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REGULAR MEETING OF THE BOARD OF DIRECTORS



December 2, 2025

9:30 AM

CNM Workforce Training Center

5600 Eagle Rock Ave NE, Albuquerque, NM 87113

Online: <https://meet.goto.com/NMRHCA/boardmeeting>

Telephone: 1-224-501-3412 / Access Code: 724-176-285

New Mexico Retire Health Care Authority

Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

December 2, 2025

	Member in Attendance		
Dr. Lee Caruana, President			
Dr. Tomas Salazar, Vice President			
Lance Pyle, Secretary			
Laura Montoya			
Raquel Alirez			
Dr. Gerry Washburn			
Donna Sandoval			
Therese Saunders			
Alex Castillo-Smith			
Renee Garcia			
Kate Brassington			

NMRHCA BOARD OF DIRECTORS

DECEMBER 2025

<p>Dr. Lee Caruana, MD Retired Public Employees of NM leecaruana13@gmail.com</p>	<p>Donna Sandoval NM Municipal League 100 Marquette Ave City/County Building Albuquerque, NM 87102 donnasandoval@cabq.gov 505-768-2975</p>
<p>Dr. Tomas E. Salazar, PhD, Vice President NM Assoc. of Educational Retirees PO Box 66 Las Vegas, NM 87701 salazarte@plateautel.net 505-429-2206</p>	<p>Therese Saunders, President NEA-NM, Classroom Teachers Assoc., & NM Federation of Educational Employees 5811 Brahma Dr. NW Albuquerque, NM 87120 tsaunders3@mac.com 505-934-3058</p>
<p>Lance Pyle, Secretary NM Association of Counties Curry County Administration 417 Gidding, Suite 100 Clovis, NM 88101 lpyle@currycounty.org 575-763-3656</p>	<p>Alex Castillo Smith Deputy Cabinet Secretary NM Health Care Authority PO Box 2348 Santa Fe, NM 87504 alex.castillosmith@hca.nm.gov 505-629-8652</p>
<p>The Honorable Ms. Laura M. Montoya NM State Treasurer 2055 South Pacheco Street Suite 100 & 200 Santa Fe, NM 87505 laura.montoya@sto.nm.gov 505-955-1120</p>	<p>Renee Garcia Alternate for ERB Executive Director Educational Retirement Board PO Box 26129 Santa Fe, NM 87502-0129 renee.garcia@erb.nm.gov 505-531-9885</p>
<p>Raquel Alirez Classified State Employee 401 Broadway NE Albuquerque, NM 87102 raquel.alirez@dws.nm.gov 505-365-3474</p>	<p>Kate Brassington Alternate for PERA Executive Director Public Employees Retirement Association 33 Plaza La Prensa Santa Fe, NM 87507 kate.brassington@pera.nm.gov 505-309-1088</p>
<p>Dr. Gerry Washburn. Ed. D. Superintendents' Association of NM 408 N Canyon Carlsbad, NM 88220 gerry.washburn@carlsbadschools.net</p>	

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

December 2, 2025
9:30 AM

CNM Workforce Training Center
5600 Eagle Rock Ave NE, Alb. NM 87113
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3. Pledge of Allegiance	Dr. Caruana, President	
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14. BCBS of New Mexico Data Breach

Ms. Baca, VP of Sales & Service Acct. Mgt. 247
Mr. Rahman, Privacy Office Director
Mr. McJunkins, Associate General Counsel

15. Other Business

Dr. Caruana, President

16. Date & Location of Next Board Meeting

Dr. Caruana, President

January 6, 2025 – 9:30AM
CNM Workforce Training Center
5600 Eagle Rock Ave NE, Alb. NM 87113

17. Adjourn

MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

October 7, 2025

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. in Room 207, CNM Workforce Training Center, 5600 Eagle Rock Avenue, NE, Albuquerque, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Dr. Lee Caruana, President
Dr. Tomas Salazar, Vice President
Mr. Lance Pyle, Secretary [virtual]
Hon. Laura M. Montoya, NM State Treasurer
Dr. Gerry Washburn
Ms. Donna Sandoval
Ms. Therese Saunders
Ms. Renee Garcia
Ms. Kate Brassington

Members Excused:

Ms. Raquel Alirez
Ms. Alex Castillo Smith

Staff Present:

Mr. Neil Kueffer, Executive Director
Ms. Linda Atencio, Deputy Director
Ms. Sheri Ayanniyi, Chief Financial Officer
Mr. Raymond Long, IT Director
Mr. Alexander George, Network Administrator
Ms. Judith Beatty, Recorder

3. PLEDGE OF ALLEGIANCE

Ms. Saunders led the Pledge.

4. APPROVAL OF AGENDA

Treasurer Montoya moved approval of the agenda, as published. Dr. Salazar seconded the motion, which passed unanimously.

5. APPROVAL OF MEETING MINUTES: August 26, 2025

Ms. Saunders moved approval of the August 26, 2025, minutes. Dr. Washburn seconded the motion, which passed, with Treasurer Montoya abstaining.

6. PUBLIC FORUM AND INTRODUCTIONS

Attendees introduced themselves.

7. COMMITTEE REPORTS

President Caruana stated that the Executive Committee met and reviewed today's agenda.

8. STAFF UPDATES

a. Human Resources & Operations

Ms. Atencio reviewed HR updates. She said the search for the in-house counsel position continues.

Ms. Atencio reported that NMRHCA held a meeting and training on September 18 that included Finance, IT, and Customer Services staff members. The office was closed from noon until 5 p.m. on that day. Delta Dental hosted the training in their boardroom.

Ms. Atencio stated that Switch Enrollment begins on September 30 and will run through November 14.

Dr. Salazar said Mr. Pyle asked a question at the Executive Session regarding the real need for an in-house attorney. He said the board would benefit from hearing a summary of that discussion.

Mr. Kueffer responded that, in the absence of in-house counsel, NMRHCA staff is currently doing some of the initial legwork in the interim, which is turned over to the Rodey Firm for a review to ensure that the agency is protecting itself legally. In addition to that, NMRHCA is regularly dealing with other issues that are outside of Rodey's purview and would normally be

handled by the in-house attorney, such as power of attorney documents for some members, web portal access and making sure the NMRHCA is legally compliant. NMAC also needs to be updated, and the in-house attorney would be asked to assist with the rewrites. Mr. Kueffer added that contracting out for legal assistance versus having in-house legal counsel would potentially be more costly.

b. Pharmacy Benefits Manager RFP

Ms. Atencio reported that the RFP was released on September 12. The board book details the timeline, scope of work and an evaluation scoring point summary. Staff is working with the other IBAC agencies, along with the consultant Segal. The review and evaluation will take place in December. Mr. Kueffer, herself, and Mr. Biggs are representing NMRHCA in the evaluation. Potential offers will be brought to the board at the February meeting.

c. August 31, 2025, SIC Report

Mr. Kueffer reported an ending value of \$1.836 billion.

Mr. Kueffer reported the SIC's CIO, Robert "Vince" Smith, who has led SIC investments for 15 years, will be stepping down to focus on his health following a cancer diagnosis earlier in the month. He will continue to consult with investment staff up until his retirement date of December 31.

d. Blue Cross Blue Shield of New Mexico Data Breach

Mr. Kueffer said NMRHCA was recently notified by BCBSNM that a large data breach took place in early 2025. Unfortunately, it appears that a large number of NMRHCA members who use BCBSNM services have been affected. NMRHCA will be working very closely with BCBSNM to figure out next steps and to make sure they are doing their due diligence. BCBSNM will be notifying all affected members. Representatives are present at today's meeting and can respond to questions.

BCBSNM representative Maureen Sergel explained that the data breach impacted a subcontractor, so the BCBSNM systems were not impacted. A third-party vendor, Conduit, had some bad actors that accessed Conduit's system early in 2025. BCBSNM was notified at that time; however, because the breach was so significant, the data did not make its way to BCBSNM until July, and then it took them some time to comb through the data to understand the impact and which clients and members were impacted. Members will be receiving a letter from Conduit notifying them of the incident. They will be offering free credit monitoring. Once BCBSNM has a copy of the letter, they will be sharing it with Mr. Kueffer. She said they take this situation very seriously.

Responding to Treasurer Montoya, Ms. Sergel said Conduit has notified the FBI and other authorities. BCBSNM is notifying the Office of the Superintendent of Insurance and its clients

based on its contractual commitments with them and is also working closely with the vendor to make sure that members are also notified. She said she understands approximately 36,000 NMRHCA members are impacted. This is more than the current number of members because it includes members who were on the plan previously.

Ms. Sergel clarified that the breach occurred in late 2024 into early 2025. BCBS was notified in January 2025. The data was sent to BCBSNM in July, and after determining who was impacted, they are now notifying the impacted clients. She said it is possible the bad actors had access to information such as name, Social Security number, diagnosis information, diagnosis codes, and address. She said it took them two months to comb through all the data and determine who was impacted, and then they immediately notified their clients. She said the number of people impacted overall is vast, because it covered five states, their parent company, and all self-funded plan clients, so it was probably millions of lines of data. They had to figure out who the members were and who their employers were and worked as quickly as they could.

Treasurer Montoya said she felt that all of the affected members should have been notified as soon as the breach was discovered. She would like to know how BCBSNM plans to respond to any future data breaches. She wondered if Conduit's contract has been reviewed, since she did not think the contract would have allowed for them to have a full six months to not inform BCBS of the breach.

Ms. Sergel said she would have to consult with BCBSNM's privacy department to get the Treasurer's questions answered.

Treasurer Montoya commented that this sounded like "baloney" all around. She would like legal counsel to review BCBSNM's contract.

Mr. Kueffer said HHS has to be notified within 60 days, and he does not know if they have been notified at this point. He agreed that NMRHCA should have been given a heads-up right away rather than several months later.

Mr. Kueffer said he didn't know whether or not the Attorney General had received notification from BCBS.

Treasurer Montoya recommended that NMRHCA be provided with the contract between NMRHCA and BSBCNM, as well as the contract between Conduit and BSBC. She asked that she be sent a copy, which she would share with the Attorney General's Office. She also requested that NMRHCA issue a press release immediately, at least to let people know that there has been a breach and what to do if they realize they have been impacted. She said NMRHCA's IT staff should be able to clean the data to discern who has been impacted. She said a number of NMRHCA members have issues with dementia or Alzheimer's, and these are the most vulnerable and need to be protected.

President Caruana said he would echo the Treasurer's comments. He said the timeframe is incredibly excessive when compared to how other companies have responded to data breaches. Although it would appear that this is the first time BCBSNM has dealt with a data breach, it isn't. He said he would like a response presented to the board at its next meeting.

Treasurer Montoya recommended that NMRHCA find out how much money Conduit placed with cybersecurity (anything to do with waste, fraud and abuse) for FY 2023, 2024, and 2025, and the same information be provided for BCBS for the same fiscal years. She would also like to see copies of the contracts between Conduit and BCBS and between NMRHCA and BCBS. In addition to issuing a press release, NMRHCA should send text messages or emails to members and advise them of the breach, and that the media also be notified. She said her office could assist with that.

Treasurer Montoya also stated that BCBSNM's contract should be amended, if necessary, to include all protocols that will be followed in response to data breaches.

Treasurer Montoya asked that a report be provided by the end of this week of what has been done. If additional funds are needed for Mr. Kueffer to address the requests the board has made today, she would like the NMRHCA to call a special meeting to facilitate that.

Mr. Kueffer commented that he was disappointed that he hadn't been notified sooner so that the NMRHCA could have taken the appropriate steps to notify affected members. In his own experience, he could not recall ever having to wait this long before receiving a heads up.

President Caruana said he would speculate that someone waited too long before releasing the data. He said the timeframe is ridiculously long, and this is unacceptable and very disappointing.

Dr. Washburn stated that he received a letter from BCBSNM on April 18, 2025, for a data breach that occurred between November 2024 and March 2025. He said the timelines don't line up for him, though.

Ms. Sergel said she was unfamiliar with the data breach cited by Dr. Washburn.

Dr. Washburn commented that he was confused and concerned.

President Caruana said a quick phone search shows that this has been in the news earlier than this, and for the NMRHCA not to be notified until now is excessive.

e. Medical Premiums

Mr. Kueffer stated that the state insurance marketplace recently released information that they are seeing rate increases of 36% in the individual insurance market and about 17% in small group health insurance plans.

f. Legislative

a. Special Session

Mr. Kueffer reviewed the proclamation issued by the Executive Office on September 30 calling for a Special Session on October 1 for the purpose of enacting legislation to include amending the Rural Health Care Delivery Fund to allow for grants to healthcare providers and facilities to stabilize existing healthcare services; adjusting eligibility requirements for participating in the New Mexico health insurance exchange; requiring rules of immunization of children attending schools, and other legislation.

b. SB51 ESI Progress

Following up on discussion at the last meeting regarding discovery that SB51 hadn't been implemented, Mr. Kueffer said all of the members are now receiving the point-of-sale rebates, and NMRHCA is now working with ESI to look at past claims.

c. Interim Committees

Mr. Kueffer referred to slides from a presentation made before the Legislative Finance Committee highlighting the NMRHCA's tax distribution fund and the 12% compounding growth rate. This is a component of the NMRHCA's solvency rate and was passed many years ago to help shore up the NMRHCA program. The hope is that the agency will continue to receive these funds until it reaches a respectable amount. He said he has heard nothing from the NMRHCA's lobbyist to indicate that any change is being contemplated.

9. UPDATED SOLVENCY AND FUNDED STATUS

Segal consultant Debbie Donaldson reviewed an update of the NMRHCA's solvency and funded status following actions taken by the board at the July annual meeting.

Responding to Treasurer Montoya, Ms. Donaldson said there is concern that the cost of drugs could increase as a result of tariffs, although there is not yet any evidence of that.

Treasurer Montoya said that there will be extensive discussion at the next legislative session about medical care in New Mexico and why doctors are leaving the state, etc., and it will be very important for the NMRHCA to be part of that discussion.

10. DAVIS VISION PRESENTATION

[Presenter: Sam Garcia, State Director]

Mr. Garcia made a presentation. [Slide deck is in board book.]

11. STANDARD LIFE PRESENTATION

[Presenters: Jennifer Oswald and Sam Griffith]

Ms. Oswald and Mr. Griffith made a presentation. [Slide deck is in board book.]

12. OTHER BUSINESS

None.

13. DATE AND LOCATION OF NEXT BOARD MEETING

November 4, 2025 – 9:30 AM
CNM Workforce Training Center
5600 Eagle Rock Avenue, NE, Albuquerque, NM. 87113

14. ADJOURN: 11:25 a.m.

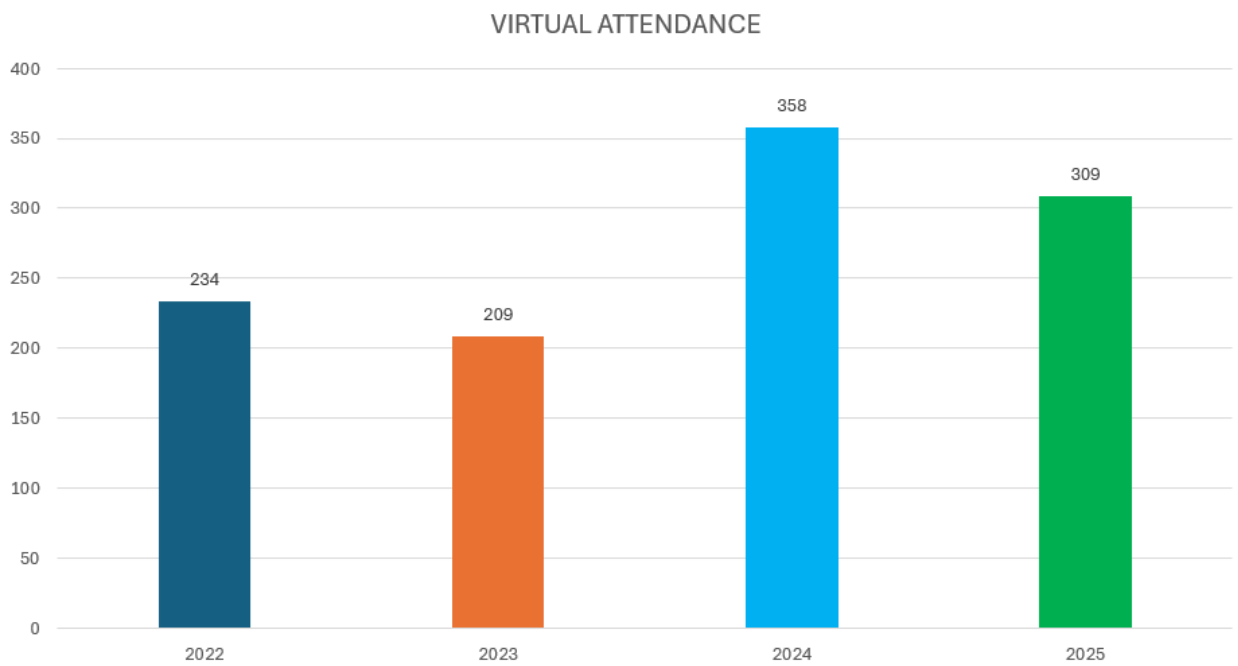
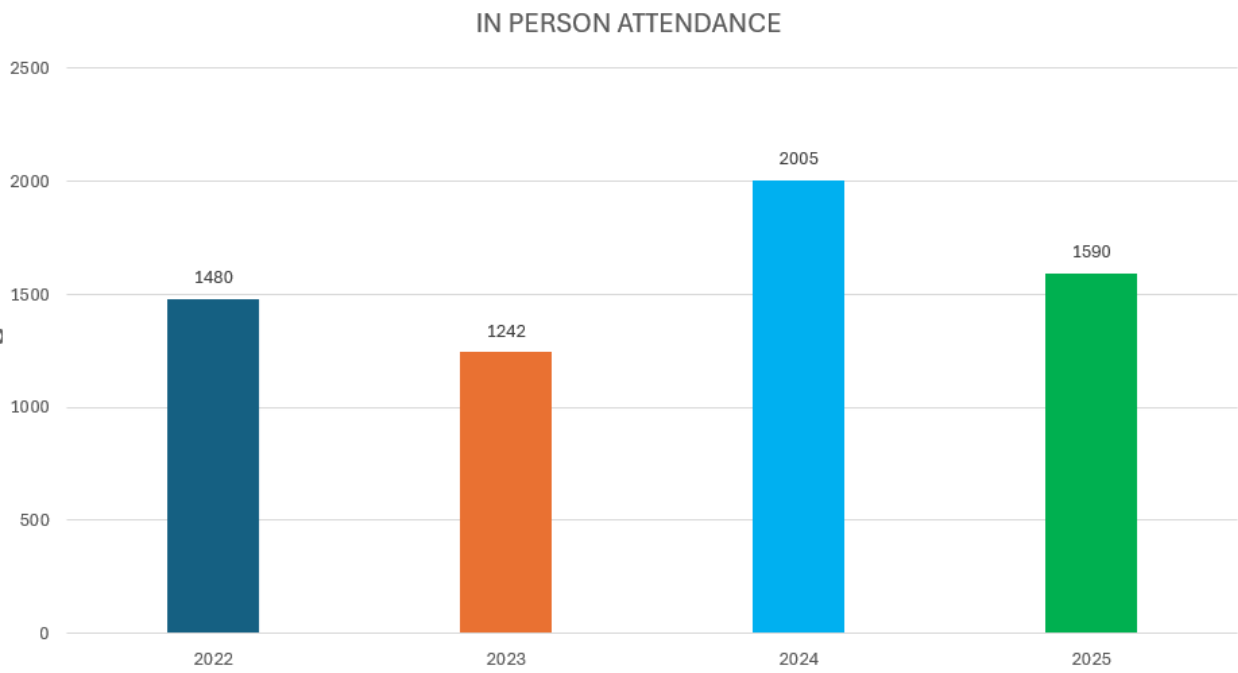
Accepted by:

A handwritten signature in black ink, appearing to read "Lee Caruana", written over a horizontal line.

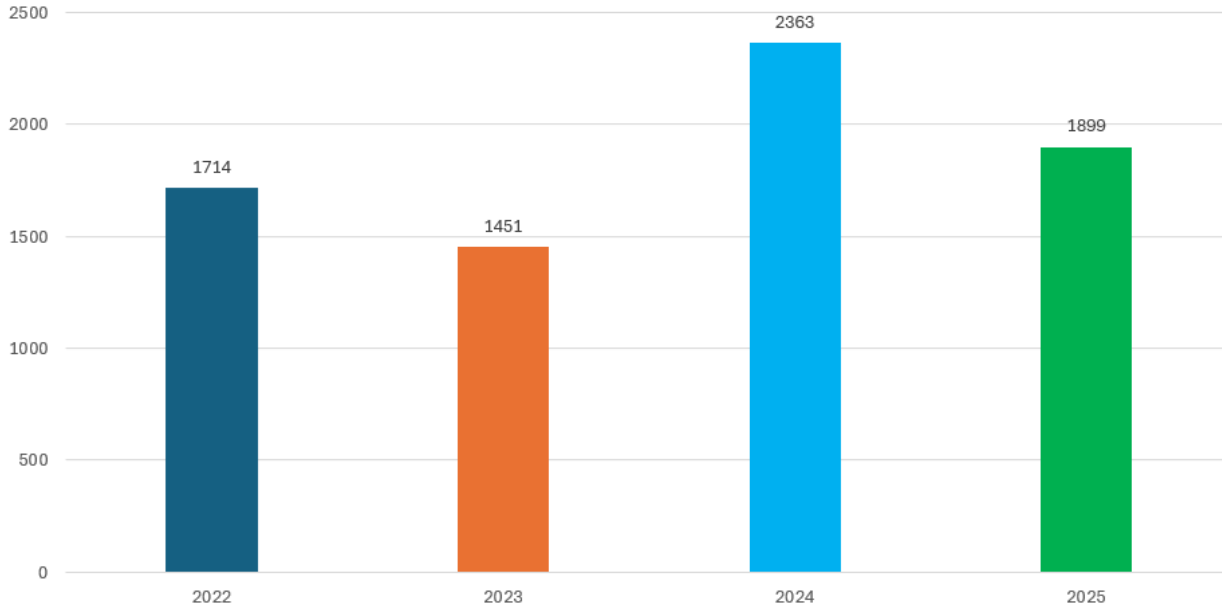
Lee Caruana, President

NMRHCA Switch Enrollment Meetings Attendance 2025 for 2026 Plan Year

The following graphs illustrate the attendance at in-person and virtual meetings along with total meeting attendance that occurred during October 2025. There was a 20% decrease in total attendance from 2024 to 2025 although total attendance was higher than 2022 and 2023. The table at the bottom includes specific attendance counts at each meeting location. Note the new location of Carlsbad where attendance was slightly higher than previous years in Hobbs, which was not a location in 2025.



TOTAL ATTENDANCE



Location	2022		2023		CHANGE - PREVIOUS YEAR		2024		CHANGE - PREVIOUS YEAR		2025		CHANGE - PREVIOUS YEAR	
	Date	# of Attendees	Date	# of Attendees	Absolute	Percentage	Date	# of Attendees	Absolute	Percentage	Date	# of Attendees	Absolute	Percentage
ABQ	10/19/2022	250	10/18/2023	230	-20	-8%	10/22/2024	320	90	39%	10/15/2025	290	-30	-9%
	10/20/2022	140	10/19/2023	160	20	14%	10/23/2024	200	40	25%	10/16/2025	160	-40	-20%
	Combined	390		390	0	0%		520	130	33%		450	-70	-13%
Clovis	10/14/2022	50	10/11/2023	35	-15	-30%	10/17/2024	60	25	71%	10/22/2025	60	0	0%
Espanola	11/2/2022	80	10/4/2023	80	0	0%	10/2/2024	105	25	31%	10/1/2025	60	-45	-43%
Farmington	11/3/2022	65	10/5/2023	55	-10	-15%	10/10/2024	125	70	127%	10/9/2025	100	-25	-20%
Gallup	11/4/2022	30	10/6/2023	25	-5	-17%	10/11/2024	55	30	120%	10/10/2025	45	-10	-18%
Hobbs	10/13/2022	40	10/13/2023	16	-24	-60%	10/16/2024	30	14	88%	NA			
Las Cruces	10/26/2022	120	10/25/2023	110	-10	-8%	10/30/2024	200	90	82%	10/29/2025	160	-40	-20%
	10/27/2022	75	10/26/2023	55	-20	-27%	10/31/2024	80	25	45%	10/30/2025	70	-10	-13%
	Combined	195		165	-30	-15%		280	115	70%		230	-50	-18%
Las Vegas	10/7/2022	80	11/2/2023	60	-20	-25%	10/4/2024	110	50	83%	9/30/2025	80	-30	-27%
Raton	10/6/2022	35	11/1/2023	22	-13	-37%	10/3/2024	60	38	173%	10/2/2025	45	-15	-25%
Rio Rancho	10/18/2022	190	10/17/2023	85	-105	-55%	10/21/2024	210	125	147%	10/14/2025	125	-85	-40%
Roswell	10/12/2022	75	10/12/2023	60	-15	-20%	10/15/2024	110	50	83%	10/21/2025	90	-20	-18%
Santa Fe	10/5/2022	140	10/27/2023	175	35	25%	10/8/2024	190	15	9%	10/7/2025	170	-20	-11%
	10/21/2022	75	11/3/2023	52	-23	-31%	10/9/2024	120	68	131%	10/8/2025	70	-50	-42%
	Combined	215		227	12	6%		310	83	37%		240	-70	-23%
Silver City	10/25/2022	35	10/24/2023	22	-13	-37%	10/29/2024	30	8	36%	10/31/2025	30	0	0%
Carlsbad											10/28/2025	35		
Virtual	10/11/2022	62	10/10/2023	79	17	27%	10/18/2024	150	71	90%	10/6/2025	127	-23	-15%
	10/17/2022	80	10/20/2023	96	16	20%	10/24/2024	102	46	82%	10/17/2025	88	-14	-14%
	10/28/2022	92	10/31/2023	74	-18	-20%	11/1/2024	106	32	43%	10/23/2025	94	-12	-11%
	Combined	234		209	-25	-11%		358	149	71%		309	-49	-14%
TOTAL		1714		1451				2363				1899		
Change to previous Year	Absolute			-263				912				-464		
	Percentage			-15%				63%				-20%		

New Mexico Retiree Health Care Authority

Fiscal Year 2026 First Quarter Budget Review

Healthcare Benefits Fund

Between July 1, 2025, and September 30, 2025, the Healthcare Benefits Administration Program expended \$101.3 million and collected \$116.7 million in revenue. The resulting \$15.4 million surplus is higher than the \$11.6 million surplus for the same period in FY25.

First Quarter FY26 expenditure is \$9.8 million greater than expenditure in First Quarter FY25, a growth of 10.7%. Current projections indicate a \$120.2 million surplus at the end of FY26.

Major Upward Cost Pressures:

1. Claim costs generally rise during the third and fourth quarters of the plan year (calendar year) because more members are meeting their annual deductible and reaching maximum out-of-pocket expenses.
2. Prescriptions drug costs are higher this quarter due to the new \$2,000 cap on the EGWP plan, which shifts a greater share of prescription costs from members to the plan.
3. Medicare Advantage Prescription Drug (MAPD) plan costs reflect the premium increases effective for the 2025 calendar year.

Major Downward Cost Pressures:

1. Overall plan participation, including medical and voluntary coverages, decreased by 0.4% between September 2024 and September 2025, resulting in a loss of 256 members. This decline is lower than the 1.7% reduction in the previous fiscal year, which saw a loss of 1,122 members.
2. Pre-Medicare Plan Participation
 - Premier Plans: -635 members (-8.0%)
 - Value Plans: -214 members (-7.1%)
 - Net: -849 members (-7.7%)
3. Medicare Plan Participation
 - Medicare Supplement: -512 members (-2.6%)
 - *BCBS MA Plans: +1,759 members (47.8%)
 - Humana MA Plans: -69 members (-3.4%)
 - Presbyterian MA Plans: -244 members (-2.7%)
 - UnitedHealthcare MA Plans: -1,099 members (-18.4%)
4. A 6.1% decline in dependent child participation in medical plans from 1,041 in September 2024 to 978 in September 2025.

*Default Plans --- All PHP and BCBS Pre-Medicare Plan Participants to BCBS MAPD PPO Plan effective January 1, 2025.

Below is an annual summary of the cash contributions made to the State Investment Council (SIC) between fiscal years 2016 – 2025, as well as contribution(s) made in FY26:

Ten-Year Summary of Cash Contributions to Long Term Investments - SIC	
FY16 Total	\$ 35,000,000
FY17 Total	\$ 33,000,000
FY18 Total	\$ 20,000,000
FY19 Total	\$ 45,000,000
FY20 Total	\$ 56,000,000
FY21 Total	\$ 75,000,000
FY22 Total	\$ 60,000,000
FY23 Total	\$ 100,000,000
FY24 Total	\$ 140,000,000
FY25 Total	\$ 140,000,000
Transfer Effective	Amount Transferred
November 1, 2025	\$ 30,000,000
FY26 Total	\$ 30,000,000
Total Transfers	\$ 734,000,000

New Mexico Retiree Health Care Authority

FY26 1st Quarter Budget Review

Comparison of Projected vs. Actual

(in thousands)

Healthcare Benefit Fund								
FY26/FY25 Comparison								
	FY26 Approved Q1 Budget	FY26 Q1 Actual	FY25 Q1 Actual	Dollar Change		Percent Change		
<u>Sources:</u>								
Employer/Employee Contributions	\$ 35,275.8	\$ 49,529.6	\$ 47,586.3	\$ 1,943.4		4.1%		
Retiree Contributions	\$ 43,225.4	\$ 50,583.8	\$ 43,124.8	\$ 7,459.0		17.3%		
Taxation & Revenue Fund	\$ 14,508.2	\$ 4,837.0	\$ 4,318.8	\$ 518.3		12.0%		
Other Miscellaneous Revenue	\$ 9,776.6	\$ 11,347.9	\$ 7,901.9	\$ 3,446.0		43.6%		
Interest Income	\$ 25.0	\$ 503.8	\$ 267.7	\$ 236.1		157.0%		
Refunds	\$ -	\$ (58.4)	\$ (83.7)	\$ 25.3		-30.2%		
Total Sources	\$ 102,810.9	\$ 116,743.9	\$ 103,115.8	\$ 13,628.0		13.2%		
<u>Uses:</u>								
Medical Contractual Services	\$ 101,659.2	\$ 96,866.1	\$ 87,403.2	\$ 9,462.9		10.8%		
ACA Fees (PCORI)	\$ 45.0	\$ 38.6	\$ 39.8	\$ (1.2)		-2.9%		
Other Financing Uses	\$ 1,106.8	\$ 4,427.0	\$ 4,125.2	\$ 301.8		7.3%		
Total Uses	\$ 102,810.9	\$ 101,331.7	\$ 91,528.4	\$ 9,763.5		10.7%		
<u>Sources Over Uses</u>	NA	\$ 15,412.2	\$ 11,587.4	NA		NA		
FY25 Budget Compared to Actual								
	FY26 Approved Budget	FY26 Actuals	Remaing Balance	Percent Expended/ Collected		FY26 Projected Total		
<u>Sources:</u>								
Employer/Employee Contributions	\$ 141,103.0	\$ 49,529.6	\$ 91,573.4	35.1%		\$ 198,000.0		
Retiree Contributions	\$ 172,901.4	\$ 50,583.8	\$ 122,317.6	29.3%		\$ 202,500.0		
Taxation & Revenue Fund	\$ 58,032.9	\$ 4,837.0	\$ 53,195.9	8.3%		\$ 58,044.1		
Other Miscellaneous Revenue	\$ 38,971.4	\$ 11,347.9	\$ 27,623.5	29.1%		\$ 45,000.0		
Interest Income	\$ 100.0	\$ 503.8	\$ (403.8)	NA		\$ 2,000.0		
Refunds	\$ -	\$ (58.4)	\$ -	NA		\$ (230.0)		
Total Sources	\$ 411,108.7	\$ 116,743.9	\$ 294,306.4	28.4%		\$ 505,314.1		
<u>Uses:</u>								
Medical Contractual Services	\$ 406,636.7	\$ 96,866.1	\$ 309,770.6	23.8%		\$ 380,650.0		
ACA Fees (PCORI)	\$ 45.0	\$ 38.6	\$ 6.4	85.8%		\$ 38.6		
Other Financing Uses	\$ 4,427.0	\$ 4,427.0	\$ -	100.0%		\$ 4,401.4		
Total Uses	\$ 411,108.7	\$ 101,331.7	\$ 309,777.0	24.6%		\$ 385,090.1		
<u>Sources Over Uses</u>	NA	\$ 15,412.2	NA	NA		\$ 120,224.1		

New Mexico Retiree Health Care Authority
1st Quarter Healthcare Benefit Fund Detail
Fiscal Year 2026
(in thousands)

	FY26	FY25	FY26 - FY25
	Q1 Actuals	Q1 Actuals	Difference
REVENUE:			
Employer/Employee Contributions	\$ 49,529.6	\$ 47,586.3	\$ 1,943.4
Retiree Contributions	\$ 50,583.8	\$ 43,124.8	\$ 7,459.0
Taxation and Revenue Suspense Fund	\$ 4,837.0	\$ 4,318.8	\$ 518.3
Other Miscellaneous Revenue	\$ 11,347.9	\$ 7,901.9	\$ 3,446.0
Interest Income	\$ 503.8	\$ 267.7	\$ 236.1
Refunds	\$ (58.4)	\$ (83.7)	\$ 25.3
TOTAL REVENUE:	\$ 116,743.9	\$ 103,115.8	\$ 13,628.0
EXPENDITURES:			
Prescriptions			
Express Scripts	\$ 39,892.8	\$ 28,297.0	\$ 11,595.8
Total Prescriptions	\$ 39,892.8	\$ 28,297.0	\$ 11,595.8
Non-Medicare			
Blue Cross Blue Shield	\$ 13,015.3	\$ 17,359.1	\$ (4,343.9)
BCBS Administrative Costs	\$ 437.2	\$ 401.3	\$ 35.9
Presbyterian	\$ 10,322.3	\$ 10,614.2	\$ (291.9)
Presbyterian Administrative Costs	\$ 422.4	\$ 466.6	\$ (44.3)
PCORI Fee	\$ 38.6	\$ 39.8	\$ (1.2)
Total Non-Medicare	\$ 24,235.8	\$ 28,881.1	\$ (4,645.3)
Medicare			
Blue Cross Blue Shield	\$ 13,100.9	\$ 12,862.2	\$ 238.7
BCBS Administrative Costs	\$ 1,155.6	\$ 1,147.7	\$ 7.9
Presbyterian MA	\$ 5,195.1	\$ 4,819.2	\$ 375.9
UnitedHealthcare MA	\$ 2,062.0	\$ 1,297.5	\$ 764.5
Humana MA	\$ 426.6	\$ 237.5	\$ 189.2
BCBS MA	\$ 291.5	\$ -	\$ 291.5
Total Medicare	\$ 22,231.7	\$ 20,364.2	\$ 1,867.5
Other Benefits			
Davis Vision	\$ 670.9	\$ 628.8	\$ 42.0
BCBS Dental	\$ 222.9	\$ -	\$ 222.9
Delta Dental	\$ 6,201.7	\$ 5,831.2	\$ 370.5
Standard Life Insurance	\$ 3,448.9	\$ 3,440.6	\$ 8.3
Total Other Benefits	\$ 10,544.4	\$ 9,900.7	\$ 643.7
Other Expenses			
Program Support	\$ 4,427.0	\$ 4,125.2	\$ 301.8
Total Other Expenses	\$ 4,427.0	\$ 4,125.2	\$ 301.8
TOTAL EXPENDITURES:	\$ 101,331.7	\$ 91,568.2	\$ 9,763.5
Total Revenue over Total Expenditures	\$ 15,412.2	\$ 11,547.6	\$ 3,864.6

New Mexico Retiree Health Care Authority						
FY26 1st QTR Budget Review						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY26/FY25 Comparison						
	FY26 Approved Q1 Budget	FY26 Actuals	FY25 Actuals	Dollar Change	Percent Change	
Sources:						
Other Transfers	\$ 1,121.9	\$ 4,487.6	\$ 4,125.2	\$ 362.4	8.8%	
Total Sources	\$ 1,121.9	\$ 4,487.6	\$ 4,125.2	\$ 362.4	8.8%	
Uses:						
Personal Services and Benefits	\$ 778.5	\$ 709.3	\$ 620.1	\$ 89.2	14.4%	
Contractual Services	\$ 187.1	\$ 108.4	\$ 66.0	\$ 42.4	64.2%	
Other Costs	\$ 156.3	\$ 193.3	\$ 187.5	\$ 5.8	3.1%	
Total Uses	\$ 1,121.9	\$ 1,011.0	\$ 873.6	\$ 137.4	15.7%	

New Mexico Retiree Health Care Authority						
FY26 1st QTR Budget Review						
Comparison of Budget vs. Actual						
(in thousands)						
Program Support						
FY26 Budget Compared to Actual						
	Approved Operating Budget	FY26 Actuals	Remaining Balance	Percent Expended	FY26 Projected	
Sources:						
Other Transfers	\$ 4,487.6	\$ 1,121.9	\$ 3,365.7	25%	\$ 4,401.4	
Total Sources	\$ 4,487.6	\$ 1,121.9	\$ 3,365.7	25%	\$ 4,401.4	
Uses:						
Personal Services and Benefits	\$ 3,114.1	\$ 709.3	\$ 2,404.8	23%	\$ 3,072.3	
Contractual Services	\$ 748.3	\$ 108.4	\$ 639.9	14%	\$ 714.7	
Other Costs	\$ 625.2	\$ 193.3	\$ 431.9	31%	\$ 614.5	
Total Uses	\$ 4,487.6	\$ 1,011.0	\$ 3,476.6	23%	\$ 4,401.4	

Program Support						
Expenditure Summary (in thousands)						
Acct #	Account Description	A Approved Budget	B Expended Budget	C Remaing Balance	D Projected	E Balance
200	Personal Services/ Employee Benefits	3,114.1	709.3	2,404.8	2,362.9	41.8
300	Contractual Services	748.3	108.4	639.9	606.4	33.6
400	Other Costs	625.2	193.3	431.9	421.2	10.7
	TOTAL	4,487.6	1,011.0	3,476.6	3,390.4	86.2
Expenditure Detail (in thousands)						
Personal Services / Employee Benefits						
Acct #	Account Description	Approved Budget	Expended Budget	Remaining Balance	Projected	Balance
520100	Exempt Positions	527.4	109.4	418.0	402.9	15.2
520300	Classified Perm. Positions	1,685.9	381.2	1,304.7	1,245.2	59.4
520700	Overtime & Other Premium Pay	0.0	2.8	(2.8)	0.0	(2.8)
520800	Annual, Sick & Comp Paid	0.0	0.3	(0.3)	0.0	(0.3)
521100	Group Insurance Premium	251.6	67.4	184.2	238.5	(54.3)
521200	Retirement Contributions	427.9	94.9	333.0	317.1	15.9
521300	FICA	169.2	36.7	132.5	126.1	6.4
521400	Workers Comp	0.3	0.0	0.3	0.2	0.1
521410	GSD Work Comp Ins	1.7	1.7	0.0	0.0	0.0
521500	Unemployment Comp	0.0	0.0	0.0	0.0	0.0
521600	Employee Liability Insurance	5.1	5.1	0.0	0.0	0.0
521700	Retiree Health Care	45.0	9.9	35.1	33.0	2.2
	TOTAL	3,114.1	709.3	2,404.8	2,362.9	41.8
Contractual Services						
Acct #	Account Description					
535200	Professional Services	437.6	95.4	342.2	340.0	2.2
535209	Professional Services - Interagency	0.0	0.0	0.0	0.0	0.0
535300	Other Services	25.5	2.8	22.6	20.0	2.6
535309	Other Services InterA	30.4	0.0	30.4	30.4	0.0
535400	Audit Services	129.9	0.0	129.9	104.0	25.9
535500	Attorney Services	25.0	2.1	22.9	20.0	2.9
535600	Information Technology Services	100.0	8.0	92.0	92.0	0.0
	TOTAL	748.3	108.4	639.9	606.4	33.6
Other Costs						
Acct #	Account Description					
542100	Employee In-State Mileage & Fares	2.5	0.4	2.1	2.1	(0.0)
542200	Employee In-State Meals & Lodging	6.0	2.1	3.9	5.0	(1.1)
542300	Board & Comm Mbr Meals & Lodging - In-State	5.5	4.4	1.1	3.5	(2.4)
542310	Board & Comm Mbr Mileage & Fares - In-State	6.0	2.9	3.1	4.0	(0.9)
542500	Transportation - Fuel & Oil	2.2	0.1	2.1	2.0	0.1
542600	Transportation - Parts & Supplies	0.6	1.1	(0.5)	0.5	(1.0)
542700	Transportation - Insurance	0.2	0.0	0.2	0.2	0.0
542800	State Transportation Pool Charges	8.1	5.8	2.3	0.0	2.3
543200	Maintenance - Furniture, Fixtures & Equipment	6.0	0.0	6.0	6.0	0.0
543300	Maintenance - Building & Structure	6.0	0.0	6.0	0.0	6.0
543400	Maintenance - Property Insurance	0.1	0.0	0.1	0.1	0.0
543820	Maintenance IT	0.0	0.0	0.0	0.0	0.0
543830	IT HW/SW Agreements	24.0	6.7	17.3	17.3	0.0
544000	Supply Inventory IT	20.0	0.0	20.0	20.0	0.0
544100	Supplies - Office Supplies	13.0	0.9	12.1	10.0	2.1
544200	Supplies - Medical, Lab, Personal	0.0	0.1	(0.1)	0.0	(0.1)
544900	Supplies - Inventory Exempt	5.0	0.1	4.9	4.9	0.0
545600	Rep/Recording	0.2	0.0	0.2	0.0	0.2
545700	DoIT - ISD Services	21.5	4.6	16.9	18.4	(1.5)
545710	DoIT - HCM Fees	9.8	0.0	9.8	9.8	0.0
545900	Printing & Photo. Services	70.0	53.3	16.7	16.7	0.0
546100	Postage & Mail Services	90.0	40.0	50.0	45.0	5.0
546400	Rent of Land & Buildings	134.7	33.9	100.8	100.8	0.0
546409	Rent - Interagency	19.9	4.9	15.0	15.0	0.0
546500	Rent of Equipment	37.1	8.3	28.8	28.8	0.0
546600	Communications	6.0	0.6	5.4	4.5	0.9
546610	DOIT Telecomm	58.5	17.8	40.7	46.5	(5.8)
546700	Subscriptions & Dues	7.0	2.8	4.2	3.5	0.7
546709	Subscriptions & Dues Interagency	0.2	0.0	0.2	0.1	0.1
546800	Employee Training & Education	9.0	1.9	7.1	7.0	0.1
546801	Board Member Training	5.5	0.0	5.5	3.0	2.5
546900	Advertising	1.8	0.0	1.8	0.5	1.3
547900	Miscellaneous Expense	2.3	0.2	2.1	2.1	0.0
547999	Request to Pay Prior Year	0.0	0.0	0.0	0.0	0.0
548300	Information Technology Equipment	27.5	0.0	27.5	27.5	0.0
549600	Employee Out-Of-State Mileage & Fares	6.0	0.0	6.0	6.0	0.0
549700	Employee Out-Of-State Meals & Lodging	6.5	0.0	6.5	6.5	0.0
549800	B&C-Out-Of-State Mileage & Fares	3.5	0.0	3.5	2.0	1.5
549900	B&C- Out-Of-State Meals & Lodging	3.0	0.0	3.0	2.0	1.0
	TOTAL	625.2	193.3	431.9	421.2	10.7



New Mexico Retiree Health Care Authority

State Health Benefits Urban Hospital Reimbursement Rates

Estimated Savings Associated with SB376 and Letter of Direction

December 2025 / Deborah Donaldson, FSA, MAAA, Senior Vice President

Background - Legislative

2025 Senate Bill 376 passed, and Letter of Direction (LOD) issued from the Cabinet Secretary and State Benefits Director on May 30, 2025; Per LOD:

- Effective July 1, 2025, hospitals located in counties with a population of 125,000 or more are subject to the Maximum Payment Limitations (impacting Bernalillo, Doña Ana, Sandoval, and Santa Fe counties)
- Maximum Payment Limitation Medicare Reimbursement Rate (applies to inpatient and outpatient hospital services, not professional claims):
 - **In-network** inpatient and outpatient services: $\leq 200\%$;
 - If in-network current contracted rate is less than 200% of Medicare, the rate is to remain at its current level
 - **Out-of-network** inpatient or outpatient services: Lessor of the billed charges, the reimbursement negotiated by the ASO, or 175% of the Medicare
 - If a service is not covered by Medicare, but a similar service is covered: similar service used as the basis for payment
 - No similar service is covered: the Maximum Payment Limitations does not apply
- LOD applies to New Mexico Health Care Authority (HCA); Per SB 376, Agencies subject to Health Care Purchasing Act can elect to join Referenced Base Pricing arrangement

Background - Analysis

- At the request of NMRHCA, Segal estimated the impact associated with joining HCA in application of 2025 SB376 and per the LOD.
- RHCA requested Segal, with approval from NMPSIA, to utilize results from the detailed analysis Segal performed to reprice NMPSIA claims on a percentage of Medicare and presented in NMPSIA's July 2025 Board Meeting.
 - Data used in this analysis is paid from November 2023 through October 2024
 - NMPSIA data was used to re-price claims at a percentage of Medicare
 - NMRHCA aggregate claims data was pulled by hospital, by inpatient and outpatient
 - Percentage of Medicare factors were developed for each applicable hospital from the NMPSIA analysis, split by inpatient and outpatient care in aggregate.
 - These factors were then applied to the NMRHCA costs at these hospitals to determine estimated savings.
 - There is a fairly high degree of uncertainty in this analysis as the mix of services at a given provider, within a given category, can have a material impact on the relativity to Medicare, and these amounts may fluctuate over time.

Background - Analysis

- Eligible NMPSIA claims for non-Medicare plan members were re-priced as a percentage of Medicare according to Medicare payment logic as published by the Centers for Medicare and Medicaid Services (CMS).
 - In general, Medicare pricing is based on the estimated cost of inputs to deliver care, considering things like service acuity and geographic cost variances.
 - Medicare rates can vary by hospital (e.g. teaching hospitals, critical access hospitals, varying cost-to-charge ratios, etc.).

Estimated Savings

Estimated Savings: \$6M - \$9M or 5% - 7% of total Non-Medicare Medical Plan Costs

- All hospitals agree to participate in the negotiated Medicare maximum payment under LOD
- Applied the maximum at the claim level, reflecting our best attempt at identifying impacted hospitals and claims
- All hospitals in the four counties are in-network
- Outlier claims, based on percentile distributions of Medicare equivalents, were removed or dampened in the analysis to ensure results were not skewed by atypical experience in the baseline data
 - The low and high ends of the range are based on applying different percentiles to apply dampening logic, as an attempt to reflect the predictive uncertainty and ensure conservatism in the estimated savings
- Savings in any given year will vary based on the mix of services and hospitals utilized, especially the share occurring in the impacted counties

Disclaimers

- This document has been prepared for the exclusive use and benefit of New Mexico Retiree Health Care Authority (NMRHCA), based upon information provided by you and your other service providers or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. Except as may be required by law, this document should not be shared, copied or quoted, in whole or in part, without the consent of Segal. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.
- The projections in this report are estimates of future costs and are based on information available to Segal at the time the projections were made. Segal has not audited the information provided. Projections are not a guarantee of future results. Actual experience may differ due to, but not limited to, such variables as changes in the regulatory environment, changes in medical innovation/FDA approvals, trend rates, and claims volatility. The accuracy and reliability of projections decrease as the projection period increases.
- Projection of retiree costs takes into account only the dollar value of providing benefits for current retirees during the period referred to in the projection. It does not reflect the present value of any future retiree benefits for active, disabled or terminated employees during a period other than that which is referred to in the projection, nor does it reflect any anticipated increase in the number of those eligible for retiree benefits, or any changes that may occur in the nature of benefits over time.

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR <u>Senate Finance Committee</u>	LAST UPDATED <u>3/14/2025</u> ORIGINAL DATE <u>2/18/2025</u>
SHORT TITLE <u>State Employee Health Benefit Contributions</u>	BILL NUMBER <u>CS/Senate Bill 376/SFCS</u>
ANALYST <u>Chenier</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Salary Tier Elimination GF		\$38,245.3	\$41,496.2	\$79,741.5	Recurring	General Fund
Salary Tier Elimination OSF		\$18,849.4	\$20,451.7	\$39,301.1	Recurring	Other State Funds
Salary Tier Elimination FF		\$11,200.4	\$12,152.4	\$23,352.8	Recurring	Federal Funds
Structural Deficit GF		\$16,912.0	\$16,912.0	\$33,824.0	Recurring	General Fund
Structural Deficit OSF		\$8,335.18	\$8,335.18	\$16,670.4	Recurring	Other State Funds
Structural Deficit FF		\$4,952.8	\$4,952.8	\$9,905.6	Recurring	Federal Funds
Hospital Reference Based Pricing GF		(\$9,520.0)	(\$9,520.0)	(\$19,040.0)	Recurring	General Fund
Hospital Reference Based Pricing OSF		(\$4,692.0)	(\$4,692.0)	(\$9,384.0)	Recurring	Other State Funds
Hospital Reference Based Pricing FF		(\$2,788.0)	(\$2,788.0)	(\$5,576.0)	Recurring	Federal Funds
Total		\$81,495.1	\$81,495.1	\$162,990.2		
Employee under 250 FPL/National Guard		\$12,085.9	\$13,066.3	\$25,152.2	Recurring	HCAF

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to a supplemental appropriation of \$85 million in General Appropriation Act

Sources of Information

LFC Files

Agency Analysis Received From

Health Care Authority (HCA)

State Personnel Office (SPO)

New Mexico Public School Insurance Authority (NMPSIA)

SUMMARY

Synopsis of SFC Substitute for Senate Bill 376

The Senate Finance Committee substitute for Senate Bill 376 (SB376) would eliminate existing tiered salary thresholds for employer premium contributions by requiring the employer

contribution of the state or any of its executive, judicial, or legislative departments to be 80 percent. The bill also authorizes the Health Care Authority (HCA) to establish a reference-based pricing program for in-network or out-of-network hospital services while also prohibiting hospitals from charging additional amounts to employees above the reference-based price.

The bill requires HCA to submit its budget request so that it reflects actuarially sound rates. The bill also requires the Health Care Authority to ensure that state employees are provided the opportunity to purchase a variety of health benefit plans with varying plan designs and cost-sharing options

The bill would authorize HCA to use the health care affordability fund (HCAF) to subsidize the employee contribution for health benefits for employees up to 250 percent of the federal poverty level and who make less than an annual salary of \$50 thousand from the state. The bill would also cover benefits for members of the New Mexico National Guard who qualify for a federal TRICARE reserve select policy using HCAF.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The authority states that without the bill there would be a shortfall of \$87.5 million. The bill will reduce this shortfall; however, the bill will still require an appropriation of approximately \$68.3 million, which means there will still be an unfunded ongoing liability of about \$68.3 million. If the bill passes, it is expected that the authority, when it requests actuarially sound premium rates for FY27, the state and local public bodies will have to make up the \$68.3 million difference resulting in significant premium increases. Under the bill, the state will now have to pick up 80 percent of the increase in rates for state employees.

SB376 Costs (Millions)		
	General Fund	OSF/FF
Eliminate Salary Tiers 80/20 Contribution	\$38.2	\$30.0
Eliminate Structural Deficit	\$16.9	\$13.2
Hospital Reference-Based Pricing	\$9.5	\$7.4
HCAF Employee Under 250 FPL		\$11.5
HCAF National Guard		\$0.6
Total	\$64.6	\$62.7

HCA states the state health benefits plan provides coverage to state and local government employees and their families. As of January 31, 2025, 60.4 thousand people were enrolled in the state health benefits plan, 36.4 thousand of whom are affiliated with the state of New Mexico and 24 thousand of whom are affiliated with a local public body. The state contributes a portion of premiums for state employees and local governments participating in the plan to establish their own contribution levels. In recent years, the fund has faced a significant deficit, in large part because the state has not established adequate rates to cover expenses. At the same time, the state covers just 65 percent of premiums on average, the lowest level in the nation, resulting in higher

premiums for state employees.

