



NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

## Investments & Pensions Oversight Committee

Senator George K. Muñoz, Chair

Representative Patricia Roybal Caballero, Vice Chair

### Agency Updates

October 6, 2020

Doug Crandall, President

Therese Saunders, Vice President

LeAnne Larranaga-Ruffy, Secretary

David Archuleta, Executive Director

# Program Composition and Operations

Active participation – 91,082 (6/30/19)

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

Membership – 64,526 (12/1/19)

- Medicare – 40,275
- Pre-Medicare – 14,616
- Voluntary Only – 9,635
- Retirees – 40,220
- Spouses/DP – 12,947
- Dependent Children – 1,724
- Average Age – 67.99
- Members under age 55 – 2,067
- Members over age 75 – 13,404

## FY21 Approved Operating Budget

### Healthcare Benefits Administration

- Uses:
  - Benefits – \$355.1 million
  - ACA Fees – \$40,000
  - Other Financing Uses – \$3.3 million (operations)
- Sources:
  - EE/ER Contributions – \$120 million
  - Retiree Contributions – \$175 million
  - TRD Suspense Fund – \$32.9 million
  - Misc. Revenue – \$30 million
  - Interest – \$400,000

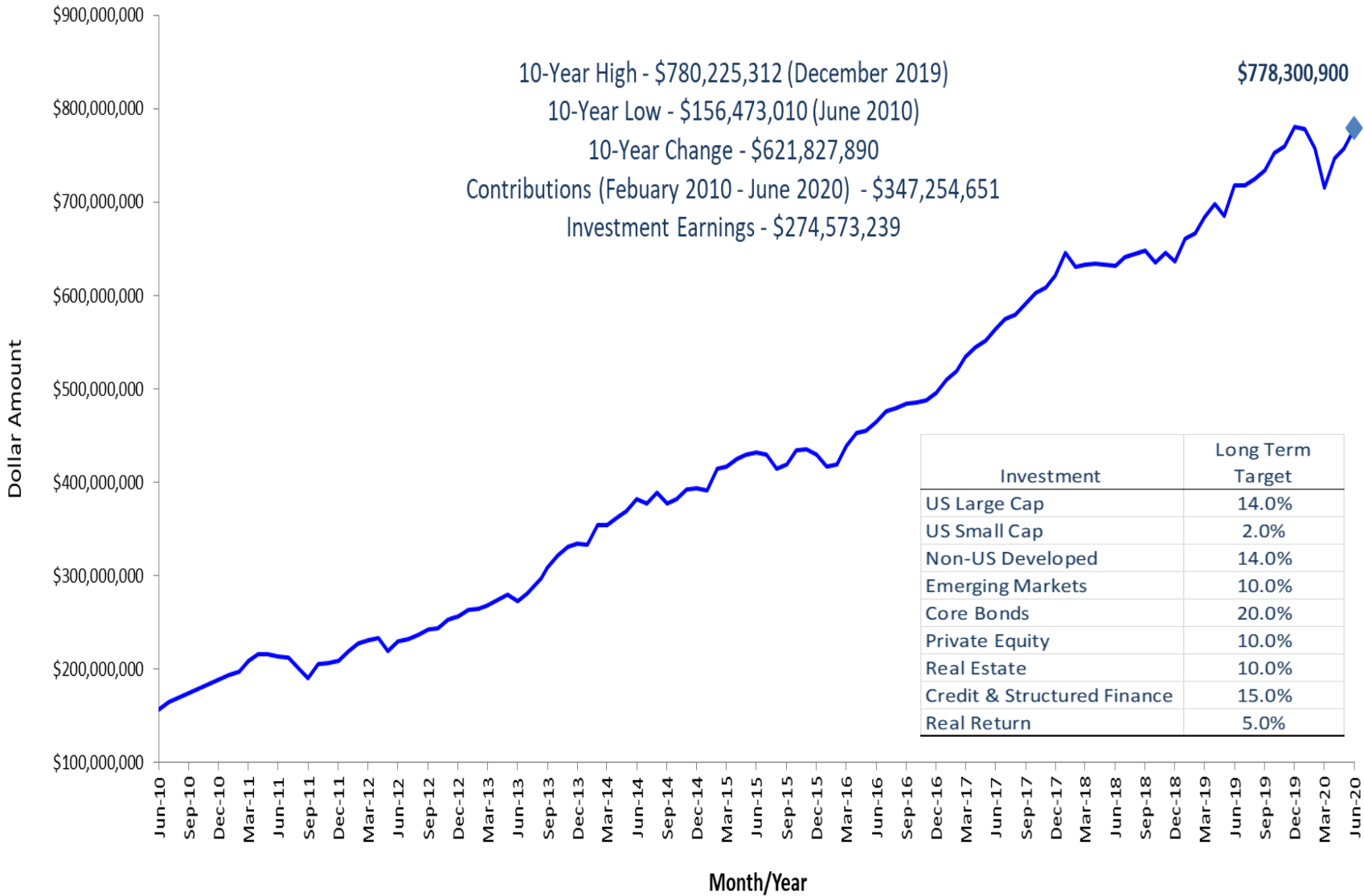
### Program Support (26 FTE)

- Salaries & Benefits – \$2.1 million
- Contractual Services – \$663,000
- Other Costs – \$566,000

