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REGULAR MEETING OF THE BOARD OF DIRECTORS



April 1, 2025

9:30 AM

CNM Workforce Training Center

5600 Eagle Rock Ave NE, Albuquerque, NM 87113

Online: <https://meet.goto.com/NMRHCA/boardmeeting>

Telephone: 1-224-501-3412 / Access Code: 724-176-285

New Mexico Retire Health Care Authority

Regular Meeting

BOARD OF DIRECTORS

ROLL CALL

April 1, 2025

	Member in Attendance		
Ms. Saunders, President			
Mr. Salazar, Vice President			
Mr. Pyle, Secretary			
Ms. Montoya			
Ms. Alirez			
Mr. Washburn			
Ms. Sandoval			
Mr. Caruana			
Ms. Castillo-Smith			
Ms. Garcia			
Ms. Brassington			

NMRHCA BOARD OF DIRECTORS

APRIL 2025

<p>Ms. Therese Saunders, President NEA-NM, Classroom Teachers Assoc., & NM Federation of Educational Employees 5811 Brahma Dr. NW Albuquerque, NM 87120 tsaunders3@mac.com 505-934-3058</p>	<p>Ms. Donna Sandoval NM Municipal League 100 Marquette Ave City/County Building Albuquerque, NM 87102 donnasandoval@cabq.gov 505-768-2975</p>
<p>Mr. Tomas E. Salazar, PhD, Vice President NM Assoc. of Educational Retirees PO Box 66 Las Vegas, NM 87701 salazarte@plateautel.net 505-429-2206</p>	<p>Mr. Lee Caruana, MD Retired Public Employees of NM leecaruana13@gmail.com</p>
<p>Mr. Lance Pyle, Secretary NM Association of Counties Curry County Administration 417 Gidding, Suite 100 Clovis, NM 88101 lpyle@currycounty.org 575-763-3656</p>	<p>Ms. Alex Castillo Smith Deputy Cabinet Secretary NM Health Care Authority PO Box 2348 Santa Fe, NM 87504 alex.castillosmith@hca.nm.gov 505-629-8652</p>
<p>The Honorable Ms. Laura M. Montoya NM State Treasurer 2055 South Pacheco Street Suite 100 & 200 Santa Fe, NM 87505 laura.montoya@sto.nm.gov 505-955-1120</p>	<p>Ms. Renee Garcia Alternate for ERB Executive Director Educational Retirement Board PO Box 26129 Santa Fe, NM 87502-0129 renee.garcia@erb.nm.gov 505-531-9885</p>
<p>Ms. Raquel Alirez Classified State Employee 401 Broadway NE Albuquerque, NM 87102 raquel.alirez@dws.nm.gov 505-365-3474</p>	<p>Ms. Kate Brassington Alternate for PERA Executive Director Public Employees Retirement Association 33 Plaza La Prensa Santa Fe, NM 87507 kate.brassington@pera.nm.gov 505-309-1088</p>
<p>Mr. Gerry Washburn Superintendents' Association of NM 408 N Canyon Carlsbad, NM 88220 gerry.washburn@carlsbadschools.net</p>	

Regular Meeting of the
NEW MEXICO RETIREE HEALTH CARE AUTHORITY
BOARD OF DIRECTORS

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3. Pledge of Allegiance	Ms. Saunders, President
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6. Public Forum and Introductions	Ms. Saunders, President
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- | | |
|----------------------------------------------------------------------------------------------------|-------------------------|
| 14. Other Business | Ms. Saunders, President |
| a. July Board Meeting dates - July 24th - 25th
Cloudcroft, NM (details will be emailed) | |
| 15. Date & Location | Ms. Saunders, President |
| May 6, 2025 – 9:30AM
CNM Workforce Training Center
5600 Eagle Ave. NE, Albuquerque NM, 87113 | |
| 16. Adjourn | Ms. Saunders, President |

MINUTES OF THE
NEW MEXICO RETIREE HEALTH CARE AUTHORITY/BOARD OF DIRECTORS

REGULAR MEETING

March 4, 2025

1. CALL TO ORDER

A Regular Meeting of the Board of Directors of the New Mexico Retiree Health Care Authority was called to order on this date at 9:30 a.m. in the PERA Board Room, 33 Plaza La Prensa, Santa Fe, New Mexico.

2. ROLL CALL TO ASCERTAIN A QUORUM

A quorum was present.

Members Present:

Ms. Therese Saunders, President
Dr. Tomas Salazar, Vice President
Mr. Lance Pyle, Secretary [virtual]
Ms. Christine Anaya, designee of State Treasurer Laura Montoya
Ms. Rachel Alirez [virtual]
Ms. Kate Brassington
Ms. Renee Garcia
Dr. Lee Caruana
Mr. Gerry Washburn [virtual]

Members Excused:

Ms. Donna Sandoval
Ms. Alex Castillo Smith

Staff Present:

Mr. Neil Kueffer, Executive Director
Ms. Linda Atencio, Deputy Director
Mr. Mark Hayden, General Counsel
Ms. Sheri Ayanniyi, Chief Financial Officer
Mr. Raymond Long, Chief Information Officer
Mr. Alexander George, Network Administrator
Ms. Judith Beatty, Recorder

3. PLEDGE OF ALLEGIANCE

Chair Saunders led the Pledge.

4. APPROVAL OF AGENDA

Mr. Kueffer stated that Mr. Biggs was out sick today, and that Ms. Atencio would present Item c on his behalf.

Dr. Salazar moved for approval of the agenda, with the modification. Mr. Pyle seconded the motion, which passed unanimously.

5. APPROVAL OF REGULAR MEETING MINUTES: FEBRUARY 4, 2025

Ms. Garcia moved approval of the February 4, 2025, minutes. Dr. Caruana seconded the motion, which passed unanimously.

6. PUBLIC FORUM AND INTRODUCTIONS

Attendees introduced themselves.

7. COMMITTEE REPORTS

- The Finance Committee and Executive Committee met, and items discussed by the committees are on today's agenda.

8. STAFF UPDATES

a. Human Resources

Ms. Atencio presented staff updates.

b. Operations

Ms. Atencio noted that NMRHCA has begun monthly staff trainings to prepare for switch enrollment. In February, Andrea Vargas from Standard Life Insurance made a presentation on the plan. The presentation was very thorough and included information on filing a death claim and the services and benefits that go with that.

c. Communications & Outreach

Ms. Atencio commented that NMRHCA gets requests from agencies and members of the community to come out and talk about the NMRHCA. She referred to a table outlining both routine and special events that took place in January and February. Some events focused

specifically on legislative activities while others covered broader topics, such as Medicare, but also included discussion of legislative objectives.

d. Financial Audit RFP

Mr. Kueffer stated that the FY24 financial audit represents the last year of NMRHCA's agreement with Moss Adams, for a total of eight consecutive years. An independent public auditor may not provide services to an agency for more than eight consecutive years, and rotation is required at that point.

