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

REGULAR MEETING
OF THE
BOARD OF DIRECTORS

December 6, 2022
9:30 AM

CNM Workforce Training Center, Room 103
5600 Eagle Rock Ave. NE, Alb. NM 87113

Online: https://meet.goto.com/619580733
Telephone: 1-312-757-3121 / Access Code: 619-580-733

New Mexico Retiree Health Care Authority
Annual Meeting

BOARD OF DIRECTORS

ROLL CALL

December 6, 2022

	Member in Attendance		
Mr. Crandall, President			
Ms. Saunders, Vice President			
Ms. Larranaga-Ruffy, Secretary			
Mr. Scroggins			
Mr. Linton			
Mr. Salazar			
Mr. Eichenberg			
Mr. Widner			
Mr. Bhakta			
Mr. Pyle			
Ms. Alirez			

NMRHCA BOARD OF DIRECTORS
December 2022

Mr. Doug Crandall, President
Retired Public Employees of New Mexico
14492 E. Sweetwater Ave
Scottsdale, AZ 85259
dougcinaz@gmail.com

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

Ms. Leanne Larranaga-Ruffy, Secretary
Alternate for PERA Executive Director
Public Employees Retirement Association
33 Plaza La Prensa
Santa Fe, NM 87507
leanne.larranaga@state.nm.us
505-476-9332

Mr. Sanjay Bhakta
NM Municipal League
100 Marquette Ave, 11th Floor
City/County Building
Albuquerque, NM 87102
sbhakta@cabq.gov

Mr. Terry Linton
Governor's Appointee
PO Box 25485
Albuquerque, NM 87125
tlinton1951@gmail.com
505-250-4070

Mr. Jamie Widner
Superintendents' Association of NM
PO Box 227
Melrose, NM 88124
jwidner@yucca.net
575-799-3348

The Honorable Mr. Tim Eichenberg
NM State Treasurer
2055 South Pacheco Street
Suite 100 & 200
Santa Fe, NM 87505
tim.eichenberg@state.nm.us
505-955-1120

Mr. Rick Scroggins
Alternate for ERB Executive Director
Educational Retirement Board
PO Box 26129
Santa Fe, NM 87502-0129
rick.scroggins@state.nm.us
505-476-6152

Mr. Lance Pyle
NM Association of Counties
Curry County Administration
417 Gidding, Suite 100
Clovis, NM 88101
lpyle@currycounty.org
575-763-3656

Mr. Tomas E. Salazar, PhD
NM Assoc. of Educational Retirees
PO Box 66
Las Vegas, NM 87701
salazarte@plateautel.net
505-429-2206

Ms. Raquel Alirez
Classified State Employee
401 Broadway NE
Albuquerque, NM 87102
raquel.alirez@state.nm.us
505-365-3474

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

December 6, 2022
9:30 AM
CNM Workforce Training Center
5600 Eagle Rock Ave NE, Alb NM 87113
Online: https://meet.goto.com/619580733
Telephone: 1-312-757-3121 / Access Code: 619-580-733

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	
4.	Approval of Agenda	Mr. Crandall, President	4
5.	Approval of Regular Meeting Minutes November 1, 2022	Mr. Crandall, President	5
6.	Public Forum and Introductions	Mr. Crandall, President	
7.	Committee Reports	Mr. Crandall, President	
8.	Executive Director's Updates	Mr. Kueffer, Executive Director	
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9.	GASB Statement 74 Actuarial Valuation & Review	Ms. Krumholz, FSA, MAAA Vice President, Actuary	63
10.	Benefits Consultant & Actuarial Services Contract (Action Item)	Mr. Witt, Deputy Director	107
11.	Other Business	Mr. Crandall, President	
12.	Executive Session	Mr. Crandall, President	
	Pursuant to NMSA 1978, Section 10-15-1(H)(7) Pertaining to Threatened or Pending Litigation and NMSA 1978, Section 10-15-1(H)(6) Contents of Competitive Sealed Proposals Solicited Pursuant to the Procurement Code		
13.	Date & Location of Next Board Meeting	Mr. Crandall, President	
	January 3, 2023 – 9:30AM CNM Workforce Training Center 5600 Eagle Rock Ave NE, Alb. NM 87113		
14.	Adjourn		

MINUTES OF THE

NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

November 1, 2022

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. at the CNM Workforce Training Center, Room 103, 5600 Eagle Rock Ave., NE, Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:
Mr. Doug Crandall, President
Ms. Therese Saunders, Vice President
Ms. Rachel Alirez [teleconference]
Mr. Terry Linton
Mr. Lance Pyle [teleconference]
Dr. Tomas Salazar [teleconference]
Mr. Rick Scroggins
Mr. Jamie Widner [teleconference]

Members Excused:
Ms. LeAnne Larrañaga-Ruffy, Secretary
The Hon. Tim Eichenberg, NM State Treasurer
Mr. Sanjay Bhakta

Staff Present:
Mr. Neil Kueffer, Executive Director
Mr. Keith Witt, Deputy Director
Mr. Jess Biggs, Director of Communication & Member Engagement
Ms. Sheri Ayanniyi, Chief Financial Officer
Mr. Raymond Long, Chief Information Officer
Ms. Judith Beatty, Recorder [teleconference]

3. PLEDGE OF ALLEGIANCE

Mr. Linton led the pledge.

4. APPROVAL OF AGENDA

Mr. Kueffer stated Item 8e should say "Consolidated Appropriations Act."

Mr. Scroggins moved to approve the agenda, as amended. Mr. Pyle seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: August 30 & 31, 2022

Ms. Saunders moved for approval of the August 30 & 31 minutes, as written. Dr. Salazar seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Delta Dental representatives introduced themselves.

7. COMMITTEE REPORTS

- The Executive Committee met to discuss today's agenda, and the Investment/Finance Committee met to review related items on today's agenda. [Mr. Crandall]

8. EXECUTIVE DIRECTOR'S UPDATES

a) Human Resources

- Mr. Kueffer provided HR updates.

b) Open/Switch Enrollment

- Open/switch enrollment is underway. Attendance is somewhat smaller than in the pre-pandemic days, but attendees really appreciate being able to speak one-on-one to the vendors and NMRHCA staff, and are asking a lot of very good questions. The meetings are now entering their last week, for a total of 19 meetings, with 16 in person, 13 in different cities, and 3 online. Switch enrollment concludes on November 15.

Ms. Saunders said she attended two in-person meetings, one led by Keith Witt and one led by Jess Biggs, and she was impressed by both of them. She commented that they both have great personalities and worked well with the audience. She said she also attended two virtual meetings, which was interesting because people got to ask a specific question that they wanted an answer to, and staff and the healthcare partners could jump in and respond directly.

c) United Healthcare Network

- A communication went out in September notifying members that Lovelace Health System would be changing their arrangement with UnitedHealthcare, and Lovelace providers and facilities would be phased out of network in a graduated approach between January 1 and March 1. The NMRHCA is following this closely and providing updates, as well as notifying members about the various options available to them.

UnitedHealthcare representative Dan Cadriel said the benefit to the members is usually seamless because whether the members see them in network or out of network, the Medicare provider has the same cost share and the copays are exactly the same.

Mr. Kueffer added that, should members not be able to access UnitedHealthcare on an out-of-network basis or with the billing practices, the NMRHCA may want to revisit its defaulting strategy in December or January and go back to when the NMRHCA had United and possibly Humana on the Lovelace side. Ideally, the NMRHCA went with UnitedHealthcare because it had access to both networks.

d) Medicare Changes 2023

Mr. Kueffer detailed three changes that would go into effect in 2023:

1. The standard monthly Part B premium would drop from $170.10 to $164.90.
2. The annual Part B deductible would drop from $233 to $226.
3. The standard inpatient hospital deductible would increase from $1,556 to $1,600. The cost of daily coinsurance for an extended hospital stay would increase from $389 for days 61 through 90 to $400. Patients needing more than 90 days of hospital care must tap into their lifetime reserve days. The daily rate will increase from $778 to $800.

e) Consolidated Appropriations Act

- The Consolidated Appropriations Act requires insurance companies and employer-based health plans to submit information about prescription drugs and health care spending. The NMRHCA is working with the Express Scripts, Presbyterian, and Blue Cross Blue Shield. The data will help identify major drivers of increases in prescription drug and health care spending; understand how prescription drug rebates impact premiums and out-of-pocket costs; and promote transparency in prescription drug pricing. The Department of Labor and Department of the Treasury will publish the findings on their website.

f) Inflation Reduction Act

Mr. Kueffer reviewed a chart provided by Segal that summarized the changes to Medicare Part D as a result of the Inflation Reduction Act, and the implications for retirees and plans in the coming years.

g) <u>Legislative</u>

- The NMRHCA will be presenting a final update and requesting an endorsement of its legislative proposal at IPOC on November 3, and on November 15 will present its budget to the LFC.

- Conversations with stakeholders continue. AFSCME recently expressed support, and NMRHCA will be seeking the Governor's support in an upcoming meeting. Sue Griffith and Richard Romero have been very helpful in facilitating conversations with legislative representatives. Sen. Stewart has agreed to sponsor the legislation.

Dr. Salazar said he was pleased to know that the NMRHCA would present to the LFC on November 15, although PERA, SIC and NMERB had previously made their presentations to the LFC in October and the NMRHCA was not included. He has expressed his concern in the past about this.

Mr. Widner asked the record to reflect that he agreed with Dr. Salazar's concerns.

h) <u>August 31 & September 30, 2022, SIC Reports</u>

- August's ending balance showed losses of $20.6 million, for an ending balance of $1.1 billion.

- September's ending balance showed losses of $49.5 million, for an ending balance of $1.05 billion.

i) <u>June 30, 2022, Investment Report</u>

- CYTD return was (-7.43) percent at 6-30-22, for a loss of $86.6 million.

9. <u>DELTA DENTAL PROVIDER REIMBURSEMENT UPDATE</u>

Delta Dental representatives Nathalie Casado and Michele Toon made a slide presentation.

Ms. Saunders said she gets comments from Los Alamos residents who are concerned about United Concordia being dropped and that there are dentists there who do not accept Delta Dental insurance.

Ms. Casado responded that the Los Alamos-Santa Fe area has been identified as one of the strategic recruitment areas, and the fee increase focuses specifically on recruitment of specialists in the Los Alamos area.

Mr. Kueffer added that the NMRHCA also had the network change last year, which allowed access to more premier dentists by members. He also cited comments from Treasurer Eichenberg at a previous meeting about his dentist not being adequately reimbursed for certain services, and the NMRHCA relayed this back to Delta Dental, which they are addressing.

10. FY23 Q1 BUDGET REPORT

Ms. Ayanniyi presented this report.

11. DISPOSAL OF IT EQUIPMENT

Mr. Long presented a list of computer equipment that has been reviewed by IT staff and determined to be outdated and nonfunctional, and asked for approval to dispose of it. The GSD Surplus Property Bureau, which was offered the right of first refusal, agreed with the assessment, and declined to transfer any of the equipment for its own use.

Mr. Pyle moved for approval. Chairman Crandall seconded the motion, which passed unanimously.

12. FY23 MA CONTRACT AMENDMENTS

Mr. Kueffer requested approval of proposed amendments to Medicare Advantage contracts to reflect approved rates and plans for the 2023 calendar year.

Chairman Crandall said the Finance and Investment Committee recommended approval.

Mr. Scroggins moved for approval. Mr. Linton seconded the motion, which passed unanimously.

13. OTHER BUSINESS

None.

14. EXECUTIVE SESSION

a. Pursuant to NMSA 1978, Section 10-15-1(H)(7) Pertaining to Threatened or Pending Litigation and NMSA 1978, Section 10-15-1(H)(2) Pertaining to Limited Personnel Matters

None.

15. DATE AND LOCATION OF NEXT BOARD MEETING

December 6, 2022 – 9:30 a.m.
CNM Workforce Training Center
5600 Eagle Rock Ave NE, Albuquerque, NM 87113

16. ADJOURN: 10:45 a.m.

Accepted by:

____
Doug Crandall, President

ALBUQUERQUE JOURNAL

Contract talks stall for some health plans

BY MATTHEW NARVAIZ / JOURNAL STAFF WRITER

PUBLISHED: FRIDAY, NOVEMBER 25TH, 2022 AT 9:02PM

UPDATED: SATURDAY, NOVEMBER 26TH, 2022 AT 12:02AM

Lovelace Hospital in Albuquerque. Physician and hospital contracts between UnitedHealthcare and Lovelace are set to expire early next year, potentially affecting care for thousands of patients. (Chancey Bush/Albuquerque Journal)

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Colleen Aycock, an Albuquerque resident, has been battling an aggressive cancer for the past two years.

Aycock, like many other New Mexicans, was on UnitedHealthcare's Medicare Advantage plan. Lovelace, during those years, has been a main source of care for Aycock – from her primary care provider to critical treatments.

But, heading to Lovelace may come to an end for Aycock and other United members as physician and hospital

contracts between UnitedHealthcare and Lovelace are set to expire early next year, affecting thousands of patients and leaving many United members worried they may lose access to critical care. Negotiations, for now, remain stalled and it isn't clear if new contract agreements will be reached before they are set to expire.

"To me, this is a crisis," Aycock told the Journal. "We can't get answers."

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The current contract between United and Lovelace's hospitals is set to expire in January. And the contract between United and Lovelace's physicians will come to a close in March if a new agreement is not made, according to an emailed statement provided by United spokeswoman Catherine Farrell.

The end of these contracts means, starting next year, all United plans – with the exception of Medicare Supplement plans, often referred to as secondary insurance plans – will be considered out of network.

The possible end to those agreements, which have been in place for nearly 20 years, will affect up to 13,400 United members, said Whitney Marquez, a spokeswoman for Lovelace. That includes about 9,700 Medicare Advantage plan members, including 2,400 United members who have Lovelace physicians as primary care providers.

"We want to keep Lovelace in our network, but, if we're unable to reach an agreement, our members will continue to have access to a broad network of hospitals and physicians in New Mexico, including UNM and Presbyterian," United said. "We hope Lovelace works with us to reach an agreement that's affordable for the New Mexico residents we collectively serve."

Marquez called the stalled negotiations, and the lack of new contracts between the health system and insurer, a

“disservice to United members,” adding that “United has never offered Lovelace any proposal for consideration.”

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Marquez said the changes to contracts between United and Lovelace will not affect the Lovelace UNM Rehabilitation Hospital, helping keep United members in network at that facility. Emergency services will also not be impacted at Lovelace “as all insurance plans are required to cover those services as in network.”

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United said if new contracts are not renegotiated, Lovelace Medical Center, Heart Hospital of New Mexico at Lovelace Medical Center, Lovelace Women’s Hospital and Lovelace Westside Hospital will be out of network for Medicare Advantage and Group Retiree plans on Jan. 1.

The New Mexico Heart Institute on Jan. 1 will also be out of network for employer-sponsored and individual plans, and the Lovelace Regional Hospital in Roswell will be out of network for United plans on Jan. 15 if no agreement is reached.

Starting on March 1, providers at Lovelace will also be out of network for commercial, employer-sponsored, individual, Medicare Advantage and Group retiree plans.

Aycock recently was able to find a new insurer to stay within the Lovelace health system. But she said the stalled negotiations have major implications for patients such as her. “It’s desperation,” she said. “It’s like the rug is yanked out from underneath you.”

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<Date>

<First and Last Name>
<First Address>
<Second Address>
<City, State Zip>

YOU MUST TAKE ACTION
Your Pharmacy Network Is Changing

Dear <First and Last Name>:

Your well-being is very important to us here at Express Scripts, the company that manages your prescription plan. We want to make sure you get the medication you need and the special care you deserve.

What is changing?

Starting <Date> prescriptions will not be covered by your plan if filled at a <Provider Name> pharmacy. If you continue to fill prescriptions at a <Provider Name> pharmacy, you may pay a higher cost for your medication.

What You Need to Do

To avoid any interruption in your treatment, **transfer your prescription before <Date>.** Visit **express-scripts.com/findapharmacy** for a full list of in-network pharmacies near you.

It's easy to move your prescription. Here are 3 ways to make the switch:

1. Take your prescription bottle to your new pharmacy and they'll contact your current pharmacy to transfer your prescription.
2. Call your new pharmacy and ask them to transfer your prescription.
3. Ask your doctor to contact your new pharmacy with your prescription information.

You can view the pharmacies in our network online Pharmacy Directory.[1]

Sincerely,

Henna Griego
Senior Director, Member Services
Express Scripts

[1] To view network pharmacies online, log in or register at express-scripts.com, click Prescriptions, and select Find a Pharmacy**.**

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<Date>

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<First Address>
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<City, State, Zip>

YOU MUST TAKE ACTION.

You need to choose a new pharmacy to fill your medication.

Dear <First and Last Name>:

Your well-being is very important to us here at Express Scripts, the company that manages your prescription plan. We want you to get the medication you need and the special care you deserve.

What is changing?
Starting <Date>, prescriptions will not be covered by your plan if filled at a <Provider Name> pharmacy. If you continue to fill prescriptions at a <Provider Name> pharmacy, you may pay a higher cost for your medication.

