



NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

## Investments & Pensions Oversight Committee

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

Final Update  
November 12, 2021

Doug Crandall, President  
Therese Saunders, Vice President  
LeAnne Larrañaga-Ruffy, Secretary  
David Archuleta, Executive Director

# Current Agency Operations

- **Two Office Locations**

6300 Jefferson Street NE, Suite 150  
Albuquerque, NM 87109

33 Plaza La Prensa  
Santa Fe, NM 87505

- **COVID-19 Update**

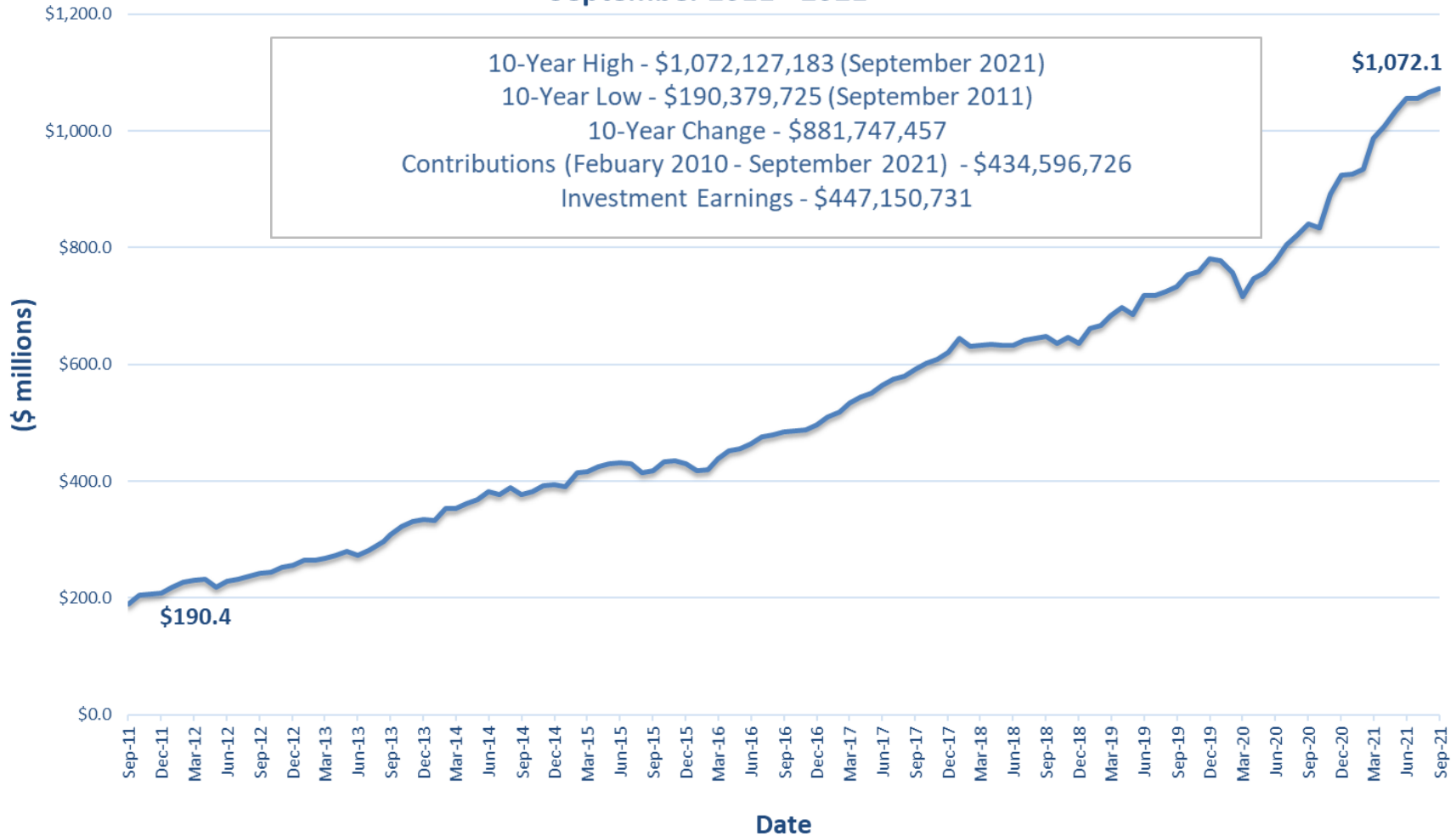
- Employees working in-office and remote
- Currently making appointments for in-person meetings with customers
- Monthly Board and Committee meetings held via GoToMeeting

