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



**January 4, 2022  
9:00 AM**

**Online: <https://global.gotomeeting.com/join/428866429>  
Telephone: 1-646-749-3122/ Access Code: 428-866-429**

New Mexico Retiree Health Care Authority  
Regular Meeting

BOARD OF DIRECTORS

**ROLL CALL**

January 4, 2022

	Member in Attendance		
Mr. Crandall, President			
Ms. Saunders, Vice President			
Ms. Larranaga-Ruffly, Secretary			
Mr. Scroggins			
Mr. Linton			
Mr. Salazar			
Mr. Eichenberg			
Mr. Cushman			
Mr. Bhakta			
Mr. Pyle			
Ms. Madrid			

## NMRHCA BOARD OF DIRECTORS

JANUARY 2022

Mr. Greg Trujillo  
Executive Director  
Public Employees Retirement Association  
33 Plaza La Prensa  
Santa Fe, NM 87507  
[greg.trujillo@state.nm.us](mailto:greg.trujillo@state.nm.us)  
505-476-9301

Mr. Sanjay Bhakta  
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Governor's Appointee  
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Curry County Administration  
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Mr. Doug Crandall, President  
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The Honorable Mr. Tim Eichenberg  
NM State Treasurer  
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Ms. Therese Saunders, Vice President  
NEA-NM, Classroom Teachers Assoc., & NM  
Federation of Educational Employees  
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Ms. Leanne Larranaga-Ruffy, Secretary  
Alternate for PERA Executive Director  
33 Plaza La Prensa  
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[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

January 4, 2022

9:00 AM

Online: <https://global.gotomeeting.com/join/428866429>

Telephone: 1-646-749-3122 / Access Code: 428-866-429

AGENDA

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1. Call to Order	Mr. Crandall, President	
2. Roll Call to Ascertain Quorum	Ms. Beatty, Recorder	
3. Pledge of Allegiance	Mr. Crandall, President	
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5. Approval of Regular Meeting Minutes December 7, 2021	Mr. Crandall, President	5
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9. FY21 Financial Audit	Mr. Hoggan, CPA, Partner, Mr. Hamilton, CPA, Senior Mgr., Moss Adams	28
10. 2022 Legislative Proposal (Action Item)	Mr. Archuleta, Executive Director	81
11. Village of Pecos Participation Suspension (Action Item)	Mr. Archuleta, Executive Director	90
12. Message from Executive Director	Mr. Archuleta, Executive Director	
13. Other Business	Mr. Crandall, President	
14. Appointment of Interim Executive Director (Action Item)	Mr. Crandall, President	
15. Executive Session Pursuant to NMSA 1978, Section 10-15-1(H)(2) Pertaining to Executive Director Search Process	Mr. Crandall, President	
16. Date & Location of Next Board Meeting	Mr. Crandall, President	
February 1, 2022 – 9:00AM		
GoToMeeting: <a href="https://global.gotomeeting.com/join/582742069">https://global.gotomeeting.com/join/582742069</a>		
Telephone: 1-312-757-3121 / Access Code: 582-742-069		

17. Adjourn

**MINUTES OF THE**  
**NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS**  
**REGULAR MEETING**  
**VIA TELECONFERENCE**  
**December 7, 2021**

**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:**

Mr. Doug Crandall, President  
Ms. Therese Saunders, Vice President  
The Hon. Tim Eichenberg, NM State Treasurer  
Mr. Loren Cushman [joining at 10:00 a.m.]  
Mr. Terry Linton  
Mr. Lance Pyle  
Dr. Tomas Salazar  
Mr. Rick Scroggins

**Members Excused:**

Ms. LeAnne Larrañaga-Ruffy, Secretary  
Mr. Sanjay Bhakta  
Ms. Leane Madrid

**Staff Present:**

Mr. Dave Archuleta, Executive Director  
Mr. Neil Kueffer, Deputy Director  
Ms. Sheri Ayanniyi, Chief Financial Officer  
Mr. Jess Biggs, Director of Communication & Member Engagement  
Mr. Michael R. Bebeau, General Counsel  
Ms. Judith S. Beatty, Board Recorder

**3. PLEDGE OF ALLEGIANCE**

Mr. Linton led the pledge.

**4. APPROVAL OF AGENDA**

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

5. **APPROVAL OF REGULAR ANNUAL MEETING MINUTES: October 5, 2021**

Dr. Salazar moved approval of the October 5 meeting minutes, as submitted. Ms. Saunders seconded the motion, which passed by roll call vote, with Mr. Eichenberg in abstention.

6. **PUBLIC FORUM AND INTRODUCTIONS**

None.

7. **COMMITTEE REPORTS**

- Chairman Crandall said the Executive Committee met to discuss today's agenda. The Finance/Investment Committee met and discussed items that will appear on today's agenda.
- Mr. Archuleta reported that the Audit Committee met on Friday, November 19, to discuss the exit conference. He will be providing a brief update regarding this year's financial audit.

8. **EXECUTIVE DIRECTOR'S UPDATES**

a. **Human Resources**

Mr. Archuleta introduced the NMRHCA's new Chief Financial Officer, Sheri Ayanniyi, who started last Monday. Ms. Ayanniyi previously worked at the Public Education Department, where she worked as their financial coordinator, and has a Master's degree in Accounting and is studying to become a CPA. The agency is very excited to see her join the team.

Ms. Ayanniyi stated that, prior to working at PED, she was senior auditor with Taxation & Revenue in Santa Fe. She said she was glad to join the NMRHCA.

Mr. Archuleta provided additional HR updates.

b. **Operations**

Mr. Archuleta referred to a bulletin received from the Office of the Superintendent Insurance (OSI). Senate Bill 317, which eliminates cost sharing for mental and behavioral health services, becomes effective January 1, 2022.

Mr. Archuleta noted that the bulletin provides a list of criteria with which to identify behavioral health services that are not subject to cost sharing, including prescription drugs; however, some of them can be used for the treatment of conditions other than mental or behavioral health, for example, anticonvulsive drugs can be used for the treatment of nerve pain. What makes this more difficult is that, when Express Scripts is processing a claim for these drugs, they don't know what the drug is being prescribed for at point of sale. Mr. Archuleta said the NMRHCA has been working with the account

manager at Express Scripts and the people at IBAC in an effort to remain consistent across the groups, since each has their own interpretation. These interpretations have evolved, particularly when legal counsel is included. In addition, the NMRHCA's actuaries are making recommendations on what needs to be included. In order comply with the intent of the law, he said everything will be included initially, and NMRHCA will do a review after claim data are received to determine whether these prescriptions are being issued for mental or behavioral health purposes. He commented that it will not be an administratively easy task to complete, but will insure that the NMRHCA will be complying with the intent and spirit of the law.

Responding to Chairman Crandall, Mr. Archuleta stated that the NMRHCA would only be reviewing the narrow list of drugs that can be used for something other than mental health, rather than the entire list.

**c. FY21 Audit**

Mr. Archuleta reported that the FY21 financial audit was submitted to the State Auditor's Office on November 19, two days short of the deadline. He thanked staff for their incredible effort in making sure that everything was completed on time.

Mr. Archuleta said several findings were identified this year, however. The first finding, which has been mentioned for a number of years and which the auditors continue to cite, is that the funded status of the program continues to remain low. They have left in the comment that there should be a policy agreed to by the Legislature, Executive, and the NMRHCA board with regard to boosting funding toward the program.

Mr. Archuleta stated that the second finding is that, in the months following the departure of the CFO, the monthly financial reconciliations or bank statements were not reviewed by anyone other than the preparer. This was directly tied to the absence of the CFO. This should be satisfactorily addressed now that a CFO has been hired.

Mr. Archuleta said the third item noted was the failure of the NMRHCA to properly accrue investment earnings on the financial statements reflected in SHARE. This is due to a mechanical change in how the NMRHCA classifies certain revenues it receives in terms of grouping them together with its investment earnings. This did not take place in a timely manner, and he hopes that the situation will be addressed now that there is a Chief Financial Officer on board.

Mr. Archuleta stated that the Audit Committee reviewed the audit, which will be shared with the board at the regularly scheduled meeting in January.

**d. PBM RFP**

Mr. Archuleta announced that the NMRHCA has received the proposals related to the Pharmacy Benefit Manager procurement. The selection of a finalist is scheduled on January 21, although the schedule is subject to change. He said it is possible that the decision may be postponed until the February NMRHCA meeting, when the board can take action on the selection of a vendor in closed session. He noted that seven proposals were received with one disqualification.

**e. FEMA Grant**

Mr. Archuleta reported that Mr. Biggs completed the upload of all the information that was required of the NMRHCA related to its COVID-19 expenses. FEMA is currently reviewing the application.

**f. September 30, 2021/October 31, 2021 SIC Reports**

Mr. Archuleta stated that the investments continue to improve. At the end of September, they increased by about \$6 million. For the month of October, earnings were generated in virtually every category, resulting in a balance approaching \$1.1 billion.

**g. Federal Legislation – Build Back Better EGWP Implications**

Express Scripts representatives Jon Molberg and Laura Crown were present. Ms. Crown provided an overview of the potential ramifications of the Build Back Better legislation.

- Although the rebates are delayed until 2026, the BBB bill will repeal the rule in full and there will no longer be point of sale rebates. This is favorable from a Medicare plan sponsor perspective.
- If a manufacturer increases the cost of the drug beyond the inflation rate, they will be penalized with an inflationary rebate that they will have to pay back to the federal government.
- Another component allows government negotiations for the highest-cost drugs that lack sufficient competition in Medicare Parts B and D.
- The most financially impactful to Medicare plan sponsors is the plan to redesign the part D benefit in full. This removes the coverage gap stage and instead places a \$2,000 member out-of-pocket maximum. Within that, there is also a shift to stakeholder liability; so while there will still be a deductible stage, it will take members longer to hit the out-of-pocket max. Within the shift to stakeholder liabilities, manufacturers would not be paying as much as they did in the coverage gap, and where there becomes more assistance for plan sponsors, it is after the members hit the \$2,000.
- From the NMRHCA's perspective, in providing the robust EGWP benefits versus some other plans, it will take longer for NMRHCA members to hit the out-of-pocket maximum. Unfortunately, this will impact New Mexico because of the fact that it would not be capitalizing on those incremental subsidies from the federal government and manufacturers once members get there.
- Express Scripts has been working with numerous trade associations as well as numerous clients in putting forth language to the Senate Finance Committee to change the way that the member out-of-pocket accumulator would be accrued. Express Scripts is asking them to recognize that EGWP plans provide robust plans to their retirees, but in order to keep the EGWP plans financially solvent, they need to accumulate the member out-of-pocket accumulator as though they are in a defined standard plan. This is very similar to plans that allow employers to provide supplemental coverage.



- Express Scripts has done a preliminary financial analysis and is projecting a 10-20 percent plan liability increase if there are no concessions taken to rectify this language.

Responding to Chairman Crandall, Ms. Crown stated that, because the NMRHCA members have, say, a \$60 maximum, which is what they pay for a brand drug, the standard benefit for other members is 23 percent. If a member continues to get a \$1,000 drug, it will take a lot longer for the \$60 to continue to accrue to hit the \$2,000 than if they were paying the 23 percent. Once the \$2,000 out-of-pocket maximum is hit, the NMRHCA is going to get the government assistance in paying for a portion of the claims, and the manufacturer assistance also increases after the member's out of pocket max is hit. Until then, the primary liability will fall on the plan sponsor.

Mr. Archuleta commented that some of the proposed changes would have a significant impact on decisions the board would be faced with in July 2022. A shift in liability or a 20-30 percent increase in spend would affect solvency and what members pay and the value of the plan. In some ways, it might be looked at forced change that has the potential to reduce some of the NMRHCA's liabilities, but it also brings down the value of the plan because rates would have to be set to reflect the actual value of the plan on the Medicare Supplement side. The board might also consider additional changes on the Medicare Advantage plans.

**9. GASB STATEMENT 74 ACTUARIAL VALUATION & REVIEW:  
MELISSA KRUMHOLTZ, FSA, MAAA, SENIOR HEALTH CONSULTANT, ACTUARY**

Ms. Krumholtz presented this report.

Highlights:

- Total OPEB liability was reduced from \$5 billion a year ago to \$4.4 billion on June 30, 2021.
- Plan Fiduciary Net Position increased from \$829 billion to \$1.1 billion, driven by the NMRHCA's investment income performance.
- The net OPEB liability was reduced to \$3.3 billion from \$4.2 billion.
- The funded status increased from 15.5 percent to 25 percent.

Mr. Krumholz commented that all of this was good news. She noted that Segal did use the 7 percent lower rate of return assumption now versus later.

**10. FY22 Q1 BUDGET REVIEW**

Mr. Archuleta presented the first quarter budget review.

**11. 2022 LEGISLATIVE PROPOSAL**

Mr. Archuleta referred to a final NMRHCA update presented to the Investments & Pensions Oversight Committee on November 12. It included information regarding the agency's solvency and a briefing about the GASB-74 results from this year.