HCA states cost savings to state employees under the bill would total about \$36.3 million and employee premiums would be reduced by about 46.2 percent on average.

Likewise, the local public body's costs would be about \$19.9 million in total, including a cost of \$36 million to eliminate the structural deficit and a reduction in costs from reference-based pricing of \$16.4 million.

SIGNIFICANT ISSUES

Several factors lead to the current situation in the State Health Benefits Program (SHB):

- New Mexico has continued to experience total health benefit program costs exceeding employee premium revenues since 2021 when the state first suspended employee premium increases.
- Financial deficiencies continued to grow during the two succeeding years (2022 and 2023) when the state once again suspended employee premium increases.
- The state once again implemented employee premium increases in FY24, taking the first steps toward reducing ongoing, annual deficits.
- However, at current trend, annual program deficits are expected to continue due to **both**:
 - The cumulative effects of three years of zero employee premium increases, and
 - Program medical cost trends that appear to exceed national trends.

Analysis of Benefit Program Shortfalls Due to Excess Medical Costs and Not Increasing Rates Annually (millions)						
	FY20	FY21	FY22	FY23	FY24	FY25
Revenue Increase		\$0.0	\$0.0	\$0.0	\$42.0	\$35.2
National Medical Cost Trend		5%	8%	4%	7%	7%
Estimated Needed Revenue Increase at National Trend		\$19.6	\$29.2	\$15.1	\$30.4	\$28.9
Annual Deficit Due to National Trend and Not Raising Rates		-\$18.4	-\$29.2	-\$15.1	\$11.6	\$6.3
Cumulative Deficit Due to Not Raising Rates			-\$47.6	-\$62.7	-\$51.1	-\$44.8
Deficit Due to Excess Medical Costs			-\$40.7	-\$40.7	-\$92.8	-\$79.4
Total Deficit	-\$10.4	-\$18.4	-\$88.3	-\$103.4	-\$143.3	-\$124.2

- Plan medical costs reset at higher levels exceeding national trends in 2022 and then again in 2024 and 2025. Although the pandemic likely contributed to initially higher costs, it is unclear what has caused this permanent reset at higher levels. Typically, this could result from any of the following:
 - Specific high-cost claims for a limited number of beneficiaries with no mechanism to mitigate those unanticipated excess costs (stop-loss/reinsurance, mechanisms to negotiate single case agreements, benefit limits).
 - Program design or administration changes including benefit design, administrator contracts, reimbursement methods/levels, provider network design, utilization and care management practices, claims payment and management including adjudication and COB/TPL (coordination of benefits/third party liability) practices.

Monthly Per Member Per Month 7-2023 through 7-2024				
Category	BCBS	Pres	Dif	% Dif
Covered Lives	26,758	30,987	4,229	15.80%
Medical Costs/Covered Life	\$759.25	\$760.03	\$0.78	0.10%
Administrative Costs/Covered Life	\$23.08	\$25.68	\$2.60	11.30%
Total Costs/Covered Life	\$782.33	\$785.71	(\$89.52)	-10.20%
Revenue/Covered Life	\$639.59	\$556.62	(\$82.97)	-13.00%
Deficit/Covered Life	(\$235.64)	(\$229.09)	(\$6.55)	-2.80%

HCA provides the following:

Medicare Reference-Based Pricing for Urban Hospitals and Balance Billing Protections
HCA plans to implement Medicare Reference-Based Pricing with urban hospitals for the SHB in FY26. This is a strategy adopted in, or being considered by, many other states (including Montana, Oklahoma, Oregon, South Carolina, and Washington) to manage state employee health plan costs. (After implementing Medicare reference-based pricing for hospital services, Oregon did not experience hospital closures or network exits). HCA would focus these efforts on urban hospitals to ensure rural communities that face greater access challenges are not negatively impacted. SHB pays hospitals, on average, three times what Medicare pays for the same services. Hospitals cite low payments from public programs as a reason for these higher rates paid by private insurers. According to a Congressional Budget Office (CBO) analysis of data from the American Hospital Association, hospitals were reimbursed 144.8 percent of the cost of providing care for privately insured patients in 2018.

New Mexico is especially well-positioned to establish fair prices for the SHB, given the major investments in Medicaid provider reimbursement rates, including historic increases in hospital reimbursement rates through the Health Care Access and Delivery Act (2024), which reimburses most hospitals at the average commercial reimbursement rate for Medicaid patients. On net, New Mexico hospitals will receive \$1.59 billion in FY26 under the 2024 act. These historic investments fundamentally reshape the landscape for how much a large employer like the State of New Mexico should pay hospitals for services provided under the state health plan, since investments in Medicaid reimbursement now match average commercial reimbursement rates.

When public payment rates reach these levels, it is reasonable for employers to negotiate rates that more closely align with hospital costs while ensuring improved access to care through the state's investments in Medicaid rates. As noted above, many states, even those without the investments made in New Mexico's Medicaid program, have adopted or are considering adopting reference-based pricing programs.

A major barrier to this proven cost savings approach is the practice of "balance billing" patients for the amount that the provider wishes to be paid above the amount the state sets as a payment maximum. SB376 ensures state employees and members of other [Interagency Benefits Advisory Committee] plans will not be penalized if an agency adopts reference-based pricing policies. HCA projects savings between \$37.6 million and \$39.5 million in SHB costs with reference-based pricing. According to the health

research organization KFF, “Health care debt can have significant financial consequences, including having bills going to collections, lowering credit scores, and for some can contribute to bankruptcy, home foreclosures or evictions... Health care debt can have significant financial consequences, including having bills going to collections, lowering credit scores, and for some can contribute to bankruptcy, home foreclosures or evictions.” According to Business Insider, medical debt remains the top cause of bankruptcy in the United States. Providing balance billing protections is critical to ensure that state can implement cost containment initiatives without risking the financial well-being of the state and local government workforce.

The New Mexico Public School Insurance Authority (NMPSIA) provides the following:

NMPSIA currently follows the tiers outlined in NMSA 22-29-10. At least eighty percent of the cost of the insurance of an employee whose annual salary is less than fifty thousand dollars (\$50,000); at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more; with an option for members to contribute up to 100% of the premium.

NMPSIA breaks down membership into three categories: 1) School Districts and Charter Schools, which pay for premiums through the State Equalization Guarantee (SEG); 2) higher educational institutions, which pay for premiums through Instruction and General Funding (I&G); and 3) Other Educational Entities, which pay for premiums from other revenues.

The table below displays the cost of bringing all NMPSIA members to an 80% contribution percentage. The first column, labeled Tier Difference Per Statute, is the amount needed if all institutions followed the statutory tier contributions. The second column, labeled Tier Difference Per Current Contributions, is the amount needed with members' current contributions.

SB376 Contributions	Tier Difference Per Statute	Tier Difference Per Current Contributions	Difference
School Districts and Charter Schools	\$ 59,317,963	\$ 36,683,759	\$ (22,634,204)
Higher Educational Institutions	\$ 5,483,748	\$ 2,038,695	\$ (3,445,053)
Total Educational Contributions	\$ 64,801,711	\$ 38,722,454	\$ (26,079,257)
Other Educational Entities	\$ 753,175	\$ 387,448	\$ (365,727)
Total	\$ 65,554,886	\$ 39,109,902	\$ (26,444,984)

ALTERNATIVES

NMPSIA requests the changes made to tiers specified in Section E of the proposed bill to also be reflected in **Section 10-7-4 NMSA 1978 Section 1.C** to be amended to read, “The group insurance contributions of school districts and charter schools shall be eighty percent of the cost of insurance.”

Section 22-29-10 NMSA 1978 Section A would also then require amendment for consistency and shall read, “Group insurance contributions for school districts, charter schools and participating entities in the authority shall be eighty percent of the cost of insurance.”

EC/hg/sgs/SL2/hj/SL2/hg/sgs

INVESTMENT PERFORMANCE REVIEW, ECONOMIC OUTLOOK & SIC UPDATES

Presentation for the Board of the
New Mexico Retiree Health Care Authority

Charles Wollmann, Chief Communications Officer
Tuesday, December 2, 2025



WHO WE ARE

- Established by New Mexicans in 1958 to manage the Land Grant Permanent Fund.
- One of the largest sovereign wealth funds in U.S. and ranked 29th globally.
- Council is made up of the Governor, Land Commissioner, Treasurer & eight qualified appointees (4 by Governor, 4 by Legislature).
- SIC staff is comprised of about 35 team members (37 by end of year) including executives, investment professionals, accountants, IT experts, communications, and operations support staff.



CURRENT ASSETS

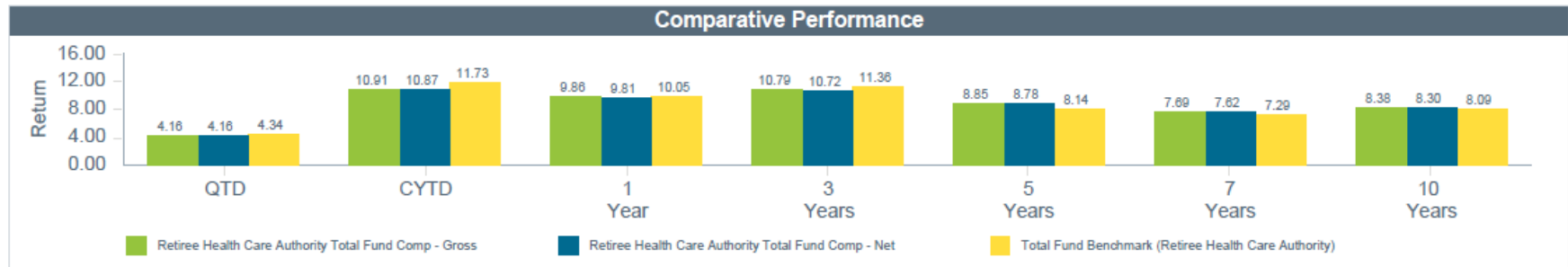
NMRHCA Holdings as of 10/31/2025

Investment Pool	October 31, 2025 Market Value	Estimated Fee rate per year	Estimated Annual Cost
Core Bonds	\$ 375,133,496	0.11%	\$ 412,646.85
US Large Cap Index	\$ 368,491,780	0.01%	\$ 36,849.18
Private Market Debt*	\$ 226,798,200	0.63%	\$ 1,428,828.66
Private Equity*	\$ 208,883,400	0.80%	\$ 1,671,067.20
Real Estate*	\$ 184,179,803	1.07%	\$ 1,970,723.89
Non-US Large Cap Passive Pool	\$ 133,791,613	0.06%	\$ 80,274.97
Non-US Large Cap Active Pool	\$ 95,687,027	0.32%	\$ 306,198.49
Real Return Pool*	\$ 93,622,091	1.05%	\$ 983,031.96
Credit Plus Pool	\$ 92,561,004	0.22%	\$ 203,634.21
US SMID Cap Alt Wt Index Pool	\$ 56,470,461	0.03%	\$ 16,941.14
Non-US SMID Cap Passive Pool	\$ 35,869,534	0.01%	\$ 3,586.95
Non-US SMID Cap Active Pool	\$ 22,469,433	0.46%	\$ 103,359.39
	\$ 1,893,957,842	0.38%	\$ 7,217,142.88
*Private Market investment fees are embedded in total returns and are not separately invoiced as are public market investments.			

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

As of September 30, 2025

Overview	Asset Allocation vs. Target Allocation				
The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.		Market Value (\$)	Allocation (%)	Target (%)	Difference (%)
	US Large Cap Index	294,704,148	15.68	14.00	1.68
	US SMID Cap Alt Wtd Index	37,967,422	2.02	2.00	0.02
	Non-US Large Cap Active	142,215,100	7.57	8.00	-0.43
	Non-US Large Cap Passive	200,161,171	10.65	11.00	-0.35
	Non-US Developed Markets Index	25	0.00	0.00	0.00
	Non-US SMID Cap Active	34,297,143	1.82	2.00	-0.18
	Non-US SMID Cap Passive	52,846,320	2.81	3.00	-0.19
	US Core Bonds	373,475,237	19.87	20.00	-0.13
	Private Debt	264,734,548	14.08	15.00	-0.92
	Real Assets	92,149,596	4.90	5.00	-0.10
	Real Estate	149,378,019	7.95	10.00	-2.05
	Private Equity	237,750,938	12.65	10.00	2.65
	Total Fund	1,879,679,667	100.00	100.00	0.00



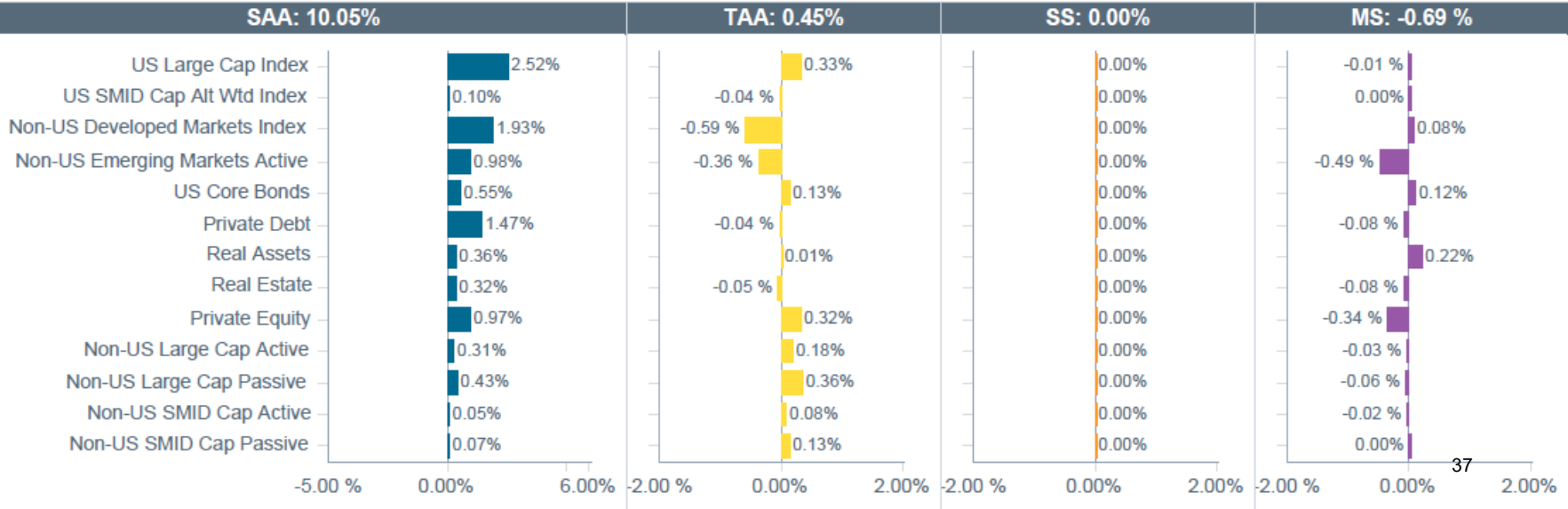
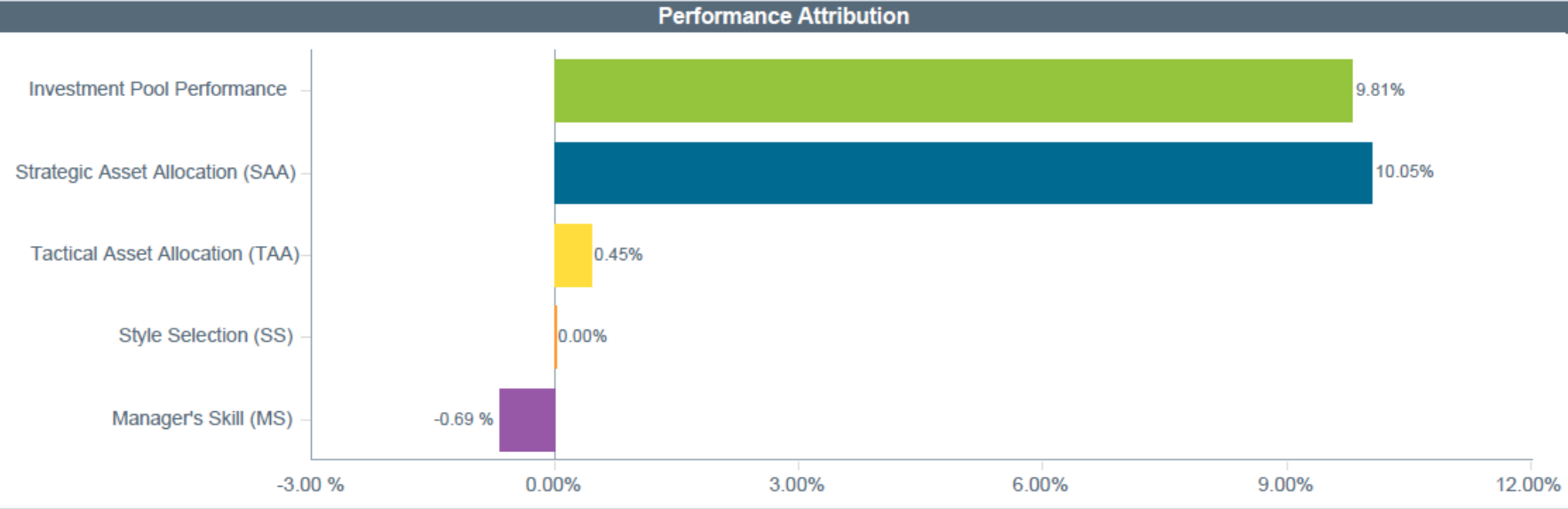
Comparative Performance										
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2024	2023	2022
Retiree Health Care Authority Total Fund Comp - Gross	4.16	10.91	9.86	10.79	8.85	7.69	8.38	7.69	9.39	-6.98
Total Fund Benchmark (Retiree Health Care Authority)	4.34	11.73	10.05	11.36	8.14	7.29	8.09	7.20	9.84	-8.54
Difference	-0.18	-0.82	-0.18	-0.57	0.71	0.39	0.29	0.49	-0.45	1.56
Retiree Health Care Authority Total Fund Comp - Net	4.16	10.87	9.81	10.72	8.78	7.62	8.30	7.62	9.32	-7.05
Total Fund Benchmark (Retiree Health Care Authority)	4.34	11.73	10.05	11.36	8.14	7.29	8.09	7.20	9.84	-8.54
Difference	-0.18	-0.86	-0.24	-0.64	0.64	0.33	0.21	0.42	-0.52	1.49

Schedule of Investable Assets					
Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	1,588,449,690	110,000,000	181,229,976	1,879,679,667	10.87

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. Residual assets may appear from the non-US equity transition.

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

1 Year Ending September 30, 2025



New Mexico State Investment Council
Third Party Investment Pools
Comparative Performance

As of September 30, 2025

	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2024	2023	Since Incep.	Inception Date
US Equity												
US Large Cap Active Pool	7.64	7.64	14.35	16.75	25.89	13.31	13.45	14.64	23.90	31.99	7.90	05/01/1999
Russell 1000 Index	7.99	7.99	14.60	17.75	24.64	15.99	14.18	15.04	24.51	26.53	8.41	
US Large Cap Index Pool	7.99	7.99	14.56	17.70	24.64	16.00	13.65	14.65	24.46	26.64	8.58	05/01/1999
Russell 1000 Index	7.99	7.99	14.60	17.75	24.64	15.99	14.18	15.04	24.51	26.53	8.41	
US Small/Mid Cap Active Pool	12.20	12.20	10.41	10.37	16.18	12.09	8.21	9.50	12.31	17.27	7.98	11/01/1998
Russell 2000 Index*	12.39	12.39	10.39	10.76	15.21	11.56	7.13	9.82	11.54	16.93	8.91	
US Small/Mid Cap Alt Wtd Index Pool	9.13	9.13	4.19	3.58	12.71	12.78	6.08	-	8.55	16.00	5.52	09/01/2018
S&P Sm Cap 600 Index (Cap Wtd)	9.11	9.11	4.24	3.64	12.82	12.94	6.24	10.03	8.70	16.05	5.68	
Non-US Equity												
Non-US Large Cap Active	5.70	5.70	26.47	17.56	22.34	11.75	8.36	9.10	6.62	16.66	7.65	09/01/2013
MSCI ACW Ex US Index*	6.89	6.89	27.92	17.49	22.16	11.16	7.75	8.32	3.55	17.51	7.04	
Non-US Large Cap Passive	6.55	6.55	26.26	16.56	20.74	11.10	7.76	8.39	3.81	16.31	5.14	05/01/1999
Non-US Large Cap Passive Custom Index*	7.03	7.03	27.19	17.59	21.34	11.15	7.76	8.25	4.10	16.90	5.04	
Non-US SMID Cap Active	5.74	5.74	19.49	12.20	14.56	3.65	4.87	6.79	7.06	8.03	3.73	10/01/2013
MSCI ACW Ex US Sm Cap Index (Net)*	6.68	6.68	22.97	13.12	16.78	6.24	5.62	7.59	7.50	9.83	4.78	
Non-US SMID Cap Passive	6.50	6.50	20.75	12.55	16.81	6.59	6.05	7.66	7.28	11.72	7.25	05/01/1999
MSCI ACW Ex US Sm Cap Index (Net)*	6.68	6.68	22.97	13.12	16.78	6.24	5.62	7.59	7.50	9.83	7.31	
Fixed Income												
US Core Bonds Pool	2.09	2.09	6.67	3.50	5.33	-0.31	2.37	2.01	1.64	5.97	1.98	11/01/2014
Bloomberg US Agg Bond Index	2.03	2.03	6.13	2.88	4.93	-0.45	2.06	1.84	1.25	5.53	1.86	
Credit Plus Pool	2.34	2.34	6.75	5.60	7.13	1.22	3.34	3.48	4.58	7.61	4.75	05/01/1999
Bloomberg US Unv Bond Index*	2.13	2.13	6.31	3.40	5.60	0.08	2.38	2.26	2.04	6.17	4.21	

Performance shown is net of fees. Performance shown for Private Debt, Private Equity, Real Estate, and Real Assets investments is 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *See Addendum for historical custom benchmark composition.

New Mexico State Investment Council
Third Party Investment Pools
Comparative Performance

As of September 30, 2025

	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2024	2023	Since Incep.	Inception Date
Private Debt												
Private Debt Pool**	2.58	2.58	6.69	9.23	7.88	8.96	6.72	6.62	8.73	7.95	4.52	04/01/2006
S&P UBS Lvg'd Loan Index+2% (1 Qtr Lag)*	2.84	2.84	6.89	9.65	10.44	6.70	4.53	5.22	11.84	12.42	6.12	
Real Estate												
Townsend-Reported Real Estate Composite**	1.52	1.52	1.80	2.53	-4.31	5.04	4.39	6.18	-4.90	-9.31	4.89	10/01/2004
NCREIF ODCE Index+0.75% (Net) (1 Qtr Lag)*	1.00	1.00	3.23	3.25	-6.04	2.65	2.86	4.48	-8.04	-12.88	5.68	
Real Assets												
Real Assets Composite**	2.85	2.85	7.38	11.75	10.51	12.81	7.20	6.95	11.95	9.35	6.02	06/01/2012
Consumer Price Index+4%*	1.69	1.69	7.96	7.25	5.87	7.05	5.70	4.72	4.65	2.54	3.40	
Consumer Price Index+4%	1.69	1.69	5.99	7.13	7.17	8.71	7.81	7.29	7.00	7.49	6.73	
Private Equity												
Private Equity Pool**	3.00	3.00	5.22	7.00	5.55	14.34	12.54	11.95	5.87	5.75	11.39	07/01/2011
Cambridge US Prvt Eq & VC Index (1 Qtr Lag)	4.26	4.26	7.02	9.98	5.44	14.66	13.68	13.57	8.06	3.48	13.61	
MSCI ACW Index+3% (Net) (1 Qtr Lag)	8.42	8.42	21.09	20.79	26.82	16.95	14.62	15.27	21.01	25.87	13.04	

The Private Equity Pool excludes the Severance Tax Stock Distributions account, which differs from the Private Equity Composite (Ex. State). As such, performance for the Private Equity Pool differs from the Private Equity Composite (Ex. State).

Performance shown is net of fees. Performance shown for Private Debt, Private Equity, Real Estate, and Real Assets investments is 0.00% during intra-quarter months. Performance is annualized for periods greater than one year. Fiscal year ends June 30. *See Addendum for historical custom benchmark composition.

**Indicates performance is lagged 1 quarter.

New Mexico State Investment Council
Comparative Performance - NMSIC Funds

As of September 30, 2025

	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2024	2023	2022	2021	2020
Land Grant Total Fund	2.17	3.99	3.99	10.70	10.00	11.24	9.32	7.78	8.32	7.90	10.17	-6.87	17.06	8.94
Land Grant Interim Policy Index	2.12	4.21	4.21	11.14	10.18	11.05	9.14	7.87	8.45	7.15	9.77	-6.58	16.53	10.05
Difference	0.05	-0.22	-0.22	-0.43	-0.18	0.19	0.18	-0.09	-0.13	0.76	0.40	-0.29	0.54	-1.11
Severance Tax Total Fund	2.07	3.85	3.85	10.29	9.34	9.92	7.61	6.24	7.28	6.56	8.48	-7.84	13.60	7.89
Severance Tax Interim Policy Index	2.08	4.12	4.12	10.79	9.52	9.60	7.49	6.72	7.67	5.66	7.52	-7.46	13.13	10.21
Difference	-0.01	-0.27	-0.27	-0.50	-0.18	0.33	0.13	-0.48	-0.38	0.90	0.96	-0.37	0.47	-2.32
Early Childhood Total Fund	2.05	3.99	3.99	10.98	10.39	9.78	7.16	-	-	7.99	7.60	-1.99	9.57	-
Early Childhood Interim Policy Index	2.09	4.23	4.23	11.21	10.07	9.65	6.10	-	-	7.26	7.70	-5.12	8.74	-
Difference	-0.05	-0.25	-0.25	-0.23	0.32	0.14	1.06	-	-	0.73	-0.10	3.13	0.83	-
Tax Stabilization Reserve Total Fund	1.16	1.86	1.86	5.38	5.84	4.84	3.85	-	-	3.99	3.77	-0.61	4.99	5.68
Tax Stabilization Reserve Policy Index	0.78	1.82	1.82	5.23	5.39	4.60	3.20	-	-	3.98	3.76	-2.40	4.15	2.40
Difference	0.39	0.04	0.04	0.16	0.45	0.23	0.65	-	-	0.01	0.01	1.79	0.85	3.28
Higher Ed. Trust Total Fund	2.48	4.35	4.35	11.58	11.18	-	-	-	-	-	-	-	-	-
Higher Education Trust Policy Index	2.12	4.36	4.36	11.68	10.81	-	-	-	-	-	-	-	-	-
Difference	0.36	-0.01	-0.01	-0.10	0.37	-	-	-	-	-	-	-	-	-
Capital Development Total Fund	2.12	3.68	3.68	10.18	9.79	-	-	-	-	-	-	-	-	-
Capital Development and Reserve Policy Index	1.72	3.70	3.70	10.19	9.27	-	-	-	-	-	-	-	-	-
Difference	0.40	-0.03	-0.03	-0.01	0.52	-	-	-	-	-	-	-	-	-
Tobacco Settlement Total Fund	2.49	4.33	4.33	11.62	11.49	9.98	9.60	7.40	8.34	7.67	7.17	2.73	13.38	2.88
Tobacco Settlement Policy Index	2.12	4.36	4.36	11.68	10.81	8.55	7.30	5.71	7.16	5.28	5.54	-1.94	10.90	5.33
Difference	0.37	-0.03	-0.03	-0.06	0.69	1.43	2.30	1.68	1.18	2.39	1.63	4.67	2.48	-2.44
Conservation Legacy Total Fund	2.51	4.21	4.21	10.97	11.11	-	-	-	-	8.38	-	-	-	-
Conservation Legacy Policy Index	2.20	4.31	4.31	11.48	10.79	-	-	-	-	7.56	-	-	-	-
Difference	0.30	-0.10	-0.10	-0.50	0.32	-	-	-	-	0.83	-	-	-	-
Water Trust Total Fund	2.47	3.82	3.82	9.61	10.03	9.08	11.21	8.98	9.23	7.65	7.11	3.18	21.86	5.82
Water Trust Policy Index	2.14	3.76	3.76	9.90	9.44	8.10	9.54	8.11	-	6.16	5.27	0.39	19.69	8.41
Difference	0.33	0.05	0.05	-0.29	0.59	0.98	1.68	0.87	-	1.49	1.85	2.78	2.17	-2.59
Opioid Settlement Total Fund	2.27	4.00	4.00	11.01	10.94	-	-	-	-	8.80	-	-	-	-
Opioid Settlement Policy Index	2.12	4.36	4.36	11.68	10.81	-	-	-	-	8.25	-	-	-	-
Difference	0.15	-0.37	-0.37	-0.67	0.13	-	-	-	-	0.54	-	-	-	-
Behavioral Health Trust Total Fund	0.34	-	-	-	-	-	-	-	-	-	-	-	-	-
Rural Libraries Total Fund	2.48	3.79	3.79	9.64	10.00	7.48	6.13	-	-	7.77	3.98	0.74	6.69	4.57
Rural Libraries Policy Index	2.14	3.76	3.76	9.90	9.44	6.82	4.51	-	-	6.16	3.62	-2.40	4.15	2.40
Difference	0.34	0.03	0.03	-0.26	0.57	0.66	1.62	-	-	1.61	0.36	3.14	2.55	2.18
Workforce Development Total Fund	1.47	2.30	2.30	6.02	6.80	-	-	-	-	-	-	-	-	-

SUMMARY MATRIX OF NMSIC FUNDS

Growth Focused

Preservation Focused

Group Name	High Growth	Growth	Growth w/ ETI	Moderate Growth	Enhanced Liquidity	Stability-Focus	Workforce Development
NMSIC Funds	WTF RLF	LGPF CLPF BHTF	STPF	ECECF HETF TSPF OSRF	CDRF MTF	TSR	WDAF****
Distribution Rate (%)	4.7% (WTF) up to 5.0% (RLF)	5.0% (LGPF/BHTF) -- (CLPF)***	4.7%	5.0%* 4.7%**	5.0%	--	17%
Target Return (%)	--	7.0% (LGPF)	6.75%	--	--	--	--
Long-Term Targets (%)							
US Equity	15%	20%	20%	20%	15%	--	
Non-US Equity	15%	20%	20%	20%	15%	--	
Low Duration FI	--	--	--	--	10%	35%	Following Year's Distribution Amount
Public Market FI	7%	6%	5%	13%	20%	20%	50% of Remaining Amount
Private Debt	8%	15%	11%	20%	20%	30%	50% of Remaining Amount
Real Return	15%	12%	11%	10%	10%	--	
Real Estate	15%	12%	11%	7%	5%	15%	
Private Equity	25%	15%	10%	10%	5%	--	
SVCP & ETI*****	--	--	12%	--	--	--	
Cash Equivalents	--	--	--	--	--	--	Current Year's Distribution Amount
2025 RVK Capital Market Assumptions (%)							
Expected Compound Return	7.2%	7.1%	7.0%	6.8%	6.4%	5.5%	5.1%
Estimated Annual Yield	2.6%	3.2%	2.9%	3.7%	4.3%	5.6%	6.0%
Max Drawdown (1-Year)	-28.0%	-26.6%	-27.6%	-22.1%	-14.0%	-1.4%	-1.7%

*ECE has a minimum distribution of \$500 million.

**TSPF distribution rate is 4.7%.

***The CLPF distributes annual investment income in excess of \$5 million.

****WDAF will distribute \$5M in the first two years, with a \$3M annual distribution thereafter until the Fund is exhausted. Annual distribution rate represents 17% of the initial funding amount. Expected return and risk reflect the estimated profile upon initial funding and will vary over the life of the Fund.

*****SVCP & ETI refers to Strategic Venture Capital Program & Economically Targeted Investments.

NMSIC UPDATES

We turn funds from non-renewable resources into a renewable financial resource that benefits New Mexicans now and in the future.

- Assets **grew by \$8.5B** in FY25.
- We will return **\$2.6B to the state** this year, +\$500M year-over-year – a huge leap from \$1B in FY20.
- We **manage 14 funds** benefiting public entities from higher ed. to hospitals – including two new funds created by the 2025 Legislature for Medicaid and Behavioral Health.
- **24 local and statewide entities** invest **\$2.5B** in low-fee SIC investment pools.

Today we oversee

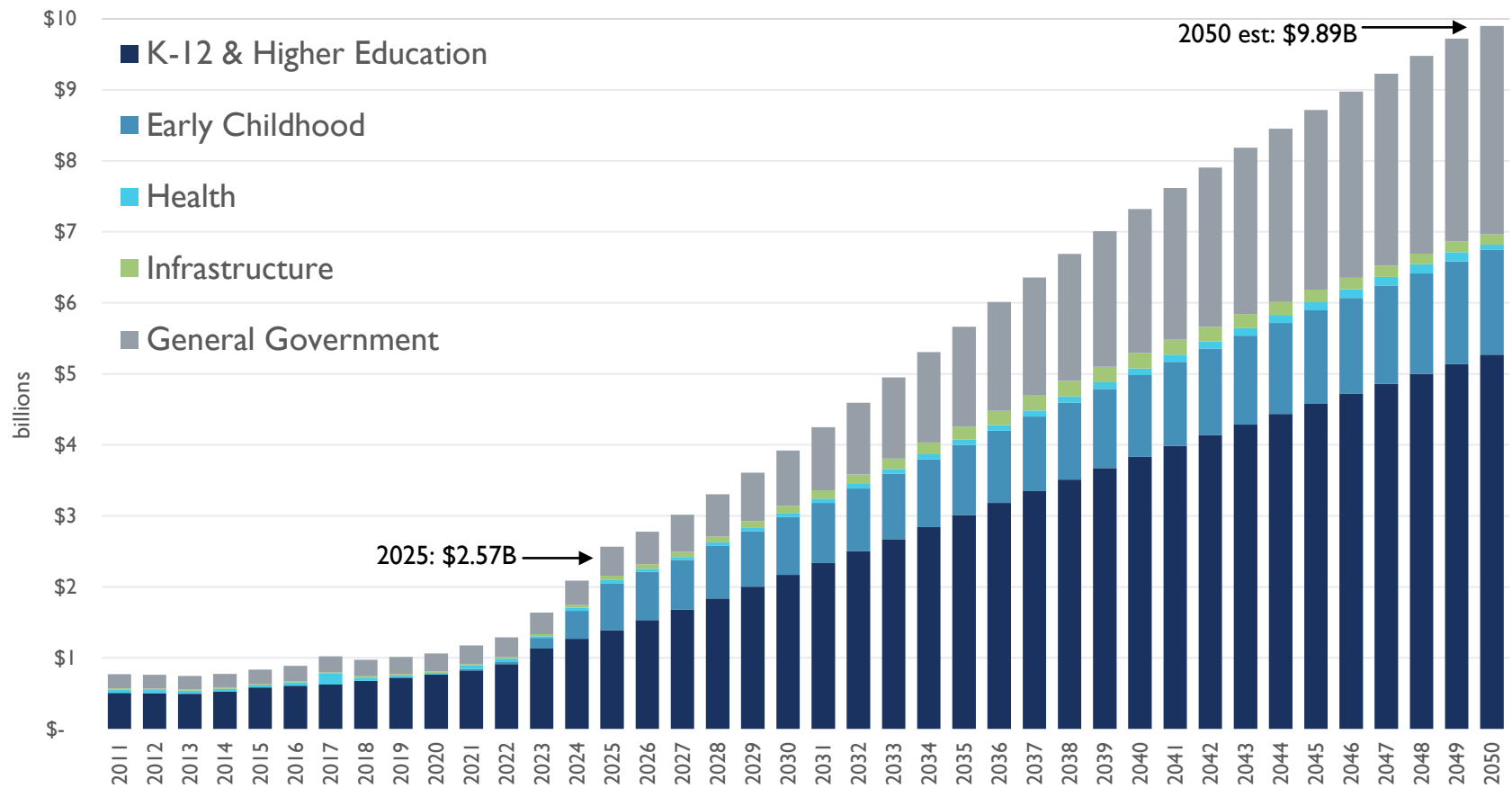
\$67B

in permanent, endowment,
and reserve funds



State Investment Officer Jon Clark delivers remarks next to Governor Michelle Lujan Grisham, who presided over our Sept. meeting.

NMSIC'S INVESTMENT DISTRIBUTIONS SUPPORT A VARIETY OF STATE GOVERNMENT FUNCTIONS

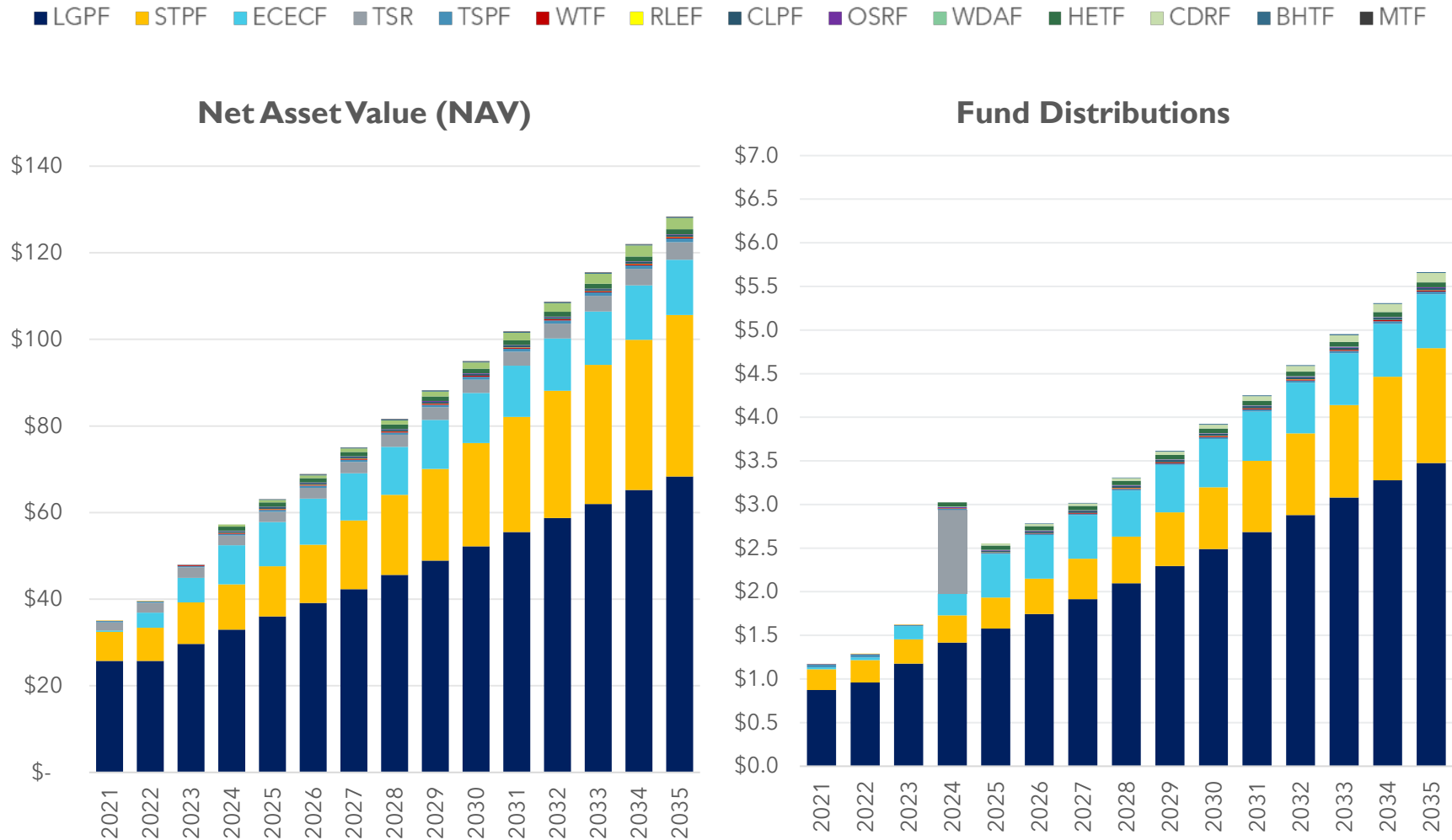


Source: NM State Investment Office, estimate as of April 2025 (base scenario)

Note: K-12 & Higher Education includes LGPF (distrib. to common schools, PED, and higher education institutions) and HETF; Early Childhood includes LGPF (distrib. to early childhood department) and ECECF; Health includes LGPF (distrib. to hospitals), TSPF, OSRF, BHTF, and MTF; Infrastructure includes relevant LGPF beneficiaries, CDRF and WTF; and General Government includes STPF, relevant LGPF beneficiaries, RLEF, CLPF and WDAF.

NMSIC NAV GROWTH & FUND DISTRIBUTION ESTIMATES

BASE CASE, EXCLUDING CLIENT FUNDS (IN BILLIONS)



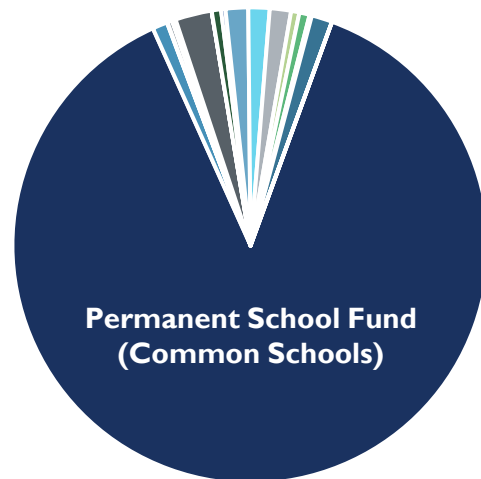
Source: NM State Investment Office staff research and analysis; RVK 2025 Capital Market Assumptions

LAND GRANT PERMANENT FUND BENEFICIARIES

The LGPF is made up of 21 different permanent funds, each belonging to a separate beneficiary

- Beneficiaries receive royalties for non-renewable production on state land tracts - tied to the federal Ferguson Act of 1898 and the federal Enabling Act of 1910
- The permanent school fund makes up the largest portion of the LGPF (~88%), of which common schools (i.e. public schools) are the beneficiary
- Remaining beneficiaries of the LGPF include higher education, special schools, and other state institutions
- The permanent school fund distributes 6.25% of the five-year average fund value; all other beneficiaries receive 5% of the five-year average value. All beneficiary distributions are based on their percentage ownership of the fund, which changes over time based on production levels from beneficiary-specific land tracts.

LGPF Beneficiaries



Beneficiary	Percent Ownership
Common Schools	88.313 %
University of N.M.	.985 %
UNM Saline Lands	.032 %
NM State University	.333 %
Western NM Univ	.015 %
NM Highlands Univ	.015 %
Northern NM College	.013 %
Eastern NM University	.047 %
NM Inst. Mining & Tech	.120 %
NM Military Institute	2.268 %
NM Boys School	.003 %
DHI Miners Hospital	.552 %
NM State Hospital	.302 %
NM State Penitentiary	1.552 %
NM School for the Deaf	1.290 %
NM Sch. for Visually Hand.	1.288 %
Char. Penal & Reform	.489 %
Water Reservoir	.606 %
Improve Rio Grande	.133 %
Public Bldgs. Cap. Inc.	1.642 %
Carrie Tingley Hospital	.001 %

Note: as of Sept 30, 2025

INVESTING IN NEW MEXICO

The Largest Regional Venture Program in the U.S.

New Mexico has a rich history of innovation, world-class research institutions, and talented professionals across industries, and the State Investment Council is leveraging a key opportunity to invest resources in areas of advanced energy, aerospace and defense, and deep tech, where New Mexico can lead – and win.

Our approach

The Strategic Venture Capital Program (SVCP) is the SIC's market rate venture capital program in which it partners with world-class investors to produce a Double Bottom Line:

1. Market-rate investment returns that grow New Mexico's sovereign wealth fund.
2. An economic environment where homegrown, national, and international companies can thrive.

Over the past 2.5 years, we have committed

\$1.7B

to 30+ top tier venture capital firms with an interest in expanding to New Mexico.



Existing partner J2 Ventures presenting a new fund to the council at our September 2025 meeting.

WE DON'T INVEST IN COMPANIES – WE INVEST IN FIRMS THAT BRING THEM TO OR GROW THEM IN NEW MEXICO

PACIFIC FUSION chose New Mexico over California for its research and development facility, **bringing \$1B in economic impact including 200+ high-wage jobs.** It has received investments from our partners Lowercarbon Capital, Lightspeed, DCVC, and UP.Abundance.

XGS ENERGY has committed to building a geothermal plant to power Meta's data center in New Mexico, also **expected to bring \$1B in economic impact.** A key investor is Anzu Partners, which we've committed to.

CASTELION is **in the final stages of choosing between Arizona and New Mexico** for its defense manufacturing facility expansion. Our partner Lightspeed is one of the company's investors.



Our Private Equity team recently attended Pacific Fusion's announcement of its selection of New Mexico for its new R&D facility.

CLOSING TOPICS, Q&A

- Chief Investment Officer Vince Smith retires after 15+ years at SIC
 - Retirement official December 31, 2025
 - Search underway
 - SIO Jon Clark to oversee search, collaborate with Dr. Ashby Monk & Ascension
- Annual Investment Plan available: <https://www.sic.state.nm.us/wp-content/uploads/2025/09/FY26-Annual-Investment-Plan-final.pdf>
- Due to growth of funds current staff of 35 should be 57
- Q&A

New Mexico Retiree Health Care Authority

December 2, 2025

Meeting Materials

Table of Contents

1. Executive Summary
2. Economic and Market Update
3. 3Q 2025 Performance Review
4. October 31, 2025 Performance Review

Executive Summary

Current Status

- As of September 30, 2025, the Fund was valued at \$1.9 billion. During the third quarter, the Fund returned 4.4%, which brought the YTD return to 11.1%. As of October 31, 2025, the Fund was valued at \$1.9 billion, and the YTD return was 11.9%.
 - Strong YTD returns have been driven primarily by global public equities.
- All asset classes were within 3% of their respective former policy targets as of September 30, 2025 and all asset classes were within 0.5% of their new policy targets as of October 31, 2025.

Recently Completed Actions

- As previously communicated, the non-US public equity assets were transitioned on July 1, 2025 to the following allocations:
 - 80% to Non-US Large-Cap (47% Passive and 33% Active)
 - 20% to Non-US Small/Mid-Cap (12% Passive and 8% Active)
- At the October 1, 2025 SIC trading window, trades were implemented in each investment pool to align with the new asset allocation policy adopted at the July 2025 Board Meeting.

Next Steps

- At this meeting, we plan to address the following topics:
 - Review Meketa's and Staff's redline recommendations in the Investment Policy Statement and discuss any potential changes.
- At future meetings, we plan to address the following topics:
 - Evaluate the SIC's options for passive and active strategies within public equity asset classes and make a recommendation to the Board.

Economic and Market Update

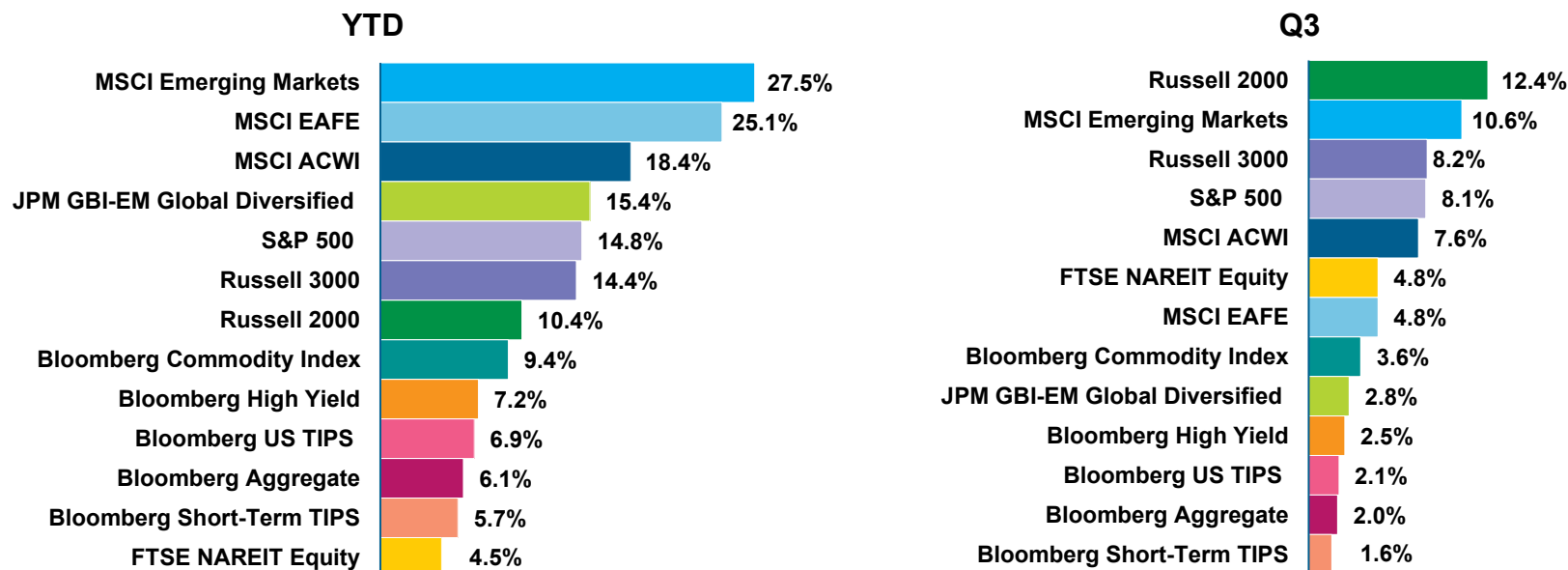
Data as of September 30, 2025

Commentary

In the third quarter, most stock and bond markets delivered positive returns, benefiting from renewed interest rate cuts from the Federal Reserve, continued strong artificial intelligence demand and investment, and overall solid corporate earnings.

- US stocks enjoyed a broad rally in the third quarter with the Russell 3000 gaining 8.2%. Large cap stocks trailed small cap stocks in a reversal of the prior trend with mixed results across market capitalizations for growth and value.
- Non-US developed market stocks lagged US stocks in the third quarter (MSCI EAFE +4.8%) with value outperforming growth.
- Emerging market stocks beat developed market stocks in the third quarter with the MSCI emerging market index gaining +10.6% and up a leading 27.5% year-to-date; Chinese stocks drove the emerging market index higher with the MSCI China index returning 20.7% in the quarter and 41.6% year-to-date.
- In general, bond markets performed well in the third quarter supported by softer labor data and largely dovish central banks, with high yield bonds and long-dated Treasuries both returning 2.5% for the quarter, slightly outperforming the broad US bond market (+2.0%) and TIPS (+2.1%).
- Chair Powell's comments from Jackson Hole buoyed market expectations for more rate cuts this year. In addition to continued public pressure on Chair Powell, the Administration also signaled that it would investigate Federal Open Market Committee (FOMC) member Lisa Cook adding to market concerns about future Fed independence.
- Key questions going forward include how the Fed will manage interest rates given competing pressures on its dual mandate of inflation and employment, will tariff pressures eventually show up in inflation, can earnings growth remain resilient in the US, will the recent rotation into small cap stocks continue, and how will China's economy and relations with the US track.

Index Returns¹



- There were broad gains across asset classes in the third quarter given the Fed's rate cut in September with more expected, resilient corporate earnings, and ongoing AI enthusiasm. Small cap US stocks led the way particularly benefiting from lower rate expectations as well as a resilient US economy and lower valuations relative to large cap technology companies.
- For the year-to-date through September, international markets experienced the best results with +40% gains in China helping emerging market stocks and a weakening US dollar particularly benefiting developed international stocks (MSCI EAFE).

¹ Source: Bloomberg. Data is as of September 30, 2025.

