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October 8, 2008

MEMORANDUM

TO: Legislative Education Study Committee

FR: Peter van Moorsel *PvM*

RE: STAFF REPORT: RETIREE HEALTH CARE FUND SOLVENCY

In 2007, legislation was enacted to conduct a study of issues concerning the Retiree Health Care Fund and to appropriate an additional \$3.0 million per year for FY 08 through FY 10 from the state's Tax Administration Suspense Fund to the existing flow of revenue to the Retiree Health Care Fund.

As a result of this legislation a work group was convened during the 2007 interim to study how to preserve the healthcare benefits for Retiree Health Care Authority (RHCA) retirees. The work group reported that, as recently as January 2008, the RHCA was facing three significant issues:

- (1) The Retiree Health Care Fund was projected to be insolvent by June 2014. Annual revenues had fallen short of expenditures and RHCA had taken funding from its reserves and long-term investment to cover current costs.**

(The RHCA adds that solvency is not the only measure that requires attention, reporting that the unfunded actuarial accrued liability (UAAL) of the Retiree Health Care Fund has exceeded \$5.0 billion in the past and it would need an additional \$200 million to meet the annual required contribution (ARC) to fully fund the program.)

- (2) **New accounting standards that now require the state to publish the unfunded liability associated with nonpension retirement benefits and a significant (UAAL) could eventually affect the state's bond rating.**
- (3) **Because costs exceeded revenues, due in large part to increasing medical costs and increasing numbers of retirees entering the system, little if any pre-funding of benefits was occurring, thereby leaving the future viability of the system in doubt.**

Recommendations made by the work group to address the above issues include:

- Focus on Solvency, the ARC and UAAL: Develop a comprehensive set of actions that will focus not only on extending solvency but also prefund benefits for future retirees and reduced the UAAL, thereby protecting the state's financial position.
- Solvency Period: Establish a near-term goal of achieving a 25-year solvency period by providing for regular adjustment to premiums and identifying other revenue streams that maintain the 25-year solvency period.
- Employer/Employee Contribution Increase: Increase the employer/employee contribution to a total of 2.4 percent (from 1.95 percent) of pay. The employer contribution would be increased from 1.30 percent to 1.60 percent (a 0.30 percent increase) and the employee contribution would be increased from 0.65 percent to 0.80 percent (a 0.15 percent increase).
- Suspense Fund Allocation: The work group recommended extending indefinitely the \$3.0 million transfer from the Tax Administration Suspense Fund beginning July 1, 2010, and using the revenue to prefund future liabilities.

Because the work group was committed to having all parties share in the financial solution, it was determined that non-state participating employers, except for public schools, should be assessed annually in much the same way that the state is providing a \$3.0 million supplemental contribution to the fund. A \$1.0 million assessment would begin July 1, 2008.

2008 Legislation

Based on the recommendations of the 2007 work group, legislation was introduced during the 2008 legislative session to:

- extend indefinitely the \$3.0 million transfer from Tax Administration Suspense Fund, scheduled to terminate on June 30, 2010;
- require RHCA to provide an annual report to the Legislative Finance Committee and the Governor on the condition of the RHCA fund by December 15 of each year;
- expand the composition of the RHCA board of directors;
- beginning in FY 09, limit the state subsidy to 50 percent of projected costs for retirees and 25 percent of projected costs for dependents;
- beginning July 1, 2008, require that the employer contribution be increased by 0.30 percent and the employee contribution be increased to 0.15 percent and that the

total 0.45 percent of employer/employee contributions be used only for the prefunding of unfunded liabilities for active employees;

- beginning July 1, 2008, require non-state participating employers, except for public schools, to be assessed the aggregate amount of \$1.0 million annually; and
- require additional contributions to the RHCA fund to be used for prefunding future liabilities. (The contributions include the \$3.0 million annual transfer from the suspense fund; the additional employer/employee contributions; and the \$1.0 million annual assessment from non-state participating employers, except for public schools).

Language in the *General Appropriation Act of 2008* included approximately \$7.3 million to provide for an increase in the employer contribution rate to the Retiree Health Care Fund, contingent on passage of the above legislation. However, the appropriation failed the contingency because the above-mentioned legislation did not pass.

RHCA Board Action

Not all changes that affect the solvency of the fund require legislation, however. In both 2007 and 2008, the RHCA board approved changes that are expected to extend the solvency of the fund; and the board is considering further options:

- In August 2007, the RHCA board approved a number of measures intended to extend the solvency period, including:
 - moving the self-funded Medicare prescription drug coverage to an RHCA sponsored prescription drug plan;
 - adjusting benefit designs, including increases to certain co-payments and out-of-pocket expenses; and
 - approving an average 9.0 percent increase in premiums across the benefit plans effective January 1, 2008, and committing to tying future premium increases to medical and pharmacy trends.
- In March 2008, the RHCA board approved the following measures intended to extend the solvency period:
 - increasing the level of contributions by an overall weighted average of 15.5 percent; and
 - establishing policy requiring future premium increases to track medical cost trends.
- The RHCA reports that further actions being considered by the board to extend the solvency of the fund include:
 - a resolution to hold fund balances harmless absent significant, unexpected increases in expenses;
 - requiring that all enrollees attest that they are not eligible for other healthcare coverage due to other employment;
 - requiring a medical exam prior to reentry into the system;
 - adopting an effective disease management program; and

- creating further incentives to encourage the use of generic and mail-in prescription drug programs; and providing no subsidy for new hires after July 1, 2009 with less than 15 years of service.

About RHCA

- The RHCA was created in 1990 to administer group and optional healthcare benefits and life insurance for New Mexico's current and future eligible retirees and their dependents.
- Eligible retirees are those who receive a disability or normal retirement benefit from public service in New Mexico with a participating employer and either contributed to the Retiree Health Care Fund for at least five years prior to retirement or retired prior to July 1, 1995.
- As of October 1, 2008, RHCA has 487 participating employers, including state agencies, public school districts, charter schools, counties, cities, and institutions of higher education (see Attachment). According to RHCA, as of July 2008, total enrollment was approximately 42,111.
- The RHCA is governed by an 11-member Board of Directors comprising representatives of retirees, current employees, and public employers. The board sets overall policy for the agency, oversees the procurement of insurance benefits, and approves premium adjustments and benefit designs.
- The Retiree Health Care Fund is similar to a pension trust fund in that employees receive a right to a future benefit based, in part, on current contributions to the fund.
- Primary sources of income to the fund are (1) contributions from participating employers and active employees; (2) distributions from state income tax payments; (3) monthly premium contributions of enrolled participants; and (4) investment income.