Mr. Archuleta noted that some of the comments received from the Legislative Finance Committee in September suggested that certain key legislators might be open to considering additional support for the NMRHCA. In terms of whether or not the NMRHCA decides to approach the legislature this year, he commented that there is never a great time, even now that the state is reporting a \$1.6 billion surplus in revenues this coming year, and he is beginning to sense that there is no time like the present. He cited the fact that the NMRHCA has had a boost in its funded status, partly driven by investment earnings, but it doesn't provide a meaningful long-term change in the agency's overall direction. In addition, it is facing some difficult times ahead.

Mr. Archuleta said he has had discussions with former sponsors Sen. Gonzales and Rep. Figueroa, who have agreed they would open to carrying legislation for the NMRHCA. He has also spoken with Rep. Lara, co-sponsor of HB 25 in 2020, introduced by Rep. Salazar the last time that it passed, as well as Rep. Ambrose Castellano, who said he would sign on to support a proposal to boost employee/employer contributions. The current employer contribution rate is 3 percent, and the proposal last time was to increase it to 3.5 percent. The boost would be .33 from the employer side and .17 from the employee side. If it were to receive this increase now, it would shave three years of deficit spending off the program. Right now, projections suggest the NMRHCA would have \$10 billion in the trust fund in 30 years. The boost would bring that projection to \$13 billion.

Mr. Archuleta said the need for a long-term fix remains, whether that is an increase in employer/employee contributions or funding from another source. The decision will be whether the NMRHCA should move forward with a request from the legislature. The NMRHCA will gather some intel on what the legislature is considering and not considering and run this through the Legislative Committee later in December, and propose something to the board in January for their approval. He noted that the legislature is accepting pre-filed legislation on January 4. He has reached out to the Governor's Office and has not received a definitive answer in terms of whether they support this request. He has also reached out to the leadership in the House Appropriations & Finance Committee, and hopes to have a discussion with them next week.

Dr. Salazar noted that, unlike other pension plans, the NMRHCA is not constitutionally protected. He commented that Mr. Archuleta has made the argument to the board, IPOC, and LFC that special appropriations can be argued very effectively. It may be more difficult in terms of increasing the employer/employee contributions, the board needs to decide whether this is a time to step up and request the increase. He feels that, if there is a time to ask for money, it will probably be at the upcoming session.

Chairman Crandall noted Dr. Salazar's comments that the NMRHCA is not constitutionally protected and can be eliminated. He said he would like to start looking at the idea of meeting with the group he represents, the Retired Public Employees of New Mexico, as well as the current employees, to protect its healthcare.

## **12. NOTICE OF PROPOSED RULEMAKING**

Mr. Bebeau stated that the NMRHCA staff is proposing to begin a proposed rulemaking to codify the term "erroneous payments" in the New Mexico Retiree Health Care Act as it relates to refunds of member contributions. Currently, there is no system for specific administrative guidance on how refunds are processed. The RHCA staff anticipates promulgating a rule that payments older than 90 days are presumed

not to be erroneous, define a procedure to recoup those funds, and provide a mechanism for appealing that decision. This would establish a 90-day limit on refunds for both the self-insured and fully insured plans to request a review of the circumstances surrounding any particular case.

Mr. Bebeau said the plan is to publish the proposed rule in January. He requested authority to begin the process to move forward.

Chairman Crandall stated that the Executive Committee reviewed this and recommended approval.

**Ms. Saunders moved for approval. Chairman Crandall seconded the motion, which passed unanimously by roll call vote.**

**13. OTHER BUSINESS**

None

**14. EXECUTIVE SESSION**

- **Pursuant to NMSA 1978, Section 10-15-1(H)(7) Pertaining to Threatened or Pending Litigation**
- 

None.

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

Board members agreed to begin the January 4 meeting at 9:00 a.m.

January 4, 2022 – 9:00 a.m.  
Virtually via GoToMeeting

**16. ADJOURN: 10:45 a.m.**

Accepted by:

---

Doug Crandall, President

Medical Plans  
January 2022 Switch Enrollments, New and Cancelled Members

	PRE-MEDICARE				MEDICARE									TOTAL TERMED FROM EACH	
	FROM	TO	TO	TO	TO	TO	TO	TO	TO	TO	TO	TO	TO		
	BCBS Premier	BCBS VP	Pres Premier	Pres VP	BCBS Supp	BCBS MA I	BCBS MA II	Humana Plan I	Humana Plan II	Pres Plan I	Pres Plan II	United Plan I	United Plan II		
<b>PRE 65</b>	BCBS Premier	43	16	5	19	4			3			3	4	97	
	BCBS Value Plan	70		10	2	1			3	1		1		89	
	Presbyterian Premier	36	1	44	1	1				17	1	3	2	106	
	Presbyterian Value Plan	20	14	29	2	1			1	9		3		79	
<b>MEDICARE</b>	BCBS Supplemental					59	9	22	15	30	1	57	25	218	
	BCBS MA Plan I				22		8	7	1	13	1	17	3	72	
	BCBS MA Plan II					16			6			7	8	37	
	Humana MA Plan I				4	4			9	3		7	2	29	
	Humana MA Plan II				3	3	1	3		1		2	2	15	
	Presbyterian MA Plan I				8	17	1	4	3		8	48	11	100	
	Presbyterian MA Plan II				2		3	1	6	37		6	12	67	
	United Healthcare MA Plan I				14	4	2	8	1	15	2		21	67	
	United Healthcare MA Plan II				1	3			5	7	2	29		47	
	<b>TOTAL ADDITIONS TO EACH</b>	<b>126</b>	<b>58</b>	<b>46</b>	<b>59</b>	<b>78</b>	<b>113</b>	<b>24</b>	<b>45</b>	<b>53</b>	<b>133</b>	<b>15</b>	<b>183</b>	<b>90</b>	<b>1,023</b>
	<b>NET +/-</b>	<b>29</b>	<b>(31)</b>	<b>(60)</b>	<b>(20)</b>	<b>(140)</b>	<b>41</b>	<b>(13)</b>	<b>16</b>	<b>38</b>	<b>33</b>	<b>(52)</b>	<b>116</b>	<b>43</b>	<b>-</b>

NEW ENROLLMENTS AND CANCELLATIONS										
Medicare Plans	BCBS Supp	BCBS MA I	BCBS MA II	Humana I	Humana II	Pres Senior I	Pres Senior II	United I	United II	Totals
New	8	6	1	1	4	8	2	5	5	40
Cancelled	41	9	6	2	4	17	6	8	9	102
<b>NET +/-</b>	<b>-33</b>	<b>-3</b>	<b>-5</b>	<b>-1</b>	<b>0</b>	<b>-9</b>	<b>-4</b>	<b>-3</b>	<b>-4</b>	<b>-62</b>

NEW ENROLLMENTS AND CANCELLATIONS					
Pre-Medicare Plans	BCBS Premier	BCBS VP	Pres Premier	Pres VP	Totals
New	42	8	32	18	100
Cancelled	31	13	28	25	97
<b>NET +/-</b>	<b>11</b>	<b>-5</b>	<b>4</b>	<b>-7</b>	<b>3</b>

Dental Plans  
January 2022 Switch Enrollments, New and Cancelled Members

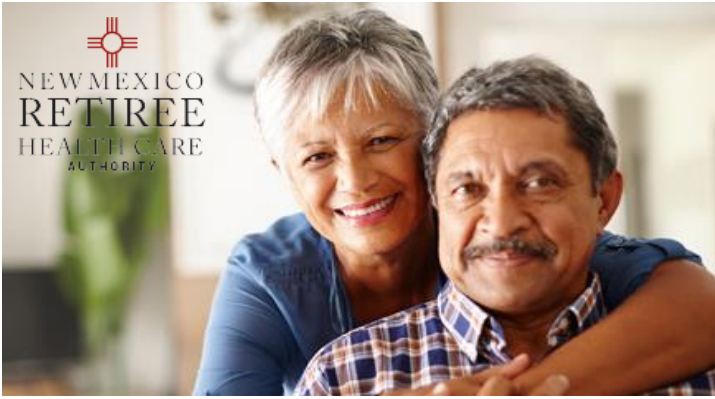
DENTAL PLAN OPTIONS							
FROM	TO	TO	TO	TO	TO	TO	TOTAL
Option & Tier	Delta Basic Single	Delta Basic Two-Party	Delta Basic Family	Delta Comp Single	Delta Comp Two-Party	Delta Comp Family	TERMED FROM EACH
Delta Basic Single				264	1		265
Delta Basic Two-Party				4	152	1	157
Delta Basic Family						20	20
Delta Comprehensive Single	51						51
Delta Comprehensive Two-Party	3	18					21
Delta Comprehensive Family			3				3
<b>TOTAL ADDITIONS TO EACH</b>	<b>54</b>	<b>18</b>	<b>3</b>	<b>268</b>	<b>153</b>	<b>21</b>	<b>517</b>
<b>NET +/-</b>	<b>(211)</b>	<b>(139)</b>	<b>(17)</b>	<b>217</b>	<b>132</b>	<b>18</b>	

NEW ENROLLMENTS/CANCELLATIONS INTO DENTAL PLAN OPTIONS							
Option & Tier	Delta Basic Single	Delta Basic Two-Party	Delta Basic Family	Delta Comp Single	Delta Comp Two-Party	Delta Comp Family	Totals
New	63	19	-	119	60	7	268
Cancelled	36	15	2	99	33	3	188
<b>Net +/-</b>	<b>27</b>	<b>4</b>	<b>(2)</b>	<b>20</b>	<b>27</b>	<b>4</b>	<b>80</b>

Davis Vision  
 January 2022 Switch Enrollments, New and Cancelled Members

VISION PLAN OPTIONS				
FROM	TO	TO	TO	TOTAL
Option & Tier	Single	Two-Party	Family	TERMED FROM EACH
Single		13	-	13
Two-Party	27		1	28
Family	-	8		8
<b>Total</b>	<b>27</b>	<b>21</b>	<b>1</b>	<b>49</b>
<b>Net +/-</b>	<b>14</b>	<b>(7)</b>	<b>(7)</b>	

NEW ENROLLMENTS/CANCELLATIONS INTO DAVIS VISION PLAN				
Tier	Vision Single	Vision Two-Party	Vision Family	Totals
New	202	99	11	312
Cancelled	133	60	9	202
<b>Net +/-</b>	<b>69</b>	<b>39</b>	<b>2</b>	<b>110</b>



# BENEFITS MESSENGER

The NMRHCA Newsletter

## EXECUTIVE DIRECTOR MESSAGE

## IN THIS ISSUE

### MOVING ON

As we embrace change in 2022, please join me in embracing change in leadership for the New Mexico Retiree Health Care Authority. After serving as Executive Director for 4 ½ years, it is time for me to leave the organization and take on new professional challenges. The accomplishments during my tenure are a testament to the abilities of the NMRHCA Board and tireless dedication of the NMRHCA staff.

Although I am leaving, NMRHCA is in good hands. On Jan 8, 2022, Neil Kueffer will take over as acting Executive Director. Neil has been with NMRHCA for 7 years and currently serves as Deputy Director. He is deeply involved in every aspect of NMRHCA, understands the responsibilities that come with leading this organization, and will continue providing the respect, service, and care members have come to expect. I am confident in Neil and I wish him the best of luck.

Sincerely,

David Archuleta

[COLON CANCER SCREEN](#)  
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[STRUGGLING WITH BACK OR JOINT PAIN?](#)  
page 2

[GASB](#)  
page 2

[NEW YEAR, NEW YOU?](#)  
page 3

[JOIN FACEBOOK](#)  
page 3

[LEGISLATIVE SESSION](#)  
page 3

[LIVE BETTER, PAY NOTHING](#)  
page 3

## HELPFUL TIP

Each year, NMRHCA encourages its members to review the benefits and programs made available to members (internally and externally) to meet your health care needs within your personal budget. However, specific to Medicare, within the last year the number of folks who either willingly or unknowingly sign up for a Medicare Advantage Plan outside of NMRHCA has grown. Often, people are either confused or believe that they are simply getting an “extra layer of coverage” or that the additional insurance will support services not covered by our plans. **THIS IS NOT THE CASE.** This mistake is typically discovered when someone goes to pick up their prescription and they’ve been disenrolled from our plan because Medicare does not allow enrollment in multiple plans.

Our suggestion is, if you decide to enroll in a Medicare Advantage Plan outside of NMRHCA, even if it’s free, be sure to disenroll from our plan. Otherwise, the possibility for disruption or delay in services is likely to occur and cannot be fixed quickly.

COLON CANCER SCREEN

STRUGGLING WITH BACK OR JOINT PAIN?

Colorectal cancer is the second leading cause of cancer death in men and women in the US. That is really sad because it is one of the most preventable cancers. Regular screening for early detection is the critical key. It's simple, painless and FREE. So, why wouldn't you save your life by getting screened regularly?

If you are a NMRHCA member on a Blue Cross Blue Shield Pre-Medicare plan (Value or Premier) you may qualify for a FREE AT-HOME colon cancer screening kit. Call 1-800-442-5650 to determine your eligibility.

Have an injury you need physical therapy for? Trying to avoid back or joint surgery? Join Hinge Health now! It won't cost you a penny and it's from the comfort of your home.