Domestic Equity Returns¹

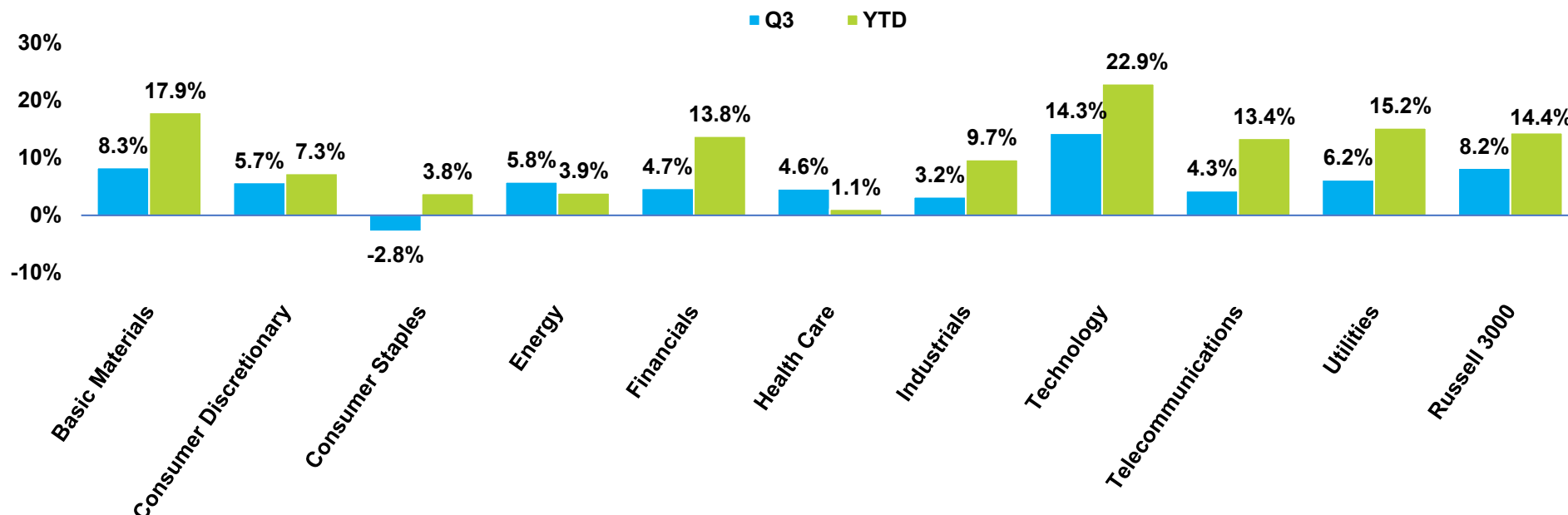
Domestic Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	3.6	8.1	14.8	17.6	24.9	16.4	15.3
Russell 3000	3.5	8.2	14.4	17.4	24.1	15.7	14.7
Russell 1000	3.5	8.0	14.6	17.7	24.6	16.0	15.0
Russell 1000 Growth	5.3	10.5	17.2	25.5	31.6	17.6	18.8
Russell 1000 Value	1.5	5.3	11.7	9.4	16.9	13.9	10.7
Russell MidCap	0.9	5.3	10.4	11.1	17.7	12.6	11.4
Russell MidCap Growth	-0.3	2.8	12.8	22.0	22.8	11.2	13.4
Russell MidCap Value	1.3	6.2	9.5	7.6	15.5	13.6	10.0
Russell 2000	3.1	12.4	10.4	10.8	15.2	11.5	9.8
Russell 2000 Growth	4.2	12.2	11.7	13.6	16.7	8.4	9.9
Russell 2000 Value	2.0	12.6	9.0	7.9	13.5	14.6	9.2

US Equities: The Russell 3000 index returned 8.2% in the third quarter and 14.4% year-to-date.

- US stocks increased sharply during the third quarter as the Federal Reserve lowered interest rates, corporate earnings largely came in above expectations, and economic growth surprised to the upside. The enthusiasm surrounding AI helped push the indices higher, as well.
- Small cap stocks, represented by the Russell 2000 Index, outperformed both mid and large cap stocks during the quarter. The small cap index's higher weighting to biopharma stocks contributed to the outperformance as well as the overall strength of the economy and expectations for lower rates given their generally higher leverage.
- Value stocks outperformed growth stocks during the quarter (except in the large cap space). The outperformance of large technology and consumer discretionary stocks drove this dynamic.

¹ Source: Bloomberg. Data is as of September 30, 2025.

Russell 3000 Sector Returns¹



- During the third quarter, technology stocks led all sectors, with Apple and NVIDIA being the largest contributors in the Russell 3000 Index, as AI enthusiasm continued.
- The traditionally defensive consumer staples sector was the only area to decline in the risk-on environment of the third quarter. Many of these companies, like Philip Morris, Costco, and Coca-Cola, continue to be challenged by tariffs and consumers' changing preferences given higher expected prices.
- For the year through September, all sectors posted gains with technology, again, leading the way and defensive sectors, like healthcare and consumer staples, producing the smallest gains.

¹ Source: Bloomberg. Data is as of September 30, 2025.

Foreign Equity Returns¹

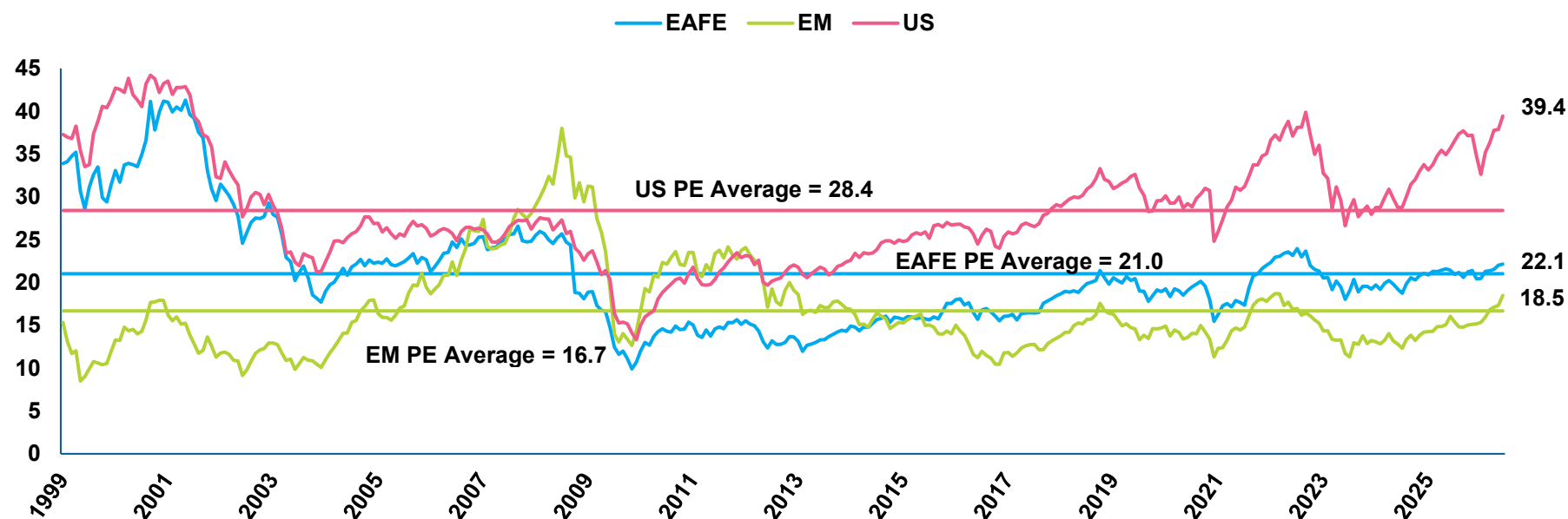
Foreign Equity	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI Ex US	3.6	6.9	26.0	16.4	20.7	10.2	8.2
MSCI EAFE	1.9	4.8	25.1	15.0	21.7	11.1	8.2
MSCI EAFE (Local Currency)	1.8	5.4	13.6	12.9	16.9	12.5	8.6
MSCI EAFE Small Cap	1.6	6.2	28.4	17.7	19.6	8.5	7.9
MSCI Emerging Markets	7.2	10.6	27.5	17.3	18.2	7.0	8.0
MSCI Emerging Markets (Local Currency)	7.1	12.2	24.3	18.8	18.1	8.6	9.1
MSCI EM ex China	6.0	6.6	22.1	12.2	17.9	11.1	8.8
MSCI China	9.8	20.7	41.6	30.8	19.4	0.4	6.8

Foreign Equity: Developed international equities (MSCI EAFE) returned 6.9% in the third quarter and 26.0% year-to-date, and the emerging markets index rose 10.6% in the third quarter and 27.5% year-to-date.

- Developed markets posted solid gains in the third quarter, driven by easing monetary policy, strong corporate earnings, and AI-related enthusiasm. Eurozone equities, while positive, were the laggards of the quarter, with losses in Germany and political instability in France somewhat balanced by strong performance by financials and stable inflation. The UK saw solid performance supported by strong bank earnings and resilient consumer demand despite rising debt. Japan was a top performer, benefiting from a weaker yen, strong tech exports, and favorable political shifts.
- Emerging markets outperformed developed peers in the third quarter, aided by easing trade tensions and strong tech performance. China led the way with a significant 20.7% return for the quarter, benefitting from domestic chipmaker support, accelerating AI spending, and optimism surrounding policies to reduce unproductive competition. Tech enthusiasm benefited other Asian markets, particularly Taiwan and Korea. Brazil lagged, due largely to political uncertainty. India saw losses, with the recent imposition of very punitive tariffs by the US weighing heavily on performance.

¹ Source: Bloomberg. Data is as of September 30, 2025.

Equity Cyclically Adjusted P/E Ratios¹



- US stock valuations increased in the third quarter, finishing September with a cyclically adjusted P/E ratio of 39.4. This level is well above their long-run average of 28.4.
- Given strong results this year in non-US developed stocks, valuations have moved slightly above their long-run P/E ratio (22.1 versus 21.0).
- As emerging market stocks lead the way in 2025 their valuations are now also trading at levels above their long-run average (18.5 versus 16.7).

¹ US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E Source: Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of September 2025. The average line is the long-term average of the US, EM, and EAFE PE values from April 1998 to the recent month-end, respectively.

Fixed Income Returns¹

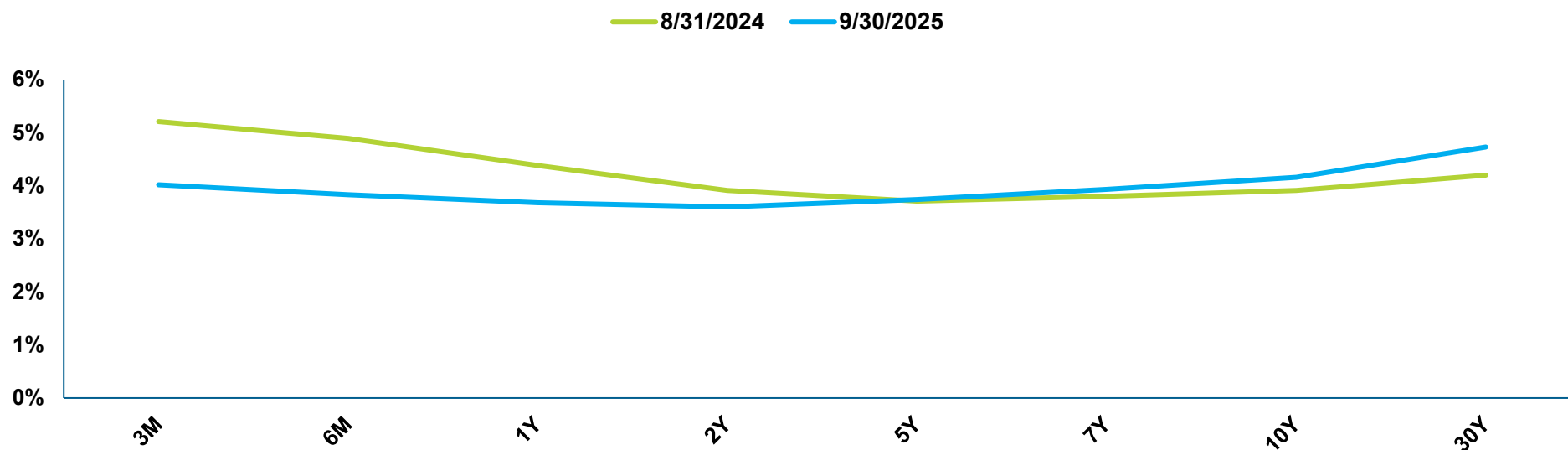
Fixed Income	September (%)	Q3 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	1.1	2.1	6.3	3.4	5.6	0.1	2.3	4.6	5.9
Bloomberg Aggregate	1.1	2.0	6.1	2.9	4.9	-0.4	1.8	4.4	6.1
Bloomberg US TIPS	0.4	2.1	6.9	3.8	4.9	1.4	3.0	4.1	6.6
Bloomberg Short-term TIPS	0.0	1.6	5.7	5.5	5.4	3.7	3.1	3.8	2.4
Bloomberg US Long Treasury	3.1	2.5	5.6	-3.5	0.4	-7.8	-0.1	4.7	14.7
Bloomberg High Yield	0.8	2.5	7.2	7.4	11.1	5.5	6.2	6.7	3.1
JPM GBI-EM Global Diversified (USD)	1.4	2.8	15.4	7.4	11.3	2.3	3.5	--	--

Fixed Income: The Bloomberg Universal index rose 2.1% in the third quarter, returning 6.3% year-to-date.

- The US yield curve shifted lower on expected monetary policy easing in the coming quarters and strong risk appetite by investors provided positive performance for credit indexes.
- In this environment, the broad US bond market (Bloomberg Aggregate) returned 2.0% with longer dated US Treasuries performing slightly better (2.5%). Longer and short-dated TIPS gained 2.1% and 1.6%, respectively, as inflation risks remained elevated.
- Positive risk sentiment supported emerging market debt (+2.8%) and high yield (+2.5%). Year-to-date performance in emerging markets solidly exceeded other fixed income indices, and the broad US stock market.

¹ Source: Bloomberg. Data is as of September 30, 2025. The yield and duration data from Bloomberg is defined as the index's yield to worst and modified duration, respectively. JPM GBI-EM data is from J.P. Morgan. Current yield and duration data is not available.

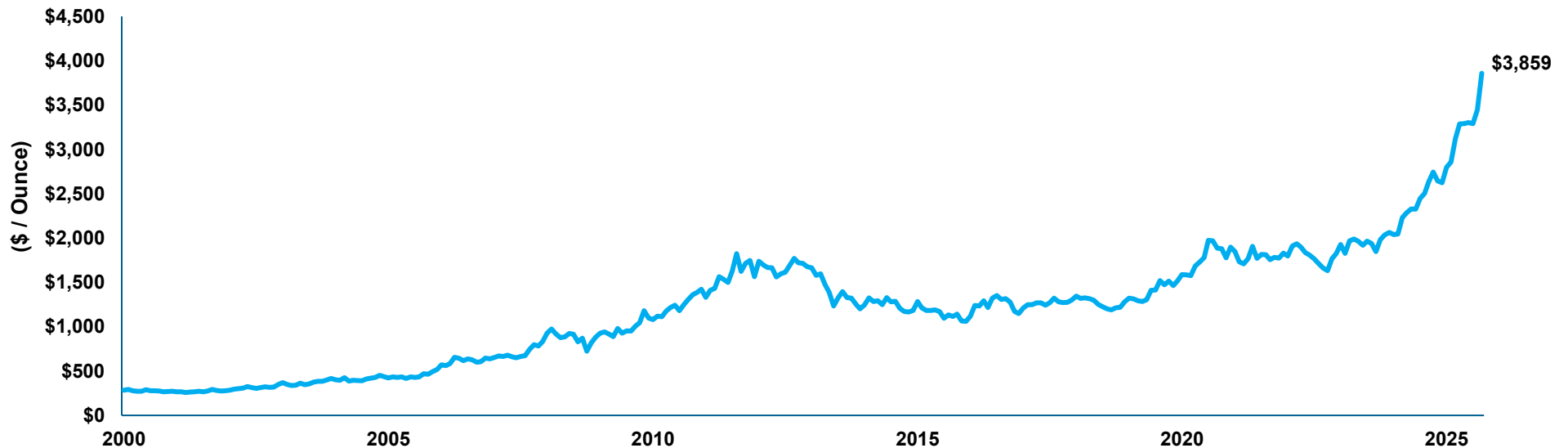
US Yield Curve¹



- A rate cut by the Fed, with more expected weakness in the labor market, and no signs yet of tariffs significantly influencing inflation drove rates lower across the yield curve in the third quarter.
- The policy sensitive 2-year nominal Treasury yield was volatile during the quarter but overall fell from 3.72% to 3.61% given the anticipation of additional interest rate cuts by the Fed.
- The 10-year nominal Treasury yield was also volatile and declined from 4.23% to 4.15% for the quarter, while the 30-year nominal Treasury yield fell slightly from 4.78% to 4.73%.

¹ Source: Bloomberg. Data is as of September 30, 2025. The August 2024 Treasury yields are shown as a reference before the first interest rate cut.

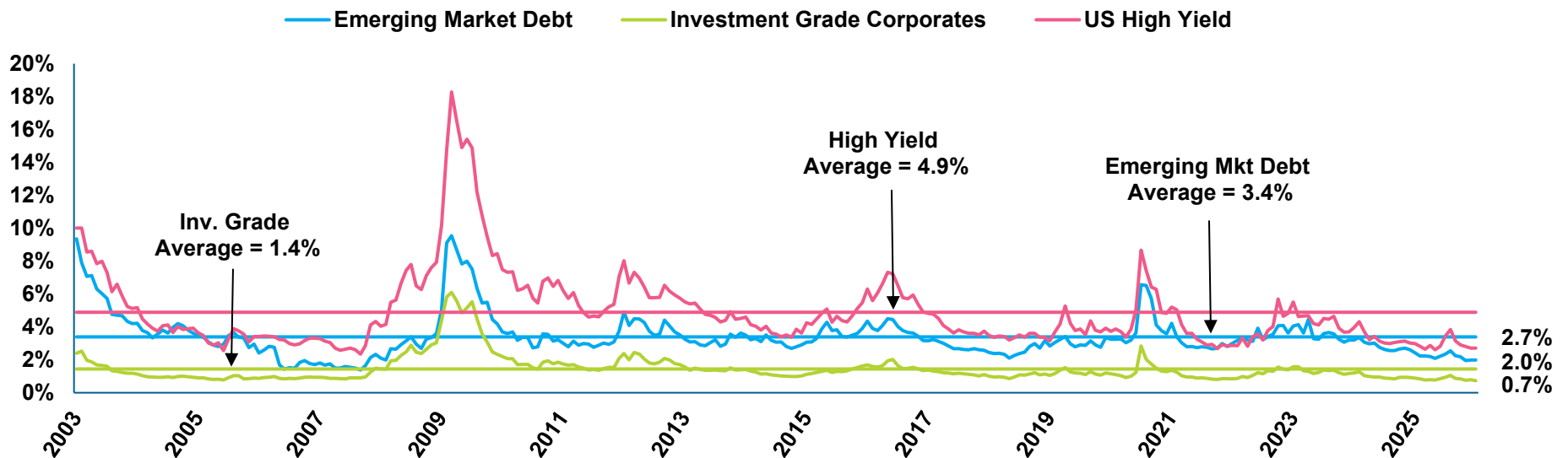
Gold¹



- In a period where risk assets have done particularly well, gold, which is usually perceived as a safe haven, has done even better, gaining over 47% year-to-date through September.
- Key drivers of gold's strong year include central bank demand, a weak US dollar, inflation concerns, and expectations for lower rates.

¹ Source: Bloomberg as of September 30, 2025. Gold Spot Price is quoted as US Dollars per Troy Ounce.

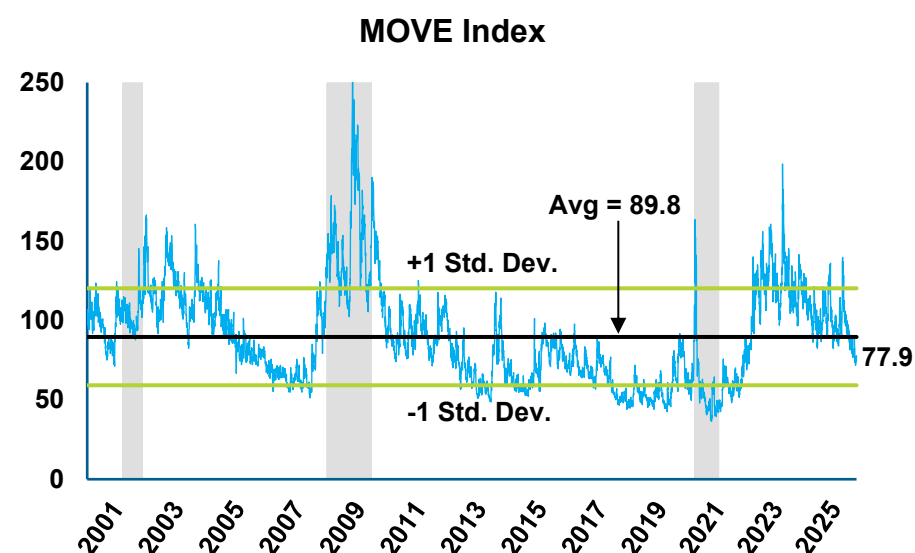
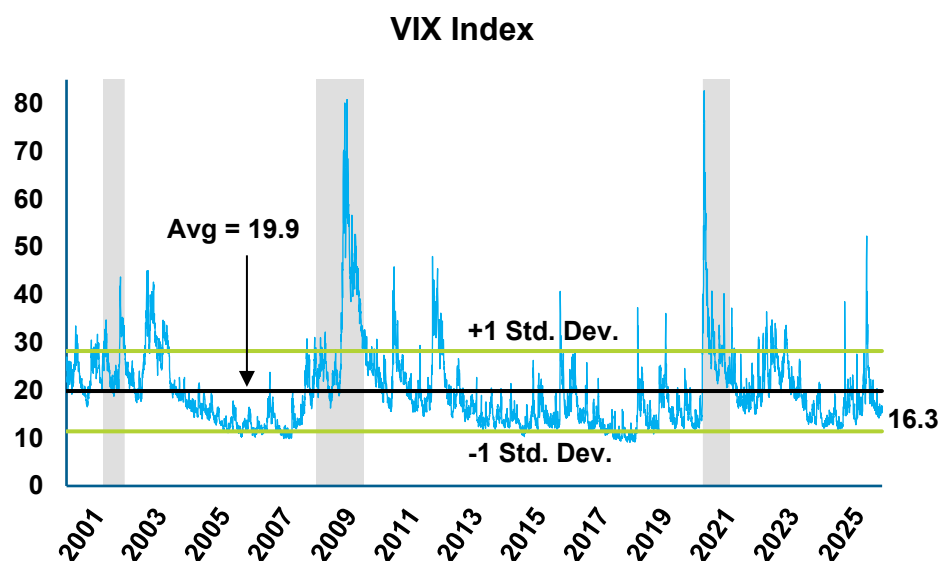
Credit Spreads vs. US Treasury Bonds¹



- During the third quarter, despite already being historically tight, credit spreads continued to grind lower given the resilient US economy, strong corporate balance sheets/low default rates, and investor demand for yield.
- Investment grade spreads (the difference in yield from a comparable Treasury) moved further below 1.0% during the quarter (0.8% to 0.7%).
- High yield spreads fell from 2.9% to 2.7% in the third quarter, while emerging market spreads dropped from 2.2% to 2.0%.
- All yield spreads remained below their respective long-run averages, especially high yield (2.7% versus 4.9%).

¹ Source: Bloomberg. Data is as of September 30, 2025. Average lines denote the average of the investment grade, high yield, and emerging market spread values from September 2002 to the recent month-end, respectively.

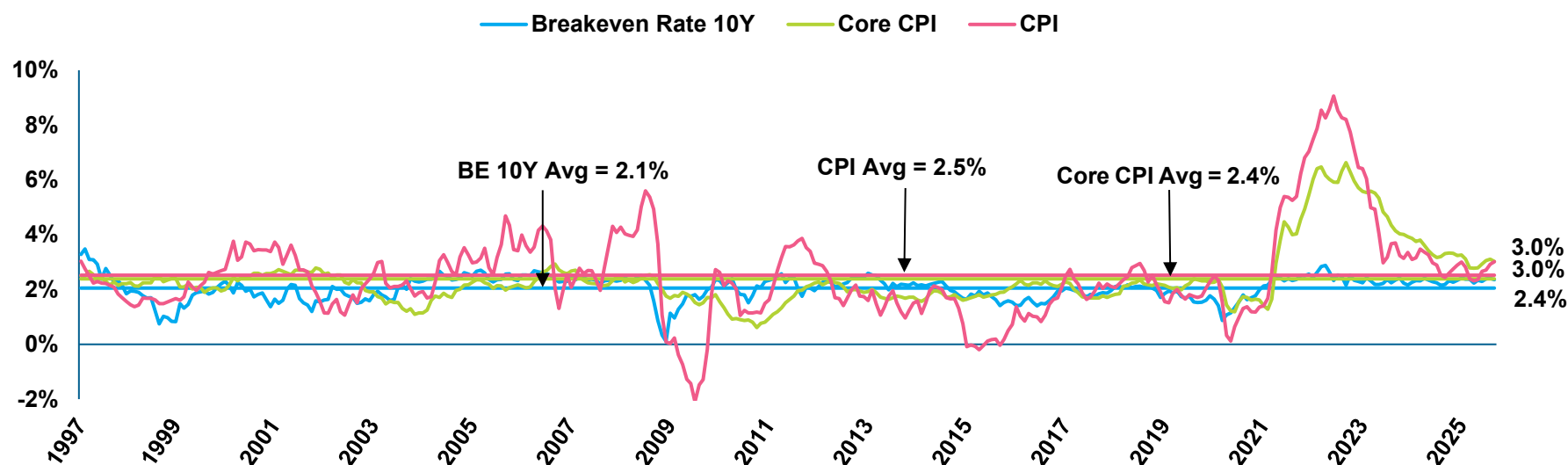
Equity and Fixed Income Volatility¹



- Volatility spiked in April after the “Liberation Day” tariff announcement but has since declined to below long-run averages.
- Resilient earnings data, despite tariffs and expectations for the Fed to continue to cut rates, has kept equity market volatility (VIX) relatively low.
- Despite fiscal policy uncertainty and debt concerns, the MOVE index has largely declined as confidence has increased in the Fed cutting rates.

¹ Equity Volatility – Source: FRED. Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of September 30, 2025. The average line indicated is the average of the VIX and MOVE values between January 2005 and September 2025.

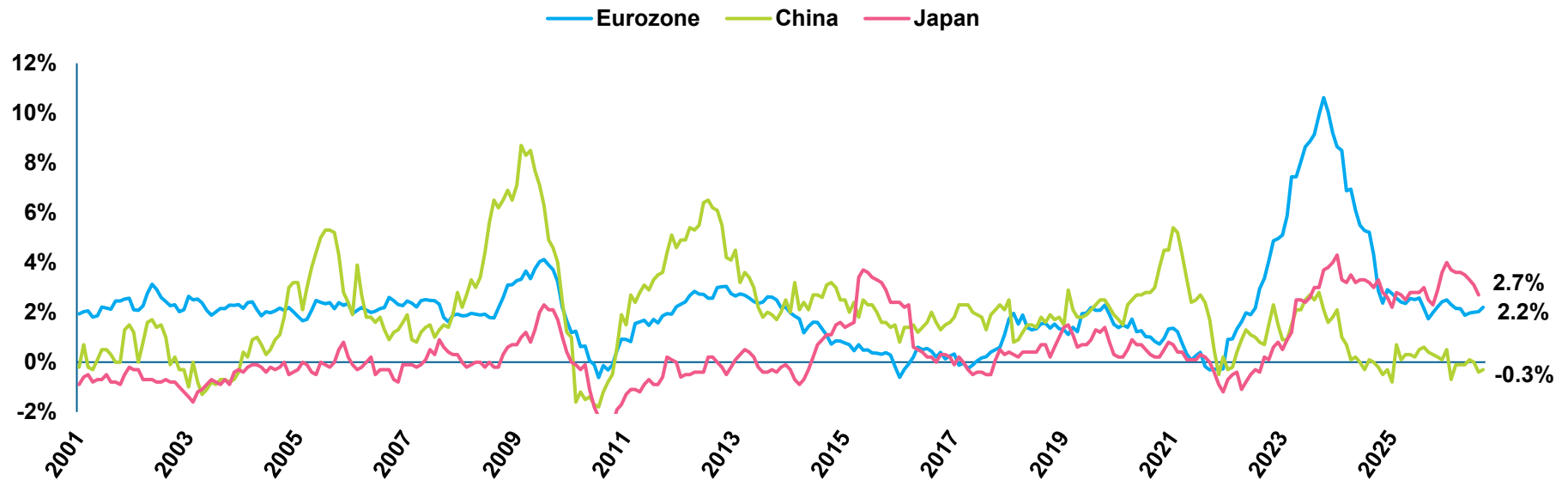
US Inflation¹



- Inflation remains elevated but came in slightly below expectations in September. Headline inflation rose 0.3% for the month, down from 0.4% in August and expectations of a 0.4% reading in September. Year-on-year inflation rose from 2.9% to 3.0% below expectations though for a 3.1% rise. Gasoline, increasing 4.1% for the month, was the biggest driver of the monthly rise for the broad inflation reading.
- The month-on-month reading of core inflation fell from 0.3% to 0.2% and declined from 3.1% to 3.0% year-on-year (both slightly below expectations). Notably the month-on-month reading of shelter, a key driver of elevated inflation levels, fell from 0.4% to 0.2%. There were some small but not broad-based signs of tariff impacts in areas like apparel.
- Longer-dated inflation expectations (breakevens) remained in a tight range over the quarter finishing at 2.4%, while shorter-dated inflation swap pricing and survey-based measures suggest continued upside risk to prices.

¹ Source: FRED. Data is as of September 30, 2025.

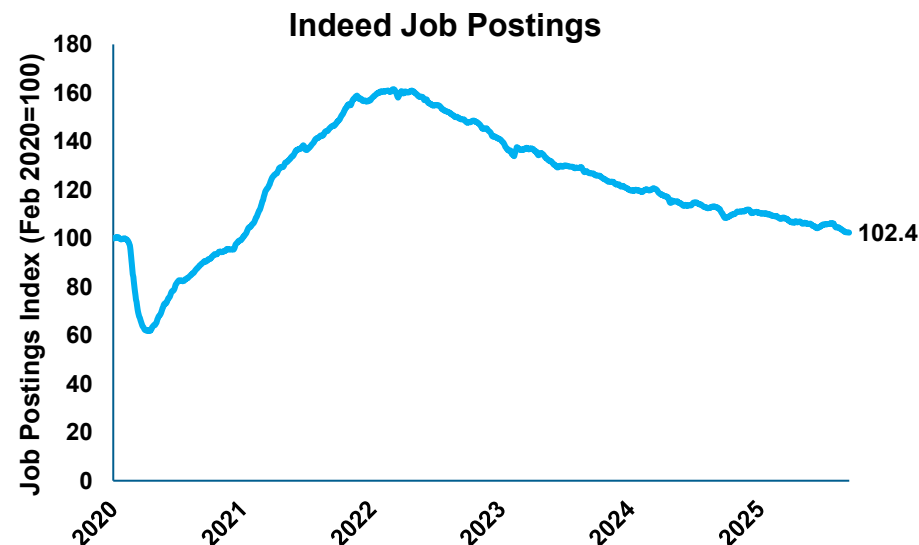
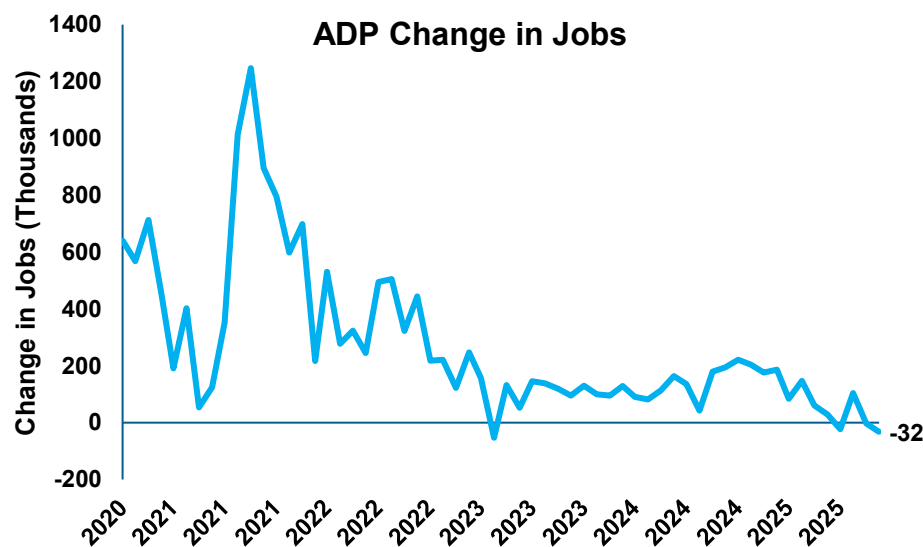
Global Inflation (CPI Trailing Twelve Months)¹



- Inflation in the eurozone reaccelerated slightly over the quarter from 2.0% to 2.2%, a level just above the ECB's 2.0% target, driven by a rise in service costs; the ECB held rates steady at 2.0% in early September with markets largely expecting no additional rate cuts given rising prices.
- In Japan, inflation declined from 3.3% at the end of June to 2.7% at the end of August given a decline in electricity prices due to government subsidies and a drop in gas prices. Despite the recent decline, inflation remains above the 2.0% target, making it likely the Bank of Japan will hold rates steady for now.
- In China, despite considerable policy stimulus, deflation returned in two of the three months during the quarter. A sharp fall in food prices was a key cause of the deflationary pressures.

¹ Source: Bloomberg. Data is as of September 2025, except Japan which is as of August 2025.

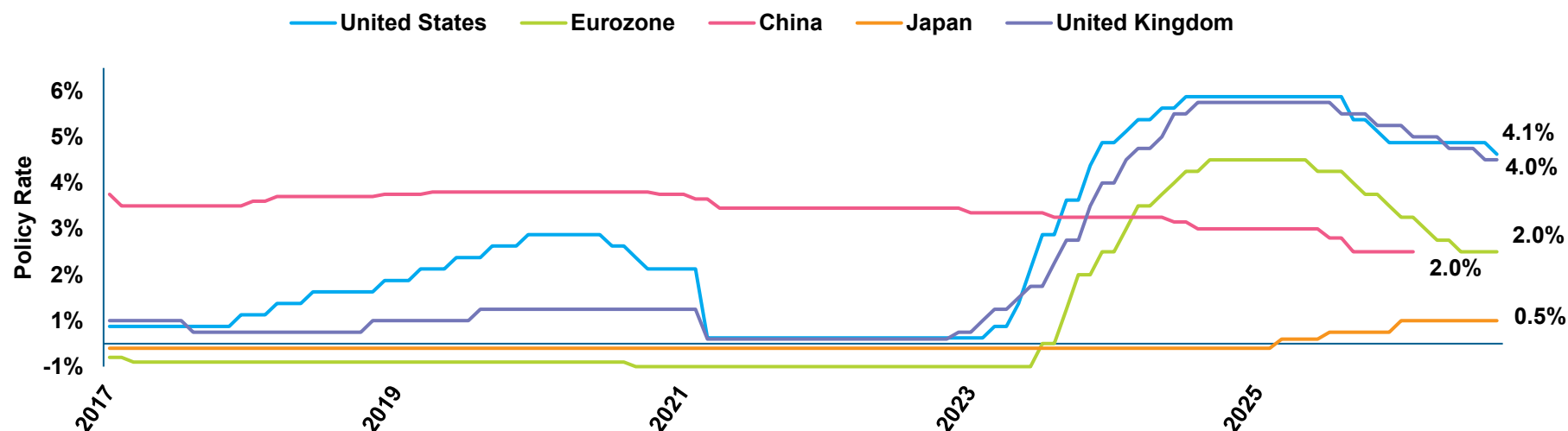
US Unemployment¹



- Like inflation, the government shutdown means that current official employment data is also not available, however other private indicators support growing concerns regarding a softening labor market in the US.
- Government layoffs, a declining number of jobs created (ADP), and a falling number of job postings (Indeed) are also pointing to a deteriorating jobs market.

¹ Source: ADP and Indeed. Data is as of September 30, 2025.

Global Policy Rates¹



- The Fed started cutting interest rates again, but other central banks have generally paused. Futures markets are predicting the Fed to cut rates two more times to ~3.6% by year-end and three more times in 2026 as unemployment revisions indicate a weaker than previously thought labor market.
- The ECB held rates steady in the third quarter after four cuts earlier in the year, while the Bank of England cut rates in August and held them steady in September. After cutting rates in May of last year, China's central bank has held rates steady, although disinflationary pressures continue to be a concern.
- Japan kept rates at current levels in the face of uncertain inflationary and trade pressures but voted to slow its purchase of Japanese sovereign debt in a continuing retreat from quantitative easing.

¹ Source: Bloomberg. Data is as of September 30, 2025, except China which is as of February 28, 2025. United States rate is the mid-point of the Federal Funds Target Rate range. Eurozone rate is the ECB Deposit Facility Announcement Rate. Japan rate is the Bank of Japan Unsecured Overnight Call Rate Expected. China rate is the China Central Bank 1-Year Medium Term Interest Rate. UK rate is the UK Bank of England Official Bank Rate.

US Dollar vs. Broad Currencies¹



- The US dollar hit near-historic highs in January of 2025 but since then its value has declined by ~11%.
- The US dollar stabilized in the third quarter on the easing of trade war concerns.
- Typically, higher interest rates support the US dollar but recent concerns over changing US administration policies and slowing growth have weighed on the value of the US dollar.

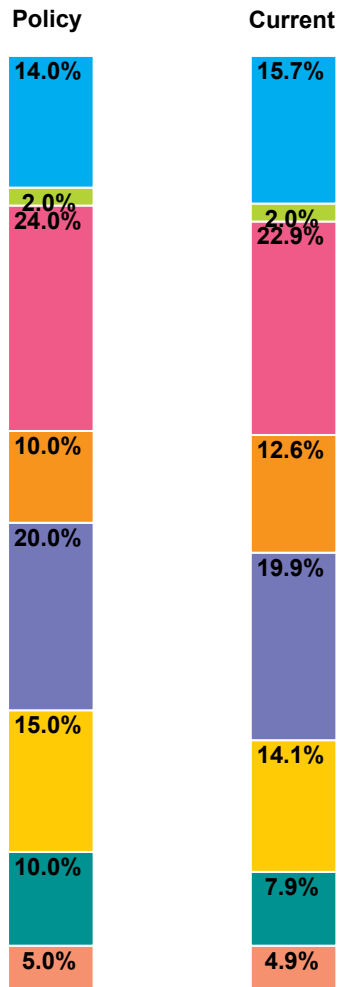
¹ Source: Bloomberg. Data as of September 30, 2025.

Key Trends

- According to the International Monetary Fund's (IMF) October's World Economic Outlook, the global economy will decelerate from 3.2% in 2025 to 3.1% in 2026. The US is expected to modestly accelerate economic growth in 2026 to 2.1% from 2.0% in 2025. The euro area will slow slightly from 1.2% in 2025 to 1.1% in 2026. China's economy is expected to slow from 4.8% in 2025 to just 4.2% in 2026.
- Despite the recent pause in negotiations related to tariffs, many questions remain including how they will ultimately impact inflation. Overall, higher tariff levels and continued uncertainty could weigh on growth while increasing prices. Inflation levels and potential developments with tariffs combined with a weakening labor market will complicate the Fed's rate cutting path. A lengthy government shutdown and a lack of official economic reports could create further complications for the Fed and others to assess the health of the economy.
- Some signs of stress have started to emerge on the US consumer, with growing weakness in the jobs market and sentiment weakening since the start of the year. Consumers are particularly concerned about losing their jobs and the potential for higher prices. Overall, risk to economic growth and to inflation from tariffs, as well as elevated borrowing costs, could put further pressure on consumers and lead to an even weaker job market. The recent resumption of collecting and reporting delinquent student loans could be a further headwind to consumption.
- US equities have fully recovered from substantial losses experienced during the first week of April and have reached new highs. A relatively strong second quarter earnings season, renewed AI optimism, and prospects of future rate cuts from the Fed all helped drive stocks higher. How earnings track from here, particularly for the large AI related companies that make up a significant portion of indexes, will be key going forward.
- Trade tensions between the US and China will remain an important focus as well as the overall health of China's economy. With the recent flare up in rhetoric, China has deepened its restrictions on exporting rare earth and critical minerals required in the manufacturing of many high-tech items. In response the US threatened across the board tariffs up to 100 % on Chinese goods. Upcoming negotiations between the two sides will be important to watch. How China manages its slowing economy, and deflationary pressures will also be important.

3Q 2025 Performance Review

Asset Allocation vs. Target Allocation | As of September 30, 2025



	Allocation vs. Targets					
	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
US Large Cap Equity	294,704,002	15.7	14.0	1.7	0.0 - 100.0	Yes
US Small/Mid Cap Equity	37,967,422	2.0	2.0	0.0	0.0 - 100.0	Yes
Non-US Equity	429,519,340	22.9	24.0	-1.1	0.0 - 100.0	Yes
Private Equity	237,750,940	12.6	10.0	2.6	0.0 - 100.0	Yes
Core Bonds	373,475,239	19.9	20.0	-0.1	0.0 - 100.0	Yes
Private Debt	264,734,549	14.1	15.0	-0.9	0.0 - 100.0	Yes
Real Estate	149,378,019	7.9	10.0	-2.1	0.0 - 100.0	Yes
Real Assets	92,149,597	4.9	5.0	-0.1	0.0 - 100.0	Yes
Total	1,879,679,109	100.0	100.0	0.0		

The Non-US Developed Market Equity target of 14% and the Non-US Emerging Market Equity target of 10% were collapsed into one combined target due to the change in NM SIC investment offerings on July 1, 2025 into Non-US Equity Large Cap and Non-US Equity SMID Cap.

New asset allocation policy targets were approved in July 2025. The NM SIC was provided a directive to trade to those new policy targets at the October 1, 2025 trade window and new policy targets will be reflected on this page in the December 31, 2025 quarterly report. The new targets are as follows: US Equity Large Cap 19%, US Equity SMID Cap 3%, Non-US Equity Large Cap 12%, Non-US Equity SMID Cap 3%, Private Equity 11%, Public Credit 5%, Private Credit 12%, Investment Grade Bonds 20%, Real Estate 10%, Real Return 5%.

Trailing Net Performance | As of September 30, 2025

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	1,879,679,109	100.0	4.4	11.1	10.0	10.8	8.8	8.3	7.6	Jul-92
<i>Total Fund Benchmark</i>			<i>4.2</i>	<i>11.6</i>	<i>9.8</i>	<i>11.2</i>	<i>8.0</i>	<i>8.0</i>	<i>7.8</i>	
Global Public Equity	762,190,764	40.5	8.6	20.9	17.5	21.4	12.0	10.9	8.4	May-11
<i>MSCI AC World Index</i>			<i>7.7</i>	<i>18.9</i>	<i>17.8</i>	<i>23.7</i>	<i>14.1</i>	<i>12.5</i>	<i>9.9</i>	
US Equity	332,671,424	17.7	8.1	13.3	16.0	23.2	15.6	14.4	12.4	May-11
<i>Russell 3000 Index</i>			<i>8.2</i>	<i>14.4</i>	<i>17.4</i>	<i>24.1</i>	<i>15.7</i>	<i>14.7</i>	<i>13.3</i>	
US Large Cap Index Pool	294,704,002	15.7	8.0	14.6	17.7	24.7	16.0	15.0	13.5	May-11
<i>Russell 1000 Index</i>			<i>8.0</i>	<i>14.6</i>	<i>17.7</i>	<i>24.6</i>	<i>16.0</i>	<i>15.0</i>	<i>13.6</i>	
US SMID Cap Alternative Weighted Index Pool	37,967,422	2.0	9.1	4.2	3.6	12.7	--	--	5.9	Feb-21
<i>S&P SmallCap 600 Index</i>			<i>9.1</i>	<i>4.2</i>	<i>3.6</i>	<i>12.8</i>	<i>--</i>	<i>--</i>	<i>6.1</i>	
Non-US Equity	429,519,340	22.9	5.6	23.5	14.7	18.3	8.2	7.7	4.1	May-11
<i>MSCI AC World ex USA (Net)</i>			<i>6.9</i>	<i>26.0</i>	<i>16.4</i>	<i>20.7</i>	<i>10.3</i>	<i>8.2</i>	<i>5.2</i>	
Non-US Large Cap Active Pool	142,214,697	7.6	--	--	--	--	--	--	6.6	Aug-25
<i>MSCI AC World ex USA (Net)</i>			<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>7.2</i>	
Non-US Large Cap Passive Pool	200,161,181	10.6	--	--	--	--	--	--	6.9	Aug-25
<i>MSCI AC World ex USA (Net)</i>			<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>7.2</i>	
Non-US SMID Cap Active Pool	34,297,142	1.8	--	--	--	--	--	--	6.4	Aug-25
<i>MSCI AC World ex USA Small Cap (Net)</i>			<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>6.5</i>	
Non-US SMID Cap Passive Pool	52,846,320	2.8	--	--	--	--	--	--	6.5	Aug-25
<i>MSCI AC World ex USA Small Cap (Net)</i>			<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>6.5</i>	

Performance returns are all net of fees throughout the report.

Non-US Large Cap Active Pool, Non-US Large Cap Passive Pool, Non-US SMID Cap Active Pool, and Non-US SMID Cap Passive Pool do not have returns available as they were first funded 07/01/2025. Inception dates for all strategies reflect the first full month after the initial contribution.

Trailing Net Performance | As of September 30, 2025

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Private Equity	237,750,940	12.6	3.0	5.2	7.0	5.6	14.3	11.9	12.0	Apr-15
Private Equity Pool	237,750,940	12.6	3.0	5.2	7.0	5.6	14.3	11.9	12.0	Apr-15
<i>MSCI ACWI + 3%</i>			<i>8.4</i>	<i>21.0</i>	<i>20.7</i>	<i>26.8</i>	<i>16.9</i>	<i>15.2</i>	<i>13.6</i>	
Fixed Income	638,209,788	34.0	2.3	6.7	5.9	6.5	3.7	4.4	4.5	May-11
<i>Blmbg. U.S. Universal Index</i>			<i>2.1</i>	<i>6.3</i>	<i>3.4</i>	<i>5.6</i>	<i>0.1</i>	<i>2.3</i>	<i>2.7</i>	
Core Bonds Pool	373,475,239	19.9	2.1	6.7	3.5	5.3	-0.3	--	2.4	Oct-18
<i>Blmbg. U.S. Aggregate Index</i>			<i>2.0</i>	<i>6.1</i>	<i>2.9</i>	<i>4.9</i>	<i>-0.4</i>	<i>--</i>	<i>2.1</i>	
Private Debt Market Pool	264,734,549	14.1	2.6	6.7	9.2	7.9	9.0	6.6	6.4	Apr-15
<i>S&P UBS Leveraged Loan +2% 1Q Lag</i>			<i>2.8</i>	<i>6.9</i>	<i>9.6</i>	<i>11.7</i>	<i>9.5</i>	<i>7.2</i>	<i>7.3</i>	
Real Estate	149,378,019	7.9	0.8	2.6	2.3	-4.2	4.9	6.0	6.0	May-14
Real Estate Pool	149,378,019	7.9	0.8	2.6	2.3	-4.2	4.9	6.0	6.0	May-14
<i>Real Estate Custom Index</i>			<i>1.0</i>	<i>3.2</i>	<i>3.4</i>	<i>-6.0</i>	<i>2.7</i>	<i>4.5</i>	<i>5.5</i>	
Real Assets	92,149,597	4.9	2.8	7.4	11.7	10.5	12.8	--	7.2	Oct-18
Real Return Pool	92,149,597	4.9	2.8	7.4	11.7	10.5	12.8	--	7.2	Oct-18
<i>CPI +4% (Unadjusted)</i>			<i>1.7</i>	<i>6.0</i>	<i>7.1</i>	<i>7.2</i>	<i>8.7</i>	<i>--</i>	<i>7.8</i>	

Real Estate Custom Index is comprised of 100% NCREIF ODCE (Net) (1 Qtr Lag) through 09/2024, and 100% NCREIF ODCE+0.75% (Net) (1 Qtr Lag) thereafter.

Trailing Net Performance | As of September 30, 2025

	Calendar Year Performance									
	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Total Fund	7.6	9.3	-7.1	15.5	9.8	13.2	-1.3	17.3	8.0	-1.0
<i>Total Fund Benchmark</i>	<i>7.0</i>	<i>9.7</i>	<i>-8.5</i>	<i>12.9</i>	<i>10.3</i>	<i>14.3</i>	<i>-1.8</i>	<i>17.0</i>	<i>8.4</i>	<i>-0.8</i>
Global Public Equity	13.1	18.8	-18.4	14.0	16.0	24.8	-10.4	26.1	9.6	-4.9
<i>MSCI AC World Index</i>	<i>18.0</i>	<i>22.8</i>	<i>-18.0</i>	<i>19.0</i>	<i>16.8</i>	<i>27.3</i>	<i>-8.9</i>	<i>24.6</i>	<i>8.5</i>	<i>-1.8</i>
US Equity	22.6	25.4	-18.8	26.5	20.0	31.5	-6.0	20.6	13.1	-0.5
<i>Russell 3000 Index</i>	<i>23.8</i>	<i>26.0</i>	<i>-19.2</i>	<i>25.7</i>	<i>20.9</i>	<i>31.0</i>	<i>-5.2</i>	<i>21.1</i>	<i>12.7</i>	<i>0.5</i>
US Large Cap Index Pool	24.5	26.6	-19.1	26.5	20.4	31.3	-4.8	21.7	12.1	1.0
<i>Russell 1000 Index</i>	<i>24.5</i>	<i>26.5</i>	<i>-19.1</i>	<i>26.5</i>	<i>21.0</i>	<i>31.4</i>	<i>-4.8</i>	<i>21.7</i>	<i>12.1</i>	<i>0.9</i>
US SMID Cap Alternative Weighted Index Pool	8.5	16.0	-16.3	--	--	--	--	--	--	--
<i>S&P SmallCap 600 Index</i>	<i>8.7</i>	<i>16.1</i>	<i>-16.1</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US Equity	5.0	13.2	-18.1	4.8	13.1	20.5	-14.9	31.6	6.2	-8.1
<i>MSCI AC World ex USA (Net)</i>	<i>5.5</i>	<i>15.6</i>	<i>-16.0</i>	<i>7.8</i>	<i>10.7</i>	<i>21.5</i>	<i>-14.2</i>	<i>27.2</i>	<i>4.5</i>	<i>-5.7</i>
Non-US Large Cap Active Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US Large Cap Passive Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US SMID Cap Active Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA Small Cap (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US SMID Cap Passive Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA Small Cap (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Private Equity	5.9	5.8	2.4	49.4	12.4	9.6	14.1	15.8	7.4	--
Private Equity Pool	5.9	5.8	2.4	49.4	12.4	9.6	14.1	15.8	7.4	--
<i>MSCI ACWI + 3%</i>	<i>21.0</i>	<i>25.8</i>	<i>-15.9</i>	<i>22.0</i>	<i>19.7</i>	<i>30.3</i>	<i>-6.7</i>	<i>27.6</i>	<i>11.1</i>	<i>--</i>

Trailing Net Performance | As of September 30, 2025

	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Fixed Income	4.8	6.9	-6.7	4.9	7.0	6.3	2.2	7.0	6.4	0.4
<i>Blmbg. U.S. Universal Index</i>	<i>2.0</i>	<i>6.2</i>	<i>-13.0</i>	<i>-1.1</i>	<i>7.6</i>	<i>9.3</i>	<i>-0.3</i>	<i>4.1</i>	<i>3.9</i>	<i>0.4</i>
Core Bonds Pool	1.7	6.0	-13.9	-1.4	9.0	8.8	--	--	--	--
<i>Blmbg. U.S. Aggregate Index</i>	<i>1.3</i>	<i>5.5</i>	<i>-13.0</i>	<i>-1.5</i>	<i>7.5</i>	<i>8.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Private Debt Market Pool	8.7	8.0	2.5	14.2	4.1	3.1	4.5	9.0	6.9	--
<i>S&P UBS Leveraged Loan +2% 1Q Lag</i>	<i>11.8</i>	<i>14.7</i>	<i>-0.7</i>	<i>10.6</i>	<i>2.9</i>	<i>5.2</i>	<i>7.7</i>	<i>7.5</i>	<i>7.4</i>	<i>--</i>
Real Estate	-5.8	-9.4	18.8	20.8	-0.6	5.4	10.2	7.9	10.6	10.4
Real Estate Pool	-5.8	-9.4	18.8	20.8	-0.6	5.4	10.2	7.9	10.6	10.4
<i>Real Estate Custom Index</i>	<i>-7.9</i>	<i>-12.9</i>	<i>21.0</i>	<i>13.6</i>	<i>0.5</i>	<i>4.6</i>	<i>7.7</i>	<i>6.7</i>	<i>9.1</i>	<i>13.9</i>
Real Assets	11.9	9.4	15.0	16.0	-7.6	4.1	--	--	--	--
Real Return Pool	11.9	9.3	15.0	16.0	-7.6	4.1	--	--	--	--
<i>CPI +4% (Unadjusted)</i>	<i>7.0</i>	<i>7.5</i>	<i>10.7</i>	<i>11.3</i>	<i>5.4</i>	<i>6.4</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>

Real Estate Custom Index is comprised of 100% NCREIF ODCE (Net) (1 Qtr Lag) through 09/2024, and 100% NCREIF ODCE+0.75% (Net) (1 Qtr Lag) thereafter.

