



NEW MEXICO  
**RETIREE**  
HEALTH CARE  
AUTHORITY

## Investments & Pensions Oversight Committee

Senator George K. Muñoz, Chair

Representative Patricia Roybal Caballero, Vice Chair

### Proposed Legislation

December 4, 2019

Tom Sullivan, President

Joe Montaña, Vice President

Doug Crandall, Secretary

David Archuleta, Executive Director

# Retiree Health Care Authority Act - 1990

10-7C-1 through 10-7C-16 NMSA 1978

- Purpose — to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico
- Legislative Findings (10-7C-3)
  - Public employees face a severe problem in securing continuing medical insurance upon retirement citing medical care inflation exceeding general inflation for the past decade (1990)
  - Public employees covered by the Act have entered into public employment in circumstances where they have received in exchange for their services a present salary and an expectation of receiving a future stream of benefits, including certain retirement benefits
  - Nothing in the Act shall prohibit the legislature from increasing or decreasing participating employer or employee contributions, eligible retiree premiums or group health insurance coverage
- Board Duties (10-7C-7)
  - Administration of program to include: procurement, promulgating and adopting rules, regulations and procedures for the governance of eligibility, participation, enrollment, length of service requirements and other conditions



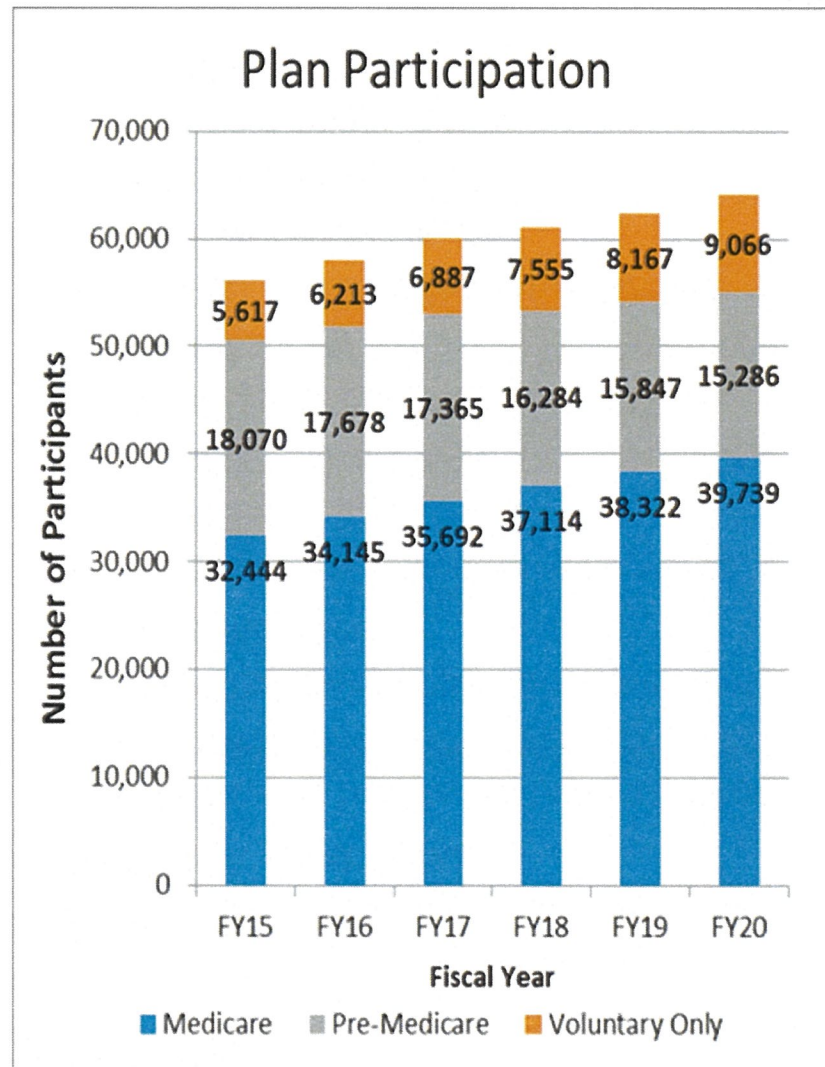
# Program Composition and Participation

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

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

Retiree participation – 64,025 (12/1/19)

- Medicare – 39,789
- Pre-Medicare - 15,129
- Voluntary Only – 9,107
- Retirees – 40,072
- Spouses/DP – 13,011
- Dependent Children – 1,835
- Average Age – 67.57
- Members under age 55 - 2,203
- Members over age 75 – 12,718