Mr. Kueffer said NMRHCA is now in the process of developing an RFP but will have to get some additional approvals from the Office of the State Auditor and the Department of Finance and Administration, who will review the RFP for sufficiency. One approved, staff will be looking to release an RFP in late March or early April. It is anticipated that the audit evaluators will be Sheri Ayanniyi, Linda Atencio and himself, who will review, evaluate and score potential offerors. Following the RFP process, staff will then meet with the Audit Committee to present the results to them and hopefully receive a recommendation that can be brought back to the NMRHCA board for approval at the next meeting.

e. Legislative Updates: Robert Romero

Mr. Kueffer noted that the legislative session has about three weeks to go. This has been a very busy session, with more than 1,200 pieces of legislation introduced. NMRHCA had about 27 requests reviewed and filed with possibly more to come. Staff continues to monitor any legislation that will have an impact on the agency.

Mr. Kueffer referred to the Fiscal Impact Report for Senate Joint Resolution 2, which is now headed to the Senate Finance Committee. The committee is evaluating what the impact could be to the joint resolution as well as other legislative proposals because of potential cuts at the federal level. He will be going to the Roundhouse today to try to keep SJR2 on the Senate Finance Committee's radar with the hope that there will be enough time to pass it during this session.

Mr. Kueffer said NMRHCA will be closely monitoring Senate Bill 39, amending the Prior Authorization Act to prohibit prior authorization and step therapy, the insurance plan practice of requiring patients to try less expensive medication first, for medications that are prescribed for on-label or off-label use for the treatment of rare disease or medical condition that affects fewer than 200,000 people in the US.

Mr. Kueffer said there are concerns about Senate Bill 476, covering the premiums for first responders, because of what was not stated in the bill. As written, the appropriation would fall far short of what would be needed to take care of coverage for current and future responders. There is also no mention of a future appropriation but seems to indicate that NMRHCA would be covering 100%.

Mr. Kueffer stated that Senate Bill 443 would prohibit cost sharing for cholesterol lowering drugs. This would impact the program and comes with no appropriation. Since it wouldn't go into effect until January 1, 2026, there is some time to review the bill and make changes, if necessary.

Mr. Kueffer said House Bill 570 proposes to amend the Prior Authorization Act to prohibit the imposition of prior authorization requirements for certain covered services and prescription medication. This would be for chemotherapy, dialysis services, elder care, home health care services, PAs and step therapy for diabetes and high blood pressure prescriptions. NMRHCA already covers treatment for autoimmune disorder, cancer, and substance abuse disorder, but the bill expands on that.

Dr. Salazar asked Mr. Kueffer how many of the 27 pieces of legislation he is currently monitoring would have a direct effect on NMRHCA. Mr. Kueffer responded that at least half of them, although some are recurring. Many of them have just hit their first committees, while many others are awaiting a second committee hearing or even the floor.

Chairwoman Saunders asked if there is anything that can be done to keep SJR2 from being stalled before being heard by the Senate Finance Committee.

Mr. Romero responded that he has had several conversations with the chairman of the Senate Finance Committee, and he continues to have concerns, even though the NMRHCA made the changes that were requested. He said he would ask the chairman today when the NMRHCA can expect this to be heard. He understands that the committee's concern is making this a property right of employees.

f. January 31, 2025, SIC Report

Mr. Kueffer reported a new high of \$1.59 billion, which included an increase of \$2.65 million along with increases from realized and unrealized gains of \$18 million, for an overall increase of about \$21.42 million.

9. REAL TIME SOLUTIONS CONTRACT (ACTION ITEM)

Chief Information Officer Raymond Long noted that the NMRHCA WebPortal General Enrollment Application project is a web-based portal platform designed to streamline retirees' enrollment process of the Procuring Agency. The portal, designed and developed by current website host and vendor RealTime Solutions, also allows retirees to upload scanned documents, review benefits, and request updates to personal information. To continue with additional enhancements as outlined in the scope of work, NMRHCA seeks additional funding to support further development by RealTime Solutions. The cost estimate for these services is \$39,229.31.

Mr. Long requested permission to create a work contract with RealTime Solutions at a cost of \$39,229.31 with existing Professional Services budget.

To make sure this version (“version one”) is a viable product, NMRHCA plans to do a soft launch. People who call in requesting help will be redirected to the portal and asked for comments. By the end of the year, staff will be working on a second version and incorporating any enhancements that are still needed.

Chairwoman Saunders stated that the Finance Committee is recommending approval of this request. Dr. Caruana seconded the motion.

Chairwoman Saunders asked if the new information to be incorporated from the different vendors means NMRHCA will be able to make adjustments every year as needed.

Mr. Long responded that there are some things that are coming that NMRHCA wants to fix, but if they keep delaying this in order to add everything, they will never get this version out. He added that they are 95% there and will make corrections as the need comes up during the testing.

Chairwoman Saunders asked if RealTime Solutions will provide the support to NMRHCA so that staff will be able to make the corrections and updates as needed in the future.

Mr. Kueffer responded that NMRHCA looks very closely at what its capabilities are. Two database people do the programming, but they also have a lot of day-to-day programming work they must tend to. For this reason, NMRHCA leverages some of these contracts to allow for additional support, hours, etc.

Responding to Dr. Caruana, Mr. Long said that, once the contract is in place, NMRHCA has to expend the money before July 1. They are working with RealTime to be able to come to the board before then.

The motion passed unanimously.

10. TRAVEL REQUEST (ACTION ITEM)

Mr. Kueffer stated that Express Scripts has extended an invitation to NMRHCA to attend the annual Government Advisory Panel (GAP) and Express Scripts Outcomes Symposium. They provide an opportunity to learn about the latest trends, network with benefit administrators from public and private organizations across the nation and learn about the solutions being used to help address current and future challenges. The invite is being extended to a board member

and a staff member to engage with experts, learn about the latest innovations and action-driven intelligence, and network with many benefit leaders nationwide.

Mr. Kueffer requested permission to attend the Express Scripts Government Advisory Panel Meeting and Outcomes Symposium in Miami, Florida, on May 7-9.

Chairwoman Saunders stated that the Executive Committee has recommended approval of this request. Dr. Caruana seconded the motion, which passed unanimously.

11. OTHER BUSINESS

None.