Cash Flow Summary | 1 Quarter Ending September 30, 2025

Cash Flow Summary						
	Beginning Market Value (\$)	Contributions (\$)	Distributions (\$)	Net Cash Flows (\$)	Net Investment Change (\$)	Ending Market Value (\$)
US Large Cap Index Pool	272,897,814	-	-	874,038	20,932,150	294,704,002
US SMID Cap Alternative Weighted Index Pool	34,792,219	-	-	156,801	3,018,402	37,967,422
Non-US Large Cap Active Pool	-	134,658,959	-	135,404,571	6,810,127	142,214,697
Non-US Large Cap Passive Pool	-	187,936,603	-	188,880,930	11,280,250	200,161,181
Non-US SMID Cap Active Pool	-	32,440,233	-	32,651,117	1,646,025	34,297,142
Non-US SMID Cap Passive Pool	-	49,628,105	-	49,984,958	2,861,363	52,846,320
Non-US Developed Markets Index Pool	255,219,943	-	-255,254,204	-255,222,100	2,157	-
Non-US Emerging Markets Active Pool	149,340,073	-	-149,409,696	-149,294,089	-45,984	-
Private Equity Pool	230,822,844	-	-	342,243	6,585,853	237,750,940
Core Bonds Pool	365,830,358	-	-	3,790,294	3,854,587	373,475,239
Private Debt Market Pool	258,064,716	-	-	2,464,195	4,205,638	264,734,549
Real Estate Pool	148,137,895	-	-	945,479	294,646	149,378,019
Real Return Pool	89,600,493	-	-	655,674	1,893,430	92,149,597
Total	1,804,706,355	404,663,900	-404,663,900	11,634,110	63,338,644	1,879,679,109

Benchmark History | As of September 30, 2025

Benchmark History		
From Date	To Date	Benchmark
Total Fund		
07/01/2025	Present	14.0% Russell 1000 Index, 2.0% S&P SmallCap 600 Index, 20.0% Blmbg. U.S. Aggregate Index, 15.0% S&P UBS Leveraged Loan +2% 1Q Lag, 10.0% Preqin Private Equity (1QTR Lag), 19.0% MSCI AC World ex USA (Net), 5.0% MSCI AC World ex USA Small Cap (Net), 5.0% CPI +4% (Unadjusted), 10.0% NCREIF ODCE +0.75% Net (1Q Lag)
07/01/2023	06/30/2025	14.0% Russell 1000 Index, 2.0% S&P SmallCap 600 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 20.0% Blmbg. U.S. Aggregate Index, 15.0% S&P UBS Leveraged Loan +2% 1Q Lag, 5.0% Real Return Custom Index, 10.0% NCREIF ODCE Net 1 Qtr Lag, 10.0% Preqin Private Equity (1QTR Lag)
02/01/2021	06/30/2023	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% S&P SmallCap 600 Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
11/01/2018	01/31/2021	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% US Small/Mid Cap Equity Custom Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
10/01/2018	10/31/2018	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% US Small/Mid Cap Equity Custom Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
05/01/2018	09/30/2018	20.0% Russell 1000 Index, 12.0% Non US Developed Markets Passive Custom Index, 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 25.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
04/01/2018	04/30/2018	20.0% Russell 1000 Index, 12.0% Non US Developed Markets Passive Custom Index, 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 25.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
05/01/2017	03/31/2018	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI FOF Composite (1-qtr lagged), 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
11/01/2015	04/30/2017	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI FOF Composite (1-qtr lagged), 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)

During the period 7/1/25-9/30/25, the total fund benchmark reflects targets of 19% Non-US Large and 5% Non-US SMID. This is to align with the underlying SIC non-US equity investment pool change implemented on 7/1/25.

Benchmark History | As of September 30, 2025

From Date	To Date	Benchmark
04/01/2015	10/31/2015	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI Fund of Funds Composite Index, 10.0% CA U.S. Private Equity Index (Legacy), 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
12/01/2011	03/31/2015	25.0% Russell 1000 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
11/01/2011	11/30/2011	25.0% S&P 500 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
04/01/2011	10/31/2011	25.0% S&P 500 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
12/01/2010	03/31/2011	38.0% S&P 500 Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% US Small/Mid Cap Equity Custom Index, 28.0% US Core Bonds Pool Blended Index
11/01/2007	11/30/2010	38.0% S&P 500 Index, 28.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index
08/01/2005	10/31/2007	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA High Yield BB-B Constrained Index
07/01/2005	07/31/2005	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA High Yield BB-B Constrained Index
03/01/2002	06/30/2005	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA U.S. High Yield, BB-B Rated Index
01/01/2001	02/28/2002	40.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 22.0% MSCI EAFE (Net), 3.0% MSCI Emerging Markets (Net), 10.0% Russell 2500 Index
08/01/2000	12/31/2000	40.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 22.0% MSCI EAFE (Net), 3.0% MSCI Emerging Markets Index, 10.0% Russell 2500 Index
05/01/1999	07/31/2000	45.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index, 13.0% MSCI EAFE (Net), 2.0% MSCI Emerging Markets Index
03/01/1999	04/30/1999	45.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index, 15.0% MSCI EAFE (Net)
12/01/1995	02/28/1999	60.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index
06/01/1992	11/30/1995	40.0% S&P 500 Index, 60.0% Blmbg. U.S. Aggregate Index
Real Return Custom Index		
10/01/2018	Present	100.0% CPI - All Urban Consumers (Unadjusted)

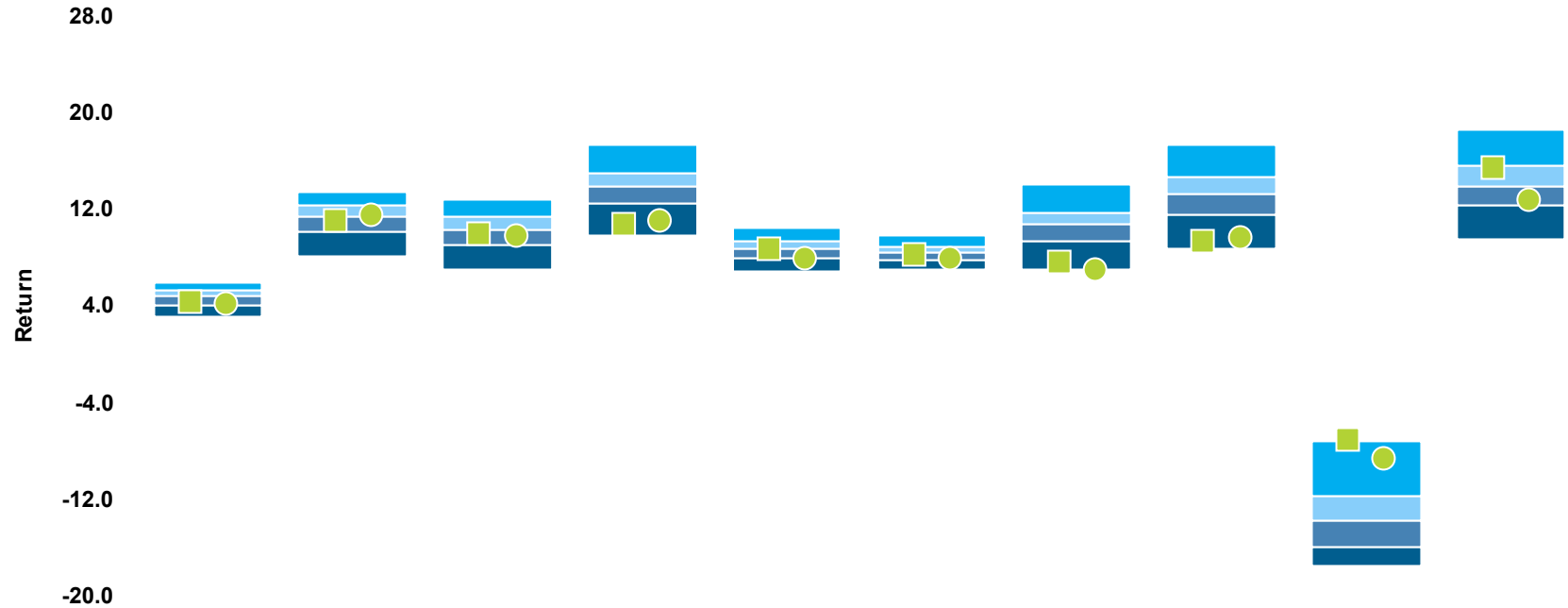
Fee Schedule | As of September 30, 2025

Annual Investment Expense Analysis			
	Market Value (\$)	Expense Ratio (%)	Estimated Expense (\$)
Total Fund	1,879,679,109	0.39	7,325,669
Global Public Equity	762,190,764	0.10	779,096
US Equity	332,671,424	0.01	40,861
US Large Cap Index Pool	294,704,002	0.01	29,470
US SMID Cap Alternative Weighted Index Pool	37,967,422	0.03	11,390
Non-US Equity	429,519,340	0.17	738,235
Non-US Large Cap Active Pool	142,214,697	0.32	455,087
Non-US Large Cap Passive Pool	200,161,181	0.06	120,097
Non-US SMID Cap Active Pool	34,297,142	0.46	157,767
Non-US SMID Cap Passive Pool	52,846,320	0.01	5,285
Private Equity	237,750,940	0.80	1,902,008
Private Equity Pool	237,750,940	0.80	1,902,008
Fixed Income	638,209,788	0.33	2,078,650
Core Bonds Pool	373,475,239	0.11	410,823
Private Debt Market Pool	264,734,549	0.63	1,667,828
Real Estate	149,378,019	1.07	1,598,345
Real Estate Pool	149,378,019	1.07	1,598,345
Real Assets	92,149,597	1.05	967,571
Real Return Pool	92,149,597	1.05	967,571

Fee information is based on RVK's State Investment Council Third Party Investors Report as of September 30, 2025.

Plan Sponsor Peer Group Analysis | As of September 30, 2025

Peer Group Analysis All Public DB Plans

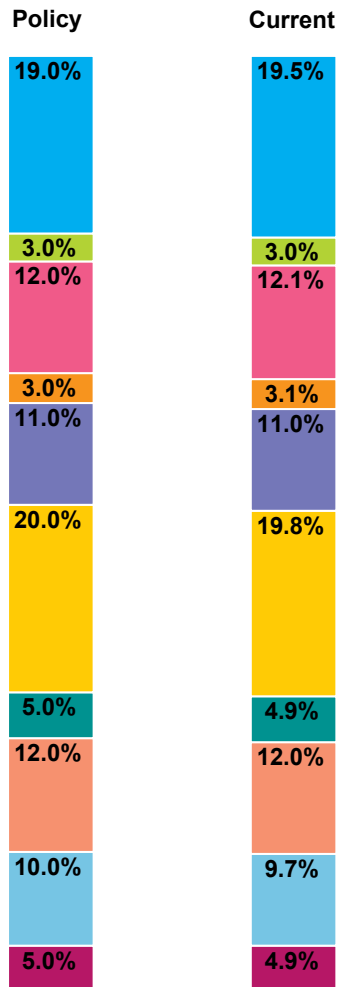


	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)
■ Total Fund	4.4 (68)	11.1 (58)	10.0 (59)	10.8 (92)	8.8 (47)	8.3 (57)	7.6 (93)	9.3 (93)	-7.1 (5)	15.5 (28)
● Total Fund Benchmark	4.2 (74)	11.6 (46)	9.8 (63)	11.2 (90)	8.0 (75)	8.0 (70)	7.0 (96)	9.7 (91)	-8.5 (8)	12.9 (67)
5th Percentile	6.0	13.5	12.8	17.4	10.4	9.8	14.1	17.4	-7.2	18.6
1st Quartile	5.4	12.3	11.4	15.0	9.5	8.9	11.8	14.7	-11.8	15.7
Median	4.8	11.4	10.4	13.9	8.7	8.4	10.8	13.3	-13.8	13.9
3rd Quartile	4.1	10.2	9.2	12.5	8.0	7.9	9.4	11.5	-15.9	12.4
95th Percentile	3.1	8.1	7.0	9.9	6.8	7.1	7.1	8.8	-17.5	9.6
Population	666	656	650	627	611	541	1,045	1,088	1,098	1,139

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

October 31, 2025 Performance Review

Asset Allocation vs. Target Allocation | As of October 31, 2025



Allocation vs. Targets						
	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
US Large Cap Equity	368,491,780	19.5	19.0	0.5	0.0 - 100.0	Yes
US Small/Mid Cap Equity	56,470,461	3.0	3.0	0.0	0.0 - 100.0	Yes
Non-US Equity Large Cap	229,478,639	12.1	12.0	0.1	0.0 - 100.0	Yes
Non-US Equity SMID Cap	58,338,967	3.1	3.0	0.1	0.0 - 100.0	Yes
Private Equity	208,883,400	11.0	11.0	0.0	0.0 - 100.0	Yes
Core Bonds	375,133,496	19.8	20.0	-0.2	0.0 - 100.0	Yes
Public Credit	92,561,004	4.9	5.0	-0.1	0.0 - 100.0	Yes
Private Debt	226,798,200	12.0	12.0	0.0	0.0 - 100.0	Yes
Real Estate	184,179,803	9.7	10.0	-0.3	0.0 - 100.0	Yes
Real Assets	93,622,091	4.9	5.0	-0.1	0.0 - 100.0	Yes
Total	1,893,957,841	100.0	100.0	0.0		

Trailing Net Performance | As of October 31, 2025

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	1,893,957,841	100.0	4.8	11.9	12.7	10.5	9.1	8.0	7.6	Jul-92
<i>Total Fund Benchmark</i>			<i>4.9</i>	<i>12.6</i>	<i>12.8</i>	<i>11.1</i>	<i>8.4</i>	<i>7.7</i>	<i>7.8</i>	
Global Public Equity	712,779,848	37.6	8.1	22.9	22.8	20.0	12.7	10.3	8.5	May-11
<i>MSCI AC World Index</i>			<i>8.7</i>	<i>21.5</i>	<i>23.2</i>	<i>22.2</i>	<i>15.1</i>	<i>11.9</i>	<i>10.0</i>	
US Equity	424,962,241	22.4	7.8	15.3	19.1	20.6	16.5	13.7	12.5	May-11
<i>Russell 3000 Index</i>			<i>8.1</i>	<i>16.8</i>	<i>20.8</i>	<i>21.8</i>	<i>16.7</i>	<i>14.1</i>	<i>13.3</i>	
US Large Cap Index Pool	368,491,780	19.5	7.9	17.1	21.1	22.4	17.1	14.3	13.6	May-11
<i>Russell 1000 Index</i>			<i>7.9</i>	<i>17.1</i>	<i>21.1</i>	<i>22.3</i>	<i>17.1</i>	<i>14.4</i>	<i>13.7</i>	
US SMID Cap Alternative Weighted Index Pool	56,470,461	3.0	7.2	3.3	5.5	8.1	--	--	5.6	Feb-21
<i>S&P SmallCap 600 Index</i>			<i>7.2</i>	<i>3.3</i>	<i>5.5</i>	<i>8.2</i>	<i>--</i>	<i>--</i>	<i>5.8</i>	
Non-US Equity	287,817,607	15.2	8.3	25.3	21.9	18.0	8.8	7.1	4.2	May-11
<i>MSCI AC World ex USA (Net)</i>			<i>9.4</i>	<i>28.6</i>	<i>24.9</i>	<i>20.3</i>	<i>11.2</i>	<i>7.7</i>	<i>5.3</i>	
Non-US Large Cap Active Pool	95,687,027	5.1	8.3	--	--	--	--	--	8.3	Aug-25
<i>MSCI AC World ex USA (Net)</i>			<i>9.4</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>9.4</i>	
Non-US Large Cap Passive Pool	133,791,613	7.1	9.0	--	--	--	--	--	9.0	Aug-25
<i>MSCI AC World ex USA (Net)</i>			<i>9.4</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>9.4</i>	
Non-US SMID Cap Active Pool	22,469,433	1.2	7.3	--	--	--	--	--	7.3	Aug-25
<i>MSCI AC World ex USA Small Cap (Net)</i>			<i>6.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>6.7</i>	
Non-US SMID Cap Passive Pool	35,869,534	1.9	6.6	--	--	--	--	--	6.6	Aug-25
<i>MSCI AC World ex USA Small Cap (Net)</i>			<i>6.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>6.7</i>	

Performance returns are all net of fees throughout the report.

Non-US Large Cap Active Pool, Non-US Large Cap Passive Pool, Non-US SMID Cap Active Pool, and Non-US SMID Cap Passive Pool were first funded 07/01/2025. Inception dates for all strategies reflect the first full month after the initial contribution.

Trailing Net Performance | As of October 31, 2025

	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Private Equity	208,883,400	11.0	3.3	5.3	7.3	5.5	14.4	12.0	11.9	Apr-15
Private Equity Pool	208,883,400	11.0	3.3	5.3	7.3	5.5	14.4	12.0	11.9	Apr-15
<i>MSCI ACWI + 3%</i>			9.3	24.1	26.3	25.2	18.0	14.6	13.7	
Fixed Income	694,492,699	36.7	2.8	7.2	8.1	6.9	3.8	4.4	4.5	May-11
<i>Blmbg. U.S. Universal Index</i>			2.9	7.0	6.5	6.2	0.3	2.3	2.7	
Core Bonds Pool	375,133,496	19.8	3.0	7.4	6.8	6.0	0.0	--	2.4	Oct-18
<i>Blmbg. U.S. Aggregate Index</i>			2.9	6.8	6.2	5.6	-0.2	--	2.1	
Credit Plus Pool	92,561,004	4.9	--	--	--	--	--	--	--	Nov-25
<i>Blmbg. U.S. Universal Index</i>			--	--	--	--	--	--	--	
Private Debt Market Pool	226,798,200	12.0	2.5	6.7	9.9	8.0	8.8	6.7	6.4	Apr-15
<i>S&P UBS Leveraged Loan +2% 1Q Lag</i>			3.7	7.9	9.7	11.3	9.3	7.3	7.3	
Real Estate	184,179,803	9.7	0.9	2.5	2.4	-4.2	4.9	5.9	6.0	May-14
Real Estate Pool	184,179,803	9.7	0.9	2.5	2.4	-4.2	4.9	5.9	6.0	May-14
<i>Real Estate Custom Index</i>			1.0	3.3	3.4	-6.0	2.7	4.5	5.5	
Real Assets	93,622,091	4.9	2.3	6.8	10.5	9.8	12.6	--	7.0	Oct-18
Real Return Pool	93,622,091	4.9	2.3	6.8	10.5	9.8	12.6	--	7.0	Oct-18
<i>CPI +4% (Unadjusted)</i>			1.8	6.6	7.3	7.1	8.7	--	7.8	

Credit Plus Pool does not have available returns as it was first funded 10/01/2025. Inception dates for all strategies reflect the first full month after the initial contribution.
Real Estate Custom Index is comprised of 100% NCREIF ODCE (Net) (1 Qtr Lag) through 09/2024, and 100% NCREIF ODCE+0.75% (Net) (1 Qtr Lag) thereafter.

Trailing Net Performance | As of October 31, 2025

	Calendar Year Performance									
	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Total Fund	7.6	9.3	-7.1	15.5	9.8	13.2	-1.3	17.3	8.0	-1.0
<i>Total Fund Benchmark</i>	<i>7.0</i>	<i>9.7</i>	<i>-8.5</i>	<i>12.9</i>	<i>10.3</i>	<i>14.3</i>	<i>-1.8</i>	<i>17.0</i>	<i>8.4</i>	<i>-0.8</i>
Global Public Equity	13.1	18.8	-18.4	14.0	16.0	24.8	-10.4	26.1	9.6	-4.9
<i>MSCI AC World Index</i>	<i>18.0</i>	<i>22.8</i>	<i>-18.0</i>	<i>19.0</i>	<i>16.8</i>	<i>27.3</i>	<i>-8.9</i>	<i>24.6</i>	<i>8.5</i>	<i>-1.8</i>
US Equity	22.6	25.4	-18.8	26.5	20.0	31.5	-6.0	20.6	13.1	-0.5
<i>Russell 3000 Index</i>	<i>23.8</i>	<i>26.0</i>	<i>-19.2</i>	<i>25.7</i>	<i>20.9</i>	<i>31.0</i>	<i>-5.2</i>	<i>21.1</i>	<i>12.7</i>	<i>0.5</i>
US Large Cap Index Pool	24.5	26.6	-19.1	26.5	20.4	31.3	-4.8	21.7	12.1	1.0
<i>Russell 1000 Index</i>	<i>24.5</i>	<i>26.5</i>	<i>-19.1</i>	<i>26.5</i>	<i>21.0</i>	<i>31.4</i>	<i>-4.8</i>	<i>21.7</i>	<i>12.1</i>	<i>0.9</i>
US SMID Cap Alternative Weighted Index Pool	8.5	16.0	-16.3	--	--	--	--	--	--	--
<i>S&P SmallCap 600 Index</i>	<i>8.7</i>	<i>16.1</i>	<i>-16.1</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US Equity	5.0	13.2	-18.1	4.8	13.1	20.5	-14.9	31.6	6.2	-8.1
<i>MSCI AC World ex USA (Net)</i>	<i>5.5</i>	<i>15.6</i>	<i>-16.0</i>	<i>7.8</i>	<i>10.7</i>	<i>21.5</i>	<i>-14.2</i>	<i>27.2</i>	<i>4.5</i>	<i>-5.7</i>
Non-US Large Cap Active Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US Large Cap Passive Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US SMID Cap Active Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA Small Cap (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Non-US SMID Cap Passive Pool	--	--	--	--	--	--	--	--	--	--
<i>MSCI AC World ex USA Small Cap (Net)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Private Equity	5.9	5.8	2.4	49.4	12.4	9.6	14.1	15.8	7.4	--
Private Equity Pool	5.9	5.8	2.4	49.4	12.4	9.6	14.1	15.8	7.4	--
<i>MSCI ACWI + 3%</i>	<i>21.0</i>	<i>25.8</i>	<i>-15.9</i>	<i>22.0</i>	<i>19.7</i>	<i>30.3</i>	<i>-6.7</i>	<i>27.6</i>	<i>11.1</i>	<i>--</i>

Trailing Net Performance | As of October 31, 2025

	2024 (%)	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)	2017 (%)	2016 (%)	2015 (%)
Fixed Income	4.8	6.9	-6.7	4.9	7.0	6.3	2.2	7.0	6.4	0.4
<i>Blmbg. U.S. Universal Index</i>	<i>2.0</i>	<i>6.2</i>	<i>-13.0</i>	<i>-1.1</i>	<i>7.6</i>	<i>9.3</i>	<i>-0.3</i>	<i>4.1</i>	<i>3.9</i>	<i>0.4</i>
Core Bonds Pool	1.7	6.0	-13.9	-1.4	9.0	8.8	--	--	--	--
<i>Blmbg. U.S. Aggregate Index</i>	<i>1.3</i>	<i>5.5</i>	<i>-13.0</i>	<i>-1.5</i>	<i>7.5</i>	<i>8.7</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Credit Plus Pool	--	--	--	--	--	--	--	--	--	--
<i>Blmbg. U.S. Universal Index</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
Private Debt Market Pool	8.7	8.0	2.5	14.2	4.1	3.1	4.5	9.0	6.9	--
<i>S&P UBS Leveraged Loan +2% 1Q Lag</i>	<i>11.8</i>	<i>14.7</i>	<i>-0.7</i>	<i>10.6</i>	<i>2.9</i>	<i>5.2</i>	<i>7.7</i>	<i>7.5</i>	<i>7.4</i>	<i>--</i>
Real Estate	-5.8	-9.4	18.8	20.8	-0.6	5.4	10.2	7.9	10.6	10.4
Real Estate Pool	-5.8	-9.4	18.8	20.8	-0.6	5.4	10.2	7.9	10.6	10.4
<i>Real Estate Custom Index</i>	<i>-7.9</i>	<i>-12.9</i>	<i>21.0</i>	<i>13.6</i>	<i>0.5</i>	<i>4.6</i>	<i>7.7</i>	<i>6.7</i>	<i>9.1</i>	<i>13.9</i>
Real Assets	11.9	9.4	15.0	16.0	-7.6	4.1	--	--	--	--
Real Return Pool	11.9	9.3	15.0	16.0	-7.6	4.1	--	--	--	--
<i>CPI +4% (Unadjusted)</i>	<i>7.0</i>	<i>7.5</i>	<i>10.7</i>	<i>11.3</i>	<i>5.4</i>	<i>6.4</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>

Real Estate Custom Index is comprised of 100% NCREIF ODCE (Net) (1 Qtr Lag) through 09/2024, and 100% NCREIF ODCE+0.75% (Net) (1 Qtr Lag) thereafter.

Cash Flow Summary | 1 Quarter Ending October 31, 2025

Cash Flow Summary						
	Beginning Market Value (\$)	Contributions (\$)	Distributions (\$)	Net Cash Flows (\$)	Net Investment Change (\$)	Ending Market Value (\$)
US Large Cap Index Pool	278,963,938	66,000,000	-	66,000,000	22,600,763	368,491,780
US SMID Cap Alternative Weighted Index Pool	35,115,999	19,000,000	-	19,000,000	2,179,936	56,470,461
Non-US Large Cap Active Pool	133,068,370	325,981	-48,000,000	-47,674,019	9,506,044	95,687,027
Non-US Large Cap Passive Pool	186,808,555	464,276	-69,000,000	-68,535,724	14,519,292	133,791,613
Non-US SMID Cap Active Pool	32,143,813	79,026	-12,000,000	-11,920,974	2,034,714	22,469,433
Non-US SMID Cap Passive Pool	49,499,057	118,538	-17,000,000	-16,881,462	2,952,104	35,869,534
Non-US Developed Markets Index Pool	673,163	-	-706,550	-706,550	3,094	-
Non-US Emerging Markets Active Pool	201,523	-	-281,271	-281,271	-14,215	-
Private Equity Pool	230,387,819	-	-29,000,000	-29,000,000	7,146,191	208,883,400
Core Bonds Pool	365,109,829	-	-1,000,000	-1,000,000	7,236,864	375,133,496
Credit Plus Pool	-	92,000,000	-	92,000,000	141,580	92,561,004
Private Debt Market Pool	258,379,171	-	-38,000,000	-38,000,000	4,064,200	226,798,200
Real Estate Pool	147,892,192	35,000,000	-	35,000,000	351,697	184,179,803
Real Return Pool	89,574,647	2,000,000	-	2,000,000	1,472,725	93,622,091
Total	1,807,818,076	214,987,820	-214,987,820	-	74,194,989	1,893,957,841

Benchmark History | As of October 31, 2025

Benchmark History		
From Date	To Date	Benchmark
Total Fund		
07/01/2025	Present	14.0% Russell 1000 Index, 2.0% S&P SmallCap 600 Index, 20.0% Blmbg. U.S. Aggregate Index, 15.0% S&P UBS Leveraged Loan +2% 1Q Lag, 10.0% Prequin Private Equity (1QTR Lag), 19.0% MSCI AC World ex USA (Net), 5.0% MSCI AC World ex USA Small Cap (Net), 5.0% CPI +4% (Unadjusted), 10.0% NCREIF ODCE +0.75% Net (1Q Lag)
07/01/2023	06/30/2025	14.0% Russell 1000 Index, 2.0% S&P SmallCap 600 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 20.0% Blmbg. U.S. Aggregate Index, 15.0% S&P UBS Leveraged Loan +2% 1Q Lag, 5.0% Real Return Custom Index, 10.0% NCREIF ODCE Net 1 Qtr Lag, 10.0% Prequin Private Equity (1QTR Lag)
02/01/2021	06/30/2023	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% S&P SmallCap 600 Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
11/01/2018	01/31/2021	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% US Small/Mid Cap Equity Custom Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
10/01/2018	10/31/2018	14.0% Russell 1000 Index, 14.0% Non US Developed Markets Passive Custom Index, 10.0% MSCI Emerging Markets (Net), 2.0% US Small/Mid Cap Equity Custom Index, 15.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 10.0% NCREIF ODCE Index (AWA) (Net) (Monthly), 20.0% Blmbg. U.S. Aggregate Index, 5.0% Real Return Custom Index
05/01/2018	09/30/2018	20.0% Russell 1000 Index, 12.0% Non US Developed Markets Passive Custom Index, 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 25.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
04/01/2018	04/30/2018	20.0% Russell 1000 Index, 12.0% Non US Developed Markets Passive Custom Index, 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 25.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
05/01/2017	03/31/2018	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI FOF Composite (1-qtr lagged), 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
11/01/2015	04/30/2017	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI FOF Composite (1-qtr lagged), 10.0% Cambridge Associates US PE 1Q Lagged, 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)

During the period 7/1/25-10/31/25, the total fund benchmark reflects targets of 19% Non-US Large and 5% Non-US SMID. This is to align with the underlying SIC non-US equity investment pool change implemented on 7/1/25.

Benchmark History | As of October 31, 2025

From Date	To Date	Benchmark
04/01/2015	10/31/2015	20.0% Russell 1000 Index, 12.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 3.0% US Small/Mid Cap Equity Custom Index, 20.0% US Core Bonds Pool Blended Index, 10.0% Private Market Fixed Income Custom Index, 5.0% HFRI Fund of Funds Composite Index, 10.0% CA U.S. Private Equity Index (Legacy), 5.0% NCREIF ODCE Index (AWA) (Net) (Monthly)
12/01/2011	03/31/2015	25.0% Russell 1000 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
11/01/2011	11/30/2011	25.0% S&P 500 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
04/01/2011	10/31/2011	25.0% S&P 500 Index, 15.0% MSCI EAFE (Net), 15.0% MSCI Emerging Markets (Net), 10.0% US Small/Mid Cap Equity Custom Index, 35.0% US Core Bonds Pool Blended Index
12/01/2010	03/31/2011	38.0% S&P 500 Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% US Small/Mid Cap Equity Custom Index, 28.0% US Core Bonds Pool Blended Index
11/01/2007	11/30/2010	38.0% S&P 500 Index, 28.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index
08/01/2005	10/31/2007	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA High Yield BB-B Constrained Index
07/01/2005	07/31/2005	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA High Yield BB-B Constrained Index
03/01/2002	06/30/2005	38.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 20.0% MSCI EAFE (Net), 5.0% MSCI Emerging Markets (Net), 9.0% Russell 2500 Index, 3.0% ICE BofA U.S. High Yield, BB-B Rated Index
01/01/2001	02/28/2002	40.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 22.0% MSCI EAFE (Net), 3.0% MSCI Emerging Markets (Net), 10.0% Russell 2500 Index
08/01/2000	12/31/2000	40.0% S&P 500 Index, 25.0% Blmbg. U.S. Aggregate Index, 22.0% MSCI EAFE (Net), 3.0% MSCI Emerging Markets Index, 10.0% Russell 2500 Index
05/01/1999	07/31/2000	45.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index, 13.0% MSCI EAFE (Net), 2.0% MSCI Emerging Markets Index
03/01/1999	04/30/1999	45.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index, 15.0% MSCI EAFE (Net)
12/01/1995	02/28/1999	60.0% S&P 500 Index, 40.0% Blmbg. U.S. Aggregate Index
06/01/1992	11/30/1995	40.0% S&P 500 Index, 60.0% Blmbg. U.S. Aggregate Index
Real Return Custom Index		
10/01/2018	Present	100.0% CPI - All Urban Consumers (Unadjusted)

Annual Investment Expense Analysis			
	Market Value (\$)	Expense Ratio (%)	Estimated Expense (\$)
Total Fund	1,893,957,841	0.38	7,217,143
Global Public Equity	712,779,848	0.08	547,210
US Equity	424,962,241	0.01	53,790
US Large Cap Index Pool	368,491,780	0.01	36,849
US SMID Cap Alternative Weighted Index Pool	56,470,461	0.03	16,941
Non-US Equity	287,817,607	0.17	493,420
Non-US Large Cap Active Pool	95,687,027	0.32	306,198
Non-US Large Cap Passive Pool	133,791,613	0.06	80,275
Non-US SMID Cap Active Pool	22,469,433	0.46	103,359
Non-US SMID Cap Passive Pool	35,869,534	0.01	3,587
Private Equity	208,883,400	0.80	1,671,067
Private Equity Pool	208,883,400	0.80	1,671,067
Fixed Income	694,492,699	0.29	2,045,110
Core Bonds Pool	375,133,496	0.11	412,647
Credit Plus Pool	92,561,004	0.22	203,634
Private Debt Market Pool	226,798,200	0.63	1,428,829
Real Estate	184,179,803	1.07	1,970,724
Real Estate Pool	184,179,803	1.07	1,970,724
Real Assets	93,622,091	1.05	983,032
Real Return Pool	93,622,091	1.05	983,032

Fee information is based on RVK's State Investment Council Third Party Investors Report as of September 30, 2025.

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

New Mexico Retiree Health Care Authority (CP)

Change in Market Value

For the Month of Sep 2025

(Report as of October 16, 2025)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized	Gains - Unrealized	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	369,217,946.01	-	-	-	1,908,509.91	71,009.23	2,277,773.94	2,348,783.17	373,475,239.09
NM Retiree Health Care Authority Cash Account	-	(987,820.48)	987,820.48	-	-	-	-	-	-
Non-US Developed Markets Index Pool	706,549.60	-	(706,549.60)	-	-	-	-	-	-
Non-US Emerging Markets Active Pool	281,270.88	-	(281,270.88)	-	-	-	-	-	-
Non-US Large Cap Active Pool	137,408,278.49	325,980.76	-	-	332,033.91	487,260.27	3,661,144.06	4,148,404.33	142,214,697.49
Non-US Large Cap Passive Pool	193,038,079.61	464,275.63	-	-	511,649.01	301,308.53	5,845,867.73	6,147,176.26	200,161,180.51
Non-US SMID Cap Active Pool	33,549,847.29	79,025.64	-	-	111,059.07	104,620.52	452,589.35	557,209.87	34,297,141.87
Non-US SMID Cap Passive Pool	51,695,672.38	118,538.45	-	-	191,583.82	254,981.61	585,544.09	840,525.70	52,846,320.35
Private Debt Market Pool	258,819,933.86	-	-	-	620,198.26	(130,577.95)	5,424,994.86	5,294,416.91	264,734,549.03
Private Equity Pool	231,077,816.08	-	-	-	164,889.17	1,274,418.19	5,233,816.91	6,508,235.10	237,750,940.35
Real Estate Pool	148,165,013.79	-	-	-	448,781.44	626,482.05	137,742.12	764,224.17	149,378,019.40
Real Return Pool	89,666,653.46	-	-	-	346,804.73	213,815.44	1,922,323.40	2,136,138.84	92,149,597.03
US Large Cap Index Pool	284,832,722.68	-	-	-	333,482.78	327,270.00	9,210,526.20	9,537,796.20	294,704,001.66
US SMID Cap Alternative Weighted Index Pool	37,593,947.09	-	-	-	70,443.74	441,440.11	(138,408.88)	303,031.23	37,967,422.06
Sub - Total New Mexico Retiree Health Care	1,836,053,731.22	-	-	-	5,039,435.84	3,972,028.00	34,613,913.78	38,585,941.78	1,879,679,108.84
Total New Mexico Retiree Health Care	1,836,053,731.22	-	-	-	5,039,435.84	3,972,028.00	34,613,913.78	38,585,941.78	1,879,679,108.84

New Mexico Retiree Health Care Authority (CP)

Change in Market Value

For the Month of Oct 2025

(Report as of November 14, 2025)

Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized	Gains - Unrealized	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	373,475,239.09	-	(1,000,000.00)	-	959,225.66	222,113.94	1,476,917.07	1,699,031.01	375,133,495.76
Credit Plus Pool	-	92,000,000.00	-	-	419,423.80	93,343.34	48,236.47	141,579.81	92,561,003.61
NM Retiree Health Care Authority Cash Account	-	(214,000,000.00)	214,000,000.00	-	-	-	-	-	-
Non-US Developed Markets Index Pool	-	-	-	-	-	-	-	-	-
Non-US Emerging Markets Active Pool	-	-	-	-	-	-	-	-	-
Non-US Large Cap Active Pool	142,214,697.49	-	(48,000,000.00)	-	192,516.03	358,962.14	920,851.11	1,279,813.25	95,687,026.77
Non-US Large Cap Passive Pool	200,161,180.51	-	(69,000,000.00)	-	230,684.36	(1,933.60)	2,401,681.29	2,399,747.69	133,791,612.56
Non-US SMID Cap Active Pool	34,297,141.87	-	(12,000,000.00)	-	48,899.72	74,388.45	49,003.45	123,391.90	22,469,433.49
Non-US SMID Cap Passive Pool	52,846,320.35	-	(17,000,000.00)	-	25,036.14	44,842.71	(46,665.38)	(1,822.67)	35,869,533.82
Private Debt Market Pool	264,734,549.03	-	(38,000,000.00)	-	428,261.63	116,654.75	(481,265.72)	(364,610.97)	226,798,199.69
Private Equity Pool	237,750,940.35	-	(29,000,000.00)	-	94,650.04	615,309.48	(577,499.54)	37,809.94	208,883,400.33
Real Estate Pool	149,378,019.40	35,000,000.00	-	-	308,567.44	50,122.28	(556,905.67)	(506,783.39)	184,179,803.45
Real Return Pool	92,149,597.03	2,000,000.00	-	-	68,130.60	498,892.01	(1,094,528.66)	(595,636.65)	93,622,090.98
US Large Cap Index Pool	294,704,001.66	66,000,000.00	-	-	260,168.78	701.49	7,526,908.08	7,527,609.57	368,491,780.01
US SMID Cap Alternative Weighted Index Pool	37,967,422.06	19,000,000.00	-	-	44,331.29	350,039.82	(891,332.26)	(541,292.44)	56,470,460.91
Sub - Total New Mexico Retiree Health Care	1,879,679,108.84	-	-	-	3,079,895.49	2,423,436.81	8,775,400.24	11,198,837.05	1,893,957,841.38
Total New Mexico Retiree Health Care	1,879,679,108.84	-	-	-	3,079,895.49	2,423,436.81	8,775,400.24	11,198,837.05	1,893,957,841.38

New Mexico Retiree Health Care Authority

December 2, 2025

Investment Policy Review

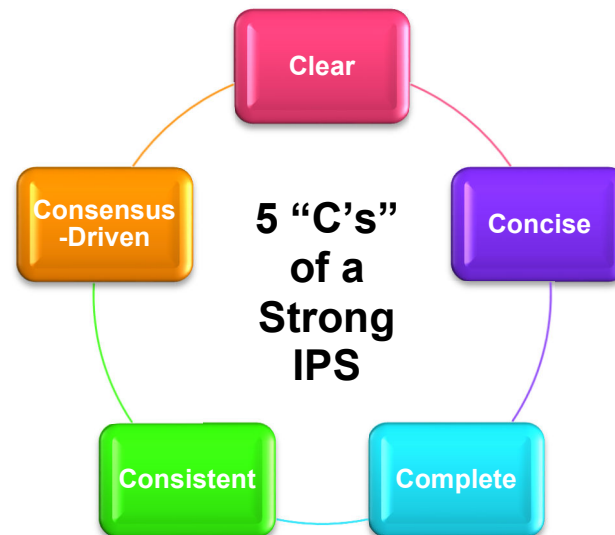
Investment Policy Review

Background

- The Investment Policy Statement (“IPS”) is a document that acts as a comprehensive guide for managing the investment portfolio. This document provides a roadmap for decision-making to help ensure that the investment portfolio remains aligned with Fund’s goals and risk tolerance.
- Key elements include:
 1. *Plan Description/Information*
 2. *Purpose, Goals, Objectives, and Constraints (Liquidity Requirements)*
 3. *Time Horizon*
 4. *Investment Beliefs*
 5. *Roles and Responsibilities*
 6. *Strategic Asset Allocation*
 7. *Investment Guidelines*
 8. *Rebalancing Management*
 9. *Performance Monitoring*
 10. *Risk Tolerance and Management*
- To ensure proper fiduciary oversight, it is prudent to conduct an annual review of the Investment Policy Statement. This regular review is crucial to ensure the IPS stays aligned with current market conditions and organizational objectives. These reviews help the portfolios adapt to changes in the financial landscape, regulatory requirements, or internal strategies, reinforcing fiduciary responsibility through active management and oversight. Ultimately, an annual review maintains the IPS’s effectiveness and relevance in guiding investment decisions.

Best Practices for Investment Policy Statements

- Investment policy represents one of the most important governance tools for an asset pool.
 - The written policy serves to identify and formalize the objectives and constraints governing the Fund and to establish guidelines for the implementation of an investment strategy.
- A well-developed investment policy represents the intersection of plan-specific goals and concerns with the realities of the capital markets.
- The IPS should be long-term and stable in nature and should focus on core fund-level policy issues.
- The Board should review the Fund's IPS annually and update it largely in response to significant changes in the objectives and constraints of the Fund.



NMRHCA's IPS Checklist

Investment Policy Statement Components	Included?	Notes
Plan Description/Information	No	1. Consider adding simple plan description.
Purpose, Goals, Objectives and Constraints (Liquidity)	Yes	1. Consider adding more details.
Time Horizon	Yes	
Investment Beliefs	Yes	
Roles and Responsibilities	Yes	1. Consider expanding responsibilities of the General Investment Consultant.
Strategic Asset Allocation	Yes	1. Update Appendix II to reflect Asset Allocation Targets adopted in 2025.
Investment Guidelines	Yes	1. Consider adding assessment of fees when deciding between active and passive SIC pools. 2. Consider simplifying Manager and Advisor Policy details since the SIC has their own IPS guidelines to follow.
Rebalancing Management	Yes	1. Due to multi-week lag between Board meetings and SIC trading dates, there is the potential for outdated rebalancing trade amounts. Consider providing staff the authority to execute trades toward policy targets with more up to date information at the trade deadline.
Performance Monitoring	Yes	1. Consider changing the performance evaluation period vs. benchmark from 15 years to 10 years to better align with capital market assumptions and industry standards.
Risk Tolerance and Management	Yes	

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Investment Policy

State of New Mexico Retiree Health Care Authority
Reserve Fund

~~August 3, 2010~~ December 2, 2025



NEW MEXICO
RETIREE
HEALTH CARE
AUTHORITY

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Investment Policy

State of New Mexico Retiree Health Care Authority Reserve Fund

I. **Description, Purpose, and Core Beliefs**

Description:

The New Mexico Retiree Health Care Authority (NMRHCA) Reserve Fund is a dedicated trust established to ensure the long-term financial stability of retiree health care benefits for eligible public employees across New Mexico. The Reserve Fund serves as a critical financial safeguard—accumulating and investing assets to offset current and future costs associated with providing health insurance coverage to retirees of state agencies and participating local public entities.

The Fund functions as both a financing mechanism and a risk-management tool. It helps moderate the volatility of annual premium costs, protects the program from unexpected shifts in claims experience or economic conditions, and strengthens the Authority's ability to provide sustainable, affordable retiree health benefits over multiple generations. By strategically investing assets through the State Investment Council under a disciplined, long-term framework, the Fund seeks to generate risk-adjusted returns that reduce reliance on annual employer/employee contributions and premium payments.

Ultimately, the Reserve Fund embodies NMRHCA's commitment to fiscal responsibility, intergenerational equity, and the preservation of retiree health security. It reflects the belief that long-term obligations must be managed with transparency, prudence, and a focus on balancing growth opportunities with the careful stewardship of public resources.

Purpose:

The purpose of this document (hereinafter referred to as the Investment Policy) is to establish the goals, principles, and governance standards for the prudent investment and oversight of the New Mexico Retiree Health Care Authority Trust Fund (hereinafter referred to as the Fund). The Fund exists to support the long-term cost of providing retiree health care benefits to eligible state and participating public entity retirees and to promote the sustainability and affordability of those benefits for current and future generations.

This Investment Policy provides a disciplined framework for decision-making that balances the objective of achieving a total return that meets or exceeds the actuarial assumed rate with the obligation to safeguard public assets under the Prudent Investor Rule. It is intended to set reasonable parameters that promote transparency, fiscal integrity, and consistency in the management of the Fund, while allowing sufficient flexibility to respond to changing market conditions, economic environments, and program needs. The purpose of this document (herein after referred to as the Investment Policy) is to set forth an appropriate set of goals and objectives for investment of the objectives for investment of the New Mexico Health Care Authority (NMRHCA) Trust Fund (herein after referred to as the Fund). This policy statement is intended to set forth reasonable parameters to ensure prudence and care in the execution of the investment program, while allowing for sufficient flexibility in the management oversight process.

Core Beliefs:

The management of the Fund is grounded in the following core beliefs, which guide all investment decisions, oversight activities, and governance responsibilities:

Strong governance and clear fiduciary accountability are essential to safeguarding public assets and ensuring the long-term sustainability of retiree health benefits. A well-defined structure—with clearly delineated roles for the Board, Staff, the State Investment Council (SIC), and the General Investment Consultant—supports consistent and prudent decision-making.

Long-term financial sustainability requires disciplined investment practices. Because the Fund exists to support obligations that span multiple generations, investment decisions must reflect a long-term perspective that prioritizes intergenerational equity, stable funding progress, and adherence to the Prudent Investor Rule.

Balancing risk and return is fundamental to achieving the Fund's objectives. The Fund must pursue returns sufficient to meet or exceed actuarial assumptions while carefully managing the potential for losses. A diversified investment approach helps mitigate volatility, preserve capital, and improve the Fund's resilience across varying market conditions.

Independent oversight enhances transparency and strengthens outcomes. Objective analysis from the General Investment Consultant, combined with robust monitoring of the SIC's investment management, supports informed decisions and ensures alignment with policy goals and fiduciary standards.

Liquidity and stability are critical to program reliability. The Fund must maintain adequate liquidity to meet near-term benefit obligations and unexpected claim fluctuations, while supporting long-term growth that reduces reliance on contributions and premium revenue.

These core beliefs collectively support a disciplined investment philosophy that prioritizes prudence, transparency, sustainability, and the long-term protection of retiree health benefits.

- ~~• A well-defined governance structure with clearly delineated responsibilities is critical in achieving long-term, consistent success.~~
- ~~• Balancing the opportunity for potential returns with the possibility of losses is an important risk mitigator.~~

II. Functional Organization and Responsibilities

A. Board

The Board of Directors of the NMRHCA (Board) is responsible for overseeing the investment policy and disbursements of the Fund. The State Investment Council (SIC) is authorized to invest the assets in the Fund in accordance with the Joint Powers Agreement attached as Appendix I. The Board will review the agreement annually.

B. Staff

The Board has delegated to Staff authority to assist the Board to review policy issues to implement the programs established by the Board and to report to the

Board on the ongoing operations of the [PlanFund](#).

Pursuant to its authority to delegate functions, the Board hereby delegates to the Executive Director the responsibility to manage the Fund investment program subject to the Board-approved investment policies.

C. General Investment Consultant

The Board may engage the services of an independent General Investment Consultant (Consultant) to provide specialized, objective investment advice that is separate and distinct from the responsibilities of the State Investment Council (SIC). The Consultant serves in a fiduciary capacity to the Board and is retained solely to represent the interests of the New Mexico Retiree Health Care Authority and the Fund. Unlike the SIC—which acts as the discretionary investment manager for assets placed within its investment pools—the Consultant does not directly manage assets. Instead, the Consultant provides independent oversight, research, analysis, and strategic guidance to assist the Board in fulfilling its governance and fiduciary obligations.

The General Investment Consultant is responsible for:

- Conducting annual asset allocation studies and recommending strategic asset allocation strategies to the Board, independent of the SIC’s investment management role.
- Providing quarterly performance reporting, including independent analysis of portfolio performance, risk metrics, benchmark evaluation, and attribution assessments.
- Monitoring the Fund’s positioning relative to policy targets and recommending rebalancing actions as necessary, with consideration of liquidity needs and market conditions.
- Performing liquidity analysis to evaluate the Fund’s capacity to meet benefit payments, expenses, and potential adverse claim scenarios.
- Assessing the structure, performance, and appropriateness of investment options offered through the SIC, including independent review of fees, risk exposures, and alignment with the Board-approved Investment Policy.
- Advising the Board on capital markets outlook, economic trends, and expected long-term returns and risks across asset classes.
- Supporting the Board in its oversight of the SIC by providing independent evaluation, monitoring, and reporting on SIC-managed investments relevant to the Fund.
- Assisting in periodic Investment Policy reviews, updates, and best-practice recommendations to ensure alignment with fiduciary standards, statutory requirements, and the Fund’s long-term objectives.

This separation of duties ensures that the Board receives independent investment advice that complements—but does not duplicate—the investment management services performed by the SIC. The Consultant provides strategic guidance and oversight, while the SIC is responsible for the day-to-day

execution and management of investments within its authorized pools.

The Board may utilize the services of a General Investment Consultant. The General Investment Consultant will act in a fiduciary capacity, follow the Investment Policy and terms of their contract, and will be responsible for:

- Performing asset allocation studies and recommending asset allocation strategies to the Board at least annually.
- Quarterly performance reporting and analysis.
- Monitor portfolio positioning and recommend rebalancing as needed.
- Providing liquidity analysis as needed.
- Oversee and advise on the utilization of investments provided by the SIG on behalf of the Fund.

III.III. General Objectives

The general objectives define the goals to be achieved through the management of Fund assets.

A. General Objectives of Fund

- The primary objective of the Fund is to generate a total return in excess of the assumed actuarial return as determined annually by the Board, which includes realized and unrealized gains, plus income, less expenses, with a prudent level of risk. Secondly, for Board information purposes, the total return for the overall Fund shall meet or exceed the Fund's Policy Index (as described in Appendix II). Additionally, the Fund's return shall also be compared with comparable funds as represented by the Consultant's relevant peer group universe, with the understanding that the Fund's funded status and overall investment risk profile may differ from the average fund in that universe.
- Provide liquidity to meet all cash needs and serve as a buffer against higher than anticipated adverse claims. As such, the Fund will maintain a position in highly liquid market instruments.
- Provide diversification to avoid significant losses and preserve capital, while operating under the Prudent Investor Rule.

III.IV. Asset Allocation Objectives and General Strategies

A. Objectives

The Fund has a long term investment horizon, and utilizes an asset allocation methodology which encompasses a strategic, long-run perspective on capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's Fund's investment performance. Asset allocation modeling identifies asset classes the Plan-Fund will utilize, and the target percentage and appropriate ranges that each class will represent in the Total Fund.

B. General Strategies

Asset allocation provides diversification to the ~~Plan's Fund's~~ overall investment program and is to be managed over time to maximize return at a prudent level of risk. To accomplish this, the ~~Plan-Fund~~ considers the following:

1. Historical and expected long-term capital market risk and return behavior.
2. The correlation of returns among the relevant asset classes.
3. The perception of future economic conditions, including inflation and interest rate assumptions.
4. Projected net cash flows - i.e. contributions and premiums paid (cash inflows) compared to claim expenses, administrative expenses and other expenses (cash outflows).
5. The potential for significant periods of negative returns in many asset classes.
- ~~5.6. Fees in the utilization of active or passive investment management for applicable SIC investment options.~~

IV.V. Investment Program Implementation

A. Manager and Advisor Policy

1. Manager Utilization

The SIC ~~(or if appropriately determined, any external money managers as investment manager)~~ will have full discretionary investment authority within each investment pool over the assets it is responsible for managing, subject to the Joint Powers Agreement and guidelines and policies set for in this document. ~~Each investment manager, including the SIC,~~ will function under a formal contract which delineates responsibilities and appropriate performance expectations. ~~All managers will be expected to acknowledge in writing that they are fiduciaries and as such, will be expected to know and comply with applicable manager specific portfolio guidelines.~~ Portfolio performance will be evaluated relative to its adopted benchmark and peer group on a regular basis.