**FREE Wearable sensors**

Sensors give you live feedback and teach you to do exercises correctly

**App-Guided Exercise Therapy**

App guides you through therapy sessions

**Personal Care Team**

Get personal guidance from physical therapists and health coaches any time



Your Hinge Health care plan can be done from anywhere, and whenever works best for your schedule in our convenient app. That means never rushing to an appointment or worrying about copays!

Retirees and dependents 18+ enrolled in a Blue Cross Blue Shield NM pre-Medicare plan through New Mexico Retiree Health Care Authority are eligible.

Call 855-902-2777, or apply at [www.hingehealth.com/nmrhca22](http://www.hingehealth.com/nmrhca22)



GASB

The New Mexico Retiree Health Care Authority reports continued improvements to the financial well-being of the program as measured by the Governmental Account Standards Board (GASB) Statements 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2021. Key valuation results are as follows:

Total OPEB Liability	\$4,409,849,335
Plan Fiduciary Net Position (Assets)	\$1,119,499,545
Net OPEB Liability	\$3,290,349,790
Plan Fiduciary Net Position as a Percentage of total OPEB Liability	25.39%

This report represents an improvement compared to 2020 as assets grew by nearly \$300 million which reflects a combination of investment earnings and contributions to the trust fund. However, it should be noted that the actuarial valuation does not attempt to measure the direct or indirect impact of COVID-19 on long-term health plan costs.



NEW YEAR, NEW YOU?

JOIN FACEBOOK

January 1st has fallen upon us and you've made your list of resolutions. You know that "get fit" and "eat right" are on it. AGAIN! You vow you will never eat anything bad, ever again, and you will never miss a workout, ever again. Let me ask you a question. How's that working out for you?

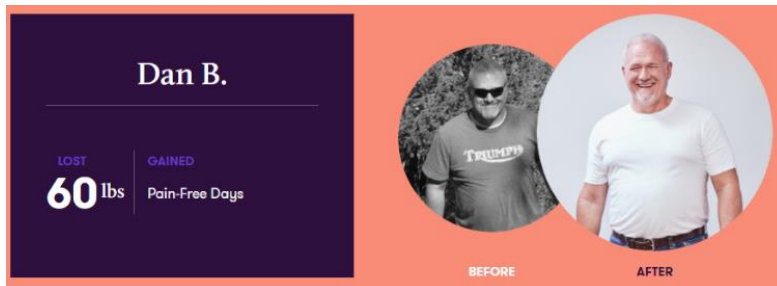
NMRHCA has a Facebook page! You should follow the page. Why? You can get all the updates about what is going on, register for events, replay past events and connect with others.

And don't forget to LIKE the page!



SCAN ME

[www.facebook.com/nmrhca](http://www.facebook.com/nmrhca)



Ever wondr if there is a better way? Ever wondr why that resolution rarely sticks? Well, wondr no longer. Just join WONDR.

Take the pressure off the New Year by joining the digital weight loss program built on behavioral science for results that last. Block out the New Year diet trends with a program, offered by NMRHCA, backed by science, and taught by renowned experts.

Apply today:

[www.wondrhealth.com/NMRHCA](http://www.wondrhealth.com/NMRHCA)

\*Members and dependent spouses enrolled in a NMRHCA Pre-Medicare or Medicare Supplement plan are eligible to apply. Some medical conditions or body mass indexes (BMIs) may prevent you from participating in the program.



SCAN ME

LEGISLATIVE SESSION

NMRHCA has submitted a request for three special appropriations (one-time monies) related to COVID-19 expenses incurred by the plan, legislative changes that eliminated cost-sharing for mental and behavioral health, and the costs associated with converting certain positions from regular to enhanced status.

LIVE BETTER, PAY NOTHING

Do you have diabetes AND believe you can be healthy? You're correct! You can have BOTH! Livongo is easy, it's 100% covered and has been proven to help manage diabetes so that you can live a healthy life.

WHAT YOU GET

- An advanced blood glucose meter
- UNLIMITED strips and lancets
- Automatic uploads, no more paper logbooks
- Certified Diabetes Educator Coaching

If you are on a NMRHCA Pre-Medicare plan AND you have diabetes, you need to be in the Livongo program. It can change your life.

Register today:

[www.join.livongo.com/NMRHCA/register](http://www.join.livongo.com/NMRHCA/register)



SCAN ME



PRESORT STD  
US POSTAGE PAID  
ABQ., NM  
PERMIT #1645

### Insurer Contact Information

<b>Blue Cross Blue Shield (BCBS) Non-Medicare &amp; Medicare Supplement</b> <a href="http://www.bcbsnm.com/nmrhca">www.bcbsnm.com/nmrhca</a>	800-788-1792	<b>Presbyterian Health Non-Medicare</b> <a href="http://www.phs.org">www.phs.org</a>	888-275-7737
<b>BCBS Medicare Advantage</b> <a href="http://www.bcbsnm.com/nmrhca">www.bcbsnm.com/nmrhca</a>	877-299-1008	<b>Presbyterian Medicare Advantage</b> <a href="http://www.phs.org">www.phs.org</a>	800-797-5343
<b>Express Scripts Medicare</b> <a href="http://www.express-scripts.com">www.express-scripts.com</a>	800-551-1866	<b>Express Scripts Non-Medicare</b> <a href="http://www.express-scripts.com">www.express-scripts.com</a>	800-501-0987
<b>Humana Medicare Advantage</b> <a href="https://ourhumana.com/nmrhca">https://ourhumana.com/nmrhca</a>	866-396-8810	<b>UnitedHealthcare Medicare</b> <a href="http://www.uhcretiree.com/nmrhca">www.uhcretiree.com/nmrhca</a>	866-622-8014
<b>Delta Dental</b> <a href="http://www.deltadentalnm.com">www.deltadentalnm.com</a>	877-395-9420	<b>Davis Vision</b> <a href="http://www.davisvision.com">www.davisvision.com</a>	800-999-5431
<b>Standard Life Insurance</b> <a href="http://www.standard.com/mybenefits/newmexico_rhca">www.standard.com/mybenefits/newmexico_rhca</a>	888-609-9763		

### NMRHCA Contact Information

<b>Albuquerque Office:</b>	6300 Jefferson St. NE, Suite 150 Albuquerque, NM 87109-3392	<b>Santa Fe Office:</b>	33 Plaza La Prensa Santa Fe, NM 87507
<b>Website:</b>	<a href="http://www.nmrhca.org">www.nmrhca.org</a>	<b>Telephone:</b>	800-233-2576
<b>Facebook:</b>	<a href="http://www.facebook.com/nmrhca">www.facebook.com/nmrhca</a>	<b>Fax:</b>	505-884-8611
<b>Email:</b>	<a href="mailto:customerservice@state.nm.us">customerservice@state.nm.us</a>	<b>Hours:</b>	Monday-Friday 8:00AM – 5:00PM

# New Mexico Retiree Health Care Authority (CP)

## Change in Market Value

For the Month of Nov 2021

(Report as of December 15, 2021)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	190,635,388.21	6,000,000.00	-	(55,956.67)	420,995.20	500,719.76	197,501,146.50
Credit & Structured Finance	148,012,746.54	4,500,000.00	-	-	494,237.37	146,827.79	153,153,811.70
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	149,699,416.08	4,200,000.00	-	(14,841.50)	195,783.61	(7,516,268.92)	146,564,089.27
Non-US Emerging Markets Active Pool	102,731,812.26	3,000,000.00	-	(144,637.98)	51,636.64	(5,551,287.02)	100,087,523.90
Private Equity Pool	146,959,556.35	3,000,000.00	-	-	57,333.48	(608,344.97)	149,408,544.86
Real Estate Pool	95,656,675.60	3,000,000.00	-	-	220,145.03	(119,162.16)	98,757,658.47
Real Return Pool	43,560,811.02	1,500,000.00	-	(10,243.37)	119,272.83	(492,726.60)	44,677,113.88
US Large Cap Index Pool	189,404,682.11	4,200,000.00	-	(4,533.48)	266,289.96	(2,846,031.81)	191,020,406.78
US SMID Cap Alternative Weighted Index Pool	25,235,943.10	600,000.00	-	(2,988.28)	36,945.66	(633,781.38)	25,236,119.10
Sub - Total New Mexico Retiree Health Care	1,091,897,031.27	30,000,000.00	-	(233,201.28)	1,862,639.78	(17,120,055.31)	1,106,406,414.46
<b>Total New Mexico Retiree Health Care</b>	<b>1,091,897,031.27</b>	<b>30,000,000.00</b>	<b>-</b>	<b>(233,201.28)</b>	<b>1,862,639.78</b>	<b>(17,120,055.31)</b>	<b>1,106,406,414.46</b>

# Retiree Health Care Authority

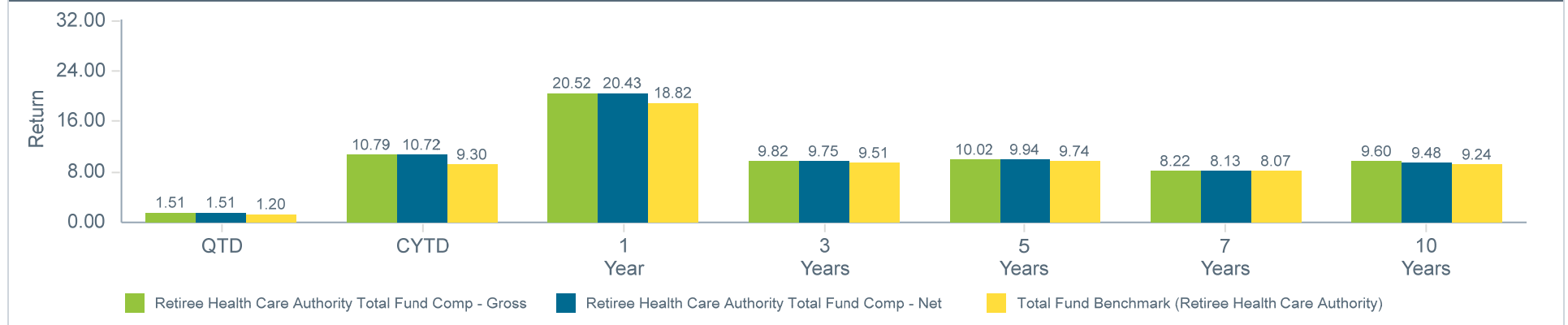


**New Mexico State Investment Council  
Retiree Health Care Authority Total Fund Comp**

As of September 30, 2021

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	Large Cap US Equity Index	177,121,658	16.52	14.00	2.52
	Small/Mid Cap US Equity Index	24,397,982	2.28	2.00	0.28
	Non-US Developed Markets Index	145,620,745	13.58	14.00	-0.42
	Non-US Emerging Markets Active	101,559,931	9.47	10.00	-0.53
	US Core Bonds	190,734,349	17.79	20.00	-2.21
	Credit & Structured Finance	147,030,492	13.71	15.00	-1.29
	Private Equity	146,987,969	13.71	10.00	3.71
	Real Estate	95,656,836	8.92	10.00	-1.08
	Real Return	43,017,217	4.01	5.00	-0.99
	Total Fund	1,072,127,177	100.00	100.00	0.00

**Comparative Performance**



**Comparative Performance**

	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018
<b>Retiree Health Care Authority Total Fund Comp - Gross</b>	1.51	10.79	20.52	9.82	10.02	8.22	9.60	9.88	13.27	-1.24
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	1.20	9.30	18.82	9.51	9.74	8.07	9.24	10.23	14.34	-1.86
Difference	0.31	1.49	1.70	0.31	0.28	0.15	0.36	-0.35	-1.07	0.62
<b>Retiree Health Care Authority Total Fund Comp - Net</b>	1.51	10.72	20.43	9.75	9.94	8.13	9.48	9.83	13.21	-1.32
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	1.20	9.30	18.82	9.51	9.74	8.07	9.24	10.23	14.34	-1.86
Difference	0.31	1.42	1.61	0.24	0.20	0.06	0.24	-0.40	-1.13	0.54

