New Mexico Retiree Healthcare Authority

Governmental Accounting Standards Board (GASB) Statement No. 74 Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) measured as of June 30, 2023

Segal

1501 W Fountainhead Parkway
Suite 370
Tempe, AZ 85282
segalco.com

November 13, 2023

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) measured as of June 30, 2023 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 financial information was provided by NMRHCA on October 30, 2023. We have based our calculations on the information provided by these parties and the assistance is gratefully acknowledged.

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

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

Sincerely,

Mehdi Riazi

Melissa A. Krumholz

Mehdi Riazi, FSA, MAAA, FCA, EA
Vice President & Actuary

Melissa A. Krumholz, FSA, MAAA
Vice President & Health Actuary

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents the results of our actuarial valuation of New Mexico Retiree Healthcare Authority ("NMRHCA") OPEB plan as of June 30, 2023, 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, 2023 (captured as of January 1, 2023), provided by NMRHCA;
- The assets of the Plan as of June 30, 2023, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2023 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, 2023, the Net OPEB Liability (NOL) was measured as of June 30, 2023. The Plan's Fiduciary Net Position (plan assets) and the Total OPEB Liability (TOL) were valued as of the measurement date.
2. The NOL as of June 30, 2023 is $1.703 billion, a decrease of $609 million, from the prior valuation NOL of $2.312 billion. Assumption changes decreased the NOL by $430 million and were mainly due to (1) an increase in the discount rate from 5.42% to 6.22% and (2) updating the future trends on drug rebates and Medicare Part D revenue; offset somewhat by (3) updating the CPI increase assumption used to model the excise tax thresholds described by the Affordable Care Act. Details regarding the assumption changes can be found in Exhibit II, Section 3. Differences between expected and actual experience also contributed to the decrease in NOL.

Section 1: Actuarial Valuation Summary

3. As of June 30, 2023, the ratio of assets to the Total OPEB Liability (the funded ratio) is 44.16%. This is based on the market value of assets at this point in time. The funded ratio as of June 30, 2022 was 33.33%.
4. The discount rates used to determine the TOL and NOL as of June 30, 2023 and 2022 were 6.22% and 5.42%, respectively. The detailed calculations used in the derivation of the “cross-over date” to determine the discount rate of 6.22% used in the calculation of the TOL and NOL as of June 30, 2023 can be found in Appendix A of Section 3. Various other information that is required to be disclosed can be found in Section 2.
5. The discount rate used in the valuation for financial disclosure purposes as of June 30, 2023 is a blend of the assumed investment return on Plan assets (e.g. 7.00% for the June 30, 2023 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.65% as of June 30, 2023 compared to 3.54% as of June 30, 2022). 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, 2070 (the projected beginning balance at July 1, 2070, is less than the projected benefit payments for the 2070/2071 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, 2070. Benefit payments after June 30, 2070, are then discount by the municipal bond rate of 3.65%. The 6.22% is the blended discount rate reflecting benefits discount by the Plan investment return assumption rate and the bond rate.

Funding (with funding policy)

6. 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, 2023	June 30, 2022
Disclosure elements for fiscal year ending June 30:	• Total OPEB Liability	$3,049,662,302	$3,467,298,517
	• Plan Fiduciary Net Position (Assets)	1,346,726,647	1,155,695,465
	• Net OPEB Liability	1,702,935,655	2,311,603,052
	• Plan Fiduciary Net Position as a percentage of Total OPEB Liability	44.16%	33.33%
	• Service Cost at Beginning of Year[1]	91,535,036	155,314,732
	• Total Payroll	4,952,012,764	4,745,115,641
Schedule of contributions for fiscal year ending June 30:	• Statutory contributions	$198,639,257	$187,238,171
	• Actual contributions	213,128,349	189,266,136
	• Contribution deficiency / (excess)	(14,489,092)	(2,027,965)
	• Benefit Payments	89,966,066	99,776,575

[1] The service cost is based on the previous year's valuation, meaning the June 30, 2023 and 2022 values are based on the valuations as of June 30, 2022 and June 30, 2021, respectively. The key assumptions used in the June 30, 2021 valuation are as follows:

Discount rate	3.62%
Health care premium trend rates	
Non-Medicare	8.0% in 2021/2022 graded down to 4.5% over 14 years
Medicare	7.5% in 2021/2022 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 30, 2023.
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.

