

# 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**

**FINAL**



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.

Copyright © 2020 by The Segal Group, Inc. All rights reserved.

**Segal**



November 20, 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

Handwritten signature of Mary Kirby in black ink.

---

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

Handwritten signature of Melissa A. Krumholz in black ink.

---

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

Handwritten signature of Thomas Bergman in black ink.

---

Thomas Bergman, ASA, MAAA  
Retiree Health Actuary

cc: David Archuleta, Executive Director

# Table of Contents

Section 1: Actuarial Valuation Summary.....	1
Purpose and basis.....	1
Highlights of the valuation .....	1
Summary of key valuation results.....	4
Important information about actuarial valuations.....	5
Section 2: GASB 74 Information .....	8
General information about the OPEB plan .....	8
Net OPEB liability .....	9
Determination of discount rate and investment rates of return.....	11
Sensitivity .....	13
Schedule of changes in Net OPEB Liability – Last two fiscal years .....	14
Schedule of contributions – Last ten fiscal years .....	16
Section 3: Supporting Information.....	17
Exhibit I: Summary of Participant Data.....	17
Exhibit II: Actuarial Assumptions and Actuarial Cost Method.....	18
Exhibit III: Summary of Plan .....	31
Appendix A: Projection of OPEB Plan’s Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2020....	34
Appendix B: Definition of Terms .....	36
Appendix C: Accounting Requirements.....	38
Appendix D: GASB 74/75 Concepts.....	40

# 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 fiscal year ending 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 for fiscal year ending 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**

**November 20, 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.

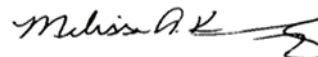
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience or rates of return on assets differing from that anticipated by the assumptions; changes in assumptions; increases 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.



---

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



---

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



---

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. 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 (1.86%)</b>	<b>Current Discount Rate (2.86%)</b>	<b>1% Increase (3.86%)</b>
Net OPEB Liability (Asset)	\$5,219,259,918	\$4,198,908,018	\$3,410,281,542
	<b>1% Decrease in Health Care Cost Trend Rates</b>	<b>Current Health Care Cost Trend Rates</b>	<b>1% Increase in Health Care Cost 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>	<u>-109,583,678</u>	<u>-97,563,361</u>
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 June 30	Statutory Contributions <sup>1,2</sup>	Contributions in Relation to the Statutory Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee 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
<b>General Increase in Wage Level Due to</b>					
Inflation	2.50	2.50	2.50	2.50	2.50
Other factors	0.75	0.75	0.75	0.75	0.75
<b>Increase Due to Merit/Longevity</b>					
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 Corrections <sup>1</sup>	Municipal General		Municipal Police	Municipal Fire
	Male	Female		Male	Female		
25	0.02	0.02	0.14	0.03	0.04	0.01	0.02
30	0.04	0.03	0.16	0.06	0.04	0.01	0.02
35	0.08	0.06	0.21	0.09	0.04	0.05	0.02
40	0.13	0.12	0.27	0.13	0.06	0.11	0.08
45	0.24	0.20	0.46	0.18	0.14	0.18	0.08
50	0.41	0.39	0.90	0.30	0.25	0.28	0.33
55	0.57	0.61	1.40	0.49	0.39	0.46	0.33
60	0.74	0.73	1.88	0.60	0.51	0.74	1.17
65	0.75	0.73	1.88	0.62	0.59	1.08	1.17

<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 Corrections <sup>1</sup>	Municipal General		Municipal Police <sup>2</sup>	Municipal 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					
		Female Retirement Rates (%)					
		Years of Service					
Age		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 (%)		
		Years of Service		
Age		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 (%)		
		Years of Service		
Age		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 border="1"> <thead> <tr> <th colspan="2">Non-Medicare Plan</th> <th>Medical Election Rate (%)</th> </tr> </thead> <tbody> <tr> <td>Premier</td> <td></td> <td>75</td> </tr> <tr> <td>Value Plan</td> <td></td> <td>25</td> </tr> <tr> <th colspan="2">Medicare Plan</th> <th>Medical Election Rate (%)</th> </tr> <tr> <td>BCBS Medicare Supplement</td> <td></td> <td>57</td> </tr> <tr> <td>BCBS Senior Plan I or II</td> <td></td> <td>9</td> </tr> <tr> <td>Presbyterian Senior Plan I or II</td> <td></td> <td>20</td> </tr> <tr> <td>United Healthcare Plan I or II</td> <td></td> <td>11</td> </tr> <tr> <td>Humana Plan I or II</td> <td></td> <td>3</td> </tr> </tbody> </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 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

### Funding Policy

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

### Plan Design

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

### Assumption Changes

The discount rate was updated from 4.16% to 2.86%.

Medical carrier election assumptions were updated based on recent enrollment.

The 2020/2021 and 2021/2022 trends for Medicare Advantage plans were updated to reflect actual calendar year 2020 and 2021 premiums.

## 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.

<p><b>Eligibility</b></p>	<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>															
<p><b>Benefit Types</b></p>	<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>															
<p><b>Duration of Coverage</b></p>	<p>Employees and dependents are valued for life.</p>															
<p><b>Retiree Contributions</b></p>	<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 border="1" data-bbox="856 1154 1927 1403"> <thead> <tr> <th></th> <th>FY 2020</th> <th>FY 2021 And Later</th> </tr> </thead> <tbody> <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> </tbody> </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 July 31, 2021 or in Public Safety Pension Plan Percent of Full Subsidy Based on Service (%)	Retired on or after July 31, 2021 and Not in Public Safety Pension Plan Percent of Full Subsidy 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 July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (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: <ol style="list-style-type: none"><li>Investment return — the rate of investment yield that the Plan will earn over the long-term future;</li><li>Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;</li><li>Retirement rates — the rate or probability of retirement at a given age;</li><li>Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.</li></ol>
<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: <ol style="list-style-type: none"><li>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>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></ol>
<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.

## 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.

5662259v6/05496.013