12. DATE AND LOCATION OF NEXT BOARD MEETING

April 1, 2025 – 9:30 AM
CNM Workforce Training Center
5600 Eagle Rock Ave NE, Albuquerque NM 87113

13. ADJOURN: 10:30 a.m.

Accepted by:

Therese Saunders, President

HCSC Completes the Acquisition of The Cigna Group's Medicare and CareAllies Businesses



News provided by

[Health Care Service Corporation](#)

Mar 19, 2025, 08:26 ET

CHICAGO, March 19, 2025 /PRNewswire/ -- Today, [Health Care Service Corporation](#) completed the [previously announced](#) acquisition of The Cigna Group Medicare Advantage, Medicare Supplemental Benefits, Medicare Part D and CareAllies businesses.

"This transaction is fully aligned with our mission of expanding access to quality health care by adding capabilities and deepening our geographic presence across the United States," said Maurice Smith, HCSC's CEO, President and Vice Chair. "We recognize that the health and wellness needs for older Americans are growing, and we plan to have an important role in helping seniors live healthier, fuller lives. We are excited to welcome our new Medicare members and the employees who will continue to help them achieve their best health."

The Cigna Group will continue to provide pharmacy benefit services and other solutions to Medicare members through Evernorth Health Services as part of services agreements for an agreed period post-closing.

"We are proud of the positive impact we have made in people's lives and the unique value provided through our Medicare businesses and are confident that HCSC will continue the meaningful work that we have done for these customers. We remain committed to serving Medicare populations through the portfolio of products and services we offer through Evernorth Health Services," said David M. Cordani, Chairman and Chief Executive Officer of The Cigna Group.

With today's close, HCSC now serves 26.5 million people, including 4.3 million Medicare members, across the United States through a portfolio of platforms and solutions that empower whole person health with compassion and innovation.

The transaction is not expected to disrupt service for customers, clients, providers, and brokers of the Medicare or CareAllies businesses. Coverage continues and remains unchanged, helping to ensure that access to care continues seamlessly, with no disruption. Medicare members with questions about their coverage should contact the number on their member ID card.

About Health Care Service Corporation

Health Care Service Corporation is the country's largest customer-owned health insurer, serving more than 26 million people across the United States. HCSC provides coverage options for employers large and small, individuals and families, and Medicare and Medicaid plans. HCSC also offers related health care products and services such as pharmacy solutions, life and dental insurance, and health technology through a network of affiliates and subsidiaries. A Mutual Legal Reserve Company, HCSC is an independent licensee of the Blue Cross Blue Shield Association.

SOURCE Health Care Service Corporation

New Mexico Retiree Health Care Authority (CP)

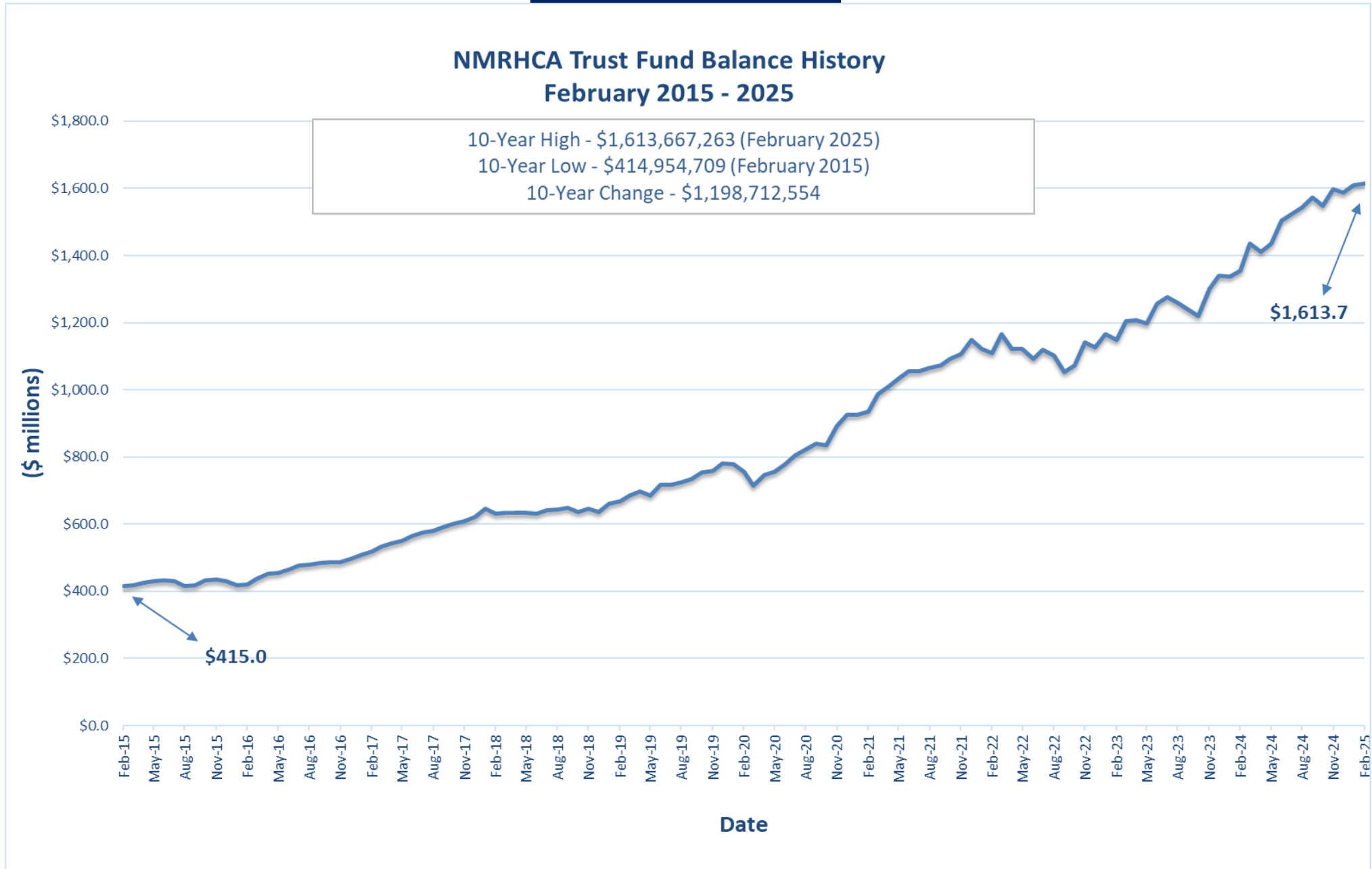
Change in Market Value

For the Month of Feb 2025

(Report as of March 14, 2025)