Section 1: Actuarial Valuation Summary

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 OPEB 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 NMRHCA Finance Department. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
If the NMRHCA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
Sections of this report include actuarial results that are 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.

Section 1: Actuarial Valuation Summary

Actuarial Certification ***November 13, 2023***

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, 2023, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statement No. 74 for the determination of the liability for postemployment benefits other than pensions.

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

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

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

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

Mehdi Riazi

Melissa A. Krumholz

Mehdi Riazi, FCA, FSA, MAAA, EA
Vice President & Consulting Actuary
Certifying Liability Calculations

Melissa A. Krumholz, FSA, MAAA
Vice President & Health Actuary
Certifying Claims and Medical Trend Calculations

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.

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

Plan membership. At June 30, 2023 (captured as of January 1, 2023), 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	52,978
Vested terminated members entitled to but not yet receiving benefits	12,552
Active members	93,595
Total	159,125

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, 2023	June 30, 2022
Components of the Net OPEB Liability		
Total OPEB Liability	$3,049,662,302	$3,467,298,517
Plan Fiduciary Net Position	1,346,726,647	1,155,695,465
Net OPEB Liability	1,702,935,655	2,311,603,052
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	44.16%	33.33%

The Net OPEB Liability was measured as of June 30, 2023 and 2022. 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, 2023 and 2021 (captured as of January 1, 2023 and 2021), respectively.

- 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, 2023 are outlined in Exhibit III of Section 3.

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, 2022, and the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2022. In summary, the following actuarial assumptions were applied to all periods included in the June 30, 2023 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	6.22%
Healthcare cost trend rates	
Non-Medicare Medical	8.0% in 2023/2024 graded down to 4.5% over 14 years
Medicare Supplement	8.5% in 2023/2024 graded down to 4.5% over 16 years
Medicare Advantage	Trends reflect actual premium increase in 2023/2024, then 8.25% in 2024/2025, graded down to 4.50% over 15 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%	6.91%
Mid/Small Cap U.S. Equity	3.00%	6.91%
Developed Non-US Equity	12.00%	7.21%
Emerging Markets Equity	15.00%	8.71%
U.S. Core Fixed Income	20.00%	1.61%
Private Equity	10.00%	9.96%
Credit & Structured Finance	10.00%	3.71%
Absolute Return	5.00%	3.21%
Real Estate	5.00%	3.61%
Total	100.00%	

Rate of return. For the year ended June 30, 2023, 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. 3.65% and 3.54% based on the 20-year municipal bond rate for the Bond Buyer GO Index as of June 30, 2023, and June 30, 2022, respectively.

Section 2: GASB 74 Information

Discount rate The discount rates used to measure the Total OPEB Liability (TOL) were 6.22% and 5.42% as of June 30, 2023 and June 30, 2022, 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 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, 2070 (the projected beginning balance at July 1, 2070, is less than the projected benefit payments for the 2070/2071 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, 2070, and the 20-year municipal bond rate (3.65%) was applied to periods after June 30, 2070, 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 NMRHCA as well as what the NMRHCA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.22%) or 1-percentage-point higher (7.22%) 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 (5.22%)	Current Discount Rate (6.22%)	1% Increase (7.22%)
Net OPEB Liability (Asset)	$2,146,981,727	$1,702,935,655	$1,342,994,641

	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)	$1,409,857,717	$1,702,935,655	$2,039,527,413