Presenter

Mr. Wayne Propst, Executive Director, New Mexico Retiree Health Care Authority, will review the current financial condition of the RHCA, the actions taken by the Board of Directors to extend the solvency of the fund, and the administrative challenges faced by the RHCA.

Participating Employers

<i>Employer</i>	<i>Effective Date</i>
21ST CENTURY MIDDLE SCHOOL	8/11/2000
ABQ TALENT DEV SEC CHARTER SCH	8/1/2007
ACADEMIA DE LENGUA Y CULTURA	8/1/2003
ACADEMY FOR TECH & CLASSICS	1/1/2001
ADMIN OFFICE OF THE COURTS	7/1/1990
ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEY	7/1/1990
ADULT PAROLE BOARD	7/1/1990
AIMS/HIGH TECH HIGH	9/1/2005
ALAMOGORDO CITY FIRE	7/1/1990
ALAMOGORDO CITY OF	7/1/1990
ALAMOGORDO CITY POLICE	7/1/1990
ALAMOGORDO PUBLIC SCHOOLS	7/1/1990
ALBUQUERQUE CITY FIRE	7/1/1990
ALBUQUERQUE CITY OF	7/1/1990
ALBUQUERQUE CITY POLICE	7/1/1990
ALBUQUERQUE FLOOD CONTROL	7/1/1990
ALBUQUERQUE MGMT CITY OF	7/1/1990
ALBUQUERQUE PUBLIC SCHOOLS	7/1/1990
ALDO LEOPOLD CHARTER SCHOOL	7/1/2005
ALMA DE ARTE	7/1/2004
AMISTAD CHARTER SCHOOL	8/1/2000
AMY BIEHL CHARTER SCHOOL	7/1/2000
ANANSI CHARTER SCHOOL	8/1/2001
ANIMAS PUBLIC SCHOOLS	7/1/1990
ARCHITECT EXAM BOARD	7/1/1990
ARTESIA PUBLIC SCHOOLS	7/1/1990
ATTORNEY GENERAL	7/1/1990
AZTEC CITY OF	7/1/2005
AZTEC MUNICIPAL SCHOOLS	7/1/1990
BAR EXAMINERS BOARD	7/1/1990
BATAAN MILITARY ACADEMY	7/1/2007
BELEN CITY FIRE	7/1/1990
BELEN CITY OF	7/1/1990
BELEN CITY POLICE	7/1/1990
BELEN CONSOLIDATED SCHOOL	7/1/1990
BERN CO MED CENTER	7/1/1990
BERNALILLO CO FIRE	7/1/1990
BERNALILLO CO SHERIFF	7/1/1990
BERNALILLO COUNTY OF	7/1/1990
BERNALILLO PUBLIC SCHOOLS	7/1/1990

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<i>Employer</i>	<i>Effective Date</i>
BERNALILLO TOWN FIRE	7/1/1990
BERNALILLO TOWN OF	7/1/1990
BERNALILLO TOWN POLICE	7/1/1990
BLOOMFIELD CITY OF	1/1/2004
BLOOMFIELD MUNICIPAL SCH	7/1/1990
BOSQUE FARMS VILLAGE OF	7/1/1990
BOSQUE FARMS VILLAGE OF - AETNA	7/1/1990
BOSQUE FARMS VILLAGE POLICE	7/1/1990
BRIDGE ACADEMY CHARTER SCHOOL	9/1/2002
BUREAU OF MINES & MIN RES	
CAPITAN MUNICIPAL SCHOOLS	7/1/1990
CAREER ACADEMIC & TECH ACADEMY	1/1/2007
CARLSBAD CITY FIRE	7/1/1990
CARLSBAD CITY OF	7/1/1990
CARLSBAD CITY POLICE	7/1/1990
CARLSBAD MUNICIPAL SCHOOL	7/1/1990
CARRIZOZO SCHOOL DISTRICT	7/1/1990
CENTRAL CONSOLIDATED SCH. DIST 22	7/1/1990
CENTRAL NM COMMUNITY COLLEGE	7/1/1990
CENTRAL REGION EDUCATION COOPERATIVE	7/1/1990
CESAR CHAVEZ COMMUNITY CHARTER SCHOOL	7/1/2004
CHAMA VALLEY INDEP. SCHOO	7/1/1990
CHAMA VILLAGE OF	7/1/1990
CHAMA VILLAGE POLICE	7/1/1990
CHARTER SCHOOL 37	7/1/2006
CHAVES COUNTY OF	7/1/1990
CHAVES COUNTY POLICE	7/1/1990
CHILDREN YOUTH & FAMILIES DEPT	7/1/1990
CHRISTINE DUNCAN COMMUNITY SCHOOL	7/1/2006
CIBOLA COUNTY OF	7/1/1990
CIBOLA COUNTY POLICE	7/1/1990
CIMARRON MUNICIPAL SCHOOL	7/1/1990
CLAYTON MUNICIPAL SCHOOLS	7/1/1990
CLOUDCROFT SCHOOL DISTRICT	7/1/1990
CLOVIS CITY FIRE	7/1/1990
CLOVIS CITY OF	7/1/1990
CLOVIS CITY POLICE	7/1/1990
CLOVIS MUNICIPAL SCHOOLS	7/1/1990
CLOVIS, CITY OF - ICMA	7/1/1990
COBRE CONSOLIDATED SCHOOL	7/1/1990
COLFAX COUNTY	7/1/2000
COLFAX COUNTY SHERIFF	7/1/2000