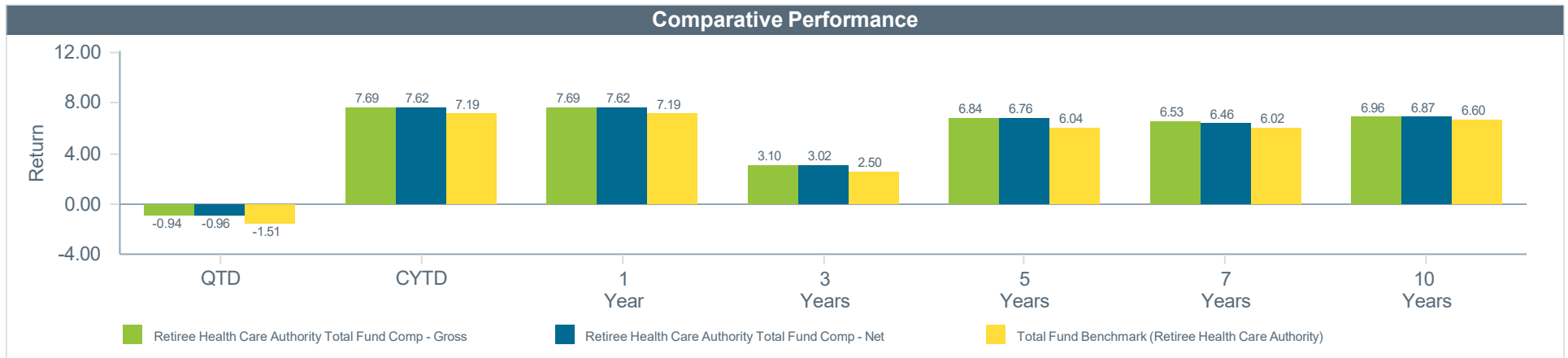
Investment Name	Prior Ending Market Value	Contributions	Distributions	Fees	Income	Gains - Realized	Gains - Unrealized	Gains - Realized & Unrealized	Market Value
Core Bonds Pool	330,827,707.71	-	-	(74,769.35)	800,888.70	146,411.69	7,180,284.03	7,326,695.72	338,880,522.78
NM Retiree Health Care Authority Cash Account	-	-	-	-	-	-	-	-	-
Non-US Developed Markets Index Pool	207,541,970.42	-	-	(22,486.44)	278,168.26	(266,833.60)	1,781,021.88	1,514,188.28	209,311,840.52
Non-US Emerging Markets Active Pool	123,838,207.51	-	-	(142,990.43)	131,880.53	97,979.32	(70,294.98)	27,684.34	123,854,781.95
Private Debt Market Pool	232,127,197.38	-	-	-	852,922.25	128,763.82	(637,788.55)	(509,024.73)	232,471,094.90
Private Equity Pool	215,136,881.28	-	-	-	100,642.15	125,917.48	(250,431.50)	(124,514.02)	215,113,009.41
Real Estate Pool	134,772,621.11	-	-	-	22,943.50	-	9,549.25	9,549.25	134,805,113.86
Real Return Pool	80,892,155.93	-	-	(14,610.80)	147,304.41	459,470.26	(621,224.04)	(161,753.78)	80,863,095.76
US Large Cap Index Pool	249,656,856.54	-	-	(5,935.96)	297,118.81	4,095.04	(4,657,881.17)	(4,653,786.13)	245,294,253.26
US SMID Cap Alternative Weighted Index Pool	35,077,787.43	-	-	(3,290.07)	44,857.48	(18,969.34)	(2,026,834.62)	(2,045,803.96)	33,073,550.88
Sub - Total New Mexico Retiree Health Care	1,609,871,385.31	-	-	(264,083.05)	2,676,726.09	676,834.67	706,400.30	1,383,234.97	1,613,667,263.32
Total New Mexico Retiree Health Care A	1,609,871,385.31	-	-	(264,083.05)	2,676,726.09	676,834.67	706,400.30	1,383,234.97	1,613,667,263.32

Trust Fund



Retiree Health Care Authority

Overview	Asset Allocation vs. Target Allocation				
<p>The New Mexico Retiree Health Care Authority (NMRHCA) was established in 1990 to provide health care coverage to retirees of state agencies and eligible participating public entities. Approximately 300 public entities including cities, counties, universities and charter schools participate in NMRHCA. The agency provides medical plans for both non Medicare and Medicare eligible retirees and their dependents as well as dental, vision and life insurance. The Authority currently provides coverage to approximately 58,000 retirees and their dependents.</p>	Market Value (\$)	Allocation (%)	Target (%)	Difference (%)	
	US Large Cap Index	241,969,915	15.23	14.00	1.23
	US Small/Mid Cap Alt Wtd Index	34,084,278	2.15	2.00	0.15
	Non-US Developed Markets Index	199,948,413	12.59	14.00	-1.41
	Non-US Emerging Markets Active	121,679,385	7.66	10.00	-2.34
	US Core Bonds	328,757,943	20.70	20.00	0.70
	Private Debt Market	231,858,202	14.60	15.00	-0.40
	Real Return	80,388,449	5.06	5.00	0.06
	Real Estate	134,716,503	8.48	10.00	-1.52
	Private Equity	215,046,601	13.54	10.00	3.54
Total Fund	1,588,449,690	100.00	100.00	0.00	