2. Manager Authority

The ~~Fund's investment managers-SIC~~ shall have discretion and authority within each investment pool to direct and manage the investment ~~and reinvestment~~ of assets, determine portfolio strategy, determine security selection and determine timing within their asset class. ~~Investment managers shall have discretion to establish and execute transactions with established regional and national securities brokers/dealers as needed. Investment managers are required to achieve best available prices and most favorable executions with respect to all portfolio transactions, as market conditions permit. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Staff toward possible improvement of said policies through Board action.~~

3. Securities Trading

The emphasis of security trading should be on the best execution basis,

i.e. the highest proceeds to the fund and the lowest cost, net of all transaction expenses. Placement of orders should be based on the financial viability of the brokerage firm and the assurance of a prompt and efficient execution. The SIC will notify the NMRHCA Executive Director in advance of the SIC Board meeting(s) when the independent contractor presents the Execution Cost report. At least annually, the SIC will present to the Board an independent report related to the SIC's overall execution costs.

4. Reference to SIC Policies:

The Board acknowledges and incorporates by reference the State Investment Council's governing policy documents applicable to the Fund's invested assets. These include the NMSIC Private Investment Pool Policy (attached as Appendix III) and the NMSIC Investment Policy Statement (attached as Appendix IV). These documents are provided to ensure transparency, alignment with SIC investment frameworks, and consistency in the application of investment guidelines for all assets managed on behalf of the Fund.

V.VI. Performance Measurement and Review

Special attention will be paid to risk-based performance measures.

1. The ~~Plan's Fund's~~ investment returns should meet or exceed the designated benchmark plus expenses over the long term (defined as rolling ~~fifteen~~ ten-year horizons).
2. Individual manager portfolios shall be judged according to benchmarks which reflect the objectives and characteristics of their strategic role within the ~~Plan Fund~~.
3. The Board shall review the long-term investment performance of the ~~Plan Fund~~ at least quarterly.

VII. Rebalancing

Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. ~~The Board shall review the actual asset allocation quarterly and determine if any asset classes are out of range. The Board will direct staff to rebalance as necessary. Staff, in consultation with the General Investment Consultant, has the authority to implement rebalancing toward the specified asset class targets, if it is determined that an asset class has moved meaningfully above or below its specified target and/or is expected to fall outside the target range. Fund level cash contributions or distributions may also be allocated such that it moves the Fund closer to the asset class targets. The Board recognizes that certain alternative asset classes (e.g., private equity, real estate, real assets, private debt) may have limited or no liquidity. In these cases, adjusting future contributions will be the preferred rebalancing mechanism.~~

VIII. Review and Modification of Investment ~~Plan~~ Policy

1. The Board shall review the Investment Policy and Joint Powers Agreement annually. Any modifications approved by the Board will be

promptly communicated to the SIC and made available to the public.

2. The ~~SIC~~ General Investment Consultant will meet at least quarterly with the Board to review the Fund portfolio activity, investment performance, and economic market analysis in the context of this Investment Policy.
3. The SIC will provide monthly written reports on portfolio activity and investment performance and expenses. Additionally, any significant changes in investment strategy, decision-making process, or personnel will be communicated in writing to the Board immediately. The SIC will also meet at least annually with the Board to discuss these items.
4. The Board intends to review quarterly the performance of the Fund and the SIC reporting relative to the objectives and guidelines described herein.

IX. Agreement

By signing this Statement of Investment ~~Plan~~ Policy the Board indicates its agreement therewith.

Adopted

Appendix I

(Insert Joint Powers Agreement)

Appendix II

Asset Allocation Targets

<u>Asset Class</u>	<u>Target</u> <u>(%)</u>	<u>Range</u> <u>(%)</u>	<u>Policy Benchmark</u>
<u>US Equity Large Cap</u>	<u>19</u>	<u>14 – 24</u>	<u>Russell 1000</u>
<u>US Equity SMID Cap</u>	<u>3</u>	<u>0 – 8</u>	<u>S&P SmallCap 600</u>
<u>Non-US Equity Large Cap</u>	<u>12</u>	<u>7 – 17</u>	<u>MSCI ACWI Ex US</u>
<u>Non-US Equity SMID Cap</u>	<u>3</u>	<u>0 – 8</u>	<u>MSCI ACWI Ex US Small Cap</u>
<u>Private Equity</u>	<u>11</u>	<u>6 – 16</u>	<u>MSCI ACWI +3% (1 Qtr Lag)</u>
<u>Public Credit</u>	<u>5</u>	<u>0 – 10</u>	<u>Bloomberg US Universal</u>
<u>Private Credit</u>	<u>12</u>	<u>7 – 17</u>	<u>S&P UBS Leveraged Loan +2% (1 Qtr Lag)</u>
<u>Investment Grade (Core) Bonds</u>	<u>20</u>	<u>15 – 25</u>	<u>Bloomberg US Aggregate</u>
<u>Real Estate</u>	<u>10</u>	<u>5 – 15</u>	<u>NCREIF ODCE +0.75% (1 Qtr Lag)</u>
<u>Real Return</u>	<u>5</u>	<u>0 – 10</u>	<u>CPI +4%</u>

The Fund's Policy Index will be a weighted average of each asset class's policy benchmark based on the above target weights. The Policy Index is dynamic and will be adjusted over time to reflect any changes to the targets or underlying policy benchmarks.

The above asset allocation targets are designed to achieve an actuarial assumed investment return of 7.0%.

Appendix III

State of New Mexico State Investment Council –

Private Investment Pool Policy

Appendix IV

**State of New Mexico State Investment Council –
Investment Policy Statement**

Link:

NOV 30 2011

2011 JOINT POWERS AGREEMENT

DFA
OFFICE OF THE SECRETARY

THIS JOINT POWERS AGREEMENT (the “**Agreement**”) is made and entered into this 1st day of December, 2011 (the “**Effective Date**”) by and between the New Mexico Retiree Health Care Authority (the “**Authority**”) and the New Mexico State Investment Council (the “**SIC**” and together with the Authority, the “**Parties**”), pursuant to the Joint Powers Agreements Act, § 11-1-1 through § 11-1-7, NMSA 1978 and subject to the approval of the Secretary of Finance and Administration of the State of New Mexico. This Agreement supersedes and replaces all prior joint powers agreements between the Parties and all amendments thereto.

In consideration of the mutual covenants and conditions contained herein, the parties hereby agree as follows:

1. Purpose.

A. The Authority hereby appoints the SIC as the fiduciary authorized to invest the long-term reserves of the Authority and all investment income thereon (collectively the “**Long-Term Reserves**”), through SIC Long-Term Pooled Investment Funds (the “**Pooled Investment Funds**”), which the Board of the Authority (the “**Board**”), in its sole discretion, may from time to time deliver to the SIC (the “**Services**”). All right, title and interest in and to the Long-Term Reserves (including all interest earnings) will at all times be vested in the Authority.

B. The SIC acknowledges and agrees that it is a fiduciary with respect to the Authority and the Pooled Investment Funds in which the Authority’s Long-Term Reserves are invested. The SIC will invest the Long-Term Reserves in the Pooled Investment Funds in accordance with the Authority’s internal investment policy (the “**Investment Policy**”), attached as Exhibit A hereto and as updated from time-to-time, the Allocation Instructions (as defined below), and the SIC’s investment standards described § 6-8-10, NMSA 1978. The SIC will manage the Pooled Investment Funds as a prudent investor, and in satisfying this standard, the SIC shall exercise reasonable care, skill and caution. The Authority acknowledges and agrees that the Pooled Investment Funds will be managed in accordance with SIC General Investment Policy, attached as Exhibit B hereto, which is in the process of being revised, and will be further updated from time-to-time. To the extent § 6-8-1 through § 6-8-22, NMSA 1978, and in particular § 6-8-7, conflicts with the Investment Policy, the foregoing statutory provisions shall control.

2. Responsibilities of the Authority.

A. The Authority will:

- i. through the Board review the Investment Policy prior to the end of each fiscal year and, if appropriate, modify the Investment Policy and deliver a copy of the modified Investment Policy to the SIC within thirty (30) days after the commencement of the new fiscal year;

- ii. through the Board, review the actual asset allocation on a quarterly basis to determine if any asset class is out of range and, if so, the Authority's Executive Director or Deputy Director will provide written instruction, pursuant to Section 7.B herein, to SIC staff to rebalance the asset allocation (the "**Allocation Instructions**");
- iii. maintain internal accounting policies and procedures, maintain a general ledger, and prepare all financial statements and any other management information reports; and
- iv. from time to time, the Authority's Executive Director or Deputy Director may provide written instructions, pursuant to Section 7.B herein, which indicate an additional person or persons authorized (each, along with the Executive Director and Deputy Director, an "**Authorized Person**") to direct the SIC with respect to the Long-Term Reserves and any actions identified in this Agreement. The Executive Director of the Authority shall be an Authorized Person.

Authority modifications to its Investment Policy, Allocation Instructions and/or Authorized Person(s) shall not require amendment to this Agreement, but shall be communicated pursuant to Section 7.B herein.

B. The SIC will:

- i. provide the services set forth in subparagraphs B.ii through B.vii, and other ancillary services specifically set forth in this Agreement;
- ii. manage the Pooled Investment Funds, including the Long-Term Reserves, as a fiduciary and prudent expert and as such, the SIC will utilize its special skills and expertise, as contemplated under the Uniform Prudent Investor Act, § 45-7-601 through § 45-7-612, NMSA 1978;
- iii. unless otherwise instructed by the Authority in writing, ensure that deposits (*i.e.*, contributions and/or subscriptions) of Long-Term Reserves into or redemptions/withdrawals of Long-Term Reserves from the Pooled Investment Funds available from time to time are made in accordance with the Investment Policy and applicable Allocation Instructions;
- iv. so long as Allocation Instructions are received by the SIC no later than five (5) business days prior to the end of any month, rebalance the Long-Term Reserves, in accordance with the Allocation Instructions, to be effective on the first (1st) business day of the month following the date of the Allocation Instructions; however, for a transaction involving a redemption in an amount greater than ten million dollars (\$10,000,000), the Authority shall provide

written notice of its intended redemption not less than thirty (30) calendar days prior to the proposed effective date of said redemption;

- v. provide the information and reports described in Section 3 of the Agreement;
- vi. instruct the State Investment Officer, Deputy State Investment Officer, or delegate of the SIC to meet with the Board biannually: first, no later than sixty (60) days after the end of each fiscal year, to present its year-end report on the performance of the Long-Term Reserves for the prior fiscal year and second, no later than sixty (60) days after the end of the second fiscal quarter of each fiscal year, to discuss portfolio activity, investment performance, actual asset allocation and rebalancing, economic market analysis in the context of the Investment Policy, or other material information; and
- vii. from time to time as requested by the Authority, make appropriate SIC staff available to answer questions from the Board, the Authority staff or, the Authority's consultant.

The SIC is not responsible for drafting or otherwise creating Authority Investment Policy or Allocation Instructions, or for Authority funding levels, benefits or rates. The SIC does not guarantee investment returns, and the Authority shall share proportionally in any gains or losses incurred by the Pooled Investment Funds. The Long-Term Reserves are not insured deposits.

3. Reporting.

A. The SIC acknowledges and agrees that the Authority and the Board require current, complete, and accurate information to take necessary actions under the Agreement and the Investment Policy. As such, the SIC shall use its best efforts to provide the following reporting to the Authority within the time period described below:

B. Within five (5) business day of any transaction involving moving Long-Term Reserves in, out or among the Pooled Investment Funds, the SIC will deliver to the Authority by electronic mail, as described in Section 7.B herein, confirmation respecting paragraph 2.B.iv. above;

C. As soon as practicable, but no later than thirty (30) days following the end of the preceding month, the SIC shall deliver a report showing all investment activity from the preceding month concerning the Long-Term Reserves including, but not limited to, the total investment in each Pooled Investment Fund, portfolio activity and investment performance. Total Direct Costs (defined in Section 4.C) shall be reported on a quarterly basis. Reporting shall be provided in a form and manner as determined by the State Investment Officer or Deputy State Investment Officer. Additional information may be requested by the Board or the Authority staff from time to time.

D. As soon as practicable, but no later than sixty (60) days following the end of the preceding fiscal quarter, the SIC will provide the Authority with a report that summarizes each Pooled Investment Fund's total performance through such fiscal quarter as provided by a third party performance measurement service or consultant;

E. Within thirty (30) days of the receipt by the SIC of the SIC's annual fiscal year-end audit report, a copy will be provided to the Authority.

F. The SIC will provide written notice to the Authority of any material change, as determined by the State Investment Officer or Deputy State Investment Officer, each as a fiduciary pursuant to Section 1.B, in (i) investment strategy, (ii) decision-making process, or (iii) retention of key SIC personnel or the SIC general investment consultant (the "Consultant"). A "material change" will always include any regulatory or self regulatory investigation or notice or legal or arbitration proceeding filed against the SIC or Consultant that may impact the Pooled Investment Funds or any legal or arbitration proceeding filed against the SIC or Consultant related to the Pooled Investment Funds

G. Upon written request and at a time mutually agreed upon, the SIC will make available to the Board, the Authority staff, or the Authority's consultants, those records (other than those subject to the SIC's attorney-client privilege) pertaining to the duties and responsibilities of the SIC under this Agreement, and the Authority shall bear the SIC's full external cost of this reporting duty.

4. Payment of the Direct Cost of the Services.

A. The Authority shall be deemed to have paid to the SIC at least the direct cost of the Services, as contemplated by § 6-8-7.I, NMSA 1978, by agreeing, as provided herein, to the assessment of the Expense Reimbursement (as defined below).

B. The Authority shall fully reimburse the Direct Costs (as defined below) of providing the Services in an amount equal to the product obtained by multiplying (i) the total monthly Direct Costs assessed to each Pooled Investment Fund by (ii) a fraction the numerator of which is the Authority's percentage participation in each Pooled Investment Fund on each monthly valuation date and the denominator of which is one hundred percent (100%) (the "Expense Reimbursements"). The Expense Reimbursements will not be billed directly to the Authority. The Expense Reimbursements allocated to the Authority will be deducted from the Authority's account(s) on each monthly valuation date as an expense of each Pooled Investment Fund.

C. "Direct Costs" means all expenses incurred by the SIC with third-party service providers directly related to (1) investing the Long-Term Reserves and/or; (2) managing the Pooled Investment Funds. Direct Costs may include compensation and expense reimbursement paid to external investment managers, advisors, consultants, outside legal counsel, information agencies, banking and custody institutions, or other third-party providers of services to the Pooled Investment Funds in which the Authority participates. For purposes of this Agreement, Direct Costs do not include SIC internal operating costs, or any legal fees or costs associated with SIC pay-to-play litigation.

D. The Authority agrees that the costs associated with the Direct Costs may change from time-to-time.

E. After the Effective Date, the SIC will not enter into an agreement with an investor whose investment with the SIC is less than the amount of Long-Term Reserves invested with the SIC on such date, if such agreement provides more favorable payment or Expense Reimbursement terms than the terms described in this Article 4, without first offering the Authority the opportunity to modify the terms of this Agreement to match the payment terms offered to such other smaller client. It is the SIC's responsibility to notify the Authority in writing of the existence of any agreement, which impacts this provision. The Authority reserves the right to request periodic reimbursement or fee review reports involving other state agency clients of the SIC under Section 3.G above.

F. In the event of a termination of the Agreement, the pro-rated Expense Reimbursement will be further pro-rated to reflect SIC Direct Cost for any partial month.

5. Term.

A. The Agreement shall be effective upon approval by the Secretary of Finance and Administration of the State of New Mexico and shall continue in force for four years from the Effective Date unless terminated pursuant to this Section.

B. This Agreement maybe renewed by the Authority for succeeding terms of four (4) years each, upon written notice given to the SIC, at least thirty (30) days prior to the expiration of the Agreement, of the Authority's intent to renew.

C. Either party may terminate the agreement upon thirty (30) days' written notice to the other party and such notice shall specify the termination date.

D. Upon any termination of the Agreement by either Party, to the extent directed by the Authority, the SIC shall continue to provide the Services, pursuant to the same terms and conditions, for the duration of the Transition Period, as provided in the Agreement. The SIC shall cooperate with the Authority in good faith to affect a smooth and orderly transfer of such services, assets and all applicable records. For purposes of this subsection, "**Transition Period**" means a period of up to three (3) months following the termination date of this Agreement during which the SIC continues to perform those services required under this Agreement in order to complete any transactions pending on the termination date and to facilitate an orderly transition of Services. In the event that a termination-related withdrawal of assets exceeds the current net cash position in a Pooled Investment Fund, (i) a reasonable withdrawal extension will be granted if cash is not available in a Pooled Investment Fund and (ii) the Transition Period will automatically continue until the date upon which all Long-Term Reserves have been delivered to the Authority.

E. Nothing in this Agreement shall be construed to limit either Party's remedies at law or in equity in the event of a material breach of this Agreement.

6. Strict Accountability. The SIC shall be held to a strict accountability, as described in Section 11-1-4.D, NMSA 1978, for all receipts from and disbursements made to the Authority under the terms of this Agreement.

7. Miscellaneous.

A. Ownership. The SIC acquires no ownership interest in the Authority's proportionate (pro-rata) share of the Pooled Investment Funds or in any other funds or accounts in which the Long-Term Reserves are held for management by the SIC. Neither this provision nor Section 1.A alter the Authority's obligations under Section 4 of this Agreement (Payment of the Direct Cost of the Services). No Authority ownership interest extends to any underlying securities, and the Authority shall not have the right or authority to direct the investment of the Pooled Investment Funds.

B. Notices. Notices will be provided in writing and will be deemed delivered as follows: (i) immediately upon personal delivery; (ii) three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); (iii) one (1) business day after its deposit with any nationally recognized overnight courier (prepaid); or (iv) immediately upon electronic transmission by facsimile or electronic mail; addressed to the other party at his or its address (or facsimile number or e-mail address, as applicable) as shown below, or to such other address as such Party may designate in writing from time to time.

If to the Authority: New Mexico Retiree Health Care Authority
 Attention: Wayne Propst, Executive Director
 4308 Carlisle Blvd, N.E., Suite 104
 Albuquerque, NM 87107
 (505) 884-8611 (Facsimile)
 Wayne.Propst@state.nm.us (E-mail)

If to SIC: New Mexico State Investment Council
 Attention: Vince Smith, Deputy State Investment Officer
 41 Plaza La Prensa
 Santa Fe, NM 87505
 (505) 424-2510 (Facsimile)
 Vince.Smith@state.nm.us

C. Assurances. Consistent with the terms and conditions hereof, each Party will execute and deliver such certificates and other documents and take such other action as any other Party may reasonably require in order to carry out the Agreement and the transactions contemplated hereby.

D. Severability. If any provision of the Agreement becomes or is found to be illegal or unenforceable for any reason, such provision may be modified to the extent necessary to make this Agreement legal and enforceable. If such provision cannot be so modified, it shall be severed from this Agreement and the remainder of the Agreement shall remain in full force and effect.

E. Amendment. The Agreement shall not be altered, changed, or amended except by an instrument in writing executed by the parties.

F. Assignment. The Agreement or any of the rights, duties, or obligations of the Parties hereunder, shall not be assigned by either Party without the express written consent and approval of the other Party.

G. Successors and Assigns. This Agreement binds and inures to the benefit of the parties and, subject to the restrictions on transfer herein set forth, their respective successors, assigns and personal representatives.

H. Complete Agreement. The Agreement and the exhibits attached hereto contain the entire understanding of the Parties with respect to the transactions contemplated hereby and supersede all prior arrangements or understandings with respect thereto. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein or therein.

I. Headings. Section or other headings contained in this Agreement are for reference purposes only and are not intended to affect in any way the meaning or interpretation of this Agreement.

J. Governing Law. This Agreement is governed by and is to be construed in accordance with the law of the State of New Mexico.

K. Counterparts. The Agreement may be executed in one or more counterparts, all of which together shall constitute a single agreement, each of which shall be an original for all purposes.

L. Waiver. Nothing in this Agreement constitutes a waiver of claims, rights or remedies available to either party prior to the Effective Date and no party shall be deemed to have waived any claim, or any power, right, privilege or remedy under this Agreement or otherwise, unless the waiver is expressly set forth in a written instrument duly executed and delivered on behalf of such party.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date of signature by the DFA Contracts Review Bureau below.

New Mexico Retiree Health Care Authority

By: Wayne P. [Signature]
Its Executive Director

Date: 11/29/11

Authority General Legal Counsel, approval as to form only:

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

By: [Signature]

Date: 11/29/11

NEW MEXICO STATE INVESTMENT COUNCIL

By: [Signature]
Steven K. Moise
State Investment Officer
Upon Delegated Authority Pursuant to Resolution of the State Investment Council

Date: 11/16/11

Approved as to SIC legal sufficiency:

By: [Signature]
Evan L. Land
General Counsel

Date: 11/16/2011

Approved as to SIC budget sufficiency:

By: [Signature]
Cynthia A. Marietta
CFO, Director Administrative Services

Date: 11/21/2011

APPROVED:

[Signature]
Secretary, Department of Finance and Administration

Date: 12-8-11

EXHIBIT A

Authority Investment Policy

Investment Policy

State of New Mexico Retiree Health Care Authority Reserve Fund

August 3, 2010

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Investment Policy

State of New Mexico Retiree Health Care Authority Reserve Fund

I. Purpose and Core Beliefs

The purpose of this document (herein after referred to as the Investment Policy) is to set forth an appropriate set of goals and objectives for investment of the New Mexico Health Care Authority (NMRHCA) Trust Fund (herein after referred to as the Fund). This policy statement is intended to set forth reasonable parameters to ensure prudence and care in the execution of the investment program, while allowing for sufficient flexibility in the management oversight process.

Core Beliefs:

- A well defined governance structure with clearly delineated responsibilities is critical in achieving long-term, consistent success.
- Balancing the opportunity for potential returns with the possibility of losses is an important risk mitigator.

II. Functional Organization and Responsibilities

A. Board

The Board of Directors of the NMRHCA (Board) is responsible for overseeing the investment policy and disbursements of the Fund. The State Investment Council (SIC) is authorized to invest the assets in the Fund in accordance with the Joint Powers Agreement, attached as Appendix I. The Board will review the agreement annually.

B. Staff

The Board has delegated to Staff authority to assist the Board to review policy issues, to implement the programs established by the Board and to report to the Board on the ongoing operations of the Plan.

Pursuant to its authority to delegate functions, the Board hereby delegates to the Executive Director the responsibility to manage the Fund investment program subject to the Board-approved investment policies.

C. General Investment Consultant

The Board may utilize the services of a General Investment Consultant. The General Investment Consultant will be responsible for:

- Performing asset allocation studies and recommending asset allocation strategies to the Board at least annually

III. General Objectives

The general objectives define the goals to be achieved through the management of Fund assets.

A. General Objectives of Fund

- The primary objective of the fund is to generate a total return in excess of the assumed actuarial return as determined annually by the Board, which includes realized and unrealized gains, plus income, less expenses, with a prudent level of risk. Secondly, for Board information purposes, the total return for the overall Fund shall meet or exceed the Funds Policy Index (as described in Appendix II). Additionally, the Funds return shall also be compared with comparable funds as represented by the Consultant's relevant peer group universe, with the understanding that the Funds funded status and overall investment risk profile may differ from the average fund in that universe.
- Provide liquidity to meet all cash needs and serve as a buffer against higher than anticipated adverse claims. As such, the Fund will maintain a position in highly liquid market instruments.
- Provide diversification to avoid significant losses and preserve capital, while operating under the Prudent Investor Rule

IV. Asset Allocation Objectives and General Strategies

A. Objectives

The Fund has a long term investment horizon, and utilizes an asset allocation methodology which encompasses a strategic, long-run perspective on capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Plan's investment performance. Asset allocation modeling identifies asset classes the Plan will utilize, and the target percentage and appropriate ranges that each class will represent in the Total Fund.

B. General Strategies

Asset allocation provides diversification to the Plan's overall investment program and is to be managed over time to maximize return at a prudent level of risk. To accomplish this, the Plan considers the following:

1. Historical and expected long-term capital market risk and return behavior.
2. The correlation of returns among the relevant asset classes.
3. The perception of future economic conditions, including inflation and interest rate assumptions.
4. Projected net cash flows – i.e. contributions and premiums paid (cash inflows) compared to claim expenses, administrative expenses and other expenses (cash outflows).

5. The potential for significant periods of negative returns in many asset classes.

V. Investment Program Implementation

A. Manager and Advisor Policy

1. Manager Utilization

The SIC (or if appropriately determined, any external money managers) will have full discretionary investment authority over the assets it is responsible for managing, subject to the Joint Powers Agreement and guidelines and policies set for in this document. Each investment manager, including the SIC, will function under a formal contract which delineates responsibilities and appropriate performance expectations. All managers will be expected to acknowledge in writing that they are fiduciaries and as such, will be expected to know and comply with applicable manager specific portfolio guidelines. Portfolio performance will be evaluated relative to its adopted benchmark and peer group on a regular basis.

2. Manager Authority

The Fund's investment managers shall have discretion and authority to direct and manage the investment and reinvestment of assets, determine portfolio strategy, determine security selection and determine timing within their asset class. Investment managers shall have discretion to establish and execute transactions with established regional and national securities broker/dealers as needed. Investment managers are required to achieve best available prices and most favorable executions with respect to all portfolio transactions, as market conditions permit. It is each manager's responsibility to identify policies that may have an adverse impact on performance, and to initiate discussion with Staff toward possible improvement of said policies through Board action.

3. Securities Trading

The emphasis of security trading should be on the best execution basis, i.e., the highest proceeds to the Fund and the lowest cost, net of all transaction expenses. Placement of orders should be based on the financial viability of the brokerage firm and the assurance of a prompt and efficient execution. The SIC will notify the NMRHCA Executive Director in advance of SIC Board meeting(s) when the independent contractor presents the Execution Cost report. At least annually, the SIC will present to the Board an independent report related to the SIC's overall execution costs.

VI. Performance Measurement and Review

Special attention will be paid to risk-based performance measures.

1. The Plan's investment returns should meet or exceed the designated benchmark plus expenses over the long term (defined as rolling fifteen year horizons).

2. Individual manager portfolios shall be judged according to benchmarks which reflect the objectives and characteristics of their strategic role within the Plan.
3. The Board shall review the long-term investment performance of the Plan at least quarterly.

VII. Rebalancing

Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. The Board shall review the actual asset allocation quarterly and determine if any asset classes are out of range. The Board will direct staff to rebalance as necessary.

VIII. Review and Modification of Investment Plan

1. The Board shall review the Investment Policy and Joint Powers Agreement annually. Any modifications approved by the Board will be promptly communicated to the SIC and made available to the public.
2. The SIC will meet at least quarterly with the Board to review the Fund portfolio activity, investment performance, and economic market analysis in the context of this Investment Policy.
3. The SIC will provide monthly written reports on portfolio activity and investment performance and expenses. Additionally, any significant changes in investment strategy, decision-making process, or personnel will be communicated in writing to the Board immediately.
4. The Board intends to review quarterly the performance of the Fund and the SIC reporting relative to the objectives and guidelines described herein.

IX. Agreement

By signing this Statement of Investment Plan the Board indicates its agreement therewith.

Adopted

at Board of Directors meeting @ 7/9/10
By: A. Herb Santisteban, Chairman

State of New Mexico Retiree Health Care Authority Reserve Fund

Appendix I

Joint Powers Agreement

EXHIBIT B

SIC General Investment Policy

SIC GENERAL INVESTMENT POLICY**Introduction**

This policy statement outlines the investment policies for the Funds managed by the State Investment Council (SIC) and the State Investment Officer (SIO). The policies herein will include the structures, review procedures, and performance benchmarks for the total assets in each Fund, individual asset class portfolios, and both internal and external investment managers. All Council policies and guidelines will be maintained in the Policy Manual.

The SIC is a non-cabinet level agency reporting to the governor and charged with the responsibility of managing the Land Grant Permanent Fund (LGPF), the Severance Tax Permanent Fund (STPF), the Tobacco Settlement Permanent Fund (TSPF), the Water Trust Fund, and other long-term trust assets invested by the SIC for a number of state agency clients.

The LGPF and STPF operate under a formal spending policy, currently distributing 5.8% and 4.7%, respectively, of the average fund market values for the preceding five calendar years. The TSPF currently distributes 100% of the current year distributions. In fiscal year 2007, the distribution policy will revert back to FY03 policy, whereby, half of each year's tobacco settlement payments are distributed. The Water Trust Fund distributes \$4 million annually, until such time as 4.7% of the five year average market value exceeds \$4 million. At that time, the 4.7% distribution formula will be used. Operating expenses are approved by the legislature and paid out of the Funds. The SIC seeks to manage the Funds to insure that future generations receive the same benefits as current beneficiaries, while maximizing current distributions through time to provide current revenue sources to the state's General Fund.

Investment Objectives

The investment program shall be structured to preserve and enhance principal over the long term, while operating under the Prudent Investor Rule. Investments of the fund shall be diversified to minimize the risk of significant losses. Total return, which includes realized and unrealized gains, plus income, less expenses, is the primary goal of the Funds.

Asset Allocation (Market Rate Investments Only)

This section on asset allocation applies to the entire LGPF, the entire TSPF, and the Market Rate Investments in the STPF. The Differential Rate Programs (Economically Targeted Investments) in the Severance Tax Permanent Fund are treated separately in the statutes and require specific allocations and policies that consider the legislative intent for these Programs. SIC Guidelines, Policies and Goals for the Differential Rate Programs are contained in a separate document. The exceptions to the Asset Allocation tables below pertain to the Tobacco Settlement Permanent Fund and Water Trust Fund, where the corpus is currently so small that there are no Private Equity (PE) investments. The PE allocations will remain in the Core Bonds Fund until the corpus of the two funds become large enough to make PE investments economically viable.

Permitted Asset Classes**Traditional Assets**

US Large Cap Equity
 US Mid/Small Cap Equity
 US Fixed Income
 US High Yield Fixed Income
 International Equity
 Emerging Market Equity

Non-Traditional Assets

Private Equity
 Real Estate
 Hedge Funds

Target Asset Mix

Table 1
Strategic Asset Allocation
Land Grant Permanent Fund
 (Based on Fair Values)

<u>Asset Class</u>	<u>Target %</u>	<u>Range %</u>
Domestic Equities¹	51.0%	37.0% - 60.0%
US Large Cap Equities	41.0%	32.0% - 46.0%
US Mid/Small Cap Equities	10.0%	5.0% - 14.0%
Non-US Equities^{1,2}	10.0%	0.0% - 15.0%
Developed Market Securities	7.0%	0.0% - 10.0%
Emerging Market Securities	3.0%	0.0% - 6.0%
Domestic Fixed Income	15.0%	9.0% - 28.0%
US Core Bonds	10.0%	9.0% - 18.0%
US High Yield Bonds	0.0%	0.0% - 6.0%
Credit & Structured Finance	5.0%	0.0% - 10.0%
Real Estate	3.0%	0.0% - 6.0%
Hedge Funds	15.0%	5.0% - 20.0%
Private Equity		
-National Program	6.0%	3.0% - 9.0%
Cash	<u>0.0%</u>	0.0% - 10.0%
Total	100.0%	

¹ The sum of these asset classes may not exceed 65% of the fair value of each Fund.

² The sum of all international investments (stocks & bonds) may not exceed 15% of the fair value of each Fund

Table 2
Strategic Asset Allocation
Severance Tax Permanent Fund
 (Based on Fair Values)

<u>Asset Class</u>	<u>Target %</u>	<u>Range %</u>
Domestic Equities¹	48.0%	37.0% - 60.0%
US Large Cap Equities	39.0%	32.0% - 46.0%
US Mid/Small Cap Equities	9.0%	5.0% - 14.0%
Non-US Equities^{1,2}	10.0%	0.0% - 15.0%
Developed Market Securities	7.0%	0.0% - 10.0%
Emerging Market Securities	3.0%	0.0% - 6.0%
Domestic Fixed Income	12.0%	3.0% - 21.0%
US Core Bonds	6.0%	3.0% - 9.0%
US High Yield Bonds	0.0%	0.0% - 6.0%
Econ. Targeted Investments	1.0%	0.0% - 2.0%
Credit & Structured Finance	5.0%	0.0% - 10.0%
Real Estate	3.0%	0.0% - 6.0%
Hedge Funds	15.0%	5.0% - 20.0%
Private Equity		
-National Program	6.0%	3.0% - 9.0%
-Regional Program	6.0%	3.0% - 9.0%
Cash	0.0%	0.0% - 10.0%
Total	100.0%	

¹ The sum of these asset classes may not exceed 65% of the fair value of each Fund.

² The sum of all international investments (stocks & bonds) may not exceed 15% of the fair value of each Fund.

The asset allocation weightings will be reviewed at least annually by the SIC staff and the Investment Advisor, and approved by the Council. A new asset allocation study will be completed at least every two years.

Implementation

The SIC recognizes that special expertise is required to properly invest portions of the assets described above. In highly efficient asset classes, lower cost and passive strategies may offer lower overall costs. Where appropriate, the SIC will manage these assets internally, as long as the same level of care, prudence and oversight is maintained that an outside professional investment advisor would normally provide.

Active/Passive Mix

SIC shall make use of passive strategies where passive management, after all fees and expenses, can effectively compete with actively managed portfolios in terms of returns and risk (variability of returns). The SIC staff will advise the Council on the appropriate passive allocation.

Style Allocation

The SIC will seek to maintain a neutral bias with respect to Style Allocation (growth versus value) in its developed markets equity investments. The SIC recognizes that over the long run, returns from growth and value investing tend to approximate each other; over shorter periods, however, differences in returns can be significant. The SIO, as part of the normal rebalancing responsibilities, shall use appropriate judgment and care when rebalancing style-based portfolios.

Strategic Asset Class Rebalancing

In addition to the Asset Class Weights shown above, each investment portfolio will have its separate benchmark and target weight. Market price changes will eventually move asset classes and managers away from their target weights. This process will require rebalancing the portfolios periodically to stay reasonably close to the approved targets. Because rebalancing incurs transactions costs and may be expensive, the goal is to rebalance only when necessary. Guidelines for rebalancing are as follows:

- **Rebalancing Required by State Statutes:**
 - Domestic equities plus Non-US equities, measured at their fair values, shall not be greater than 65% of the total LGPF, STPF, or TSPF measured separately;
 - Non-US investments, measured at their fair values, shall not be greater than 15% of the total LGPF, STPF, or TSPF measured separately;
 - Whenever either Fund closely approaches the policy fair value limitations listed above, that Fund will be rebalanced back towards the target weights. The rebalanced weights will allow for a margin of safety under the statutory limitations.
- **The Rebalancing Process:**
 - The staff will employ the normal cash flows into and out of the various portfolios (increased or decreased allocations, monthly distributions to the beneficiaries, etc.) to assist in the rebalancing effort.
 - The Advisor will report quarterly on the asset class allocation of the Funds. The SIO will review the actual allocation at least quarterly to determine if the asset allocation is consistent with the ranges established above. The SIO will direct staff and investment managers to transfer funds to rebalance the asset allocation as necessary, with subsequent Council notification. The SIO will consider market conditions and transaction costs, as well as any other relevant factors when rebalancing. The Advisor will report on the effect of rebalancing activities.

Total Fund Performance Benchmark

The total Fund investment portfolios will be benchmarked against a custom index made up of the following indices. The custom index was established using the target percentages in Table 1 above:

Asset Class	Custom Index	
	Weight	Benchmark
Domestic Equities (Large Cap)	42%	S&P 500 Index
Domestic Equities (Small/Mid Cap)	11%	S&P 400 Index
International Equities (Developed Markets)	7%	FTSE Index
International Equities (Emerging Markets)	3%	MSCI Emerging Markets Free Index
Real Estate	3%	NCREIF Index
Private Equity	6%	Actual Portfolio Weighting and Performance*
Hedge Funds	10%	90-Day T-Bill +200 basis points
Domestic Fixed Income (Investment Grade)	15%	Lehman Aggregate Index
Domestic Fixed Income (High Yield)	3%	Merrill Lynch BB/B Constrained Index
Cash	0%	90-Day T-Bill

* The Private Equity portfolio in the LGPF is a very immature portfolio, and the portfolio in the STPF is a bar-belled portfolio with a small mature component and a much larger immature component. In both cases, there are currently no appropriate indexes to use for comparison. The Private Equity portfolios will be monitored and an available index will be selected when a valid comparison can be made.

General Operating Guidelines

The Council staff will observe the following general operating guidelines:

- The Investment Office staff shall follow the Prudent Investor Rule as defined in the New Mexico Statutes in conducting all investment-related activities;
- Performance for the portfolios will be calculated monthly and quarterly by the SIC's primary consultant. The consultant will present the returns to the Council compared with the respective benchmarks. Additionally, the consultant will report on the asset weightings relative to the long-term targets along with any other pertinent analytical data that will inform the Council on the condition of the investment portfolios. Performance will also be calculated for each external money manager;
- External managers may be used at the discretion of the Council;

- As provided by law, the State Investment Officer may invest other state agency or local government funds pursuant to a Joint Powers Agreement in any type of investment permitted for the LGPF under the same standard of care applicable to investments of the LGPF. It shall be the responsibility of the client agencies to establish asset allocations and direct the movement of all funds;
- The staff is authorized to instruct external managers to direct a portion of their brokerage costs to commission re-capture managers provided that in doing so, we will obtain the best execution of our brokerage orders. Best execution means seeking to achieve the most favorable price and execution available, having in mind the Funds' best interest, and considering all factors.
- The staff is authorized to engage in securities lending in accordance securities lending policies and procedures which are contained in a subsequent section of this Policy Manual; and
- Proxies shall be voted in the best economic interests of the SIC. Proxy voting policies and procedures are contained in a subsequent section of this Policy Manual.

Domestic Equity Program

The Domestic Equity Program will be managed relative to the Russell 3000 Index, which is a broad index representing most of the U.S. equity market. The Domestic Equity Program will have two components: large capitalization portfolios and mid/small capitalization portfolios.

- **Large Capitalization Portfolios**

The large capitalization portfolios will comprise approximately 80% of the Domestic Equity Program. There will be two internally managed portfolios: an S&P 500 Index portfolio and an actively managed portfolio. The benchmark for both large capitalization portfolios will be the S&P 500 Index.

- **Large Cap Active Portfolio**

The Large Cap Active Portfolio will be managed internally using fundamental research techniques. In addition, external managers will be retained to manage a portion of the assets.

The internally managed portfolio will seek to exceed the performance of the S&P 500 Index by emphasizing stock selection and economic sector overweights/underweights. Both internal and external managers have the discretion to invest in mid/small cap equities for a portion of their portfolios. Nevertheless, the majority of assets in these portfolios will typically be invested in large cap equities. The following guidelines will apply:

- The universe of eligible stocks includes stocks listed and actively traded in the US;
- International stocks which derive a significant portion of revenues or profits from US markets and are listed and actively traded in the U.S. are eligible investments;

- Portfolio managers may also participate in the initial public offering (IPO) of spin-offs from equities held in the Domestic Large Cap Active portfolio. This includes tracking stocks related to a business unit, as well as those distributed as separate companies. Any shares received in this manner will be sold at the portfolio managers' discretion, or at the time that it becomes clear that the stock will not be actively traded in the US.
- Portfolio managers will not invest more than 6% of their portfolio's assets at market in any one stock.

The external managers will be selected in accordance with the SIC's procurement policy and procedures. The number and types of managers will be recommended by the SIC staff. The managers will adhere to the broad guidelines set forth in this document and any specific policies developed for the managers.

S&P 500 Index Portfolio

The S&P 500 Index portfolio will be managed using risk models and optimization software. It will be benchmarked against the S&P 500 Index, and is expected to achieve annualized returns within 25 basis points of the return of the S&P 500 Index.

Mid/Small Capitalization Program

The Mid/Small Cap Portfolio will consist of two components: an internally managed index and an externally managed active component.

S&P 400 Index Portfolio

The S&P 400 Index portfolio will be managed using risk models and optimization software. It will be benchmarked against the S&P 400 Index, and is expected to achieve annualized returns within 25 basis points of the return of the S&P 400 Index.

Mid/Small Active Portfolios

External managers will be retained to manage the Domestic Equity Program's assets in mid/small capitalization stock portfolios. The managers will be selected in accordance with the State of New Mexico's procurement procedures. The number and types of managers will be recommended by the SIC staff and the Investment Advisor. The managers will be selected to achieve a neutral balance between growth and value styles. The managers will adhere to the broad guidelines set forth in this document and any specific policies developed for the managers. The benchmark for the aggregate mid/small capitalization portfolios will be the S&P 400 Index.

Domestic Fixed-Income Program

The Domestic Fixed-Income Program will have two components: an investment-grade portfolio (the Core Bonds Fund) and a high-yield portfolio (the High-Yield Bond Fund).

- **The Core Bonds Fund**

The Core Bonds Fund will be managed internally. The Core Bonds Fund will seek to exceed the performance of the Lehman Brothers Aggregate Index through active management. Economic, market and credit research will be used in structuring the sector weightings. Bond exchanges (swaps) may be used to implement strategy changes or take advantage of market discrepancies. Authorized investment types are all bonds, notes, debentures, instruments, conditional sales agreements, securities or other evidences of indebtedness of any corporation, partnership or trust. This includes, but is not limited to: government, corporate, asset-backed, mortgage-backed, collateralized debt obligations, and collateralized loan obligation securities. All securities must be denominated in US dollars and rated investment grade at the time of purchase by one or more national rating agencies. Such ratings may apply to the return of principal only. Securities that fall below investment grade after purchase may be held at the discretion of the staff.

- **High-Yield Bond Fund**

External managers will be retained to manage the High-Yield Bond Fund. The High-Yield Fund will seek to exceed the performance of the Merrill Lynch BB/B constrained Index through active management. The number and types of managers will be determined by the SIC staff. From time to time, the High-Yield managers may be called upon to advise the SIC staff on conditions in the non-investment grade debt markets and upon the disposition of defaulted securities held by the SIC in the Core Bonds Fund. Authorized investment types are all bonds, notes, debentures, instruments, conditional sales agreements, securities or other evidences of indebtedness of any corporation, partnership or trust. This includes, but is not limited to, government, corporate, asset backed, mortgage backed, securitized bank loans, collateralized debt obligations, collateralized loan obligation securities. All securities must be denominated in US dollars and rated at least CCC- or equivalent by at the time of purchase by one or more of the national rating agencies.

- **Credit and Structured Finance Fund**

The Credit and Structured Finance Fund will invest in various classes of securities of credit, structured finance, including but not limited to, collateralized debt obligations, collateralized loan obligations, credit opportunity funds, leveraged loan portfolios and other structured finance instruments. Eligible investments will include both rated and non-rated securities. Rated securities will include those rated investment grade and those rated below investment grade. One or more external managers may be retained to manage all or a portion of the Fund. Appropriate investment vehicles will include partnership interests, separate accounts and pooled vehicles. Pooled vehicles may be structured as publicly traded securities or private placements.

Non-U.S. Equity Program

External managers will be retained to manage the Non-U.S. Equity Program's assets. The number and types of managers will be recommended by the SIC staff. The SIC will employ both developed markets (7% of the total portfolio) and emerging markets managers (3% of the total portfolio). For the developed markets, managers will be selected to achieve an overall balance in investment style. The Council will approve the number and types of managers, and all individual managers recommended by the staff.

The Non-U.S. equity managers will adhere to the broad guidelines set forth in this document and any specific policies developed for the managers

Private Equity/Alternative Investments Program

The Private Equity (PE) Market Value Portfolios will have a maximum investment of 6% of the fair value of the LGPF and STPF. The New Mexico Private Equity Portfolio (a Differential Rate program) is also authorized to invest up to 6% of the fair value of the STPF. One or more advisors will be used in the management of the Portfolio. Specific policies and procedures for selecting individual PE fund investments are contained in Section 8 in this Policy Manual.

Derivatives

The State Investment Council seeks to protect the market value of the funds from losses attributable to declines in the market. The State Investment Office intends to use derivatives to improve long-term performance through protection of principal during market declines. Derivates provide means to improve investment risk/return in declining market environments. Derivatives may be managed internally or by one or more external managers retained by the State Investment Officer.

- **Derivative Applications**

The State Investment Officer, on behalf of all assets under management, may buy, sell, exchange, convert or otherwise trade in exchanged traded index option contracts, over-the-counter options, domestic equity index futures, international equity index futures, international fixed income futures, commodity futures and domestic fixed income futures in order to protect the market value of designated security holdings or to: increase returns through cash securitization and synthetic rebalancing; improve tracking relative to target allocations through maintaining positions during transitions/reallocations and synthetic rebalancing; and improve portfolio efficiency/flexibility through tactical moves in market exposures. The positions will remain in place over a period consistent with detailed guidelines or until it is determined that an option/futures hedge/overlay is no longer needed. Derivatives shall only be utilized to reduce the risk of adverse price movements in a particular asset class or group of assets. Derivatives shall not be used to speculate.

Authorized Investments

The eligible investments by the State Investment Council and the State Investment Officer are as follows:

Cash Investment Guidelines

Cash positions will be kept to the minimum necessary for liquidity, distributions and ongoing investment activities. The following guidelines apply:

Eligible securities include:

- Repos secured by U. S. obligations or other securities backed by the U.S., A1 or P1 commercial paper, corporate obligations rated AA or better and maturing in five years or less, or asset-backed securities rated AAA. All repo collateral must have a market value of at least 102% of the market value of the contract;
- Commercial paper issued by corporations organized and operating within the U.S. and rated "prime" quality by a national rating service;
- Prime bankers' acceptances issued by money center banks;
- Funding agreements rated at least AA by a nationally recognized rating agency. As used in this paragraph, "funding agreement" means a floating or variable rate insurance company contract that is a general obligation of an insurance company organized and operating within the United States and that is senior to all other debt issued by the company; and
- Time deposits, with banks incorporated in the United States or time deposits that are fully guaranteed by banks incorporated in the United States.
- Staff will focus on quality when investing cash positions. Cash equivalents is an asset class that should emphasize minimal risk;
- Stripped securities, or other securities that have abnormally low initial coupons, balloon payments, or other characteristics that make them difficult to price are not acceptable as collateral for Repos; and
- Whenever available, short-term investments will be executed on a competitive basis to obtain the best possible pricing and execution.

Equity Investment Guidelines

The internally managed equity portfolios will be managed to maximize total returns within the asset allocations and risk parameters established by the Council, and under the following guidelines:

- Eligible securities include common stock, preferred stock, and convertible issues of

any corporation and securities listed on one or more national stock exchanges or included in a nationally recognized list of stocks;

- Eligible securities include stocks or shares of a diversified investment company registered under the Federal Investment Company Act of 1940, as amended or collective trust funds of banks or trust companies that invest primarily in equity securities eligible for the SIC;
- No more than 65% of the fair value of the LGPF, STPF and TSPF may be invested in stocks at any given time; and
- No more than 5% of the stock of any corporation may be purchased.

Fixed Income Investment Guidelines

The internally managed fixed income portfolios will be managed to maximize total returns within the asset allocations and risk parameters established by the Council, and under the following guidelines:

- Preservation of capital in the Core Bonds Fund will be emphasized through the maintenance of well-diversified portfolios of fixed income investments with investment grade quality. Securities that fall below investment grade after purchase may be held at the discretion of the staff;
- Eligible securities are all bonds, notes, debentures, instruments, conditional sales agreements, securities or other evidences of indebtedness of any corporation, partnership or trust. This includes, but is not limited to government, corporate, asset backed, mortgage backed, collateralized debt obligations, collateralized loan obligations, credit opportunity funds, leveraged loan portfolios and other structured finance instruments. All securities must be denominated in US dollars and rated investment grade at the time of purchase by one or more national rating agencies to be eligible for purchase by the Core Bonds Fund. Such ratings may apply to the return of principal only. When practical, fixed income trades will be done on a competitive basis to obtain the best possible pricing and execution.
- Eligible securities for the externally managed High-Yield Bond Fund include the types listed above, but the rating requirements are CCC- or equivalent at the time of purchase.

International Investment Guidelines

The international portfolios will be managed to maximize total returns within the asset allocations and risk parameters established by the Council, and under the following guidelines:

General

No more than 10% of the fair value of the portfolio may be invested in international securities (including both stocks and bonds) at any given time.

Equity

- International equity may be purchased as ADRs or GDRs, as ordinary shares, or as shares in an international equity fund;
- The number of stocks in the portfolios may vary from time to time, but in no event will a single stock represent more than 5% of the portfolios' total current market value unless the stock is in an indexed portfolio; and
- Investments in international securities may be hedged against foreign currency risk using forward currency contracts if approved by the State Investment Officer.

Fixed Income

- International investments may be made directly in Sovereign and Yankee bonds that have an investment grade rating from a national rating service at the time of purchase; and
- International investments may also be made as shares in an international fixed income fund.

Derivatives Investment Guidelines

If utilized, derivatives will be managed to protect market value and to maximize total returns under the following guidelines:

- Eligible applications include, but are not limited to, the purchase, sale, exchange, conversion or other trade of exchanged traded index option contracts, over-the-counter options, domestic equity index futures, international equity index futures, international fixed income futures, commodity futures, domestic fixed income futures and swaps.
- The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivatives application.
- In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk. If utilized, the counterparty must be of an investment grade credit and the agreement must be marked to market no less frequently than monthly.

Guidelines for External Managers

The Council staff will observe the following general operating guidelines:

- External money management firms may be retained to manage portfolio assets. The firms will be selected to fill specific roles for the Funds. Unless hired for a passive mandate, superior risk-adjusted performance is expected from the managers versus assigned benchmarks and relevant peer group comparisons.
- The process outlined in the SIC Procurement Policy will be used for selection of external managers. Staff will be responsible for conducting the searches and announcing results to the Council. Staff will notify the Council prior to commencing a search. For each manager search, the Council may appoint up to three Council members to monitor the selection process if desired. In addition to direct investment

in individual securities, eligible investments include commingled trusts, mutual funds, and other pooled asset portfolios provided they conform to state statutes. All purchases and sales of securities will be focused on the combination of best price and execution.

- Individual managers will be provided with written individual investment guidelines providing additional detail, clarification of permissible securities and investment strategies, and performance evaluation criteria.

Investment Manager Monitoring

The SIC's portfolios shall be measured over various and appropriate time periods. A minimum time horizon of three to five years shall be used in measuring the long-term success of the Fund. Longer periods will be used as available.

Shorter time periods shall be evaluated as appropriate and necessary. The SIC shall make every effort to look at all factors influencing manager performance, and attempt to discern market cyclicalities from manager over/underperformance.

On a timely basis and at least quarterly, the Council will review actual investment results achieved by each manager (with a perspective toward a three to five-year time horizon or a peak-to-peak or trough-to-trough market cycle) to determine whether the investment managers performed satisfactorily when compared with the established objectives and in relation to other similarly managed funds.

The Council will re-evaluate, from time to time, its progress in achieving the total fund, equity, fixed income, and international equity segment objectives previously outlined.

The periodic re-evaluation will also involve an assessment of the continued appropriateness of: (1) the manager structure; (2) the allocation of assets among the managers; and (3) the investment objectives for the SIC's assets.

The SIO and Council will utilize the General Investment Consultant to assist in the ongoing evaluation process. The Consultant is expected to be familiar with the investment practices of similar retirement and endowment plans and will be responsible for suggesting appropriate changes in the SIC's overall investment program over time.

Differential Rate Investment Guidelines, Policies and Goals

The Differential Rate Programs in the Severance Tax Permanent Fund have two objectives in the statutes: first, to obtain a risk-adjusted rate of return under the Prudent Investor Rule, and second, to enhance the economy of New Mexico. To achieve these two objectives, the following specific goals will apply to the differential rate (DR) portfolio. The staff will ensure that:

- credit quality is maintained and risk is minimized;
- market-based yields that are proportional to the assumed risks are obtained;
- each investment will stimulate the economy of New Mexico on a continuing basis;
- each investment will expand business activity in the state; and
- each investment will promote the creation and preservation of jobs.