<i>Employer</i>	<i>Effective Date</i>
COMMISSION FOR DEAF & HARD OF HEARING	7/1/1990
COMMISSION FOR HIGHER EDUCATION	7/1/1990
COMMISSION FOR THE BLIND	7/1/1990
COMMISSION OF PUBLIC RECORDS	7/1/1990
COMMISSION ON THE STATUS OF WOMEN	7/1/1990
COMMITTEE ON CONCERNS OF THE HANDICAPPED	7/1/1990
COMPILATION COMMISSION	7/1/1990
COOPERATIVE EXTENSION SERV - EASTERN DIST	7/1/1990
COOPERATIVE EXTENSION SERV - N DIST	7/1/1990
CORONA PUBLIC SCHOOLS	7/1/1990
CORPORATION COMMISSION	7/1/1990
CORRALES INTERNATIONAL SCHOOL	9/2/2008
CORRECTIONS DEPARTMENT	7/1/1990
COTTONWOOD CLASSICAL PREP SCHOOL	
COTTONWOOD VALLEY CHARTER SCHOOL	8/1/2001
COURT ADMIN'R - 8TH JUDICIAL DISTRICT - TAOS CO	7/1/1990
COURT ADMINISTRATOR - 2ND JUDICIAL DISTRICT	7/1/2003
COURT ADMINISTRATOR - 6TH JUDICIAL DISTRICT	7/1/1990
COURT ADMINISTRATOR - 7TH JUDICIAL DISTRICT	7/1/1990
COURT OF APPEALS	7/1/1990
CREATIVE EDUC PREP INST #1	7/1/2004
CREATIVE EDUC PREP INST #2	7/1/2004
CRIME VICTIMS REP COM	7/1/1990
CRIMESTOPPERS COMM	7/1/1990
CUBA INDEPENDENT SCHOOLS	7/1/1990
CULTURAL AFFAIRS	7/1/1990
CURRY COUNTY OF	7/1/1990
CURRY COUNTY POLICE	7/1/1990
D F A	7/1/1990
DATA (DIGITAL ARTS & TECH ACADEMY)	8/1/2002
DEMING CESAR CHAVEZ CHARTER HIGH SCHOOL	8/1/2006
DEMING CITY FIRE	7/1/1990
DEMING CITY OF	7/1/1990
DEMING CITY POLICE	7/1/1990
DEMING PUBLIC SCHOOLS	7/1/1990
DEPT OF EDUCATION	7/1/1990
DEPT OF PUBLIC SAFETY OFFICE	7/1/1990
DEPT OF PUBLIC SAFETY REG	7/1/1990
DEPT OF TRANSPORTATION	7/1/1990
DES MOINES MUNICIPAL SCHOOL	7/1/1990
DES MOINES VILLAGE OF	7/1/1990
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
DEXTER CONSOLIDATED SCHOOLS	7/1/1990
DISABILITY DETERMINATION	7/1/1990
DISTRICT ATTORNEY - 11TH JUDICIAL DISTRICT DIV I	7/1/1990
DISTRICT ATTORNEY 10TH	7/1/1990
DISTRICT ATTORNEY 11TH	7/1/1990
DISTRICT ATTORNEY 12TH	7/1/1990
DISTRICT ATTORNEY 13TH	7/1/1990
DISTRICT ATTORNEY 1ST	7/1/1990
DISTRICT ATTORNEY 2ND	7/1/1990
DISTRICT ATTORNEY 3RD	7/1/1990
DISTRICT ATTORNEY 4TH	7/1/1990
DISTRICT ATTORNEY 5TH	7/1/1990
DISTRICT ATTORNEY 6TH	7/1/1990
DISTRICT ATTORNEY 7TH	7/1/1990
DISTRICT ATTORNEY 8TH	7/1/1990
DISTRICT ATTORNEY 9TH	7/1/1990
DOL HUMAN RIGHTS DIV	7/1/1990
DORA CONSOLIDATED SCHOOLS	7/1/1990
DULCE INDEPENDENT SCHOOLS	7/1/1990
E.R.B.	7/1/1990
EASE	7/1/1990
EAST MOUNTAIN HIGH SCHOOL	8/1/2000
EASTERN NM UNIV-PORTALES	7/1/1998
EASTERN NM UNIV-ROSWELL	
ECONOMIC DEV & TOURIST	7/1/1990
ECONOMIC DEVELOPMENT DEPT.	7/1/1990
EDDY COUNTY OF	7/1/1990
EDDY COUNTY POLICE	7/1/1990
EDGEWOOD TOWN OF	8/1/2008
EDUCATION DEPARTMENT	7/1/1990
EL CAMINO REAL ACADEMY	8/1/2002
ELIDA MUNICIPAL SCHOOLS	7/1/1990
ELIDA TOWN OF	7/1/1990
EMPLOYEE ASSISTANCE PROGRAM	7/1/1990
ENG MIN & NAT RES DEPT	7/1/1990
ENVIRONMENT DEPARTMENT	7/1/1990
ESPANOLA CITY HOUSING AUTH	7/1/2000
ESPANOLA CITY OF	7/1/2000
ESPANOLA CITY POLICE	7/1/2000
ESPANOLA MILITARY ACADEMY	7/1/2004
ESPANOLA PUBLIC SCHOOLS	7/1/1990
ESTANCIA MUNICIPAL SCHOOL	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
ESTANCIA TOWN OF	7/1/1990
ESTANCIA TOWN POLICE	7/1/1990
EUNICE PUBLIC SCHOOLS	7/1/1990
FARMINGTON CITY OF	7/1/2007
FARMINGTON MUNICIPAL SCHOOLS	7/1/1990
FLOYD MUNICIPAL SCHOOLS	7/1/1990
FORMER LEGISLATOR	7/1/2003
FORT BAYARD MEDICAL CENTER	7/1/1990
FT SUMNER MUNICIPAL SCHOOL	7/1/1990
FT SUMNER VILLAGE OF	7/1/1990
FT SUMNER VILLAGE POLICE	7/1/1990
GADSDEN INDEPENDENT SCHOOL DISTRICT	7/1/1990
GALLUP CITY FIRE	7/1/1990
GALLUP CITY OF	7/1/1990
GALLUP CITY POLICE	7/1/1990
GALLUP HOUSING AUTH	7/1/1990
GALLUP-MCKINLEY COUNTY SCHOOLS	7/1/1990
GAME & FISH DEPT	7/1/1990
GENERAL SERVICES DEPT	7/1/1990
GIRLS WELFARE	7/1/1990
GOVERNOR'S OFFICE	7/1/1990
GRADY MUNICIPAL SCHOOLS	7/1/1990
GRANT COUNTY	7/1/2007
GRANTS-CIBOLA COUNTY SCHOOLS	7/1/1990
HAGERMAN MUNICIPAL SCHOOL	7/1/1990
HATCH VALLEY MUNICIPAL SCHOOL	7/1/1990
HATCH VILLAGE OF	7/1/1990
HATCH VILLAGE POLICE	7/1/1990
HEALTH & ENV.	7/1/1990
HEALTH & ENVIRONMENT	7/1/1990
HIGH PLAINS REG EDUC COOP	7/1/1990
HOBBS MUNICIPAL SCHOOLS	7/1/1990
HONDO VALLEY PUBLIC SCHOOL	7/1/1990
HORIZON ACADEMY WEST	7/1/2003
HORIZON HIGH TECH CHARTER SCHOOL	7/1/2005
HOUSE MUNICIPAL SCHOOLS	7/1/1990
HUMAN SERVICES DEPT	7/1/1990
INDIAN AFFAIRS OFFICE	7/1/1990
INSTITUTE OF PUBLIC LAW	7/1/1990
INTER-TRIBAL IND CERM	7/1/1990
INTERSTATE STREAM COMMISSION	7/1/1990
INVESTMENT COUNCIL	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
JAL CITY OF	7/1/1990
JAL CITY POLICE	7/1/1990
JAL PUBLIC SCHOOLS	7/1/1990
JEFFERSON MONTESSORI ACADEMY	7/1/2002
JEMEZ MOUNTAIN SCHOOL DISTRICT	7/1/1990
JEMEZ SPRINGS VILL AGE POLICE	7/1/1990
JEMEZ SPRINGS VILLAGE OF	7/1/1990
JEMEZ VALLEY PUBLIC SCHOOLS	7/1/1990
JUDICIAL (CURRENT)	7/1/1990
JUDICIAL (FORMER)	7/1/1990
JUDICIAL DISTRICT - 10TH	7/1/1990
JUDICIAL DISTRICT - 11TH	7/1/1990
JUDICIAL DISTRICT - 12TH	7/1/1990
JUDICIAL DISTRICT - 13TH	7/1/1990
JUDICIAL DISTRICT - 1ST	7/1/1990
JUDICIAL DISTRICT - 3RD	7/1/1990
JUDICIAL DISTRICT - 4TH	7/1/1990
JUDICIAL DISTRICT - 5TH	7/1/1990
JUDICIAL DISTRICT - 6TH	7/1/1990
JUDICIAL DISTRICT - 7TH	7/1/1990
JUDICIAL DISTRICT - 8TH	7/1/1990
JUDICIAL DISTRICT - 9TH	7/1/1990