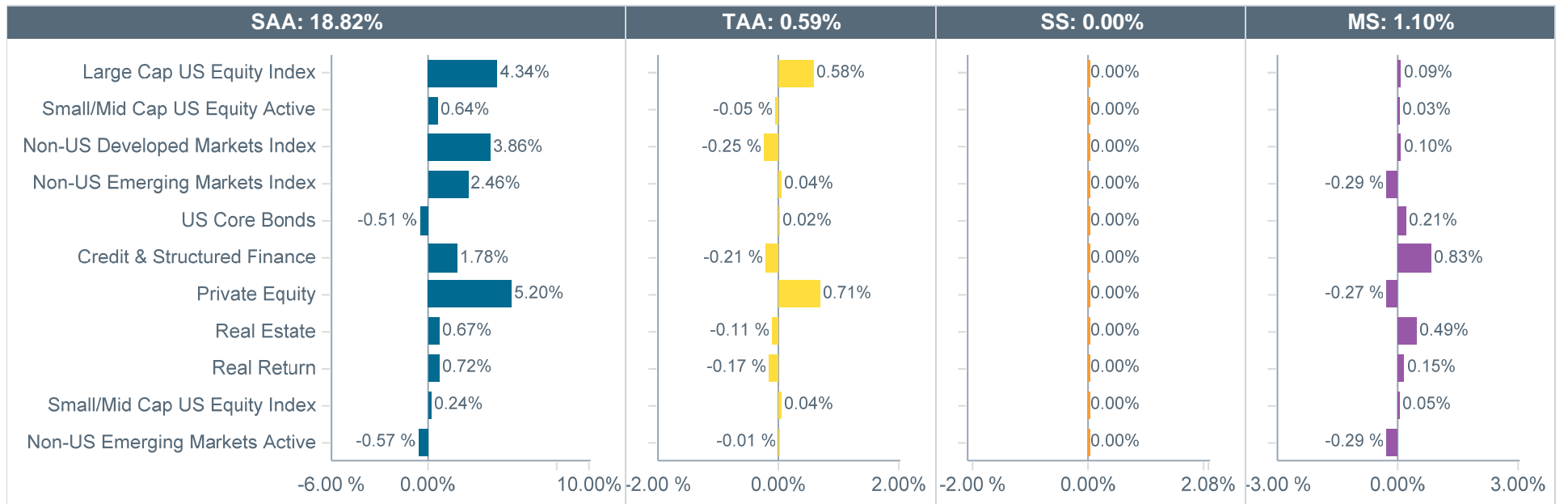
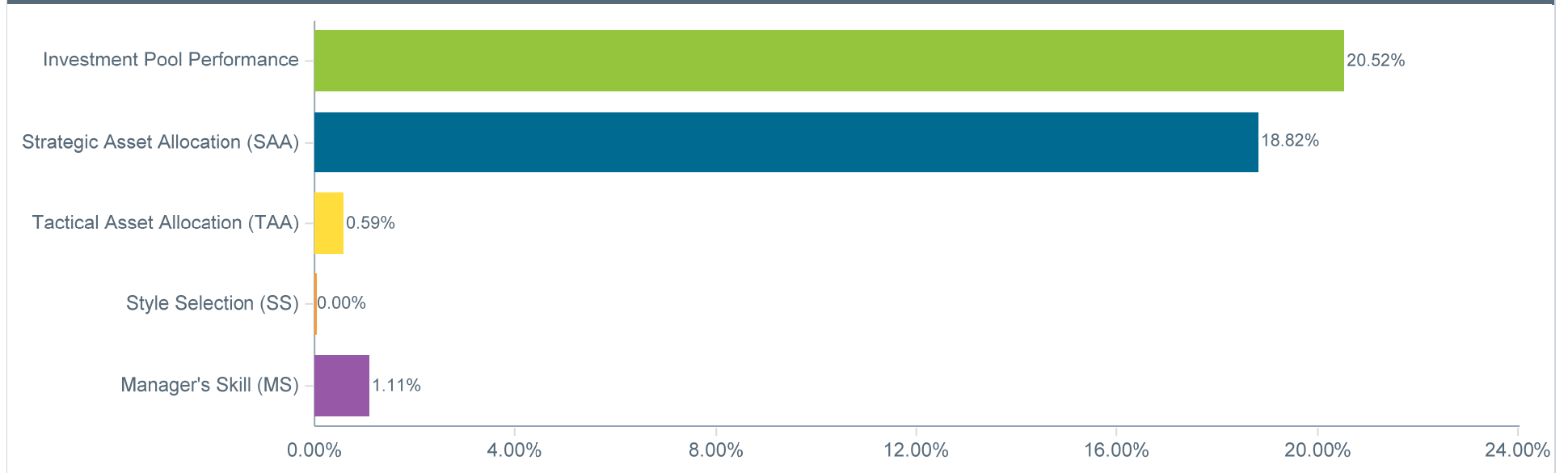
**Schedule of Investable Assets**

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
<b>CYTD</b>	<b>924,474,338</b>	<b>45,000,000</b>	<b>102,652,839</b>	<b>1,072,127,177</b>	<b>10.72</b>

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise. Performance includes receipt of additional units of the US Large Cap Index Pool effective July 1, 2020.



Performance Attribution



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

1 **IN THE COURT OF APPEALS OF THE STATE OF NEW MEXICO**

Court of Appeals of New Mexico  
Filed 12/22/2021 9:16 AM

2 **VICTORIA LOPEZ,**

3 Appellant-Petitioner,



Mark Reynolds

4 v.

**No. A-1-CA-39121**

5 **NEW MEXICO RETIREE**  
6 **HEALTHCARE AUTHORITY,**

7 Appellee-Respondent.

8 **APPEAL FROM THE DISTRICT COURT OF SANTA FE COUNTY**

9 **Bryan P. Biedscheid, District Judge**

10 Disability Rights of New Mexico

11 Jason C. Gordon

12 Albuquerque, NM

13 for Appellant

14 Rodey, Dickason, Sloan, Akin & Robb, P.A.

15 Jenica Jacobi

16 Jocelyn Drennan

17 Albuquerque, NM

18 for Appellee

19 **MEMORANDUM OPINION**

20 **ATTREP, Judge.**

21 {1} Appellant appeals following the district court's order affirming the New  
22 Mexico Retiree Healthcare Authority's (NMRHCA) determination that her  
23 healthcare coverage was improperly granted and therefore properly terminated. In  
24 this Court's notice of proposed disposition, we proposed to summarily affirm.

1 Appellant filed a memorandum in opposition to our proposed summary affirmance,  
2 which we have duly considered. Remaining unpersuaded that Appellant has shown  
3 error on appeal, we affirm.

4 {2} In Appellant’s memorandum in opposition, she continues to relitigate her  
5 equal protection and due process claims as if they were newly raised. Thus, her  
6 memorandum in opposition is unavailing to the extent she again refers back to her  
7 previous arguments without addressing the district court’s analysis or the analysis  
8 contained within our notice of proposed disposition. *See State v. Mondragon*, 1988-  
9 NMCA-027, ¶ 10, 107 N.M. 421, 759 P.2d 1003 (stating that a party responding to  
10 a summary calendar notice must come forward and specifically point out errors of  
11 law and fact, and the repetition of earlier arguments does not fulfill this requirement),  
12 *superseded by statute on other grounds as stated in State v. Harris*, 2013-NMCA-  
13 031, ¶ 3, 297 P.3d 374; *see also Hennessy v. Duryea*, 1998-NMCA-036, ¶ 24, 124  
14 N.M. 754, 955 P.2d 683 (“Our courts have repeatedly held that, in summary calendar  
15 cases, the burden is on the party opposing the proposed disposition to clearly point  
16 out errors in fact or law.”); *see also State v. Aragon*, 1999-NMCA-060, ¶ 10, 127  
17 N.M. 393, 981 P.2d 1211 (stating that “[t]here is a presumption of correctness in the  
18 rulings” or decisions of the trial court, and the party claiming error bears the burden  
19 of showing such error (alterations, internal quotation marks, and citation omitted)).



1 {3} With regard to Appellant’s due process claims, her memorandum in  
2 opposition has provided a somewhat more specific argument. [MIO 14-16, 19-24]  
3 Nevertheless, we remain unpersuaded. The notice provided in this case, that  
4 Appellant did not meet the eligibility requirements to be defined as a disabled  
5 dependent, is dissimilar to the notice in the Arizona federal district court case relied  
6 upon by Appellant to support her claim that the notice provided to her was  
7 unconstitutionally vague. [MIO 13-14] More significantly, while Appellant “asserts  
8 that the absence of good notice from the start of the case adversely impacted her  
9 ability to prepare for the case,” [MIO 15], this assertion alone is not sufficient to  
10 establish prejudice. *See In re Ernesto M., Jr.*, 1996-NMCA-039, ¶ 10, 121 N.M. 562,  
11 915 P.2d 318 (“An assertion of prejudice is not a showing of prejudice.”); *Jones v.*  
12 *N.M. State Racing Comm’n*, 1983-NMSC-089, ¶ 6, 100 N.M. 434, 671 P.2d 1145  
13 (rejecting a due process claim in the absence of a showing of prejudice). And  
14 although we sympathize with Appellant’s situation, the record indicates that she was  
15 not prejudiced by the lack of greater specificity in the formal notice. Shortly after  
16 Appellant received the formal notice, she received an email specifically explaining  
17 the reason for the determination that she was ineligible. [2 RP 269; *see also* MIO  
18 16] Further, Appellant was “given a hearing in front of a hearing officer, and then a  
19 hearing in front of the NMRHCA Board,” and she indicated that she had fully  
20 participated in the proceedings when her attorney “stated to the NMRHCA Board

1 that the hearing officer had everything she needed to make her decision.” [CN 7  
2 (alterations omitted)] See *N.M. Dep’t of Workforce Sols. v. Garduno*, 2016-NMSC-  
3 002, ¶ 27, 363 P.3d 1176, 1183 (“In New Mexico, the distinguishing factor used to  
4 determine whether there was or was not a violation of due process rights depends on  
5 whether the defective notice deprived the claimant of the ability to participate in the  
6 proceeding.”).

7 {4} Finally, if we were to agree, for purposes of this opinion only, that  
8 NMRHCA’s termination of Appellant’s healthcare benefits prior to a hearing  
9 violated Appellant’s procedural due process rights, Appellant has not asserted any  
10 facts, law, or argument in her memorandum in opposition that persuades us that our  
11 notice of proposed disposition erred in suggesting that the retroactive reinstatement  
12 of her benefits rendered the issue moot and that Appellant failed to demonstrate  
13 prejudice during the time period when her benefits may have been improperly  
14 terminated and before they were retroactively reinstated. [CN 7] See *Mondragon*,  
15 1988-NMCA-027, ¶ 10; *Hennessy*, 1998-NMCA-036, ¶ 24. Thus, we are not  
16 persuaded by Appellant’s broad contention that the “retroactive reinstatement of  
17 coverage cannot cure the time [Appellant] had to spend without medical coverage  
18 while awaiting the resolution of this issue.” [MIO 21] See *Hennessy*, 1998-NMCA-  
19 036, ¶ 24; *In re Ernesto M., Jr.*, 1996-NMCA-039, ¶ 10.

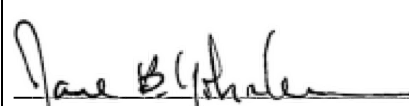
1 {5} Appellant's memorandum in opposition has not otherwise asserted any facts,  
2 law, or argument in her memorandum in opposition that persuades us that our notice  
3 of proposed disposition was erroneous. *See Mondragon*, 1988-NMCA-027, ¶ 10; *see*  
4 *also Hennessy*, 1998-NMCA-036, ¶ 24. Accordingly, for the reasons stated in our  
5 notice of proposed disposition and herein, we affirm.

6 {6} **IT IS SO ORDERED.**

7  
8   
\_\_\_\_\_  
**JENNIFER L. ATTREP, Judge**

9 **WE CONCUR:**

10   
\_\_\_\_\_  
11 **ZACHARY A. IVES, Judge**

12   
\_\_\_\_\_  
13 **JANE B. YOHALEM, Judge**



REPORTS OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**NEW MEXICO RETIREE HEALTH  
CARE AUTHORITY**

June 30, 2021



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**New Mexico Retiree Health Care Authority  
Official Roster  
June 30, 2021**

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**Board of Directors**

Doug Crandall, Board President	Retired Public Employees of New Mexico
Therese Saunders, Vice-President	NEA-NM, Classroom Teachers Association
LeAnne Larrañaga-Ruffy, Secretary	Public Employee's Retirement Association of New Mexico Designee
Tim Eichenberg	State Treasurer of New Mexico
Wayne Propst	Public Employees' Retirement Association of New Mexico
Terry Linton	Governor's Appointee
Sanjay Bhakta	New Mexico Municipal League
Rick Scroggins	New Mexico Educational Retirement Board
Pamela Moon	New Mexico Association of Counties
Joe Montaña	New Mexico Association of Educational Retirees
Leane Madrid	State of New Mexico Personnel Employees
Loren Cushman	Public School Superintendent's Association of New Mexico

**Staff**

David Archuleta	Executive Director
Neil Kueffer	Deputy Director

## **Report of Independent Auditors**

The Board of Directors  
New Mexico Retiree Health Care Authority

Brian S. Colón, Esq.  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Retiree Health Care Authority as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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



*Other Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021 on our consideration of Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 19, 2021

# New Mexico Retiree Health Care Authority Management's Discussion and Analysis June 30, 2021

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## INTRODUCTION

The New Mexico Retiree Health Care Authority (the Authority) fosters quality of life and peace of mind by responsibly administering affordable, secure health care benefits for public retirees and their families. The Authority's management has provided this discussion and analysis of the financial activities of the Authority for the year ended June 30, 2021. The narrative offers an overview of the financial reporting requirements, financial highlights, budgetary analysis, and comparative information. Financial data has been provided for the year ended June 30, 2020 for comparative purposes.

## FINANCIAL REPORTING REQUIREMENTS

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

- **Statement of Fiduciary Net Position** – The statement of fiduciary net position provides a snapshot of the retiree health trust. It reports the Authority's assets, liabilities, and net position restricted for postemployment benefits other than pensions at the end of the fiscal year.
- **Statement of Changes in Fiduciary Net Position** – The statement of changes in fiduciary net position presents the additions and deductions to the net position restricted for postemployment benefits other than pensions and is a summary of the Authority's transactions occurring during the fiscal year.
- **Notes to the Financial Statements** – The notes to the financial statements are an integral part of Authority's financial statement presentation and provide additional information not readily evident in the statements as presented.
- **Required Supplementary Information** – The required supplementary information provides a detailed and informative analysis about the financial condition of the trust administered by the Authority.
- **Supplementary Information** – The supplementary information contains additional information not required by the GASB but has been deemed useful in evaluating the Authority's overall financial condition.