# Budget & Finance

## FY20 Approved Operating Budget

### Healthcare Benefits Administration

- Uses:
  - Benefits - \$354.7 million
  - ACA Fees - \$42,000
  - Other Financing Uses - \$3.2 million (operations)
- Sources:
  - EE/ER Contributions - \$124.6 million
  - Retiree Contributions - \$170 million
  - Tax & Rev Suspense Fund - \$32.9 million
  - Misc. Revenue - \$30.2 million
  - Interest - \$100,000

### Program Support (26 FTE)

- Salaries & Benefits - \$2.1 million
- Contractual Services - \$616,600
- Other Costs - \$538,000

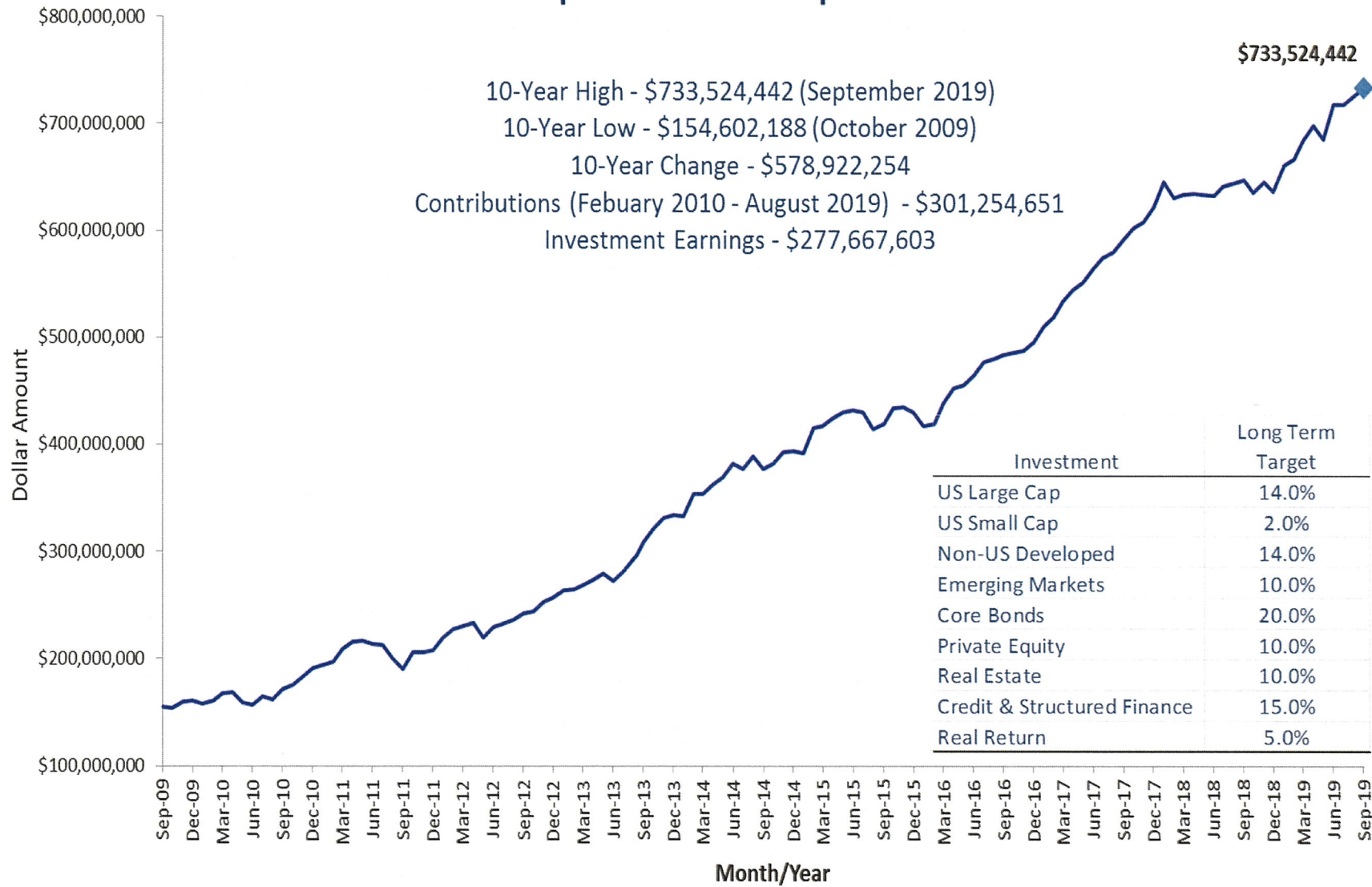
## Finance

### NMRHCA Trust Fund

- Investments held by State Investment Council (SIC)
- NMRHCA charged pro rata portion of investment fees
- Biennial Asset Allocation Performed
  - Wilshire – 2018
  - NEPC – 2016 & 2014
- October 31, 2019 Balance - \$753.1 million
- June 30, 2019 Performance Report
  - 1-year return – 6.11%
  - 3-year return – 9.45%
  - 5-year return – 5.81%
  - 10-year return – 8.94%