You may get your medication at one of the following pharmacies listed below:

PHARMACIES THAT CAN FILL YOUR MEDICATION		
<Pharmacy Name> <Pharmacy Address> <Pharmacy Phone Number>	<Pharmacy Name> <Pharmacy Address> <Pharmacy Phone Number>	<Pharmacy Name> <Pharmacy Address> <Pharmacy Phone Number>

- If you don’t fill your drugs at one of the pharmacies listed above or a pharmacy within your network, you may have to pay 100% of the cost of the medication.
  If you need to verify whether the pharmacy you choose is in the network, please register or log in anytime at express-scripts.com and choose **Find a Pharmacy** from the menu under **Prescriptions**. You can also call the number on your ID card to find a pharmacy or if you would like a Pharmacy Directory mailed to you. You may also email your request for the directory to documents@express-scripts.com.
- For any additional medication(s) filled at <Provider Name>, please visit express-scripts.com.

What You Need to Do
To avoid any interruption in your treatment, transfer your prescription before <Date>. It’s easy to move your prescription by:

- Calling one of the pharmacies listed above to have your prescription transferred; or
- Asking your doctor to contact one of the pharmacies above with your prescription information

We value your membership. If you have any questions about this change, call Customer Service at the number on the back of your ID card.

Sincerely,
Express Scripts
The pharmacy network may change at any time. You will receive notice when necessary.

STATE PURCHASING DIVISION
OF THE
GENERAL SERVICES DEPARTMENT
AND
The Interagency Benefits Advisory Committee (IBAC) consisting of:

State of New Mexico, Risk Management Division (SONM RMD)
New Mexico Public Schools Insurance Authority (NMPSIA)
New Mexico Retiree Health Care Authority (NMRHCA)
Albuquerque Public Schools (APS)

<u>REQUEST FOR PROPOSALS (RFP)</u>

Group Basic Life and AD&D, Group Voluntary Life and AD&D, and Group Long Term Disability Coverage

RFP#
30-34300-22-00522

RFP Release Date: November 18, 2022

Proposal Due Date: December 22, 2022

ELECTRONIC-ONLY PROPOSAL SUBMISSION

II. CONDITIONS GOVERNING THE PROCUREMENT

This section of the RFP contains the schedule of events, the descriptions of each event, and the conditions governing this procurement.

A. SEQUENCE OF EVENTS

The Procurement Manager will make every effort to adhere to the following schedule:

Action	Responsible Party	Due Dates
1. Issue RFP	SPD	November 18, 2022
2. Acknowledgement of Receipt Form	Potential Offerors	November 30, 2022
3. Deadline to submit Written Questions	Potential Offerors	December 7, 2022
4. Response to Written Questions	Procurement Manager	December 16, 2022
5. Submission of Proposal	***Potential Offerors***	***December 22, 2022***
6.* Proposal Evaluation	Evaluation Committee	December 23, 2022 – January 18, 2023
7.* Selection of Finalists	Evaluation Committee	January 19, 2023
8.* Best and Final Offers	Finalist Offerors	February 2, 2023
9 * Oral Presentation(s)	Finalist Offerors	Week of February 6, 2023
10.* Finalize Contractual Agreements	Agency/Finalist Offerors	TBD
11.* Contract Awards	Agency/ Finalist Offerors	TBD
12.* Protest Deadline	SPD	+15 days

*Dates indicated in Events 6 through 12 are estimates only, and may be subject to change without necessitating an amendment to the RFP.

B. EXPLANATION OF EVENTS

The following paragraphs describe the activities listed in the Sequence of Events shown in Section II.A. above.

1. Issue RFP

This RFP is being issued on behalf of the State of New Mexico IBAC on the date indicated in Section II.A, Sequence of Events.

2. Acknowledgement of Receipt Form

Potential Offerors may e-mail the Acknowledgement of Receipt Form (APPENDIX A), to the SPD buyer, Yuliastuti Wulandari, Yuliastuti.Wulandari@gsd.nm.gov, to have their

V. EVALUATION

A. EVALUATION POINT SUMMARY

The following is a summary of evaluation factors with point values assigned to each. These weighted factors will be used in the evaluation of individual potential Offeror proposals by sub-category.

TABLE 1 – EVALUATION POINT SUMMARY

Evaluation Factors *(Correspond to section IV.B and IV C)*	**Points Available**
B. Technical Specifications (600 Total Points)	
B. 1. Organizational Experience	25
B. 2. Organizational References	15
B. 3. Mandatory Specifications	Pass/Fail
B. 4. Technical Requirements	
Qualifications & Experience	45
Minimum Bid Qualifications	45
Account Management	55
Customer Service	55
Financial	45
Underwriting	40
Communication/Reporting	40
Basic Life & AD&D	75
Voluntary Life & AD&D	75
LTD	65
B. 5. Desirable Specifications	20
C. Business Specifications (400 Total Points)	
C. 1. Financial Stability	Pass/Fail
C. 2. Letter Of Transmittal	Pass/Fail
C. 3. Campaign Contribution Disclosure Form	Pass/Fail
C. 4. Oral Presentations	100
C. 5. Cost	
Basic Life and AD&D, Voluntary Life and AD&D	200
Long Term Disability	100
TOTAL POINTS AVAILABLE	**1,000**
C. 6. New Mexico / Native American Resident Preference	**80**
C. 6. New Mexico / Native American Resident Veteran Preference Points per Section IV C.6	**100**

B. EVALUATION FACTORS

1. B.1 Organizational Experience (See Table 1)

Points will be awarded based on the thoroughness and clarity of Offeror's response in this Section. The Evaluation Committee will also weigh the relevancy and extent of Offeror's experience, expertise, and knowledge; and of personnel education, experience and certifications/licenses. In addition, points will be awarded based on Offeror's candid and well-thought-out response to successes and failures, as well as the ability of the Offeror to learn from its failures and grow from its successes.

2. B.2 Organizational References (See Table 1)

Points will be awarded based upon an evaluation of the responses to a series of questions on the Organizational Reference Questionnaire (Appendix E). Offeror will be evaluated on references that show positive service history, successful execution of services and evidence of satisfaction by each reference. References indicating significantly similar services/scopes of work and comments provided by a submitted reference will add weight and value to a recommendation during the evaluation process. Points will be awarded for each individual response up to 1/3 of the total points for this category. Lack of a response will receive zero (0) points.

The Evaluation Committee may contact any or all business references for validation of information submitted. If this step is taken, the Procurement Manager and the Evaluation Committee must all be together on a conference call with the submitted reference so that the Procurement Manager and all members of the Evaluation Committee receive the same information. Additionally, the Agency reserves the right to consider any and all information available to it (outside of the Organizational Reference information required herein), in its evaluation of Offeror response per Section II.C.18.

3. B.3 Mandatory Specifications

Pass/Fail only. No points assigned.

4. B.4 Technical Requirements

Points will be awarded based on the thoroughness and clarity of Offeror's response in this section. The evaluation committee will also weigh the extent, significance and relevancy and value of the responses to the following sections of the Technical Requirements Questionnaire:

- Qualifications & Experience
- Minimum Qualifications
- Account Management
- Customer Service
- Financial
- Underwriting
- Communications/Reporting
- Basic Life & AD&D

- Voluntary Life & AD&D
- Long Term Disability

5. B.5 Desirable Specifications

Points will be awarded based on an evaluation of the responses to the Desirable Specifications Questionnaire.

6. C.1 Financial Stability (See Table 1)

Pass/Fail only. No points assigned.

7. C.2 Letter of Transmittal (See Table 1)

Pass/Fail only. No points assigned.

8. C.3 Campaign Contribution Disclosure Form (See Table 1)

Pass/Fail only. No points assigned.

9. C.4 Oral Presentation (See Table 1)

Points will be awarded based on the quality, organization and effectiveness of communication of the information presented, as well as the professionalism of the presenters and technical knowledge of the proposed staff. Prior to Oral Presentation, Agency will provide the Offeror a presentation agenda. (If no Oral Presentations are held all Offerors will receive the maximum amount of total points for this Evaluation Factor).

10. C.5 Cost (See Table 1)

The evaluation of each Offeror's cost proposal will be conducted using the following formula:

$$\frac{\text{Lowest Responsive Life Insurance Offeror's Cost}}{\text{Each Offeror's Life Insurance Cost}} \times \text{Available Life Insurance Award Points}$$

$$\frac{\text{Lowest Responsive Offeror's LTD Insurance Cost}}{\text{Each Offeror's LTD Insurance Cost}} \times \text{Available LTD Insurance Award Points}$$

Offeror's cost will be determined as the total premium cost during the maximum four-year contract term in the case of Life Insurance, and total premium cost during the initial two years of the contract plus total premium cost during the second two years based on rate caps provided for each year in the case of Long Term Disability (LTD) Insurance. .

11. C.6. New Mexico / Native American Resident Preferences

Percentages will be determined based upon the point-based system outlined in § 13-1-21 NMSA 1978 (as amended).

A. **New Mexico Resident Business Preference / Native American Resident Preference**
If an Offeror has provided a copy of its New Mexico Resident Preference Certificate or Native American Resident Preference Certificate, the points awarded will be calculated as 8% of the total points available in this RFP.

B. **New Mexico / Native American Resident Veteran Preference**
If an Offeror has provided a copy of its New Mexico Resident Veteran Preference Certificate or Native American Resident Veteran Preference Certificate, the points awarded will be calculated as 10% of the total points available in this RFP.

C. EVALUATION PROCESS

1. All Offeror proposals will be reviewed for compliance with the requirements and specifications stated within the RFP. Proposals deemed non-responsive will be eliminated from further consideration.

2. The Procurement Manager may contact the Offeror for clarification of the response as specified in Section II. B.6.

3. Responsive proposals will be evaluated on the factors in Section IV, which have been assigned a point value in Section V. The responsible Offerors with the highest scores may be selected as finalist Offerors, based upon the proposals submitted. In accordance with §13-1-117 NMSA 1978, the responsible Offerors whose proposals are most advantageous to each IBAC agency taking into consideration the Evaluation Factors in Section V will be recommended for award by that agency (as specified in Section II.B.11). Please note, however, that a serious deficiency in the response to any one factor may be grounds for rejection regardless of overall score.

FILED 1st JUDICIAL DISTRICT COURT
Santa Fe County
11/4/2022 4:48 PM
KATHLEEN VIGIL CLERK OF THE COURT
Edith Suarez-Munoz

FIRST JUDICIAL DISTRICT COURT
COUNTY OF SANTA FE
STATE OF NEW MEXICO

VICTORIA LOPEZ,

Plaintiff-Appellant,

v. **No. D-101-CV-2019-02546**

NEW MEXICO RETIREE HEALTH CARE AUTHORITY,

Defendant-Appellee.

JUDGMENT ON MANDATE

This matter comes before the Court pursuant to Rule 1-085 NMRA on the mandate of the Court of Appeals of New Mexico. Pursuant to Rule 1-074 NMRA, Plaintiff appealed the decision by the New Mexico Retiree Health Care Authority ("NMRHCA") to terminate her NMRHCA health insurance coverage to this Court. On June 24, 2020, this Court issued an order affirming the decision.

Plaintiff filed a petition for a writ of certiorari in the New Mexico Court of Appeals regarding the order. On January 19, 2021, the Court of Appeals issued an order in which it denied the petition with regard to the issues in the petition subject to discretionary review but recognized that the constitutional issue was appealable as of right and therefore subject to further review. On August 25, 2021, the Court of Appeals issued a notice of proposed summary disposition regarding the constitutional issue in which it proposed to affirm this Court's rulings on the constitutional issues raised by Plaintiff regarding the termination of her NMRHCA health care coverage. On December 22, 2021, following its review of Plaintiff's response to the notice of proposed summary disposition, the Court of Appeals issued a memorandum opinion in which it affirmed this Court's rejection of Plaintiff's constitutional violation claims.

Plaintiff subsequently petitioned for certiorari review by the New Mexico Supreme Court of the Court of Appeals' dispositions of the issues upon which she sought certiorari review. On March 24, 2022, the Supreme Court issued an order denying the petition. Plaintiff filed a motion for rehearing regarding the denial and a brief in support of the motion. On May 11, 2022, the Supreme Court issued an order denying the motion for rehearing.

On June 2, 2022, the Court of Appeals issued a mandate remanding the case to this Court for any further proceedings consistent with the original decision/order entered in the case. Now, therefore, pursuant to the mandate of the appellate court,

IT IS ORDERED, ADJUDGED, AND DECREED that this Court's order of June 24, 2020, shall remain in full force and effect;

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this case is dismissed with prejudice.

BRYAN BIEDSCHEID
District Court Judge

4DDEF

Submitted by:

/s/ Jenica Jacobi
Jenica Jacobi
Counsel for Defendant New Mexico
Retiree Health Care Authority

New Mexico Retiree Health Care Authority

Audit Exit Conference
November 21, 2022

Issued Reports

We issued the following reports for the year ended June 30, 2022

- Audit report on the financial statements of New Mexico Retiree Health Care Authority
- *Government Auditing Standards* Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Unmodified Opinion

Financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America

- No circumstances that affected the form and content of the auditor's report

Non-Attest Service

Moss Adams assisted management with drafting RHCA's financial statements

Issuance Date

We plan to issue reports no later than November 23, 2022, the deadline mandated by New Mexico State Audit Rule.

Audit Findings

- No material weaknesses noted
- No significant deficiencies noted
- Other matter and recommendation (repeated)
  - Finding does not rise to level of a material weakness or significant deficiency
  - Funded status increased from 25.4% to 33.3% due to increase in the blended discount rate
  - Fund continues to be significantly underfunded and long-term sustainability is jeopardized

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- No compliance findings noted (NMAC 2.2.2)

Financial Summary

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	Year Ended June 30,		
	2022	2021	2020
TOTAL OPEB LIABILITY (a)	$ 3,467,298,517	$ 4,409,849,335	$ 5,028,579,923
PLAN FIDUCIARY NET POSITION			
Contributions - employee and retiree	231,293,103	225,347,087	226,384,131
Contributions - employer	101,638,912	96,642,910	96,565,646
Net investment (loss) income	(49,543,613)	217,737,204	10,836,882
Other revenue	80,090,039	69,460,889	59,759,289
Claims and premiums paid	(323,815,703)	(315,956,002)	(316,936,067)
Administrative expenses	(3,466,768)	(3,404,448)	(3,686,967)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	36,195,970	289,827,640	72,922,914
PLAN FIDUCIARY NET POSITION - BEGINNING	1,119,499,545	829,671,905	756,748,991
PLAN FIDUCIARY NET POSITION - ENDING (b)	1,155,695,515	1,119,499,545	829,671,905
NET OPEB LIABILITY (a) - (b)	$ 2,311,603,002	$ 3,290,349,790	$ 4,198,908,018
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	33.33%	25.39%	16.50%

Audit Areas of Emphasis

INTERNAL CONTROLS → **ANALYTICAL PROCEDURES** → **SUBSTANTIVE PROCEDURES**

INTERNAL CONTROLS

- Investments
- Contributions
- Premium and claims payments
- Payroll
- Financial reporting
- IT systems

ANALYTICAL PROCEDURES

- Investment earnings
- Claims activity
- Expenses
- Trends, comparisons, and expectations

SUBSTANTIVE PROCEDURES

- Investment confirmations and testing
- Contributions
- Capital assets, including leases (GASB No. 87)
- Benefit payments, including IBNR
- Actuarial assumptions and measurements
- Representations from legal counsel and management

Required Communications

Entrance Conference:

- Auditor's responsibility under GAAS, *Government Auditing Standards*, and NM Audit Rule
- Planned scope and timing of audit

Exit Conference:

- Significant audit findings
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues

Required Communications – Exit Conference

- Significant accounting policies are summarized in Note 2 of the financial statements
- Financial statement disclosures were consistent, clear and understandable
- Representations were requested and received from management
- The following adjustments were made during the audit:
  - Estimate of claims rebates and Medicare Part D - $3.3 million
  - Capitalization of information technology equipment - $29 thousand
  - True up the contributions perfectly match the detail by employers - $1.4 million
- No uncorrected misstatements noted
- New accounting standard: GASB No. 87 *Leases* was adopted and is described in Note 2 of the financial statements

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Required Communications – Exit Conference
(continued)

- No disagreements with management
  - Weekly status meetings with management and audit team
  - Hybrid audit approach with audit performed onsite and remotely
- Consultation with other independent auditors (none of which we are aware)
- No difficulties encountered during the audit
- Illegal acts (none noted)
- Ability to continue as a going concern (no disclosure necessary)
- Consideration of fraud in a financial statement audit
  - Procedures performed included journal entry testing and interviews of personnel
- Moss Adams is independent with respect to New Mexico Retiree Health Care Authority and State of New Mexico

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THANK YOU

- Audit performed within the scope and timeline discussed during our entrance meeting and audit planning
- Attitude from management and staff was one of helpfulness, candor and availability in response to audit requests

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Engagement Partner
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Aaron Hamilton
Audit Senior Manager
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(505) 837-7630

Investments & Pensions Oversight Committee

Representative Patricia Roybal Caballero, Chair
Senator Roberto "Bobby" J. Gonzales, Vice Chair

Agency Update and Legislative Proposal

November 3, 2022

Doug Crandall, President
Therese Saunders, Vice President
LeAnne Larrañaga-Ruffy, Secretary
Neil Kueffer, Executive Director

Board Members

Governed by 11-member Board of Directors:

- Doug Crandall, President -- Retired Public Employees of New Mexico (RPENM)
- Therese Saunders, Vice President -- NEA, Teachers Association
- LeAnne Larranaga-Ruffy, Secretary – Public Employees Retirement Association Designee
- Rick Scroggins – Educational Retirement Board Designee
- Tomas Salazar -- New Mexico Association of Educational Retirees (NMAER)
- Tim Eichenberg -- State Treasurer
- Terry Linton -- Governor Appointee
- Jamie Widner -- Superintendents Association
- Sanjay Bhakta -- Municipal League
- Lance Pyle -- Association of Counties
- Raquel Alirez -- State Classified Employee, State Personnel Office

Program Composition, Participation & Financing

Active participation – 92,484 (6/30/21)

- Public Employer Groups - 302
  - Schools – 50%
  - State agencies – 25%
  - Local government– 25%

Retiree participation – 67,927 (11/1/22)

- Medicare – 41,015
- Pre-Medicare – 13,014
- Voluntary Only – 13,898
- Retirees – 48,736
- Spouses/DP – 16,508
- Dependent Children – 2,683
- Average Age Retiree – 70.82
  - Enrollment – 60.70 (2021)
  - Enrollment – 61.42 (2022)
- Retirees Under age 55 – 1,742

FY23 Budget

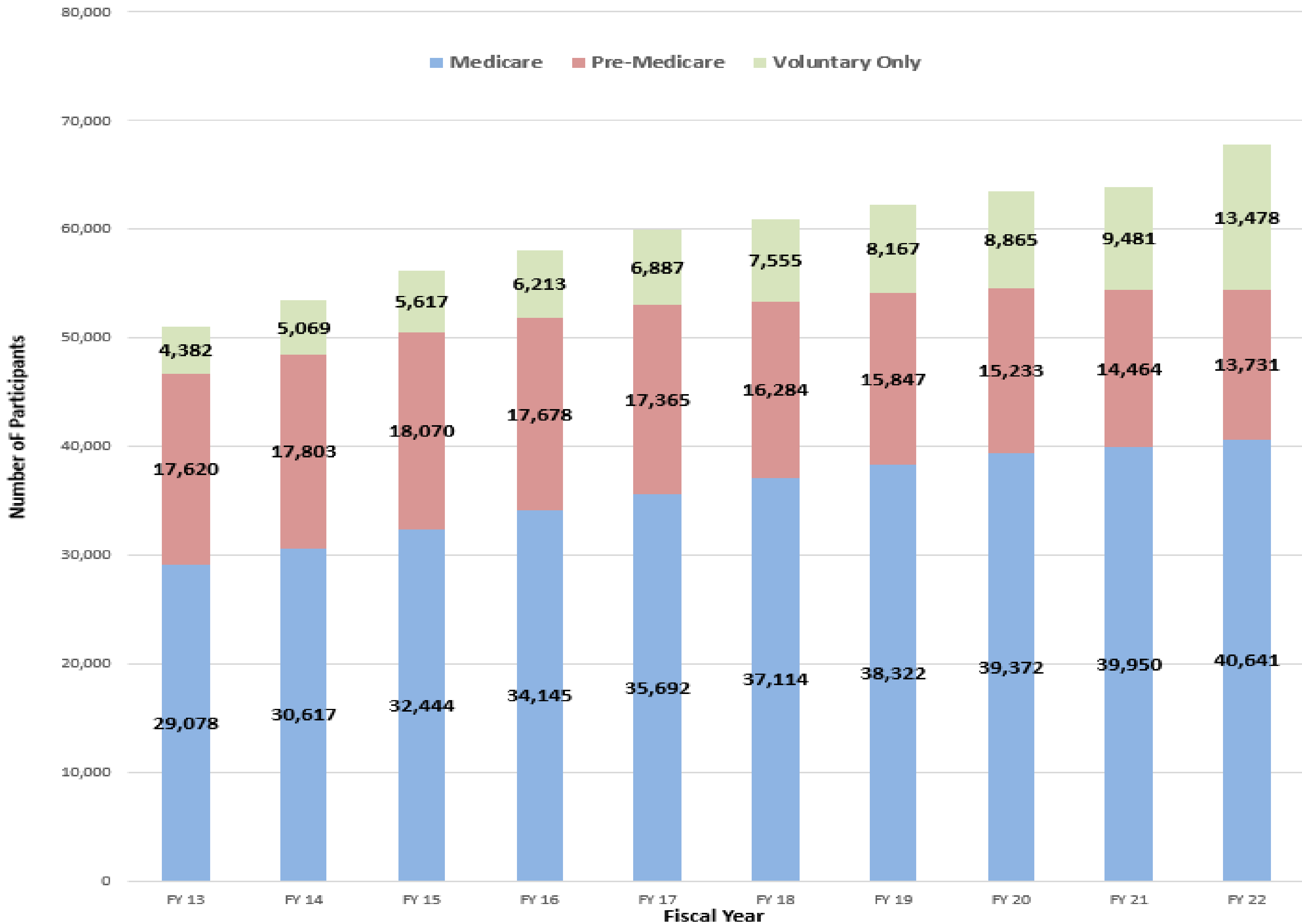
Healthcare Benefits Administration

- Uses:
  - Benefits - $376.9 million
  - ACA Fees - $45 thousand
  - Other Financing Uses - $3.6 million (operations)
- Sources:
  - EE/ER Contributions - $124.6 million
  - Retiree Contributions - $179.5 million
  - Tax & Rev Suspense Fund - $41.3 million
  - Misc. Revenue - $35 million
  - Interest - $100 thousand

Program Support (26 FTE)

- Salaries & Benefits - $2.3 million
- Contractual Services - $674.9 thousand
- Other Costs - $587 thousand

Retiree Plan Participation



Operational Updates

Annual Board Meeting held on July 14 & 15, 2022

- Benefit Changes Calendar Year 2023
  - Increase in pre-Medicare rates of 4% & Medicare Supplement rates of 2%
  - Changes to plan design in pre-Medicare plans
  - Medicare Advantage rates varied: decrease $15.02 up to $4 increase (*based on maximum years of service*)

Fall Switch/Open Enrollment – October 1 – November 15

- In-person meetings and online question and answer sessions

Medical Only Open Enrollment – Fall 2022 thru January 2023

Annual Financial Audit for FY22 – in progress

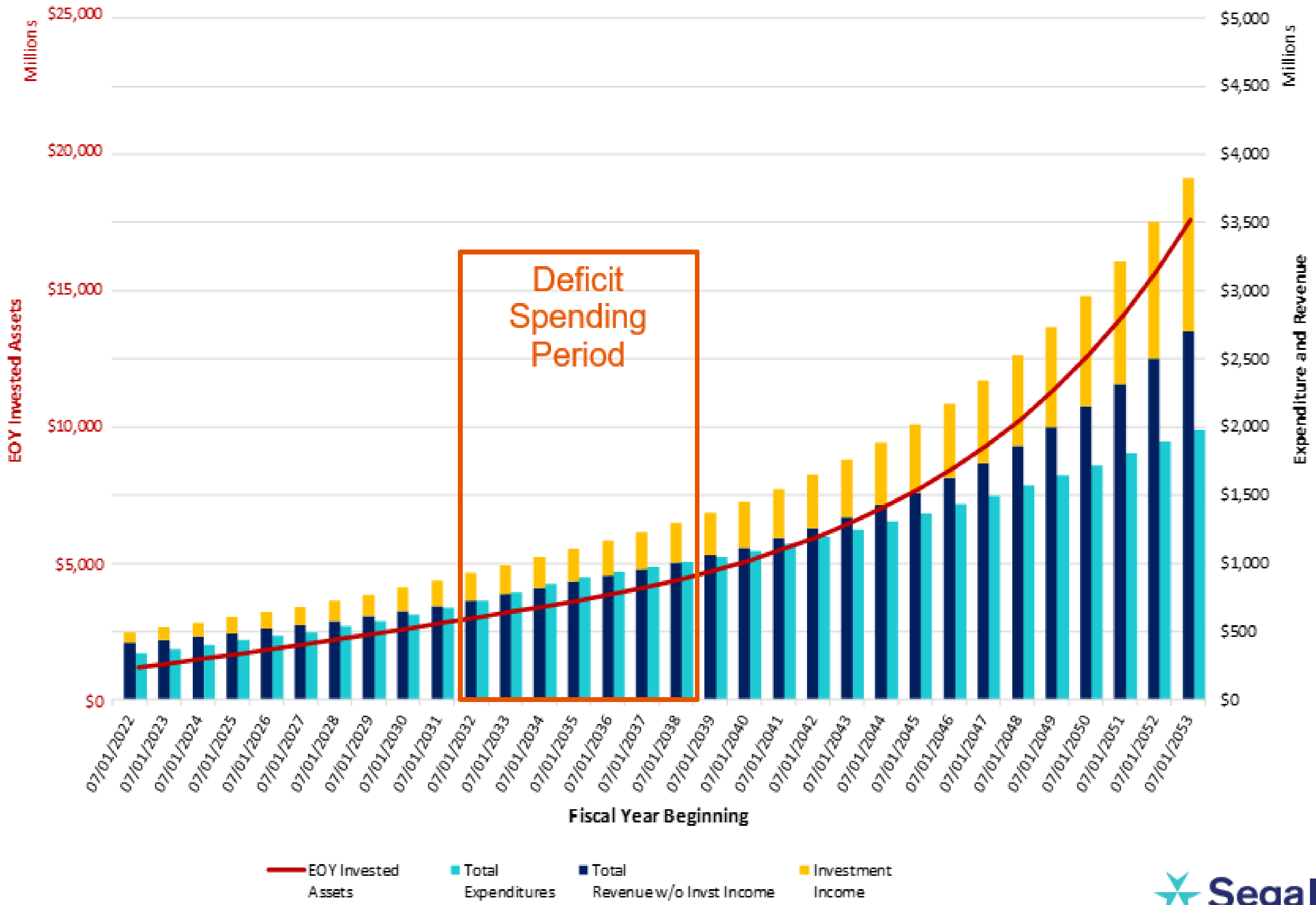
Governmental Accounting Standards Board (GASB) 74 – in progress

Solvency

Strategic Planning Tool

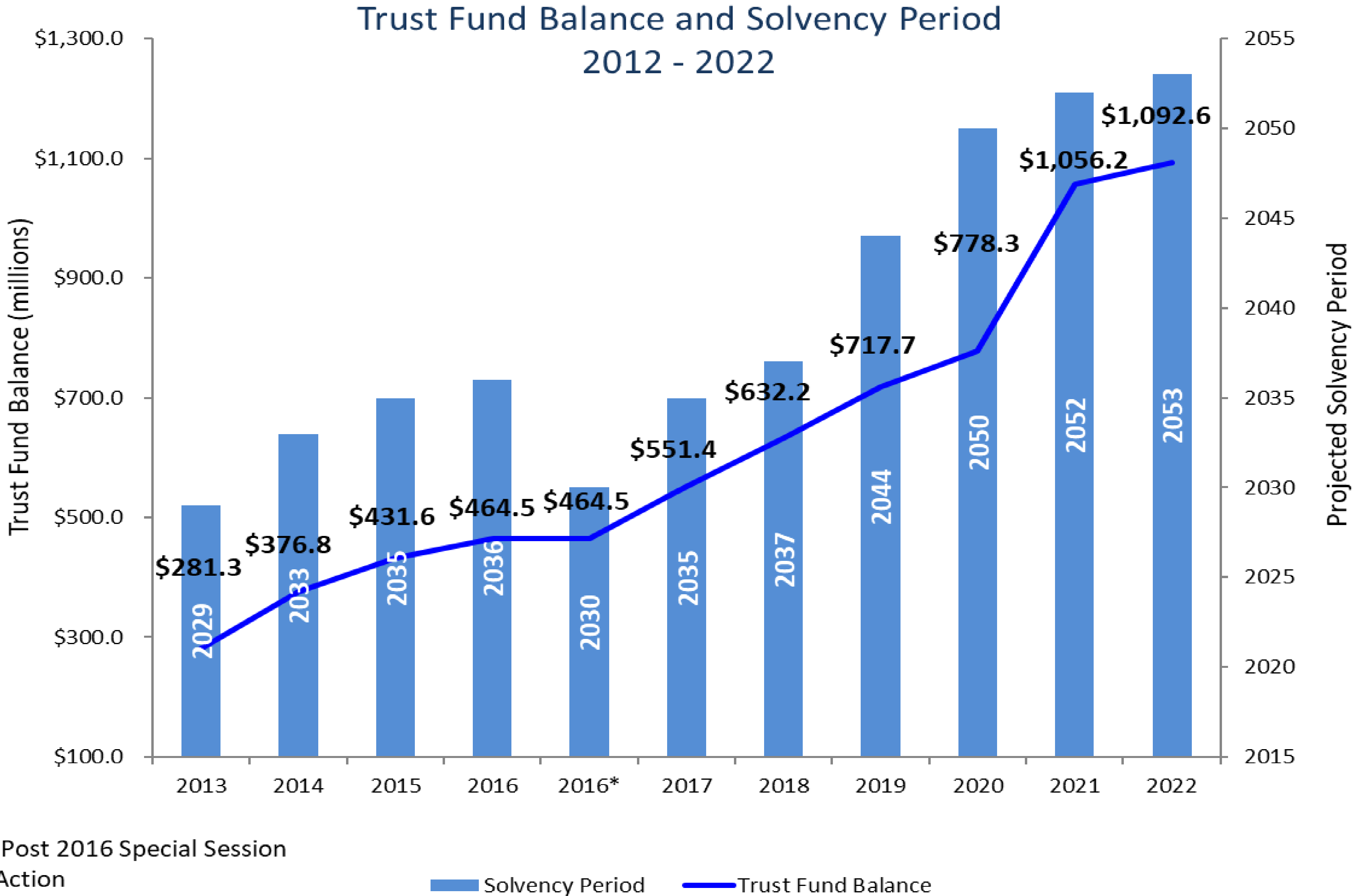
- Projected Revenues
  - Employee & Employer Contributions (set by statute)
  - Retiree Medical Premiums (set by Board of Directors)
  - Retiree Ancillary Premiums (not subsidized/pass through)
  - Tax & Revenue Suspense Fund (set by statute)
  - Miscellaneous (Medicare subsidies, Drug Rebates, Performance Guarantees - Varies)
- Projected Expenses
  - Medical & Prescription
  - Retiree Ancillary Premiums
  - Administrative Fees
  - Agency Operating Expenses
- Major Assumptions
  - Payroll Growth: 8.92% for FY23 and 2.75% thereafter
  - Discount Rate: 7.00%
  - Medical Trend: 8%
  - Plan Selection: Migration to Lower Costing Plans
  - Plan Design Changes: Increased Copays, Coinsurance and Deductibles
  - Plan Rates: Continue to Grow in Accordance with Medical Trend

Solvency Updates



Segal

Solvency Updates Cont.



*Post 2016 Special Session Action

GASB 74

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2021
  - Completed December 6, 2021
  - Total OPEB Liability: $4,409,849,335 (2021) /$5,028,579,923 (2020)
  - Net OPEB Liabilities (NOL) decreased $894.2 million, due to the following:
    - An increase in the blended discount rate
    - Updated per capita health care costs
    - Discount rate – 3.62% compared to 2.86% in 2020
      - Blend rate = 7.00% assumed investment return + 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.16% as of June 30, 2021)
  - NOL: $3,290,349,790 (2021) / $4,198,908,018 (2020)
    - 1% Decrease in Discount Rate - $4,134,247,608
    - 1% Increase in Discount Rate - $2,633,889,896
    - 1% Decrease in Health Care Cost Trend - $2,646,501,227
    - 1% Increase in Health Care Cost Trend - $3,808,841,141
  - Funded Status: 25.39% (2021) / 16.50% (2020)

Investment Performance

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

As of June 30, 2022

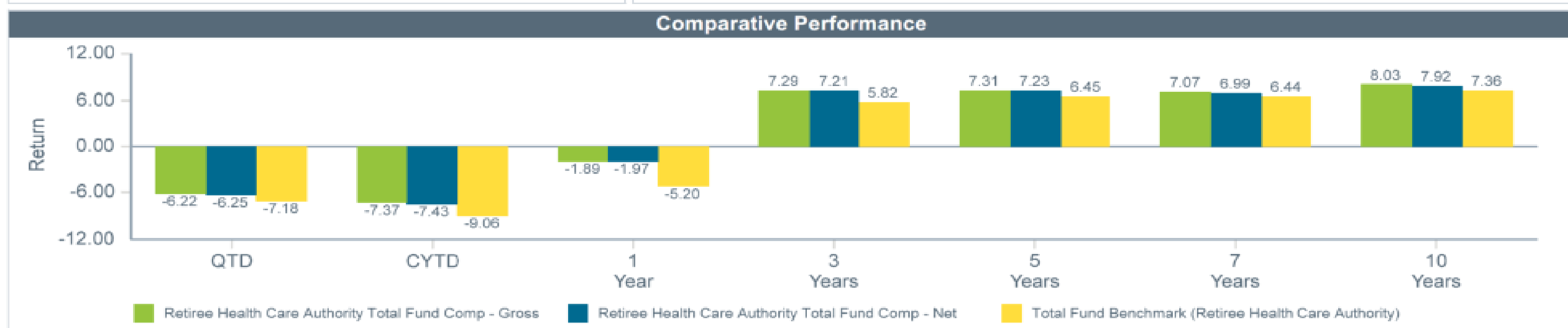
Overview

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

Asset Allocation vs. Target Allocation

	Market Value ($)	Allocation (%)	Target (%)	Difference (%)
US Large Cap Index	160,808,342	14.72	14.00	0.72
US Small/Mid Cap Index	21,888,101	2.00	2.00	0.00
Non-US Developed Markets Index	128,530,678	11.76	14.00	-2.24
Non-US Emerging Markets Active	84,128,783	7.70	10.00	-2.30
US Core Bonds	179,633,501	16.44	20.00	-3.56
Credit & Structured Finance	163,658,772	14.98	15.00	-0.02
Real Return	51,336,213	4.70	5.00	-0.30
Real Estate	127,829,418	11.70	10.00	1.70
Private Equity	174,756,566	15.99	10.00	5.99
Total Fund	1,092,570,374	100.00	100.00	0.00