**New Mexico Retiree Health Care Authority**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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**FINANCIAL HIGHLIGHTS**

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

	June 30,	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 50,356,048	\$ 46,960,882
Contributions and other receivables	20,029,783	19,219,738
Investments with New Mexico State Investment Council	1,080,957,553	788,273,802
Capital assets, net	1,184,686	1,222,018
Total assets	1,152,528,070	855,676,440
<b>LIABILITIES</b>		
Reserve for loss and loss adjustment expense	23,303,145	20,520,855
Other current liabilities	9,147,350	5,074,775
Retiree premiums received in advance	578,030	408,905
Total liabilities	33,028,525	26,004,535
<b>NET POSITION RESTRICTED FOR POSTEMPLOYMENT</b>		
BENEFITS OTHER THAN PENSIONS	\$ 1,119,499,545	\$ 829,671,905

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

	Year Ended June 30,	
	2021	2020
<b>ADDITIONS</b>		
Contributions	\$ 321,989,997	\$ 322,949,777
Investment income	217,737,204	10,836,882
Tax administration suspense fund revenue	32,935,803	29,406,967
Medicare Part D rebates and other	36,525,086	30,352,322
Total additions	609,188,090	393,545,948
<b>DEDUCTIONS</b>		
Premiums and claims paid	315,956,002	316,936,067
Expenses and other	3,404,448	3,686,967
Total deductions	319,360,450	320,623,034
<b>NET INCREASE IN NET POSITION</b>	<b>\$ 289,827,640</b>	<b>\$ 72,922,914</b>

**New Mexico Retiree Health Care Authority**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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Net position increased by approximately \$289.8 million, or 34.9%, during fiscal year 2021 compared to fiscal year 2020. The increase during the current year is primarily due to the following:

- The fair value of investments increased by \$217.7 million, or 27.6%, due to net appreciation in the fair market value of the Authority's investment portfolio and investment purchases that occurred during the year.
- Cash balances increased by \$3.4 million, or 7.2%, due to timing of transfers made to the trust fund held by the New Mexico State Investment Council.
- While contributions remained consistent with the prior year, Medicare Part D and other revenues increased by approximately \$6.2 million, or 20.3%, from the prior year. Contributions by source were as follows:

	Year Ended June 30,	
	2021	2020
Retirees	\$ 177,054,535	\$ 178,132,212
Employer	96,585,103	96,503,837
Employee	48,292,552	48,251,919
Employer buy-ins interest portion	57,807	61,809
Total contributions	\$ 321,989,997	\$ 322,949,777

The Authority reported an estimated net OPEB liability of \$3,290,349,790 and \$4,198,908,018 as of June 30, 2021 and 2020, respectively, representing a decrease of \$908,558,228 during the year ended June 30, 2021. The decrease is the result of a change in assumption related to an increase in the blended discount rate from 2.86% to 3.62% and amendments to plan provisions that became effective during the year. The net OPEB liability as of June 30, 2021 is comprised of the Authority's total OPEB liability of \$4,409,849,335 calculated by the Authority's independent actuaries, offset by the plan's fiduciary net position of \$1,119,499,545. As of June 30, 2021, the plan's fiduciary net position as a percentage of the total OPEB liability (funded status) was 25.39%, an increase of 8.89 percentage points compared to the 16.50% funded status as of June 30, 2020.

**BUDGETARY ANALYSIS**

The fiscal year 2021 operating budget authorized expenditures totaling \$358.6 million, including \$2.1 million in personal services and employee benefits, \$355.9 million in contractual services, and \$602 thousand in other expenses. Actual expenditures totaled \$319.4 million, supported by revenues and investment earnings totaling \$609.2 million, resulting in an increase in net position of \$289.8 million.

# **New Mexico Retiree Health Care Authority**

## **Management's Discussion and Analysis**

### **June 30, 2021**

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#### **CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS**

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

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

Based on actuarial projections at the beginning of fiscal year 2022, the Authority was projected to become insolvent in fiscal 2052 (30 years). As in prior measurement periods, the solvency assumes changes to variables such as medical and prescription drug trends, plan participation, growth in payroll and investment earnings. While accurately projecting medical costs 10 years, 20 years and 30 years from now is difficult, the solvency study helps measure the long-term impact of policies adopted by the Board of Directors each year. The successes of these policies are reflected by the continued improvements to the estimated life of the trust fund.

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

#### **FUTURE CHALLENGES**

The long-term challenges associated with providing healthcare to a growing retiree population have been exacerbated by the COVID-19 pandemic. For example, as members delay or avoid seeking care for conditions that could be detected and treated early, they may not be able to avoid more costly and less successful treatments when a disease or condition advances. Typically, the longer it takes to identify and begin treating a disease condition, the more expensive and less successful the outcome becomes. This, combined with the reported long-term effects of COVID-19 on surviving members, has the potential to significantly increase plan costs in the near future.

#### **FINANCIAL CONTACT**

Any questions regarding the financial statements of the Authority should be directed to the Executive Director, New Mexico Retiree Health Care Authority, 6300 Jefferson St. NE, Suite 150, Albuquerque, NM 87109.

**New Mexico Retiree Health Care Authority**  
**Statement of Fiduciary Net Position**  
**June 30, 2021**

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**ASSETS**

Interest in State General Fund Investment Pool	<u>\$ 50,356,048</u>
Receivables	
Contributions - employers, employees, and retirees, net	13,052,371
Due from other state agencies	2,744,650
Due from charter schools	682,820
Accounts receivable - rebates and Medicare Part D	2,809,622
Buy-in obligations receivable	<u>740,320</u>
Total receivables	<u>20,029,783</u>
Investments with State Investment Council	
U.S. Large Cap Index Pool	176,755,163
Non-U.S. Emerging Markets Active Pool	111,487,413
Non-U.S. Developed Markets Index Pool	146,223,309
Private Equity Pool	146,382,737
Credit and Structured Finance Pool	145,759,581
Real Estate Pool	95,738,180
U.S. Small/Mid Cap Alternative Weighted Index Pool	25,120,126
Real Return Pool	43,039,502
Core Bond Pool	<u>190,451,542</u>
Total investments	<u>1,080,957,553</u>
Capital assets, net of accumulated depreciation	<u>1,184,686</u>
Total assets	<u>1,152,528,070</u>

**LIABILITIES**

Accounts payable	8,984,042
Payroll liabilities	52,079
Compensated absences	111,229
Reserve for loss and loss adjustment expense	23,303,145
Retiree premiums received in advance	<u>578,030</u>
Total liabilities	<u>33,028,525</u>

**NET POSITION RESTRICTED FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS**

\$ 1,119,499,545

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See accompanying notes to these financial statements.

**New Mexico Retiree Health Care Authority**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2021**

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**ADDITIONS**

Contributions	
Retiree	\$ 177,054,535
Employer	96,585,103
Employee	48,292,552
Employer buy-ins interest portion	57,807
Total contributions	321,989,997
Investment income	
Net appreciation in fair value of investments	217,683,748
Interest adjustment on State General Fund Investment Pool	53,456
Total investment income	217,737,204
Other	
Tax administration suspense fund revenue	32,935,803
Medicare Part D subrogation and rebates	36,525,086
Total other	69,460,889
Total additions	609,188,090

**DEDUCTIONS**

Premiums and claims paid	315,956,002
General and administrative expenses	3,049,460
Refunds to retirees	317,658
Depreciation expense	37,330
Total deductions	319,360,450

**NET INCREASE IN NET POSITION** 289,827,640

**NET POSITION RESTRICTED FOR POSTEMPLOYMENT  
 BENEFITS OTHER THAN PENSIONS**

Beginning of year	829,671,905
End of year	\$ 1,119,499,545

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See accompanying notes to these financial statements.

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 1 – Retiree Health Care Act Plan**

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

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

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

1. One member who is not employed by or on behalf of, or contracting with, an employer participating in or eligible to participate in the Fund (10-7C-1 to 10 7C-19 NMSA 1978), and who shall be appointed by the Governor to serve at the pleasure of the Governor;
2. The director of the Educational Retirement Board (ERB) or the ERB director's designee;
3. One member to be selected by the Public School Superintendent's Association of New Mexico;
4. One member who shall be a teacher who is certified and teaching in elementary or secondary education to be selected by a committee composed of one person designated by the New Mexico Association of Classroom Teachers, one person designated by the National Education Association of New Mexico and one person designated by the New Mexico Federation of Teachers;
5. One member who shall be an eligible retiree of a public school and who shall be selected by the New Mexico Association of Retired Educators;
6. One member who shall be an eligible retiree of an institution of higher education participating in the Act and who shall be selected by the New Mexico Association of Retired Educators (the institutions of higher education do not currently have the requisite number of participants for board representation);
7. The executive secretary of the Public Employees' Retirement Association (PERA) or the PERA executive secretary's designee;
8. One member who shall be an eligible State government retiree and who shall be selected by the Retired Public Employees of New Mexico;
9. One member who shall be an elected official or employee of a municipality participating in the Fund to be selected by the New Mexico Municipal League;



## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### Note 1 – Retiree Health Care Act Plan (continued)

10. One member who shall be an elected official or employee of a county participating in the Fund to be selected by the New Mexico Association of Counties;
11. The State Treasurer or the State Treasurer’s designee; and
12. One member who shall be a classified State employee selected by the Personnel Board in response to statutory amendment.

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

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

The plan has 302 participating employers and 157,330 current members, including active employees, terminated eligible members, retirees, and surviving spouses. The following schedule summarizes the number of members enrolled in the plan as of June 30, 2021:

Plan membership	
Current retirees and surviving spouses	53,092
Inactive and eligible for deferred benefit	11,754
Current active members	92,484
	157,330
Active membership	
State general	18,691
State police and corrections	1,919
Municipal general	20,357
Municipal police	1,573
Municipal FTRE	756
Educational Retirement Board	49,188
	92,484

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

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

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

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 1 – Retiree Health Care Act Plan (continued)**

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

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

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

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

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

### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Accounting**

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

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### **Interest in State General Fund Investment Pool**

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

#### **Accounts Receivable and Employer Buy-Ins**

Accounts receivable derived from employers and participants consist of amounts due from employers and for contributions relating to payrolls paid prior to June 30, 2021 and amounts due from retirees for monthly premiums. Advance premiums from retirees are recorded as unearned revenues.

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

#### **Investments**

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

#### **Capital Assets**

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

#### **Income Taxes**

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

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### **Net Position Restricted for Postretirement Benefits Other Than Pensions**

The plan's net position and State of New Mexico pension tax revenue are restricted to provide for payment of claims and premiums in future years and to continue to provide health benefits to eligible retirees. All fiduciary funds revenue, including pension tax, is held in trust for qualified retirees. These funds are not available to the State of New Mexico for appropriation for other purposes. The restrictions on the plan net position are deemed to be legally enforceable and, therefore, the net position is reported as restricted pursuant to GASB standards. When restricted and unrestricted resources are available for the same purpose, it is the policy of the Authority to first apply the unrestricted resources.

#### **Program Revenue**

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

#### **Budgetary Process and Budgetary Basis of Accounting**

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

#### **Use of Estimates**

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

#### **Upcoming Accounting Standard**

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the year ending June 30, 2022. The Authority is currently examining the impact, if any, to its current accounting policies and financial reporting from this Statement.

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### **Net OPEB Liability**

The net OPEB liability and the plan's actuarial valuation were calculated by the Authority's independent actuary as of June 30, 2021. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74 requirements at the request of the Authority.

#### **Net Pension Liability and Related Pension Amounts**

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

#### **Postemployment Benefits – State Retiree Health Care Plan**

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

Information concerning the net pension and OPEB liabilities, benefit expenses, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Comprehensive Financial Report for the year ended June 30, 2021 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

### **Note 3 – Interest in State General Fund Investment Pool**

Compliant with Section 6-10-3, NMSA 1978 and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP. The comprehensive cash reconciliation model compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office. As of June 30, 2021, the DFA provides the following assertions:

- 1) Resources held in the pool were equivalent to the corresponding business unit claims on those resources.
- 2) All claims as recorded in SHARE shall be honored at face value.

**New Mexico Retiree Health Care Authority**  
**Notes to Financial Statements**

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**Note 3 – Interest in State General Fund Investment Pool**

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

Fund	SHARE Fund No.	Balance June 30, 2021
Benefits Fund	38100	\$ 50,081,560
Administrative Fund	38000	274,488
Total interest in State General Fund Investment Pool		\$ 50,356,048

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

**Credit Risk and Interest Rate Risk**

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

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### **Note 4 – Receivables**

The Authority receives contributions monthly from employers who remit the employer and the employee portions. Contributions are statutory, based on the gross payroll reported by each employer for the month. Because gross payroll can change in any month, the Authority does not bill the participating employers but depends on monthly reporting and contributions remitted from employers. Accounts receivable also includes amounts to be received for Medicare Part D. There is no allowance for uncollectible receivables recorded as of June 30, 2021, as management deems any uncollectible amounts as immaterial.