Comparative Performance

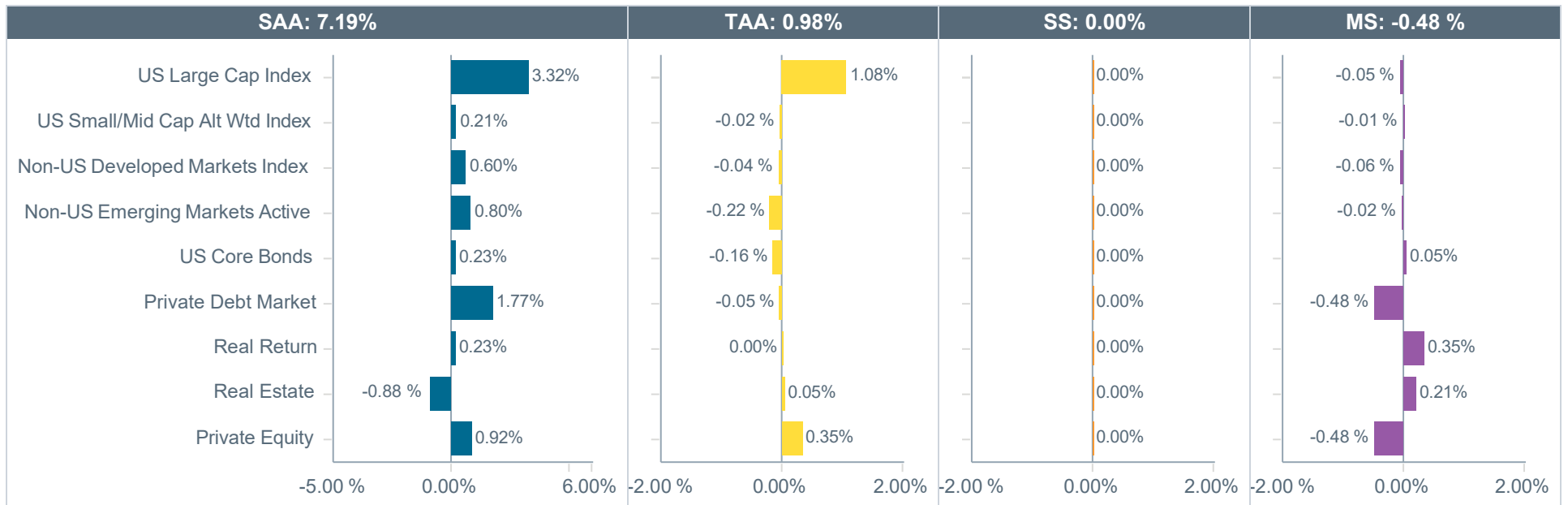
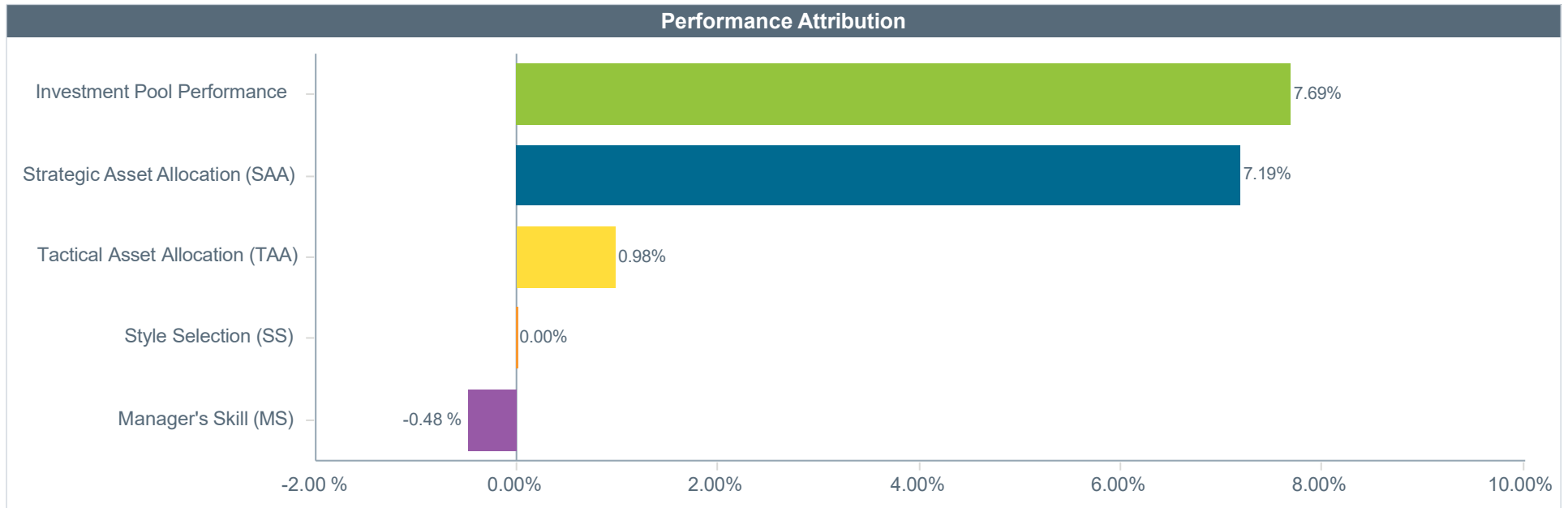
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	2023	2022	2021
Retiree Health Care Authority Total Fund Comp - Gross	-0.94	7.69	7.69	3.10	6.84	6.53	6.96	9.39	-6.98	15.61
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>-1.51</i>	<i>7.19</i>	<i>7.19</i>	<i>2.50</i>	<i>6.04</i>	<i>6.02</i>	<i>6.60</i>	<i>9.85</i>	<i>-8.54</i>	<i>12.91</i>
Difference	0.57	0.50	0.50	0.59	0.80	0.51	0.35	-0.46	1.56	2.70
Retiree Health Care Authority Total Fund Comp - Net	-0.96	7.62	7.62	3.02	6.76	6.46	6.87	9.32	-7.05	15.51
<i>Total Fund Benchmark (Retiree Health Care Authority)</i>	<i>-1.51</i>	<i>7.19</i>	<i>7.19</i>	<i>2.50</i>	<i>6.04</i>	<i>6.02</i>	<i>6.60</i>	<i>9.85</i>	<i>-8.54</i>	<i>12.91</i>
Difference	0.55	0.43	0.43	0.52	0.72	0.44	0.27	-0.53	1.48	2.60

Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
CYTD	1,339,917,477	140,000,000	108,532,213	1,588,449,690	7.62

Allocations shown may not sum up to 100% exactly due to rounding. Performance shown is net of fees, except where noted otherwise. Performance includes receipt of additional units of the US Large Cap Index Pool effective July 1, 2020.

Total Fund Attribution - IDP



Performance shown is gross of fees. Calculation is based on monthly periodicity. See Glossary for additional information regarding the Total Fund Attribution - IDP calculation.

New Mexico Retiree Health Care Authority

March 25, 2025

Asset Allocation Review and
Risk Analysis

Introduction

Introduction

- The Retiree Health Care Authority last conducted an asset allocation review in 2023 with Wilshire (on a project basis) and elected to make no changes to its policy.
- The long-term (30-year) expected return of the portfolio at the time was 7.76%
- We thought it prudent to conduct a strategic asset allocation review again due to several factors:
 - Meketa being hired as the investment consultant on a retainer basis.
 - Meketa's current capital markets assumptions are meaningfully different than Wilshire's 2023 analysis.
 - The portfolio's relatively high exposure to private markets investments and non-US equity.

Asset Allocation Overview

What is a Stock?

- A stock is a share in the ownership of a company, also known as equity
 - “Ownership” refers to a claim on a company’s assets and earnings
- Stocks are publicly traded (i.e., shares can be bought and sold by anyone) on stock exchanges
 - Because the companies are publicly traded, they must adhere to strict disclosure/regulatory requirements
- Companies issue stock as a way to raise money (or “capital”)
 - The capital may be used for a number of things, such as research & development and expansion

What is a Bond?