Comparative Performance



Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2021	2020	2019
Retiree Health Care Authority Total Fund Comp - Gross	**-6.22**	**-7.37**	**-1.89**	**7.29**	**7.31**	**7.07**	**8.03**	**15.61**	**9.88**	**13.27**
Total Fund Benchmark (Retiree Health Care Authority)	*-7.18*	*-9.06*	*-5.20*	*5.82*	*6.45*	*6.44*	*7.36*	*12.66*	*10.20*	*14.34*
Difference	0.96	1.69	3.31	1.47	0.86	0.63	0.67	2.95	-0.32	-1.07
Retiree Health Care Authority Total Fund Comp - Net	**-6.25**	**-7.43**	**-1.97**	**7.21**	**7.23**	**6.99**	**7.92**	**15.51**	**9.83**	**13.21**
Total Fund Benchmark (Retiree Health Care Authority)	*-7.18*	*-9.06*	*-5.20*	*5.82*	*6.45*	*6.44*	*7.36*	*12.66*	*10.20*	*14.34*
Difference	0.93	1.63	3.23	1.39	0.78	0.55	0.56	2.85	-0.37	-1.13

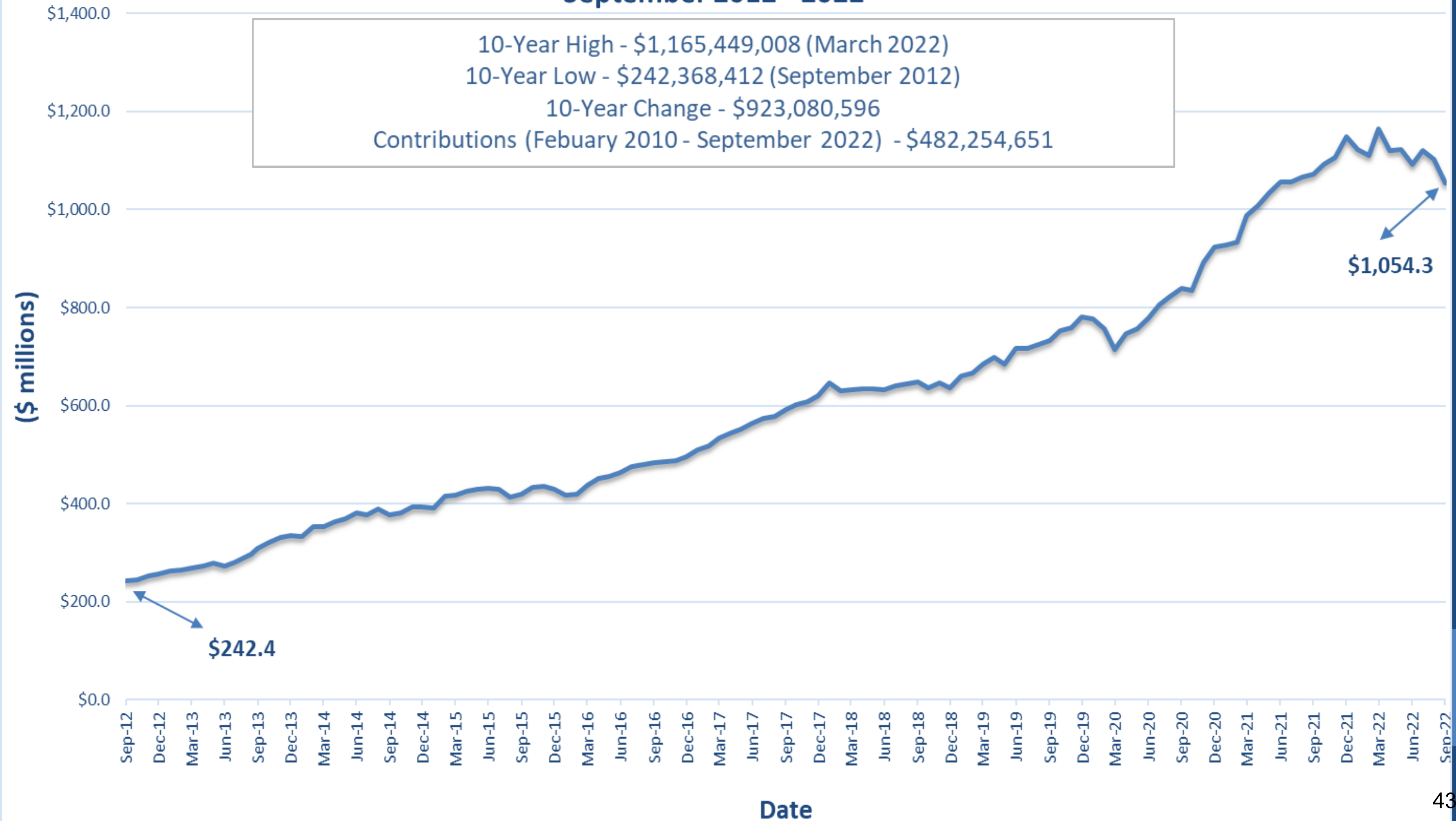
Schedule of Investable Assets

Periods Ending	Beginning Market Value ($)	Net Cash Flow ($)	Gain/Loss ($)	Ending Market Value ($)	% Return
CYTD	**1,149,233,513**	**30,000,000**	**-86,663,139**	**1,092,570,374**	**-7.43**

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.

RVK

Trust Fund



NMRHCA Actions

Changes last ten years

- Premium increases - keep pace with rising costs
- Plan design changes
- Change in subsidy levels for pre-Medicare members
- Negotiated rates with vendors
- Eligibility rule changes
- Converted basic life insurance benefit $6K – member paid
- Wellness programs – Wise and Well initiative

Past Legislative Session Summary

Regular Session 2020

- HB 45 - Vetoed on March 11, 2020, citing concerns regarding the financial burden placed on agencies and corresponding impact on vacancy rates

Regular Session 2022

- Senate Bill 112 – Retiree Health Care Fund Contributions
  - Proposed to increase employee and employer contributions beginning FY23
    - 3% of payroll to 3.5% of payroll (non-enhanced)
    - 4.5% of payroll to 5.26% of payroll (enhanced)
  - Reduce unfunded liabilities
  - Protect against credit rating downgrades
  - Prefund future benefits
  - Keep benefits relevant as incentive for employees to stay
- 7th unsuccessful attempt to increase employee and employer contributions since 2013, with no change in 11 years

2023 Legislative Requests

Special Appropriation Request

- One-time money of $26 million to NMRHCA benefit program towards lowering unfunded status of program
  - Currently at 25% with goal of meeting 50% funded status
  - Equal to one year of increase for employee and employer contributions

Proposed Legislation

- Request for increase in employee and employer contributions
  - Employee contributions - 1.00% of salary to 1.17% of salary for employees who are not covered by an enhanced retirement plan and 1.25% of salary to 1.47% of salary for employees covered by an enhanced retirement plan.
  - Employer contributions - 2.00% of payroll to 2.33% of payroll for employees who are not covered by an enhanced retirement plan and 2.50% of payroll to 2.93% for employees who are covered by an enhanced retirement plan.

Legislative Proposal Impact

Proposed Bill – Retiree Health Care Fund Contributions

- Amends the Retiree Health Care Act

Example: Employee earning $40,000 annually

- Increases employee contributions from 1 percent to 1.17 percent of salary (non-enhanced)
- Increases employer contributions from 2 percent to 2.33 percent of salary (non-enhanced)

Employee Impact:

- Contributions would increase by $68 per year, $5.67 per month, or $2.62 bi-weekly

Employer Impact:

- Contributions would increase by $132 per year, $11 per month, or $5.08 bi-weekly

NMRHCA Impact

- Reoccurring revenue of approximately $27 million
- Minimizes use of investment earnings to support benefits
- Further extends solvency beyond 30-year projection period
- Increase funded status over 50%
- Lowers reported GASB OPEB Liabilities

New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

505-222-6408

neil.kueffer@state.nm.us

Please call 1-800-233-2576 / 505-222-6400

Or visit us at: www.nmrhca.org or www.facebook/nmrhca

Business Hours: 8:00AM – 5:00PM (Monday through Friday)

Appendix

Solvency Assumptions

Solvency Assumptions

New Mexico Retiree Health Care Authority

Baseline Scenario Assumptions for Long-Term Solvency Projections

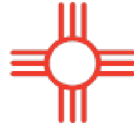
Assumption	Prior Assumption July 2018	Prior Assumption July 2019	Prior Assumption July 2020	Prior Assumption July 2021	Current Assumption July 2022
Asset Balance	Use May 31, 2018 fund balance of $633,374,610 as an estimate for 7/1/2018 fund balance	Use May 31, 2019 fund balance of $684,913,335 as an estimate for 7/1/2019 fund balance	Use April 30, 2020 fund balance of $746,782,548 as an estimate for 7/1/2020 fund balance	Use May 31, 2021 fund balance of $1,033,793,409 as an estimate for 7/1/2021 fund balance	Use May 31, 2022 fund balance of $1,122,750,027 as an estimate for 7/1/2022 fund balance
Investment Return	7.25%	No Change	No Change	No Change – Baseline / 7.00% - adopted	7.00%
Annual Growth in Payroll	FY2018 payroll estimated to be $4,169,085,993, increasing 2.0% in FY2019, 0.0% in FY2020, and 3.5% thereafter	FY2019 payroll estimated to be $4,172,928,635, increasing 4.0% in FY2020, 0.0% in FY2021, and 3.0% thereafter	FY2020 payroll estimated to be $4,317,892,502, increasing 0.0% through FY2021, 0.0% in FY2022, and 3.0% thereafter	FY2021 payroll estimated to be $4,614,243,876, increasing 0.0% through FY2022 and 2.75% thereafter	FY2022 payroll estimated to be $4,745,115,641, increasing 8.92% through FY2023 and 2.75% thereafter
Contribution Rates (Employer/Employee)					
Public Safety, et al	2.50%/1.25%	No Change	No Change	No Change	No Change
Other Occupations	2.00%/1.00%	No Change	No Change	No Change	No Change
Annual Growth in Retirees					
Non-Medicare	based on FY2014 open valuation output table	No Change	No Change	No Change	No Change
Medicare	based on FY2014 open valuation output table	No Change	No Change	No Change	No Change
Retiree Ancillary Costs	Assumed to equal premium expenses and is paid fully by retirees	No Change	No Change	No Change	No Change
Pension Tax Revenue	$26,256,221 for FY2018, frozen through FY2019, increasing 12% thereafter	$29,406,967 for FY2019, increasing 12% thereafter	$32,935,804 for FY2020, increasing 12% thereafter	$36,888,100 for FY2021, increasing 12% thereafter	$41,314,672 for FY2022, increasing 12% thereafter
HB 728/573 Revenue	Eliminated effective 1/1/2017	No Change	No Change	No Change	No Change
Rx Rebates	Rebates of $32,085,060 estimated for FY2019; proposed contract terms reflected through FY2020, increased at retiree growth rate thereafter.	FY2020 Rebates of $31,566,468 based on projection provided by ESI; increased at retiree growth rate thereafter.	FY2021 Rebates of $31,813,007 based on projection provided by ESI; increased at retiree growth rate thereafter.	FY2022 Rebates of $30,894,349 based on projection provided by ESI; increased at retiree growth rate thereafter.	FY2023 Rebates of $44,176,082 based on the IBAC PBM RFP - BAFO from ESI as a percent of projected claims; increased at retiree growth rate thereafter.
EGWP Revenue Components:					
Direct Subsidy	CY2018 and CY2019 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure through CY2020 (one half of Medicare Rx trend CY2021+)	CY2019 and CY2020 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend +1% for donut hole closure through CY2020 (one half of Medicare Rx trend CY2021+)	CY2020 and CY2021 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend	CY2021 and CY2022 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend, with subsidy in each year after CY2022 bounded below by $0	CY2022 and CY2023 projected by ESI; thereafter increases annually at retiree growth rate, plus one half of Medicare Rx trend, with subsidy in each year after CY2023 bounded below by $0
Federal Reinsurance	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate	CY2019 and CY2020 projected by ESI; CY2021+ annual increase at only retiree growth rate	CY2020 and CY2021 projected by ESI; CY2022+ annual increase at only retiree growth rate	CY2021 and CY2022 projected by ESI; CY2023+ annual increase at only retiree growth rate	CY2022 and CY2023 projected by ESI; CY2024+ annual increase at only retiree growth rate
Low Income Subsidy	0.0% annual increase to CY2018 estimate of $2.87 PMPM	0.0% annual increase to CY2019 estimate of $2.96 PMPM	0.0% annual increase to CY2020 estimate of $2.89 PMPM	0.0% annual increase to CY2021 estimate of $2.67 PMPM	0.0% annual increase to CY2022 estimate of $2.72 PMPM
Coverage Gap Discount Program	CY2018 and CY2019 projected by ESI; CY2020+ annual increase at only retiree growth rate	CY2019 and CY2020 projected by ESI; CY2021+ annual increase at only retiree growth rate	CY2020 and CY2021 projected by ESI; CY2022+ annual increase at only retiree growth rate	CY2021 and CY2022 projected by ESI; CY2023+ annual increase at only retiree growth rate	CY2022 and CY2023 projected by ESI; CY2024+ annual increase at only retiree growth rate
Short Term Interest	$0 projected for FY2014, increasing 0.0% annually	No Change	No Change	No Change	No Change
Subrogation	$283,753 estimated for FY2018, increased at retiree growth rate	$372,748 estimated for FY2019, increased at retiree growth rate	$327,755 estimated for FY2020, increased at retiree growth rate	$235,063 estimated for FY2021, increased at retiree growth rate	$504,767 estimated for FY2022, increased at retiree growth rate
Annual Trend					
Medicare Advantage	8.00%	CY2020 increases estimated at 30% for Humana, 12% for BCBS, 15% for Presbyterian, and 20% for United Healthcare; 8% thereafter	CY2021 increases based on actual rates as provided by NMRHCA staff; CY2022, Humana MA increase at 7% and all other MA plans increase at 14%; 7% increases thereafter for all plans	CY2021 increases based on actual rates as provided by NMRHCA staff; CY2022, MA increases based on actual rates provided by NMRHCA staff; all other years MA plans increase at 7% thereafter	CY2022 increases based on actual rates as provided by NMRHCA staff; CY2023, MA increases based on actual rates provided by NMRHCA staff; all other years MA plans increase at 7% thereafter
Medicare Supplement	8.00%	9% for CY2020; 8% thereafter	8.00%	8.00%	8.00%
Medicare Rx	8.00%	10% for CY2020; 8% thereafter	8.00%	8.00%	8.00%
Non-Medicare Medical	8.00%	9% for CY2020; 8% thereafter	8.00%	8.00%	8.00%
Mental Health	Included in Medical Trend	No Change	No Change	No Change	No Change
Non-Medicare Rx	8.00%	10% for CY2020; 8% thereafter	8.00%	8.00%	8.00%
Medical Rates	Annual Non-Medicare rate increases of 8% in 2019-2023 and 4% thereafter, 6% Medicare Supplement rate increase in 2019-2033 and 3% thereafter	Annual Non-Medicare rate increases of 7% in 2020, 8% in 2021-2023 and net 8% with plan changes, 5% Medicare Supplement rate increase in 2020, 6% in 2021-2033 and net 6% with plan changes thereafter	Annual Non-Medicare rate increases of 6% in 2021, 8% in 2022-2024 and net 8% with plan changes, 4% Medicare Supplement rate increase in 2021, 6% in 2022-2033 and net 6% with plan changes thereafter	Annual Non-Medicare rate increases of 8% in 2022-2024 and net 8% with plan changes, 6% Medicare Supplement rate increase in 2022, 6% in 2023-2033 and net 6% with plan changes thereafter	Annual Non-Medicare rate increases of 8% in 2023-2024 and net 8% with plan changes, 6% Medicare Supplement rate increase in 2022, 6% in 2023-2035 and net 6% with plan changes thereafter

Solvency Assumptions Cont.