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

Measurement Date	June 30, 2023	June 30, 2022
Total OPEB Liability		
Service cost	$91,535,036	$155,314,732
Interest	190,482,868	163,469,038
Change of benefit terms	0	0
Differences between expected and actual experience	(179,637,831)	(36,122,262)
Changes of assumptions	(430,050,222)	(1,125,435,751)
Benefit payments[1]	(89,966,066)	(99,776,575)
Net change in Total OPEB Liability	($417,636,215)	($942,550,818)
Total OPEB Liability – beginning	3,467,298,517	4,409,849,335
Total OPEB Liability – ending	$3,049,662,302	$3,467,298,517
Plan Fiduciary Net Position[2]		
Contributions – employer[3]	$114,542,451	$101,585,358
Contributions – employee	57,271,226	50,810,510
Net investment income	71,822,199	(49,543,611)
Benefit payments[1]	(89,966,066)	(99,776,575)
Administrative expense	(3,105,864)	(3,080,880)
Other[3,4]	40,467,236	36,201,118
Net change in Plan Fiduciary Net Position	$191,031,182	$36,195,920
Plan Fiduciary Net Position – beginning	1,155,695,465	1,119,499,545
Plan Fiduciary Net Position – ending	$1,346,726,647	$1,155,695,465
Net OPEB Liability – ending	$1,702,935,655	$2,311,603,052
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	44.16%	33.33%
Covered payroll	$4,952,012,764	$4,745,115,641
Plan Net OPEB Liability as percentage of covered payroll	34.39%	48.72%

See next page for footnotes.

Notes to Schedule:

[1] For measurement date June 30, 2023, this category equals Premium and claims paid ($335,094,393) offset by the sum of Retiree contributions ($174,521,312) and Medicare Part D subrogation and rebates ($70,607,015). 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).

[2] The Plan Fiduciary Net Position values are based on financial statements provided by NMRHCA on October 30, 2023.

[3] The sum of the employer contributions by employer used for the June 30, 2022 GASB 75 valuation report was $17,832 higher than the employer contributions provided for the June 30, 2022 GASB 74 valuation report. Based on discussions with the Authority and its outside auditor (subsequent to completion of the June 30, 2022 GASB 74 valuation report), an adjustment of $17,832 and offsetting amount was made to the “Contributions – Employer” and “Other” category, respectively, of the changes in fiduciary net position so that the overall Net OPEB Liability as of June 30, 2022 is consistent for GASB 74 plan reporting and GASB 75 employer reporting.

[4] For measurement date June 30, 2023, this category equals sum of Employer buy-ins interest portion ($48,846) and Tax administration suspense fund revenue ($41,314,672) offset by the sum of Refunds to retirees ($432,866), Depreciation expense ($391,824), and transfers to New Mexico General Services Department ($71,592). 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) and 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 GASB 74 valuation report ($1).

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
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%
2023[4]	198,639,257	213,128,349	(14,489,092)	4,952,012,764	4.30%

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, 2023	As of June 30, 2021
Number of retirees	39,007	39,471
Average age of retirees	71.98	71.18
Number of spouses	11,557	11,266
Average age of spouses	71.07	70.74
Number of surviving spouses	2,414	2,355
Average age	80.34	79.58
Number inactive vested	12,552	11,759
Average age	51.97	52.84
Number of actives	93,595	92,520
Average age	45.26	45.47
Average service	9.89	10.13

Note: full valuations are performed biennially.

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 30, 2023.
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, 2022. ➢ For ERB, the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2022.
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.
Asset Valuation Method:	Market Value. The assets as of June 30, 2023, were based on financial statements provided by NMRHCA on October 30, 2023.
Measurement Date:	June 30, 2023
Actuarial Valuation Date:	June 30, 2023
Census Date:	January 1, 2023
Discount Rate:	6.22%
Payroll Increase:	3.00%, assumed payroll increases for PERA. 2.60%, assumed payroll increases for ERB.

PERA Salary Increase:

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, 2022, 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	Municipal General		Municipal	Municipal
Age	Male	Female	Corrections[1]	Male	Female	Police	Fire
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	Municipal General		Municipal	Municipal
Age	Male	Female	Corrections[1]	Male	Female	Police[2]	Fire[2]
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.

