) | Projected Total<br>Contributions<br>(b) | Projected Benefit<br>Payments<br>(c) | Projected<br>Administrative<br>Expenses<br>(d) | Projected<br>Investment<br>Earnings<br>(e) | Projected<br>Beginning Plan<br>Fiduciary Net<br>Position<br>(f) = (a) + (b) – (c)<br>– (d) + (e) |
|--------------------------|---|---|--------------------------------------|--|--|--|
| 2020                     | \$829,671,905   | \$149,971,190                           | \$139,199,658                        | \$0  | \$60,541,681                               | \$900,985,118  |
| 2021                     | 900,985,118   | 143,845,490                             | 140,572,924                          | 0  | 65,440,052                                 | 969,697,736  |
| 2022                     | 969,697,736   | 138,373,335                             | 144,447,290                          | 0  | 70,082,905                                 | 1,033,706,686  |
| 2023                     | 1,033,706,686   | 133,237,989                             | 150,719,090                          | 0  | 74,310,045                                 | 1,090,535,630  |
| 2024                     | 1,090,535,630   | 128,357,529                             | 156,939,330                          | 0  | 78,027,743                                 | 1,139,981,572  |
| 2025                     | 1,139,981,572   | 123,586,386                             | 163,405,284                          | 0  | 81,205,229                                 | 1,181,367,903  |
| 2026                     | 1,181,367,903   | 118,887,014                             | 170,500,976                          | 0  | 83,778,167                                 | 1,213,532,108  |
| 2027                     | 1,213,532,108   | 114,163,629                             | 178,465,012                          | 0  | 85,650,153                                 | 1,234,880,878  |
| 2028                     | 1,234,880,878   | 109,455,631                             | 187,254,940                          | 0  | 86,708,639                                 | 1,243,790,208  |
| 2029                     | 1,243,790,208   | 104,722,502                             | 196,178,613                          | 0  | 86,859,506                                 | 1,239,193,603  |
| 2030                     | 1,239,193,603   | 99,998,134                              | 205,382,410                          | 0  | 86,021,356                                 | 1,219,830,683  |
| 2031                     | 1,219,830,683   | 95,225,287                              | 215,357,708                          | 0  | 84,082,924                                 | 1,183,781,186  |
| 2032                     | 1,183,781,186   | 90,525,698                              | 224,322,156                          | 0  | 80,974,014                                 | 1,130,958,742  |
| 2033                     | 1,130,958,742   | 85,857,865                              | 233,428,772                          | 0  | 76,645,063                                 | 1,060,032,898  |
| 2034                     | 1,060,032,898   | 81,307,131                              | 241,712,029                          | 0  | 71,037,708                                 | 970,665,708  |
| 2035                     | 970,665,708   | 77,204,609                              | 248,850,385                          | 0  | 64,151,104                                 | 863,171,036  |
| 2036                     | 863,171,036   | 73,477,149                              | 255,681,347                          | 0  | 55,974,998                                 | 736,941,836  |
| 2037                     | 736,941,836   | 70,151,058                              | 262,398,979                          | 0  | 46,459,296                                 | 591,153,211  |
| 2038                     | 591,153,211   | 67,026,776                              | 268,801,158                          | 0  | 35,544,286                                 | 424,923,114  |
| 2039                     | 424,923,114   | 64,163,331                              | 275,277,476                          | 0  | 23,154,038                                 | 236,963,007  |
| 2040                     | 236,963,007   | 61,290,859                              | 281,642,790                          | 0  | 9,192,061                                  | 25,803,137   |
| 2041                     | 25,803,137  | 58,399,377                              | 288,108,334                          | 0  | 0  | 0  |

## Section 3: Supporting Information

### Notes

1. Amounts may not total exactly due to rounding.
2. Years beyond 2041/2042 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. The Plan's Fiduciary Net Position is projected to be exhausted by June 30, 2042.

## Section 3: Supporting Information

### Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement 75. The terms may have different meanings in other contexts.

|  |   |
|--|---|
| <b>Actuarially Determined Contribution:</b>  | A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.   |
| <b>Assumptions or Actuarial Assumptions:</b> | The estimates on which the cost of the Plan is calculated including: <ul style="list-style-type: none"><li>a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;</li><li>b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;</li><li>c) Retirement rates — the rate or probability of retirement at a given age;</li><li>d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.</li></ul> |
| <b>Covered Employee Payroll:</b>             | The payroll of the employees that are provided OPEB benefits  |
| <b>Discount Rate:</b>                        | The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: <ul style="list-style-type: none"><li>1) the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and</li><li>2) the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher</li></ul>                     |
| <b>Entry Age Actuarial Cost Method:</b>      | An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age  |
| <b>Healthcare Cost Trend Rates:</b>          | The rate of change in per capita health costs over time   |
| <b>Net OPEB Liability:</b>                   | The Total OPEB Liability less the Plan Fiduciary Net Position   |
| <b>Plan Fiduciary Net Position:</b>          | Market Value of Assets  |
| <b>Real Rate of Return:</b>                  | The rate of return on an investment after removing inflation  |
| <b>Service Cost:</b>                         | The amount of contributions required to fund the benefit allocated to the current year of service.  |