New Mexico Retiree Health Care Authority

Baseline Scenario Assumptions for Long-Term Solvency Projections

Assumption	Prior Assumption July 2018	Prior Assumption July 2019	Prior Assumption July 2020	Prior Assumption July 2021	Current Assumption July 2022
Life Insurance	Assumes level total premium on Basic Life through CY17 decreasing 2.5% per year through CY21	Reflects impact of 2019 RFP	No Change	No Change	No Change
Dental	6.00%	No Change	No Change	No Change	No Change
Vision	5.00%	No Change	No Change	No Change	No Change
Program Support	$3,015,200 budgeted for FY2018, increasing 2.5% annually thereafter	$3,135,900 budgeted for FY2019, increasing 2.5% annually thereafter	$3,296,900 budgeted for FY2020, increasing 2.5% annually thereafter	$3,247,100 budgeted for FY2021, increasing 2.5% annually thereafter	$3,412,800 budgeted for FY2022, increasing 2.5% annually thereafter
Administrative Services Fee	Individual fee components based on existing contract terms in place, increasing 2.00% annually thereafter	No Change	No Change	No Change	No Change
Plan Design Changes					
Medical					
Medicare	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Includes impact of elimination of cost-sharing for Behavioral Health services under SB 317. Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Includes impact of elimination of cost-sharing for Behavioral Health services under SB 317. Annual plan changes in CY2036 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	Discontinue NM Health Connections Value plan effective 6/30/18 with members assumed to migrate to BCBS Value plan. Beginning CY2019, add 3rd BCBS Premier plan tier with restricted network; annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Includes impact of elimination of cost-sharing for Behavioral Health services under SB 317. Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath the eliminated Excise Tax threshold	Includes impact of elimination of cost-sharing for Behavioral Health services under SB 317. Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath the eliminated Excise Tax threshold
Rx					
Medicare	Beginning CY2019, increase brand copays; annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2034 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2036 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Non-Medicare	Beginning CY2019, add SavOnSP Copay Assistance Program and increase brand copays	Annual plan changes in CY2024 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath Excise Tax threshold	Annual plan changes in CY2025 and beyond such that projected claims and expenses remain beneath Excise Tax threshold
Basic Life and AD&D	No new entrants	No new entrants	No new entrants	No new entrants	No new entrants
Annual Index in Cadillac Tax Thresholds	3%	3%	3%	3%	3%
Annual Increase in PCORI Fee	Projected increase in National Health Expenditures, per CMS Office of the Actuary	N/A. PCORI fee has now expired	Projected increase in National Health Expenditures, per CMS Office of the Actuary (PCORI Fee Reinstated)	Projected increase in National Health Expenditures, per CMS Office of the Actuary (PCORI Fee Reinstated)	Projected increase in National Health Expenditures, per CMS Office of the Actuary (PCORI Fee Reinstated)
Member Rate Share					
Retiree					
Medicare	50%	No Change	No Change	No Change	No Change
Non-Medicare	36% in CY2016+	No Change	No Change	No Change	No Change
Spouse					
Medicare	75%	No Change	No Change	No Change	No Change
Non-Medicare	64% in CY2016+	No Change	No Change	No Change	No Change
Child(ren)					
Medicare	100%	No Change	No Change	No Change	No Change
Non-Medicare	100%	No Change	No Change	No Change	No Change
Minimum Service to Receive Full Subsidy	20 years	Consistent with Board Approved Rule Change to 2.8.11 NMAC effective January 2021	Changes effective date to July 2021	No Change	No Change
Minimum Participation Age	None	No Change	No Change	No Change	No Change
Member Migration / Participation	No Change, Plan A default to UHC MA I, Plan B default to Humana MA I; 50% opt out of Medicare Advantage Default elections to Medicare Supplement	No Change, Plan A default to UHC MA I, Plan B default to Humana MA I; 50% opt out of Medicare Advantage Default elections to Medicare Supplement	Non-Medicare members migrate from Premier to Value plan until plan changes are triggered in 2025 (2% annual shift from Premier); All Medicare members default to UHC MA I plan; 50% opt out of Medicare Advantage Default elections to Medicare Supplement	Non-Medicare members migrate from Premier to Value plan until plan changes are triggered in 2025 (1.75% annual shift from Premier); All Medicare members default to UHC MA I plan; 50% opt out of Medicare Advantage Default elections to Medicare Supplement	Non-Medicare members migrate from Premier to Value plan until plan changes are triggered in 2025 (1.75% annual shift from Premier); All Medicare members default to UHC MA I plan; 50% opt out of Medicare Advantage Default elections to Medicare Supplement



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

Legislative Finance Committee

Representative Patricia A. Lundstrom, Chair
Senator George K. Munoz, Vice Chair

FY24 Appropriation Request
November 15, 2022

Doug Crandall, President
Therese Saunders, Vice President
LeAnne Larranaga-Ruffy, Secretary
Neil Kueffer, Executive Director

Program Composition, Participation & Financing

Active participation – 92,484 (6/30/21)

- Public Employer Groups - 302
  - Schools – 50%
  - State agencies – 25%
  - Local government– 25%

Retiree participation – 67,927 (11/1/22)

- Medicare – 41,015
- Pre-Medicare – 13,014
- Voluntary Only – 13,898
- Retirees – 48,736
- Spouses/DP – 16,508
- Dependent Children – 2,683
- Average Age Retiree – 70.82
  - Enrollment – 60.70 (2021)
  - Enrollment – 61.42 (2022)
- Retirees Under age 55 – 1,742

FY23 Budget

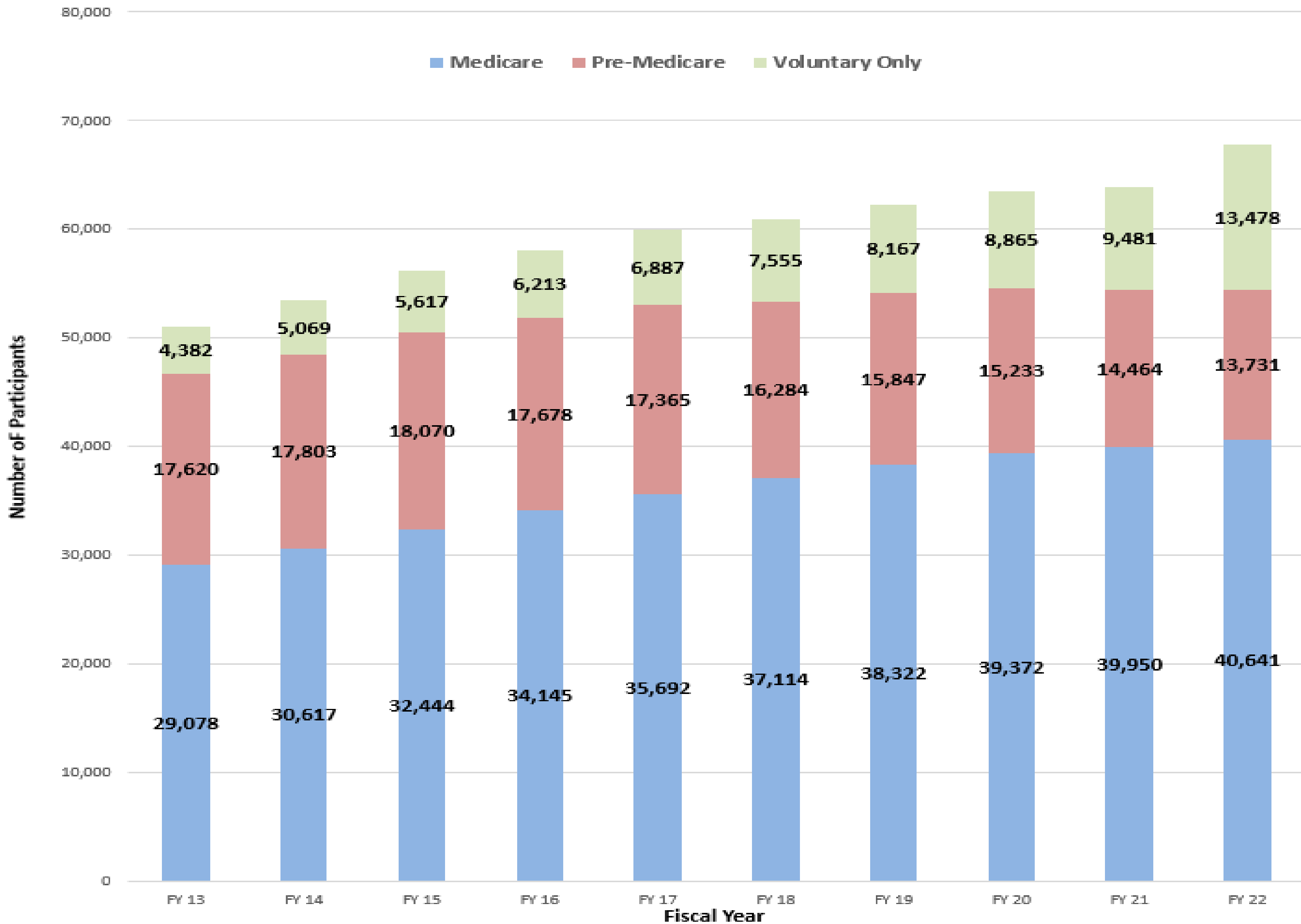
Healthcare Benefits Administration

- Uses:
  - Benefits - $376.9 million
  - ACA Fees - $45 thousand
  - Other Financing Uses - $3.6 million (operations)
- Sources:
  - EE/ER Contributions - $124.6 million
  - Retiree Contributions - $179.5 million
  - Tax & Rev Suspense Fund - $41.3 million
  - Misc. Revenue - $35 million
  - Interest - $100 thousand

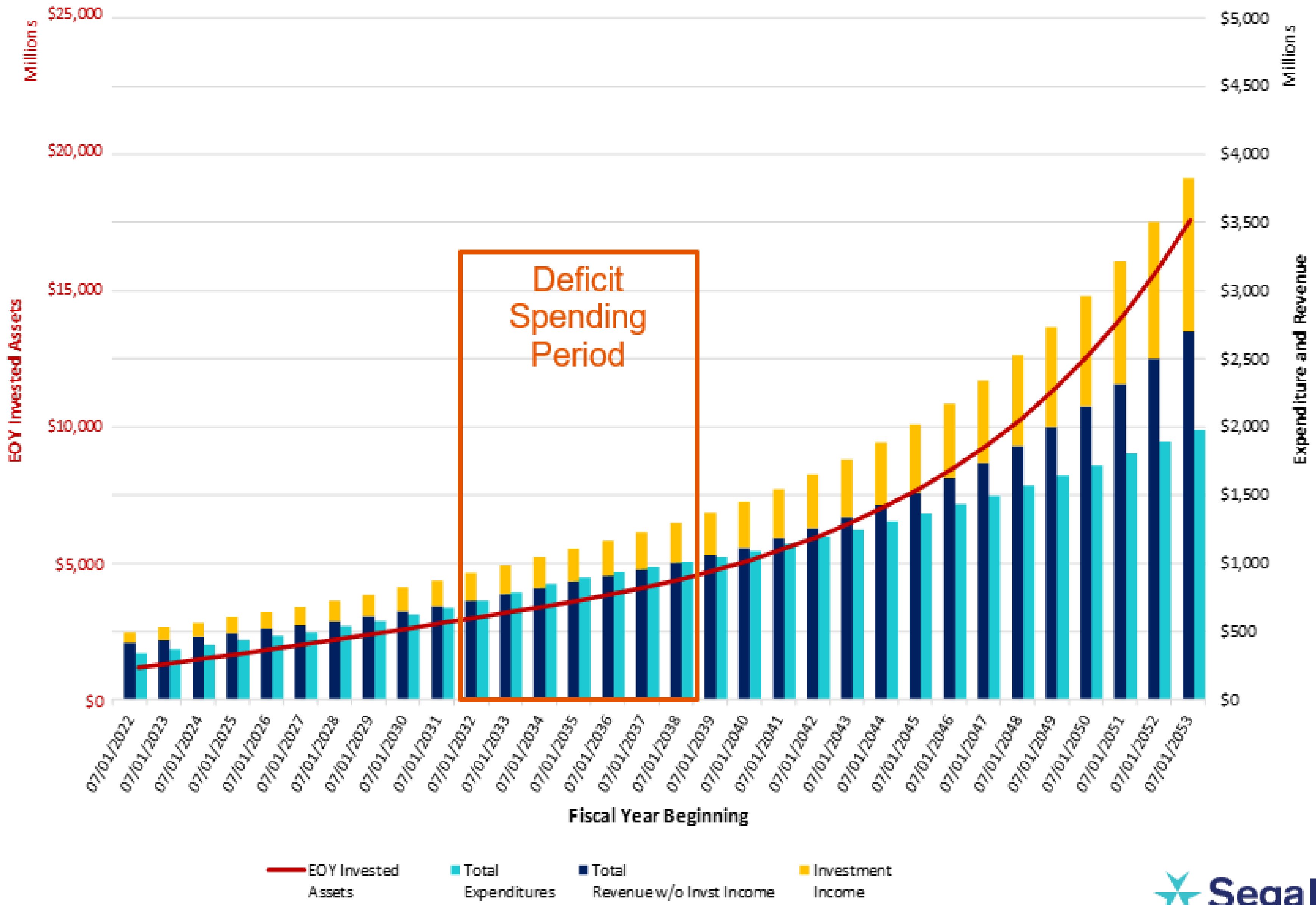
Program Support (26 FTE)

- Salaries & Benefits - $2.3 million
- Contractual Services - $674.9 thousand
- Other Costs - $587 thousand

Retiree Plan Participation



Solvency Updates



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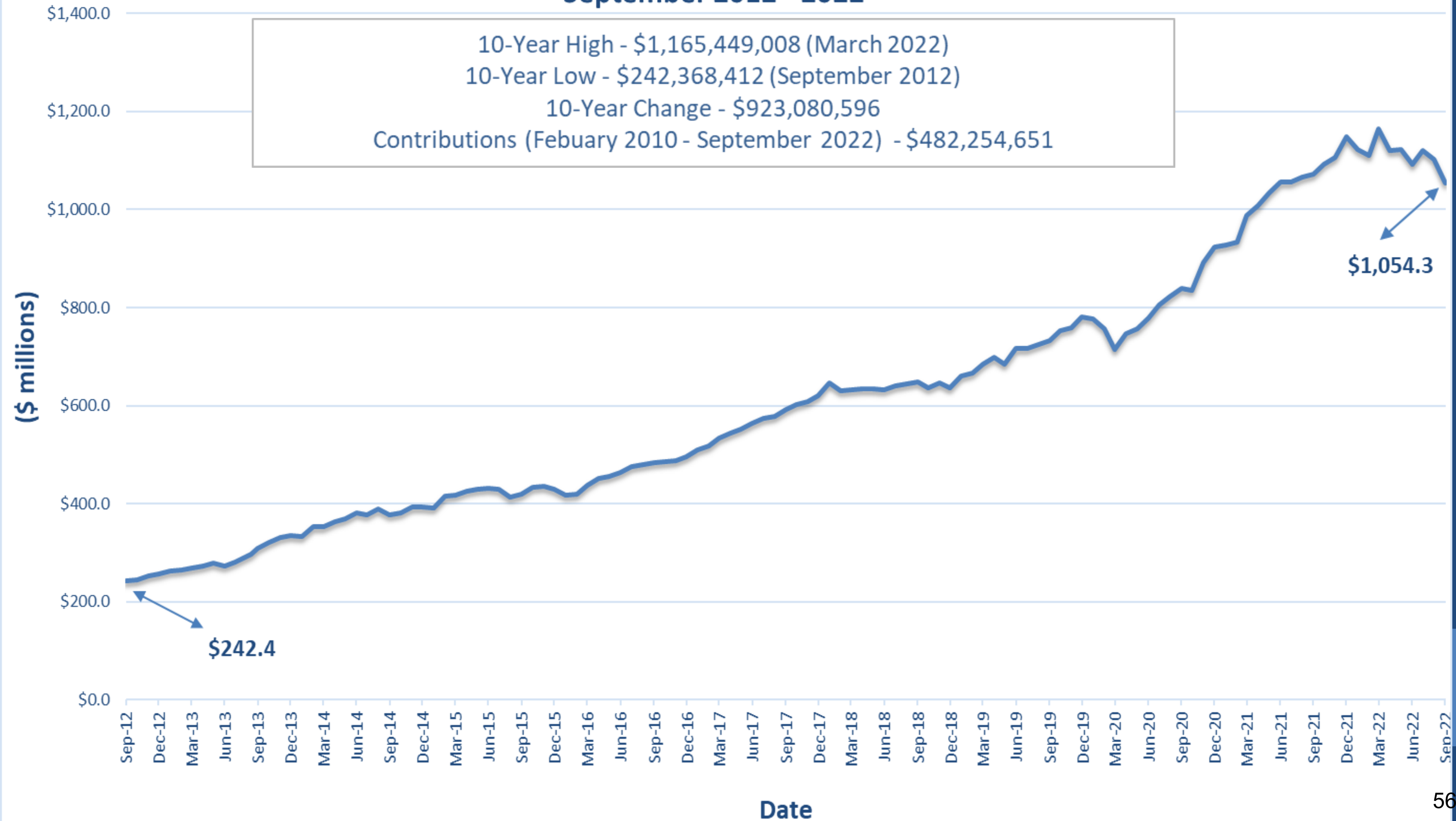
Trust Fund



GASB 74

- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 30, 2021
  - Completed December 6, 2021
  - Total OPEB Liability: $4,409,849,335 (2021) /$5,028,579,923 (2020)
  - Net OPEB Liabilities (NOL) decreased $894.2 million, due to the following:
    - An increase in the blended discount rate
    - Updated per capita health care costs
    - Discount rate – 3.62% compared to 2.86% in 2020
      - Blend rate = 7.00% assumed investment return + 20-year tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher (2.16% as of June 30, 2021)
  - NOL: $3,290,349,790 (2021) / $4,198,908,018 (2020)
    - 1% Decrease in Discount Rate - $4,134,247,608
    - 1% Increase in Discount Rate - $2,633,889,896
    - 1% Decrease in Health Care Cost Trend - $2,646,501,227
    - 1% Increase in Health Care Cost Trend - $3,808,841,141
  - Funded Status: 25.39% (2021) / 16.50% (2020)

Healthcare Benefits Administration

	Health Benefit Fund Expenditure Summary						
		FY22	FY22	FY23	FY24	FY24	%	
	Contractual Services	**OPBUD**	**ACTUALS**	**OPBUD**	**INC/DEC**	**REQUEST**	**CHANGE**	
1	Prescriptions	$ 116,800.7	$ 108,059.7	$ 126,000.0	$ 4,500.0	$ 130,500.0	3.6%	**1**
2	Medical - Supplement/Self- Insured	$ 168,000.0	$ 159,244.9	$ 183,876.7	$ 4,750.0	$ 188,626.7	2.6%	**2**
3	Medicare Advantage	$ 29,951.0	$ 17,442.7	$ 26,450.0	$ 1,850.0	$ 28,300.0	7.0%	**3**
4	Voluntary Coverages	$ 38,750.0	$ 36,841.3	$ 40,600.0	$ 2,350.0	$ 42,950.0	5.8%	**4**
5	**Total Contractual Services**	$ 353,501.7	$ 321,588.6	$ 376,926.7	$ 13,450.0	$ 390,376.7	3.6%	**5**
	Other							
6	PCORI Fee	$ 43.9	$ 39.1	$ 45.0	$ -	$ 45.0	0.0%	**6**
7	**Total Other**	$ 43.9	$ 39.1	$ 45.0	$ -	$ 45.0	0.0%	**7**
	Other Financing Uses							
8	Program Support	$ 3,280.7	$ 3,280.7	$ 3,558.2	$ 475.9	$ 4,034.1	13.4%	**8**
9	**Total Other Financing Uses**	$ 3,280.7	$ 3,280.7	$ 3,558.2	$ 475.9	$ 4,034.1	13.4%	**9**
10	**Total Expenditures**	**$ 356,826.3**	**$ 324,908.4**	**$ 380,529.9**	**$ 13,925.9**	**$ 394,455.8**	**3.7%**	**10**

*Table in Thousands

NMRHCA Requests a $13.9 Million Increase in Spending Authority for FY24.