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PRIVATE INVESTMENT POOL POLICY

Introduction

The primary function of the New Mexico State Investment Council (the "**SIC**") is to manage and invest four permanent funds for the State of New Mexico. The SIC invests these funds in diversified assets in compliance with the Uniform Prudent Investor Act. For accounting purposes, the assets are grouped into investment pools ("**Investment Pools**") organized by asset type.

As a secondary function, the SIC is authorized, pursuant to § 6-8-7.I, NMSA, to provide limited investment management services to New Mexico governmental client agencies ("**Client Agencies**") which have funds available for long term investment. These services do not include investment advice. The SIC memorializes this secondary function in joint powers agreements ("**JPA**s") with Client Agencies. The Client Agencies have historically invested in public-market Investment Pools (collectively, "**Client Pools**"). The Client Pools are diversified collections of publicly traded stocks or bonds.

Pursuant to this Private Investment Pool Policy, the SIC will make certain alternative Investment Pools (collectively, "**Private Pools**") available for qualified Client Agencies. As explained below, the risk profile and liquidity of the Private Pools are significantly different from the Client Pools currently available to the Client Agencies. Accordingly, only Client Agencies with investment assets in excess of \$10 million may participate in the Private Pools.

Prior to investing in the Private Pools the Client Agencies will be required to execute this Private Investment Pool Policy — in full and without amendment or modification — as confirmation and acknowledgment that each Client Agency fully accepts and understands the extensive and material risks involved, including limited liquidity, with the Private Pools. As part of signing this policy, qualifying Client Agencies will be required to certify that both their respective board(s) of directors and separate fiduciary financial advisors: (i) have made an independent analysis of the Private Pool investments and, in so doing, (ii) fully understand this policy as well as the investment risks related to the Private Pools, and (iii) are not relying in any manner on the SIC or its members, employees, managers, consultants, or agents.

In addition, by signing the policy, Client Agencies further confirm, acknowledge and warrant that: (a) the SIC is in no way responsible for Client Agency investment policies, allocation instructions,

funding levels, benefits, rates or equivalent; (b) the SIC does not guarantee investment returns, and the Client Agencies shall share proportionally in all gains or losses incurred by the Private Pools; and (c) Client Agency funds are neither insured deposits nor short-term investments.

Upon execution of this policy by a Client Agency, to the extent this policy conflicts with a Client Agency's JPA, or particular terms thereof, this policy shall control.

The Private Pools

The SIC makes investments in a wide variety of funds that are not publicly traded, highly illiquid, and have high minimum investment limits. Due to the restrictions on such investments it may be impractical for a Client Agency to invest in private investment funds directly. In order to make the performance of some private investments available to the Client Agencies, the SIC has decided to allow qualified Client Agencies to participate in the following four Private Pools:

- i. **The National Private Equity Pool** contains private equity funds diversified across several sectors of private equity. The objective of the pool is to provide a higher rate of return than the Venture Economics All Private Equity Index. The role of the pool in the SIC portfolio is to provide growth of capital. A copy of the investment policy applicable to this pool, and the investment policies applicable to other Private Pools, are available online at <http://www.sic.state.nm.us> or from SIC directly. As these investment policies may change from time to time, a Client Agency should review these policies before investing, and routinely thereafter, as part of its own risk analysis.
- ii. **The Real Estate Pool** contains primarily open- and closed-end real estate funds. The objective of the pool is to match the rate of return on the NCREIF-ODCE index, plus a small premium from active management. The role of the pool in the SIC portfolios is to provide modest growth of capital, income generation, and to diversify the investment risk of the equity pools.
- iii. **The Credit and Structured Pool** invests in various classes of fixed income securities oriented toward credit. The role of this pool is to provide growth of capital and income generation. Investments may include collateralized debt obligations, collateralized loan obligations, credit opportunity funds, leveraged loan portfolios and other complex/synthetic structured finance instruments. Eligible investments may include both rated and non-rated securities. Rated securities may include those rated below investment grade.
- iv. **The Real Return Pool** is currently managed via a fund-of-funds, hedge structure. The objective of the pool is to provide a rate of return similar to a custom index consisting of 35% Bloomberg US Treasury: US TIPS Index, 25% Bloomberg Commodity Index (TR),

20% NCREIF Timberland Index, and 20% CPI+3%. The role of the pool's asset mix is to maintain a consistent real rate of return while protecting against inflation.

By executing this policy, Client Agencies confirm, acknowledge and warrant that they have fully researched the Private Pools, including the underlying documentation/policies, and accept the Private Pool asset allocations, restrictions, conditions, embedded fee structures, valuations, and risks.

Liquidity Restrictions

The Private Pools have significant liquidity restrictions. Unlike the Client Pools, each of the Private Pools has its own administrative, accounting, cash-flow, and exit logistics that prevent Client Agencies from redeeming investments for up to two years. Each of the Private Investment Pools includes a "Lockup Period," "Notice Period," and "Liquidity Window."

- i. Lockup Period: The Lockup Period is an initial period of time during which funds may not be redeemed, in part to prevent market manipulation. The period commences upon initial investment. For each subsequent investment, the Lockup Period will begin again, but only as to the value of the new investment(s).
 - ii. Notice Period. The Notice Period is the period of time that the SIC has to deliver the cash after the Client Agency provides the SIC with notice of request for redemption.
 - iii. Liquidity Window. The Liquidity Window describes the time during which the Client Agency can make a redemption request.
- A. National Private Equity Pool

Investments in the National Private Equity Pool will be subject to a twenty-four (24) month Lockup Period and a nine (9) month Notice Period. Further, the National Private Equity Pool will have a semi-annual Liquidity Window, meaning that the Client Agency may request redemption only twice in a calendar year, and no less than three months apart.
 - B. Real Estate Pool

Investments in the Real Estate Pool will be subject to an eighteen (18) month Lockup Period and a six (6) month Notice Period. Further, the Real Estate Pool will have a similar semi-annual Liquidity Window, with only two requested redemptions permitted annually, no less than three months apart.
 - C. Credit and Structured Pool

Investments in the Credit and Structured Pool will be subject to a twelve (12) month Lockup Period and a three (3) month Notice Period. Further, the Credit and Structured Pool will have a quarterly Liquidity Window, meaning that the Client Agency may request redemption only four times a year, no less than one month apart.

D. Real Return Pool

Investments in the Real Return Pool will be subject to a eighteen (18) month Lockup Period and a six (6) month Notice Period. Further, the Real Return Pool will have a similar quarterly Liquidity Window, (*i.e.*, redemptions may be requested not more than four times a year, no less than one month apart).

At its sole and non-appealable discretion, the SIC may increase or decrease the Lockup Period, Notice Period or Liquidity Window for any or all of the Private Pools. Changes in the Lockup Period will apply to new investments made after the affected Client Agency is notified of the change. Changes in the Notice Period or the Liquidity Window will become effective as soon as the affected Client Agency is notified of the change.

Participation in Private Pools subject to SIC Discretion and Conditions

A. Private Pool Participation May Be Discontinued at Any Time

At its sole discretion, the SIC may discontinue the availability of any or all of the Private Pools at any time for any reason. Further, at its sole discretion, the SIC may terminate the participation of any Client Agency in any or all of the Private Pools at any time for any reason. In the event that the SIC discontinues or terminates participation in a Private Investment Pool, the SIC will transfer to all affected Client Agencies the value of their respective pool shares within the applicable Notice Period.

B. Client Agency Board Resolution

The SIC will not permit any Client Agency to invest in the Private Pools unless the Client Agency has sought and obtained approval from any board overseeing the Client Agency or its investments. Further, by signing this policy qualifying Client Agencies hereby certify that both their respective board(s) of directors and separate fiduciary financial advisors: (i) have made an independent analysis of the Private Pool investments and, in so doing, (ii) have fully considered this policy as well as the investment risks related to the Private Pools, and (iii) are not relying in any manner on the SIC or the SIC's members, employees, managers, consultants, or agents.

C. Client Agencies Must Meet Minimum Asset Threshold to Participate in Private Pools

To qualify for investing in the Private Pools, a Client Agency must initially have a minimum of \$10 million invested with the SIC pursuant to an applicable JPA.

D. Client Agencies May be Required to Enter a New JPA

Prior to participating in any of the Private Pools a Client Agency may be required by the SIC to enter a new JPA conforming to terms now required by the SIC. In any event, as to the Private Pools, the liquidity restrictions described above supersede the redemption procedures described in any JPA.

The SIC is Not a Financial Advisor for any Client Agency

The SIC has not and will not provide any Client Agency with advice as to whether any of the Private Pools or Client Pools are a proper, appropriate or recommended investment for the Client Agency. The SIC is not responsible for drafting or otherwise creating the Client Agency's investment policy nor for the Client's Agency's decision to invest in the Private Pools or Client Pools.

The SIC does not guarantee investment returns. A Client Agency shall share proportionally in any gains or losses incurred by the Private Pools. A Client Agency's funds invested in the Private Pools are not insured deposits and may lose value.

A Client Agency must consult with an independent fiduciary or a third party financial advisor/consultant prior to investing in the Private Pools. This independent advisor should provide fiduciary advice as to the propriety of the Client Agency investing any funds in the Private Pools.

Further, the SIC is not a financial advisor to any Client Agency with respect to any decision to participate in the Private Pools or Client Pools.

Risks Associated with the Private Pools

In considering whether to invest in the Private Pools, Client Agencies must consider and acknowledge the special risks and attributes of the Private Pools. These material risks and attributes include, but are not limited to, the following:

A. Risk of Limited Liquidity

The Client Agency must acknowledge that its access to funds invested in the Private Pools will be limited as described in the Liquidity Restrictions section above. In deciding to invest funds in the Private Pools, the Client Agency must consider the impact that this limited access to funds will have on the programs, objectives, funding and/or liabilities of the Client Agency.

B. Risk of Loss of Value

The Client Agency must acknowledge that its funds invested in the Private Pools (or Client Pools) may decrease substantially in value. In deciding to invest funds in the Private Pools, the Client Agency must consider the

impact that a substantial loss in value might have on the programs, objectives, funding and/or liabilities of the Client Agency.

C. Risk of Non-Market Valuations

By investing in the Private Pools, the Client Agency is presumed to understand how valuations of the Private Pools are done. Any questions the Client Agency has about valuation methods applicable to the Private Pools must be raised prior to investment. The Client Agency must accept as final the valuations of the Private Pools used by the SIC, which may be dependent upon third-parties.

Among other things, the Client Agency must acknowledge that the valuations of the Private Pools will be based in part upon underlying assets for which there is no public market and no readily obtainable market price. In these cases the valuation of particular assets will be determined by the reasonable estimate of the outside managers responsible for those assets. In making these valuations, managers may operate under a potential conflict of interest because management compensation may be based upon the valuations. This means that at both the time of the Client Agency's original investment and at ultimate redemption the value of the Private Pools will be based upon estimated values provided by outside managers that may be acting under a potential conflict of interest. Nonetheless, by choosing to invest in the Private Pools, the Client Agency must accept these estimates as final in determining the value of any investment in the Private Pools.

D. The Risk of Limited Diversification within Private Pools

The Client Agency must acknowledge that the Private Pools are based upon the SIC's investment in a limited number of funds and managers. As a result, the aggregate return in the Private Pools may be substantially and adversely affected by the unfavorable performance of any single fund or manager. In deciding to invest funds in the Private Pools (or Client Pools), the Client Agency must consider the impact that limited diversification may have on the investment performance of the pools.

E. Additional Risk Factors Associated with Limited Partnerships

The SIC's investments underlying the Private Pools are generally made through funds organized as limited partnerships. The SIC does not make investment decisions for the funds in which it is a limited partner. Rather, the SIC must entrust all aspects of management and investment decision making to the general partner or fund manager. The discretion provided to the fund manager together with the structure of the limited partnerships creates certain risks factors. Further, the nature of the investments within the funds carry their own risk factors. A Client Agency investing in the Private Pools must acknowledge that the Private Pools are based upon funds and managed assets that have a multitude of risks. These risks include, but are not limited to, the following:

- i. **Risk of Extended Commitment:** Depending on the fund, the SIC may be required to commit capital to a particular fund for approximately ten (10) to fifteen (15) years. SIC may be legally obligated to contribute additional capital during the term of a limited partnership regardless of whether the SIC continues to believe that further investment remains beneficial. Further, for a variety of reasons, the sale of a limited partnership interest is generally impractical. Accordingly, once the SIC commits to a particular fund it may not be able to liquidate its investment for ten years or more.
- ii. **Risk of Limited Government Regulation:** The funds which constitute the Private Pools are sometimes established so that they do not need to register as an investment company under the Investment Company Act of 1940, and accordingly, limited partners like the SIC are not entitled to protections under that act. Further, the investment interests in the funds are generally not registered securities under the Securities Act of 1933, the Securities Act of 1934, or any state securities laws. Accordingly investors are not entitled to the financial disclosures and periodic reporting provided for under those laws.
- iii. **Risk of Conflicts of Interest:** In entering into limited partnership agreements, the SIC will generally be required to waive certain conflicts of interest that may arise with the general partner or fund managers. Among the conflicts that may be waived are: (1) conflicts with the general partner where fee structure may create an incentive for the general partner to seek out more speculative investments than would otherwise be chosen; (2) conflicts where a particular transaction is structured in such a way as to create tax advantages for some but not all limited partners; and (3) conflicts arising from fees received from underlying transactions that are credited to the general partner but not the partnership as a whole. By investing in the Private Pools, a Client Agency acknowledges and waives all such conflicts.
- iv. **Risk of Lack of Operating History:** Generally, the SIC commits to funds before the funds have commenced operations, and hence the SIC does not have current fund operating history upon which to base an evaluation. Rather, in evaluating funds the SIC must generally rely upon the performance of prior funds operated by the same or similar management team, and this data, as with all performance data, cannot provide assurance of future results.
- v. **Risk of Unspecified Investments:** At the time that the SIC makes a commitment to a fund the fund may not have identified the assets

which will be purchased with the SIC's funds. The SIC is dependent upon a fund's ability to find and acquire appropriate investments.

- vi. **Risk of Non-U.S. Investments:** Many of the funds composing the Private Pools invest in assets located outside the United States. This creates a number of additional risks, including but not limited to those risks associated with the following: (1) currency exchange matters; (2) differences in non-U.S. securities markets in terms of volatility, liquidity, and governmental oversight; (3) absence of uniform accounting standards and disclosure requirements; (4) risks of political, economic, and social instability; and (5) the possibility of confiscatory taxation.
- vii. **Risk of Leverage:** The funds that comprise the Private Pools may use leverage to purchase assets. Use of leverage may increase the return rate of capital but it also subjects funds to risk of greater loss, and increases exposure to adverse economic factors such as rising interest rates.
- viii. **Risks of Investments Longer than Term:** Many of the funds in the Private Pools are required by partnership agreements to liquidate all assets after a fixed number of years. Due to this somewhat artificial time constraint, the funds may be forced to dispose of assets at a disadvantageous time.
- ix. **Risk of Investment in Less Established Companies:** The funds composing the Private Pool frequently invest in less established companies or companies in the early stages of development. Investing in such companies involves greater risk than investing in more mature companies.
- x. **Risk of Investment in Restructuring:** The funds composing the Private Pool may invest in companies that are experiencing severe financial difficulties which may never be overcome.
- xi. **Risk of Indemnification:** As part of the partnership agreements limited partners generally agree to indemnify fund managers for a variety of expenses, including any litigation expenses associated with operating the fund. For any particular fund such litigation expenses may be extensive.
- xii. **Risk of Dilution by Subsequent Closings:** Depending on the structure of the fund, other limited partners may be allowed to invest in the fund after the fund has acquired assets and be given a proportionate share of such assets. Given that the value of the underlying assets may be uncertain, there can be no certainty that

the payment of subsequent limited partners will represent a fair payment for the interest acquired.

- xiii. Risk of Limited Diversification within Each Fund: Many of the funds that make up the Private Pools make a limited number of investments. Accordingly, for any particular fund, the aggregate return may be substantially adversely affected by the unfavorable performance of even a single investment.
- xiv. Risk of Highly Competitive Market for Alternative Asset Investment Opportunities: Over the past several years, an ever-increasing number of funds have been created targeting alternative asset investment opportunities resulting in an unprecedented amount of capital being available for the types of investments made in the Private Pools. This available capital creates an intense competition for appropriate investment opportunities. Accordingly, the funds in which the SIC is invested may not be able to find appropriate opportunities or may be compelled to accept terms that are not as favorable as anticipated when setting up and operating the funds.
- xv. Risk of Nondisclosure Due to Government Disclosure Requirements: If the general partner of a fund determines that disclosure of certain information to the SIC might result in that information becoming subject to a public records request, which may adversely affect the fund's performance, the general partner may choose not to disclose such information to the SIC. As a result, the SIC may not receive all the information about a particular fund that is released to other limited partners of the fund.
- xvi. Risk of Dependence upon Key Individuals: Generally, the success of any particular fund is dependent upon the business acumen of a limited group of key personnel working for the general partner. The loss of services of any key personnel could adversely affect the fund, and may result in dissolution of such fund.

* * * * *

By signing below, the undersigned on behalf of [Client Agency], acknowledges, confirms and agrees to the terms and risks of investment in the Private Pools in full, as described in each page of the Private Pool Investment Policy above.

Client Agency

By: _____
[Name]

Date: _____

[Title]

Per Client Agency Board resolution dated _____

NEW MEXICO STATE INVESTMENT COUNCIL



INVESTMENT POLICY STATEMENT

Approved: September 24, 2024

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I. Mission Statement

The purpose of the state investment program is to manage the state's permanent funds for the citizens of New Mexico in order to maximize distributions to the state's operating budget while preserving the real value of the funds for the future generation of New Mexicans.

II. Investment Authority

The NMSIC is a non-cabinet level agency charged with managing New Mexico's Permanent Endowment Trust Funds ("Funds"). The New Mexico State Investment Council ("NMSIC") was established by an act of the 23rd Legislature, which was approved on March 28, 1957 and subsequently ratified by a constitutional amendment adopted by the citizens of New Mexico in the general election of 1958. The enabling legislation of the NMSIC is located at section 6-8-1, NMSA 1978. According to the terms of the legislation, responsibility for the investment of the Land Grant Permanent Fund was transferred to the State Investment Officer, subject to the policy direction of the State Investment Council. The NMSIC was assigned the responsibility for managing the Severance Tax Permanent Fund in 1983. In 1991 the Legislature authorized the NMSIC to provide investment management services for other State agencies. The 1997 legislature further expanded this client authorization to include all political subdivisions of New Mexico and the New Mexico Finance Authority. In 2000 the NMSIC began to manage the Tobacco Settlement Permanent Fund, and in 2006 the Legislature created the Water Trust Fund. In 2019 oversight and investment management of the Tax Stabilization Reserve ("TSR") was transferred to the State Investment Council. Seven additional funds were created with oversight and investment management assigned to the State Investment Council: The Rural Libraries Endowment Fund ("RLEF") was created in 2019, the Early Childhood Education and Care Fund ("ECECF") was created in 2020, both the Conservation Legacy Permanent Fund ("CLPF") and the Opioid Settlement Restricted Fund ("OSRF") were created in 2023, and the Higher Education Trust Fund ("HETF"), Capital Development and Reserve Fund ("CDRF"), and the Workforce Development and Apprenticeship Trust Fund ("WDAF") were established in 2024.

III. Statement of Purpose

A. Permanent Endowment Trust Funds

The purpose of New Mexico's Permanent Endowment Trust Funds is to contribute recurring revenues for the operating budget of the State and to provide resources to various fund beneficiaries. These Funds are assets which largely represent the depletion of the State's natural resources and land grant proceeds and are intended to provide ongoing and growing benefits for New Mexicans.

The NMSIC's primary responsibility is management of the Funds identified in Section II. In addition, the NMSIC manages investments for other New Mexico third-party clients. The Land

Grant Permanent Fund and Severance Tax Permanent Fund are the state's two largest permanent funds, broadly diversified, and birthrights for New Mexicans.

The Land Grant Permanent Fund ("LGPF") is New Mexico's largest endowment. It was established through, and continues to be maintained in part by, fees the State charges for mineral resources and surface land. Significant portions of LGPF distributions go to New Mexico public schools and public education.

The Severance Tax Permanent Fund ("STPF") was established to receive severance taxes collected on natural resources extracted from New Mexico lands. State severance taxes have historically been used to retire debt from bond issues that have funded capital projects. Currently, severance tax revenues first pay the required debt service on severance tax bonds issued by the state; remaining revenues are then transferred to the STPF.

The Tobacco Settlement Permanent Fund ("TSPF") was established as the result of a legal settlement. Annual settlement payments are deposited into the TSPF and the fund makes annual distributions to the Tobacco Settlement Program Fund to support tobacco cessation and prevention programs.

The Water Trust Fund ("WTF") provides annual funding for infrastructure projects in New Mexico, as identified by the Water Trust Board. The WTF was created in 2006 by the legislature with a \$40 million allocation.

The Tax Stabilization Reserve ("TSR") is a true "rainy day fund" for the state of New Mexico, the management of which was transferred to the NMSIC via statute on July 1, 2019. The TSR is funded by state revenues generated in excess of the five-year average of the oil and gas emergency school tax under certain statutory conditions. Surging oil and gas revenues have grown the TSR considerably, with the fund now an important part of New Mexico's budget reserves. During times of budgetary shortfall, the TSR can be accessed with approval of the Governor and a majority vote of the Legislature; all other cases require a declaration of need by the Governor and a 2/3 approval by both the New Mexico House and Senate.

The Rural Libraries Endowment Fund ("RLEF") is a fund created by the Legislature in 2019 to facilitate the Rural Libraries Endowment Act and support future funding of rural libraries around New Mexico. Initially funded with \$1 million, the RLEF received substantive additional appropriations from the Legislature to enhance the fund's long-term viability as a revenue source for the rural libraries grant program..

The Early Childhood Education and Care Fund ("ECECF") was created with a \$300 million endowment from the Legislature in February of 2020 and receives above-average oil and gas emergency school tax and federal royalty payments under certain statutory conditions. The ECECF and its earnings are intended to help provide for a transformative long-term investment strategy in the health, education and well-being of New Mexico's youngest children. The ECECF was created to provide a stable annual revenue stream for the New Mexico Early Childhood and Care Department to assist in its efforts to provide high quality educational opportunities and

health care during critical years of early development. The goal is to ensure all New Mexican children get a strong foundation for learning, which should deliver benefits to all New Mexicans for future generations.

The Conservation Legacy Permanent Fund (“CLPF”) was created with a \$50 million appropriation in 2023 to support the Land of Enchantment Legacy Fund, which provides funding for long-term land and water conservation programs in New Mexico. The programs will assist efforts across six state agencies and pay for initiatives that strive to support rural communities and agriculture; safeguard urban and rural water supplies; protect communities from wildfires, floods and drought; and work to expand New Mexico’s growing outdoor-recreation economy.

The Opioid Settlement Restricted Fund (“OSRF”) is a trust fund that will provide support for victims of the opioid crisis and related health and recovery programs in New Mexico. Seeded by tens of millions of dollars in existing and future settlement dollars achieved through opioid crisis litigation, the fund will seek to deliver health impact and opioid-related support to New Mexicans long-term.

The Higher Education Trust Fund (“HETF”) was created by the New Mexico Legislature in 2024 to produce recurring income to help sustain a new Higher Education Program Fund. The Program Fund is administered by the Higher Education Department and can be appropriated by the legislature to provide scholarships for tuition and fees at New Mexico’s public universities/post-secondary education institutions.

The Capital Development and Reserve Fund (“CDRF”) was created by the New Mexico Legislature in 2024 to grow and maintain a funding source for the Capital Development Program Fund, which facilitates funding for small capital projects and/or the planning and design of larger capital projects.

The Workforce Development and Apprenticeship Fund (“WDAF”) was created with a \$30 million appropriation by the New Mexico Legislature in 2024 to serve as a resource for the Workforce Solutions Department as it strives to meet the goals of the Apprenticeship Assistance Act in developing skilled craftspeople focused on occupations targeting economic development goals and needs as identified by the state.

As provided by law, the State Investment Office may invest other state agency or local government funds pursuant to a Joint Power Agreement in any type of investment permitted for the LGPF under the same standard of care applicable to investments of the LGPF. It shall be the responsibility of the client agencies to establish policy asset allocations and direct the movement of their funds, including rebalancing activities.

B. Investment Policy

This Investment Policy Statement (“Policy”) governs the investment of assets for the Funds and is established to provide a framework for the management of those assets. It sets forth in a comprehensive way the NMSIC’s investment objectives, philosophy, guidelines and practices

and has been developed as a reference point for the management of Funds' assets. The Policy is not intended to be a static, one-time document but is designed to capture investment opportunities while providing parameters that ensure prudence and care in the execution of the investment program. No investment or action pursuant to an investment may be taken unless permitted by this Policy or by action of the NMSIC.

The Policy provides guidance for fiduciaries which include the NMSIC, the Council Investment Committee, the State Investment Officer, the Chief Investment Officer and State Investment Office Investment Staff ("SIO Investment Staff"), investment consultants, investment managers, and custodians. It is the intent of the Policy to provide the foundation for management of the Funds' assets in a prudent manner including the standards by which the NMSIC can evaluate SIO Investment Staff, investment consultants, investment managers, custodians and other external service providers.

IV. Investment Objective

The NMSIC investment goals are to preserve the Permanent Endowment Trust Funds for future generations and to provide future benefits by growing the Funds at a rate at least equal to inflation.

The NMSIC seeks to manage the Funds to ensure that future generations receive the same or greater benefits as current beneficiaries, while maximizing current distributions through time to provide current revenue sources to the state's General Fund. Total return, which includes realized and unrealized gains, plus income, less expenses, is the primary goal of the Funds.

V. Investment Philosophy

In order to meet the investment objective, the NMSIC has adopted the following principles:

- Strategic asset allocation is a fiduciary duty and allocation across asset classes is the most important determinant of return variability and long-term total return.
- Risk is an unavoidable component of investing and is a major factor that must be taken into account in assessing investment policy and strategy.
- Diversification by asset class and within asset classes is a primary risk control element.
- To preserve the purchasing power of the corpus and to provide benefits to current and future generations the Funds should have a strategic asset allocation and investment strategy for a long-term investment horizon.
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the Funds.

A. Capital Markets Theory

1. Return

In order to meet the Funds' objective, the NMSIC strives to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Due to the long-term nature of the Funds and the inherent risks in short-term tactical investing, the NMSIC must maintain a long-term perspective in formulating and implementing its investment policies, and in evaluating its investment performance. As such, the NMSIC: (1) seeks to adopt a long-term rate of return goal for the Funds, (2) adopts an allocation policy that seeks to meet the rate of return goal over long periods of time, while minimizing volatility (risk) and (3) strives to minimize the costs associated with implementation of the asset allocation through efficient use of internal and/or external resources.

2. Risk

The investment risk philosophy for the Funds is based on the principles of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and, therefore, prudent risk taking is a necessary element of long term investing.
- Risk can be mitigated through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes.
- Relative performance of various asset classes is unpredictable in the short term and attempts to shift tactically between asset classes or implementation strategies are unlikely to be rewarded.

Given these principles, the NMSIC has established a long-term asset allocation policy that balances the returns intended to meet the Funds' objectives and the risk level that is appropriate under existing and anticipated circumstances. In determining its risk posture, the NMSIC has considered, in addition to its fiduciary obligations and statutory requirements, each Fund's purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income and general business conditions.

3. Diversification

The NMSIC will rely on an investment strategy utilizing an appropriate long-term, diversified asset allocation approach. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. Investors generally diversify their portfolios along the following lines: asset classifications (public equities, fixed income, credit, real estate, real assets, hedge funds, private equity, short-term investments, etc.), domestic, international, industries, and maturity sectors. Other

considerations in asset allocation modeling should take into account the purpose of the Fund and the size and financial condition of the Fund. The factors mentioned here are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification to proper asset allocation. Under such an allocation, the Funds' assets may be invested by some combination of external and/or internal managers, by management style (active and/or passive managers), and by diverse investment strategies and styles within each asset class. The NMSIC will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by SIO Investment Staff and/or investment consultants.

4. Formal Review Schedule

The NMSIC recognizes that even though the investments are subject to short-term volatility, the NMSIC shall maintain a long-term investment focus. This prevents ad-hoc revisions to the philosophy and policies in reaction to either speculation or short-term market fluctuations. In order to preserve this long-term view, the NMSIC has adopted the following formal review schedule:

<u>Formal Review Agenda Item</u>	<u>Formal Review Schedule</u>
Strategic Asset Allocation Policy	At least every three years
Asset Class Structure	At least every three years
Investment Policy Statement	At least every three years
Council Investment Committee Charter	At least every three years
State Investment Office Annual Investment Plan	Annually
Total Fund Performance	At least quarterly
Asset Class Composite Performance	At least quarterly
Investment Manager Performance	At least quarterly

VI. Roles and Responsibilities

A. New Mexico State Investment Council

The NMSIC is the primary body charged with overseeing investment activities relating to the Funds. Members of the NMSIC are fiduciaries subject to the statutory and common law duties of a fiduciary. NMSIC is a non-cabinet level agency charged with managing New Mexico's Permanent Funds. The NMSIC is dedicated to seeing the New Mexico State Investment Office accomplish its mission of seeking intergenerational equity for New Mexicans, by providing competitive investment performance consistent with NMSIC's Mission Statement (Section I).

The NMSIC is responsible for prudent investment of the Funds and assets. The NMSIC will ensure the investment program is operated ethically and in compliance with all applicable federal and State laws and regulations. NMSIC stewardship recognizes that the public demands and deserves ethical, transparent and best-in-class investment practices in our efforts to grow the state's permanent trust dollars.

The NMSIC is responsible for the strategic direction of the investment of the Funds including the approval of asset allocation and establishment and maintenance of all policies, guidelines and benchmarks by which the State Investment Office implements and operates.

The NMSIC relies on their Investment Committee, SIO Investment Staff and external contractors in order to properly administer the Funds and implement the Fund's investment strategies. Because of the number of parties involved, the role of each party as fiduciaries must be clearly identified. Such identification increases operational efficiency, ensures clear lines of responsibility and reduces or eliminates duplication of effort.

B. Council Investment Committee

The Council Investment Committee (CIC) is a standing subcommittee of the NMSIC with express purpose of assisting the NMSIC in carrying out their investment responsibilities for the Funds. All members of the CIC shall be appointed by the NMSIC and are guided by the NMSIC's Investment Committee Charter (Appendix A) which will be periodically reviewed by the NMSIC. In general, the CIC makes recommendations to the NMSIC on investment actions relevant to the strategic direction of the investment of the Funds.

C. State Investment Office Investment Staff

The SIO Investment Staff reports directly to the Deputy State Investment Officer who in turn reports to the State Investment Officer ("SIO"). The Deputy State Investment Officer functions as Chief Investment Officer ("CIO") with primary responsibility for directing the investment program consistent with the NMSIC-adopted investment goals and objectives, and investment policy statements as contained in this Investment Policy Statement, within applicable state and federal laws. The CIO has responsibility to direct and implement all decisions required to achieve the NMSIC's approved strategic investment direction.

The CIO, with assistance of SIO Investment Staff, will manage the investment program according to the NMSIC's Investment Policy. The CIO and SIO Investment Staff will monitor the performance of the investment portfolio, ensure that portfolios are invested in accordance with NMSIC policies, communicate with the NMSIC, CIC and SIO, recommend, and implement policy and operational procedures that will enhance the investment program of the State Investment Office as well as ensure that proper internal controls are developed to safeguard the assets of the State Investment Office. In fulfilling these investment responsibilities, the CIO relies heavily on the SIO Investment Staff and Consultant(s). The SIO Investment Staff exercises the same fiduciary responsibility under applicable law as the NMSIC.

D. Investment Consultant

The Investment Consultant ("Consultant") is hired by and reports directly to the NMSIC. The Consultant's duty is to assist the NMSIC, its CIC and SIO Investment Staff in the management of the investment process. This includes regular meetings with the NMSIC to provide an independent perspective on the Funds' goals, structure, performance and managers. In the course of the Consultant's normal functions, the Consultant will work directly with SIO Investment Staff to review asset allocation, asset class structure and performance, investment manager performance, and make recommendations to the NMSIC as appropriate. The Consultant will

assist SIO Investment Staff and the Committee with external investment manager selection and will promptly inform the State Investment Office and discuss the impact of material changes taking place within any current manager's organization or investment process. The NMSIC may elect to retain one or more Consultants that specialize in specific areas of asset consulting. Performance of Investment Consultant(s) will be subject to review by the SIO Investment Staff, CIC and NMSIC.

E. External Investment Managers

The external Investment Managers ("Managers") serve at the pleasure of the NMSIC. The Managers will be provided with explicit written individual investment guidelines providing detail, clarification of permissible securities and investment strategies, and performance evaluation criteria. Each will select, buy, and sell specific securities or investments within the parameters specified in their contractual guidelines and in adherence to this Investment Policy or to other policies set forth by the NMSIC. Managers will construct and manage investment portfolios that are consistent with the investment philosophy and disciplines for which they were hired by the NMSIC. Managers will provide performance reporting to the SIO Investment Staff utilizing standardized reporting formats and at intervals specified by SIO Investment Staff.

F. Custodian

The Custodian(s) will collect income and safekeep all cash and securities, and will regularly summarize these holdings, along with both their individual and collective performance, for SIO Investment Staff's review. The Custodian will provide data and performance reports to the SIO Investment Staff and Consultant at intervals specified by the NMSIC's written policy or New Mexico Department of Finance and Administration's contract. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash flow prior to allocating it to the Investment Managers, and to invest such cash in liquid, interest-bearing instruments. The NMSIC shall determine asset allocation guidelines; in order to maintain these targets, SIO Investment Staff will direct the Custodian to allocate cash and/or securities to the System's Investment Managers as necessary. The Custodian may also, at the direction of the NMSIC, engage in a Securities Lending program.

VII. Standards of Care

A. The Uniform Prudent Investor Act

The Uniform Prudent Investor Act ("UPIA") [45-7-601 to 45-7-612 NMSA 1978] governs the NMSIC and the State Investment Office. The statutes are the foundation for the NMSIC's Investment Policy. In summary, the UPIA states that all persons responsible in making investment decisions for the NMSIC shall exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Investments are to be diversified so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. In addition, investment and management decisions respecting individual assets will be evaluated not in isolation but in the context of the

portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the NMSIC.

B. Conflicts of Interest

Members of the NMSIC, SIO Investment Staff, consultants and investment managers involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the NMSIC investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

VIII. Asset Allocation

A. Strategic Asset Allocation

The NMSIC recognizes that the most important determinant of long-term return and risk is the asset allocation decision. The asset allocation decision is intended to reflect the return objective and risk tolerance expressed in this Investment Policy Statement. It is designed to provide the highest probability of meeting the Funds' objectives at a level of risk and liquidity that is acceptable to the NMSIC. In establishing its risk tolerance, the NMSIC considers the Funds' ability to withstand short- and intermediate-term volatility in investment performance and fluctuations in financial condition of the Funds.

To determine the strategic allocation, the NMSIC, with assistance from SIO Investment Staff and Consultants, examines the historical and projected risk and return of the approved asset classes, the correlation among these asset classes as well as the effect the expected investment performance will have on the obligations of the Funds. Based on its long-term return expectations and its determination of the appropriate risk tolerance for the Funds, the NMSIC has chosen the following Strategic Asset Allocation Policy for the Funds:

Asset Class	Strategic Asset Allocation					
	LGPF CLPF	STPF	TSPF ECECF ORSF HETF	WTF RLEF	TSR	CDRF
Broad US Equity	20%	20%	20%	15%		15%
Broad International Equity	20%	20%	20%	15%		15%
Low Duration Fixed Income					35%	10%
Public Market Fixed Income	6%	5%	13%	7%	20%	20%
Private Market Fixed Income	15%	12%	20%	8%	30%	20%
Real Return	12%	12%	10%	15%		10%
Real Estate	12%	12%	7%	15%	15%	5%
Private Equity	15%	10%	10%	25%		5%
In-State Private Equity		9%				

Asset Class	WDAF
Cash and Cash Equivalents	Current Year's Distribution Amount
Low Duration Fixed Income	Following Year's Distribution
Public Market Fixed Income	50% of Remaining Amount
Private Market Fixed Income	50% Remaining Amount

The NMSIC and SIO Investment Staff will review the Strategic Asset Allocation Policy at least annually for reasonableness relative to significant economic and market changes or to changes in the Funds' long-term goals and objectives. A formal asset allocation study will be conducted at least every three years to verify or amend the targets.

Recognizing that a long-term target allocation utilizing alternative asset classes can take a matter of years to implement prudently, the NMSIC delegates implementation of Strategic Asset Allocation Policy to SIO Investment Staff including funding of alternative asset classes and setting interim asset allocation targets.

B. Re-balancing Strategy

Re-balancing is the term that describes the periodic movement of funds from one asset or asset class to another in order to realign assets to the Strategic Asset Allocation target. A re-balancing strategy is an important element of asset allocation policy. Systematic re-balancing can reduce portfolio volatility and increase portfolio return over the long term. However, frequent re-balancing resulting from excessively tight ranges can lead to unnecessary transaction costs.

The NMSIC has chosen to adopt a re-balancing policy governed by allocation ranges rather than time periods. Upper and lower allocation limits have been established for each asset class. These ranges, specified in the table below, are a function of the volatility of each asset class and the proportion of the total fund allocated to the asset class.

Strategic Asset Allocation and Re-Balancing Ranges¹

Asset Class	LGPF CLPF Lower Limit	LGPF CLPF Strategic Asset Allocation Target	LGPF CLPF Upper Limit
Broad US Equity	15%	20%	25%
Broad International Equity	15%	20%	25%
Public Market Fixed Income	4%	6%	8%
Private Market Fixed Income	11%	15%	19%
Real Return	8%	12%	16%
Real Estate	8%	12%	16%
Private Equity	10%	15%	20%

¹ Rebalancing required by State Statute Article XII § 7 (D): Public equities shall not be greater than 65% of the total LGPF. TSPF is to be invested as LGPF.

Asset Class	STPF Lower Limit	STPF Strategic Asset Allocation Target	STPF Upper Limit
Broad US Equity	15%	20%	25%
Broad International Equity	15%	20%	25%
Public Market Fixed Income	4%	5%	6%
Private Market Fixed Income	8%	12%	16%
Real Return	8%	12%	16%
Real Estate	8%	12%	16%
Private Equity	6%	10%	14%
In-State Private Equity	7%	9%	11%

Asset Class	TSPF ECECF OSRF HETF Lower Limit	TSPF ECECF OSRF HETF Strategic Asset Allocation Target	TSPF ECECF OSRF HETF Upper Limit
Broad US Equity	15%	20%	25%
Broad International Equity	15%	20%	25%
Public Market Fixed Income	10%	13%	16%
Private Market Fixed Income	15%	20%	25%
Real Return	7%	10%	13%
Real Estate	5%	7%	9%
Private Equity	7%	10%	13%

Asset Class	WTF RLEF Lower Limit	WTF RLEF Strategic Asset Allocation Target	WTF RLEF Upper Limit
Broad US Equity	12%	15%	18%
Broad International Equity	12%	15%	18%
Public Market Fixed Income	5%	7%	9%
Private Market Fixed Income	6%	8%	10%
Real Return	11%	15%	19%
Real Estate	11%	15%	19%
Private Equity	19%	25%	31%

Asset Class	TSR Lower Limit	TSR Asset Allocation Target	TSR Upper Limit
Low Duration Fixed Income	29%	35%	41%
Public Market Fixed Income	16%	20%	24%
Private Market Fixed Income	22%	30%	38%
Real Estate	11%	15%	19%

Asset Class	CDRF Lower Limit	CDRF Strategic Asset Allocation Target	CDRF Upper Limit
Broad US Equity	12%	15%	18%
Broad International Equity	12%	15%	18%
Low Duration Fixed Income	7%	10%	13%
Public Market Fixed Income	15%	20%	25%
Private Market Fixed Income	15%	20%	25%
Real Return	7%	10%	13%
Real Estate	3%	5%	7%
Private Equity	3%	5%	7%

The NMSIC has authorized the SIO Investment Staff to re-balance the Funds in accordance with these policy guidelines. While the allocation to all asset classes remains within these limits, SIO Investment Staff will use cash flow, as available, to maintain the overall allocation as close as possible to the strategic target. When any one of the public market asset classes violates a lower or upper limit, the entire Fund may be re-balanced to within its strategic asset allocation target range. Recognizing that it may be impractical or costly to reallocate illiquid alternative assets, if an alternative asset class breaches an upper or lower limit, the asset class will be re-balanced to within its strategic asset allocation range as soon as is practically possible, subject to reasonable transaction costs. Managers recommended for termination or currently being transitioned out of the portfolio will not receive rebalancing dollars. Even if a lower or upper limit is not breached, SIO Investment Staff may make minor changes among asset classes and within individual asset classes, as needed, to more effectively maintain proper exposure to the NMSIC-approved Strategic Asset Allocation and asset class portfolio structures which are designed based on the NMSIC-approved asset class benchmarks.

The NMSIC has delegated to the SIO Investment Staff the responsibility for developing and implementing a re-balancing plan that is appropriate for existing market conditions, with a primary objective of minimizing transaction costs, market impact, opportunity costs and portfolio

disruptions. SIO Investment Staff will report the results of all rebalancing activity to the CIC and the NMSIC at their regular meetings.

IX. Asset Class Structure

The NMSIC has approved benchmarks for each asset class within their Strategic Asset Allocation as described in Section XI, Performance Benchmarks. The structure of the individual asset classes will support the Strategic Asset Allocation described in the previous section. SIO Investment Staff, with the assistance of Consultants, will be responsible for structuring each individual asset class and implementing each structure based on the NMSIC-approved asset class benchmarks. Asset class performance relative to the NMSIC-approved benchmarks will be provided to the NMSIC on a monthly and quarterly basis. Structure reviews will be provided to the NMSIC for each asset class relative to its NMSIC-approved benchmark at least every three years. Formal updates will be provided to the NMSIC (i) based on the schedule outlined in Section V, (ii) as requested by the NMSIC, the CIC, and (iii) as deemed necessary by SIO Investment Staff and Consultant.

In addition, to adequately diversify the roster of investment managers, the NMSIC has established ten (10%) percent of the total fund as the maximum percentage of assets allowed under management by a single active investment management firm, including a parent and any wholly or partially owned affiliates, subsidiaries, or joint venture firms. Deviations above ten (10%) percent caused by market fluctuations will not result in an automatic withdrawal of funds from the manager. However, the manager will not be eligible to receive additional funds resulting from rebalancing or from a new mandate as long as the asset level remains above ten (10%) percent.

X. Investment Manager Evaluation

When analyzing any investment manager, the NMSIC believes it is important not to review it in isolation, but within the context of the structure of the entire asset class and portfolio structure. A key to portfolio construction is diversification, not just by asset class but within each asset class. The goal of diversification is to be exposed to different strategies, which will have different performance and risk patterns. Diversification is optimal when strategies are complementary.

A. Public Markets Search and Selection

The NMSIC has established the following guidelines for hiring external investment managers. In establishing these guidelines, it is the NMSIC's intention to assure all interested parties that decisions made in carrying out these actions occur in a full disclosure environment characterized by competitive selection, objective evaluation and proper documentation. Any action to hire a manager should be based on one or more of the following observations:

- Identification of a new asset class or approach which has been approved in advance by the NMSIC;
- A need for diversification of managers and styles within an existing asset class; and/or
- A need to replace an investment manager terminated by the SIC or pending termination;
- A need to retain additional managers in order to reach an asset class structure target.

The process outlined in the NMSIC Procurement Policy will be used for selection of external managers. The selection of new investment managers should adhere to a consistent process to ensure an open and competitive manager universe, proper evaluation and due diligence of all candidates, and selection of candidates that are best able to demonstrate the characteristics sought in a specific search. All efforts should be conducted in an open, competitive and transparent environment in order to assure that qualified service providers are identified, that the objectives for the manager's mandate are clearly articulated, and that pricing is at market. The evaluation process should include, but not be limited to, the following steps:

1. Establish investment manager election criteria;
2. Identify qualified candidates through minimum qualification screen;
3. Quantitative screen;
4. Qualitative screen;
5. Additional cuts based on additional qualitative/quantitative inputs;
6. Additional cuts based on manager interviews at the State Investment Office;
7. Analysis of quantitative and qualitative factors including portfolio fit and structure;
8. On-site due diligence;
9. Recommendation to CIC;
10. CIC recommendation to the NMSIC.

Consultant and SIO Investment Staff will prepare proper documentation and full disclosure of the complete search process. When reviewing the documentation regarding the hiring of an external investment service provider, the primary focus of the CIC and the NMSIC shall be on ensuring that the NMSIC will be able to satisfy any interested party that decisions were well reasoned, thoroughly considered, and prudent. The written supporting documentation will include disclosure of all relevant issues, including the investment search process, investment sourcing and related due diligence. Potential service providers or candidates may, at the pleasure of the NMSIC, CIC or upon the recommendation of SIO Investment Staff and Consultant, be asked to make a formal presentation to the NMSIC or CIC at any time.

B. Monitoring and Evaluation

The decision to retain an investment manager can have the same potential impact on the returns of an asset class composite as manager selection decisions and should be given the same degree of attention. The NMSIC recognizes investment and management decisions directed at individual managers must be evaluated not in isolation but in the context of the overall structure of the asset class and the Fund's portfolio as a whole. To maintain the discipline necessary for a long-term focus, the NMSIC has adopted a framework for identification of existing and potential problems outlining how and when specific concerns and events should be addressed to avoid untimely decisions that could impact returns. This framework applies to all of the NMSIC's external public market managers and is intended to accomplish these objectives:

- Foster a long-term approach to manager evaluation;
- Provide a review of the manager's "fit" in the overall asset class composite;
- Provide a logical and statistically valid framework for manager skill evaluation;
- Promote timely and appropriate responses to actual and potential performance issues;

- Provide flexibility to allow application across all asset classes, management styles and market environments.

The framework for retention analysis relies on a formal performance reporting process that includes:

1. Monthly performance reports from Custodian and Consultant to SIO Investment Staff. These reports will detail overall performance of the Funds, asset class composites and the performance of individual managers;
2. Quarterly reports from SIO Investment Staff and Consultant at the CIC and the NMSIC meetings. These reports will detail performance of the Funds, asset class composites and the performance of individual managers as well as peer ranks for each category;
3. Quarterly performance reports from the investment managers to SIO Investment Staff.

The formal performance reports are supplemented by qualitative analysis generated in the course of regular, on-going contact between the investment managers, SIO Investment Staff and the Consultant.

C. Increased Manager Monitoring

The objective of increased manager monitoring is to help identify investment managers that require closer scrutiny due to quantitative and/or qualitative factors. Investment managers that require increased monitoring should not be terminated simply for requiring increased monitoring. Following are guidelines that should be used when an investment manager requires increased monitoring. Qualitative factors should be central elements of the evaluation process and will focus on organizational and staff stability, adherence to investment philosophy and process, asset/client turnover, and the quality of client service.

- i. Change in firm ownership and/or structure;
- ii. Turnover of one or more key personnel;
- iii. Change in philosophy/process;
- iv. Significant loss of clients and/or assets under management;
- v. Significant and persistent lack of responsiveness to client requests;
- vi. Litigation;
- vii. Failure to disclose significant information, including potential conflicts of interest;
- viii. Chronic violations of Policy;
- ix. Any other issue or situation of which the NMSIC, CIC, SIO Investment Staff or Consultant become aware that is deemed material.

The NMSIC understands that past performance alone is a poor indicator of future performance and performance consistency is important, but periodic underperformance should be expected.

An investment manager retention decision is very important to the continued success of the Funds' investment strategy. As such, it should not be taken lightly or made solely on quantitative or qualitative guidelines.

D. Investment Manager Termination Guidelines

From time to time it will be necessary to terminate a contractual relationship with an investment manager and these actions must be viewed in the context of the entire portfolio and as a business decision. The NMSIC has established the guidelines to assist in making these termination decisions. In establishing these guidelines, it is the intent of NMSIC to assure all interested parties that decisions made have occurred with full disclosure characterized by objective evaluation and proper documentation. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of the beneficiaries of the Funds.

Any action to terminate an investment manager should be based on one or more of the following criteria:

1. Significant changes in firm ownership and/or structure;
2. Loss of one or more key personnel;
3. Significant loss of clients and/or assets under management;
4. Shifts in the firm's philosophy or process;
5. Significant and persistent lack of responsiveness to client requests;
6. Changes in NMSIC's investment strategy eliminating the need for a particular style or strategy;
7. Violations of the Investment Policy or guidelines;
8. Unsatisfactory investment performance;
9. Identification of a new asset class or approach which has been approved in advance by the NMSIC;
10. Need for diversification of styles within an existing asset class; or
11. Need to reduce exposure to a single manager;
12. Any other issue or situation of which the SIO Investment Staff, Consultant and/or Committee become aware that is deemed material.

Prior to the termination decision, the SIO Investment Staff and Consultant will have all relevant considerations identified and documented. Although it may not be possible in every situation, it is the NMSIC's preference that SIO Investment Staff have a plan in place before termination of any manager.

XI. Performance Benchmarks

A. Total Fund Benchmark

In addition to the objective stated in Section IV., an important return objective to be considered when evaluating the Funds' performance is measured by applying the investment performance of the asset class benchmarks to the Funds' Strategic Asset Allocation target (Policy Index). The Policy Index permits the NMSIC to compare the Funds' actual performance to its total fund benchmark, and to measure the contribution of active investment management and policy adherence.

The NMSIC has selected the following Policy Index:

Asset Class	Policy Index	Strategic Asset Allocation Targets					
		LGP CLPF	STPF	TSPF ECECF OSRF HETF	WTF RLEF	TSR	CDRF
Broad US Equity	Russell 3000 Index	20%	20%	20%	15%		15%
Broad International Equity	MSCI ACWI ex-US IM Index	20%	20%	20%	15%		15%
Low Duration Fixed Income	Bloomberg US Government/Credit 1-3 Year Bond Index					35%	10%
Public Market Fixed Income	Bloomberg US Aggregate Bond Index	6%	5%	13%	7%	20%	20%
Private Market Fixed Income	<u>Credit Suisse Leveraged Loan Index +2%</u>	15%	12%	20%	8%	30%	20%
Real Return	35% Bloomberg US Treasury: US TIPS Index, 25% Bloomberg Commodity Index, 20% NCREIF Timberland Index, and 20% CPI+3%	12%	12%	10%	15%		10%
Real Estate	NCREIF ODCE Index (AWA)	12%	12%	7%	15%	15%	5%
Private Equity	Primary: Cambridge US Private Equity Index Secondary: <u>MSCI ACW Index + 3%</u>	15%	10%	10%	25%		5%
In-State Private Equity	<u>Cambridge US VC Index</u>		9%				

Recognizing that a long-term target allocation to alternative asset classes can often take a matter of years to implement prudently, the SIO Investment Staff will report to the CIC and NMSIC the Interim Policy benchmark which will be adjusted as SIO Investment Staff makes progress towards its long-term Strategic Asset Allocation target.

B. Asset class benchmarks

A composite of the mandates within each asset class will be compared to its respective Policy Index (see table, XI.A.).

C. Mandate-level benchmarks

Individual managers will be evaluated using the following standards:

1. Against appropriate market indices on a nominal and risk-adjusted basis;
2. Against peers within their style group;
3. Based on adherence to their stated investment philosophy and style; and
4. Based on adherence to this Policy and the guidelines established in their contract.

XII. Transition Management

Transition management is defined as the professional management of trading out of one portfolio of marketable securities (“legacy” portfolio) and into another portfolio of marketable securities (“target” portfolio), while controlling for the timeliness of trades, explicit and implicit costs, and market exposure relative to a predetermined benchmark. Transition management includes, but is not limited to, the termination and hiring of investment managers. It also may apply to rebalancing between asset classes, large cash contributions/withdrawals to and from a manager and strategy changes within the fund. Transitions are an important and inevitable element of portfolio management. The optimal method to use in executing a transition may vary significantly from one transition to another based on the types of assets involved, the timeframe in question and market conditions. The primary objective in a manager transition is to implement the movement of assets in a cost-effective, timely manner while maintaining the appropriate market exposure. It is imperative to note that the cost of transition is not commissions alone, but also bid/ask spread, market impact and opportunity cost. Efforts should be made to minimize the total cost rather than any single cost component.