## Section 3: Supporting Information

|                              |  |
|------------------------------|--|
| <b>Total OPEB Liability:</b> | Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. |
| <b>Valuation Date:</b>       | The date at which the actuarial valuation is performed   |

## Section 3: Supporting Information

### Appendix C: Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement Number 75 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Under these statements, all state and local government entities that provide other post-employment benefits are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (i.e., a pay-as-you-go basis).

The statements cover postemployment benefits of medical, prescription drugs, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards prescribe an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also prescribe a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the Total OPEB Liability. The Net OPEB Liability (NOL) is the difference between the Total OPEB Liability and market value of assets in the Plan, called the Plan Fiduciary Net Position.

Once the NOL is determined, the Annual OPEB Expense is determined as the change in NOL from the prior year with deferred recognition of certain elements. In addition, Required Supplementary Information (RSI) must be reported, including historical information about the Net OPEB Liability and the contributions made to the Plan. Appendices C and E of Section 4 contain a definition of terms as well as more information about GASB 74/75 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets, if any.



## Section 3: Supporting Information

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

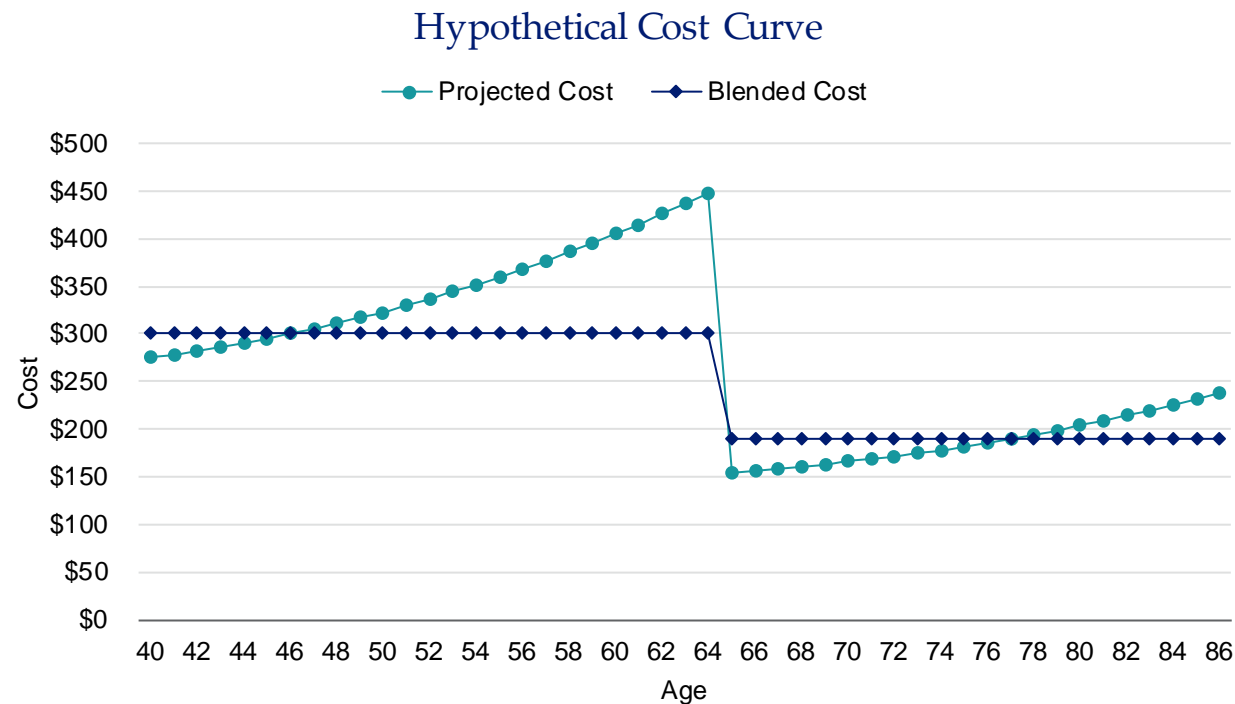
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## Section 3: Supporting Information

### Appendix D: GASB 74/75 Concepts

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.

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# **New Mexico Retiree Health Care Authority**

## **Fiscal Year 2021 1<sup>st</sup> Quarter Budget Review**

### **Health Care Benefit Fund**

Between July 1, 2020 and September 30, 2020, expenditures from the Healthcare Benefits Administration Program were \$81.2 million and revenues were \$91.5 million. The result is a surplus of \$10.3 million, compared to \$8.6 million during the same time period in FY20. Overall expenditures through the first quarter of FY21 as compared to the same time frame in FY20 have decreased by \$1.5 million, or 1.8%. Current projections indicate a \$44 million surplus at the end of FY21.