- **Current Priorities**

- Pharmacy Benefit Manager RFP 2022
  - Purpose: Provide continued prescription medication coverage for participants.
  - RFP includes other public purchasers – State of New Mexico, Public Schools Insurance Authority, Albuquerque Public Schools and the University of New Mexico.
- Generic Drug Litigation
  - Purpose: Attempt to recoup funds from alleged price fixing in the generic drug industry.
  - Currently developing RFP and draft contract.
- Develop Web Portal
  - Purpose: Improve customer service and automate some manual processes.
  - Allows members to access their account, billing information, and enable direct communications.

# Investments

**NMRHCA Trust Fund Balance History  
September 2011 - 2021**



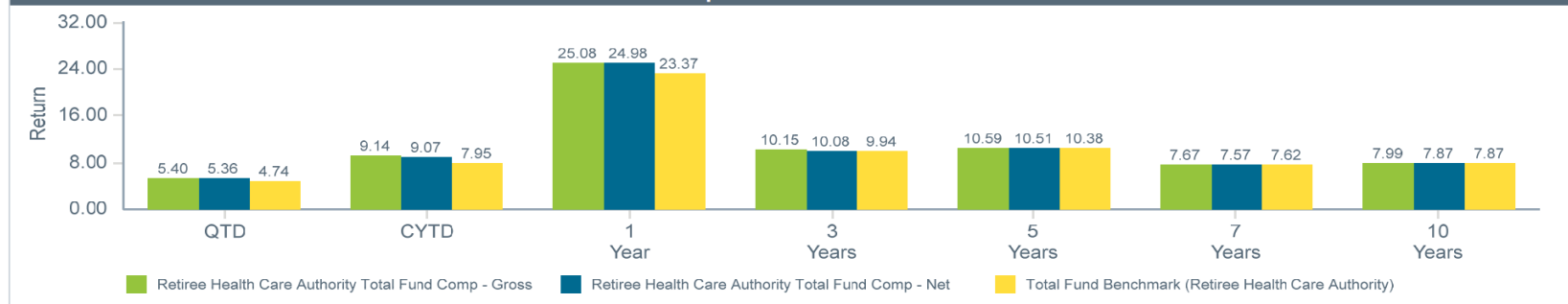
# Investment Performance

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

As of June 30, 2021

Overview	Asset Allocation vs. Target Allocation				
<p>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.</p>	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	Large Cap US Equity Index	176,755,158	16.74	14.00	2.74
	Small/Mid Cap US Equity Index	25,118,981	2.38	2.00	0.38
	Non-US Developed Markets Index	146,223,309	13.84	14.00	-0.16
	Non-US Emerging Markets Active	111,487,412	10.56	10.00	0.56
	US Core Bonds	190,451,533	18.03	20.00	-1.97
	Credit & Structured Finance	142,946,052	13.53	15.00	-1.47
	Private Equity	129,949,548	12.30	10.00	2.30
	Real Estate	91,249,224	8.64	10.00	-1.36
	Real Return	42,002,682	3.98	5.00	-1.02
<b>Total Fund</b>	<b>1,056,183,900</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	