JUDICIAL DISTRICT- 2ND	7/1/1990
JUDICIAL STANDARDS CO	7/1/1990
JUVENILE PAROLE BOARD	7/1/1990
LA ACADEMIA DE DOLORES HUERTA	7/1/2004
LA ACADEMIA DE ESPERANZA CHARTER SCHOOL	7/1/2003
LA LUZ DEL MONTE LEARNING CENTER	7/1/2005
LA PROMESA EARLY LEARNING CENTER	7/1/2005
LA RESOLANA LEADERSHIP ACADEMY	7/1/2006
LABOR DEPARTMENT	7/1/1990
LAKE ARTHUR SCHOOLS	7/1/1990
LAS CRUCES CITY FIRE	1/1/2004
LAS CRUCES CITY OF	1/1/2004
LAS CRUCES CITY POLICE	1/1/2004
LAS CRUCES MUNICIPAL SCHOOLS	7/1/1990
LAS MONTANAS HIGH SCHOOL	7/1/2007
LAS VEGAS CITY FIRE	7/1/1990
LAS VEGAS CITY OF	7/1/1990
LAS VEGAS CITY POLICE	7/1/1990
LAS VEGAS CITY SCHOOLS	7/1/1990
LAS VEGAS MEDICAL CENTER	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
LAS VEGAS WEST PUBLIC SCHOOLS	7/1/1990
LAW LIBRARY	7/1/1990
LEA COUNTY OF	7/1/1990
LEA COUNTY POLICE	7/1/1990
LEA REGIONAL EDUCATION #VII	7/1/2002
LEARNING COMMUNITY CHARTER SCHOOL	8/1/2001
LEGIS EDUC STUDY COMM	7/1/1990
LEGISLATIVE COUNCIL	7/1/1990
LEGISLATIVE FINANCE	7/1/1990
LEGISLATIVE INFORMATION & TOURS	7/1/1990
LEGISLATIVE MAINT	7/1/1990
LINCOLN COUNTY OF	7/1/2006
LIVESTOCK BOARD	7/1/1990
LOGAN MUNICIPAL SCHOOL	7/1/1990
LOGAN VILLAGE OF	7/1/1990
LOGAN VILLAGE POLICE	7/1/1990
LORDSBURG MUNICIPAL SCHOOLS	7/1/1990
LOS ALAMOS COUNTY	1/1/2006
LOS ALAMOS PUBLIC SCHOOLS	7/1/1990
LOS LUNAS CONSOLIDATED SCHOOLS	7/1/1990
LOS LUNAS HOSPITAL & TRAINING SCHOOL	7/1/1990
LOS PUENTES CHARTER SCHOOL	7/1/2002
LOVING MUNICIPAL SCHOOLS	7/1/1990
LOVINGTON MUNICIPAL SCHOOLS	7/1/1990
LT GOVERNOR	7/1/1990
LUNA COMMUNITY COLLEGE	7/1/1990
LUNA COUNTY OF	7/1/1990
LUNA COUNTY POLICE	7/1/1990
MAGDALENA MUNICIPAL SCHOOLS	7/1/1990
MARTIN LUTHER KING JR COMMISSION	7/1/1990
MAXWELL MUNICIPAL SCHOOLS	7/1/1990
MC KINLEY COUNTY FIRE	7/1/1990
MC KINLEY COUNTY OF	7/1/1990
MC KINLEY COUNTY POLICE	7/1/1990
MEDIA ARTS COLLABORATIVE CHARTER SCHOOL	7/1/2008
MEDICAL EXAMINERS	7/1/1990
MELROSE MUNICIPAL SCHOOLS	7/1/1990
MELROSE VILLAGE OF	7/1/2000
MESA VISTA SCHOOLS	7/1/1990
MESALANDS COMMUNITY COLLEGE	7/1/1990
METROPOLITAN COURT	7/1/1990
MID REGION COUNCIL OF GOVERNMENTS	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
MILAN VILLAGE FIRE	7/1/1990
MILAN VILLAGE OF	7/1/1990
MILAN VILLAGE POLICE	7/1/1990
MILITARY AFFAIRS	7/1/1990
MIMBRES MEMORIAL HOSPITAL	7/1/1990
MINERS COLFAX MED CTR	7/1/1990
MONTE DEL SOL CHARTER SCHOOL	7/1/2001
MONTESSORI ELEM CHARTER SCHOOL	7/1/2005
MONTESSORI OF THE RIO GRANDE CHARTER	8/1/2004
MORA INDEPENDENT SCHOOLS	7/1/1990
MORENO VALLEY CHARTER HIGH SCHOOL	8/1/2002
MORIARTY CITY FIRE	1/1/1996
MORIARTY CITY OF	1/1/1996
MORIARTY CITY POLICE	1/1/1996
MORIARTY-EDGEWOOD SCHOOL DISTRICT	7/1/1990
MOSAIC ACADEMY CHARTER SCHOOL MOSAIC ACAD CHART	8/1/2006
MOSQUERO MUNICIPAL SCHOOL	7/1/1990
MOUNTAIN MAHOGANY	9/1/2005
MOUNTAINAIR PUBLIC SCHOOL	7/1/1990
N C N M E D D	7/1/1990
NACC CHARTER SCHOOL	7/1/2007
NEA - NEW MEXICO	7/1/1990
NM ACTIVITIES ASSOC.	7/1/1990
NM AGING AND LONG TERM SERVICES	7/1/1990
NM BOYS SCHOOL	7/1/1990
NM HIGHLANDS UNIVERSITY	7/1/1990
NM JUNIOR COLLEGE	7/1/1990
NM MILITARY INSTITUTE	7/1/1990
NM ORGANIC COMMODITY COMMISSION	7/1/1990
NM PUB SCH INS AUTH	7/1/1990
NM REHAB CENTER/CHEMICAL DEPENDENCY UNIT	7/1/1990
NM RES & DEV INSTITUTE	7/1/1990
NM RETIREE HEALTH CARE AUTHORITY	7/1/1990
NM RISK MANAGEMENT DIVISION	7/1/1990
NM SCHOOL FOR THE DEAF	7/1/1990
NM SCHOOL FOR THE VISUALLY HANDICAPPED	7/1/1990
NM STATE AUDITORS OFFICE	7/1/1990
NM STATE FAIR COMMISSION	7/1/1990
NM STATE PERSONNEL OFFICE	7/1/1990
NM STATE RACING COMMISSION	7/1/1990
NM STATE RECORDS AND ARCHIVES	7/1/1990
NM STATE TREASURER'S OFFICE	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
NM SUPREME COURT	7/1/1990
NM YOUTH AUTH - COR OFFICE	7/1/1990
NM YOUTH AUTHORITY	7/1/1990
NORTH CENTRAL REGIONAL TRANSIT DIST	
NORTH CENTRAL SOLID WASTE AUTHORITY	10/1/2004
NORTH VALLEY ACADEMY HORIZON ACAD NW	7/1/2003
NORTHEAST REGIONAL EDUCATIONAL COOP #4	
NORTHERN NM COLLEGE	7/1/1990
NORTHERN NM REHABILITATION CENTER	7/1/1990
NUESTROS VALORES CHARTER SCHOOL	8/1/2001
NURSING BOARD	7/1/1990
P E R A	7/1/1990
PAROLE BOARD	7/1/1990
PASEO DEL MONTE MIDDLE SCHOOL	8/1/2003
PECOS INDEPENDENT SCHOOLS	7/1/1990
PECOS VALLEY REC #8	7/1/2002
PECOS VILLAGE OF	7/1/1990
PECOS VILLAGE POLICE	7/1/1990
PENASCO INDEPENDENT SCHOOLS	7/1/1990
PERA RECIPROCITY	7/1/1990
POJOAQUE VALLEY SCHOOLS	7/1/1990
PORTALES CITY FIRE	7/1/2000
PORTALES CITY OF	7/1/2000
PORTALES CITY POLICE	7/1/1990
PORTALES MUNICIPAL SCHOOL	7/1/1990
PROFESSIONAL ENGINEER	7/1/1990
PUBLIC ACAD FOR PERFORMING ARTS	8/1/2001
PUBLIC DEFENDER DEPT	7/1/1990
PUBLIC LANDS COMMISSION	7/1/1990
PUBLIC REGULATION COMMISSION	7/1/1990
PUBLIC UTILITY COMMISSISON	7/1/1990
QUEMADO IND SCHOOL DISTRICT	7/1/1990
QUESTA INDEPENDENT SCHOOL	7/1/1990
QUESTA VILLAGE OF	7/1/1990
QUESTA VILLAGE POLICE	7/1/1990
RALPH J. BUNCHE ACADEMY	8/1/2006
RATON CITY OF	7/1/2006
RATON HOUSING AUTHORITY	7/1/2006
RATON PUBLIC SCHOOLS	7/1/1990
RATON PUBLIC SERVICE	7/1/2006
REC #6 (REGIONAL EDUCATIONAL #6)	7/1/2002
RED RIVER VALLEY CHARTER SCHOOL	8/1/2001