As of June 30, 2021, the buy-in receivable includes notes receivable from Sierra County. The remaining balance on the note is \$740,320. The obligation is receivable monthly over 13 years at a 7.5% fixed interest rate, maturing in June 2030. The current and long-term portions on the Sierra County note are \$55,560 and \$684,760, respectively.

Revenue is transferred from the New Mexico Taxation and Revenue Department in accordance with NMSA 1978, Section 7-1-6.30 and NMSA 1978, Section 7-1-6.56. Monies are transferred on the month following the month due, and any amount due to the Authority that is not received by June 30 is accrued. Transfers from the New Mexico Taxation and Revenue Suspense Fund are based on an additional amount of \$3.0 million per year with a 12% per annum increase of carryforward contribution amounts beginning July 1, 2002. However, in 2016 legislation altered the law governing this appropriation and removed the \$3.0 million per year and froze the 12% annual increases until July 1, 2019. For the year ended June 30, 2021, revenues totaled \$32,935,803. As of June 30, 2021, amounts due from other governments consist of balances due from the Taxation and Revenue Department (Business Unit: 33300; Fund: 83200) totaling \$2,744,650 and accrued reversions receivable from the Benefits Fund totaling \$207,094.

#### **Note 5 – Investments and Fair Value Measurements**

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

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

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### Note 5 – Investments and Fair Value Measurements (continued)

The following schedule summarizes the current investment allocation policy as of June 30, 2021:

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

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

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

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

**Level 2** – Inputs to the valuation methodology include:

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

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

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



## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### Note 5 – Investments and Fair Value Measurements (continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used as of June 30, 2021.

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

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

Investments Measured at NAV Practical Expedient	Fair Value June 30, 2021	Redemption Frequency	Redemption Notice Period
U.S. Large Cap Index Pool	\$ 176,755,163	Daily	5 business days
Non-U.S. Emerging Markets Active Pool	111,487,413	Daily	6 business days
Non-U.S. Developed Markets Index Pool	146,223,309	Daily	5 business days
Private Equity Pool	146,382,737	4 times per year	3 months
Credit and Structured Finance Pool	145,759,581	4 times per year	3 months
Real Estate Pool	95,738,180	4 times per year	3 months
U.S. Small/Mid Cap Alt Weighted Index Pool	25,120,126	Daily	7 business days
Real Return Pool	43,039,502	4 times per year	3 months
Core Bond Pool	190,451,542	Daily	5 business days
	<u>\$ 1,080,957,553</u>		

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

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

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

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### **Note 5 – Investments and Fair Value Measurements (continued)**

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

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

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

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

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

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

The investment and administrative fees are deducted from the ending investment account balance on a monthly basis in accordance with the joint powers agreement. For the year ended June 30, 2021, the annual money-weighted rate of return on the Authority's investments, net of related investment expenses, was 22.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**New Mexico Retiree Health Care Authority**  
**Notes to Financial Statements**

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**Note 6 – Capital Assets**

A summary of capital asset balances and activity during the year ended June 30, 2021 is as follows:

Description	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Furniture and equipment	\$ 235,463	\$ -	\$ -	\$ -	\$ 235,463
Information technology	2,031,450	-	-	-	2,031,450
	2,266,913	-	-	-	2,266,913
Accumulated depreciation	(1,044,895)	(37,332)	-	-	(1,082,227)
	<u>\$ 1,222,018</u>	<u>\$ (37,332)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,184,686</u>

Depreciation expense totaled \$37,332 for the year ended June 30, 2021, of which \$12,513 of depreciation was allocated to the Administrative Fund while \$24,819 was allocated to the Benefits Fund.

**Note 7 – Accrued Vacation and Sick Leave**

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

Balance June 30, 2020	Leave Accrued	Leave Used	Balance June 30, 2021	Amount Due Within One Year
\$ 189,905	\$ 81,317	\$ (159,993)	\$ 111,229	\$ 111,229

**Note 8 – Reserve for Losses and Loss Adjustments**

The amount shown on the accompanying statement of fiduciary net position as reserve for losses and loss adjustment expenses is an actuarially calculated estimate of the ultimate costs of settling all incurred, but not reported claims as of June 30, 2021, while the amount shown on the accompanying statement of changes in fiduciary net position as losses and loss adjustment expenses represents the change in this estimate during the year ended June 30, 2021. These reserves represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. A range of variability exists around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount reflected in the accompanying financial statements may not ultimately be the actual cost of settling all unpaid claims, and the difference may be significant.

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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

As of June 30, 2021, the estimated claims liability for claims incurred but not reported (IBNR) totaled \$23,303,145. This estimated liability represents liability for outstanding claims for services rendered prior to July 1, 2021 and paid after June 30, 2021.

#### Note 9 – Net OPEB Liability

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

	June 30, 2021
Total OPEB liability	\$ 4,409,849,335
Plan fiduciary net position	1,119,499,545
Net OPEB liability	\$ 3,290,349,790

Plan fiduciary net position as a percentage of the total OPEB liability ("funded status")	25.39%
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The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions:

Valuation date	June 30, 2021
Actuarial cost method	Entry age, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.30% for ERB; 2.50% for PERA
Projected payroll increases	3.25% to 13.00% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Discount rate	3.62%
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

**New Mexico Retiree Health Care Authority**  
**Notes to Financial Statements**

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**Note 9 – Net OPEB Liability (continued)**

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

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	0.4%
U.S. equity - large cap	6.6
Non-U.S. emerging markets	9.2
Non-U.S. developed equities	7.3
Private equity	10.6
Credit and structured finance	3.1
Real estate	3.7
Absolute return	2.5
U.S. equity - small/mid cap	6.6

The discount rate used to measure the total OPEB liability is 3.62% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2052. The 7.00% assumed investment return on Plan assets, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2052. The index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.16%) was used beyond 2052, resulting in a blended discount rate of 3.62%.

The following presents the net OPEB liability, calculated using the discount rate of 3.62%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>1% Decrease (2.62%)</u>	<u>Current Discount (3.62%)</u>	<u>1% Increase (4.62%)</u>
\$ 4,134,247,608	\$ 3,290,349,790	\$ 2,633,889,896

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### Note 9 – Net OPEB Liability (continued)

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

1% Decrease	Current Trend	1% Increase
\$ 2,646,501,227	\$ 3,290,349,790	\$ 3,808,841,141

#### Note 10 – Pension Plan (Public Employees Retirement Plan)

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

**Funding Policy** – Plan members are required to contribute 9.42% of their gross pay. The Authority is required to contribute 17.74% of gross covered salary. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority's contributions to PERA for the year ended June 30, 2021 totaled \$237,127, equal to the amount of the required contribution for the year.

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

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

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

## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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

The Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the New Mexico Retiree Health Care Authority at 6300 Jefferson Street NE, Suite 150, Albuquerque, NM 87109.

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

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

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2021, the statute required each participating employer to contribute 2% of each participating employee’s annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The Authority’s contributions to the plan for the year ended June 30, 2021 totaled \$26,756, which equals the required contributions for the year.

# New Mexico Retiree Health Care Authority

## Notes to Financial Statements

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### **Note 12 – Joint Powers Agreements**

The Authority has entered into two joint powers agreements:

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

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

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

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

### **Note 13 – Optional Coverages**

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

### **Note 14 – Legally Required Reserves**

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



## New Mexico Retiree Health Care Authority

### Notes to Financial Statements

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#### Note 15 – Commitments and Contingencies

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

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

In June 2017, the Authority entered into several service contracts with healthcare providers. The total amount of these contracts approximates \$318,120,000 for costs expected for fiscal year 2022.

The Authority's main office leases its office space at 3600 Jefferson Street NE in Albuquerque for a 10-year period ending August 2030. The Authority also leases office space under a lease inside the PERA Building located at 33 Plaza La Prensa in Santa Fe. The PERA Building lease expires in August 2030. Lease expenses totaled \$146,629 for the year ended June 30, 2021.

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

2022	\$ 143,380
2023	128,052
2024	131,894
2025	135,850
2026	139,926
Thereafter	<u>629,336</u>
	<u>\$ 1,308,438</u>

In response to the COVID-19 pandemic, the economy in which the Authority operates has seen volatility in the market values of investments, gross receipts tax revenues, and revenues derived from the oil and gas industry, all of which are significant sources of revenue for the State of New Mexico, which allocates these resources through appropriations to individual state agencies. Additionally, there may be direct or indirect impacts on short-term health plan costs, short-term or long-term impacts on mortality on the covered population, and the potential for additional deferral or state fiscal relief. Management continues to monitor the effects of COVID-19 and make adjustments, as needed, to the Authority's investment policy and actuarial assumptions used to measure the total OPEB liability.

**New Mexico Retiree Health Care Authority**  
**Notes to Financial Statements**

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**Note 16 – Operating Transfers**

The following operating transfers occurred between the Authority’s functional activities during the year ended June 30, 2021:

	Benefits 38100 <u>From (To)</u>	Administration 38000 <u>From (To)</u>
Administration appropriation	\$ (3,306,700)	\$ 3,306,700
Reversion of administration	<u>214,545</u>	<u>(214,545)</u>
	<u>\$ (3,092,155)</u>	<u>\$ 3,092,155</u>

The purpose of the transfers was to fund appropriations, to revert unused appropriations between funds, and was conducted on a routine basis. At June 30, 2021, the Authority’s administration fund owes \$207,094 for the reversion amount net of \$7,451 expenses paid for by the administration fund on behalf of the benefits fund.

**Note 17 – Appropriations, Budget Adjustments, and Reversions**

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

The Authority recorded a \$3,306,700 appropriation from the Benefits Fund to the Administration Fund for fiscal year 2021 (NM-HB2, Section 3). As of June 30, 2021, reversions totaling \$214,545 are accrued from the Benefits Fund.

## **Required Supplementary Information**

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**New Mexico Retiree Health Care Authority**  
**Schedule of Revenues and Expenses – Budget and Actual: Administrative Fund**  
**Year Ended June 30, 2021**

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	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Investment income	\$ 3,370,000	\$ 3,370,000	\$ 1,658	\$ 3,368,342
Total revenues	<u>3,370,000</u>	<u>3,370,000</u>	<u>1,658</u>	<u>3,368,342</u>
<b>EXPENSES</b>				
Personal services/employee benefits	2,140,400	2,090,100	1,829,921	260,179
Contractual services	663,400	713,700	687,235	26,465
Other	566,200	566,200	496,424	69,776
Total expenses	<u>3,370,000</u>	<u>3,370,000</u>	<u>3,013,580</u>	<u>356,420</u>
<b>TRANSFERS</b>				
Transfers in - Intra agency from SHARE 38100	3,306,700	3,306,700	3,306,700	-
Transfers out - Intra agency to SHARE 38100 - reversion	-	-	(214,545)	214,545
Net transfers	<u>\$ 3,306,700</u>	<u>\$ 3,306,700</u>	<u>\$ 3,092,155</u>	<u>\$ 214,545</u>
<b>NET CHANGE (budgetary basis)</b>			\$ 80,233	
Depreciation			<u>(12,511)</u>	
<b>NET CHANGE (GAAP basis)</b>			<u>\$ 67,722</u>	

**New Mexico Retiree Health Care Authority**  
**Schedule of Revenues and Expenses – Budget and Actual: Benefits Fund**  
**Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Retiree contributions	\$ 175,000,000	\$ 175,000,000	\$ 177,054,535	\$ (2,054,535)
Employer/employee contributions	120,225,900	120,225,900	144,877,655	(24,651,755)
Pension taxes	32,935,700	32,935,700	32,935,803	(103)
Investment income	400,000	400,000	51,798	348,202
Miscellaneous revenue	30,000,000	30,000,000	36,525,086	(6,525,086)
Total revenues	<u>358,561,600</u>	<u>358,561,600</u>	<u>391,444,877</u>	<u>(32,883,277)</u>
<b>EXPENSES</b>				
Contractual services	355,191,600	355,155,600	313,173,712	41,981,888
Other	-	36,000	35,880	120
Total expenses	<u>355,191,600</u>	<u>355,191,600</u>	<u>313,209,592</u>	<u>41,982,008</u>
<b>TRANSFERS</b>				
Transfers in - Intra agency from SHARE 38000 - reversion	-	-	214,545	214,545
Transfers out - Intra agency to SHARE 38000	(3,370,000)	(3,370,000)	(3,306,700)	(63,300)
Total transfers	<u>\$ (3,370,000)</u>	<u>\$ (3,370,000)</u>	<u>\$ (3,092,155)</u>	<u>\$ 151,245</u>
<b>NET CHANGE (budgetary basis)</b>			\$ 75,143,130	
Gain on investments excluding interest			217,683,748	
Employer buy-ins revenue and interest portion			57,807	
Change in IBNR liability			(2,782,290)	
Refunds - retirees			(317,658)	
Depreciation			(24,819)	
<b>NET CHANGE (GAAP basis)</b>			<u>\$ 289,759,918</u>	

**New Mexico Retiree Health Care Authority**  
**Schedule of Changes in Net OPEB Liability**  
**Year Ended June 30, 2021**