The NMSIC has delegated to SIO Investment Staff the authority to select and manage the transition manager selection process. The transition manager pool consists of NMSIC approved transition managers. To be considered for inclusion in the transition manager pool, transition managers must complete the Transition Management Request for Information. Responses should be evaluated based upon the following criteria: quality, completeness of the response, ability to fulfill the requirements of the scope of services, qualifications, experience and the overall costs and/or fees. SIO Investment Staff will manage each transition.

In most instances transition management services will be executed by a transition manager in the NMSIC’s approved transition manager pool. However, in some instances SIO Investment Staff may believe it is more appropriate for one of the investment managers to provide these services.

SIO Investment Staff will provide a summary of transition activity to the CIC and the NMSIC at the conclusion of each transition.

XIII. Permitted Investments¹

The NMSIC may invest in the following securities and investment activities as long as such investments comply with the UPIA. Fund of Fund strategies are allowable in any of the asset classes. All investments are subject to approval of the NMSIC and satisfactory legal review of applicable contractual terms and conditions.

A. Public Equity

1. US Equity - Preferred stock, common stock, initial public offerings, Real Estate Investment Trusts ("REITS"), exchange-traded funds, convertible securities, closed-end funds, publicly traded partnerships, units, securities of foreign issuers listed on U.S. Exchanges, and any security convertible to common stock or Depository Receipts ("DRs") that are registered by the U.S. Securities and Exchange Commission ("SEC") of any corporation whose securities are listed on at least one U.S. stock exchange that has been approved by or is controlled by the SEC or on the National Association of Securities Dealers ("NASD"); and NMSIC shall not be invested in more than ten percent (10%) of the voting stock of any company.
2. Non-US Equity - Preferred stock, common stock, initial public offerings, Real Estate Investment Trusts ("REITS"), exchange-traded funds, stock index futures and options on futures, currency futures, notes, baskets, and any security convertible to common stock or Depository Receipts ("DRs") of any non-U.S. Corporation; which may be denominated in non U.S dollars, provided that the securities are traded on one or more national stock exchanges or included in a nationally recognized list of stocks; and NMSIC shall not be invested in more than ten percent (10%) of the voting stock of any company.

B. Low Duration & Public Market Fixed Income

1. Bonds, notes or other obligations of the United States government, its agencies, government-sponsored enterprises, corporations, or instrumentalities for which the credit of the United States government is pledged for the payment of the principal and interest. Global mandates may be considered.
2. Bonds, notes or other obligations issued by a state, its municipalities or other political subdivisions, that have received an investment grade bond rating, and are registered by the SEC or the Municipal Securities Rulemaking Board ("MSRB").
3. Bonds, notes, commercial paper or other obligations of any corporation organized and operating within the United States.
4. Debt obligations of non-U.S. governmental or quasi-governmental entities, these may be denominated in foreign currencies; obligations, including but not limited to bonds, notes or commercial paper with an investment grade rating (unless otherwise approved by the NMSIC) of any corporation organized outside of the United States. Currency transactions, including spot or cash basis currency transactions, forward contracts and buying or selling

¹ Investments listed here are for general information purposes only. Each manager retained by the NMSIC will be given specific guidelines with regard to permissible investments relevant to their mandate.

options or futures on foreign currencies, shall be permitted for the purposes of hedging foreign currency risk.

5. Collateralized obligations, including but not limited to mortgages, held in trust that: (1) are publicly traded and are registered by the SEC or other Self-Regulatory Organization (“SRO”) and (2) have underlying collateral that is either an obligation of the United States government or else has a credit rating above or equal to BBB according to the Standard and Poor's rating system or Baa according to the Moody's investors rating system or their equivalent by a national rating agency approved by the NMSIC (unless otherwise approved by the NMSIC).

C. Private Market Fixed Income

1. US Government, Agency and Global Sovereign Securities
2. Global Corporate Investment Grade Debt
3. Global High Yield Debt
4. Loans
5. Emerging Market Debt
6. Opportunistic Fixed Income (distressed, mezzanine, multi-strategy, etc.)
7. Structured Credit (CLO's, RMBS, CMBS, ABS, etc.)
8. The Credit and Structured Finance Fund within the Private Market Fixed Income allocation will invest in various classes of securities of credit, structured finance, including but not limited to, collateralized debt obligations, collateralized loan obligations, credit opportunity funds, leveraged loan portfolios and other structured finance instruments. Eligible investments will include both rated and non-rated securities. Rated securities will include those rated investment grade and those rated below investment grade. One or more external managers may be retained to manage all or a portion of the Fund. Appropriate investment vehicles will include partnership interests, separate accounts and pooled vehicles. Pooled vehicles may be structured as publicly traded securities or private placements.
9. Credit Oriented Hedge funds
10. Unconstrained Fixed Income strategies. One or more external managers may be retained to manage the strategies. Appropriate investment vehicles will include partnership interests, separate accounts and pooled vehicles. Pooled vehicles may be structured as publicly traded securities or private placements.

D. Real Estate

1. Real Estate Partnerships, including investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties, whether income-producing or non-income producing. The investment strategies may include “core”, “value added” strategies, which derive their return from both income and appreciation, and “opportunistic,” which derive their return primarily through appreciation.
2. REITS, including equity investments in publicly traded securities of a company dedicated to owning, and/or, operating income-producing real estate, including but not limited to apartments, shopping centers, offices and warehouses.

E. Real Return

Multi-asset and multi-strategy managers focused on combinations of the following asset classes and/or manager structures.

1. Inflation-indexed bonds, including investments in actively or passively managed investment vehicles. Treasury Inflation Protected Securities (TIPS) are an example of inflation-indexed bonds.
2. Other inflation-sensitive fixed income and hybrid securities (including preferred stock and convertible bonds) of all credit qualities including floating rate fixed income, leveraged loans, and bond issues secured to companies or other assets including infrastructure projects that are evaluated as likely to offer inflation-sensitive earnings or revenue characteristics.
3. Commodities, including but not limited to futures and/or swaps on individually traded commodities or indexes comprising groups of commodities like the Goldman Sachs Commodity Index (GSCI) or the Bloomberg Commodity Index. Commodities may be used as an overlay strategy on TIPS or other publicly traded instruments.
4. Timber Partnerships, including but not limited to, investments in limited partnerships or limited liability companies that have an ownership interest in properties where the majority value of the property is derived from income-producing timber.
5. Energy Partnerships, including but not limited to limited partnerships or limited liability companies that have an ownership interest in energy-related businesses. Investments may include those across the industry spectrum from upstream (exploration and production), to midstream (processing and transportation), to downstream (refining and distribution).
6. Infrastructure, including but not limited to investments in publicly-traded securities, limited partnerships or limited liability companies that have ownership interests in assets or properties where the majority of value of the investment is derived from revenue sources that have contractual linkages to inflation, implicit linkages to inflation and/or focus on the provision of services with low demand elasticity.
7. REITS, including equity investments in publicly traded securities of companies dedicated to owning and/or operating income producing real estate, including but not limited to apartments, shopping centers, offices and warehouses.

F. Private Equity

Private Equity Partnerships, including investments in private vehicles through limited partnerships or limited liability corporations, that have an ownership interest in any type of security across a company's capital structure. The investment strategies may include "buyout", "growth", "venture capital" and "special situations" that are in the business of providing capital for start-up, expansion, buyout/acquisition, recapitalization, debt financing (including distressed debt) and similar business purposes.

G. Cash Investment Guidelines

SIO Investment Staff will focus on quality when investing cash positions. Cash is an asset class that should emphasize minimal risk. Cash positions will be kept to the

minimum necessary for liquidity, distributions and ongoing investment activities. The following guidelines apply:

1. Eligible securities include:
2. Repos secured by U. S. obligations or other securities backed by the U.S., A1 or P1 commercial paper, corporate obligations rated AA or better and maturing in five years or less, or asset-backed securities rated AAA. All repo collateral must have a market value of at least 102% of the market value of the contract;
3. Commercial paper issued by corporations organized and operating within the U.S. and rated "prime" quality by a national rating service;
4. Prime bankers' acceptances issued by money center banks;
5. Funding agreements rated at least AA by a nationally recognized rating agency. As used in this paragraph, "funding agreement" means a floating or variable rate insurance company contract that is a general obligation of an insurance company organized and operating within the United States and that is senior to all other debt issued by the company; and
6. Time deposits, with banks incorporated in the United States or time deposits that are fully guaranteed by banks incorporated in the United States.

H. Derivatives Investment

If utilized, derivatives will be managed to protect market value and to maximize total returns under the following guidelines:

1. Eligible applications include, but are not limited to, the purchase, sale, exchange, conversion or other trade of exchanged traded index option contracts, over-the-counter options, domestic equity index futures, international equity index futures, international fixed income futures, commodity futures and swaps, domestic fixed income futures and swaps.
2. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivatives application.
3. In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk. If utilized, the counterparty must be of an investment grade credit and the agreement must be marked to market no less frequently than monthly.

XIV. General Investment Restrictions and/or Guidelines

- A. All investments made shall be subject to the quality and diversification restrictions established by the UPIA.
- B. Assets may be held in commingled funds and/or privately managed separate accounts. Exposure through commingled funds shall be evaluated on a case-specific basis through

analysis of the fund's "offering document." Upon review by the SIO Investment Staff and Consultant, and approval by the Board, the "offering document" becomes the specific investment guidelines for that allocation.

- C. No more than 65% of the fair value of the LGPF, STPF and TSPF may be invested in stocks at any given time.
- D. No more than 7% at cost and 10% at market of the stock of any publicly traded corporation may be purchased.
- E. Without prior SIO Investment Staff approval, the securities representing debt and equity of any one publicly traded company shall not exceed 10% of the market value of any Manager's portfolio. SIO Investment Staff will confirm approval with the CIC and NMSIC at the following scheduled meetings.
- F. No investment or action pursuant to an investment may be taken unless expressly permitted by this Policy. Exceptions may be made subject to prior review by and express written authorization from the NMSIC.
- G. Cash equivalents held by Managers can be disruptive to the allocation process. Unless otherwise authorized, Managers are expected to be fully invested at all times in the types of securities for which they have responsibility, with the exception of brief periods between the sale of an existing security and the purchase of a replacement security.
- H. Any use of leverage will be consistent with the strategy for which the NMSIC hired the Manager. Use of leverage will be controlled as appropriate in the Manager's specific guidelines, and will be subject to review by SIO Investment Staff and Consultant.
- I. The Funds are exposed to currency risk through its international equity, fixed income, absolute return and private equity mandates. Over long periods of time, currency movements do not add significant returns to the portfolio. However, exposure to currency risk increases diversification due to lack of correlation with other portfolio risks. Also, hedging currency risk incurs significant expenses. Therefore, NMSIC utilizes unhedged benchmarks and does not require its Managers to hedge the currency exposure in their portfolios.
- J. SIO Investment Staff is authorized to engage in securities lending in accordance securities lending policies and procedures which are contained in a separate policy document.
- K. Proxies shall be voted in the best economic interests of the NMSIC. Proxy voting policies and procedures are contained in a separate policy document.

XV. Derivatives

NMSIC seeks to protect the market value of the funds from losses attributable to declines in the market. NMSIC intends to use derivatives to improve long-term performance through protection of principal during market declines. Derivatives provide the means to improve investment risk/return in declining market environments.

The SIO Investment Staff may buy, sell, exchange, convert or otherwise trade in exchanged traded index option contracts, over-the-counter options, domestic equity index futures, international equity index futures, international fixed income futures, commodity futures and domestic fixed income futures in order to protect the market value of designated security holdings or to: increase returns through cash securitization and synthetic rebalancing; improve tracking relative to target allocations through

maintaining positions during transitions/reallocations and synthetic rebalancing; and improve portfolio efficiency/flexibility through tactical moves in market exposures. The positions will remain in place over a period consistent with detailed guidelines or until it is determined that an option/futures hedge/overlay is no longer needed. Derivatives shall only be utilized to reduce the risk of adverse price movements in a particular asset class or group of assets. Derivatives shall not be used to speculate.

XVI. Economically Targeted Investments (“ETI”)

Economically Targeted Investments (“ETI”) in the Severance Tax Permanent Fund have two objectives in the statutes: first, to obtain a risk-adjusted rate of return under the Prudent Investor Rule, and second, to enhance the economy of New Mexico. To achieve these two objectives, the following specific goals will apply to the portfolio. SIO Investment Staff will ensure that:

- Credit quality is maintained and risk is minimized;
- Market-based yields that are proportional to the assumed risks are obtained;
- Each investment will stimulate the economy of New Mexico on a continuing basis;
- Each investment will expand business activity in the state; and
- Each investment will promote the creation and preservation of jobs.

XVII. Performance Monitoring

Performance reviews are a critical part of the portfolio management process. The NMSIC will rely on its, Managers, Custodian, Consultant(s), and SIO Investment Staff to provide periodic performance reviews.

A. Investment Managers

As directed by SIO Investment Staff, each investment manager will provide periodic performance reports utilizing a standardized reporting format for public market separate accounts. Investment managers may provide their standard performance information in a different format as supplemental information only, at their discretion. Investment managers may be asked to make periodic performance presentations to SIO Investment Staff, the Consultant, the CIC and/or the NMSIC.

B. Custodian

The custodian will, as directed by SIO Investment Staff, provide periodic performance reports to SIO Investment Staff and Consultant. These reports shall detail the individual performance of investment managers and the overall performance of the Funds. In addition, the custodian shall report the results of any securities lending activities undertaken during the reporting period.

C. Consultant

The Consultant will provide quarterly performance reports to SIO Investment Staff, CIC and the NMSIC at its regular meetings. In preparing these reports, the Consultant will rely upon asset values and performance calculations reported by the custodian.

D. SIO Investment Staff

SIO Investment Staff is responsible for ensuring that performance reports are received in a timely manner from the above-listed parties and will provide continual supervision of external performance reporting on the portfolio. SIO Investment Staff will confirm that managers are using standardized, industry-wide principles when calculating and reporting their investment results. SIO Investment Staff will work with the Consultants to complete a detailed performance measurement booklet on a quarterly basis. An executive summary will, at a minimum, include information for the one, three, five-year periods for the Total Fund and asset class composites.

XVIII. Review and Approval of Investment Policy

The NMSIC will review the Policy from time-to-time to determine if modifications are necessary or desirable but will delegate SIO Investment Staff to review the Policy on an annual basis. SIO Investment Staff will recommend modifications as warranted. If modifications are made, they shall be promptly communicated to all investment managers and other interested persons.

Modifications may occur due to:

- A. Operational problems that become apparent during the investment management process;
- B. Changes in economic prospects, Funds characteristics, the development of new investment instruments or strategies, or sponsoring employer organizations;
- C. Other causes as determined by the NMSIC.

Any interim decision approved by the NMSIC will supersede this Policy and will be addressed in the next Policy review.

By signing this Statement of Investment Policy, the NMSIC indicates its agreement therewith.

By:_____

New Mexico State Investment Council

Date:_____

Glossary of Terms

Agency Security – a U.S. government-issued security that was not issued by the Treasury Department and may be backed by the full faith and credit of the United States depending upon the issuing agency.

Agent – any individual or entity acting on behalf of another.

Alpha – the premium an investment portfolio earns above a certain benchmark (such as the Standard & Poor's 500 Index). A positive alpha indicates the investor earned a premium over that index.

American Depositary Receipts (ADRs) – certificates issued by a U.S. bank and traded in this country as domestic shares. The certificates represent the number of foreign securities the U.S. bank holds in that security's country of origin. ADRs make trading foreign securities easier by eliminating currency exchange, legal obstacles, foreign ownership transfers, and the need to trade on a foreign exchange.

Asset Allocation Decision – choosing among broad asset classes such as equities, fixed-income securities and real estate.

Basis Point – one one-hundredth of one percent.

Benchmark – a gauge in the securities market by which investment performance can be measured, such as the Standard & Poor's 500 Index.

Buyouts - investments in acquisitions, growth equity, recovery investments, subordinated debt, and special situations, which represent a diversified strategy across many sub-categories.

Commingled Fund – a pooling of funds from multiple investors, managed as one account. The client owns units in the pool. Similar to a mutual fund.

Commodities – investments in basic goods often used as inputs in the production of other goods or services. Notable examples include oil, natural gas, gold, and other precious metals.

Credit Quality -

<u>S&P</u>	<u>Moody's</u>	<u>Explanation</u>
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Higher Credit Quality - Investment Grade

AAA	Aaa	Prime grade, highest safety
AA+	Aa1	High credit quality
AA	Aa2	
AA-	Aa3	
A+	A1	Upper-medium credit quality
A	A2	
A-	A3	
BBB+	Baa1	Lower-medium credit quality
BBB	Baa2	
BBB-	Baa3	

Lower Credit Quality - Speculative Grade

BB+	Ba1	Speculative - low quality
BB	Ba2	
BB-	Ba3	
	B1	Highly speculative
B	B2	
	B3	

Extremely Low Credit Quality - High Speculative or in Default

CCC+	Caa	Very high risk, poor quality
CCC		
CC	Ca	May be in default soon
C	C	Very speculative
CI		For income bonds - interest not being paid
D		Securities already in default

Credit Strategies – a hedge fund strategy that typically invests in high yield bonds, bank loans and structured credit products.

Discretionary Authority – the authority provided to investment managers and consultants to make investment decisions on behalf of NMSIC.

Distressed Debt – investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy.

Distressed Strategies – a hedge fund strategy that seeks to take advantage of corporate securities in default, under bankruptcy protection, in distress or heading toward such a condition or in liquidation.

Diversification – spreading a portfolio over many investments (or many types of investments) to avoid excessive exposure to any one source of risk.

Duration – the average time to receipt of all the cash flows of a bond weighted by the present value of each of the cash flows. The duration value of the bond gives bond investors an indication of how interest rate changes will affect the bond's price. It is the percentage by which the bond's price will move, given a 100 basis point change in yield.

Energy Partnership – investments in private vehicles with a focus on oil and gas exploration, or other alternative energy strategy.

Equity Investment – claims held by the residual owners of a firm. May also be referred to as common stock. Investments in Real Estate and certain Private Markets classifications may also be considered equity.

Equity Long/Short Strategies – a hedge fund strategy where there is a combination of long and short positions primarily in publicly traded equities, with a net market exposure less than that of the overall equity market. Strategies may be focused on U.S., non-U.S., and/or specialty mandates.

ETFs – Exchange Traded Funds.

Event Driven Strategies – a hedge fund strategy that takes advantage of transaction announcements and other one-time events, including merger arbitrage, spin-offs and restructurings.

Fiduciary – one who can exercise discretionary authority or can control important aspects of a pension Fund's management.

Fixed Income Investment – a security issued by a borrower that obligates the issuer to make specified payments to the holder over a specific period. Fixed income may also be referred to as "debt" or "bonds."

Fund-of-Fund Investment Vehicles – an investment fund comprised of any number of underlying investment funds

Global Macro Strategies – a hedge fund strategy with a focus on all-market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies.

Inflation-Indexed Bonds - investments in bonds with the principal component linked to inflation. Treasury Inflation Protected Securities (TIPS) are the most common example of inflation-indexed bonds.

Initial Public Offering (IPO) – the first time an equity securities issue is available for the public to buy.

In-Kind Distribution - a distribution made in the form of a security rather than cash.

Leverage – in investments, this is the control of a large amount of money by a smaller amount of money, such as buying on margin. In finance, this is the relationship of debt to equity on a company's balance sheet in the form of the debt/equity ratio.

Limited Partnership – a partnership with at least one of the partners holding only a limited liability. Commonly utilized in the Private Equity asset class.

Market Cycle or Full Market Cycle – a period of time (typically three to five years) where a market experiences increasing prices (bull market), decreasing prices (bear market), and a return to the original starting point of market strength.

Market Neutral Strategies – a hedge fund strategy that seeks complete avoidance (zero correlation) of market risk. Various forms of hedging strategies are typically employed.

Multi-Strategy Hedge Funds – a hedge fund that invests using a combination of any number of hedge fund strategies.

Proxy – an instrument empowering an agent to vote for a shareholder.

Qualitative Analysis – a subjective analysis of a security, with the judgment not based on financial information, such as that found on a balance sheet or income statement. Instead, the judgment may be based on such issues as labor relations.

Quantitative Analysis – an analysis of a security, with the judgment based on financial information such as that found on a balance sheet or an income statement.

Real Estate Partnerships – investments in private vehicles through limited partnerships or limited liability companies that have an ownership interest in direct real estate properties, whether income-

producing or non-income-producing. This may include “value added” strategies, which derive their return from both income and appreciation, and “opportunistic” strategies which derive their return primarily through appreciation.

Re-balancing – realigning the proportions of assets in a portfolio as needed.

REITs – equity investments in publicly traded securities of a company dedicated to owning and/or operating income-producing real estate, including but not limited to apartments, shopping centers, offices, and warehouses.

Risk – the chance that an investment’s actual return will be different than expected. This includes the possibility of losing some or all of the original investment. Risk is usually measured by calculating the standard deviation of the historical returns.

Separate Account – funds managed on an individual account basis; no pooling with other investors. The client owns the securities.

Short-Term Investments – any fixed income investment with less than one year to maturity.

Split Rating – situation where rating agencies have assigned different ratings to a particular issue or issuer.

Spread – the difference between the bid price and the ask price.

Standard Deviation – a measure of the degree to which an individual probability value varies from the distribution mean. The higher the number, the greater the risk.

Timber Partnership – investments in private vehicles with a focus on the timber industry.

Total Return – interest or dividend income plus any realized or unrealized capital gain (or loss) on an investment, net of any capital contributions or distributions from the corpus.

UPIA – Uniform Prudent Investor Act.

Venture Capital - investments in companies in a range of stages of development from start-up/seed-stage, early stage, and later/expansion stage.

Appendix A: Investment Committee Charter

STATE OF NEW MEXICO STATE INVESTMENT COUNCIL COUNCIL INVESTMENT COMMITTEE CHARTER

Adopted May 25, 2010

Amended January 28, 2020

INTRODUCTION

The Council Investment Committee ("CIC") is a standing subcommittee of the State Investment Council ("SIC"). The CIC is charged with reviewing and making recommendations to the SIC on all investment related matters.

This Charter outlines the roles and responsibilities of the CIC and its members.

ROLE

The CIC assists the State Investment Council in fulfilling its responsibility to oversee prudent investment of the funds subject to its oversight in accordance with the Uniform Prudent Investor Act. All recommendations of the CIC are subject to approval by the SIC.

The CIC and its members shall be fiduciaries and shall make recommendations in compliance with the investment policies adopted by the SIC.

MEMBERSHIP

All members of the CIC shall be appointed by the SIC. The CIC's membership shall consist of at least five members, three of which shall be members of the SIC and in no case shall the CIC consist of more than five members of the SIC. Members shall be qualified by competence and experience in the field of investment or finance.

The SIC shall elect a Chair every three years from among the members of the CIC and may elect other officers as necessary.

A CIC member shall recuse him or herself if any recommendation, action, or decision of the CIC will, or is likely to result in direct, or indirect, measurable economic gain to that person or that person's employer or family member. In addition, members are required to disclose potential conflicts or situations that might create the appearance of a conflict.

MEETINGS

The CIC shall meet as needed, but no less frequently than quarterly, upon the call of the Chair or the State Investment Officer.

RESPONSIBILITIES

The CIC's principal responsibilities are to ensure that funds managed by the SIC are managed in accordance with the Uniform Prudent Investor Act for the benefit of the citizens of the State of New Mexico. Specific responsibilities include:

- a. Formulating and recommending investment policies and guidelines regarding asset classes, asset allocation targets and ranges and prohibited investments.
- b. Formulating and recommending return objectives and benchmarks for the fund as a whole and for individual asset classes.
- c. Reviewing and recommending the retention or termination of any investment consultant.
- d. Reviewing and recommending the investment, reinvestment, redemption or termination of funds managed by the SIC, including the retention or termination of any investment manager, securities lending agent, or transition recapture agent.
- e. Evaluating investment performance of funds overseen by the SIC based on a comparison of actual returns with the SIC's return objectives, benchmarks and relevant external peer groups.
- f. Periodically reviewing the rebalancing activities undertaken by the State Investment Office staff.
- g. The adequacy of this Charter will be reviewed at least every three years.
- h. Attending to such other matters as the SIC may from time to time request.

Appendix B: Environmental, Social and Governance Policy

STATE OF NEW MEXICO

STATE INVESTMENT COUNCIL

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Adopted August 24, 2021

1. Introduction and Statement of Purpose

The New Mexico State Investment Council (“the Council”), as part of its oversight of the New Mexico State Investment Office (“SIO”) adopts this *Environmental, Social, and Governance Policy* (“ESG Policy”) to establish guidelines for incorporation of environmental, social, and governance (“ESG”) considerations into the process applied by the SIO, the SIO staff, and the Council in connection with the management of the investments in the New Mexico Permanent Funds (“the Funds”).

2. ESG Considerations

ESG considerations may encompass a wide range of factors, such as but not limited to:

- **Environmental considerations:** how a fund or its investments performs as environmental stewards (energy efficiency, waste management, pollution, natural resource conservation, climate change, sustainability, water usage, consumer protection, biodiversity, deforestation, environmental risks, and treatment of animals)
- **Social criteria:** how a fund or its investments manages relationships with employees, vendors, stakeholders and locales in which they operate (business relationships, vendors' values, ethics, philanthropy, employee engagement, community relations, volunteerism, labor standards/working conditions, employee health & safety, gender, diversity, equity & inclusion, human rights, customer satisfaction, data protection & privacy)
- **Governance matters:** how a fund and the entities in which it invests handles leadership, compensation, audits/audit committee structure, internal controls and investor rights (accurate and transparent accounting techniques, limited partner committee roles, conflict of interest policies, avoidance of corruption & other illegal practices, board composition, & proper government relations/lobbying & political contributions standards)

3. Fiduciary Responsibility

The fiduciary responsibility of the SIO and Council, as described in the Investment Policy Statement, is to preserve the Funds for future generations and to provide future benefits by growing the Funds at a rate at least equal to inflation. The SIC seeks to manage the Funds such that future generations of New Mexicans receive the same or greater benefits as current

beneficiaries, while maximizing current distributions through time to provide current revenue sources to the state's educational system and the General Fund.

4. Implementation and Consistency with Fiduciary Responsibility

NMSIC has a long-term investment horizon and recognizes that the successful management of the Funds is linked to global economic growth. Consistent with its fiduciary responsibilities, the SIO seeks to invest in entities that strive for long-term sustainability in their operations. As such, in investing and managing the assets of the Funds, the SIO will consider ESG factors which can present material business risks or opportunities. ESG considerations will be integrated into all asset classes through investment manager due diligence conducted by the SIO and the Council's consultants. In addition, an analysis of an investment manager's overall ESG approach and the manager's written ESG policies can be conducted by using the following:

- For private partnership fund investments, the Institutional Limited Partners Association (ILPA) which publishes and updates a due diligence questionnaire template that may act as a contemporary guide to such analysis; and
- For publicly-traded investments, ESG considerations will be incorporated into the proxy voting process for both actively managed and passive accounts, as applicable.

This ESG Policy and its implementation shall be subject at all times to applicable law and to the fiduciary duties of the SIO and the Council, including without limitation the duty to manage and invest the assets solely in the interest of beneficiaries and for the exclusive benefit of providing financial benefits to the beneficiaries of the assets.

5. In implementing this ESG policy, the SIO may take any or all of the following actions, to the extent applicable and deemed appropriate, subject to the fiduciary duties required:
- consult with the Council with respect to ESG issues
 - recommend policies and strategies to the Council
 - consult with external investment consultants
 - oversee the retention of third-party proxy voting and scoring systems
 - keep the Council informed of on-going implementation activities

New Mexico Retiree Healthcare Authority

**Governmental Accounting Standards Board Statement No. 74
Actuarial Valuation of Other Postemployment Benefits (OPEB)
Measured as of June 30, 2025**



This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

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Segal

November 24, 2025

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 Governmental Accounting Standards Board Statement No. 74 (GASB 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) Measured as of June 30, 2025 for New Mexico Retiree Healthcare Authority. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Liability (NOL), and analyzes the preceding year's experience.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Trustees. 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 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: 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.

The actuarial calculations were completed under the supervision of Mehdi Riazi, FSA, MAAA, FSA, EA . The undersigned actuaries are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the Plan and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

Sincerely,

Segal



Deborah Donaldson
Senior Vice President & West Health Practice Leader



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

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents the results of our actuarial valuation of New Mexico Retiree health Care Authority (“NMRHCA”) OPEB plan as of June 30, 2025, 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, as administered by NMRHCA;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of June 30, 2025 (captured as of January 1, 2025, with service increased by half year from census date to valuation date), provided by NMRHCA;
- The assets of the Plan as of June 30, 2025, provided by NMRHCA;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2025 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc. adopted by the Board for the June 30, 2025 valuation.

Highlights of the valuation

Accounting and financial reporting

- For GASB 74 reporting as of June 30, 2025, the Net OPEB Liability (NOL) was measured as of June 30, 2025. The Plan’s Fiduciary Net Position (plan assets) and the Total OPEB Liability (TOL) were valued as of the measurement date.

Section 1: Actuarial Valuation Summary

- The NOL as of June 30, 2025 is \$1.557 billion, a decrease of \$228 million, from the prior valuation NOL of \$1.785 billion. Based on the actual FYE25 contributions and benefit payments, the NOL was expected to be \$1.730 billion as of June 30, 2025. The actual NOL was \$173 million lower than expected due to the following factors:
 - The plan's non-investment experience decreased the TOL by \$179 million. The main driver of the demographic savings was lower retiree participation compared to expected.
 - A 10.43% rate of investment return during FYE25 exceeded the 7.00% beginning of year assumption by 3.43%, resulting in an investment gain of \$56 million.
 - A \$43 million savings (1.3% of TOL) from change of benefit terms was due to the changes to the MAPD plans. Note, the impact of these changes was based on a comparison of the expected MAPD premiums from last year's valuation to the actual 2025 premiums.
 - Assumption changes increased the TOL by \$105 million. The main assumption changes were the new methodology for calculating retiree contributions based on the premium schedules instead of estimated claims costs (+\$136M), updates to starting costs and trend (+\$85M), offset by the increase to the rate of return assumption from 7.00% to 7.25% (-\$102M), and the new ERB and PERA demographic assumptions (-\$14M).
- The ratio of assets to the TOL, or funded ratio, increased from 47.0% as of June 30, 2024 to 54.5% as of June 30, 2025. Based on the actual FYE25 contributions and benefit payments, the funded ratio was expected to increase by 4.1% to 51.1%. The actual funded ratio was 3.4% higher than expected due to the same factors affecting the NOL described above.
- The discount rates used to determine the TOL and NOL as of June 30, 2025 and 2024 were 7.25% and 7.00%, respectively. The detailed projection used to determine the discount rate of 7.25% used in the calculation of the TOL and NOL as of June 30, 2025 can be found in Appendix D. Various other information that is required to be disclosed can be found in Section 2.
- The discount rate used in the valuation for financial disclosure purposes as of June 30, 2025 is the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2025 valuation). Plan assets, when projected in accordance with the method prescribed by GASB 74, are expected to be sufficient to make all benefit payments to current Plan members.

Funding (pay-as-you-go)

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

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Valuation Result	Current	Prior
Measurement date	June 30, 2025	June 30, 2024
Disclosure elements:		
• Total OPEB Liability	\$3,422,408,572	\$3,366,766,868
• Plan Fiduciary Net Position (Assets)	1,865,731,998	1,581,966,829
• Net OPEB Liability	1,556,676,574	1,784,800,039
• Plan Fiduciary Net Position as a percentage of Total OPEB Liability	54.52%	46.99%
• Service cost	74,114,233	76,343,178
• Total payroll	6,246,364,057	5,609,136,993
Schedule of contributions:		
• Statutorily required contributions	\$135,613,388	\$127,360,721
• Actual contributions	135,613,388	127,360,721
• Contribution deficiency / (excess)	0	0
• Benefit payments	137,952,593	112,914,181
Demographic data:		
• Retired members, beneficiaries and married dependents currently receiving benefits	50,813	52,978
• Vested terminated members entitled to but not yet receiving benefits	14,005	12,552
• Active members	98,861	93,595

Section 1: Actuarial Valuation Summary

Valuation Result	Current	Prior
Key assumptions:		
• Discount rate	7.25%	7.00%
• Participation	60% if 15 or more years of service; 50% if less than 15 years of service	60% if 15 or more years of service; 50% if less than 15 years of service
• Health care trend rates		
– Non-Medicare	8.50% graded down to an ultimate of 4.50% over 16 years	8.00% graded down to an ultimate of 4.50% over 14 years
– Medicare supplement	8.25% graded down to an ultimate of 4.50% over 15 years	8.50% in 2023/2024, then 21.99% in 2024/2025, then 8.00% graded down to an ultimate of 4.50% over 14 years
– Medicare advantage	First year trend based on actual premium increases, then 6.00% in 2026/2027 through 2032/2033, then graded down to an ultimate of 4.50% over 6 years	First year trend based on actual premium increases, then 21.99% in 2024/2025, then 8.00% in 2025/2026 graded down to an ultimate of 4.50% over 14 years
– Administrative costs	2.50%	2.50%

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a tool to measure 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:

Input Item	Description
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 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 June 30, 2025 market value of assets, as provided by NMRHCA on November 6, 2025.
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

Section 1: Actuarial Valuation Summary

Input Item	Description
	significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Models	<p>Segal valuation results are based on proprietary actuarial modeling software. The 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.</p> <p>The blended discount rate used for calculating Total OPEB Liability is based on a model developed by our Actuarial Technology and Systems unit. 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.</p> <p>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.</p>

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 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.
- 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 may include actuarial results that are shown to the nearest dollar, 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.

Section 1: Actuarial Valuation Summary

- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. NMRHCA should look to their other advisors for expertise in these areas.
- If 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.
- 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 NMRHCA upon delivery and review. NMRHCA should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 74 Information

General information about the OPEB plan

Plan administration. 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 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.

Plan membership. At June 30, 2025 (captured as of January 1, 2025, with service increased by half year from census date to valuation date), Plan membership consisted of the following:

Membership	Medical
Retired members, beneficiaries and married dependents currently receiving benefits	50,813
Vested terminated members entitled to but not yet receiving benefits	14,005
Active members	98,861
Total	163,679

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.

Section 2: GASB 74 Information

Exhibit A: Net OPEB Liability

Components of the Net OPEB Liability	Current	Prior
Measurement date	June 30, 2025	June 30, 2024
Total OPEB Liability	\$3,422,408,572	\$3,366,766,868
Plan Fiduciary Net Position	1,865,731,998	1,581,966,829
Net OPEB Liability	1,556,676,574	1,784,800,039
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	54.52%	46.99%

The Net OPEB Liability was measured as of June 30, 2025 and 2024. 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, 2025 and 2023, respectively.

Actuarial assumptions. The Total OPEB Liability was measured by an actuarial valuation as of June 30, 2025 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumption Type	Assumption
Inflation	ERB: 2.30% PERA: 2.50%
Salary increases	ERB: Ranges from 3.40% to 9.40% based on years of service, including inflation PERA: Ranges from 3.25% to 11.50% based on years of service, including inflation
Discount rate	7.25%
Participation	60% if 15 or more years of service; 50% if less than 15 years of service
Health care cost trend rates	
• Non-Medicare	8.50% graded down to 4.50% over 16 years
• Medicare supplement	8.25% graded down to 4.50% over 15 years
• Medicare advantage	First year trend based on actual premium increases, then 6.00% in 2026/2027 through 2032/2033, then graded down to 4.50% over 6 years.
• Administrative costs	2.50%

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, 2024, and the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2024.

Detailed information regarding all actuarial assumptions can be found in Appendix B.

Section 2: GASB 74 Information

Exhibit B: 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
U.S. Equity Large Cap	19.00%	5.90%
U.S. Equity SMID Cap	3.00%	6.70%
Non-U.S. Equity Large Cap	12.00%	6.20%
Non-U.S. Equity SMID Cap	3.00%	7.40%
Private Equity	11.00%	9.65%
Public Credit	5.00%	1.10%
Private Credit	12.00%	6.10%
Investment Grade (Core) Bonds	20.00%	1.90%
Real Estate	10.00%	3.50%
Real Return	5.00%	4.00%
Total	100.00%	

Rate of return. For the June 30, 2025 valuation, the annual rate of return on investments, net of investment expense, was assumed to be 7.25%. The rate of return assumption was 7.00% for the June 30, 2024 measurement.

Municipal bond rate. 5.20% and 3.93% based on the 20-year municipal bond rate for the Bond buyer GO index as of June 30, 2025 and June 30, 2024, respectively.

Section 2: GASB 74 Information

Discount rate. The discount rates used to measure the Total OPEB Liability (TOL) were 7.25% and 7.00% as of June 30, 2025 and June 30, 2024, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutorily determined contribution rates. 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 Plan Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2025 and June 30, 2024.

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

Section 2: GASB 74 Information

Exhibit C: Discount rate and trend sensitivity

The following presents the NOL of NMRHCA as well as what NMRHCA's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate. Also, shown is the NOL as if it were calculated using health care cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates.

Item	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability (Asset)	\$1,996,155,284	\$1,556,676,574	\$1,190,599,579

Item	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)	\$1,157,265,150	\$1,556,676,574	\$2,045,917,424

Section 2: GASB 74 Information

Exhibit D: Schedule of changes in Net OPEB Liability

Components of the Net OPEB Liability	Current	Prior
Measurement date	June 30, 2025	June 30, 2024
Total OPEB Liability		
Service cost	\$74,114,233	\$76,343,178
Interest	236,114,998	190,978,881
Change of benefit terms	(43,364,912)	(13,121,991)
Differences between expected and actual experience	(178,597,429)	(30,797,837)
Changes of assumptions	105,327,407	206,616,516
Benefit payments ¹	(137,952,593)	(112,914,181)
Net change in Total OPEB Liability	\$55,641,704	\$317,104,566
Total OPEB Liability – beginning	3,366,766,868	3,049,662,302
Total OPEB Liability – ending	\$3,422,408,572	\$3,366,766,868
Plan Fiduciary Net Position		
Contributions – employer	\$135,613,388	\$127,360,721
Contributions – employee	67,806,694	63,680,360
Net investment income	170,948,030	115,178,207
Benefit payments, including refunds of member contributions	(137,952,593)	(112,914,181)
Administrative expense	(3,699,016)	(3,518,022)
Other ²	51,048,666	45,453,097
Net change in Plan Fiduciary Net Position	\$283,765,169	\$235,240,182
Plan Fiduciary Net Position – beginning	1,581,966,829	1,346,726,647
Plan Fiduciary Net Position – ending	\$1,865,731,998	\$1,581,966,829
Net OPEB Liability		
Net OPEB Liability – ending	\$1,556,676,574	\$1,784,800,039
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	54.52%	46.99%
Covered payroll	\$6,246,364,057	\$5,609,136,993
Plan Net OPEB Liability as percentage of covered payroll	24.92%	31.82%

¹ For measurement date June 30, 2025, this category equals Premium and claims paid (\$356,344,566) offset by the sum of Retiree contributions (\$168,874,082) and Medicare Part D subrogation and rebates (\$49,517,891). For measurement date June 30, 2024, this category equals Premium and claims paid (\$328,748,749) offset by the sum of Retiree contributions (\$174,823,355) and Medicare Part D subrogation and rebates (\$41,011,213).

² For measurement date June 30, 2025, this category equals sum of Employer buy-ins interest portion (\$43,426) and Tax administration suspense fund revenue (\$51,825,124) offset by the sum of Refunds to retirees (\$330,936), Depreciation expense (\$408,226), and adjustment for updated June 30, 2024 plan fiduciary net position (\$80,722). For measurement date June 30, 2024, this category equals sum of Employer buy-ins interest portion (\$46,629) and Tax administration suspense fund revenue (\$46,272,433) offset by the sum of Refunds to retirees (\$457,540) and Depreciation expense (\$408,425).

Section 2: GASB 74 Information

Notes to Schedule:

Benefit changes:

- BCBS offers a Medicare Advantage PPO plan in addition to its Medicare Advantage HMO plan. Humana, Presbyterian and United Healthcare each consolidated their Medicare Advantage offerings into one plan option.

Changes of assumptions:

- The methodology for calculating retiree contributions was updated to be based on RHCA's premium schedules instead of estimated claims costs. For the self-insured plans, underlying claims costs have increased faster than retiree premiums in recent years. As a result, applying the retiree cost-sharing percentages to the underlying claims estimates was overstating the expected retiree contributions. This change increased the TOL.
- The valuation-year per capita health care costs and retiree contributions, and their corresponding trend rates were updated. These changes increased the TOL.
- The expected long-term rate of investment return was updated from 7.00% to 7.25%. This change decreased the TOL.
- The demographic and salary scale assumptions were updated based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2024 and the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2024. These changes slightly decreased the TOL.

Section 2: GASB 74 Information

Exhibit E: Schedule of employer contributions

Year Ended June 30	Statutorily Determined Contributions	Contributions in Relation to the Statutorily Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$85,858,432	\$85,858,432	\$0	\$4,165,647,340	2.06%
2018 ¹	85,401,662	85,401,662	0	4,290,616,760	1.99%
2019	88,516,369	88,516,369	0	4,172,928,635	2.12%
2020 ²	96,503,837	96,503,837	0	4,298,116,494	2.25%
2021	96,585,103	96,585,103	0	4,614,243,876	2.09%
2022	101,585,358	101,585,358	0	4,745,115,641	2.14%
2023	114,542,451	114,542,451	0	4,952,012,764	2.31%
2024	127,360,721	127,360,721	0	5,609,136,993	2.27%
2025	135,613,388	135,613,388	0	6,246,364,057	2.17%

The information provided in this table aligns with the requirements for cost-sharing plans with statutorily required contribution rates; see paragraph 36.c.2 of GASB Statement No. 74.

¹ Covered payroll was rolled forward from the June 30, 207, at 3.00% assumed payroll increases using a member-weighted average of PERA and ERB payroll growth rates rounded to the nearest 0.25%.

² Covered payroll was projected forward from June 30, 2019, valuation at 3.00% assumed payroll increases for PERA and ERB.

Appendices

Appendix A: Summary of participant data

As of June 30, 2025

Statistic	Amount
Number of retirees	37,631
Average age of retirees	73.06
Number of spouses	10,801
Average age of spouses	72.02
Number of surviving spouses	2,381
Average age	81.16
Number inactive vested	14,005
Average age	51.81
Number of actives	98,861
Average age	44.86
Average service	9.56

Appendices

Appendix B: Statement of actuarial assumptions, methods and models

Data

Detailed census data, premium data and/or claim experience, and summary plan descriptions for OPEB 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.

Actuarial cost method

Entry Age Normal

Asset valuation method

Fair Value. The assets as of June 30, 2025 were based on financial statements provided by NMRHCA on November 6, 2025.

Measurement date

June 30, 2025

Actuarial valuation date

June 30, 2025

Census date

January 1, 2025, with service amounts for active employees adjusted to June 30, 2025

Discount rate

7.25%

Appendices

Payroll increase:

2.80% assumed payroll increased for ERB.

3.00% assumed payroll increase for PERA.

ERB salary increases (%)

Salary increases occur in recognition of (i) inflation rate of 2.30% plus (ii) productivity increase rate of 1.10% plus (iii) step-rate/promotional as shown:

Years of Service	Annual Step-Rate/Promotional Component Rates of Increase	Total Annual Rate of Increase
0	6.00	9.40
1	3.75	7.15
2	3.25	6.65
3	2.75	6.15
4	2.25	5.65
5	2.00	5.40
6	1.75	5.15
7	1.25	4.65
8	1.00	4.40
9	0.75	4.15
10-11	0.50	3.90
12-14	0.25	3.65
15 and over	0.00	3.40

Appendices

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:

Attributed to	State General	State Police and Corrections ¹	Municipal General	Municipal Police	Municipal Fire
General Increase in Wage Level Due to					
Inflation	2.50	2.50	2.50	2.50	2.50
Productivity	0.75	0.75	0.75	0.75	0.75
Increase Due to Merit/Longevity					
Service Years					
0	5.00	8.25	3.25	8.00	7.50
1	4.00	7.25	2.75	8.00	7.50
2	3.75	6.25	2.50	6.50	6.00
3	3.25	5.25	2.25	5.00	4.50
4	2.75	4.75	2.00	3.50	3.00
5	2.00	3.25	1.75	3.00	2.50
6	2.00	2.50	1.25	2.75	2.25
7	2.00	2.50	1.25	2.50	2.00
8	2.00	2.50	1.25	2.25	1.75
9	1.75	2.50	1.25	2.00	1.50
10	1.50	1.75	0.75	1.75	1.25
11	1.50	1.75	0.75	1.00	1.00
12	1.00	1.25	0.50	1.00	1.00
13	1.00	1.25	0.50	1.00	1.00
14	0.50	1.25	0.50	1.00	1.00
15	0.50	1.25	0.50	1.00	1.00
16	0.50	1.25	0.25	1.00	1.00
17	0.25	1.25	0.25	1.00	1.00
18	0.25	1.25	0.25	1.00	1.00
19	0.25	1.25	0.25	1.00	1.00
20 and over	0.00	1.25	0.00	1.00	1.00

¹ The State Police and Corrections subgroups 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.

Appendices

Demographic assumptions

The demographic assumptions used in this valuation (including mortality, disability, turnover, retirement, percent married and relative ages of spouses) are based on:

- For PERA, the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2024.
- For ERB, the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2024

ERB mortality rates

Post-Retirement Healthy: 2021 TRS of Texas Healthy Pensioner Mortality Table (separate tables for males and females), set back one year for males. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2021.

Post-Retirement Disabled: 2021 TRS of Texas Healthy Pensioner Mortality Table (separate tables for males and females), set forward two years for males with minimum rates at all ages of 4.0% for males and set forward three years with minimum rates at all ages of 2.0% for females. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2021.

Pre-Retirement: Pub-2010 Teachers Active Employee Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010.

These mortality tables were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2024 ERB pension valuation.

Appendices

ERB termination rates (%)

Completed Years of Service	Male	Female
0	26.0	24.0
1	22.0	20.0
2	18.0	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	7.0	7.0
9	6.2	6.0
10	5.3	5.3
11	4.6	4.5
12	4.0	4.2
13	3.4	3.5
14	3.1	3.0
15	2.5	2.7
16	2.2	2.5
17	2.0	2.0
18	1.8	1.8
19 and over	0.0	0.0

Rates are not applied after the member is eligible for reduced or unreduced retirement benefits.

Appendices

ERB disability rates (%)

Age	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 retirement rates (%)

Hired Before July 1, 2010
Males

Age	0-4 Years of Service	5-9 Years of Service	10-14 Years of Service	15-19 Years of Service	20-24 Years of Service	25 Years of Service	26+ Years of Service
45	0	0	0	0	0	25	18
50	0	0	0	0	0	25	18
55	0	0	0	0	7	20	18
60	0	0	0	17	17	25	21
62	0	0	25	17	17	25	21
65	0	40	35	30	30	25	25
67	0	25	25	25	25	25	25
70	100	100	100	100	100	100	100

Appendices

Females

Age	0-4 Years of Service	5-9 Years of Service	10-14 Years of Service	15-19 Years of Service	20-24 Years of Service	25 Years of Service	26+ Years of Service
45	0	0	0	0	0	25	12
50	0	0	0	0	0	25	15
55	0	0	0	0	6	25	20
60	0	0	0	20	15	25	25
62	0	0	25	25	25	30	25
65	0	28	28	28	25	35	35
67	0	28	28	28	25	35	25
70	100	100	100	100	100	100	100

Hired On or After July 1, 2010

Males

Age	15-19 Years of Service	20-24 Years of Service	25-29 Years of Service
55	0	0	7
60	0	17	17
62	17	17	17
65	30	30	30

Appendices

Females

Age	15-19 Years of Service	20-24 Years of Service	25-29 Years of Service
55	0	0	6
60	0	15	15
62	25	25	25
65	28	25	25

PERA mortality rates

Post-Retirement Healthy: PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Tables, Below Median Income, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Post-Retirement Disabled: PUB-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality tables, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Pre-Retirement: PUB-2010 General Employees Headcount-Weighted Mortality tables, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

These mortality tables were determined so as to reasonably reflect future mortality improvement, based on the June 30, 2023, PERA pension valuation.

Appendices

PERA termination rates (%)

Service Years	State General (Male)	State General (Female)	Municipal General (Male)	Municipal General (Female)	State Police/ Corrections	Municipal Detention	Municipal Police	Municipal Fire
0	24.00	24.00	28.00	27.00	23.00	38.00	20.00	12.50
1	19.00	21.00	21.00	21.00	16.00	26.00	14.00	10.00
2	15.00	16.00	16.00	17.00	14.00	20.00	9.70	8.00
3	12.00	13.00	12.00	14.00	12.00	16.00	9.50	7.50
4	10.00	11.00	10.00	12.00	10.00	15.00	8.00	6.00
5	9.00	10.00	9.00	10.00	8.00	10.00	6.80	5.00
6	8.00	8.00	8.00	8.00	8.00	12.00	5.25	4.20
7	7.00	8.00	7.00	7.00	7.00	10.00	5.15	3.30
8	6.00	7.00	6.00	6.00	5.00	10.00	3.50	2.75
9	5.00	6.00	5.00	6.00	5.00	7.00	3.50	2.50
10	4.00	5.00	5.00	5.00	5.00	6.00	3.50	2.50
11	4.00	4.00	4.00	5.00	6.00	8.00	3.50	2.50
12	4.00	4.00	4.00	5.00	5.00	7.00	3.50	2.25
13	4.00	4.00	4.00	5.00	5.00	6.00	3.50	2.25
14	4.00	4.00	4.00	4.00	4.00	6.00	3.50	2.00
15	4.00	3.50	4.00	4.00	3.00	6.00	3.50	2.00

Appendices

PERA disability rates (%)

Age	State General (Male)	State General (Female)	State Police and Corrections ¹	Municipal General (Male)	Municipal General (Female)	Municipal Police	Municipal Fire
25	0.02	0.02	0.09	0.03	0.03	0.01	0.02
30	0.04	0.03	0.11	0.05	0.03	0.01	0.02
35	0.06	0.05	0.14	0.07	0.03	0.06	0.02
40	0.11	0.10	0.19	0.10	0.06	0.13	0.09
45	0.19	0.18	0.32	0.15	0.13	0.21	0.09
50	0.33	0.35	0.63	0.24	0.23	0.34	0.40
55	0.46	0.55	0.98	0.39	0.35	0.55	0.40
60	0.59	0.66	1.32	0.48	0.46	0.88	1.41
65	0.60	0.66	1.32	0.49	0.53	1.30	1.41

¹ The State Police and Corrections subgroups 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.

Appendices

PERA retirement rates (%)

Service Years	State General (Male)	State General (Female)	Municipal General (Male)	Municipal General (Female)
Service-Based Rates – Tier 1				
25	0.40	0.40	0.40	0.40
26	0.25	0.30	0.30	0.25
27	0.25	0.30	0.30	0.25
28	0.25	0.30	0.30	0.25
29	0.25	0.30	0.30	0.25
30	0.50	0.50	0.50	0.50
31	0.50	0.50	0.50	0.50
32	0.50	0.50	0.50	0.50
33	0.50	0.50	0.50	0.50
34	0.50	0.50	0.50	0.50
35 and over	0.50	0.50	0.50	0.50
Service-Based Rates – Tier 2				
36 and over	0.50	0.50	0.50	0.50
Age-Based Rates– applicable under 25 years (36 years) of service for Tier 1 (Tier 2)				
60	0.30	0.30	0.20	0.20
61	0.20	0.30	0.20	0.20
62	0.20	0.30	0.20	0.20
63	0.20	0.30	0.20	0.20
64	0.20	0.30	0.20	0.20
65	0.30	0.30	0.20	0.20
66	0.30	0.30	0.20	0.20
67	0.30	0.30	0.20	0.20
68	0.25	0.20	0.20	0.20
69	0.25	0.20	0.20	0.20
70 and over	0.25	0.20	0.20	0.20

100% retirement assumed at age 80 regardless of service.