## NMRHCA Trust Fund Balance History September 2009 - September 2019



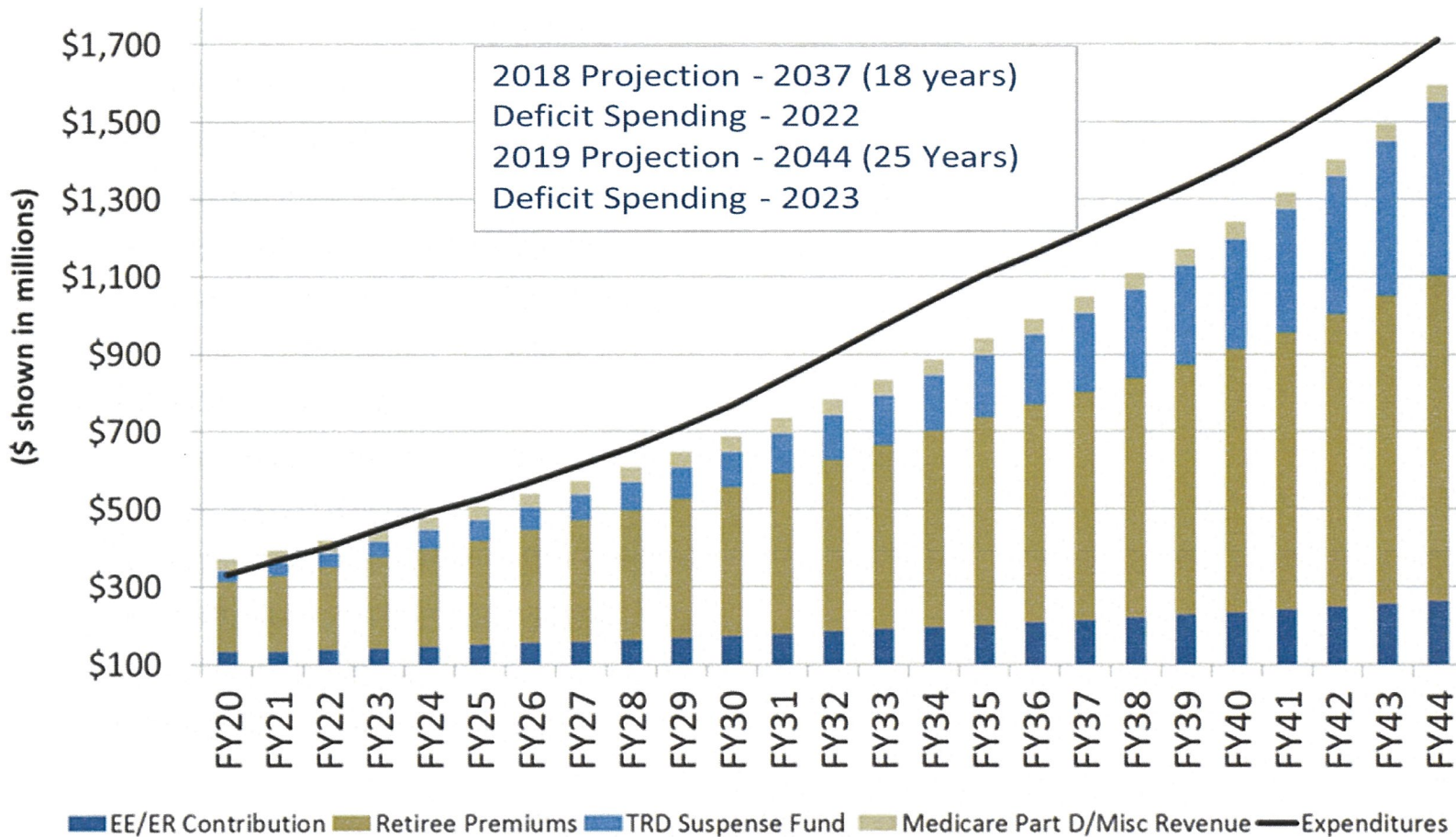
# Solvency Analysis

- Solvency Study Performed Annually
  - Analysis of future cash inflows and outflows
  - Used for strategic planning purposes
    - Plan design i.e., copays, deductibles, coinsurance
    - Subsidy levels
    - Network/medical and prescription drug access
- 2018
  - Projected year of deficit spending – 2022
  - Expenditures exceed revenues - \$15.3 million
  - Projected year of insolvency: FYE 2037 (18 years)
- 2019
  - Projected year of deficit spending – 2023
  - Expenditures exceed revenues - \$11.1 million
  - Projected Year of Insolvency: FYE 2044 (25 years)