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, 2022, 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:	

	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):

	Members Hired Before July 1, 2010, and Normal Retirement for Members Hired On or After July 1, 2020						
	Female Retirement Rates (%)						
	Years of Service						
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25**	**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

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

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

Section 3: Supporting Information

Administrative Expenses:	*Non-Medicare*: $475/year *Medicare Supplement*: $436/year *Medicare Advantage*: $66/year The administrative expenses were assumed to increase by 2.5% in 2023/2024 and thereafter.
Per Capita Cost Development (Self-Funded Medical, Drug, Drug Rebates and EGWP Revenue):	Per capita claims costs were based on actual paid retiree claim experience furnished by the carriers for the periods April 1, 2020 through March 31, 2023 for Medical, Drug, Drug rebates and EGWP Revenue. Claims were separated by plan year and participant status (Medicare vs. Non-Medicare), then adjusted as follows: • paid claims were multiplied by a factor to yield an estimate of incurred claims, • total claims were divided by the number of adult participants to yield a per capita claim, • the per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and • the per capita claim was adjusted for the effect of any plan changes. Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse/domestic partner costs by age and by gender.
Per Capita Cost Development (Medicare Advantage Medical):	Per capita costs were based on the actual monthly premiums. Actuarial factors were applied to the premiums to estimate individual retiree and spouse/domestic partner costs by age and by gender in accordance with ASOP 6.

Per Capita Costs:

Annual medical and drug claims costs for the 2023/2024 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[1]		Value Non-Medicare[1]	
Age	Male	Female	Male	Female
50	$11,184	$11,809	$7,673	$8,102
55	12,620	12,819	8,658	8,795
60	14,530	13,897	9,968	9,534
64	17,659	15,087	12,115	10,350

	BCBS Medicare Supplemental[2]		United Healthcare Medicare Advantage		BCBS Medicare Advantage	
Age	Male	Female	Male	Female	Male	Female
65	$4,120	$3,422	$776	$645	$362	$301
70	4,628	3,828	872	721	407	336
75	5,111	4,024	963	758	449	354
80	5,353	4,295	1,008	809	470	377

	Presbyterian Medicare Advantage		Humana Medicare Advantage	
Age	Male	Female	Male	Female
65	$1,731	$1,438	$441	$366
70	1,944	1,608	495	410
75	2,148	1,691	547	431
80	2,249	1,805	573	460

1 Costs include non-Medicare drug rebates.

2 Costs include Medicare drug rebates & EGWP revenue.

Section 3: Supporting Information

Drug Rebate and Other Subsidy Increase Assumptions:	The 2023/2024 annual drug rebate for non-Medicare retirees was assumed to increase by the same trend assumed for drug costs. The 2023/2024 annual drug rebate and EGWP revenue for Medicare retirees with BCBS Medicare Supplement plan were assumed to increase by the same trend assumed for drug costs.
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:	Male members are assumed to have a female spouse that is 2 years younger, and female members are assumed to have a male spouse that is 2 years older.
Future Benefit Accruals:	1.0 year of service per year.
Participation and Election:	60% of the active participants with 15 or more years of service and 50% of active participants with less than 15 years of service 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	51
BCBS Senior Plan I or II	6
Presbyterian Senior Plan I or II	21
United Healthcare Plan I or II	16
Humana Plan I or II	6

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, 2024 through June 30, 2025 would be determined with the following formula:

[$18,875 x (1 + 8.0%)] = $20,385.

	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]
2023	8.00	8.50	12.97	4.13	8.78	24.95
2024	7.75	8.25	8.25	8.25	8.25	8.25
2025	7.50	8.00	8.00	8.00	8.00	8.00
2026	7.25	7.75	7.75	7.75	7.75	7.75
2027	7.00	7.50	7.50	7.50	7.50	7.50
2028	6.75	7.25	7.25	7.25	7.25	7.25
2029	6.50	7.00	7.00	7.00	7.00	7.00
2030	6.25	6.75	6.75	6.75	6.75	6.75
2031	6.00	6.50	6.50	6.50	6.50	6.50
2032	5.75	6.25	6.25	6.25	6.25	6.25
2033	5.50	6.00	6.00	6.00	6.00	6.00
2034	5.25	5.75	5.75	5.75	5.75	5.75
2035	5.00	5.50	5.50	5.50	5.50	5.50
2036	4.75	5.25	5.25	5.25	5.25	5.25
2037	4.50	5.00	5.00	5.00	5.00	5.00
2038	4.50	4.75	4.75	4.75	4.75	4.75
2039 & Later	4.50	4.50	4.50	4.50	4.50	4.50