# 2020 Legislative Session Summary

- House Bill 45 – Changes to Retiree Health Care Fund
  - Sponsored by Representatives Salazar and Lara (House)
  - Carried by Senator Gonzales (Senate)
  - Proposed to increase employee and employer contributions beginning FY21
    - 3 percent of payroll to 3.5% of payroll
      - Employee 0.17% of salary
      - Employer 0.33% of salary
  - Extend solvency of program
  - Prefund future benefits
  - Reduce unfunded liabilities
  - Protect against credit rating downgrades
- Vetoed on March 11, 2020 citing concerns regarding the financial burden placed on agencies and corresponding impact on vacancy rates
- 6<sup>th</sup> Unsuccessful attempt to increase employee and employer contributions since 2013

## NMRHCA Trust Fund Balance History June 2010 - June 2020



# Solvency & GASB

## Solvency Study

- Performed annually
- Used for strategic planning purposes
- 30-year projection of cash inflows and outflows
  - Plan design i.e., copays, deductibles, and coinsurance
  - Subsidy levels
  - Network/medical and prescription drug access
- 2019 Results
  - 2023 – Projected year of deficit spending (draw down of fund balances) - expenditures exceed revenues - \$11.1 million
  - 2044 – Projected year of insolvency (25 years) – trust fund balances completely exhausted
- 2020 Results
  - 2026 Projected year of deficit spending – expenditures exceed revenues - \$4.6 million
  - >2050 – Projected year of insolvency (beyond 30 years)

## GAS 74

- Completed October 14, 2019
- As of June 30, 2019
  - Total OPEB Liability – \$3.9 billion
  - Fiduciary Net Position – \$756.7 million
  - Net OPEB Liability – \$3.2 billion
  - Funded ratio – 18.92%
- As of June 30, 2018
  - Total OPEB Liability – \$5 billion
  - Fiduciary Net Position – \$657.6 million
  - Net OPEB Liability – \$4.3 billion
  - Funded ratio – 13.14%
- As of June 30, 2020 – *Pending*

## GAS 75

- Applies to employer groups i.e., State of New Mexico, Cities, Counties and Municipalities
- Similar to pension requirements w/regard to reporting of liabilities by group

# Financial Improvements Explained

- Minimum age and increased years-of-service requirements
- Procurement outcomes
  - Medicare Advantage
  - Pharmacy benefit manager (PBM) services
- Fund contributions
  - Revenues over expenses
- Investment earnings (net)
  - 1-year: 0.64
  - 3-year: 5.06
  - 5-year: 5.63
  - 10- year: 7.66
- Reduction in pre-65 participation
- Reduction in spousal/domestic partner participation
- Selection of actuarially valued lower costing plans
- Stability dependent upon current financial assumptions
  - **SB7 2016 Special Session**

# Agency Updates

- Albuquerque Office Relocation: 6300 Jefferson St. NE, Suite 150
  - Co-located w/PERA
- Albuquerque and Santa Fe offices remain closed to public until further notice
  - Available to support by telephone and email Monday – Friday (8:00AM – 5:00PM)
- New medical, dental, vision and Medicare Advantage contracts
- Switch Enrollment: October 1 – November 13
  - Individual carrier presentations posted on NMRHCA website
  - Individual summary of coverages sent to all retirees
  - 10 / 2-hour Q&A sessions
- Plan rates:
  - 2021 pre-Medicare plan rates: 5% growth
  - 2021 Medicare Supplement plan rates: 2% growth
  - 2021 Medicare Advantage plan rates: *36% – 84% reduction*
  - 2021 Dental and Vision plan rates: no change
- Open enrollment: January 1 – 31, 2021
  - Medical Only

# Board Appointments, Organization & Retirements

## Board Participation

- New Members
  - Leane Madrid, Director of Quality Assurance and Data Analytics (State Classified Member)
  - Loren Cushman, Superintendent at Animas Public Schools (NM Superintendents Association)
  - Sanjay Bhakta, Chief Financial Officer, City of Albuquerque (Municipal League Appointment)
  - Tomas Salazar, retired Educator (New Mexico Association of Educational Retirees) – **January 2021**
- New Leadership
  - Doug Crandall, President (Retired Public Employees of New Mexico)
  - Therese Saunders, Vice President (NEA NM and Classroom Teachers Association)
  - LeAnne Larranaga-Ruffy, Secretary (on behalf of Public Employees Retirement Association)
- Retirements
  - Tom Sullivan, former President (NM Superintendents Association)
  - Joe Montaña, former Vice President (New Mexico Association of Educational Retirees) – **December 2020**



# 2021 Legislative Proposal

- No request for increase in employee and employer contributions
- Amend section 10-7C-4. Definitions:
  - “an unmarried child under the age of nineteen who is” to “a child under the age of twenty-six” and eliminate requirements associated with attending an accredited educational institution
  - Replace term “mental retardation” with “intellectual disability” for dependents over the age 26

Amendments will align Retiree Health Care Act with requirements contained in the Affordable Care Act

- Delete sections:
  - 10-7C-17 – Creation of discount prescription drug program
  - 10-7C-18- Fund created; and
  - 10-7C- Audit; fee recommendation

Program defunded in FY11 and other options available online and through retail pharmacy outlets

New Mexico Retiree Health Care Authority

David Archuleta, Executive Director

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

Or visit us at: [www.nmrhca.org](http://www.nmrhca.org) or [www.facebook.com/nmrhca](https://www.facebook.com/nmrhca)

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

Offices remain closed until further notice