### Comparative Performance



### Comparative Performance

	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2020	2019	2018
<b>Retiree Health Care Authority Total Fund Comp - Gross</b>	<b>5.40</b>	<b>9.14</b>	<b>25.08</b>	<b>10.15</b>	<b>10.59</b>	<b>7.67</b>	<b>7.99</b>	<b>9.88</b>	<b>13.27</b>	<b>-1.24</b>
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>4.74</i>	<i>7.95</i>	<i>23.37</i>	<i>9.94</i>	<i>10.38</i>	<i>7.62</i>	<i>7.87</i>	<i>10.21</i>	<i>14.34</i>	<i>-1.86</i>
Difference	0.66	1.19	1.71	0.21	0.21	0.05	0.12	-0.33	-1.07	0.62
<b>Retiree Health Care Authority Total Fund Comp - Net</b>	<b>5.36</b>	<b>9.07</b>	<b>24.98</b>	<b>10.08</b>	<b>10.51</b>	<b>7.57</b>	<b>7.87</b>	<b>9.83</b>	<b>13.21</b>	<b>-1.32</b>
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>4.74</i>	<i>7.95</i>	<i>23.37</i>	<i>9.94</i>	<i>10.38</i>	<i>7.62</i>	<i>7.87</i>	<i>10.21</i>	<i>14.34</i>	<i>-1.86</i>
Difference	0.62	1.12	1.61	0.14	0.13	-0.05	0.00	-0.38	-1.13	0.54

### Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
<b>CYTD</b>	<b>924,474,338</b>	<b>45,000,000</b>	<b>86,709,561</b>	<b>1,056,183,900</b>	<b>9.07</b>

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



# Solvency Study

## Strategic Planning Tool

- **Projected Revenues**

- Employee and Employer Contributions (Set by Statute).
- Retiree Medical Premiums (Set by Board of Directors).
- Retiree Ancillary Premiums (Not Subsidized/Pass-Through).
- Tax Suspense Fund (Set by Statute).
- Miscellaneous (Medicare Subsidies, Drug Rebates, Performance Guarantees) (Varies).