Upward pressures include:

1. Overall plan participation (medical and voluntary coverages) has grown by 381 members, or 0.6% between September 2019 and September 2020, compared to 1,054 members or 1.7% during the same time frame the previous fiscal year.
2. Claim costs typically increase during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the plan year (calendar year) as members have begun to meet their deductibles and out-of-pocket maximum expenses.

Downward pressures include:

1. Pre-Medicare Plan Participation
  - Premier Plans: -756 members (-6.4%)
  - Value Plans: -28 members (-0.8%)
  - Net: -784 members (-5.1%)
2. Medicare Plan Participation
  - Medicare Supplement: -396 members (-1.7%)
  - BCBS MA Plans: -61 members (-1.6%)
  - Humana MA Plans: 271 members (31.2%)\*
  - Presbyterian MA Plans: 446 members (5.6%)\*
  - UnitedHealthcare MA Plans: 147 members (3.9%)
3. Continued decline in dependent children participation in the medical plans 1,737 (September 2020) compared to 1,904 (September 2019).

\*Default Plans --- Presbyterian to Presbyterian / BCBS to Humana

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2011 – 2020, as well as monthly contribution(s) made in FY21:

Overall, the trend through the 1<sup>st</sup> quarter of FY21 for our self-insured plans indicates a 0.15% growth on the Medicare Supplement Plan and a negative 0.84% growth (or 0.84% decrease) on the pre-Medicare plans on a per-member per-month basis. According to Segal, this trend is similar to what they are seeing with other clients, although perhaps somewhat more pronounced (likely attributable to a more vulnerable population delaying/cancelling care due to COVID concerns). It is important to note that a good portion of the reductions being experienced on the medical side are being offset by increases in our prescription spend.

|                        |                       |
|------------------------|-----------------------|
| FY11 Total             | \$ 21,879,651         |
| FY12 Total             | \$ 21,060,000         |
| FY13 Total             | \$ 15,315,000         |
| FY14 Total             | \$ 57,500,000         |
| FY15 Total             | \$ 42,500,000         |
| FY16 Total             | \$ 35,000,000         |
| FY17 Total             | \$ 33,000,000         |
| FY18 Total             | \$ 20,000,000         |
| FY19 Total             | \$ 45,000,000         |
| FY20 Total             | \$ 56,000,000         |
|                        |                       |
| Transfer Effective     | Amount Transferred    |
| September 1, 2020      | \$ 20,000,000         |
|                        | \$ -                  |
|                        | \$ -                  |
|                        |                       |
| FY21 Total             | \$ 20,000,000         |
|                        |                       |
| <b>Total Transfers</b> | <b>\$ 367,254,651</b> |