- Healthcare Benefits Administration $390.4 million about 99% total budget - excluding Program Support

- This Request Includes the Following Assumptions:
  - Modest growth in overall plan participant numbers and an increase in the number of members electing lower premium/higher out-of-pocket expense plans.
  - Continued migration and election of lower costing Medicare Advantage Plans compared to Medicare Supplement.
  - Growth in medical and pharmacy plan costs resulting from increases in cost and utilization in plans.

Program Support

	Uses		FY22 OPBUD	FY22 ACTUALS	FY23 OPBUD	FY24 INC/DEC	FY24 REQUEST	PERCENT CHANGE	
	Program Support Expenditure Summary								
1	200	Personal Services/ Employee Benefits	2,110.7	1,944.8	2,296.3	376.8	2,673.6	18.6%	1
2	300	Contractual Services	621.4	589.9	674.9	60.9	735.8	8.5%	2
3	400	Other Costs	548.6	536.9	587.0	38.2	625.2	6.7%	3
4		**TOTAL**	**3,280.7**	**3,071.6**	**3,558.2**	**475.9**	**4,034.6**	**14.4%**	4

*Table in Thousands

Personal Services and Employee Benefits Includes $475,900(14.4%) Increase, above FY23

- NMRHCA request for Program support $4,034,600 about 1% of total budget.
- Approved Operating Levels Include Full Funding for 26 FTE and request for 3 new FTE.
- Request for 3 positions:
  - Additional need for IT support for data protection and infrastructure
  - Provide for more oversight, review, and evaluation of programs
  - Place appropriate agency duties for specific position related to office management
  - Staffing has not increased since 2017 but later decreased in 2020 by one HR position.
  - Member participation has grown FY13 to current by 16,847 or over 30%

Contractual Services Includes $60,900 (8.5%) Increase for Actuarial and Benefits Consulting Services, Investment Advisory Services, Human Resource and Legal Services, IT Programing Charges, and Board Reporting and Recording Services.

This Request Includes $38,200 (6.7%) Increase in the Other Category Spread Across Multiple Line Items.

2023 Legislative Requests

Special Appropriation Request

- One-time money of $26 million to NMRHCA benefit program towards lowering unfunded status of program

Proposed Legislation

- Request for increase in employee and employer contributions
  - Employee contributions - 1.00% of salary to 1.17% of salary for employees who are not covered by an enhanced retirement plan and 1.25% of salary to 1.47% of salary for employees covered by an enhanced retirement plan.
  - Employer contributions - 2.00% of payroll to 2.33% of payroll for employees who are not covered by an enhanced retirement plan and 2.50% of payroll to 2.93% for employees who are covered by an enhanced retirement plan.
- NMRHCA Impact
  - Reoccurring revenue of approximately $27 million
  - Minimizes use of investment earnings to support benefits
  - Lowers reported GASB OPEB Liabilities
  - Increase funded status towards goal of 50%

New Mexico Retiree Health Care Authority

Neil Kueffer, Executive Director

505-222-6408

neil.kueffer@state.nm.us

Please call 1-800-233-2576 / 505-222-6400

Or visit us at: www.nmrhca.org or www.facebook/nmrhca

Business Hours: 8:00AM – 5:00PM (Monday through Friday)

New Mexico Retiree Health Care Authority (CP)
Change in Market Value
For the Month of Oct 2022
(Report as of November 16, 2022)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	172,025,469.90	-	-	-	448,461.17	(2,688,275.39)	169,785,655.68
Credit & Structured Finance	162,835,241.05	-	-	-	314,216.69	(926,934.69)	162,222,523.05
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	116,565,275.38	-	-	-	90,966.61	5,523,791.43	122,180,033.42
Non-US Emerging Markets Active Pool	75,107,602.73	-	-	-	48,036.40	(1,353,255.12)	73,802,384.01
Private Equity Pool	169,200,243.60	-	-	-	131,812.24	62,461.98	169,394,517.82
Real Estate Pool	131,463,576.75	-	-	-	206,431.16	(139,540.04)	131,530,467.87
Real Return Pool	52,959,160.93	-	-	-	173,203.88	580,664.83	53,713,029.64
US Large Cap Index Pool	153,387,155.94	-	-	-	169,410.79	12,134,580.50	165,691,147.23
US SMID Cap Alternative Weighted Index Pool	20,713,598.63	-	-	-	20,315.44	2,538,477.99	23,272,392.06
Sub - Total New Mexico Retiree Health Care	1,054,257,324.91	-	-	-	1,602,854.38	15,731,971.49	1,071,592,150.78
Total New Mexico Retiree Health Care A	**1,054,257,324.91**	**-**	**-**	**-**	**1,602,854.38**	**15,731,971.49**	**1,071,592,150.78**

New Mexico Retiree Healthcare Authority

Governmental Accounting Standards Board (GASB) Statement 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2022

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

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November 18, 2022

Board of Trustees
New Mexico Retiree Healthcare Authority
6300 Jefferson St NE, Suite 150
Albuquerque, NM 87109

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2022 under Governmental Accounting Standards Board Statement No. 74. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience. The non-retired census information was provided by New Mexico ERB and PERA. The retiree census and medical data information was provided by NMRHCA. The updated financial information was provided by NMRHCA on October 28, 2022. We have based our calculations on the information provided by these parties and the assistance is gratefully acknowledged.

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

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valuation and described in Section 4, Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Section 3, Exhibit III.

Sincerely,

Segal

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

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

JAC/

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents the results of our actuarial valuation of NMRHCA (the “Plan”) OPEB plan as of June 30, 2022, required by Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. This valuation is based on:

- The benefit provisions of NMRHCA OPEB Plan, as administered by the Board;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2021 (captured as of January 1, 2021), provided by NMRHCA;
- The assets of the Plan as of June 30, 2022, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2021, valuation; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc.

Highlights of the valuation

Accounting and Financial Reporting

1. For GASB 74 reporting as of June 30, 2022, the NOL was measured as of June 30, 2022. The Plan’s Fiduciary Net Position (plan assets) and the TOL were valued as of the measurement date.
2. Valuation assumption changes decreased the NOL by $1.125 billion. This was mainly due to an increase in the blended discount rate. Details regarding the assumption changes can be found in Exhibit II, Section 3.
3. The discount rates used to determine the TOL and NOL as of June 30, 2022 and 2021 were 5.42% and 3.62%, respectively. The detailed calculations used in the derivation of the “cross-over date” to determine the discount rate of 5.42% used in the calculation of the TOL and NOL as of June 30, 2022 can be found in Appendix A of Section 3. Various other information that is required to be disclosed can be found in Section 2.

4. The discount rate used in the valuation for financial disclosure purposes as of June 30, 2022 is a blend of the assumed investment return on Plan assets (e.g. 7.00% for the June 30, 2022 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.54% as of June 30, 2022 compared to 2.16% as of June 30, 2021). Because NMRHCA is not fully prefunding benefits, Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make benefit payment through June 30, 2059 (the projected beginning balance at July 1, 2059, is less than the projected benefit payments for the 2059/2060 year, before including projected contributions for the year). Projected benefit payments are discounted by the Plan investment return assumption of 7.00% until June 30, 2059. Benefit payments after June 30, 2059, are then discounted by the municipal bond rate of 3.54 %. The 5.42% is the blended discount rate reflecting benefits discounted by the Plan investment return assumption rate and the bond rate.
5. The Net OPEB Liability (NOL) as of June 30, 2022 is $2.312 billion, a decrease of $0.978 billion, from the prior valuation NOL of $3.290 billion. The decrease was mainly due to the higher discount rate.
6. As of June 30, 2022, the ratio of assets to the Total OPEB Liability (the funded ratio) is 33.33%. This is based on the market value of assets at this point in time. The funded ratio as of June 30, 2021 was 25.39%.

Funding (with funding policy)

7. The funding policy for the Plan does not rely upon an actuarially determined contribution. Retiree benefits are funded from a combination of employer contributions as a percentage (2.50% for Public Safety, and 2.00% for Other Occupations) of compensation and member contributions as a percentage (1.25% for Public Safety and 1.00% for Other Occupation) of compensation to fund the cost of the subsidy, with the remaining cost funded by retiree contributions, RHCA Statutory Distribution, investment income and pharmacy plan subsidies from Centers for Medicare and Medicaid Services (CMS).

Summary of key valuation results

Measurement Date		June 30, 2022	June 30, 2021
Disclosure elements for fiscal year ending June 30:	• Total OPEB Liability	$3,467,298,517	$4,409,849,335
	• Plan Fiduciary Net Position (Assets)	1,155,695,465	1,119,499,545
	• Net OPEB Liability	2,311,603,052	3,290,349,790
	• Plan Fiduciary Net Position as a percentage of Total OPEB Liability	33.33%	25.39%
	• Service Cost at Beginning of Year[1]	155,314,732	171,993,017
	• Covered Payroll	4,745,115,641	4,614,243,876
Schedule of contributions for fiscal year ending June 30:	• Statutory contributions	$187,238,171	$178,635,582
	• Actual contributions	189,266,136	177,813,458
	• Contribution deficiency / (excess)	(2,027,965)	822,124
	• Benefit Payments	99,776,575	102,376,381

[1] The service cost is based on the previous year's valuation, meaning the June 30, 2022, and 2021 values are based on the valuations as of June 30, 2021, and June 30, 2020, respectively. The key assumptions used in the June 30, 2020; valuation are as follows:

Discount rate	2.86%
Health care premium trend rates	
Non-Medicare	8.0% in 2020/2021 graded down to 4.5% over 14 years
Medicare	7.5% in 2020/2021 graded down to 4.5% over 12 years

Important information about actuarial valuations

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

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

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the NMRHCA to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the NMRHCA on October 28, 2022.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Models	Segal accounting results are based on proprietary actuarial modeling software. The accounting valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility, and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The blended discount rate used for calculating total pension liability is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model. Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

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

The actuarial valuation is prepared for use by the NMHRCA Finance Department. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
If the NMRHCA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
Sections of this report include actuarial results that are not rounded, but that does not imply precision.
Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The NMRHCA should look to their other advisors for expertise in these areas.
While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
Segal's report shall be deemed to be final and accepted by the NMRHCA upon delivery and review. NMRHCA should notify Segal immediately of any questions or concerns about the final content.

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

Actuarial Certification ***November 18, 2022***

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of New Mexico Retiree Healthcare Authority's other postemployment benefit programs as of June 30, 2022, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statement 74 for the determination of the liability for postemployment benefits other than pensions.

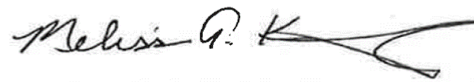
The actuarial valuation is based on the plan of benefits verified by the Plan and reliance on participant, premium, claims and expense data provided by the Plan or from vendors employed by the Plan. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility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

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

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

To the best of our knowledge, this report is complete and accurate and, in our opinion, presents the information necessary to comply with GASB Statement 74 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet the "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

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



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

Section 2: GASB 74 Information

General information about the OPEB plan

Plan Description

Plan administration. The NMRHCA administers the OPEB Plan - a multiple employer cost sharing OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of an employer participating in NMRHCA and eligible to receive a pension from either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB). For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation.

At the July 11, 2014, meeting, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020, will not receive any subsidy from NMRHCA before age 55. Amended November 29, 2018, the subsidy eligibility requirement of age 55 was deferred one year (from 2020) such that retirees not in a PERA enhanced pension plan who commence benefits after January 1, 2021, will not receive a subsidy from NMRHCA before age 55. On June 2, 2020, the Board approved amending the effective date of minimum years of service and age requirements to receive the maximum subsidy provided by the program from January 1, 2021, to July 31, 2021, in order to align with the school year-end and subsequent potential teacher retirements.

Adopted April 5, 2021, Senate Bill 315 grants employees who were employed with the Department of Public Safety (DPS) prior to July 1, 2015, and that were reported under the State General Plan 3 ('Non-Enhanced') retroactive eligibility in the State Police and Adult Correctional Officer Plan ('Enhanced') for purposes of retirement and health care benefits. This measure represents the impact of reclassifying those members to the Enhanced Plan for retiree healthcare subsidies based upon GASB 74 valuation assumptions and methods.

Plan membership. At June 30, 2021 (captured as of January 1, 2021, with service for active members increased by half year from census date to valuation date), OPEB Plan membership consisted of the following:

Retired members, beneficiaries and married dependents currently receiving benefits	53,092
Vested terminated members entitled to but not yet receiving benefits[1]	11,759
Active members[1]	92,520
Total	157,371

[1] Counts include employees from Santa Fe Solid Waste Management.

Section 2: GASB 74 Information

Benefits provided. Retirees and spouses are eligible for medical and prescription drug benefits. Dental vision, and life insurance benefits are also available, but were not included in this valuation, since they are 100% retiree-paid. Employees and dependents are valued for life. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Net OPEB liability

Measurement Date	June 30, 2022	June 30, 2021
Components of the Net OPEB Liability		
Total OPEB Liability	$3,467,298,517	$4,409,849,335
Plan Fiduciary Net Position	1,155,695,465	1,119,499,545
Net OPEB Liability	2,311,603,052	3,290,349,790
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	33.33%	25.39%

The Net OPEB Liability (NOL) was measured as of June 30, 2022 and 2021. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of June 30, 2021 (captured as of January 1, 2021).

- Discount rate has been calculated as a blend of the investment return on plan assets and municipal bond rate in accordance with GASB 74 and Illustration B2 of *Implementation Guide No. 2017-2, Financial Reporting Postemployment Benefit Plans Other Than Pension Plans*.

Plan provisions. The plan provisions used in the measurement of the Total OPEB Liability (TOL) as of June 30, 2022 are outlined in Exhibit II of Section 3:

- Amended November 29, 2018, and subsequently approved, the subsidy eligibility requirement of age 55 and the lower NMRHCA subsidy percentages were deferred one year (from 2020) and will be effective for eligible retirees not in a PERA enhanced retirement plan who commence benefits on or after January 1, 2021.
- On June 2, 2020, the Board approved amending the effective date of minimum years of service and age requirements to receive the maximum subsidy provided by the program from January 1, 2021, to July 31, 2021 (defer 7 months) in order to align with the school year.
- On June 2, 2020, the Board approved the reaffirmation of intent to modify plan designs to remain under the threshold that would have been in effect based on the PPACA “Cadillac” tax provisions that were in place immediately prior to its repeal on December 20, 2019.
- Adopted April 5, 2021, Senate Bill 315 grants employees who were employed with the Department of Public Safety (DPS) prior to July 1, 2015, and that were reported under the State General Plan 3 (‘Non-Enhanced’) retroactive eligibility in the State Police and Adult Correctional Officer Plan (‘Enhanced’) for purposes of retirement and health care benefits. This measure represents the impact of reclassifying those members to the Enhanced Plan for retiree healthcare subsidies based upon GASB 74 valuation assumptions and methods.