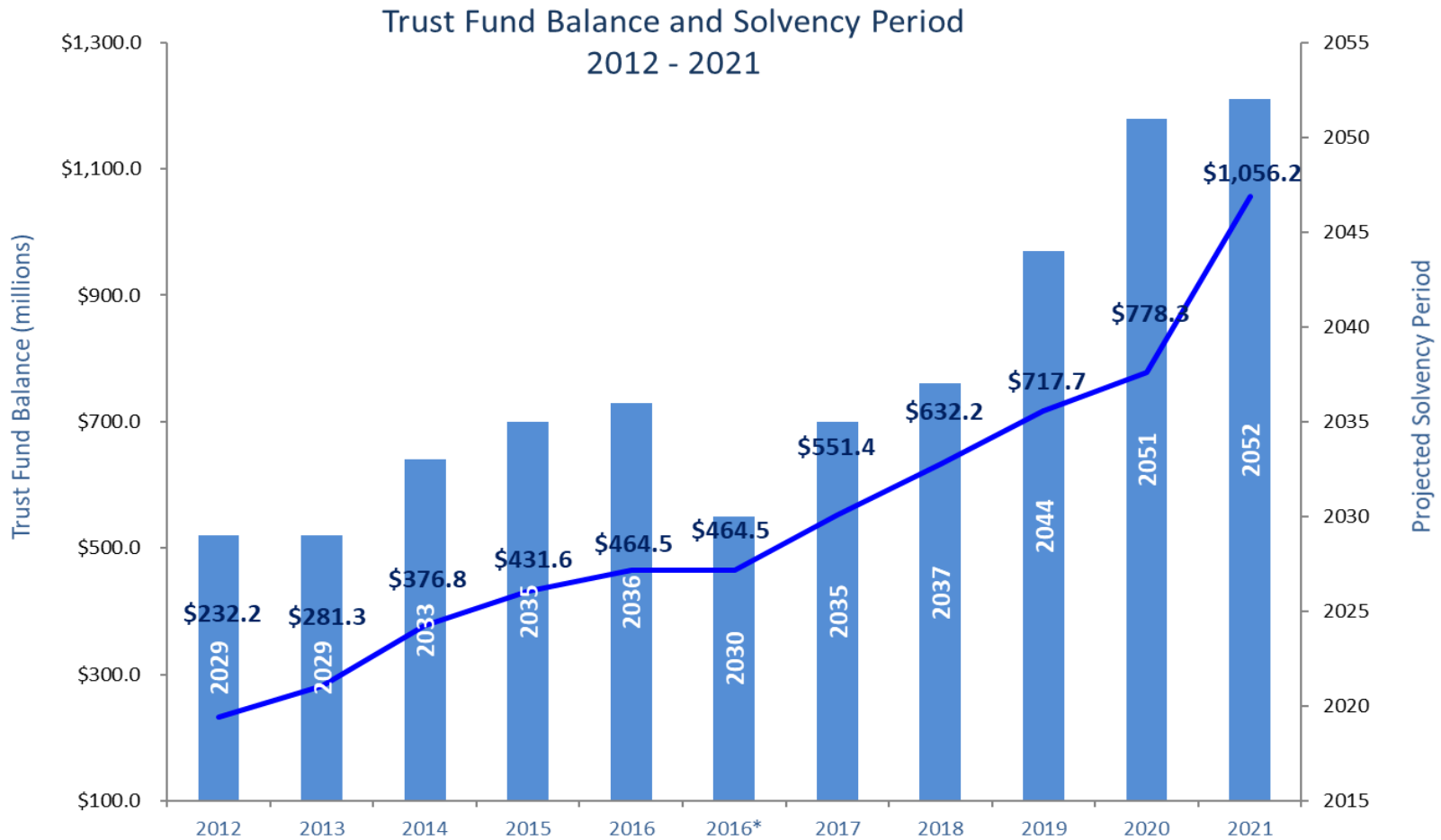
- **Projected Expenses**

- Medical and Prescription.
- Retiree Ancillary Premiums.
- Administrative Fees.
- Agency Operating Expenses.

- **Major Assumptions**

- Payroll Growth: 2.75%
- Discount Rate: 7.00%
- Medical Trend: 8% pre-Medicare / 6% Medicare
- Plan Selection: Migration to Lower Costing Plans.
- Plan Design Changes: Increased Copays, Coinsurance and Deductibles.
- Plan Rates: Continue to Grow in Accordance With Medical Trend.

