



Investments and Pensions Oversight Committee

Mark Tyndall, Executive Director
June 6, 2013

History of NMRHCA

NMRHCA established by the Retiree Health Care Act [NMSA 10-7C-1 1978] in July 1990, with no initial appropriation

NMRHCA began paying benefits in January 1991 with statutory limitations to premium increases until 2008

NMRHCA was *not* prefunded in a similar manner as PERA and ERB

In 2007, NMRHCA was projected to exhaust its fund balance by 2014

NMRHCA Board of Directors and Legislative efforts increased period of positive fund balance to 2029 by:

- Significant reduction in subsidies (retirees pay more of the total premium)
- Significant reduction in plan benefits (retirees pay more when they access care through higher deductibles and coinsurance)
- Increased contributions from active employees and employers

Agency Update

- FY14 Operating Budget
 - Health Care Benefits - \$258.3 million
 - Program Support - \$2.6 million/25 FTE
 - *Projected Total Membership – 55,958 (June 2014)*
- Current Financial Status
 - \$273.5 million in trust fund (May 2013)
 - Trust fund balance projected to remain positive into 2029
 - Modest surplus projected for near future
- Government Accounting Standards Board (GASB) Statement 43
 - June 2006
 - Actuarial Liability - \$4.2 billion
 - Actuarial Value of Assets - \$154.5 million
 - Unfunded Actuarial Accrued Liability - \$4.1 billion
 - Annual Required Contribution - \$392.6 million
 - June 2012
 - Actuarial Liability - \$3.9 billion
 - Actuarial Value of Assets - \$227.5 million
 - Unfunded Actuarial Accrued Liability - \$3.6 billion
 - Annual Required Contribution - \$353.7 million

The Significance of NMRHCA Benefits

- Retirement Planners Fidelity and Nationwide estimate that couples retiring in 2013 at the age of 65 will need, on average, **\$220,000** to cover medical expenses throughout their retirement
 - Average PERA Monthly Pension: \$2,161
 - Average ERB Monthly Pension: \$1,715
 - Average Monthly Social Security Benefit: \$1,262
 - NMRHCA reduces these expenses by well over 60% on average
- Demographics
 - Over 60% of NMRHCA membership is over age 65
 - Average age of retiree joining NMRHCA is 58
 - NMRHCA **new** retirees by age (80% over 55)
 - Ages 45 - 49 (155 members)
 - Ages 50 - 54 (305 members)
 - Ages 55 - 59 (504 members)
 - Ages 60 - 64 (958 members)
 - Ages 65 and above (550 members)

All Stakeholders Have Shared In Improving Plan Finances

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- Cost Containment Strategies
 - Pre-Medicare plan deductibles have increased from an average of \$195 in 2009 to an average of \$600 in 2013
 - Pre-Medicare plan out-of-pocket maximums have increased from an average of \$1,500 in 2009 to an average of \$3,600 in 2013
 - Medicare Supplement plans now require all members to pay the Medicare Part B deductible
 - All prescription plans have shifted to members paying a percentage of totals costs (with minimums and maximums) and away from flat dollar copayments (retirees will be paying an additional 5% of total prescription costs)
- Revenue Enhancement Strategies
 - Increased Retiree Health Care Premiums in accordance with medical inflation averaging 8 percent annually
 - Continued pursuit of increase in contribution levels for active employees/employers
- All Stakeholders (Employees, Employers, and Retirees) have contributed to improved financial outlook

NMRHCA Benefits Can Be Managed Effectively Over The Long Term

Solvency Period has increased from 2014 to 2029

NMRHCA has contributed over \$59 million to its trust fund over the last two years

Cost Increases on a per member basis have remained substantially below national averages

Unfunded liability has decreased from \$4.1 billion in 2007 to \$3.6 billion in 2012

NMRHCA (with other state purchasers) saved over \$50 million during last procurement cycle

Medical Administrative Costs are down to about 6% (5% to health plan partners and 1% to NMRHCA)