| New Mexico Retiree Health Care Authority |                             |                    |                     |                                   |                            |  |
|--|-----------------------------|--------------------|---------------------|-----------------------------------|----------------------------|--|
| FY21 1st Quarter Budget Review           |                             |                    |                     |                                   |                            |  |
| Comparison of Projected vs. Actual       |                             |                    |                     |                                   |                            |  |
| (in thousands)                           |                             |                    |                     |                                   |                            |  |
| Healthcare Benefit Fund                  |                             |                    |                     |                                   |                            |  |
| FY21/FY20 Comparison                     |                             |                    |                     |                                   |                            |  |
|  | FY21 Approved<br>Q1 Budget* | FY21<br>Q1 Actual  | FY20<br>Q1 Actual   | Dollar<br>Change                  | Percent<br>Change          |  |
| <b>Sources:</b>                          |                             |                    |                     |                                   |                            |  |
| Employer/Employee Contributions          | \$ 30,040.65                | \$ 34,982.2        | \$ 34,868.9         | \$ 113.3                          | 0.3%                       |  |
| Retiree Contributions                    | \$ 43,750.0                 | \$ 44,978.5        | \$ 43,647.7         | \$ 1,330.8                        | 3.0%                       |  |
| Taxation & Revenue Fund                  | \$ 8,233.93                 | \$ 5,489.3         | \$ 7,531.7          | \$ (2,042.4)                      | -27.1%                     |  |
| Other Miscellaneous Revenue              | \$ 7,500.00                 | \$ 6,080.6         | \$ 5,372.3          | \$ 708.3                          | 13.2%                      |  |
| Interest Income                          | \$ 100.0                    | \$ 63.5            | \$ 196.9            | \$ (133.4)                        | 157.0%                     |  |
| Refunds                                  | \$ -                        | \$ (63.7)          | \$ (244.5)          | \$ 180.8                          | -73.9%                     |  |
| <b>Total Sources</b>                     | <b>\$ 89,624.6</b>          | <b>\$ 91,530.4</b> | <b>\$ 91,373.0</b>  | <b>\$ 157.4</b>                   | <b>0.2%</b>                |  |
| <b>Uses:</b>                             |                             |                    |                     |                                   |                            |  |
| Medical Contractual Services             | \$ 88,758.0                 | \$ 77,967.6        | \$ 81,164.3         | \$ (3,196.7)                      | -3.9%                      |  |
| ACA Fees (PCORI)                         | \$ 39.9                     | \$ 35.9            | \$ 36.1             | \$ (0.2)                          | -0.6%                      |  |
| Other Financing Uses                     | \$ 826.7                    | \$ 3,306.7         | \$ 1,603.9          | \$ 1,702.8                        | 106.2%                     |  |
| <b>Total Uses</b>                        | <b>\$ 89,624.6</b>          | <b>\$ 81,274.3</b> | <b>\$ 82,768.2</b>  | <b>\$ (1,494.1)</b>               | <b>-1.8%</b>               |  |
| <b>Sources Over Uses</b>                 | <b>NA</b>                   | <b>\$ 10,256.1</b> | <b>\$ 8,604.8</b>   | <b>NA</b>                         | <b>NA</b>                  |  |
| FY21 Budget Compared to Actual           |                             |                    |                     |                                   |                            |  |
|  | FY21 Approved<br>Budget*    | FY21<br>Actuals    | Remaing<br>Balance  | Percent<br>Expended/<br>Collected | FY21<br>Projected<br>Total |  |
| <b>Sources:</b>                          |                             |                    |                     |                                   |                            |  |
| Employer/Employee Contributions          | \$ 120,162.6                | \$ 34,982.2        | \$ 85,180.4         | 29.1%                             | \$ 139,928.8               |  |
| Retiree Contributions                    | \$ 175,000.0                | \$ 44,978.5        | \$ 130,021.5        | 25.7%                             | \$ 174,914.0               |  |
| Taxation & Revenue Fund                  | \$ 32,935.7                 | \$ 5,489.3         | \$ 27,446.4         | 16.7%                             | \$ 32,935.8                |  |
| Other Miscellaneous Revenue              | \$ 30,000.0                 | \$ 6,080.6         | \$ 23,919.4         | 20.3%                             | \$ 29,000.0                |  |
| Interest Income                          | \$ 400.0                    | \$ 63.5            | \$ 336.5            | 15.9%                             | \$ 254.0                   |  |
| Refunds                                  | \$ -                        | \$ (63.7)          | \$ -                | NA                                | \$ (254.8)                 |  |
| <b>Total Sources</b>                     | <b>\$ 358,498.3</b>         | <b>\$ 91,530.4</b> | <b>\$ 266,904.2</b> | <b>25.5%</b>                      | <b>\$ 376,777.8</b>        |  |
| <b>Uses:</b>                             |                             |                    |                     |                                   |                            |  |
| Medical Contractual Services             | \$ 355,151.7                | \$ 77,931.7        | \$ 277,220.0        | 21.9%                             | \$ 329,432.0               |  |
| ACA Fees (PCORI)                         | \$ 39.9                     | \$ 35.9            | \$ 4.0              | 90.0%                             | \$ 39.4                    |  |
| Other Financing Uses                     | \$ 3,306.7                  | \$ 3,306.7         | \$ -                | 100.0%                            | \$ 3,306.7                 |  |
| <b>Total Uses</b>                        | <b>\$ 358,498.3</b>         | <b>\$ 81,274.3</b> | <b>\$ 277,224.0</b> | <b>22.7%</b>                      | <b>\$ 332,778.1</b>        |  |
| <b>Sources Over Uses</b>                 | <b>NA</b>                   | <b>\$ 10,256.1</b> | <b>NA</b>           | <b>NA</b>                         | <b>\$ 43,999.7</b>         |  |

**New Mexico Retiree Health Care Authority**  
**1st Quarter Healthcare Benefit Fund Detail**  
**Fiscal Year 2021**  
**(in thousands)**