<i>Employer</i>	<i>Effective Date</i>
REGION IX EDUCATION COOPERATIVE	7/1/1990
REGULATION AND LICENSE DEPT.	7/1/1990
RESERVE SCHOOL DISTRICT	7/1/1990
RESERVE VILLAGE OF	7/1/1990
RIO ARRIBA COUNTY	7/1/1998
RIO RANCHO CITY DO NOT USE	
RIO RANCHO CITY OF	7/1/2007
RIO RANCHO PUBLIC SCHOOLS	7/1/1994
ROBERT F KENNEDY CHARTER SCHOOL	8/1/2001
ROOSEVELT COUNTY OF	7/1/1990
ROOSEVELT COUNTY POLICE	7/1/1990
ROOTS AND WINGS COMMUNITY SCHOOL	8/1/2001
ROSWELL CITY FIRE	7/1/1999
ROSWELL CITY OF	7/1/1999
ROSWELL CITY POLICE	7/1/1999
ROSWELL INDEPENDENT SCHOOLS	7/1/1990
ROY SCHOOLS	7/1/1990
RUIDOSO MUNICIPAL SCHOOLS	7/1/1990
S I A . TECH-ALBUQUERQUE	7/1/2004
SAN DIEGO RIVERSIDE CHARTER SCHOOL	8/1/2000
SAN JON MUNICIPAL SCHOOLS	7/1/1990
SAN JUAN COUNTY FIRE	7/1/1990
SAN JUAN COUNTY OF	7/1/1990
SAN JUAN COUNTY POLICE	7/1/1990
SAN MIGUEL COUNTY OF	7/1/1990
SAN MIGUEL COUNTY POLICE	7/1/1990
SANDOVAL COUNTY OF	7/1/1990
SANDOVAL COUNTY SHERIFF	7/1/1990
SANTA FE CITY FIRE	7/1/2005
SANTA FE CITY OF	7/1/2005
SANTA FE CITY POLICE	7/1/2005
SANTA FE CIVIC HOUSING AUTH	7/1/1990
SANTA FE COMMUNITY COLLEGE	7/1/1990
SANTA FE COUNTY HOUSING	10/9/1992
SANTA FE COUNTY OF	7/1/1990
SANTA FE COUNTY SHERIFF	7/1/1990
SANTA FE PUBLIC SCHOOLS	7/1/1990
SANTA ROSA CITY OF	7/1/1990
SANTA ROSA CITY POLICE	7/1/1990
SANTA ROSA CONSOLIDATED SCHOOLS	7/1/1990
SCIENTIFIC LABORATORY DIVISION	7/1/1990
SECRETARY OF STATE	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
SENATE EMPLOYEES	7/1/1990
SIDNEY GUTIERREZ MIDDLE SCHOOL	7/1/2001
SILVER CITY TOWN OF	7/1/1998
SILVER CONSOLIDATED SCHOOLS	7/1/1990
SOCORRO CITY FIRE	7/1/1990
SOCORRO CITY OF	7/1/1990
SOCORRO CITY POLICE	7/1/1990
SOCORRO CONSOLIDATED SCHOOLS	7/1/1990
SOUTH VALLEY ACADEMY	7/1/2001
SOUTHERN SANDOVAL COUNTY ARROYO FLOOD CTRL AUTH	7/1/2007
SOUTHWEST NM COUNCIL OF GOV	7/1/1998
SOUTHWEST PRIMARY LEARNING CENTER	7/1/2005
SOUTHWEST REG. EDU. #10	7/1/2002
SOUTHWEST SECONDARY LEARNING CTR	2/12/2001
SPRINGER MUNICIPAL SCHOOL	7/1/1990
SPRINGER POLICE	7/1/1990
SPRINGER TOWN OF	7/1/1990
SSCAFCA	
STATE	7/1/1990
STATE COMP COMM	7/1/1990
STATE ENGINEER	7/1/1990
STATE LAND OFFICE	7/1/1990
SUNLAND PARK CITY OF	7/1/1990
SUPREME CRT BLDG COMM	7/1/1990
T OR C CITY OF	7/1/1997
T OR C HOUSING AUTH	7/1/2003
T OR C MUNICIPAL SCHOOLS	7/1/1990
TAOS CHARTER SCHOOL	8/1/2000
TAOS COUNTY OF	7/1/1998
TAOS HOUSING AUTH COUNTY	7/1/1990
TAOS MUNICIPAL SCHOOLS	7/1/1990
TAOS TOWN OF	7/1/1997
TAOS TOWN POLICE	7/1/1997
TATUM MUNICIPAL SCHOOLS	7/1/1990
TATUM TOWN OF	7/1/1995
TAX AND REVENUE	7/1/1990
TEXICO MUNICIPAL SCHOOL	7/1/1990
TEXICO TOWN OF	7/1/1990
TEXICO TOWN POLICE	7/1/1990
TIERRA Y MONTES SWCD	7/1/1990
TIJERAS VILLAGE OF	7/1/1990
TORRANCE COUNTY OF	7/1/1990