[1] The first year Medicare Advantage rates reflect actual calendar year 2024 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

CPI Growth Rate for Excise Tax Thresholds on High Cost Health Plans:	3.00% per year Although the "Cadillac Tax" was repealed in December of 2019, the excise tax thresholds described by the Affordable Care Act (ACA) for High Cost Health Plans are understood to be part of the substantive OPEB plan, The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are $11,850 for single coverage and $30,950 for family coverage as specified in the Health Care Reform. For all other retirees the thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. ACA allows the higher thresholds also to be used for any member "who participates in a plan sponsored by an employer the majority of whose employees covered by the plan are engaged in a high-risk profession or employed to repair or install electrical or telecommunication lines". We received data to identify such members in the current valuation, and have applied these higher thresholds to members in a Public Safety pension plan. The 2018 thresholds were increased by 4% for 2019 (1% over the assumed 3.00% CPI assumption used to model tax threshold growth) and by 3.00% for years after 2019. The 3.00% CPI increase assumption for the excise tax thresholds is slightly higher than the inflation assumptions used by PERA and ERB. The use of a slightly higher CPI assumption for this feature of the plan provides some margin for conservatism.
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 5.42% to 6.22%. This change decreased the Total OPEB Liability (TOL). The future trend rates on the valuation year per capita health costs, including drug rebates and EGWP revenue, were updated. This change decreased the TOL. The assumed CPI increase assumption used to model the excise tax thresholds was increased from 2.50% to 3.00%. This change increased the TOL. The participation assumption for future retirees with less than 15 years of service was lowered from 60% to 50%. This change slightly decreased the TOL. The valuation-year per capita health costs, including health plan election assumptions, were updated. This change had a minor impact. The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were modified. The new factors are based on a review of historical claims experience by age, gender, and status (active vs retired) from Segal's claims data warehouse. This change had a minor impact.

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 $6,000 for all retirees who commenced benefits on or before December 31, 2012. The $6,000 benefit decreases $1,500 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.

Section 3: Supporting Information

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 $6,000 for all retirees who commenced benefits on or before December 31, 2012. The $6,000 benefit decreases $1,500 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 the 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:	None.

Appendix A: Projection of OPEB Plan's Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2023

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)
2023	$1,346,726,647	$205,387,076	$142,796,686	$3,636,162	$96,334,263	$1,502,015,138
2024	1,502,015,138	194,574,960	148,929,739	4,055,441	106,596,702	1,650,201,620
2025	1,650,201,620	186,172,096	154,019,191	4,455,544	116,483,521	1,794,382,502
2026	1,794,382,502	178,806,953	159,355,004	4,844,833	126,118,024	1,935,107,642
2027	1,935,107,642	171,942,806	165,924,321	5,224,791	135,485,314	2,071,386,650
2028	2,071,386,650	165,491,916	173,882,650	5,592,744	144,507,644	2,201,910,816
2029	2,201,910,816	159,294,144	182,682,039	5,945,159	153,107,100	2,325,684,862
2030	2,325,684,862	153,222,687	191,697,828	6,279,349	161,231,533	2,442,161,905
2031	2,442,161,905	147,272,497	202,026,070	6,593,837	168,804,174	2,549,618,669
2032	2,549,618,669	141,409,070	212,102,748	6,883,970	175,758,089	2,647,799,110
2033	2,647,799,110	135,725,401	222,175,663	7,149,058	182,069,961	2,736,269,751
2034	2,736,269,751	130,218,329	231,508,922	7,387,928	187,735,134	2,815,326,364
2035	2,815,326,364	125,100,362	239,526,428	7,601,381	192,801,885	2,886,100,802
2036	2,886,100,802	120,493,140	246,829,981	7,792,472	197,332,530	2,949,304,018
2037	2,949,304,018	116,303,763	253,681,568	7,963,121	201,364,349	3,005,327,442
2038	3,005,327,442	112,466,340	260,461,545	8,114,384	204,909,085	3,054,126,937
2039	3,054,126,937	108,835,137	266,750,261	8,246,143	207,973,241	3,095,938,911
2040	3,095,938,911	105,161,875	272,864,598	8,359,035	210,553,562	3,130,430,715
2041	3,130,430,715	101,452,437	279,555,064	8,452,163	212,600,732	3,156,476,657