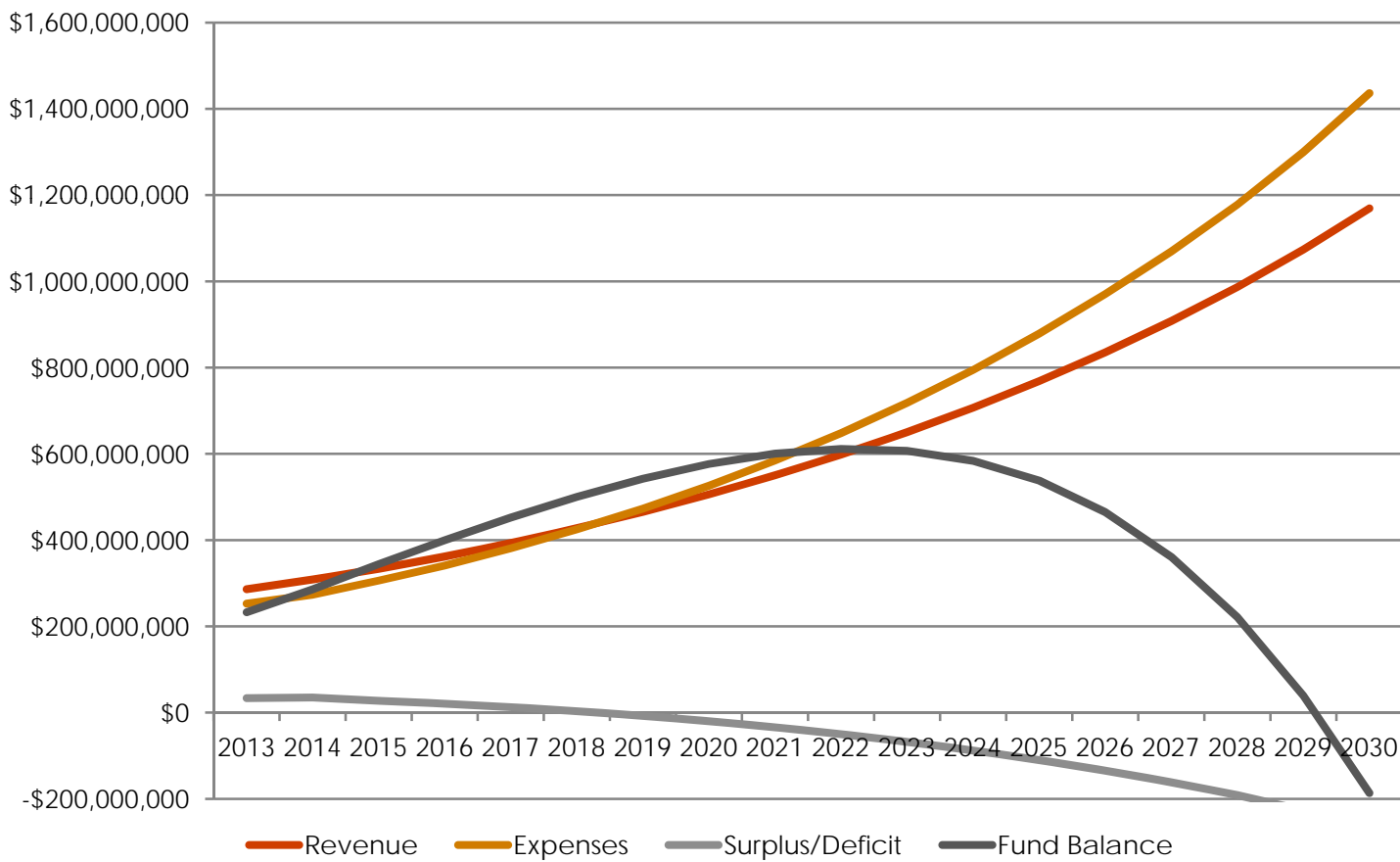
Five-Year Strategic plan approved by Board of Directors provides for solvency through FY2043

New Mexico's funding level is 14th best in the nation according to The Pew Center on the States

NMRHCA - Five Year Financial History

	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Estimate</u>	<u>2014 Approved</u>
Actual Plan Cost	\$201,481,000	\$205,328,000	\$205,345,400	\$223,991,700	\$235,593,700	\$258,318,900
Year Over Year Increase		1.9%	0.0%	9.1%	5.2%	9.6%
Annual Increase Since FY2009						5.6%
Medical Membership	40,224	41,889	43,690	46,698	49,032	51,484
PMPM Cost	\$417	\$408	\$392	\$400	\$400	\$418
Year Over Year Increase		-2.1%	-4.1%	2.1%	0.2%	4.4%
Annual PMPM Increase Since FY2009						0.0%