Section 2: GASB 74 Information

Actuarial assumptions. See Exhibit II in Section 3 for complete description. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018, and the New Mexico Educational Retirement Board (ERB) Actuarial Valuation Report as of June 30, 2020. In summary, the following actuarial assumptions were applied to all periods included in the June 30, 2022 measurement date:

Inflation	2.30% for ERB, 2.50% for PERA
Salary increases	ERB: Ranges from 3.00% to 10.00% based on years of service, including inflation. PERA: Ranges from 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	5.42%
Healthcare cost trend rates	
Non-Medicare Medical	8.0% in 2021/2022 graded down to 4.5% over 14 years
Medicare Supplement	7.5% in 2021/2022 graded down to 4.5% over 12 years
Medicare Advantage	Trends reflect actual premium increase in 2021/2022, then 7.00% in 2022/2023, graded down to 4.50% over 10 years
Other assumptions	Same as those shown in Exhibit II of Section 3

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

Determination of discount rate and investment rates of return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	20.00%	6.55%
Mid/Small Cap U.S. Equity	3.00%	6.55%
Developed Non-US Equity	12.00%	7.30%
Emerging Markets Equity	15.00%	9.20%
U.S. Core Fixed Income	20.00%	0.40%
Private Equity	10.00%	10.55%
Credit & Structured Finance	10.00%	3.10%
Absolute Return	5.00%	2.45%
Real Estate	5.00%	3.65%
Total	100.00%	

Rate of return. For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense and margin for adverse deviation, was assumed to be 7.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Municipal Bond Rate. 3.54% and 2.16% based on the 20-year municipal bond rate for the Bond Buyer GO Index as of June 30, 2022, and June 30, 2021, respectively.

Section 2: GASB 74 Information

Discount rate. The discount rates used to measure the Total OPEB Liability (TOL) were 5.42% and 3.62% as of June 30, 2022, and June 30, 2021, respectively. The projection of cash flows used to determine the discount rate assumed employer and plan member contributions will be made at the current contribution rate. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB Plan's assets was projected to be sufficient to make projected future benefit payments for current plan members through June 30, 2059 (the projected beginning balance at July 1, 2059, is less than the projected benefit payments for the 2059/2060 year, before including projected contributions for the year). Payments after that date would be funded by employer assets. Therefore, the long-term expected rate of return on OPEB Plan investments (7.00%) was applied to periods of projected benefit payments through June 30, 2059, and the 20-year municipal bond rate (3.54%) was applied to periods after June 30, 2059, to determine the TOL.

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

Sensitivity

The following presents the NOL of NMHRCA as well as what the NMRHCA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (4.42%) or 1-percentage-point higher (6.42%) than the current rate. Also, shown is the NOL as if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates.

	1% Decrease (4.42%)	Current Discount Rate (5.42%)	1% Increase (6.42%)
Net OPEB Liability (Asset)	$2,876,647,742	$2,311,603,052	$1,861,093,455
	1% Decrease in Health Care Cost Trend Rates	**Current Health Care Cost Trend Rates**	**1% Increase in Health Care Cost Trend Rates**
Net OPEB Liability (Asset)	$1,852,195,881	$2,311,603,052	$2,703,138,257

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

Measurement Date	June 30, 2022	June 30, 2021
Total OPEB Liability		
Service cost	$155,314,732	$171,993,017
Interest	163,469,038	147,282,724
Change of benefit terms	0	802,116
Differences between expected and actual experience	(36,122,262)	57,769,743
Changes of assumptions	(1,125,435,751)	(894,201,807)
Benefit payments[1]	(99,776,575)	(102,376,381)
Net change in Total OPEB Liability	($942,550,818)	($618,730,588)
Total OPEB Liability – beginning	4,409,849,335	5,028,579,923
Total OPEB Liability – ending	$3,467,298,517	$4,409,849,335
Plan Fiduciary Net Position[2]		
Contributions – employer	$101,567,526	$96,585,103
Contributions – employee	50,810,510	48,292,552
Net investment income	(49,543,611)	217,737,204
Benefit payments[1]	(99,776,575)	(102,376,381)
Administrative expense	(3,080,880)	(3,049,460)
Other[3]	36,218,950	32,638,622
Net change in Plan Fiduciary Net Position	$36,195,920	$289,827,640
Plan Fiduciary Net Position – beginning	1,119,499,545	829,671,905
Plan Fiduciary Net Position – ending	$1,155,695,465	$1,119,499,545
Net OPEB Liability – ending	$2,311,603,052	$3,290,349,790
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	33.33%	25.39%
Covered payroll	$4,745,115,641	$4,614,243,876
Plan Net OPEB Liability as percentage of covered payroll	48.72%	71.31%

See next page for footnotes.

Notes to Schedule:

[1] For measurement date June 30, 2022, this category equals Premium and claims paid ($323,478,948) offset by the sum of Retiree contributions ($180,500,394) and Medicare Part D subrogation and rebates ($43,201,979). For measurement date June 30, 2021, this category equals Premium and claims paid ($315,956,002) offset by the sum of Retiree contributions ($177,054,535) and Medicare Part D subrogation and rebates ($36,525,086).

[2] The Plan Fiduciary Net Position values are based on financial statements provided by NMRHCA on October 28, 2022.

[3] For measurement date June 30, 2022, this category equals sum of Employer buy-ins interest portion ($53,494) and tax administration suspense fund revenue ($36,888,100) offset by the sum of Refunds to retirees ($336,755), Depreciation expense ($385,888), and an adjustment made to beginning of year assets in order to match the June 30, 2021, Plan Fiduciary Net Position restated by NMRHCA after the completion of the June 30, 2021, GAS 74 valuation report ($1). For measurement date June 30, 2021, this category equals sum of Employer buy-ins interest portion ($57,807) and tax administration suspense fund revenue ($32,935,803) offset by the sum of Refunds to retirees ($317,658) and Depreciation expense ($37,330).

Schedule of contributions – Last ten fiscal years

Year Ended June 30	Statutory Contributions[1,2]	Contributions in Relation to the Statutory Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	353,657,828	135,388,449	218,269,379	3,876,220,608	3.49%
2014	367,804,141	149,277,185	218,526,956	N/A	N/A
2015	292,656,765	156,670,251	135,986,514	3,941,587,760	3.97%
2016	303,631,394	159,862,801	143,768,593	N/A	N/A
2017	317,546,941	159,379,195	158,167,747	4,165,647,340	3.83%
2018[3,4]	156,266,741	154,358,714	1,908,027	4,290,616,760	3.60%
2019[4]	160,077,200	159,030,773	1,046,427	4,172,928,635	3.81%
2020[4,5]	161,578,422	174,162,723	(12,584,301)	4,298,116,494	4.05%
2021[4]	178,635,582	177,813,458	822,124	4,614,243,876	3.85%
2022[4]	187,238,171	189,266,136	(2,027,965)	4,745,115,641	3.99%

[1] All “Statutory Contributions” through June 30, 2017, were determined as the “Annual Required Contribution” under GASB 43 and 45.
[2] Includes an interest adjustment to the end of the year though fiscal year end June 30, 2017.
[3] Covered payroll was rolled forward from the June 30, 2017, at 3.00% assumed payroll increases using a member-weighted average of PERA and ERB payroll growth rates rounded to the nearest 0.25%.
[4] The funding policy for the Plan does not rely upon an actuarially determined contribution. For illustration purposes, for fiscal years ended after June 30, 2017, we have applied the statutory contributions as described in the funding policy to payroll as of the beginning of the period.
[5] Covered payroll was projected forward from June 30, 2019, valuation at 3.00% assumed payroll increases for PERA and ERB.

Section 3: Supporting Information

Exhibit I: Summary of Participant Data

	As of June 30, 2021[1,2]
Number of retirees	39,471
Average age of retirees	71.18
Number of spouses	11,266
Average age of spouses	70.74
Number of surviving spouses	2,355
Average age	79.58
Number inactive vested	11,759
Average age	52.84
Number of actives	92,520
Average age	45.47
Average service	10.13

[1] The June 30, 2022, valuation was based on census data as of June 30, 2021.

[2] Counts include employees from Santa Fe Solid Waste Management.

Exhibit II: Actuarial Assumptions and Actuarial Cost Method

Data	Detailed census data and financial data for postemployment benefits were provided by: The non-retired census information was provided by New Mexico ERB and PERA. The retiree census and medical data information was provided by NMRHCA. The financial information was provided by NMRHCA on October 28, 2022.
Demographic Assumptions	Mortality, Retirement, Disability, Turnover, Inflation Rate and Salary Scale assumptions are based on: ➢ For PERA, the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018. ➢ For ERB, the New Mexico Educational Retirement Board (ERB) Actuarial Valuation Report as of June 30, 2020.
Actuarial Cost Method	Entry Age Actuarial Cost Method. Entry Age is the age at the member's hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Roll-forward Techniques	The results of the June 30, 2022, were based on the results for this Plan in the Actuarial Valuation and Review of Postretirement Welfare Benefits as of June 30, 2021, in accordance with GASB Statement No. 74, dated December 6, 2021, completed by Segal, adjusted forward using standard actuarial techniques and also adjusted for the changes in assumptions described below.
Asset Valuation Method	Market Value. The assets as of June 30, 2021, were based on financial statements provided by NMRHCA on October 28, 2022.
Measurement Date	June 30, 2022
Actuarial Valuation Date	June 30, 2021
Census Date	January 1, 2021
Discount Rate	5.42%
Payroll Increase	3.00%, assumed payroll increases for PERA. 2.60%, assumed payroll increases for ERB.

PERA Salary Increases

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

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

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

ERB Salary Scale

General Increase in Wage level Due to:

Inflation: 2.30%

Productivity increase rate: 0.70%

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

Years of Service	Annual Step Rate (%) / Promotional Components Rates of Increase	Total Annual Rate (%) of Increase
0	7.00	10.00
1	3.50	6.50
2	2.75	5.75
3	2.25	5.25
4	1.75	4.75
5	1.50	4.50
6	1.25	4.25
7	1.00	4.00
8	0.75	3.75
9	0.50	3.50
10-14	0.25	3.25
15 or more	0.00	3.00

PERA Post-Retirement Mortality Rates

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

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

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

PERA Pre-Retirement Mortality Rates

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

PERA Termination Rates before Retirement

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

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

PERA Termination Rates before Retirement (continued)

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

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

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

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

PERA Termination Rates before Retirement (continued)

	Disability Incidence Rates (%)						
	State General		State Police and Corrections[1]	Municipal General		Municipal Police	Municipal Fire
Age	Male	Female		Male	Female		
25	0.02	0.02	0.14	0.03	0.04	0.01	0.02
30	0.04	0.03	0.16	0.06	0.04	0.01	0.02
35	0.08	0.06	0.21	0.09	0.04	0.05	0.02
40	0.13	0.12	0.27	0.13	0.06	0.11	0.08
45	0.24	0.20	0.46	0.18	0.14	0.18	0.08
50	0.41	0.39	0.90	0.30	0.25	0.28	0.33
55	0.57	0.61	1.40	0.49	0.39	0.46	0.33
60	0.74	0.73	1.88	0.60	0.51	0.74	1.17
65	0.75	0.73	1.88	0.62	0.59	1.08	1.17

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

PERA Actives' Retirement Rates

	Retirement Rates (%)						
	State General		State Police and Corrections[1]	Municipal General		Municipal Police[2]	Municipal Fire[2]
Age	Male	Female		Male	Female		
40	25	25	40	20	25	30	30
45	25	25	40	20	25	30	25
50	25	25	40	20	25	30	20
55	25	25	40	20	25	30	25
60	30	25	35	15	25	30	20
65	25	25	35	15	25	30	20
70	25	20	100	20	15	100	100
75	25	20		20	15		
80	100	100		100	100		

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

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

Section 3: Supporting Information

ERB Post-Retirement Mortality Rates	*Healthy*: *Males:* 2000 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. *Females*: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. *Disabled:* *Males:* 2020 GRS Southwest Region Teacher Mortality Table, set forward three years with minimum rates at all ages of 4.0%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Females: 2020 GRS Southwest Region Teacher Mortality Table, set forward three years with minimum rates at all ages of 2.0%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. The tables shown above were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2020, ERB pension valuation.
ERB Pre-Retirement Mortality Rates	Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.
ERB Disability Rates Before Retirement	See table below

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

ERB Termination Rates before Retirement

Completed Service	Active Members Terminating During Year Rates (%) Males	Females
0	30.0	24.0
1	24.0	20.0
2	19.0	16.5
3	14.0	13.5
4	11.5	11.5
5	10.0	10.0
6	9.0	9.0
7	7.5	7.5
8	6.5	7.0
9	6.0	6.0
10	5.3	5.5
11	4.6	4.7
12	4.1	4.2
13	3.4	3.6
14	3.1	3.2
15	2.8	2.8
16	2.5	2.5
17	2.2	2.2
18	1.9	1.9
19 and over	0.0	0.0

ERB Retirement Rates

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

Male Retirement Rates (%)

Age	Years of Service 0-4	5-9	10-14	15-19	20-24	25	26+
45	0	0	0	0	0	25	15
50	0	0	0	0	0	25	18
55	0	0	0	0	5	20	18
60	0	0	0	15	20	25	25
62	0	0	30	30	30	25	25
65	0	40	35	30	30	25	25
67	0	25	25	25	30	25	25
70	100	100	100	100	100	100	100

ERB Retirement Rates (continued)

Age	Members Hired Before July 1, 2010, and Normal Retirement for Members Hired On Or After July 1, 2020						
	Female Retirement Rates (%)						
	Years of Service						
	0-4	5-9	10-14	15-19	20-24	25	26+
45	0	0	0	0	0	25	15
50	0	0	0	0	0	25	18
55	0	0	0	0	6	25	23
60	0	0	0	20	15	25	25
62	0	0	40	30	30	30	30
65	0	35	40	40	40	40	40
67	0	25	25	25	30	30	30
70	100	100	100	100	100	100	100

Age	Members Hired On Or After July 1, 2010		
	Male Retirement Rates (%)		
	Years of Service		
	15-19	20-24	25-29
55	0	0	5
60	0	20	20
62	30	30	30
65	30	30	30

Age	Members Hired On Or After July 1, 2010		
	Female Retirement Rates (%)		
	Years of Service		
	15-19	20-24	25-29
55	0	0	6
60	0	15	15
62	30	30	30
65	40	40	40

Administrative Expenses	*Non-Medicare:* $373/year *Medicare Supplement:* $460/year *Medicare Advantage:* $60/year The administrative expenses were assumed to increase by 2.5% in 2021/2022 and thereafter.
Per Capita Cost Development	The assumed costs on a composite basis (and other demographic factors such as sex and family status) are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical claims costs are reviewed, and adjusted for increases in the cost of health care services.
Per Capita Costs	Annual medical and drug claims costs for the 2021/2022 plan year, excluding assumed expenses were developed actuarially for retirees and spouses at select ages and are shown in the table below. These costs are net of deductibles and other benefit plan cost sharing provisions.

	Premier Non-Medicare				**Value Non-Medicare**			
	Retiree		**Spouse**		**Retiree**		**Spouse**	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50	$9,690	$11,037	$6,768	$8,862	$6,719	$7,653	$4,693	$6,145
55	11,508	11,881	9,057	10,258	7,979	8,238	6,280	7,113
60	13,667	12,806	12,125	11,897	9,476	8,879	8,407	8,249
64	15,679	13,585	15,306	13,391	10,871	9,420	10,613	9,285

	Non-Medicare Drug Rebates			
	Retiree		**Spouse**	
Age	**Male**	**Female**	**Male**	**Female**
50	($370)	($421)	($258)	($338)
55	(439)	(453)	(345)	(391)
60	(521)	(488)	(462)	(454)
64	(598)	(518)	(584)	(511)

Section 3: Supporting Information

Per Capita Costs (continued)

	United Healthcare Medicare Advantage				BCBS Supplemental			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	$576	$490	$576	$490	$6,290	$5,347	$6,290	$5,347
70	668	528	668	528	7,290	5,762	7,290	5,762
75	719	568	719	568	7,856	6,202	7,856	6,202
80	775	612	775	612	8,460	6,686	8,460	6,686

	BCBS (Medicare Advantage)				Presbyterian Medicare Advantage			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	$475	$404	$475	$404	$1,258	$1,069	$1,258	$1,069
70	551	435	551	435	1,458	1,152	1,458	1,152
75	593	468	593	468	1,571	1,240	1,571	1,240
80	639	505	639	505	1,692	1,337	1,692	1,337

	Medicare Drug Rebates & Other CMS Subsidies				Medicare Direct Drug Subsidy			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	($2,807)	($2,386)	($2,807)	($2,386)	$18	$15	$18	$15
70	(3,253)	(2,571)	(3,253)	(2,571)	21	16	21	16
75	(3,506)	(2,768)	(3,506)	(2,768)	22	18	22	18
80	(3,775)	(2,984)	(3,775)	(2,984)	24	19	24	19

	Humana Medicare Advantage			
	Retiree		Spouse	
Age	Male	Female	Male	Female
65	$575	$489	$575	$489
70	666	527	666	527
75	718	567	718	567
80	773	611	773	611

Section 3: Supporting Information

Drug Rebate and Other Subsidy Increase Assumptions	The 2021/2022 annual drug rebate for non-Medicare retirees was assumed to have no projected future increases. The 2021/2022 annual drug rebate for Medicare retirees with BCBS Medicare Supplement plan was assumed to have no projected future increases. Medicare Part D subsidies for low income reinsurance and coverage gap discounts are assumed to have no projected future increases.
Medicare Part D Direct Subsidy Assumption	These calculations include an offset for retiree prescription drug plan federal subsidies that the Plan is eligible to receive because the Plan has been determined to be a Medicare PDP. The subsidy shown above per eligible retiree or spouse for 2021/2022, was assumed to increase by 100% to $0 in the first year and 0% thereafter.
Unknown Data for Participants	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male. For active participants with unknown dates of birth, we assumed their age at entry was that of the average for actives with date of birth.
Spouse Coverage	35% male, 30% female
Age of Spouse	Wives are 2 years younger than their husbands.
Future Benefit Accruals	1.0 year of service per year.
Participation and Election	60% of the active participants are assumed to continue coverage at retirement. 25% of employees terminating prior to retiring, and eligible, are assumed to elect NMRHCA benefits at retirement. Future retirees are assumed to elect medical carriers in the same proportion as current retirees:

Non-Medicare Plan	Medical Election Rate (%)
Premier	75
Value Plan	25
Medicare Plan	**Medical Election Rate (%)**
BCBS Medicare Supplement	56
BCBS Senior Plan I or II	9
Presbyterian Senior Plan I or II	21
United Healthcare Plan I or II	11
Humana Plan I or II	3

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

Health Care Cost Trend Rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year’s cost to yield the next year’s projected cost. For example, the projected per capita cost for a male retiree age 64 covered under the Premier Plan in the year July 1, 2022, through June 30, 2023, would be determined with the following formula:
[$15,679 x (1 + 8.0%)] = $16,933.