|  | FY21<br>Q1 Actuals | FY20<br>Q1 Actuals | FY21 - FY20<br>Difference |
|--|--------------------|--------------------|---------------------------|
| <b>REVENUE:</b>                              |                    |                    |                           |
| Employer/Employee Contributions              | \$ 34,982.2        | \$ 34,868.9        | \$ 113.3                  |
| Retiree Contributions                        | \$ 44,978.5        | \$ 43,647.7        | \$ 1,330.8                |
| Taxation and Revenue Suspense Fund           | \$ 5,489.3         | \$ 7,531.7         | \$ (2,042.4)              |
| Other Miscellaneous Revenue                  | \$ 6,080.6         | \$ 5,372.3         | \$ 708.3                  |
| Interest Income                              | \$ 63.5            | \$ 196.9           | \$ (133.4)                |
| Refunds                                      | \$ (63.7)          | \$ (244.5)         | \$ 180.8                  |
| <b>TOTAL REVENUE:</b>                        | <b>\$ 91,530.4</b> | <b>\$ 91,373.0</b> | <b>\$ 157.4</b>           |
| <b>EXPENDITURES:</b>                         |                    |                    |                           |
| <b>Prescriptions</b>                         |                    |                    |                           |
| Express Scripts                              | \$ 23,615.5        | \$ 22,940.1        | \$ 675.4                  |
| <b>Total Prescriptions</b>                   | <b>\$ 23,615.5</b> | <b>\$ 22,940.1</b> | <b>\$ 675.4</b>           |
| <b>Non-Medicare</b>                          |                    |                    |                           |
| Blue Cross Blue Shield                       | \$ 15,052.0        | \$ 17,545.2        | \$ (2,493.2)              |
| BCBS Administrative Costs                    | \$ 492.4           | \$ 521.2           | \$ (28.8)                 |
| Presbyterian                                 | \$ 11,484.2        | \$ 11,550.9        | \$ (66.7)                 |
| Presbyterian Administrative Costs            | \$ 554.1           | \$ 485.6           | \$ 68.5                   |
| PCORI Fee                                    | \$ 35.9            | \$ 39.2            | \$ (3.3)                  |
| <b>Total Non-Medicare</b>                    | <b>\$ 27,618.6</b> | <b>\$ 30,142.1</b> | <b>\$ (2,523.5)</b>       |
| <b>Medicare</b>                              |                    |                    |                           |
| Blue Cross Blue Shield                       | \$ 8,787.4         | \$ 10,294.4        | \$ (1,507.0)              |
| BCBS Administrative Costs                    | \$ 1,420.6         | \$ 1,443.8         | \$ (23.2)                 |
| Presbyterian MA                              | \$ 4,474.8         | \$ 4,275.3         | \$ 199.5                  |
| UnitedHealthCare MA                          | \$ 1,663.9         | \$ 1,623.1         | \$ 40.8                   |
| Humana MA                                    | \$ 335.9           | \$ 245.3           | \$ 90.6                   |
| BCBS MA                                      | \$ 1,109.1         | \$ 1,143.6         | \$ (34.5)                 |
| <b>Total Medicare</b>                        | <b>\$ 17,791.7</b> | <b>\$ 19,025.5</b> | <b>\$ (1,233.8)</b>       |
| <b>Other Benefits</b>                        |                    |                    |                           |
| Davis Vision                                 | \$ 599.3           | \$ 602.6           | \$ (3.3)                  |
| Delta Dental                                 | \$ 5,204.5         | \$ 2,840.1         | \$ 2,364.4                |
| Standard Life Insurance                      | \$ 3,138.0         | \$ 3,011.9         | \$ 126.1                  |
| United Concordia Dental                      | \$ -               | \$ 2,602.0         | \$ (2,602.0)              |
| <b>Total Other Benefits</b>                  | <b>\$ 8,941.8</b>  | <b>\$ 9,056.6</b>  | <b>\$ (114.8)</b>         |
| <b>Other Expenses</b>                        |                    |                    |                           |
| Program Support                              | \$ 3,306.7         | \$ 1,603.9         | \$ 1,702.8                |
| <b>Total Other Expenses</b>                  | <b>\$ 3,306.7</b>  | <b>\$ 1,603.9</b>  | <b>\$ 1,702.8</b>         |
| <b>TOTAL EXPENDITURES:</b>                   | <b>\$ 81,274.3</b> | <b>\$ 82,768.2</b> | <b>\$ (1,493.9)</b>       |
| <b>Total Revenue over Total Expenditures</b> | <b>\$ 10,256.1</b> | <b>\$ 8,604.8</b>  | <b>\$ 1,651.3</b>         |