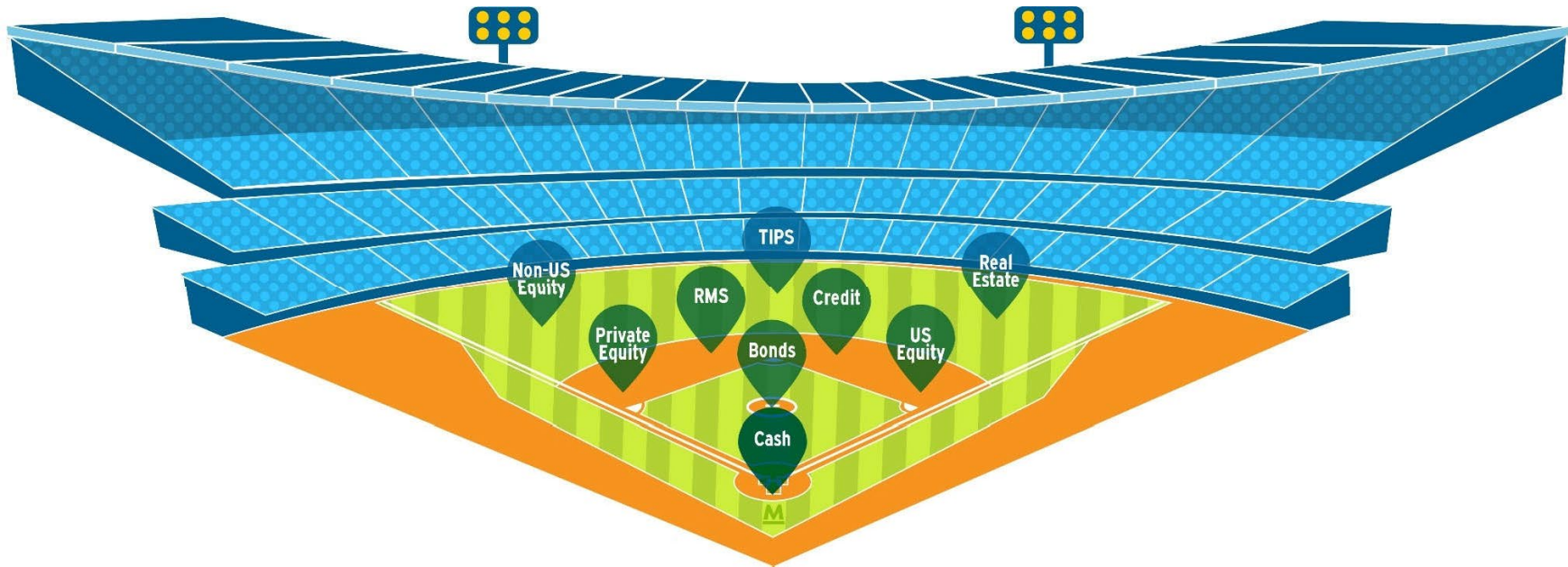
- Bonds are a type of fixed income investment, or debt security
 - A bond reflects one party (i.e., the investor) lending money to another party (i.e., the borrower)
 - The bond holder (the investor) buys a bond from the bond issuer (e.g., the US government) at a set price with the agreement that the issuer will pay periodic interest (i.e., the “coupon”) over time and/or eventually repay the principal (i.e., the initial price of the bond) at a later date (at “maturity”)
- Bonds can be traded between investors, just like stocks

What are Private Markets?

- Private markets represent the various strategies that make investments in privately held companies
- Private companies are not publicly listed nor are they traded on the stock market
 - Major private market asset classes include: Private Equity, Private Credit, Infrastructure, Natural Resources, and Real Estate

Each Asset Class Should Play a Specific Role

- To be a successful baseball team, you cannot just have nine players in the shortstop position on the field
 - You need a *team* where each position plays a different and important role
- The same concept applies to portfolios: different asset classes should operate like a well-rounded team
- And like players on a baseball team, some assets may have periods of “slumps” or “hot streaks”
 - Having a diverse team of different asset classes makes it possible for other assets to “pick up the slack” so that the overall portfolio is more protected from the volatile swings of slumps and hot streaks



Asset Allocation

What is Asset Allocation?

→ Asset allocation refers to the distribution of assets across a number of asset classes that exhibit different correlations with each other. Each asset class exhibits a unique combination of risk and reward. The expected and realized long-term returns vary by asset class, as does the interim volatility of those returns. Some asset classes, like equities, exhibit high degrees of volatility, but also offer high returns over time. Other asset classes, like cash, experience very little volatility, but offer limited return potential.

Why is Asset Allocation important?

→ The distribution of assets across various asset classes exerts a major influence on the return behavior of the aggregate pool over short and long time periods.

How does Asset Allocation affect aggregate performance?

→ In addition to exhibiting unique characteristics, each asset class interacts differently with other asset classes. Because of low correlations, the likelihood that any two asset classes will move together in the same direction is limited, with the movement of one asset class often offsetting another's. Combining asset classes allows investors to control more fully the aggregate risk and return of their portfolios, and to benefit from the reduction in volatility that stems from diversification.

Developing Investment Objectives

What is the Fund's long-term return objective?

- Meet or exceed the Policy Benchmark.
- Meet or exceed the actuarial assumed rate of return of 7.0%.

What are the Fund's risk objectives?

- Minimize volatility in asset values from year to year.
- Limit the risk and/or extent of short-term losses.
- Minimize the risk of permanent capital impairment.

Developing Investment Constraints

What is the overall time horizon for the Fund?

- On-going concern, with long-term time horizon for majority of assets.

What are the liquidity needs of the Fund?

- Net cash flows are expected to be positive through at least 2033.

Are there any other considerations that must be evaluated?

- The Fund intends to utilize investment pools provided by the New Mexico State Investment Council.