# 2019 Solvency Analysis

Projected Revenues and Expenditures  
FY20 - FY44 Projected



# GAS 74 Valuation

- 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
  - Net position as percentage of total liability – 18.92%
- As of June 30, 2018
  - Total OPEB Liability - \$5 billion
  - Fiduciary Net Position - \$657.6 million
  - Net OPEB Liability - \$4.3 billion
  - Net position as percentage of total liability – 13.14%
- Sensitivity Analysis
  - Discount Rate
    - 1% decrease - \$3.9 billion
    - 1% increase - \$2.6 billion
  - Trend Rate
    - 1% decrease - \$2.7 billion
    - 1% increase - \$3.6 billion



## GAS 74 Valuation Cont.

- Change Description
  - Census data update - \$219 million
  - Vested term retirement age - \$19.4 million
  - Retiree election assumption - \$517 million
  - Spouse election assumption - \$133 million
  - Discount rate change (4.08% - 4.16%) - \$51.6 million
  - Healthcare cost trends - \$432 million
  - Actual vs. net benefit payments - \$51 million
- Allocation of Liabilities --- \$3,999,137,737
  - Pre-Medicare - \$1,238,958,288
    - Current Under 65 - \$447,082,112 (current beneficiaries, excludes active and deferred vested)
    - Current Under 65 active - \$791,876,176
  - Medicare - \$2,760,179,449
    - Current 65+ - \$1,512,043,772 (current beneficiaries, excludes active and deferred vested)
    - Current 65+ active vested terms - \$1,248,135,677

# Legislation

## NMRHCA Sponsored

- 2013/2014 – Introduced legislation requesting 2.5% total contribution increase – passed through multiple committees in both chambers but received no floor votes
- 2015/2016 – Introduced legislation requesting 1.25% contribution increase – passed through multiple committees in both chambers and passed house floor vote
- 2017 – Memorial recognizing importance of NMRHCA program
- 2018 – No Legislation Introduced
- 2019 - Introduced legislation requesting 1.5% total contribution increase – passed through HSGEIA committee, tabled in HAFC

## *Enacted Legislation*

- 2016 Special Session – SB7 Public Fund Distribution Changes
- Permanent removal of \$3 million annual special distribution from taxation and revenue suspense fund
- Removal of annual 12% increase in transfers received from taxation and revenue suspense fund regular distribution

## *Resulting Impact*

- Solvency period reduced by six years to 2030 (post SB7 implementation)
- Projected deficit spending 2020
- Reduction of \$350 million revenues over life of Trust Fund
- Need for increase in employee & employer contributions



# 2020 Legislative Proposal / Sustainability

## Funding:

<b>30-Year Funded Status Estimate: Exceeds 50%</b>						
	Employee	Employer	Total	GF Impact	Additional Revenue	Projected Solvency
FY20	1.000%	2.000%	3.000%	\$ -	\$ -	2044
FY21	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years
FY22	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years
FY23	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years
FY24	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years
FY25	1.170%	2.330%	3.500%	\$ 8,000,000	\$ 22,600,000	Beyond 30 Years
Average Employee		Annual Cont.	Pay Period			
Current	\$ 40,000	\$ 400.00	\$ 15.38		<b>FY50 Projected Fund Balance</b>	<b>\$3,740,000,000</b>
FY21	\$ 40,000	\$ 468.00	\$ 18.00			
Difference		\$ (68.00)	\$ (2.62)			
Plus One Time Infusion (FY21) = \$12,384,296						

Employees participating under an enhanced retirement will increase contributions from 1.25% to 1.47% (employee) and 2.5% to 2.93% (employer)

## Benefits:

- Consideration of additional eligibility restrictions
- Continued plan modification
- Pre-Medicare subsidy reduction
- Procurement

## Alternatives

- Convert to a defined contribution program
  - Flat monthly contribution toward purchase of coverage, regardless of overall cost
- Eliminate subsidies for spouses and domestic partners (Pre-Medicare/Medicare)
- Eliminate subsidies for all Pre-Medicare coverage
  - Medicare Only Plan
- Eliminate Medicare Supplement Plan
  - Medicare Advantage Plans Only
- Limit access to care i.e., narrow/limited network for doctors, facilities and hospitals
- Adopt a more restricted pharmacy benefit management formulary
- Range or combination of actions listed above



New Mexico Retiree Health Care Authority

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