<i>Employer</i>	<i>Effective Date</i>
TORRANCE COUNTY POLICE	7/1/1990
TOURISM DEPARTMENT	7/1/1990
TUCUMCARI CITY OF	7/1/1990
TUCUMCARI CITY POLICE	7/1/1990
TUCUMCARI MUNICIPAL SCHOOL	7/1/1990
TULAROSA MUNICIPAL SCHOOL	7/1/1990
TURQUOISE LODGE	7/1/1990
TURQUOISE TRAIL ELEM SCHOOL	7/1/2001
UNION COUNTY	7/1/1996
VALENCIA COUNTY OF	7/1/1990
VALENCIA COUNTY SHERIFF	7/1/1990
VAUGHN MUNICIPAL SCHOOLS	7/1/1990
VETERANS APPROVAL AGENCY	7/1/1990
VETERANS CENTER	7/1/1990
VETERANS SERVICE COMM	7/1/1990
VETERINARY MEDICINE BOARD	7/1/1990
VILLAGE ACADEMY CHARTER SCHOOL	
VISTA GRANDE CHARTER HIGH SCHOOL	7/1/2007
VITAL STATISTICS BUREAU	7/1/1990
VOCATIONAL REHAB	7/1/1990
WAGON MOUND PUBLIC SCHOOL	7/1/1990
WALATOWA CHARTER HIGH SCHOOL	8/1/2003
WESTERN NM UNIV	7/1/1990
WORKERS COMPENSATION ADMIN	
YOUTH AUTH - PAROLE BD	7/1/1990
YOUTH BUILD TRADE & TECHNOLOGY	7/1/2005
ZUNI PUBLIC SCHOOL	7/1/1990