# Solvency Update



\*Post 2016 Special Session  
Action

■ Solvency Period    — Trust Fund Balance

# GASB Updates

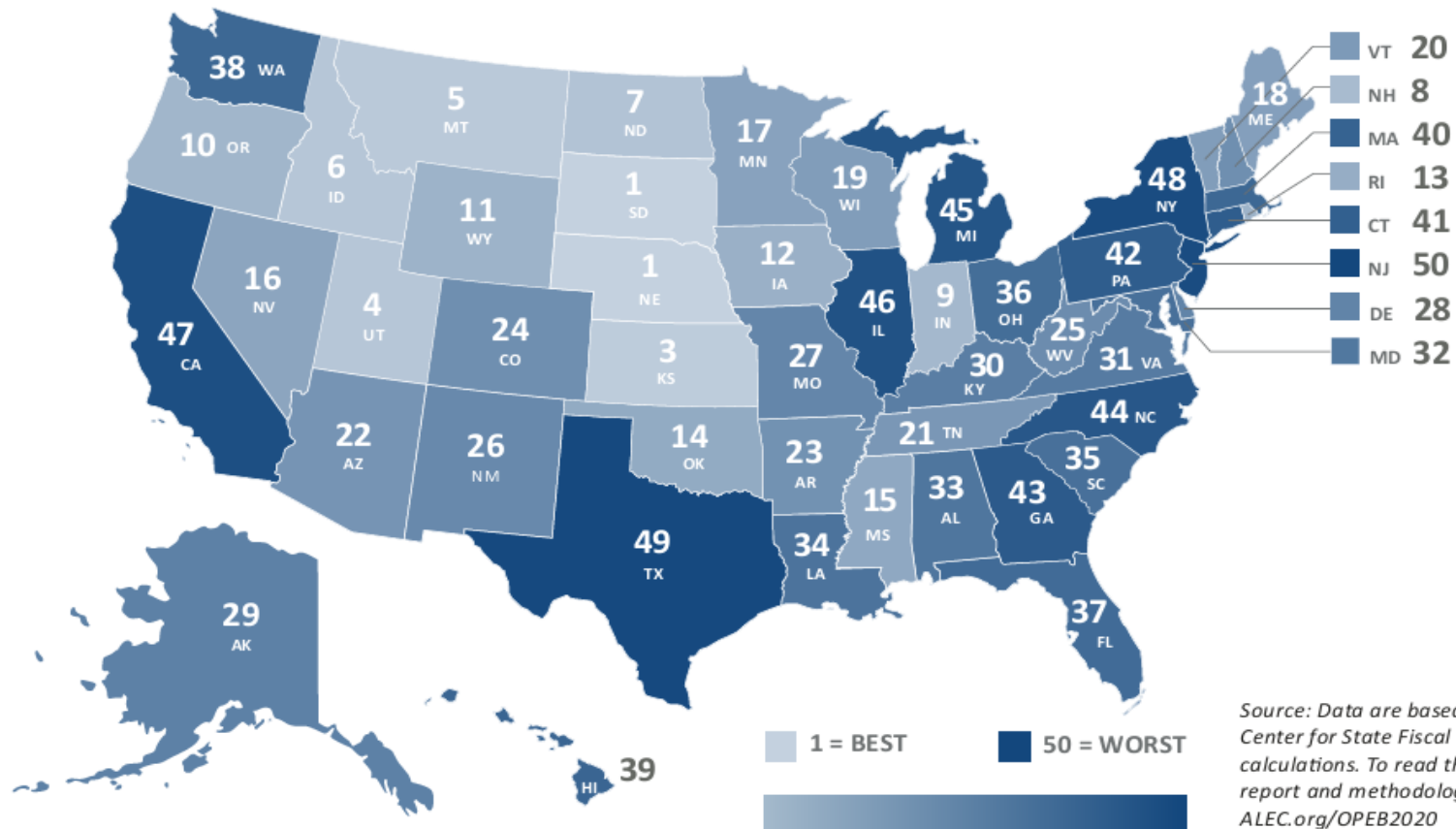
- GASB 74 – Actuarial Valuation Review of Other Postemployment Benefits (OPEB) as of June 31, 2021\*
  - Pending Final Review
  - Total OPEB Liability: \$4,409,849, 335 (2021) / \$5,028,579,923 (2020) / \$3,999,137,737 (2019)
  - Net OPEB Liabilities (NOL) decreased \$618.7 million (driven by increased to the Fiduciary Net Position)
    - 3.26% in (2021) / 2.86% in (2020) / 4.16% in (2019)
    - Applicable discount rate = blend of assumed investment return on plan assets – 7.0% and the rate for 20-year, tax-exempt general obligation municipal bonds w/an average rate of AA/Aa or higher (e.g. 2.16% as of June 30, 2020 compared to 2.21 % as of June 30, 2020)
  - NOL: \$3,290,349,790 (2021) / \$4,198,908,018 (2020) / \$3,242,388,746 (2019)
  - Funded Status: 25.39% (2021) / 16.50% (2020) / 18.92% (2019)
  - Plan Fiduciary Net Position: \$1,119,499,545 (2021) / \$829,671,908 (2020) / \$756,748,991 (2019)
  - The Coronavirus (COVID-19) pandemic is rapidly evolving and may have a significant financial impact on future expenditures. The report does not attempt to measure the following:
    - Direct or indirect effects of COVID-19 on short-term health plan costs
    - Short-term or long-term impacts on mortality of the covered population
    - The potential for federal or state fiscal relief

\*Pending Final Review

# Other Postemployment Benefits Continued

**FIGURE 1 TABLE 1**  
**Total Unfunded OPEB Liabilities**

This metric shows the total OPEB liabilities in each state. It is important to note that Nebraska and South Dakota implemented defined-contribution healthcare benefits, eliminating unfunded liabilities in these states.