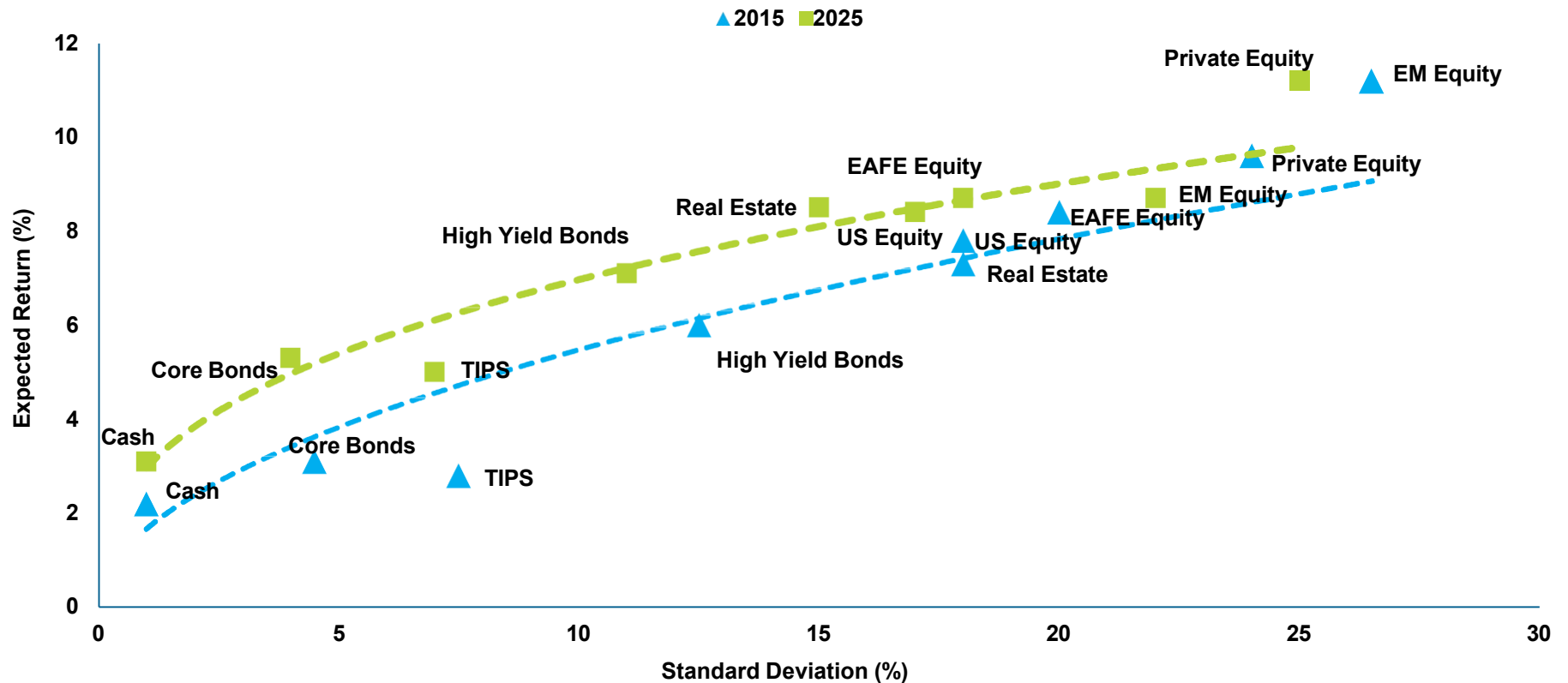
2025 Capital Markets Expectations

Summary of Capital Markets Expectations

- We update our capital markets expectations each year in January.
 - Capital markets are dynamic, and regular updates ensure that assumptions accurately reflect the current market environment.
- Changes in our CMEs are driven by shifts in the capital markets, including factors such as interest rates, credit spreads, cap rates, and equity prices.
 - Yields increased for much of the investment grade bond market, while credit spreads tightened, especially for lower quality credit such as high yield.
 - Stock market valuations continued to rise, especially in the US, where equity markets rallied at a faster pace than the gain in earnings.
 - Cap rates for real estate moved higher, while the rebound in buyout multiples lagged the valuation gains for public markets.
 - Not only did current Treasury yields increase, but projections for future Treasury yields also increased.
- Our 10-year CMEs continue to be lower than our 20-year CMEs for every asset class, largely due to a higher assumed “risk-free” rate in the future.
- The return assumption decreased for two-thirds of the asset classes over the 10-year horizon, while it increased for half the asset classes over the 20-year horizon.
- Our lower return assumptions over the 10-year horizon implies that investors might be well served by moderating their return expectations for the next ten years.

The Big Picture: Higher Return for the ~Same Risk¹

- The relationship between long-term return expectations and the level of risk accepted is not static.
- The higher interest rates compared to a decade ago mean that many investors have greater flexibility in how they structure a portfolio to achieve their target returns.



¹ Expected return and standard deviation are based upon Meketa Investment Group's 2014 and 2024 20-year capital market expectations.

Annualized Risk and Return Expectations for Major Asset Classes

Asset Class	10-Year Expected Return (%)	20-Year Expected Return (%)	Standard Deviation (%)
Cash Equivalents	2.8	3.1	1.0
Investment Grade Bonds	4.9	5.3	4.0
Long-term Government Bonds	5.0	5.7	12.0
TIPS	4.3	5.0	7.0
High Yield Bonds	6.3	7.1	11.0
Bank Loans	6.3	6.8	10.0
Emerging Market Debt	6.3	6.8	11.0
Private Debt	8.7	9.1	15.0
US Equity	6.4	8.4	17.0
Developed Non-US Equity	7.2	8.7	18.0
Emerging Non-US Equity	7.1	8.7	22.0
Global Equity	6.7	8.5	17.0
Private Equity	9.8	11.2	25.0
Real Estate	6.9	8.5	15.0
Infrastructure	7.2	9.2	18.0
Commodities	5.5	5.9	17.0
Hedge Funds	4.2	6.0	7.0
Inflation	2.3	2.7	NA

Asset Allocation Policy Comparison¹

	Policy (%)	Mix A (%)	Mix B (%)
Growth/Equity	50	50	34
US Equity Large Cap	14	21	14
US Equity SMID Cap	2	4	2
Non-US Equity (Developed Markets)	14	-	-
Non-US Equity (Emerging Markets)	10	-	-
Non-US Equity Large Cap ²	-	13	8
Non-US Equity SMID Cap ²	-	2	2
Private Equity	10	10	8
Credit	15	15	27
Public Credit	-	-	17
Private Credit	15	15	10
Rate Sensitive	20	20	26
Investment Grade (Core) Bonds	20	20	26
Real Assets	15	15	13
Real Estate	10	10	8
Real Return	5	5	5
<i>Expected Return (20 years)</i>	<i>8.8</i>	<i>8.7</i>	<i>8.0</i>
<i>Expected Return (10 years)</i>	<i>7.5</i>	<i>7.4</i>	<i>7.0</i>
<i>Standard Deviation</i>	<i>12.8</i>	<i>12.5</i>	<i>9.8</i>
<i>Sharpe Ratio</i>	<i>0.44</i>	<i>0.45</i>	<i>0.50</i>
<i>Prob. of 7.0%+ over 20 Years</i>	<i>73</i>	<i>73</i>	<i>68</i>
<i>Semi-liquid %³</i>	<i>40</i>	<i>40</i>	<i>31</i>

¹ Expected return and standard deviation are based upon Meketa Investment Group's 2025 Annual Asset Study. Throughout this document, returns for periods longer than one year are annualized.