	Year Ended June 30,				
	2021	2020	2019	2018	2017
<b>TOTAL OPEB LIABILITY</b>					
Service cost	\$ 171,993,017	\$ 123,904,973	\$ 156,597,766	\$ 188,372,284	\$ 265,229,268
Interest	147,282,724	169,239,236	208,666,100	199,583,585	187,563,383
Differences between expected and actual experience	57,769,743	(150,535,215)	(754,197,414)	(145,524,098)	(210,435,519)
Changes in assumptions	(894,201,807)	989,792,910	(535,456,730)	(225,363,066)	(958,756,001)
Change of benefit terms	802,116	6,623,960	14,004,267	-	-
Claims and premiums	(315,956,002)	(318,068,212)	(295,383,494)	(320,403,577)	(294,107,402)
Retiree's contributions offset to claims and premiums	177,054,535	178,132,212	172,270,192	167,949,226	153,464,136
Medicare Part D and rebates offset to claims and premiums	36,525,086	30,352,322	26,625,941	30,255,096	26,944,632
<b>NET CHANGE IN TOTAL OPEB LIABILITY</b>	(618,730,588)	1,029,442,186	(1,006,873,372)	(105,130,550)	(830,097,503)
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	5,028,579,923	3,999,137,737	5,006,011,109	5,111,141,659	5,941,239,162
<b>TOTAL OPEB LIABILITY - ENDING (a)</b>	4,409,849,335	5,028,579,923	3,999,137,737	5,006,011,109	5,111,141,659
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - employee and retiree	225,347,087	226,384,131	216,528,376	210,650,057	196,393,352
Contributions - employer	96,585,103	96,503,837	88,516,368	85,401,662	85,858,432
Net investment income	217,737,204	10,836,882	41,663,496	49,757,591	67,759,695
Other revenue	69,518,696	59,821,098	52,949,453	57,529,941	55,556,164
Claims and premiums paid	(315,956,002)	(316,936,067)	(296,417,494)	(321,479,577)	(294,393,452)
Administrative expenses	(3,404,448)	(3,686,967)	(4,147,502)	(3,672,021)	(4,179,901)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	289,827,640	72,922,914	99,092,697	78,187,653	106,994,290
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	829,671,905	756,748,991	657,656,294	579,468,641	472,474,351
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	1,119,499,545	829,671,905	756,748,991	657,656,294	579,468,641
<b>NET OPEB LIABILITY (a) - (b)</b>	<u>\$ 3,290,349,790</u>	<u>\$ 4,198,908,018</u>	<u>\$ 3,242,388,746</u>	<u>\$ 4,348,354,815</u>	<u>\$ 4,531,673,018</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY</b>	25.39%	16.50%	18.92%	13.14%	11.34%
<b>COVERED PAYROLL</b>	\$ 4,614,243,876	\$ 4,298,116,494	\$ 4,172,928,635	\$ 4,290,616,760	\$ 4,290,616,760
<b>NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	71.31%	97.69%	77.70%	101.35%	105.62%

**New Mexico Retiree Health Care Authority**  
**Schedule of Changes in Net OPEB Liability (continued)**  
**Year Ended June 30, 2021**

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**NOTES:**

2021: Changes in assumptions include adjustments resulting from a increase in the discount rate from 2.86% to 3.62%.

2020: Changes in assumptions include adjustments resulting from a decrease in the discount rate from 4.16% to 2.86%.

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

2018: Changes in assumptions include adjustments resulting from an increase in the discount rate from 3.81% to 4.08%.

2017: Changes in assumptions include adjustments resulting from an increase in the discount rate from 3.05% to 3.81%.

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

**New Mexico Retiree Health Care Authority  
Schedule of Employer Contributions  
Year Ended June 30, 2021**

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Year Ended June 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 96,585,103	\$ 96,585,103	\$ -	\$ 4,614,243,876	2.09%
2020	\$ 96,503,837	\$ 96,503,837	\$ -	\$ 4,298,116,494	2.25%
2019	\$ 88,516,369	\$ 88,516,369	\$ -	\$ 4,172,928,635	2.12%
2018	\$ 85,401,662	\$ 85,401,662	\$ -	\$ 4,290,616,760	1.99%
2017	\$ 85,858,432	\$ 85,858,432	\$ -	\$ 4,165,647,340	2.06%

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

Actuarial cost method	Entry age, level percent of pay, calculated on individual basis
Amortization method	Level percent of payroll
Remaining amortization period	30 years open (non-decreasing)
Asset valuation method	Market value of assets
Actuarial assumptions	
Investment rate of return	7.00%
Inflation rate	2.50%
Salary increases	3.25%-13.00%



**New Mexico Retiree Health Care Authority**  
**Schedule of Investment Returns**  
**Year Ended June 30, 2021**

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<u>Year Ended June 30,</u>	<u>Annual Money - Weighted Rate of Return</u>
2021	22.59%
2020	1.43%
2019	6.53%
2018	9.06%
2017	13.98%

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

## Supplementary Information

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**New Mexico Retiree Health Care Authority**  
**Combining Schedule of Fiduciary Net Position by Functional Activity**  
**June 30, 2021**

	Benefits 38100	Administration 38000	Eliminations	Total
<b>ASSETS</b>				
Interest in State General Fund Investment Pool	\$ 50,081,560	\$ 274,488	\$ -	\$ 50,356,048
Receivables				
Contributions - employers, employees, and retirees	13,052,371	-	-	13,052,371
Due from other governments	2,744,650	-	-	2,744,650
Due from charter schools	682,820	-	-	682,820
Accounts receivable - rebates and Medicare Part D	2,809,622	-	-	2,809,622
Buy-in obligations receivable	740,320	-	-	740,320
Due from other funds	207,094	-	(207,094)	-
Total receivables	<u>20,236,877</u>	<u>-</u>	<u>(207,094)</u>	<u>20,029,783</u>
Investments with New Mexico State Investment Council				
U.S. Large Cap Index Pool	176,441,956	313,207	-	176,755,163
Non-U.S. Emerging Markets Active Pool	111,289,858	197,555	-	111,487,413
Non-U.S. Developed Markets Index Pool	145,964,203	259,106	-	146,223,309
Private Equity Pool	146,123,348	259,389	-	146,382,737
Credit and Structured Finance Pool	145,501,296	258,285	-	145,759,581
Real Estate Pool	95,568,533	169,647	-	95,738,180
U.S. Small/Mid Cap Alternative Weighted Index Pool	25,075,613	44,513	-	25,120,126
Real Asset Pool	42,963,236	76,266	-	43,039,502
Core Bond Pool	190,114,064	337,478	-	190,451,542
Total investments	<u>1,079,042,107</u>	<u>1,915,446</u>	<u>-</u>	<u>1,080,957,553</u>
Capital assets, net of accumulated depreciation	<u>1,166,513</u>	<u>18,173</u>	<u>-</u>	<u>1,184,686</u>
Total assets	<u>1,150,527,057</u>	<u>2,208,107</u>	<u>(207,094)</u>	<u>1,152,528,070</u>
<b>LIABILITIES</b>				
Accounts payable	8,839,653	144,389	-	8,984,042
Payroll liabilities	-	52,079	-	52,079
Compensated absences	-	111,229	-	111,229
Reserve for loss and loss adjustment expense	23,303,145	-	-	23,303,145
Retiree premiums received in advance	578,030	-	-	578,030
Due to other funds	-	207,094	(207,094)	-
Total liabilities	<u>32,720,828</u>	<u>514,791</u>	<u>(207,094)</u>	<u>33,028,525</u>
<b>NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS</b>	<u>\$ 1,117,806,229</u>	<u>\$ 1,693,316</u>	<u>\$ -</u>	<u>\$1,119,499,545</u>

**New Mexico Retiree Health Care Authority**  
**Combining Schedule of Changes in Fiduciary Net Position by Functional Activity**  
**Year Ended June 30, 2021**

	Benefits 38100	Administration 38000	Eliminations	Total
<b>ADDITIONS</b>				
Contributions				
Retiree	\$ 177,054,535	\$ -	\$ -	\$ 177,054,535
Employer/employee	144,877,655	-	-	144,877,655
Employer buy-ins interest portion	57,807	-	-	57,807
Total contributions	<u>321,989,997</u>	<u>-</u>	<u>-</u>	<u>321,989,997</u>
Investment income				
Net appreciation in fair value of investments	217,683,748	-	-	217,683,748
Interest	51,798	1,658	-	53,456
Total investment income	<u>217,735,546</u>	<u>1,658</u>	<u>-</u>	<u>217,737,204</u>
Other				
Taxation administration fund revenue	32,935,803	-	-	32,935,803
Medicare Part D subrogation and rebates	36,525,086	-	-	36,525,086
Total other	<u>69,460,889</u>	<u>-</u>	<u>-</u>	<u>69,460,889</u>
Total additions	<u>609,186,432</u>	<u>1,658</u>	<u>-</u>	<u>609,188,090</u>
<b>DEDUCTIONS</b>				
Premiums and claims	315,956,002	-	-	315,956,002
General and administrative expenses	35,880	3,013,580	-	3,049,460
Refunds to retirees	317,658	-	-	317,658
Depreciation	24,819	12,511	-	37,330
Total deductions	<u>316,334,359</u>	<u>3,026,091</u>	<u>-</u>	<u>319,360,450</u>
Transfers in (out), net	<u>(3,092,155)</u>	<u>3,092,155</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE</b>	289,759,918	67,722	-	289,827,640
<b>NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS</b>				
Beginning of year	828,046,311	1,625,594	-	829,671,905
End of year	<u>\$1,117,806,229</u>	<u>\$ 1,693,316</u>	<u>\$ -</u>	<u>\$1,119,499,545</u>

**New Mexico Retiree Health Care Authority**  
**Schedule of Investment Fees**  
**Year Ended June 30, 2021**

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Investment Class	Value of Investment	Management Fees
U.S. Large Cap Index Pool	\$ 176,755,163	\$ 12,421
Non-U.S. Developed Mkts Index Pool	146,223,309	53,839
Non-US Emerging Markets Active Pool	111,487,413	441,591
U.S. Small/Mid Cap Alt Weighted Index Pool	25,120,126	22,069
Credit and Structure Finance Pool	145,759,581	-
Core Bond Pool	190,451,542	205,386
Private Equity Pool	146,382,737	-
Real Estate Pool	95,738,180	-
Real Return Pool	43,039,502	30,821
	<u>\$ 1,080,957,553</u>	<u>\$ 766,127</u>

## Other Information

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**New Mexico Retiree Health Care Authority**  
**Combining Schedule of General and Administrative Expenses**  
**by Functional Activity**  
**Year Ended June 30, 2021**

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	Benefits 38100	Administration 38000	Total
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Professional services	\$ -	\$ 1,349,654	\$ 1,349,654
Employee benefits	-	480,267	480,267
Operating costs	35,880	401,086	436,966
Contractual services	-	687,235	687,235
Repairs and maintenance	-	9,841	9,841
Supplies	-	75,971	75,971
In-state travel	-	9,526	9,526
	<u>\$ 35,880</u>	<u>\$ 3,013,580</u>	<u>\$ 3,049,460</u>

**New Mexico Retiree Health Care Authority**  
**Combining Schedule of State General Fund Investment Pool**  
**June 30, 2021**

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	<u>Benefits 38100</u>	<u>Administration 38000</u>	<u>Total</u>
<b>INVESTMENT BALANCES PER DFA</b>			
New Mexico State Treasurer			
Share Fund 34300-38100	\$ 50,081,560	\$ -	\$ 50,081,560
Share Fund 34300-38000	-	274,488	274,488
	<u>\$ 50,081,560</u>	<u>\$ 274,488</u>	<u>\$ 50,356,048</u>



**New Mexico Retiree Health Care Authority  
Schedule of Appropriations  
Year Ended June 30, 2021**

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Description	Authority	Appropriation Period	Share Fund	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Current Year Reversion Amount
Administrative Fund program support	Laws 2020 House Bill 2	2021	38000	\$ 3,370,000	\$ -	\$ 3,092,155	\$ 214,545

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

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

Board of Directors  
New Mexico Retiree Health Care Authority

Brian S. Colón, Esq.  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of fiduciary net position and changes in fiduciary net position of New Mexico Retiree Health Care Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2021.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-002 and 2021-003, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2021-001.

### **Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Mess Adams LLP*

Albuquerque, New Mexico  
November 19, 2021

**New Mexico Retiree Health Care Authority  
Schedule of Findings and Responses  
Year Ended June 30, 2021**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified not considered to be material weakness?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Compliance and other matters noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**FINANCIAL STATEMENT FINDINGS**

**2021-001 – Funded Status (Previously reported as 2018-001) (Other Matter)**

**Condition** – The New Mexico Retiree Health Care Fund’s (the Fund’s) funded status was approximately 25.4% as of June 30, 2021. While the Fund’s low funded status does not represent an internal control deficiency or risk of material misstatement to the financial statements, the long-term sustainability of the Fund is jeopardized.