Source: Data are based on ALEC Center for State Fiscal Reform's calculations. To read the full report and methodology, see [ALEC.org/OPEB2020](http://ALEC.org/OPEB2020)



# Special Appropriation Requests

## SB315 Public Safety Offer Retirement – Laws 2021, Chapter 36

- The law amended the definition of “state police member” to include officers who were previously excluded from coverage under State Police, Adult Correctional Officer and Probation and Parole Officer Plan 1. Officers excluded formerly assigned to the motor transportation division certified and commissioned prior to June 30, 2015.
- The law effectively increased the number of employees who are eligible to participate under an enhanced benefit plan and, as such, are not subject to NMRHCA’s minimum age and increased years-of-service requirements to receive the maximum subsidy provided to retirees.
- Section 10-7C-15 Retiree Health Care Fund Contributions States the following:
  - C. On or after July 1, 2009, no person who has obtained service credit pursuant to Subsection B of Section 10-11-6 NMSA 1978, Section 10-11-7 NMSA 1978 or Paragraph (3) or (4) of Subsection A of Section 22-11-34 NMSA 1978 may enroll with the authority unless the person makes a contribution to the fund equal to the full actuarial present value of the amount of the increase in the person's health care benefit, as determined by the authority.
  - The full actuarial present value of this amount was estimated at \$340,000 and the Special Appropriation directed to the Department of Public Safety totaled \$194,700
  - **NMRHCA respectfully requests the difference, \$145,300, be directly appropriated to NMRHCA**

## Special Appropriation Requests Cont.

### SB317 No Behavioral Health Cost Sharing – Laws 2021, Chapter 136

- The law requires NMRHCA to eliminate cost sharing (copays, deductibles and coinsurance) for mental and behavioral health services beginning January 2022 – December 2026. This requirement is projected to increase costs to NMRHCA as follows:

	2022	2023	2024	2025	2026	Total
Elimination of cost share on medical	\$ 762,932.77	\$ 793,450.08	\$ 825,188.08	\$ 858,195.61	\$ 892,523.43	\$ 4,132,289.97
Elimination of cost share on prescription drugs	\$1,247,501.83	\$1,334,826.96	\$1,428,264.85	\$1,528,243.38	\$1,635,220.42	\$ 7,174,057.44
Increased utilization on medical	\$ 634,785.95	\$ 660,177.39	\$ 686,584.48	\$ 714,047.86	\$ 742,609.78	\$ 3,438,205.46
Increased utilization on prescription drugs	\$ 54,802.37	\$ 58,638.54	\$ 62,743.23	\$ 67,135.26	\$ 71,834.73	\$ 315,154.13
<b>Total</b>	<b>\$2,700,022.92</b>	<b>\$2,847,092.97</b>	<b>\$3,002,780.64</b>	<b>\$3,167,622.11</b>	<b>\$3,342,188.36</b>	<b>\$15,059,707.00</b>

- This estimate was developed by NMRHCA’s consulting actuaries based on the Health Insurance Experiment (HIE) which analyzes how cost sharing effects behavior and how people use health care as a function of how rich their benefits are.
- NMRHCA respectfully requests a Special Appropriation totaling \$15 million to offset the impact to the Trust Fund and or increases to retiree monthly charges.**

## Special Appropriation Requests Cont.

- COVID-19 Testing and Treatment
- Between March 2020 and September 2021 the cost associated with the testing and treatment of COVID-19 for members participating in one of NMRHCA's self-insured plans has exceeded \$9.2 million
- Costs are broken down by plan as follows:

Plan	Distinct Patients	Plan Paid
BCBS - PreMed	3,427	4,270,130.91
PHS - PreMed	2,988	3,419,228.45
Medicare Supplement	5,228	1,548,506.77
		9,237,866.13

- This request is being made to offset future increases and mitigate the impact to NMRHCA Trust Fund Balances.
- **NMRHCA respectfully requests a Special Appropriation totaling \$9.2 million to offset the impact to the Trust Fund and or increases to retiree monthly charges.**

# New Mexico Retiree Health Care Authority

**David Archuleta, Executive Director**

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NMRHCA Office: 800-233-2576 / 505-222-6400

8:00AM – 5:00PM (Monday - Friday)

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

Offices Remain Closed Except by Appointment