| New Mexico Retiree Health Care Authority |                                |                   |                   |                   |                   |  |
|--|--------------------------------|-------------------|-------------------|-------------------|-------------------|--|
| FY21 1st QTR Budget Review               |                                |                   |                   |                   |                   |  |
| Comparison of Budget vs. Actual          |                                |                   |                   |                   |                   |  |
| (in thousands)                           |                                |                   |                   |                   |                   |  |
| Program Support                          |                                |                   |                   |                   |                   |  |
| FY21/FY20 Comparison                     |                                |                   |                   |                   |                   |  |
|  | FY21<br>Approved<br>Q1 Budget* | FY21<br>Actuals   | FY20<br>Actuals   | Dollar<br>Change  | Percent<br>Change |  |
| <b>Sources:</b>                          |                                |                   |                   |                   |                   |  |
| Other Transfers                          | \$ 826.7                       | \$ 3,306.7        | \$ 1,603.9        | \$ 1,702.8        | 106.2%            |  |
| <b>Total Sources</b>                     | <b>\$ 826.7</b>                | <b>\$ 3,306.7</b> | <b>\$ 1,603.9</b> | <b>\$ 1,702.8</b> | <b>51.5%</b>      |  |
| <b>Uses:</b>                             |                                |                   |                   |                   |                   |  |
| Personal Services and Benefits           | \$ 519.3                       | \$ 478.7          | \$ 490.7          | \$ (12.0)         | -2.4%             |  |
| Contractual Services                     | \$ 165.9                       | \$ 52.6           | \$ 142.3          | \$ (89.7)         | -63.0%            |  |
| Other Costs                              | \$ 141.6                       | \$ 139.7          | \$ 90.9           | \$ 48.8           | 53.7%             |  |
| <b>Total Uses</b>                        | <b>\$ 826.7</b>                | <b>\$ 671.0</b>   | <b>\$ 723.9</b>   | <b>\$ (52.9)</b>  | <b>-7.3%</b>      |  |

| New Mexico Retiree Health Care Authority |                                  |                   |                      |                     |                   |  |
|--|----------------------------------|-------------------|----------------------|---------------------|-------------------|--|
| FY21 1st QTR Budget Review               |                                  |                   |                      |                     |                   |  |
| Comparison of Budget vs. Actual          |                                  |                   |                      |                     |                   |  |
| (in thousands)                           |                                  |                   |                      |                     |                   |  |
| Program Support                          |                                  |                   |                      |                     |                   |  |
| FY21 Budget Compared to Actual           |                                  |                   |                      |                     |                   |  |
|  | Approved<br>Operating<br>Budget* | FY21<br>Actuals   | Remaining<br>Balance | Percent<br>Expended | FY21<br>Projected |  |
| <b>Sources:</b>                          |                                  |                   |                      |                     |                   |  |
| Other Transfers                          | \$ 3,306.7                       | \$ 1,653.4        | \$ 1,653.4           | 50%                 | \$ 1,468.4        |  |
| <b>Total Sources</b>                     | <b>\$ 3,306.7</b>                | <b>\$ 1,653.4</b> | <b>\$ 1,653.4</b>    | <b>50%</b>          | <b>\$ 1,468.4</b> |  |
| <b>Uses:</b>                             |                                  |                   |                      |                     |                   |  |
| Personal Services and Benefits           | \$ 2,077.1                       | \$ 478.7          | \$ 1,598.4           | 23%                 | \$ 1,552.9        |  |
| Contractual Services                     | \$ 663.4                         | \$ 52.6           | \$ 610.8             | 8%                  | \$ 603.9          |  |
| Other Costs                              | \$ 566.2                         | \$ 139.7          | \$ 426.5             | 25%                 | \$ 423.0          |  |
| <b>Total Uses</b>                        | <b>\$ 3,306.7</b>                | <b>\$ 671.0</b>   | <b>\$ 2,635.7</b>    | <b>20%</b>          | <b>\$ 2,579.8</b> |  |