	Rate (%)					
Year Beginning June 30	All Non-Medicare Plans	Medicare Supplement Plan	UHC Medicare Advantage[1]	BCBS Medicare Advantage[1]	Humana Medicare Advantage[1]	Presbyterian Medicare Advantage[1]
2021	8.00	7.50	0.00	-14.00	2.00	5.00
2022	7.75	7.25	7.00	7.00	7.00	7.00
2023	7.50	7.00	6.75	6.75	6.75	6.75
2024	7.25	6.75	6.50	6.50	6.50	6.50
2025	7.00	6.50	6.25	6.25	6.25	6.25
2026	6.75	6.25	6.00	6.00	6.00	6.00
2027	6.50	6.00	5.75	5.75	5.75	5.75
2028	6.25	5.75	5.50	5.50	5.50	5.50
2029	6.00	5.50	5.25	5.25	5.25	5.25
2030	5.75	5.25	5.00	5.00	5.00	5.00
2031	5.50	5.00	4.75	4.75	4.75	4.75
2032	5.25	4.75	4.50	4.50	4.50	4.50
2033	5.00	4.50	4.50	4.50	4.50	4.50
2034	4.75	4.50	4.50	4.50	4.50	4.50
2035 & Later	4.50	4.50	4.50	4.50	4.50	4.50

[1] The first year Medicare Advantage rates reflect actual calendar year 2022 premiums.

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

Section 3: Supporting Information

Funding Policy	Retiree benefits are funded from a combination of employer contributions as a percentage (2.50% for Public Safety, and 2.00% for Other Occupations) of compensation and member contributions as a percentage (1.25% for Public Safety and 1.00% for Other Occupation) of compensation to fund the cost of the subsidy, with the remaining cost funded by retiree contributions, RHCA Statutory Distribution, investment income and pharmacy subsidies from CMS.
Plan Design	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Assumption Changes	The discount rate was updated from 3.62% to 5.42%.

Exhibit III: Summary of Plan

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

Eligibility	A retiree who was an employee of either New Mexico PERA or an ERB eligible to receive a pension, is eligible for retiree health benefits. For employers who "buy-in" to the plan, retirees are eligible for benefits six months after the effective date of employer participation. • Amended June 2, 2020, the Board of Directors of the NMRHCA approved a change to its subsidy eligibility requirements such that retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after July 31, 2021, will not receive any subsidy from NMRHCA before age 55. • Adopted April 5, 2021, Senate Bill 315 grants employees who were employed with the Department of Public Safety (DPS) prior to July 1, 2015, and that were reported under the State General Plan 3 (`Non-Enhanced') retroactive eligibility in the State Police and Adult Correctional Officer Plan (`Enhanced') for purposes of retirement and health care benefits. This measure represents the impact of reclassifying those members to the Enhanced Plan for retiree healthcare subsidies based upon GASB 74 valuation assumptions and methods.
Benefit Types	Retirees and spouses are eligible for medical and prescription drug benefits. For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of $6000 for all retirees who commenced benefits on or before December 31, 2012. The $6000 benefit decreases $1500 per year commencing January 1, 2018, until January 1, 2021, at which time retirees must pay 100% of the premium cost. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree-paid. A description of these benefits may be found at www.nmrhca.state.nm.us by clicking on Retirees.
Duration of Coverage	Employees and dependents are valued for life.

Retiree Contributions

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

	FY 2021 And Later
Non-Medicare Retiree	36.0%
Non-Medicare Spouse	64.0
Medicare Retiree	50.0
Medicare Spouse	75.0

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

Years of Service	Retired Before July 31, 2021, or in Public Safety Pension Plan Percent of Full Subsidy Based on Service (%)	Retired on or after July 31, 2021, and Not in Public Safety Pension Plan Percent of Full Subsidy Based on Service (%)
5	6.25	4.76
6	12.50	9.52
7	18.75	14.29
8	25.00	19.05
9	31.25	23.81
10	37.50	28.57
11	43.75	33.33
12	50.00	38.10
13	56.25	42.86
14	62.50	47.62
15	68.75	52.38
16	75.00	57.14
17	81.25	61.90
18	87.50	66.67
19	93.75	71.43
20	100.00	76.19
21	100.00	80.95
22	100.00	85.71
23	100.00	90.48
24	100.00	95.24
25+	100.00	100.00

Section 3: Supporting Information

Dental Eligibility	This benefit was not included in the valuation because retirees pay 100% of the cost.
Vision Eligibility	This benefit was not included in the valuation because retirees pay 100% of the cost
Life Insurance Death Benefit Eligibility	For Calendar years 2017 and prior there was a NMRHCA-paid Basic Life benefit of $6000 for all retirees who commenced benefits on or before December 31, 2012. The $6000 benefit decreases $1500 per year commencing January 1, 2018, until January 1, 2021, at which time retirees must pay 100% of the premium cost.
Excise Tax on High Cost Health Plans Imposed by The Affordable Care Act (ACA “Cadillac Tax”)	In 2013, NMRHCA’s Board of Directors approved its intent to modify plan designs as necessary to preclude the payment of any excise tax established by the ACA. Therefore, we have only valued benefits up to the tax threshold levels. On June 2, 2020, the Board approved the reaffirmation of intent to modify plan designs to remain under the threshold that would have been in effect based on the PPACA “Cadillac” tax provisions that were in place immediately prior to its repeal on December 20, 2019.
Plan Changes	Adopted April 5, 2021, Senate Bill 315 grants employees who were employed with the Department of Public Safety (DPS) prior to July 1, 2015, and that were reported under the State General Plan 3 (`Non-Enhanced') retroactive eligibility in the State Police and Adult Correctional Officer Plan (`Enhanced') for purposes of retirement and health care benefits. This measure represents the impact of reclassifying those members to the Enhanced Plan for retiree healthcare subsidies based upon GASB 74 valuation assumptions and methods.

Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2022

Year Beginning June 30	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2022	$1,155,695,465	$200,257,784	$139,151,441	$0	$83,037,405	$1,299,839,213
2023	1,299,839,213	191,294,523	$145,211,279	0	92,601,658	1,438,524,115
2024	1,438,524,115	183,284,088	$151,028,472	0	101,825,635	1,572,605,366
2025	1,572,605,366	175,910,915	$157,314,485	0	110,733,251	1,701,935,047
2026	1,701,935,047	169,008,327	$163,942,293	0	119,312,764	1,826,313,845
2027	1,826,313,845	162,401,533	$171,766,602	0	127,514,192	1,944,462,968
2028	1,944,462,968	155,941,181	$180,420,488	0	135,255,632	2,055,239,293
2029	2,055,239,293	149,540,461	$189,526,282	0	142,467,247	2,157,720,719
2030	2,157,720,719	143,276,058	$198,743,922	0	149,099,075	2,251,351,930
2031	2,251,351,930	137,133,378	$208,793,349	0	155,086,536	2,334,778,495
2032	2,334,778,495	131,042,237	$218,462,374	0	160,374,790	2,407,733,148
2033	2,407,733,148	125,078,561	$227,776,533	0	164,946,891	2,469,982,066
2034	2,469,982,066	119,246,862	$235,943,964	0	168,814,346	2,522,099,310
2035	2,522,099,310	113,862,331	$242,931,931	0	172,029,516	2,565,059,226
2036	2,565,059,226	109,042,201	$249,294,077	0	174,645,330	2,599,452,681
2037	2,599,452,681	104,713,297	$255,742,993	0	176,675,648	2,625,098,633
2038	2,625,098,633	100,739,325	$262,246,429	0	178,104,156	2,641,695,685
2039	2,641,695,685	96,965,708	$269,119,562	0	178,893,313	2,648,435,144
2040	2,648,435,144	93,097,878	$276,034,755	0	178,987,669	2,644,485,936

2041	2,644,485,936	89,194,034	$283,294,804	0	178,320,489	2,628,705,655
2042	2,628,705,655	84,889,982	$290,733,846	0	176,804,861	2,599,666,652
2043	2,599,666,652	80,365,113	$298,446,601	0	174,343,814	2,555,928,978
2044	2,555,928,978	75,594,362	$305,617,923	0	170,864,204	2,496,769,621
2045	2,496,769,621	70,888,984	$312,273,245	0	166,325,424	2,421,710,784
2046	2,421,710,784	66,248,870	$318,253,858	0	160,699,580	2,330,405,377
2047	2,330,405,377	62,105,209	$323,304,690	0	153,986,395	2,223,192,290
2048	2,223,192,290	58,419,656	$327,819,846	0	146,194,454	2,099,986,555
2049	2,099,986,555	55,069,938	$332,005,242	0	137,306,323	1,960,357,574
2050	1,960,357,574	52,064,693	$335,506,415	0	127,304,570	1,804,220,422
2051	1,804,220,422	49,402,809	$337,863,228	0	116,199,315	1,631,959,318
2052	1,631,959,318	47,344,547	$338,826,937	0	104,035,269	1,444,512,197
2053	1,444,512,197	45,741,202	$339,061,231	0	90,849,653	1,242,041,821
2054	1,242,041,821	44,503,284	$338,100,315	0	76,667,031	1,025,111,821
2055	1,025,111,821	43,519,450	$336,682,075	0	61,497,136	793,446,333
2056	793,446,333	42,746,367	$334,237,939	0	45,339,038	547,293,799
2057	547,293,799	42,166,807	$330,718,448	0	28,211,258	286,953,416
2058	286,953,416	41,860,238	$325,848,684	0	10,147,143	13,112,112
2059	13,112,112	41,678,230	$320,545,146	0	0	0

Notes

1. Amounts may not total exactly due to rounding.
2. Years beyond 2059/2060 have been omitted from this table as the Fiduciary Net Position is zero.
3. Column (b): Projected total contributions are calculated as fixed percentages of payroll plus the Pension Tax Revenue. Contributions are assumed to occur halfway through the year on average.
4. Column (c): Projected benefit payments have been determined in accordance with paragraphs 43-47 of GASB Statement No. 74 and are based on the closed group of active, retired members and beneficiaries as of June 30, 2021.

5. Column (d): Projected administrative expenses have been reflected in benefit payments.
6. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum and reflect the assumed timing of benefit payments made at the beginning of each month.
7. The Plan's Fiduciary Net Position is projected to be exhausted by June 30, 2060.

Appendix B: Definition of Terms

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

Term	Definition
Actuarially Determined Contribution:	A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.
Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: a) Investment return — the rate of investment yield that the Plan will earn over the long-term future; b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates; c) Retirement rates — the rate or probability of retirement at a given age; d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Covered Payroll:	The payroll of the employees that are provided OPEB benefits
Discount Rate:	The single rate of return, that when applied to all projected benefit payments results in an actuarial present value that is the sum of the following: 1) the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and 2) the actuarial present value of projected benefit payments that are not included in (1) using a yield or index rate for 20 year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher
Entry Age Actuarial Cost Method:	An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age
Healthcare Cost Trend Rates:	The rate of change in per capita health costs over time
Net OPEB Liability:	The Total OPEB Liability less the Plan Fiduciary Net Position
Plan Fiduciary Net Position:	Market Value of Assets
Real Rate of Return:	The rate of return on an investment after removing inflation
Service Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.

Section 3: Supporting Information

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

Appendix D: Accounting Requirements

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

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

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

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

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

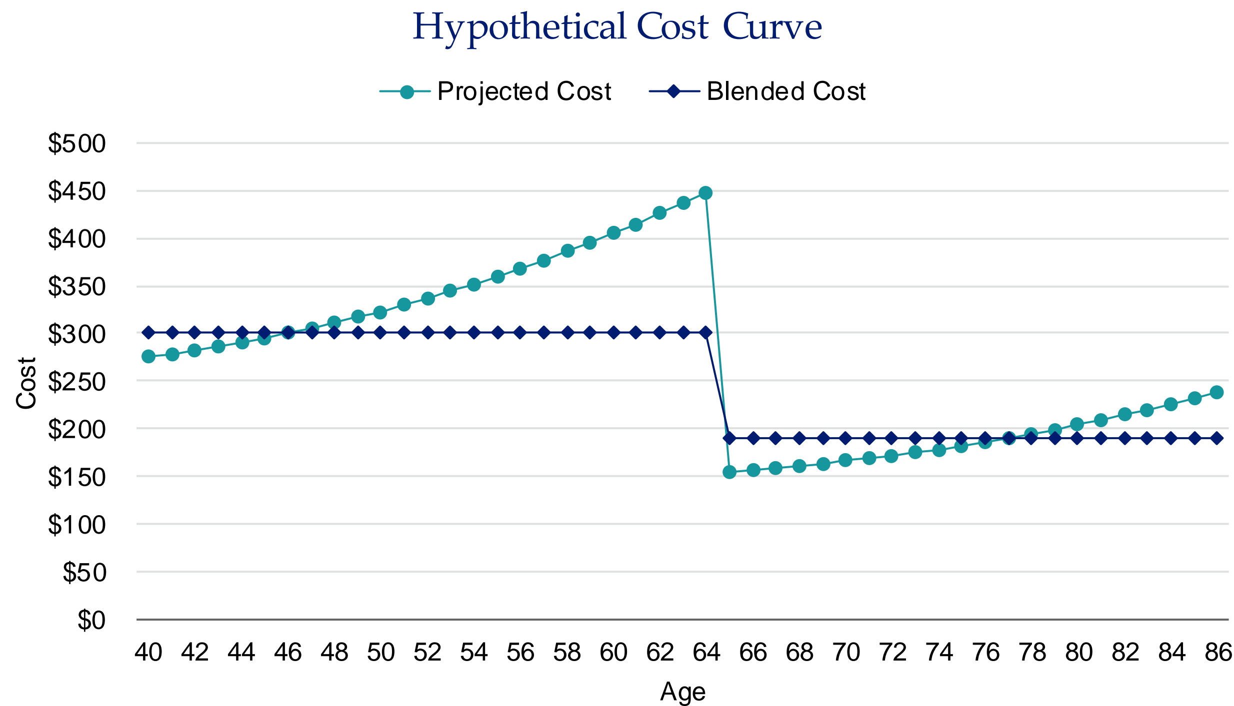
The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

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

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

Appendix E: GASB 74/75 Concepts

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



FY24 Benefits Consultant and Actuarial Services RFP – Action Item

Background: Similar to the Health Care Purchasing Act, the New Mexico Retiree Health Care Authority (NMRHCA) in cooperation with the New Mexico Public School Insurance Authority, a member of the Interagency Benefits Advisory Committee (IBAC) released a request for proposals (RFP) for professional services related to Benefits Consultant and Actuarial Services. The IBAC received two competitive proposals. The proposals were evaluated using the following criteria: organizational experience, organizational references, history, and description of firm with who would handle the authorities account, experience to include developing and reporting GASB Statements, cost, in-state bidder preference, and finalist oral presentations/best and final offers.

As part of the evaluation process finalist interviews included an oral presentation and opportunity to respond to a uniform set of questions from the agencies. Each company was given the opportunity to present their strategy for assisting the agencies, staff, with the scope of work within the RFP. The agencies unanimously agreed to recommend the selection of the vendor (Company B) that achieved the highest composite score based on the criteria listed above.

- Through the RFP and oral presentation Company B exhibited the ability to meet the work and services required by NMRHCA
- Company B clearly demonstrated experience through previous work done over many years with numerous clients comparable in size to or even larger than NMRHCA, with many being from public sector
- Multiple references were provided with positive feedback regarding work with Company B due to its knowledge, analytical ability, flexibility, and professionalism
- Company B has a diverse team that possesses in-depth knowledge, skills, and experience in the various aspects required to include experience with GASB reporting statements 74 and 75
- Company B demonstrated an understanding, ability for strategic thinking and list of team members to be assigned who possess the necessary expertise and skillsets to provide request scope of work
- Company B expressed their ability to be flexible and meet the various needs of the agency
- Company B’s oral presentation was conveyed clearly explaining thorough responses to questions and included proactive steps for the future

Each of the participating agencies reserve the right to evaluate, score, and select the best proposal and offer on behalf of their organization.

Action Item: NMRHCA staff respectfully requests approval to enter contract negotiations with the highest scoring vendor from the benefits consulting and actuarial services RFP.