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

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

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

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

**Management’s Response** – The New Mexico Retiree Health Care Authority (NMRHCA) agrees with this finding. NMRHCA appreciates that this issue does not relate to internal controls or a create a risk of a material misstatement. Funding status is a critical part of ensuring long-term solvency and is a NMRHCA priority. Developing a long-term funding policy is dependent on budgetary appropriations and potential changes to the Fund’s provisions. NMRHCA will continue working with the New Mexico Legislature and the Governor to increase program funding. NMRHCA will also continue opposing policies and legislative proposals that would increase program costs, particularly relating to vendor programs, prescription drug prices, and provider network access, while still providing quality member benefits. This is an ongoing process that NMRHCA intends to continue through fiscal 2022.

**Responsible Persons** – NMRHCA Board, New Mexico State Legislature and Governor

## New Mexico Retiree Health Care Authority Schedule of Findings and Responses Year Ended June 30, 2021

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### 2021-002 – Monthly Reconciliations (Significant Deficiency)

**Condition** – Monthly reconciliations for key accounts, including retiree, employee, and employer contributions; and cash) are not reviewed by someone independent of the preparer.

**Criteria** – NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate, which includes establishing internal controls over account balances.

**Effect** – Possible misstatements of the financial statements and untimely financial reporting.

**Cause** – The Authority has not implemented additional review controls over monthly reconciliations.

**Recommendation** – We recommend that management implement a review control of monthly reconciliations for key accounts to ensure they are capturing all relevant details and accounts are properly recorded.

**Management's Response** – NMRHCA acknowledges the finding and agrees with the recommendation. NMRHCA plans to hire a new Chief Financial Officer in late 2021 who will develop and implement revised procedures and deadlines for the review and reconciliation of all financial transactions.

**Responsible Persons** – NMRHCA Executive Director, Chief Financial Officer

### 2021-003 – Financial Close and Reporting Process (Significant Deficiency)

**Condition** – During our audit, the following issues were noted as it relates to the Department's financial close and reporting process:

- During our testing of investments, we noted the NMRHCA did not accurately accrue investments earnings in the correct fund which resulted in an adjustment totaling \$193.7 million being posted to the Benefits Fund.
- During our testing of Interest in State General Fund Investment Pool, we noted the NMRHCA posted entries that resulted in an unadjusted negative balance. Proposed adjustments totaling \$3.3 million were required to accurately close the net assets held in trust in the Benefits Fund.

**Criteria** – NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate which includes establishing internal controls over financial close and reporting.

**Effect** – Possible misstatements of the financial statements and untimely financial reporting.

**Cause** – Turnover in the Authority's accounting staff, including departure of the former Chief Financial Officer and Controller prior to completion of the annual financial closing process.

**Recommendation** – We recommend that NMRHCA's accounting policies, procedures and internal controls be re-examined based on current staffing to ensure that timely reconciliations of accounts and accurate interim and year-end financial statements can be produced on a timely basis.

**Management's Response** – NMRHCA acknowledges the finding and agrees with the recommendation. NMRHCA plans to hire a new Chief Financial Officer in late 2021 who will develop and implement a control method for posting transactions and a process for closing accounts.

**Responsible Persons** – NMRHCA Executive Director, Chief Financial Officer

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**New Mexico Retiree Health Care Authority  
Schedule of Findings and Responses  
Year Ended June 30, 2021**

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**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER**

None

**New Mexico Retiree Health Care Authority  
Schedule of Prior Year Findings  
Year Ended June 30, 2021**

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**RESOLUTION OF PRIOR YEAR FINDINGS**

**2020-001 (2018-001) – Repeated**

**New Mexico Retiree Health Care Authority**  
**Exit Conference**  
**June 30, 2021**

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An exit conference was held remotely on November 19, 2021 in a closed session, with the following in attendance:

**New Mexico Retiree Health Care Authority Personnel and Board Members**

David Archuleta, Executive Director  
Neil Kueffer, Deputy Director  
Sheri Ayanniyi, Chief Financial Officer  
Michael Bebeau, General Counsel  
Shellie Miyagi-Garcia, Office Manager/Board Secretary  
Sanjay Bhakta, Board Member - Municipal League, City of Albuquerque  
Leane Madrid, Board Member - State Classified Employee, State Personnel Office  
Rick Scroggins, Board Member – New Mexico Educational Retirement Board

**Moss Adams LLP**

Kory Hoggan, Partner  
Aaron Hamilton, Senior Manager  
Lauren Casias, Assurance Senior

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



## 2022 Legislative Proposal (Action Item)

**Background:**

Prior to the introduction of HB45 during the 2020 Legislative Session, the decision to seek an increase in employee and employer contributions was based on the economic forecast shown below.

<b>August 2019 Consensus General Fund Recurring Revenue Outlook</b>				
<b>(in millions of dollars)</b>				
	<b><u>FY19</u></b>	<b><u>FY20</u></b>	<b><u>FY21</u></b>	<b><u>FY22</u></b>
December 2018 Consensus*	\$7,590.5	\$7,433.1	\$7,686.8	\$7,954.9
August 2019 Adjustments	\$333.2	\$347.0	\$304.6	\$379.1
<b>August 2019 Consensus</b>	<b>\$7,923.7</b>	<b>\$7,780.1</b>	<b>\$7,991.4</b>	<b>\$8,334.1</b>
Annual amount change	\$1,107.2	-\$143.6	\$211.3	\$342.7
Annual percent change	16.2%	-1.8%	2.7%	4.3%

\* December 2018 Consensus figure includes 2019 legislation adjustments based on fiscal impact report estimates.  
 Note: General fund amounts above do not include oil and gas emergency school tax revenues in excess of the five-year average that are distributed to the tax stabilization reserve.

As the 2022 Legislative Session approaches the FY22 consensus forecast is projected to reach \$8.1 billion, with FY23 reaching \$9 billion supported by higher-than-expected oil and gas production and prices. Expectations for gross receipts tax and income tax collections also rose due to more consumer spending and wage growth.

**History of Proposed Legislation:**

- 2013 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers, but received no floor votes
- 2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2015 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2017 – Introduction of House Joint Memorial 1 -- No Request for Increase from Employee/Employer Contributions
- 2018 – No proposed Legislation
- 2019 – Introduced legislation requesting 1.5% contribution increase – passed House State Government and Indian Affairs Committee – tabled in House Appropriation and Finance Committee
- 2020 – HB45 requested a 0.5% contribution increase (0.33% employer / 0.17% employee) passed both the House and Senate – vetoed by the Governor.

**2022 Proposal & Impact:**

- Further stabilizes financial condition of the program in terms of solvency and pre-funding of future benefits
  - Reported through GAS 74 and 75
- Allows most organizations to absorb increase through vacancy savings
- Minimizes impact on employee take home pay
- Reduce deficit spending period by 3 years
- 30-year funded status exceeds 50 percent

**Requested Action:**

TBD – Will change based on Legislative Committee Action

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AN ACT

RELATING TO RETIREE HEALTH CARE; INCREASING EMPLOYEE AND  
EMPLOYER CONTRIBUTION RATES TO THE RETIREE HEALTH CARE FUND.

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

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

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

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

(1) for participating employees who are not  
members of an enhanced retirement plan, the employer's  
contribution shall equal two and thirty-three hundredths  
percent of each participating employee's salary;

(2) for participating employees who are  
members of an enhanced retirement plan, the employer's  
contribution shall equal two and ninety-three hundredths  
percent of each participating employee's salary; and

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

1 appropriate by the board.

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

6 (1) for a participating employee who is not  
7 a member of an enhanced retirement plan, the employee's  
8 contribution shall equal one and seventeen-hundredths percent  
9 of the employee's salary;

10 (2) for a participating employee who is a  
11 member of an enhanced retirement plan, the employee's  
12 contribution shall equal one and forty-seven hundredths  
13 percent of the employee's salary; and

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

23 C. No person who has obtained service credit  
24 pursuant to Subsection B of Section 10-11-6 NMSA 1978,  
25 Section 10-11-7 NMSA 1978 or Paragraph (3) or (4) of

1 Subsection A of Section 22-11-34 NMSA 1978 may enroll with  
2 the authority unless the person makes a contribution to the  
3 fund equal to the full actuarial present value of the amount  
4 of the increase in the person's health care benefit, as  
5 determined by the authority.

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

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

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

1 Care Act.

2 G. Notwithstanding any other provision in the  
3 Retiree Health Care Act and at the first session of the  
4 legislature following July 1, 2013, the legislature shall  
5 review and adjust the distributions pursuant to Section  
6 7-1-6.30 NMSA 1978 and the employer and employee  
7 contributions to the authority in order to ensure the  
8 actuarial soundness of the benefits provided under the  
9 Retiree Health Care Act.

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

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

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

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

19 (c) municipal fire member coverage plan  
20 3, 4 or 5; or

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

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

25 SECTION 2. EFFECTIVE DATE.--The effective date of the

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provisions of this act is July 1, 2020. \_\_\_\_\_

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December 6, 2021

**Sent via U.S. Mail**

Mayor Telesfor Benavidez  
Village of Pecos  
P.O. Drawer 337  
Pecos, NM 87552

**Subject: Failure to Make Payments**

Dear Mayor Benavidez:

As you know, the Village of Pecos (“Village”) participates in the New Mexico Retiree Health Care Act (“Act”). NMSA 1978, §§ 10-7C-1, et seq. To participate in the Act, the Village is required regularly contribute funds to the New Mexico Retiree Health Care Authority (“NMRHCA”). NMSA 1978, § 10-7C-9; *See also* 2.81.5 NMAC.

NMRHCA records indicate that the Village has not made the required employer contributions since December 2020. Requests to bring the Village’s account current have been unsuccessful. On December 3, 2021, our office again contacted Clerk/Treasurer Tapia by email and requesting with an update but have not received a response as of the date of this letter.

This is NMRHCA’s final attempt to informally resolve this dispute. NMRHCA requests that you contact this office no later than **5:00 p.m. on Monday, December 13, 2021**, to discuss bringing the Village into compliance and making the required payments. If you do not contact this office and make a good faith effort to meet the Village’s obligations, I will recommend that the New Mexico Retiree Health Care Board terminate the Village’s participation in the Act.

You may contact me with any questions or concerns at [David.Archuleta@state.nm.us](mailto:David.Archuleta@state.nm.us) or at 505-490-0519. Thank you for your attention to this matter.

Sincerely,



David Archuleta  
Executive Director

Cc: Allegra Tapia, Village Clerk/Treasurer



December 16, 2021

**Sent via U.S. Mail**

Mayor Telesfor Benavidez  
Village of Pecos  
P.O. Drawer 337  
Pecos, NM 87552

**Subject: Final Notice of Intent to Suspend Participation**

Mayor Benavidez:

The New Mexico Retiree Health Care Authority (“NMRHCA”) is sending this Final Notice of Intent to Suspend Participation (“Notice”) as the last attempt to resolve the payment delinquency by the Village of Pecos (“Village”).

The Village has not made required employer contributions to NMRHCA since December 2020. NMRHCA has made multiple unsuccessful attempts to resolve this issue. NMRHCA sent a letter on December 6, 2021, asking you to contact our staff to discuss bringing the Village into compliance. **Exhibit A.** NMRHCA did not receive any communication from you by the requested date.

Accordingly, NMRHCA staff intends to recommend that the New Mexico Retiree Health Care Authority Board suspend the Village’s participation in the Retiree Health Care Act effective January 31, 2021. Suspending your participation in the New Mexico Retiree Health Care Act means that Village employees will not receive future service credit applicable to NMRHCA’s benefit plans. The Village may not rejoin the plan until it pays the amount owed in full, including any penalties. NMRHCA staff contemplate making this recommendation during the next regularly scheduled Board Meeting on January 4, 2021.

**Please contact NMRHCA immediately to ensure that your employees will continue receiving service credit towards their retirement benefit.**

You may contact me at [David.Archuleta@state.nm.us](mailto:David.Archuleta@state.nm.us) or at 505-884-8611.

Sincerely,



David Archuleta  
Executive Director

## **Temporary Suspension for Nonpayment– Village of Pecos (Action Item)**

### **Background:**

NMRHCA staff request authorization to temporarily suspend the Villages of Pecos’s (“Village”) participation in the New Mexico Retiree Health Care Act for non-payment, effective immediately.

The Village has not made the employer contributions required by NMSA 1978, § 10-7C-15 (A) since December 2020. NMRHCA staff made multiple informal attempts to help the Village comply with its legal obligations but did not receive a sufficient response.

On December 6, 2021, the Executive Director sent a letter to the Village asking them to contact NMRHCA staff by December 10, 2021, to discuss the situation. NMRHCA staff did not receive any response.

On December 12, 2021, the Executive Director sent a second letter to the Village again asking the Village to contact NMRHCA and warning that the Executive Director would recommend suspending participation in the program. The Village, again, failed to respond.

Pursuant to NMSA 1978, § 10-7C-7(C), the Board “may take all actions reasonably necessary to implement” the Retiree Health Care Act. Accordingly, NMRHCA staff recommends that the Board suspend the Village’s participation in the New Mexico Retiree Health Care Act under its statutory power. This suspension will prevent current employees from receiving service credit until the Village resolves the delinquency but will not affect any Village retirees currently receiving a subsidy.

### **Requested Action:**

To suspend the Village of Pecos’s participation in the New Mexico Retiree Health Care Act for non-payment until such time as it brings its account current.