

Investments & Pensions Oversight Committee

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Actuarial Valuation: Government Accounting Standards Board (GASB) Statements 74 & 75
Transparency
November 13, 2017

Tom Sullivan, Board President

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David Archuleta, Executive Director

Valuation Summary – GASB 74

Based on following inputs:

- Plan provisions as of June 30, 2017
- Characteristics of covered active members, inactive vested members, retired members and beneficiaries
- Plan assets as of June 30, 2017
- Economic assumptions regarding future salary increases and investment earnings
- Other (health and non-health) actuarial assumptions i.e., employee terminations, retirement, death, health care trend and enrollment

Outcomes:

- Net OPEB Liability (NOL) = Total OPEB Liability (TOL) minus Plan's Fiduciary Net Position
- Plan's Fiduciary Net Position = Market Value of Assets
- NOL reflects all investment gains and losses as of the measurement date

Key Assumption:

- Investment returns includes a blend of 7.25% (assumed rate of return) a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.58% as of June 30, 2017)

Summary of Key Valuation Results

Net OPEB Liability Components (June 30, 2017):

- Total OPEB Liability: \$5,111,141,659
- Plan Fiduciary Net Position: \$575,649,501
- **System's Net OPEB Liability:** **\$4,535,492,158**
- Plan Fiduciary Net Position as a percentage of the Total OPEB Liability: 11.26%

Retired members, beneficiaries and married dependents	51,208
Vested terminated members entitled to, but not yet receiving benefits	11,478
Active members	<u>97,349</u>
Total members receiving or expecting to receive benefits	160,035

Sensitivity to Changes in Discount/Trend Rate

Net OPEB Liability (June 30, 2017):

System's Net OPEB Liability: \$4,535,492,158

Change in Discount Rate:	Net	Change
1% Decrease (2.81%)	\$5,500,667,903	(-\$965,175,745)
1% Increase (4.81%)	\$3,778,225,036	(\$757,267,122)

Change in Trend Rate:	Net	Change
1% Decrease	\$3,858,319,120	(\$677,173,038)
1% Increase	\$5,063,519,724	(-\$528,027,566)

Current trend rates: 8% graded down to 4.5% over 14 years for non-Medicare plans and 7.5% graded down to 4.5% over 12 years for Medicare plan costs

NMRHCA GASB History

Year	Actuarial Accrued Liability/Total OPEB Liability	Actuarial Value of Assets/Plan Fiduciary Net Position	Unfunded Actuarial Accrued Liability/Net OPEB Liability	Funded Ratio	Covered Payroll	Total Participants
2006	\$ 4,264,180,967	\$ 154,538,668	\$ 4,109,642,299	3.62%	\$4,073,731,873	140,292
2008	\$ 3,116,915,900	\$ 170,626,271	\$ 2,946,289,629	5.47%	\$4,020,508,902	130,381
2010	\$ 3,523,664,871	\$ 176,922,935	\$ 3,346,741,936	5.02%	\$4,001,802,240	146,166
2012	\$ 3,915,114,104	\$ 227,487,895	\$ 3,687,626,209	5.81%	\$3,876,220,608	146,590
2014	\$ 3,740,369,299	\$ 377,087,017	\$ 3,363,280,282	10.08%	\$3,941,587,760	155,098
2016	\$ 4,277,042,499	\$ 471,978,347	\$ 3,805,064,152	11.04%	\$4,271,183,612	159,642
2017	\$ 5,111,141,659	\$ 575,649,501	\$ 4,535,492,158	11.26%	\$4,165,647,340	160,035

Major changes (2006-2017) include:

- AAL/Total OPEB Liability Change: \$846,960,692
- AVA/Plan Fiduciary Net Positions Change: \$421,110,833
- UAAL/Net OPEB Liability Change: \$425,849,859
- Funded Ratio Change: 7.64%
- Covered Payroll Change: \$91,915,467
- Total Participants Change: 19,743