| Program Support                       |   |                         |                         |                           |                |              |
|---------------------------------------|---|-------------------------|-------------------------|---------------------------|----------------|--------------|
| Expenditure Summary (in thousands)    |   |                         |                         |                           |                |              |
| Acct #                                | Account Description                           | A<br>Approved<br>Budget | B<br>Expended<br>Budget | C<br>Remaining<br>Balance | D<br>Projected | E<br>Balance |
| 200                                   | Personal Services/ Employee Benefits          | 2,077.1                 | 478.7                   | 1,598.4                   | 1,552.9        | 45.5         |
| 300                                   | Contractual Services                          | 663.4                   | 52.6                    | 610.8                     | 603.9          | 6.9          |
| 400                                   | Other Costs                                   | 566.2                   | 139.7                   | 426.5                     | 423.0          | 3.5          |
|                                       | <b>TOTAL</b>                                  | <b>3,306.7</b>          | <b>671.0</b>            | <b>2,635.7</b>            | <b>2,579.8</b> | <b>55.9</b>  |
| Expenditure Detail (in thousands)     |   |                         |                         |                           |                |              |
| Personal Services / Employee Benefits |   |                         |                         |                           |                |              |
| Acct #                                | Account Description                           | Approved<br>Budget      | Expended<br>Budget      | Remaining<br>Balance      | Projected      | Balance      |
| 520100                                | Exempt Positions                              | 292.4                   | 72.1                    | 220.3                     | 210.5          | 9.8          |
| 520300                                | Classified Perm. Positions                    | 1,167.2                 | 262.5                   | 904.7                     | 892.9          | 11.8         |
| 520800                                | Annual, Sick & Comp Paid                      | 0.0                     | 3.2                     | (3.2)                     | 3.0            | (6.2)        |
| 521100                                | Group Insurance Premium                       | 195.9                   | 48.6                    | 147.3                     | 147.2          | 0.1          |
| 521200                                | Retirement Contributions                      | 268.1                   | 59.4                    | 208.7                     | 185.0          | 23.7         |
| 521300                                | FICA  | 111.7                   | 24.5                    | 87.2                      | 82.1           | 5.1          |
| 521400                                | Workers Comp                                  | 0.2                     | 0.1                     | 0.1                       | 0.1            | 0.0          |
| 521410                                | GSD Work Comp Ins                             | 1.2                     | 0.0                     | 1.2                       | 1.2            | 0.0          |
| 521500                                | Unemployment Comp                             | 0.0                     | 0.0                     | 0.0                       | 0.0            | 0.0          |
| 521600                                | Employee Liability Insurance                  | 9.5                     | 0.0                     | 9.5                       | 9.5            | 0.0          |
| 521700                                | Retiree Health Care                           | 30.9                    | 6.7                     | 24.2                      | 21.4           | 2.8          |
| 523000                                | COVID Related Admin Leave                     | 0.0                     | 1.6                     | (1.6)                     | 0.0            | (1.6)        |
|                                       | <b>TOTAL</b>                                  | <b>2,077.1</b>          | <b>478.7</b>            | <b>1,598.4</b>            | <b>1,552.9</b> | <b>45.5</b>  |
| Contractual Services                  |   |                         |                         |                           |                |              |
| Acct #                                | Account Description                           | Approved<br>Budget      | Expended<br>Budget      | Remaining<br>Balance      | Projected      | Balance      |
| 535200                                | Professional Services                         | 396.4                   | 0.0                     | 396.4                     | 396.4          | 0.0          |
| 535300                                | Other Services                                | 12.5                    | 9.7                     | 2.8                       | 3.5            | (0.7)        |
| 535309                                | Other Services InterA                         | 26.0                    | 0.0                     | 26.0                      | 20.0           | 6.0          |
| 535400                                | Audit Services                                | 78.5                    | 25.9                    | 52.6                      | 52.0           | 0.6          |
| 535500                                | Attorney Services                             | 60.0                    | 11.4                    | 48.6                      | 49.0           | (0.4)        |
| 535600                                | Information Technology Services               | 90.0                    | 5.6                     | 84.4                      | 83.0           | 1.4          |
|                                       | <b>TOTAL</b>                                  | <b>663.4</b>            | <b>52.6</b>             | <b>610.8</b>              | <b>603.9</b>   | <b>6.9</b>   |
| Other Costs                           |   |                         |                         |                           |                |              |
| Acct #                                | Account Description                           | Approved<br>Budget      | Expended<br>Budget      | Remaining<br>Balance      | Projected      | Balance      |
| 542100                                | Employee In-State Mileage & Fares             | 1.5                     | 0.2                     | 1.3                       | 0.0            | 1.3          |
| 542200                                | Employee In-State Meals & Lodging             | 2.5                     | 0.0                     | 2.5                       | 0.0            | 2.5          |
| 542300                                | Board & Commission - In-State                 | 13.5                    | 1.0                     | 12.5                      | 0.0            | 12.5         |
| 542500                                | Transportation-Fuel & Oil                     | 1.0                     | 0.0                     | 1.0                       | 0.0            | 1.0          |
| 542600                                | Transportation                                | 0.1                     | 0.0                     | 0.1                       | 0.0            | 0.1          |
| 542700                                | Transportation - Insurance                    | 0.2                     | 0.2                     | 0.0                       | 0.0            | 0.0          |
| 542800                                | State Transportation Pool Charges             | 4.5                     | 2.8                     | 1.7                       | 0.0            | 1.7          |
| 543200                                | Maintenance - Furniture, Fixtures & Equipment | 6.0                     | 0.0                     | 6.0                       | 0.0            | 6.0          |
| 543300                                | Maintenance - Building & Structure            | 4.5                     | 0.6                     | 3.9                       | 0.0            | 3.9          |
| 543400                                | Maintenance - Property Insurance              | 0.0                     | 0.0                     | 0.0                       | 0.0            | 0.0          |
| 543830                                | IT HW/SW Agreements                           | 7.5                     | 7.9                     | (0.4)                     | 0.0            | (0.4)        |
| 544000                                | Supply Inventory IT                           | 25.0                    | 3.4                     | 21.6                      | 23.0           | (1.4)        |
| 544100                                | Supplies - Office Supplies                    | 10.0                    | 0.2                     | 9.8                       | 9.6            | 0.2          |
| 544900                                | Supplies - Inventory Exempt                   | 5.0                     | 29.4                    | (24.4)                    | 10.0           | (34.4)       |
| 545600                                | Rep/Recording                                 | 0.0                     | 0.0                     | 0.0                       | 0.0            | 0.0          |
| 545700                                | DoIT - ISD Services                           | 4.2                     | 0.7                     | 3.5                       | 2.8            | 0.7          |
| 545701                                | DoIT - HCM Fees                               | 10.7                    | 0.0                     | 10.7                      | 10.7           | 0.0          |
| 545900                                | Printing & Photo. Services                    | 56.0                    | 37.1                    | 18.9                      | 20.0           | (1.1)        |
| 546100                                | Postage & Mail Services                       | 120.0                   | 1.0                     | 119.0                     | 100.0          | 19.0         |
| 546400                                | Rent of Land & Buildings                      | 124.1                   | 37.7                    | 86.4                      | 112.0          | (25.6)       |
| 546409                                | Rent - Interagency                            | 8.4                     | 2.0                     | 6.4                       | 4.4            | 2.0          |
| 546500                                | Rent of Equipment                             | 48.3                    | 2.0                     | 46.3                      | 44.3           | 2.0          |
| 546600                                | Telecomm                                      | 21.0                    | 3.4                     | 17.6                      | 14.2           | 3.4          |
| 546610                                | DOIT Telecomm                                 | 58.9                    | 9.8                     | 49.1                      | 39.3           | 9.8          |
| 546700                                | Subscriptions & Dues                          | 7.0                     | 0.0                     | 7.0                       | 7.0            | 0.0          |
| 546800                                | Employee Training & Education                 | 5.0                     | 0.0                     | 5.0                       | 5.0            | 0.0          |
| 546801                                | Board Member Training                         | 5.0                     | 0.0                     | 5.0                       | 5.0            | 0.0          |