Fund Balance Projection



NMRHCA Five Year Strategic Plan – Projected Solvency: 2043

- Phase out “Family Coverage” subsidies for retirees with multiple dependent children
- Increase cost sharing on prescription coverage (stabilize plan/member share percentage)
- Increase cost-sharing of pre-Medicare Plans

Implement graduated minimum age requirement (to receive subsidies)*

Increase years of service required to receive maximum subsidy (currently 20 years)

Reduce pre-Medicare retiree subsidies

Reduce pre-Medicare spousal subsidies

Implement enhanced wellness programs (premium incentives for participation/health status)

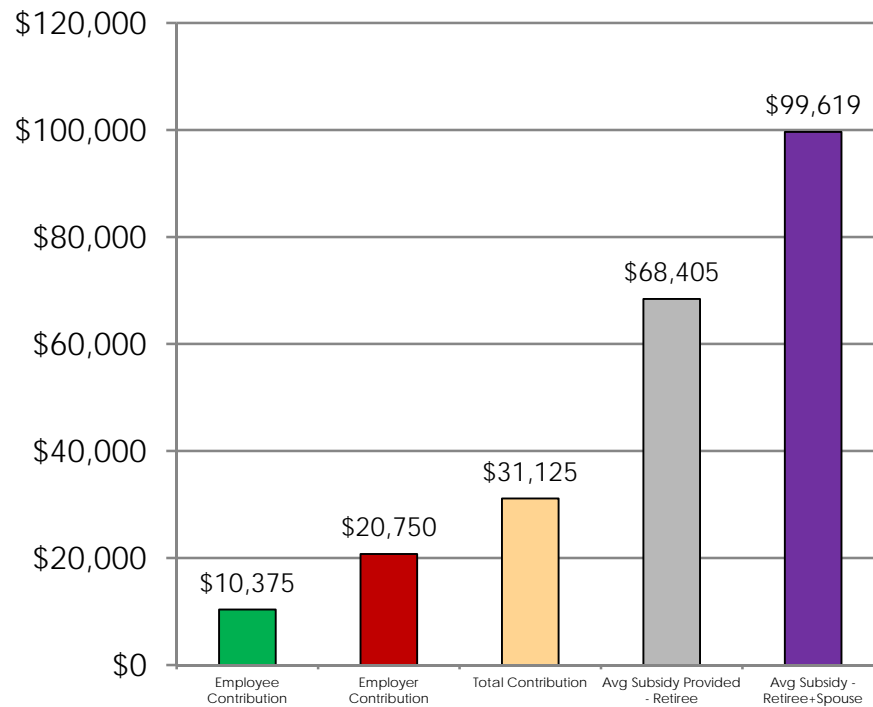
**Increase Employee/Employer contribution levels (requires legislative action) –
Request Increase of 0.75% to Employees and 1.50% increase to Employers**

- Implemented in 2013

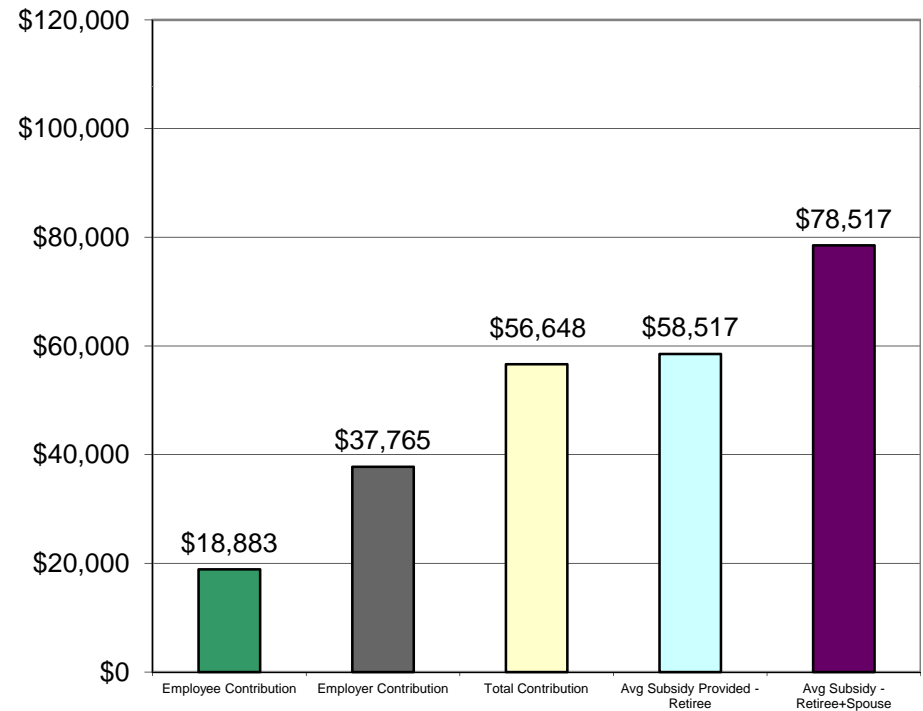
*NMRHCA will implement any minimum age requirement adopted by PERA and/or ERB