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Service Years	State Police/ Corrections	Municipal Police (Plans 1-2)	Municipal Fire (Plans 1-2)
Service-Based Rates – Tier 1 and Tier 2			
25	0.40	0.35	0.25
26	0.30	0.35	0.25
27	0.30	0.35	0.25
28	0.30	0.35	0.25
29	0.30	0.35	0.25
30	0.50	0.35	0.25
31	0.50	0.35	0.25
32	0.50	0.35	0.25
33	0.50	0.35	0.25
34	0.50	0.35	0.25
35 and over	0.50	0.35	0.25
Age-Based Rates– applicable under 25 years of service			
60	0.30	0.25	0.20
61	0.20	0.25	0.20
62	0.20	0.25	0.20
63	0.20	0.25	0.20
64	0.20	0.25	0.20
65	0.30	0.25	0.20
66	0.20	0.25	0.20
67	0.20	0.25	0.20
68	0.20	0.25	0.20
69	0.20	0.25	0.20

100% retirement assumed at age 70 regardless of service.

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Service Years	Municipal Police (Plans 3-5)	Municipal Fire (Plans 3-5)
Service-Based Rates – Tier 1		
20	0.35	0.25
21	0.35	0.25
22	0.35	0.25
23	0.35	0.25
24	0.35	0.25
25	0.35	0.25
26	0.50	0.50
27	0.50	0.50
28	0.50	0.50
29	0.50	0.50
30 and over	0.50	0.50
Service-Based Rates – Tier 2		
25	0.35	0.25
26	0.35	0.25
27	0.35	0.25
28	0.35	0.25
29	0.35	0.25
30	0.50	0.50
31	0.50	0.50
32	0.50	0.50
33	0.50	0.50
34	0.50	0.50
35 and over	0.50	0.50
Age-Based Rates– applicable under 20 years (25 years) of service for Tier 1 (Tier 2)		
60	0.25	0.20
61	0.25	0.20
62	0.25	0.20
63	0.25	0.20
64	0.25	0.20
65	0.25	0.20
66	0.25	0.20
67	0.25	0.20
68	0.25	0.20
69	0.25	0.20

100% retirement assumed at age 70 regardless of service

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Unknown data for participants

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be female. 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.

Participation and coverage 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	25

Medicare Plan	Medical Election Rate (%)
BCBS Medicare Supplement	49
BCBS Medicare Advantage	12
Humana Medicare Advantage	5
Presbyterian Medicare Advantage	22
United Healthcare Medicare Advantage	12

For BCBS Medicare Advantage, 66% are assumed to elect HMO option and 34% are assumed to elect PPO option.

Dependents

Demographic data was available for spouses of current retirees.

Of those future male retirees who elect to continue their health coverage at retirement, 35% were assumed to have an eligible female spouse who also opts for health coverage at that time and who is 2 years younger.

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Of those future female retirees who elect to continue their health coverage at retirement, 30% were assumed to have an eligible male spouse who also opts for health coverage at that time and who is 2 years older.

Administrative expenses

- Non-Medicare: \$465/year
- Medicare Supplement: \$440/year
- Medicare Advantage: \$81/year

The administrative expenses were assumed to increase by 2.50% in 2025/2026 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, 2022 through March 31, 2025 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.

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Per capita health costs

Annual medical and drug claims costs for the 2025/2026 plan year, excluding assumed expenses were developed actuarially for retirees and spouses at select ages and are shown in the table below. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Premier Non-Medicare Male	Premier Non-Medicare Female	Value Non-Medicare Male	Value Non-Medicare Female
50	\$13,390	\$14,139	\$9,801	\$10,349
55	15,110	15,349	11,060	11,235
60	17,397	16,639	12,734	12,179
64	21,143	18,063	15,476	13,222

Non-Medicare costs include non-Medicare drug rebates.

Age	BCBS Medicare Supplemental Male	BCBS Medicare Supplemental Female	United Healthcare Medicare Advantage Male	United Healthcare Medicare Advantage Female	BCBS Medicare Advantage Male	BCBS Medicare Advantage Female
65	\$4,495	\$3,733	\$2,053	\$1,705	\$171	\$142
70	5,049	4,177	2,306	1,908	192	159
75	5,577	4,391	2,547	2,005	212	167
80	5,840	4,687	2,667	2,141	222	178

Age	Presbyterian Medicare Advantage Male	Presbyterian Medicare Advantage Female	Humana Medicare Advantage Male	Humana Medicare Advantage Female
65	\$2,271	\$1,886	\$1,300	\$1,080
70	2,551	2,110	1,460	1,208
75	2,818	2,218	1,613	1,270
80	2,950	2,368	1,689	1,355

BCBS Medicare Supplemental costs include Medicare drug rebates & EGWP revenue. BCBS Medicare Advantage costs based on 66% HMO and 34% PPO participation.

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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. The trend rates shown below are composite rates, representing a weighted average of medical and drug cost increases. Separate medical and drug trend rates were analyzed when developing these composite rates.

Year Beginning June 30	All Non-Medicare Plans	BCBS Medicare Supplement Plan	BCBS Medicare Advantage	Humana Medicare Advantage	Presbyterian Medicare Advantage	United Healthcare Medicare Advantage
2025	8.50	8.25	3.00	35.25	3.00	24.64
2026	8.25	8.00	6.00	6.00	6.00	6.00
2027	8.00	7.75	6.00	6.00	6.00	6.00
2028	7.75	7.50	6.00	6.00	6.00	6.00
2029	7.50	7.25	6.00	6.00	6.00	6.00
2030	7.25	7.00	6.00	6.00	6.00	6.00
2031	7.00	6.75	6.00	6.00	6.00	6.00
2032	6.75	6.50	6.00	6.00	6.00	6.00
2033	6.50	6.25	5.75	5.75	5.75	5.75
2034	6.25	6.00	5.50	5.50	5.50	5.50
2035	6.00	5.75	5.25	5.25	5.25	5.25
2036	5.75	5.50	5.00	5.00	5.00	5.00
2037	5.50	5.25	4.75	4.75	4.75	4.75
2038	5.25	5.00	4.50	4.50	4.50	4.50
2039	5.00	4.75	4.50	4.50	4.50	4.50
2040	4.75	4.50	4.50	4.50	4.50	4.50
2041 and later	4.50	4.50	4.50	4.50	4.50	4.50

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using data sources such as the 2025 Segal Health Trend Survey, internal client results, 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.

The trend rates shown above apply to both underlying claims costs and the premiums used to determine retiree contribution.

Appendices

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.

Future benefit accruals

1.0 year of service per year.

Former vested retirement age

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

Plan design

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Appendix C.

Assumption changes

- The methodology for calculating retiree contributions was updated to be based on RHCA's premium schedules instead of estimated claims costs. For the self-insured plans, underlying claims costs have increased faster than retiree premiums in recent years. As a result, applying the retiree cost-sharing percentages to the underlying claims estimates was overstating the expected retiree contributions. This change increased the TOL.
- The valuation-year per capita health care costs and retiree contributions, and their corresponding trend rates were updated. These changes increased the TOL.
- The expected long-term rate of investment return was updated from 7.00% to 7.25%. This change decreased the TOL.
- The demographic and salary scale assumptions were updated based on the Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2024 and the Educational Retirement Board (ERB) of New Mexico Actuarial Valuation Report as of June 30, 2024. These changes slightly decreased the TOL.

Appendices

Appendix C: Summary of plan provisions

This appendix 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 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 and 75 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.

Appendices

Duration of coverage

Lifetime.

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 the premium rates for retirees eligible for full subsidies.

FY 2021 & 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 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	Retired on or after July 31, 2021, and Not in Public Safety Pension Plan
	Percent of Full Subsidy Based on Service (%)	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

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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 (%)
22	100.00	85.71
23	100.00	90.48
24	100.00	95.24
25+	100.00	100.00

Monthly 2025 Retiree Premiums Before Subsidy

Plan	Retiree	Spouse
Premier Non-Medicare	\$960.82	\$1,025.80
Value Non-Medicare	750.54	801.25
BCBS Medicare Supplement	491.23	491.23
BCBS Medicare Advantage HMO	0.00	0.00
BCBS Medicare Advantage PPO	45.00	45.00
Humana Medicare Advantage	73.23	73.23
Presbyterian Medicare Advantage	199.49	199.49
United Healthcare Medicare Advantage	141.00	141.00

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.

Appendices

Plan changes

- BCBS offers a Medicare Advantage PPO plan in addition to its Medicare Advantage HMO plan. Humana, Presbyterian and United Healthcare each consolidated their Medicare Advantage offerings into one plan option.

Appendices

Appendix D: Projection of Plan Fiduciary Net Position for use in the calculation of discount rate as of June 30, 2025

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2025	\$1,865,731,998	\$249,365,082	\$167,792,695	\$3,791,491	\$138,085,127	\$2,081,598,021
2026	2,081,598,021	248,353,210	175,353,013	3,962,326	153,418,479	2,304,054,371
2027	2,304,054,371	247,924,332	183,917,414	4,155,850	169,213,543	2,533,118,982
2028	2,533,118,982	247,859,877	194,663,654	4,398,675	185,420,037	2,767,336,567
2029	2,767,336,567	248,077,802	206,205,752	4,659,483	201,980,857	3,006,529,991
2030	3,006,529,991	248,503,733	218,288,263	4,932,503	218,889,932	3,250,702,889
2031	3,250,702,889	249,077,454	233,553,414	5,277,439	236,047,399	3,496,996,889
2032	3,496,996,889	249,753,427	248,850,046	5,623,086	253,361,185	3,745,638,369
2033	3,745,638,369	250,544,984	264,766,328	5,982,735	270,826,384	3,996,260,674
2034	3,996,260,674	251,722,843	280,766,741	6,344,284	288,446,077	4,249,318,569
2054	11,324,301,088	307,609,504	479,696,036	10,839,347	814,380,766	11,955,755,974
2055	11,955,755,974	312,285,499	478,383,510	10,809,689	860,379,404	12,639,227,678
2056	12,639,227,678	317,497,070	474,925,444	10,731,549	910,248,209	13,381,315,964
2057	13,381,315,964	323,165,699	470,668,742	10,635,363	964,412,890	14,187,590,448
2058	14,187,590,448	329,183,752	464,848,591	10,503,850	1,023,301,692	15,064,723,450
2059	15,064,723,450	335,531,786	457,541,283	10,338,732	1,087,394,827	16,019,770,048
2060	16,019,770,048	342,188,459	449,838,736	10,164,683	1,157,162,536	17,059,117,624
2061	17,059,117,624	349,294,188	435,878,275	9,849,228	1,233,290,320	18,195,974,629
2062	18,195,974,629	356,902,500	415,008,190	9,377,642	1,316,761,890	19,445,253,187
2063	19,445,253,187	364,906,368	390,640,327	8,827,019	1,408,528,021	20,819,220,231
2083	85,086,104,069	590,766,659	180,224,970	4,072,414	6,183,477,056	91,676,050,400
2084	91,676,050,400	605,759,104	169,739,805	3,835,488	6,662,180,317	98,770,414,528

Appendices

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Beginning Plan Fiduciary Net Position (f) = (a) + (b) – (c) – (d) + (e)
2085	98,770,414,528	621,175,602	158,910,454	3,590,785	7,177,481,999	106,406,570,890
2086	106,406,570,890	637,028,207	147,814,854	3,340,066	7,732,089,296	114,624,533,472
2087	114,624,533,472	653,329,315	136,554,465	3,085,623	8,328,899,911	123,467,122,610
2088	123,467,122,610	670,091,677	125,237,253	2,829,896	8,971,014,778	132,980,161,916
2089	132,980,161,916	687,328,409	113,971,803	2,575,339	9,661,752,560	143,212,695,744
2090	143,212,695,744	705,053,002	102,873,408	2,324,557	10,404,665,186	154,217,215,966
2091	154,217,215,966	723,279,329	92,054,669	2,080,093	11,203,554,648	166,049,915,182
2092	166,049,915,182	742,021,664	81,634,623	1,844,639	12,062,491,013	178,770,948,597
2116	947,011,284,354	1,391,959,949	34,389	777	68,708,775,389	1,017,111,984,526
2117	1,017,111,984,526	1,429,669,824	18,998	429	73,792,443,705	1,092,334,078,627
2118	1,092,334,078,627	1,468,450,997	10,294	233	79,247,451,668	1,173,049,970,765
2119	1,173,049,970,765	1,508,334,048	5,471	124	85,100,799,787	1,259,659,099,005
2120	1,259,659,099,005	1,549,350,433	2,854	64	91,381,448,525	1,352,589,895,045
2121	1,352,589,895,045	1,591,532,509	1,455	33	98,120,460,390	1,452,301,886,456
2122	1,452,301,886,456	1,634,913,562	721	16	105,351,152,358	1,559,287,951,639
2123	1,559,287,951,639	1,679,527,834	344	8	113,109,259,365	1,674,076,738,486
2124	1,674,076,738,486	1,725,410,546	154	3	121,433,109,667	1,797,235,258,543
2125	1,797,235,258,543	1,772,597,934	61	1	130,363,812,917	1,929,371,669,331
2126	1,929,371,669,331	1,821,127,269	18	0	139,945,461,889	2,071,138,258,471
2127	2,071,138,258,471	1,871,036,895	4	0	150,225,348,826	2,223,234,644,188
2128	2,223,234,644,188	1,922,366,255	1	0	161,254,197,480	2,386,411,207,921
2129	2,386,411,207,921	1,975,155,925	0	0	173,086,411,977	2,561,472,775,823

Appendices

Notes

- Amounts may not total exactly due to rounding.
- For brevity of presentation, years 2035-2053, 2064-2082, 2093-2115, and beyond 2129 have been omitted from this table.
- Column (b): Projected total contributions are calculated as fixed percentages of payroll plus the Pension Tax Revenue and offset by new entrant normal cost. Contributions are assumed to occur halfway through the year on average.
- 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, 2025.
- Column (d): Projected administrative expenses are attributable to the current membership and are calculated as approximately 2.3% of the projected benefit payments amount. The 2.3% portion was based on the projected fiscal year 2025-2026 administrative expenses as a percentage of the projected fiscal year 2025-2026 benefit payments amount. Administrative expenses are assumed to occur halfway through the year, on average. The approach for projecting administrative fees was changed from using a percentage of the beginning of year assets to using a percentage of projected benefit payments. We believe the new approach is more consistent with the examples provided by GASB, which only include administrative fees attributable to current plan members.
- Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum and reflect the assumed timing of benefit payments made at the beginning of each month.
- As illustrated in this Appendix, the OPEB Plan's Fiduciary Net Position is projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2025 shown earlier in this report, pursuant to Paragraph 49 of GASB Statement No. 74.

Appendices

Appendix E: Definition of terms

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

Term	Definition
Statutorily 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: <ul style="list-style-type: none"> 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 retirees; 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: <ul style="list-style-type: none"> a. the actuarial present value of projected benefit payments projected to be funded by plan assets using a long term rate of return, and b. the actuarial present value of projected benefit payments that are not included in (a) 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.
Health care 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:	Fair 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:	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement No. 75.
Valuation date:	The date at which the actuarial valuation is performed.

5952184v2/05496.019

Retiree Health Care Authority Act

Village of Taos Ski Valley Program Participation (Action Item)

Background

The New Mexico Retiree Health Care Authority (NMRHCA) and the Village of Taos Ski Valley have been in communication regarding the Village's potential participation in the Retiree Health Care Authority as of October 20, 2025. The Village's Governing Body met on November 19, 2025, and voted in favor of participating in the Retiree Health Care programs beginning January 1, 2025.

Pursuant to Section 10-7C-9(F) NMSA 1978 and 2.81.8.10 NMAC, the Village of Taos Ski Valley will be required to begin making the appropriate employer and employee contributions, as determined by the Board, to the Fund on January 1 immediately following the adoption of the ordinance or resolution. On the following July 1, eligible retirees of that participating employer, as well as their eligible dependents, will be eligible to receive group health insurance coverage pursuant to the provisions of the Retiree Health Care Act.

Based on the Buy-In Analysis completed by Segal, the buy-in cost for the Village of Taos Ski Valley for 11 active participants is \$51,910. For additional information related to the calculation, please see the NMRHCA Buy-In Analysis for the Village of Taos Ski Valley. The Village may elect either a lump-sum payment or amortized payments over 13 years, payable to the New Mexico Retiree Health Care Authority.

Recommendation

NMRHCA staff respectfully requests Board approval for the inclusion of the Village of Taos Ski Valley as a participating employer in the New Mexico Retiree Health Care Program effective January 1, 2025. Approval of this request will allow qualifying Village of Taos Ski Valley employees to access benefits beginning July 1, 2026.

November 17, 2025

Rick Bellis
Administrator
7 Firehouse Rd.
Taos Ski Valley, NM 87525

**Re: New Mexico Retiree Healthcare Authority (NMRHCA) Buy-In Analysis
Village of Taos Ski Valley**

Dear Rick:

As requested, we have prepared an actuarial valuation to establish the buy-in obligation for Village of Taos Ski Valley to join the New Mexico Retiree Health Care Authority (NMRHCA) retiree health and life benefits program. The results of the valuation are summarized in the enclosed exhibit.

The liability was calculated as of June 30, 2024, using the data provided to us by Village of Taos Ski Valley. The discount rate used for the buy-in calculation was 7.75%, which is not the same as the 7.00% used for the most recent Governmental Accounting Standards Board (GASB) Statement 74 valuation. Per the New Mexico Administrative Code, the 7.75% rate is to be used for buy-in calculations. No adjustment has been made to reflect the anticipated growth in liability after June 30, 2024.

To model future demographic experience, we have assumed that all members are covered under the Public Employees Retirement Association (PERA). The Municipal General, Municipal Police, or Municipal Fire demographic assumptions were applied based on the retirement plan group indicated in each employee's data record. The Police and Fire employees were assumed to be eligible for "Enhanced" NMRHCA premium subsidies available to public safety employees.

We have assumed 60% of eligible future retirees with 15 or more years of service and 50% of active participants with less than 15 years of service will enroll in NMRHCA at retirement. We assume 25% of eligible employees terminating prior to retirement will elect NMRHCA benefits at retirement. Because it is unknown which NMRHCA plan Village of Taos Ski Valley employees will elect, we have assumed retirees will elect medical plans as shown below:

Non-Medicare Plan	Medical Election Rate (%)
Premier	75%
Value Plan	25%

Medicare Plan	Medical Election Rate (%)
BCBS Medicare Supplement	51%
BCBS Senior Plan	6%
Presbyterian Senior Plan	21%
United Healthcare Plan	16%
Humana Plan	6%

For spouse ages, wives were assumed to be 2 years younger than husbands. Of the future retirees, 35% of males and 30% of females were assumed to elect spouse coverage at retirement.

Unless otherwise noted above, the data, assumptions and plan provisions are the same as those used in the New Mexico Retiree Health Care Authority Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2024, in accordance with GASB Statement No. 74, dated November 25, 2024.

The actuarial calculations in the enclosed exhibit have been prepared under my supervision. I am a member of the Society of Actuaries and the American Academy of Actuaries. I meet the "General Qualification Standards for Statements of Actuarial Opinions" and am qualified to render the actuarial opinion contained herein.

If you have any questions or comments, please contact me at (972) 837-3053 or mriazi@segalco.com.

Sincerely,



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

TTT/

Enclosure

cc: Debbie Donaldson

Village of Taos Ski Valley New Mexico Retiree Health Care Authority Buy-In Study

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

Participant Category	June 30, 2024
Current retirees and dependents	\$ 0
Current active members	<u>51,910</u>
Total	\$51,910

Effect of Retiree Contributions	June 30, 2024
Actuarial accrued liability before reduction for retiree contributions	\$152,746
Less projected retiree contributions	<u>100,836</u>
Net employer actuarial accrued liability	\$ 51,910
Actuarial value of assets	<u>0</u>
Unfunded actuarial accrued liability	\$ 51,910

Summary of Participant Data

Active Participants	June 30, 2024
Number*	11
Average age	49.6
Average years of service	4.8
Average expected retirement age	66.7

* The employees were valued according to their retirement plan eligibility values. There were 7 municipal general, 3 municipal police, and 1 municipal fire.

RESOLUTION NO. 2025-38

**A RESOLUTION OF THE VILLAGE OF TAOS SKI VALLEY
GOVERNING BODY EXPRESSING INTEREST IN AND TO SET A
PUBLIC HEARING FOR AUTHORIZING PARTICIPATION IN THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY PROGRAM**

WHEREAS, the governing body has considered the issue of retiree health care for its employees, retirees, their spouses and dependents; and

WHEREAS, the governing body has considered the opportunity afforded by the Retiree Health Care Act ("act"), Sections 10-7C-1 et seq. NMSA 1978 to provide basic and optional retiree health coverages, and

WHEREAS, the governing body has considered that pursuant to Section 15 of the act, Retiree Health Care Authority participation requires participating employer and/or employee contributions to the Retiree Health Care Authority fund in the amount determined to be appropriate by the NMRHCA Board and which may be adjusted from time to time; and

WHEREAS, the governing body determines to irrevocably include the Village of Taos Ski Valley, its employees and retirees in the requirements of the employer/employee contributions and retiree benefits under the act.

NOW, THEREFORE, BE IT ORDAINED by the governing body of the Village of Taos Ski Valley, as follows:

Section 1. A Public Hearing shall be set for 1pm, Wednesday, November 19th to discuss, consider, and with the intent to approve Resolution No. 2025 "A RESOLUTION adopted pursuant to the Retiree Health Care Act, Sections 10-7C-1 et seq. NMSA 1978, exercising the irrevocable option to determine to be included in coverage under the Retiree health Act".

Section 2. That Notice of such hearing shall be sent to the Executive Director of the NMRHCA upon publication.

Section 3. Passed, adopted and approved this 19th day of November 2025.

By: _____

Chris Stanek, Mayor

Attest:

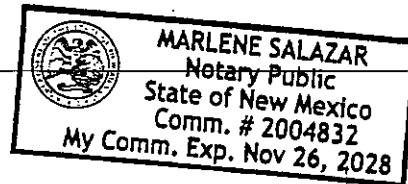
by: _____

its: _____

Marlene M. Salazar

On this 19 day of November, 2025 before me appeared Chris Stanek, Mayor, known to me as a duly-authorized representative of the Village of Taos Ski Valley, and having been first sworn on his/her oath deposed and stated that the hereinbefore recited ordinance was adopted by a vote of 4 in favor and 0 opposed and that the governing body of the Village of Taos Ski Valley consists of 4 Council members plus a mayor, and that a sufficient number of them voted in favor of passage of the ordinance or resolution that it is in effect.

Nov. 26, 2028
Notary Public My Commission Expires



RESOLUTION NO. 2025-39
AN RESOLUTION ADOPTED PURSUANT TO THE RETIREE HEALTH CARE ACT, SECTIONS 10-7C-1 ET SEQ. NMSA 1978, EXERCISING THE IRREVOCABLE OPTION TO DETERMINE TO BE INCLUDED IN COVERAGE UNDER THE RETIREE HEALTH CARE ACT

WHEREAS, the governing body has considered the issue of retiree health care for its employees, retirees, their spouses and dependents; and

WHEREAS, the governing body has considered the opportunity afforded by the Retiree Health Care Act ("act"), Sections 10-7C-1 et seq. NMSA 1978 to provide basic and optional retiree health coverages. The single basic plan of benefits rate may be adjusted from time to time pursuant to Section 13 of the act. The current single basic plan of benefits rate is _____ (AMOUNT TO BE OBTAINED FROM THE NMRHCA); and

WHEREAS, the governing body has considered that pursuant to Section 15 of the act, Retiree Health Care Authority participation requires participating employer and/or employee contributions to the Retiree Health Care Authority fund in the amount determined to be appropriate by the NMRHCA Board and which may be adjusted from time to time; and

WHEREAS, the governing body determines to irrevocably include the Village of Taos Ski Valley, its employees and retirees in the requirements of the employer/employee contributions and retiree benefits under the act.

NOW, THEREFORE, BE IT ORDAINED by the governing body of the Village of Taos Ski Valley, as follows:

Section 1. That a waiver of the 30-day notification requirement is being sought from the NMRHCA Executive Director by the Village Mayor and Governing Body.

Section 2. Pursuant to the terms of the act the Village of Taos Ski Valley determines to be included in coverage under the Retiree Health Care Act.

Section 3. Passed, adopted and approved this 21st day of November 2025.

By: _____

Chris Stanek, Mayor

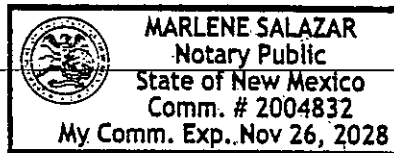
Attest:

by: _____

its: _____

On this 19 day of NOVEMBER 2025 before me appeared Chris Stanek, Mayor, known to me as a duly-authorized representative of the Village of Taos Ski Valley, and having been first sworn on his/her oath deposed and stated that the hereinbefore recited ordinance was adopted by a vote of 4 in favor and 0 opposed and that the governing body of the Village of Taos Ski Valley consists of 4 Council members plus a mayor, and that a sufficient number of them voted in favor of passage of the ordinance or resolution that it is in effect.

Nov. 26th 2028
Notary Public My Commission Expires





RICK BELLIS

ADMINISTRATOR
Village of Taos Ski Valley

7 Firehose Rd., PO Box 100
Taos Ski Valley, NM 87525
Email: rbellis@vtsv.org
Phone: (575) 776-4791

November 14, 2025

Neil Kueffer, Executive Director
New Mexico Retiree Health Care Authority
6300 Jefferson Street NE
Albuquerque, NM 87109
Email: neil.kueffer@rhca.nm.gov

Dear Executive Director Kueffer,

The Village of Taos Ski Valley hereby gives notice that on the 19th day of November 2025 at 1pm, the governing body will conduct a public hearing on the question of including the Village of Taos Ski Valley in coverage by the Retiree Health Care Act.

This notice DOES NOT meet the 30-day notification requirement to the NMRHCA Executive Director. However, in seeking membership and participation in the NMRHCA, we were informed by staff that if we could complete all other requirements and submit them in-person on or before Wednesday, November 19th that our request for membership could be considered at the December NMRHCA Board meeting.

We have frantically been working to get the actuarial agreement submitted, their numbers back, as well as the hearing scheduled, and all required approvals in time for this submission date and to meet all other requirements. All municipal employees, elected officials and members of the public have been notified and invited to the public hearing, with employees given paid time off to attend. The meeting was held as both an on-line and in-person meeting to facilitate maximum accessibility and participation.

Per our conversation and under item 7 of the NMRHCA requirements for “Adding new entities to the RHCA Program”, given the short timeframe we had between becoming aware that we were not members of the NMRHCA, obtaining the requirements for joining, and the deadline we were given to complete those requirements, there was not enough time to meet the 30-day notice to the Executive Director of NMRHCA for our November 19th Public Hearing. However, we did conduct the required notice and have enclosed (1.) said legal notice of hearing, (2.) the approved Agenda for that meeting, and (3.) the proposed resolutions to be heard and approved. Having met all other requirements other than the 30-day notice to yourself, we are therefore seeking waiver by you of the thirty-day notice requirement.



RICK BELLIS

ADMINISTRATOR

Village of Taos Ski Valley

7 Firehose Rd., PO Box 100

Taos Ski Valley, NM 87525

Email: rbellis@vtsv.org

Phone: (575) 776-4791

Please let us know if this is possible and feel free to contact me with any questions or additional requirements that there might be.

We thank you in advance for your generous consideration, and that of the Board, in this matter and enthusiastically look forward to becoming participating members in the NMRHCA in the near future.

Sincerely,

Rick Bellis

Rick Bellis
Administrator

cc: Mayor and Council



NOTICE OF PUBLIC HEARING

7 Firehouse Road
Post Office Box 100
Taos Ski Valley
New Mexico 87525
(575) 776-8220

E-mail: vtsv@vtsv.org
Web Site: vtsv.org

MAYOR: Christopher
Stanek

COUNCIL:
Henry Caldwell
Douglas Turner
J. Christopher Stagg
Thomas P. Wittman

VILLAGE
ADMINISTRATOR:
Richard Bellis

CLERK:
Ann M. Wooldridge

The Village of Taos Ski Valley Village Council has scheduled a Special Meeting for Wednesday, November 19th, 2025 at 1pm to hold a Public Hearing with regards to the following:

RESOLUTION 2025-38

A RESOLUTION OF THE VILLAGE OF TAOS SKI VALLEY GOVERNING BODY EXPRESSING INTEREST IN AND TO SET A PUBLIC HEARING FOR AUTHORIZING PARTICIPATION IN THE NEW MEXICO RETIREE HEALTH CARE AUTHORITY PROGRAM.

RESOLUTION NO. 2025-39

A RESOLUTION ADOPTED PURSUANT TO THE RETIREE HEALTH CARE ACT, SECTIONS 10-7C-1 ET SEQ. NMSA 1978, EXERCISING THE IRREVOCABLE OPTION TO DETERMINE TO BE INCLUDED IN COVERAGE UNDER THE RETIREE HEALTH CARE ACT.

Employees of the Village, members of the public, and all others are invited to attend to hear about the NM Retiree Health Care Association Program, ask questions and offer their input.

You may attend the meeting in person at 9 Firehouse Rd. (the new Village Firehouse), Unit 102 (use the ground floor Post Office entrance), or on-line through the live video link on the Village's website at www.vtsv.org.

If you are unable to attend and wish to submit comments, please email the Village Clerk at msalazar@vtsv.org

Conduent Cybersecurity Incident Frequently Asked Questions

Blue Cross and Blue Shield of New Mexico is sharing responses to the key questions we've seen from groups. If you have questions that aren't addressed below, please reach out to your account executive.

Q: Who is Conduent?

A: Conduent Inc. is a third-party services provider that offers printing/mailroom, document processing, payment integrity, government benefits and other back-office support services. Conduent had access to personal information due to the services it provides to its clients. BCBSNM has a Business Associate Agreement with Conduent.

Q: What happened?

A: According to Conduent, on Jan. 13, 2025, it discovered that they were the victim of a cyber incident that impacted a limited portion of their network. According to Conduent, they immediately secured their networks and initiated an investigation with the assistance of third-party forensic experts. Their investigation determined that an unauthorized third-party accessed their environment which included some files associated with BCBSNM.

Q: Were BCBSNM systems impacted by this incident?

A: No. BCBSNM systems were not impacted by this incident.

Q: How did you identify the suspicious activity?

A: On Jan. 17, 2025, Conduent Inc. notified BCBSNM that a threat actor had gained unauthorized access to their environment between Oct. 21, 2024, and Jan. 13, 2025.

Q: Please provide more information on how the threat actor gained access to Conduent's system.

A: According to Conduent, initial access to their environment was via a compromised account. All files sent to and from Conduent are encrypted in transit.

Q: Is there any way to tell what exact data elements were breached for each specific member?

A: Conduent has not provided BCBSNM with specific data elements for each member. However, according to Conduent, member notification letters will include member-specific data elements that were potentially disclosed. According to the information we received from Conduent, member information that was potentially disclosed includes: Name, Date of Birth, Postal Address Information, Social Security Numbers, medical service information (treatment and diagnosis codes, provider names, dates of service and claim amounts), group number and subscriber number.

Q: What is the plan for regulator, OCR, media, substitute, member or impacted individuals' notifications?

A: We are delegating some notifications to Conduent such as the individual notices, the OCR, the attorney general, substitute and media notices; some other notices such as the Department of Insurance notifications will be handled by us.

- It is our understanding from Conduent that member notices began mailing on Oct. 24, 2025. Impacted individuals will be offered one year of free credit monitoring, unless a longer time frame

(such as 18-24 months) is required under state law or otherwise required. The monitoring enrollment process will be detailed in the member notification letter.

- According to Conduent, the Attorney General and OCR notices were submitted on Oct. 24, 2025, and media notices have been submitted.
- The Conduent call center is available to address questions at (866) 559-4749, Monday through Friday, from 9 a.m. to 6:30 p.m. Eastern Time.
- A link to the Conduent incident website and call center information is posted on the Plan websites:
 - [BCBSIL](#)
 - [BCBSMT](#)
 - [BCBSNM](#)
 - [BCBSOK](#)
 - [BCBSTX](#)

Q: How is Conduent/BCBSNM handling the media notices?

A: Conduent will provide media notices in the appropriate areas and jurisdictions.

Q: How will notifications be made to individuals?

A: Letters will be addressed to the specific member impacted, including minors. Kroll will offer minor specific identity theft protection services.

Q: What data will be in the variable data field in the member notification letter?

A: Blue Cross and Blue Shield of New Mexico will be listed as the Plan, not HCSC or the group name. According to Conduent, member notification letters will include member-specific data elements that were potentially disclosed.

Q: Was data downloaded from Conduent's systems or was it only able to be viewed?

A: According to Conduent, the threat actors were able to exfiltrate the data.

Q: How many people were affected by the incident?

A: BCBSNM does not have information about total individuals or entities impacted by the Conduent incident. According to Conduent, they are not at liberty to discuss any other individuals or entities who may have been affected by this incident.

Q: Is this the extent of the impacted data for the breach; are all investigations closed at this time?

A: At this point in time, we believe the data evaluation at BCBSNM is complete; other aspects of the investigation are ongoing.

Q: Why did it take so long to notify impacted groups?

A: While this incident happened earlier this year, the data analysis by Conduent took extensive time. In July, Conduent provided the raw data to us. Due to the way the data was compiled when provided to BCBSNM, we subsequently undertook an evaluation to determine and verify the identity of the impacted members and which groups the individuals belong to, which was a time-consuming process.

Q: What was the date of containment?

A: We received communications from Conduent that the incident was contained on Jan. 27, 2025, and there was no longer an active threat. Conduent also provided official attestation to us.

Q: What security steps did Conduent take to respond to their incident?

A: According to Conduent, upon detection of the incident, Conduent activated its cybersecurity response Blue Cross and Blue Shield of New Mexico, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association

plan with the help of external cybersecurity experts to contain and remediate the incident. Conduent notified the FBI. According to Conduent, they immediately took systems offline and retained cybersecurity experts to analyze their environment; Conduent later confirmed there has been no further known malicious activity since the event. All known indicators of compromise have been blocked. Conduent restored its systems and operations and implemented measures to further harden its systems.

Q: Are there any likely adverse effects of the data compromise on the impacted individuals?

A: At this point in time, Conduent states that it is not aware of actual or attempted misuse of the personal information. The member notification letter includes information on credit monitoring and steps members can take to help protect their information.

Q: Has Conduent communicated whether any evidence has been detected of the breached data appearing in known bad actor sites, forums, or on publicly accessible websites?

A: According to Conduent throughout this incident and investigation it has engaged in dark web monitoring for the disclosure of any data associated with this cyber incident being publicly released on the internet (including the dark web). To date, the results have been negative.

Q: Is BCBSNM pursuing any remedies with Conduent as a result of the breach, including terminating business with the vendor?

A: This is unknown at this time as our investigation and evaluation of the incident is ongoing.



<<Return to Kroll>>
<<Return Address>>
<<City, State ZIP>>

<<FIRST_NAME>> <<MIDDLE_NAME>> <<LAST_NAME>> <<SUFFIX>>
<<ADDRESS_1>>
<<ADDRESS_2>>
<<CITY>>, <<STATE_PROVINCE>> <<POSTAL_CODE>>
<<COUNTRY>>



<<Date>> (Format: Month Day, Year)

Re: Notice of Data Incident

Dear <<first_name>> <<last_name>>:

On behalf of our clients, Conduent Business Services, LLC (“Conduent”) provides third-party printing/mailroom services, document processing services, payment integrity services, and other back-office support services. We are writing to inform you about a recent incident experienced by Conduent that may have involved some of your personal information, which came into our possession due to the services that we provide to <<b2b_text_1 (Entity Name)>>. While we are unaware of any attempted or actual misuse of any information involved in this incident, we are providing you with information about the incident and steps you can take to protect yourself, should you feel it necessary.

What Happened? On January 13, 2025, we discovered that we were the victim of a cyber incident that impacted a limited portion of our network. We immediately secured our networks and initiated an investigation with the assistance of third-party forensic experts. Our investigation determined that an unauthorized third party had access to our environment from October 21, 2024, to January 13, 2025, and obtained some files associated with <<b2b_text_1 (Entity Name)>>. Given the nature and complexity of the data involved, Conduent has been working diligently with a dedicated review team, including internal and external experts, to conduct a detailed analysis of the affected files to identify the personal information contained therein. We are providing you with this notice upon the recent conclusion of this time-intensive data analysis as your personal information was contained in the affected files.

What Information Was Involved. The affected files contained your name and the following: <<b2b_text_2 (Data Elements)>>. Presently, we have no evidence or indication of actual or attempted misuse of your personal information.

What We Are Doing. Upon discovery of the incident, we safely restored our systems and operations and notified law enforcement. We are also notifying you in case you decide to take further steps to protect your information should you feel it appropriate to do so. In addition, we are providing you with access to <<ServiceTermninMonths>> months of credit monitoring and identity restoration services through Kroll at no charge to you. You must enroll by <<b2b_text_6 (Activation Deadline)>>.

What You Can Do. Please review the enclosed “Steps You Can Take to Help Protect Your Information” which describes the services we are offering, how to activate them, and provides further details on how to protect yourself. We encourage you to remain vigilant against the potential for identity theft and fraud and to monitor your credit reports for any suspicious activity.

For More Information. We sincerely regret any issue this incident may have caused you. If you have additional questions, you may call our dedicated assistance line (866) 559-4749 (toll-free), Monday–Friday, from 9:00 a.m. to 6:30 p.m. Eastern Time, or write to us at Attn: Data Incident, 100 Campus Drive, Suite 200, Florham Park, New Jersey 07932.

Sincerely,

Conduent Business Services, LLC

STEPS YOU CAN TAKE TO HELP PROTECT YOUR INFORMATION

Enroll in Complimentary Identity Monitoring Services

We are providing you with <<ServiceTermninMonths>> months of identity monitoring services through Kroll. A credit card is not required for enrollment. To enroll, at no cost to you,

- Visit <https://Enroll.krollmonitoring.com/redeem>
- Enter your Activation Code: <<b2b_text_5 (Activation Code)>> and your verification ID: <<b2b_text_3 (Verification ID)>>
- Ensure that you enroll by: <<b2b_text_6 (Activation Deadline)>> (Your code will not work after this date.)

With identity monitoring services from Kroll, you have access to the following features once you enroll:

- **Credit Monitoring with Alerts:** Actively monitors your credit and provides alerts when there are changes to your credit data.
- **Fraud Consultation:** Unlimited access to consultation with Kroll fraud specialists who can advise on the most effective ways to protect your identity.
- **Identity Restoration:** Identity Restoration specialists are immediately available to help you address identity theft issues.

If you have questions about the product or need assistance with identity restoration, please contact the customer care team at (866) 559-4749 by the enrollment date listed above. Be prepared to provide your activation code and verification ID as proof of eligibility for the identity monitoring services.

Obtain a Free Credit Report

Under U.S. law, you are entitled to one free credit report annually from each of the three major credit reporting bureaus (Equifax, Experian, and TransUnion). Obtaining a copy of your credit report from each agency on an annual basis, and reviewing it for suspicious activity, can help you spot problems and address them quickly. You can request your free credit report online at www.annualcreditreport.com or by phone at 1-877-322-8228. You can also request your free credit report by completing the request form at: www.annualcreditreport.com, and mailing it to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. You may wish to stagger your requests so that you receive a free report by one of the three credit bureaus every four months.

Place a Fraud Alert

As a precaution against identity theft, you can consider placing a fraud alert on your credit file. A “fraud alert” tells creditors to contact you before opening a new account or changing an existing account. A fraud alert also lets your creditors know to watch for unusual or suspicious activity. To place a fraud alert, call any one of the three major credit reporting agencies listed below. An initial fraud alert remains effective for ninety days and is free of charge. If you wish, you can renew the fraud alert at the expiration of this initial period. As soon as one credit agency confirms your fraud alert, the others are notified to place fraud alerts on your file.

Equifax®

P.O. Box 105069
Atlanta, GA 30348-5069
1-800-685-1111
<https://www.equifax.com/personal/credit-report-services/credit-fraud-alerts>

Experian

P.O. Box 9554
Allen, TX 75013-9701
1-888-397-3742
www.experian.com/fraud/center.html

TransUnion®

P.O. Box 2000
Chester, PA 19016-1000
1-800-680-7289
<https://www.transunion.com/fraud-alerts>

Place a Security Freeze

Federal law also allows consumers to place, lift or remove a security freeze on their credit reports at no charge. A security freeze prohibits a credit reporting agency from releasing any information from a consumer’s credit report without written authorization. Be aware that placing a security freeze on your credit report may delay, interfere with, or prevent the timely approval of any requests you make for new loans, credit, mortgages, employment, housing, or other services.

To place a security freeze on your credit report, you must send a written request by regular, certified, or overnight mail to the addresses below to *each* of the three major credit reporting agencies: Equifax (www.equifax.com); Experian (www.experian.com); and TransUnion (www.transunion.com). You may also request the security freeze through *each* of the credit reporting agencies' websites or over the phone:

Equifax®

P.O. Box 105788
Atlanta, GA 30348-5788
1-888-298-0045
<https://www.equifax.com/personal/help/place-lift-remove-security-freeze/>

Experian

P.O. Box 9554
Allen, TX 75013
1-888-397-3742
www.experian.com/freeze/center.html

TransUnion®

P.O. Box 160
Woodlyn, PA 19094
1-888-909-8872
www.transunion.com/credit-freeze

In order to request a security freeze, you will need to provide the following information:

1. Your full name (including middle initial as well as Jr., Sr., II, III, etc.);
2. Social Security Number;
3. Date of birth;
4. If you have moved in the past five (5) years, provide the addresses where you have lived over the prior five years;
5. Proof of current address such as a current utility bill or telephone bill;
6. A legible photocopy of a government issued identification card (state driver's license or ID card, military identification, etc.); and
7. If you are a victim of identity theft, include a copy of either the police report, investigative report, or complaint to a law enforcement agency concerning identity theft.

The credit reporting agencies have three (3) business days after receiving your request to place a security freeze on your credit report. The credit bureaus must also send written confirmation to you within five (5) business days and provide you with a unique personal identification number (PIN) or password, or both that can be used by you to authorize the removal or lifting of the security freeze.

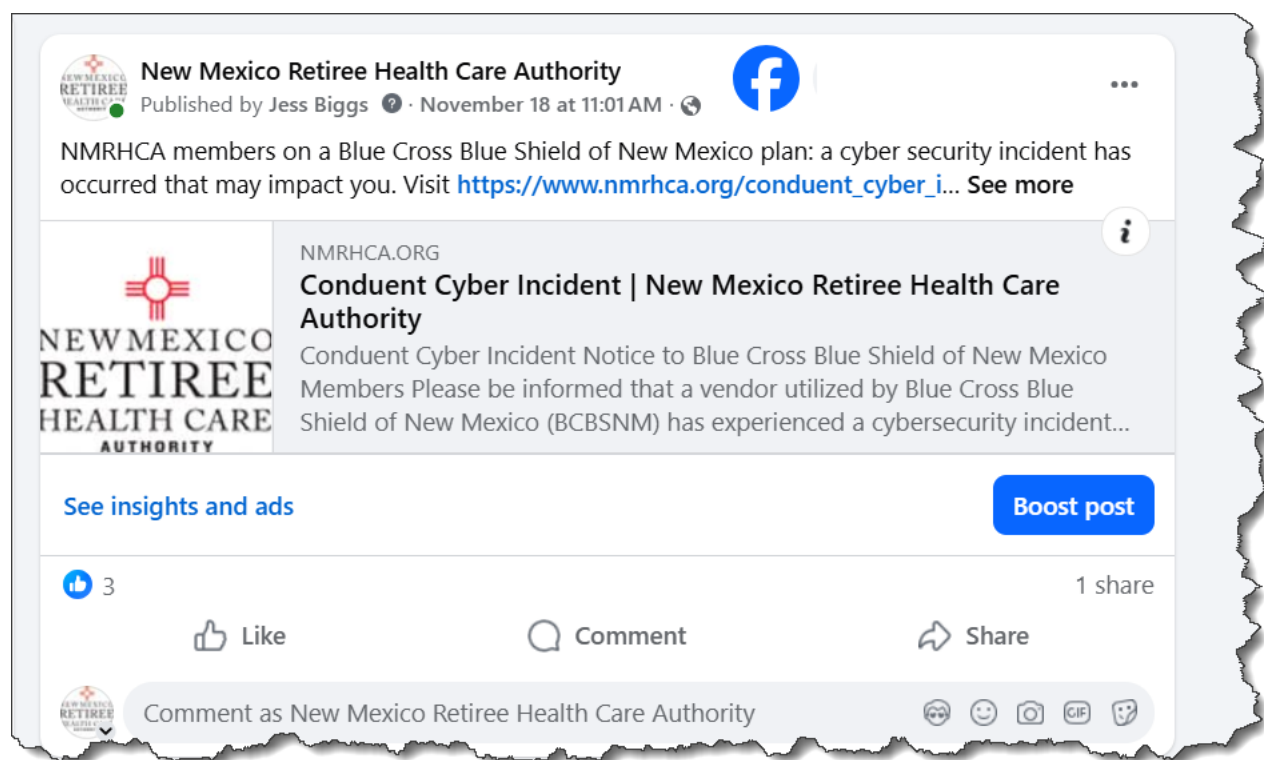
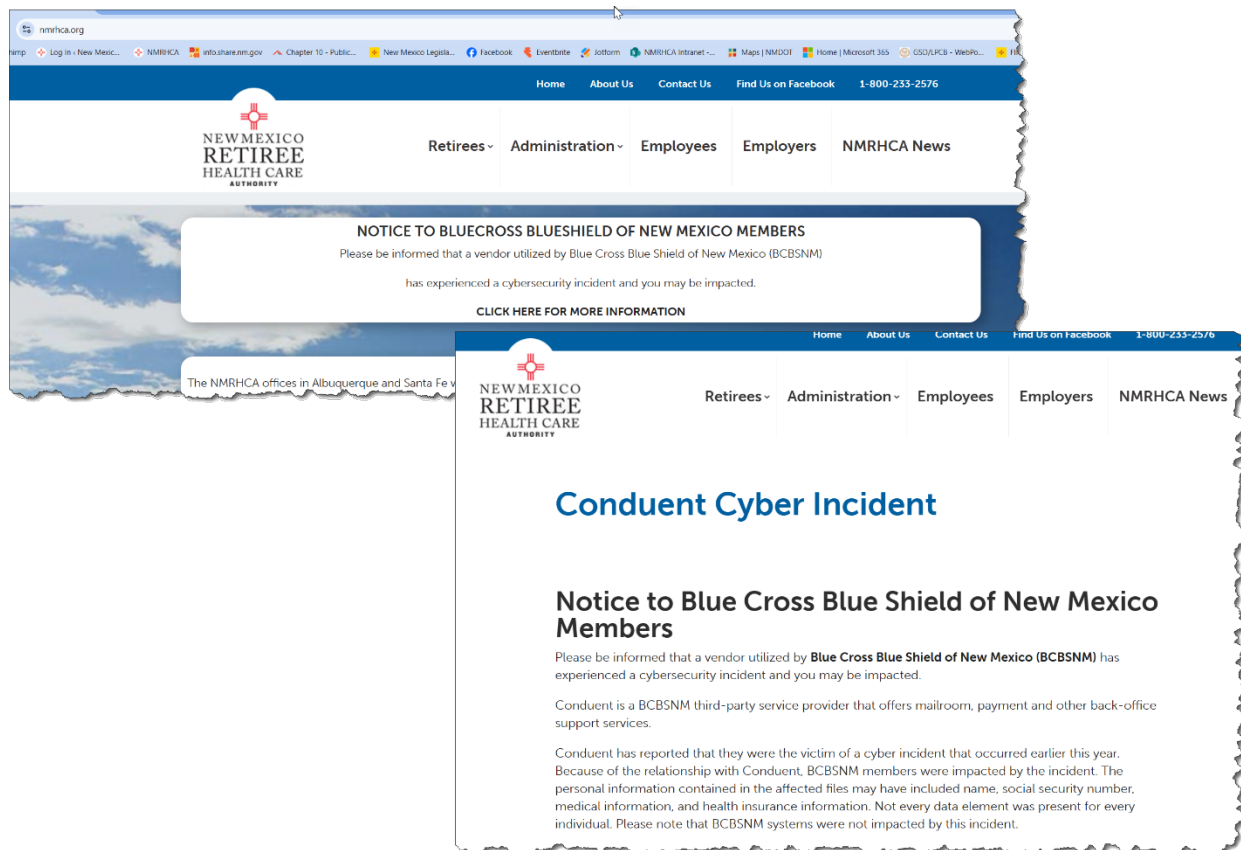
To lift the security freeze in order to allow a specific entity or individual access to your credit report, you must call or send a written request to the credit reporting agencies by mail and include proper identification (name, address, and social security number) and the PIN number or password provided to you when you placed the security freeze as well as the identities of those entities or individuals you would like to receive your credit report or the specific period of time you want the credit report available. The credit reporting agencies have three (3) business days after receiving your request to lift the security freeze for those identified entities or for the specified period of time.

To remove the security freeze, you must send a written request to each of the three credit bureaus by mail and include proper identification (name, address, and social security number) and the PIN number or password provided to you when you placed the security freeze. The credit bureaus have three (3) business days after receiving your request to remove the security freeze.

Additional Information

You may obtain additional information about identity theft (including, a security freeze) by contacting the above credit reporting agencies, the Federal Trade Commission (FTC), or your state Attorney General. The Federal Trade Commission can be reached at: 600 Pennsylvania Avenue NW, Washington, DC 20580; www.identitytheft.gov; 1-877-ID-THEFT (1-877-438-4338); and TTY: 1-866-653-4261. For New York residents, the Attorney General can be contacted at The Capitol, Albany, NY, 12224, ag.ny.gov, or 800-771-7755. For North Carolina residents, the Attorney General can be contacted at 9001 Mail Service Center, Raleigh, NC 27699, ncdoj.gov, or 919-716-6000. You are advised to report known or suspected identity theft to law enforcement, including your state's Attorney General and the FTC. Under the law, you have the right to obtain any police report filed in regard to this incident. If you are the victim of identity theft or fraud, you also have the right to file a police report and obtain a copy of it. Notice was not delayed as a result of law enforcement.

NMRHCA Website



Email sent to
9,261 members
with a 62%
open rate

[View this email in your browser](#)



Notice to Blue Cross Blue Shield of New Mexico Members

Please be informed that a vendor utilized by **Blue Cross Blue Shield of New Mexico (BCBSNM)** has experienced a cybersecurity incident and you may be impacted.

Conduent is a BCBSNM third-party service provider that offers mailroom, payment and other back-office support services.

Conduent has reported that they were the victim of a cyber incident that occurred earlier this year. Because of the relationship with Conduent, BCBSNM members were impacted by the incident. The personal information contained in the affected files may have included name, social security number, medical information, and health insurance information. Not every data element was present for every individual. Please note that BCBSNM systems were not impacted by this incident.

At this point in time, Conduent states that it is not aware of actual or attempted misuse of the personal information. This includes dark web monitoring for the disclosure of any data associated with this cyber incident being publicly released on the internet (including the dark web). To date, the results have been negative.

Conduent began mailing letters to impacted members on Friday, Oct. 24, 2025. The member notification letter includes information on credit monitoring and steps members can take to help protect their information. **Please do not discard this letter and instead, read it thoroughly and don't hesitate to reach out to Conduent with any questions.**

Conduent has set up a website with additional information:
<https://www.conduent.com/notice-2913678/>

Conduent has also set up a toll-free number available for members to call with any questions: (866) 291-3678, Monday–Friday, from 9:00 am to 6:30 pm Eastern Time.

Blue Cross Blue Shield of New Mexico takes this situation very seriously and continues to work with Conduent to ensure our members are informed and their personal information is protected.

[CLICK HERE TO REVIEW BLUECROSS BLUESHIELD FREQUENTLY ASKED QUESTIONS RELATED TO CYBER INCIDENT](#)

[CLICK HERE TO VISIT BLUECROSS BLUESHIELD WEB PAGE ABOUT THE CYBER INCIDENT](#)

[CLICK HERE TO VISIT THE CONDUENT WEB PAGE ABOUT THE CYBER INCIDENT](#)