The PEW Charitable Trusts

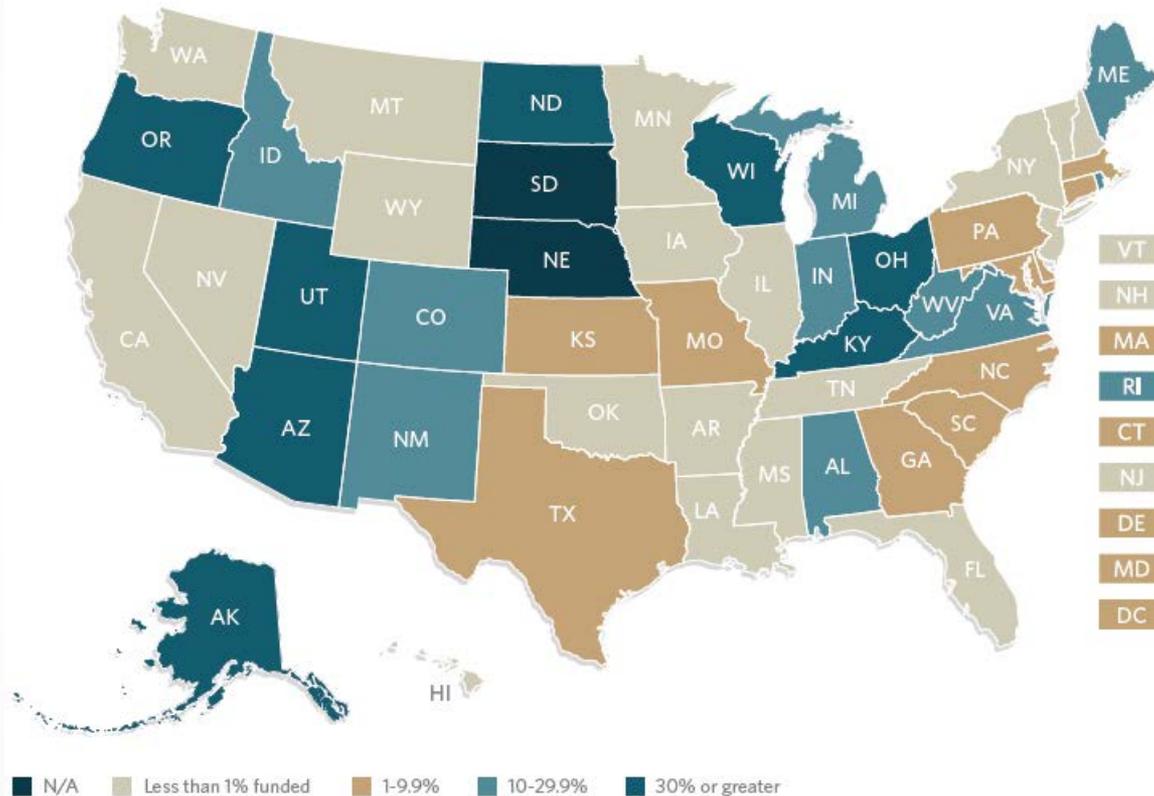
State Retiree Health Care Liabilities Key Stats:

- States paid a total of \$20.8 billion in 2015 for OPEB benefits (almost all retiree healthcare)
 - Represents an increase of \$1.2 billion, or 6 percent over the previous year
 - Total liabilities (cost of benefits in today's dollars, to be paid in future years) = \$693 billion, a 5 percent increase over 2014
 - Total assets = \$48 billion, yielding a funded ratio of 6.9% (\$44 billion/2014)
- Average funded ratio is low because most states pay for retiree health care benefits on a pay-as-you-go basis, rather than pre-funding liabilities
- Funded Ratios vary by state – less than 1 percent in 19 states to 92 percent in Arizona, only 8 have funded ratios above 30 percent
- Data collected from 166 OPEB plans, including multiple plans in many states
- Most data comes from 2015 CAFRs from each state

Source: http://www.pewtrusts.org/~media/assets/2017/09/opeb-liability-brief_v3.pdf

State OPEB Funded Ratios, 2015

Figure 1
State OPEB Funded Ratios, 2015
Wide range across the country



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GASB 75

Accounting and Financial Reporting for Postemployment Benefits Other Than Pension

Net OPEB Liability (June 30, 2017): \$4,535,492,158

Participating employer groups

• School Districts/Educational Institutions	203
• State Agencies	1 group (74 agencies)
• Cities	26
• Counties	23
• Towns	8
• Villages	12
Total	301

- GASB 75 will require participating employer groups to report their portion of Net OPEB Liability on their financial statements
- Reported amounts based upon percent of contributing employers percentage of reported payroll

Transparency

Website

- Annual Financial Audits
- GASB Reports
- Annual Summary of Benefits
 - Eligibility and participation rules
 - Contact information
 - Side by side comparison: non-Medicare, Medicare, dental, vision and life insurance
 - Monthly premium rate sheet based on years of service
- Board Information
 - Monthly Meeting Documents
 - Meeting Minutes
 - Meeting Notices
 - Meeting Agendas
- Contracts
 - New contracts located on Sunshine Portal
- Future Additions
 - Investment Reports

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