## **FY21 Healthcare Benefits Administration Program Contract Amendments – Action Item\***

The chart below includes a list of existing contracts and proposed amendments for fiscal year 2021. The proposed amendments are specific to the Medicare Advantage contracts in order to reflect the approved rates and plans for the 2021 calendar year.

### **Health Care Benefits Administration Program – FY21 Proposed Contract Amendments**

The proposed contracts administered through Healthcare Benefits Administration Fund are as follows:

|                                       |                      |   |                  |
|---------------------------------------|----------------------|---|------------------|
| <b>FY21 Approved Operating Budget</b> | <b>\$355,191,600</b> |   |                  |
|                                       |                      |   |                  |
|                                       | <b>Proposed</b>      |   |                  |
|                                       | <b>Contract</b>      | <b>Contract</b>                               | <b>Amendment</b> |
| <b>Vendor</b>                         | <b>Amount</b>        | <b>Term</b>                                   | <b>Type</b>      |
| Express Scripts                       | \$110,000,000        | July 1, 2018 - June 30, 2022                  | NA               |
| The Standard                          | \$13,500,000         | July 1, 2019 - June 30, 2023                  | NA               |
| BCBS -- Self Insured                  | \$115,000,000        | July 1, 2020 - June 30, 2024                  | NA               |
| Prebyterian -- Self Insured           | \$52,500,000         | July 1, 2020 - June 30, 2024                  | NA               |
| Presbyterian MA                       | \$14,000,000         | July 1, 2020 - June 30, 2024                  | 2021 MA Rates    |
| BCBS MA                               | \$4,000,000          | July 1, 2020 - June 30, 2024                  | 2021 MA Rates    |
| Humana MA                             | \$1,250,000          | July 1, 2020 - June 30, 2024                  | 2021 MA Rates    |
| Unitedhealthcare MA                   | \$9,500,000          | July 1, 2020 - June 30, 2024                  | NA               |
| Delta                                 | \$22,500,000         | July 1, 2020 - June 30, 2024                  | NA               |
| Davis Vision                          | \$2,750,000          | July 1, 2020 - June 30, 2024                  | NA               |
|                                       |                      |   |                  |
| <b>Total</b>                          | <b>\$345,000,000</b> | <b>NA</b>                                     | <b>NA</b>        |
|                                       |                      |   |                  |
| <b>Unencumbered Balance</b>           | <b>\$10,191,600</b>  | <b>Available for mid/end-year adjustments</b> |                  |

The proposed contracts amendments will reflect certain enhancements to performance guarantees, program descriptions, gain share agreements and benefit summary documentation. The amendments also reflect the premium reductions applied to the upcoming calendar year. The reductions are listed below:

| Medicare Advantage Plan | 2020 Rate | 2021 Rate | Monthly Increase/<br>Decrease | Annual Increase/<br>Decrease | Percent Increase/<br>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%                          |

**Conclusion:** NMRHCA staff respectfully requests approval to amend the Blue Cross Blue Shield, Presbyterian, and Humana Medicare Advantage contracts to reflect the monthly charges applicable to the 2021 calendar year. No amendment is being requested for UHC, as the rate changes were captured as part of the contract approved back in July.