Retiree Health Care Authority Update

Presentation to the Legislative Education
Study Committee
October 9, 2008

Wayne Propst, Executive Director, RHCA

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Restoring the “Health” of RHCA

As recently as January of 2008, the RHCA fund was projected to be insolvent by June 30, 2014, however solvency is but one measure of the “health” of RHCA. Others important areas of focus include:

- New Mexico’s estimated Unfunded Accrued Actuarial Liability (UAAL) has been as high as \$5 billion in the past.
- The annual gap between the amount of revenues RHCA receives from all sources and the amount needed to fully fund the accrued benefit (the “Annual Required Contribution”) has been estimated to be as much as \$200 million.
- The earnings on the investment fund have been used to cover shortfalls in revenue through the use of Budget Adjustment Requests, further reducing the fund.
- Investment income has not realized gains seen in previous years.
- Administrative issues affecting the proper functioning of the agency including staff vacancies, negative audit findings and poor customer service.

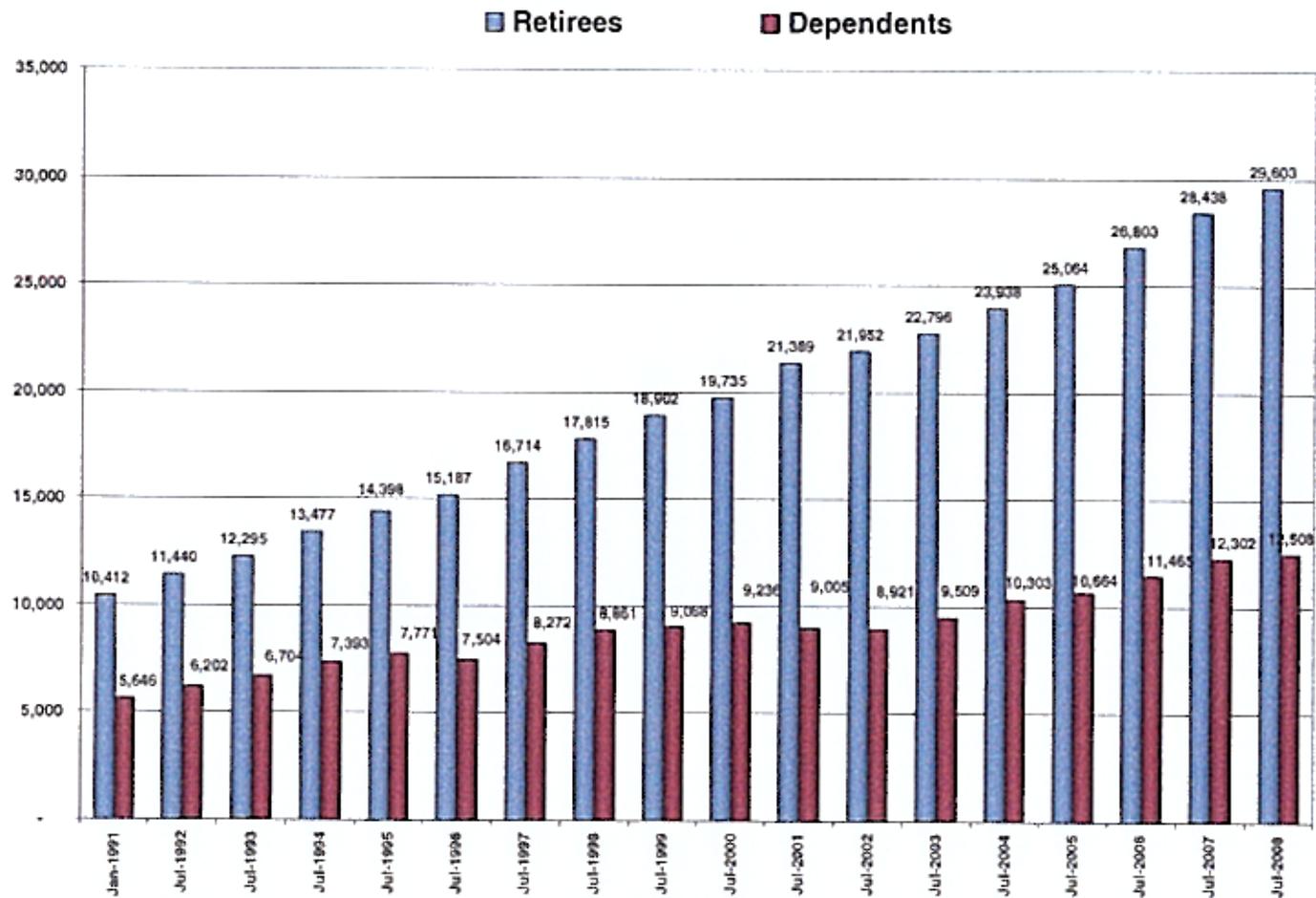


ISSUES AFFECTING THE PRESENT AND FUTURE OF RHCA

1. Membership expected to increase 4% to 6% per year.
2. Claims cost expected to increase at 8% to 15% per year.
3. Over generous service and eligibility requirements, benefits packages and subsidies.
4. Premiums increases have not kept up with rises in health care costs.
5. Relatively young age of retirees.



ENROLLMENT HISTORY



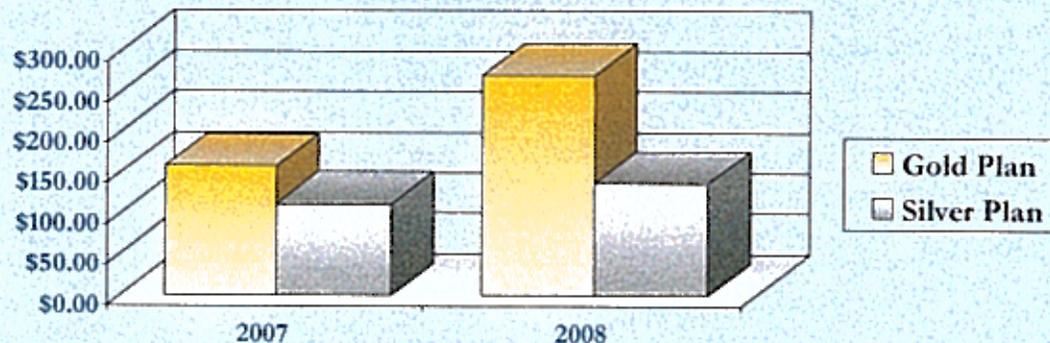
ADMINISTRATIVE CHALLENGES

- High number of vacancies and staff turnover including the Director, Deputy Director, and Customer Service Director positions
- Lack of management
- Qualified 2006 audit
- Difficulty with phone system
- Difficulties with last two switch enrollments