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)
2042	3,156,476,657	97,398,900	286,621,120	8,522,487	214,032,301	3,172,764,251
2043	3,172,764,251	93,135,224	293,938,927	8,566,463	214,765,542	3,178,159,627
2044	3,178,159,627	88,567,913	300,806,970	8,581,031	214,742,471	3,172,082,010
2045	3,172,082,010	83,952,613	307,783,682	8,564,621	213,911,892	3,153,598,213
2046	3,153,598,213	79,192,686	314,212,607	8,514,715	212,228,163	3,122,291,740
2047	3,122,291,740	74,512,410	320,409,783	8,430,188	209,658,957	3,077,623,136
2048	3,077,623,136	69,993,649	325,716,916	8,309,582	206,192,470	3,019,782,757
2049	3,019,782,757	65,919,824	330,125,686	8,153,413	201,852,218	2,949,275,699
2050	2,949,275,699	62,279,377	333,236,346	7,963,044	196,687,099	2,867,042,786
2051	2,867,042,786	58,989,091	335,792,139	7,741,016	190,733,953	2,773,232,675
2052	2,773,232,675	56,114,742	336,208,297	7,487,728	184,060,942	2,669,712,333
2053	2,669,712,333	53,645,369	335,938,202	7,208,223	176,747,326	2,556,958,603
2054	2,556,958,603	51,772,541	333,611,073	6,903,788	168,881,121	2,437,097,404
2055	2,437,097,404	50,321,446	330,269,736	6,580,163	160,568,322	2,311,137,273
2056	2,311,137,273	49,184,896	325,982,076	6,240,071	151,873,305	2,179,973,327
2057	2,179,973,327	48,304,797	321,057,151	5,885,928	142,845,793	2,044,180,837
2058	2,044,180,837	47,634,103	315,537,684	5,519,288	133,522,858	1,904,280,826
2059	1,904,280,826	47,094,801	308,875,077	5,141,558	123,957,394	1,761,316,386
2060	1,761,316,386	46,795,097	301,514,044	4,755,554	114,210,539	1,616,052,424
2061	1,616,052,424	46,621,059	$294,115,482	4,363,342	104,308,648	1,468,503,307
2062	1,468,503,307	46,507,517	$287,348,288	3,964,959	94,227,031	1,317,924,608
2063	1,317,924,608	46,429,750	$281,279,547	3,558,396	83,910,436	1,163,426,851

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)
2064	1,163,426,851	46,375,610	$275,745,179	3,141,252	73,302,001	1,004,218,031
2065	1,004,218,031	46,338,048	$270,620,106	2,711,389	62,350,492	839,575,076
2066	839,575,076	46,312,835	$266,113,737	2,266,853	50,997,884	668,505,205
2067	668,505,205	46,296,393	$261,733,058	1,804,964	39,191,907	490,455,483
2068	490,455,483	46,285,722	$257,601,018	1,324,230	26,889,500	304,705,457
2069	304,705,457	46,279,024	$253,467,242	822,705	14,049,000	110,743,534
2070	110,743,534	46,275,636	$249,155,319	299,008	640,793	0

Notes

1. Amounts may not total exactly due to rounding.
2. Years beyond 2070/2071 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, 2023.
5. Column (d): Projected administrative expenses are calculated as approximately 0.27% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.27% portion was based on the actual fiscal year 2022-2023 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2022. Administrative expenses are assumed to occur hallway through the year, on average.
6. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.0% 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, 2071.

Appendix B: Definition of Terms

Definitions of certain terms as they are used in Statement No. 75. The terms may have different meanings in other contexts.

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.
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 C: Accounting Requirements

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

The statements cover postemployment benefits of medical, prescription drugs, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 3, 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 3. 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 3 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 D: GASB 74/75 Concepts

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