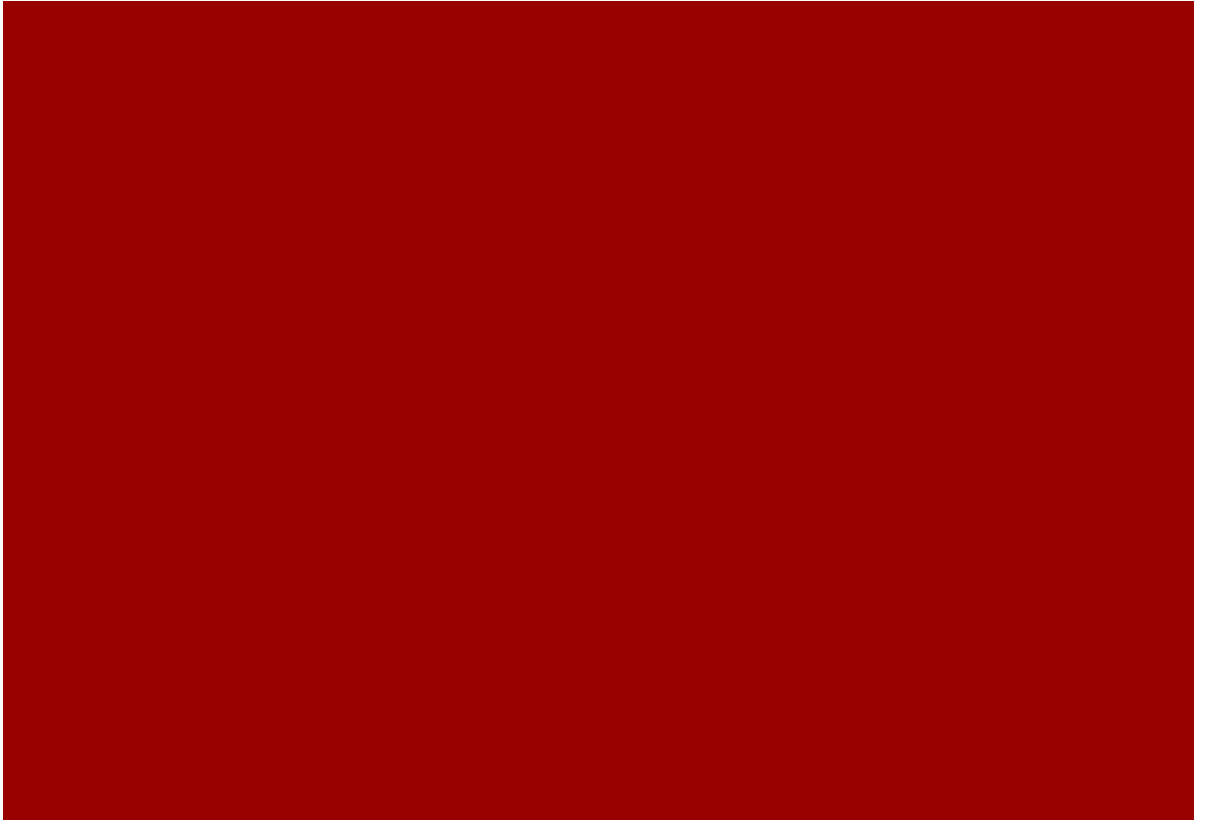
Impact of Five Year Plan

■ Current Contributions Vs. Benefits



■ Contributions vs. Benefits With Five Year Plan





Next Steps

- Board of Directors Annual Retreat – July, 2013
 - Determine rates and plan designs for 2014
 - Establish ongoing legislative agenda
- Meet with stake holders to discuss reform options
 - Union representatives
 - Retiree groups
 - Administration Officials
 - Legislative Committees
- Present specific requests/recommendations to IPOC and/or LFC during interim