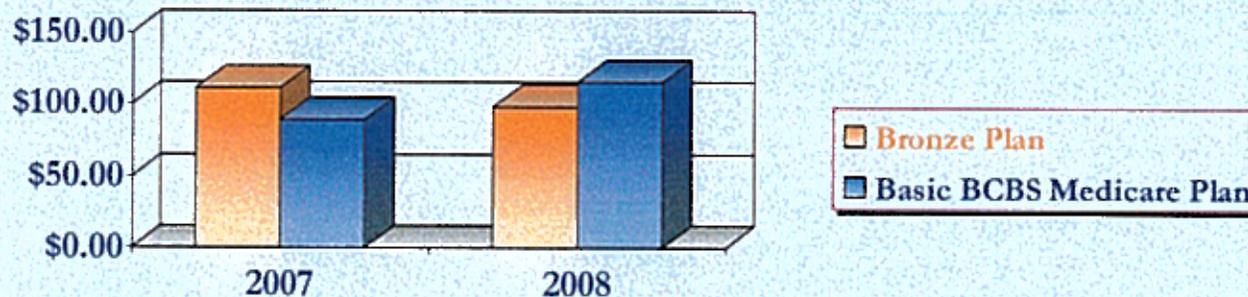
FACING AND MEETING THE SOLVENCY CHALLENGE

- In March, the Board significantly increased the level of contributions in response to recommendations from the Legislature and HB 728 Work Group and to address the overly generous State subsidization of premium plans. The increase was in addition to an average 9% increase in premiums approved in 2007 and which took effect on January 1, 2008.
- Rates for a 20 year retiree in the Gold Plan increased 70% (from \$160.31 per month to \$272.43).
- Rates for a 20 year retiree in the Silver Plan increased 23% (from \$112.65 per month to \$138.14).



FACING AND MEETING THE SOLVENCY CHALLENGE

- Rates for a 20 year retiree in the Bronze Plan decreased 12% (from \$111.76 per month to \$98.53).
- Rates for the basic BCBS Medicare Plan were increased by 29% (from \$89.49 per month to \$115.64)
- The overall weighted average increase across plans was 15.5%.
- In addition, the Board has established as policy that premium increases should track medical trend increase in the future.



THE POTENTIAL EFFECTS

Although analysis of the effect of the changes adopted by the Board is preliminary and further review is underway, estimates are that:

- The solvency of the fund may be extended from 2014 to 2020.
- The changes, taken together with the recent determination that RHCA operates as a “substantially equivalent arrangement” to a trust may further reduce the UAAL from an initial estimate of more than \$5 billion to under \$4 billion.
- If supplemented by additional action by the Board and Legislature, the gap in the annual required contribution can be significantly lowered.

It should be noted that RHCA has seen a migration from the premium Gold and Silver Plans to the Bronze Plan (1,246 moved from Gold to Silver and 242 moved from Gold to Bronze).



ERB Members – Summary of Pension Income

Pension	# of Retirees
<\$5,000	188
\$5,001-\$10,000	1,533
\$10,001-\$15,000	2,408
\$15,101-\$20,000	3,146
\$20,001-\$25,000	3,776
\$25,001-\$30,000	2,957
>\$30,001	4,914
	Total 18,922



ADDITIONAL OPTIONS BEING CONSIDERED BY THE BOARD

- Adopt resolution holding fund balance harmless, absent unexpected, significant expense increases.
- Attestation regarding other coverage with a three year and medical exam requirement prior to reentry into the system.
- Adopt effective disease management program.
- Consider further incentives to encourage use of generic drug and mail in prescription programs, one of the areas where RHCA is a leader.



ADMINISTRATIVE IMPROVEMENTS

- Key positions including the Executive Director, Director of Customer Service, Director of Public Affairs/Communication, IT Administrator and Receptionist have been filled. The Board is aggressively looking to fill remaining positions including a Deputy Director and budget positions.
- While certain areas still need to be addressed, the agency received an unqualified audit for 2007.
- Staff has engaged with DoIT to resolve issues with the phone system. This is the top priority for the Board and staff.



LOOKING FORWARD

- FY10 budget request will afford the agency an opportunity to look at critical staffing needs, particularly in the area of customer service.



Possible Legislative Recommendations

Additional Solvency

Time Frame

Gradually increase the EE/ER from 1.95% to 3% over three years.

4 years

Extend Suspense Fund increase.
(\$3 million per year)

.5 years

Together with Board actions, extends solvency to 2022 or 14.5 years.

8.5 years



RHCA Contact List

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- Ramona Martinez, Director of Public Affairs T: 222-6420, ramona.martinez@state.nm.us



RHCA Board Member List

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- Ms. Jan Goodwin, Executive Director Educational Retirement Board PO Box 26129 Santa Fe, NM 87502-0129 jan.goodwin@state.nm.us ; (W) 505-827-8030 (F) 505-827-1855
- Mr. Terry Slattery, Executive Director Public Employees Retirement Assoc. 1120 Paseo de Peralta Santa Fe, NM 87501 terry.slattery@state.nm.us (W) 505-827-4702 (F) 505-476-0163
- Mr. Tom Sullivan, Superintendents' Association of NM NMCSA/College of Education MSC05 3040, 1 UNM Albuquerque, NM 87131 nmcsa@unm.edu (W) 277-6985
- Mr. Mark F. Valdes, State Treasurers Office P.O. Box 608 Santa Fe, NM 87504-0608 2019 Galisteo, Bldg K, 87505 Mark.Valdes@state.nm.us (W) 505-955-1123
- Mr. Jeff Varela, Retired Public Employees of New Mexico 7109 Prospect Pl NE, 87109 PO Box 20607 Albuquerque, NM 87154-0607 jvarela022@msn.com ; 505-891-1579