² Modeling changed to Non-US Equity Large and SMID due to future structural changes in offerings from NM SIC that no longer separate emerging markets from developed markets.

³ Semi-liquid refers to strategies that are only available for redemption after a multi-month notification to NM SIC.

MVO-Based Risk Analysis

Scenario	Policy (%)	Mix A (%)	Mix B (%)
Worst Case Returns			
One Year	-19.5	-19.0	-14.3
Three Years (annualized)	-8.6	-8.3	-5.5
Five Years (annualized)	-4.9	-4.7	-2.6
Ten Years (annualized)	-1.1	-1.0	0.4
Twenty Years (annualized)	1.7	1.8	2.5
Probability of Experiencing Negative Returns			
One Year	23.6	23.2	19.6
Three Years	10.7	10.3	6.9
Five Years	5.4	5.1	2.8
Ten Years	1.2	1.0	0.3
Twenty Years	0.1	0.1	0.0
Probability of Achieving at least a 7.0% Return			
One Year	55.5	55.5	54.1
Three Years	59.5	59.4	57.1
Five Years	62.2	62.0	59.1
Ten Years	67.0	66.8	62.8
Twenty Years	73.3	73.0	67.7

Historical Negative Scenario Analysis (Cumulative Return)

Scenario	Policy (%)	Mix A (%)	Mix B (%)
Post-COVID Rate Hikes (Jan 2022 - Oct 2023)	-6.4	-5.8	-7.1
COVID-19 Market Shock (Feb 2020 - Mar 2020)	-16.6	-17.0	-13.1
Taper Tantrum (May - Aug 2013)	0.1	1.1	-0.1
Global Financial Crisis (Oct 2007 - Mar 2009)	-27.0	-26.5	-17.9
Popping of the TMT Bubble (Apr 2000 - Sep 2002)	-11.4	-11.4	-0.4
LTCM (Jul - Aug 1998)	-7.2	-6.3	-3.9
Rate spike (1994 Calendar Year)	2.5	3.3	1.9
Crash of 1987 (Sep - Nov 1987)	-9.1	-9.5	-5.8
Strong dollar (Jan 1981 - Sep 1982)	5.1	5.7	11.3
Volcker Recession (Jan - Mar 1980)	-3.9	-3.5	-4.4
Stagflation (Jan 1973 - Sep 1974)	-18.6	-17.4	-10.8

Historical Positive Scenario Analysis (Cumulative Return)

Scenario	Policy (%)	Mix A (%)	Mix B (%)
Covid Recovery (Apr 2020 - Dec 2021)	49.7	53.5	40.1
Global Financial Crisis Recovery (Mar 2009 - Nov 2009)	33.8	30.6	25.5
Real Estate and Buyout Boom (Oct 2004 - Sept 2007)	75.4	64.3	51.2
Best of Great Moderation (Apr 2003 - Feb 2004)	30.1	26.3	20.2
Peak of the TMT Bubble (Oct 1998 - Mar 2000)	41.3	37.1	26.9
Short Rate Decrease Cycle (Jan 1995 - Dec 1995)	16.5	21.7	20.0
Recession Recovery (Nov 1990 - March 1992)	21.3	18.3	19.6
Plummeting Dollar (Jan 1986 - Aug 1987)	51.2	45.1	34.9
Long Rate Decrease Cycle (June 1984 - August 1986)	77.9	65.8	62.2
Volcker Recovery (Aug 1982 - Apr 1983)	28.3	29.4	26.9
Bretton Wood Recovery (Oct 1974 - Jun 1975)	25.2	24.7	19.7

Stress Testing: Impact of Negative Market Movements (Expected Return under Stressed Conditions)

Scenario	Policy (%)	Mix A (%)	Mix B (%)
10-year Treasury Bond rates rise 100 bps	3.8	2.9	1.3
10-year Treasury Bond rates rise 200 bps	-1.6	-2.2	-3.4
10-year Treasury Bond rates rise 300 bps	-3.3	-2.4	-4.4
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.7	0.5	1.1
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-20.6	-19.1	-14.8
Trade Weighted Dollar gains 10%	-3.8	-2.5	-1.8
Trade Weighted Dollar gains 20%	-2.4	-1.5	-0.2
US Equities decline 10%	-5.2	-5.3	-3.6
US Equities decline 25%	-15.9	-15.8	-11.9
US Equities decline 40%	-24.2	-23.8	-18.2

Stress Testing: Impact of Positive Market Movements (Expected Return under Stressed Conditions)

Scenario	Policy (%)	Mix A (%)	Mix B (%)
10-year Treasury Bond rates drop 100 bps	1.7	2.2	2.6
10-year Treasury Bond rates drop 200 bps	9.4	8.7	8.2
10-year Treasury Bond rates drop 300 bps	12.1	11.8	11.5
Baa Spreads narrow by 30bps, High Yield by 100 bps	6.8	6.7	5.2
Baa Spreads narrow by 100bps, High Yield by 300 bps	12.5	10.7	9.6
Trade Weighted Dollar drops 10%	7.5	6.2	5.3
Trade Weighted Dollar drops 20%	21.2	17.2	14.3
U.S. Equities rise 10%	6.1	6.5	5.2
U.S. Equities rise 30%	13.9	15.3	11.7

Inflation Stress Testing (Expected Return under Different Inflationary Conditions)

Scenario	Policy (%)	Mix A (%)	Mix B (%)
Inflation slightly higher than expected	-0.2	-0.3	-0.3
Inflation meaningfully higher than expected	-4.0	-4.2	-3.7
Low Growth and Low Inflation	-6.1	-5.4	-4.7
Low Growth and High Inflation	-9.1	-7.8	-6.9
Brief, moderate inflation spike	-2.8	-2.1	-2.1
Extended, moderate inflation spike	-5.4	-4.8	-4.0
Brief, extreme inflation spike	-7.2	-6.5	-5.3
Extended, extreme inflation spike	-9.5	-8.9	-7.0
High Growth and Low Inflation	9.9	9.0	6.7
High Growth and Moderate Inflation	8.0	7.6	5.4
High Growth and High Inflation	5.8	5.9	4.0

Summary and Recommendations

Summary and Recommendations

- Meketa recommends adjusting the asset allocation policy to one of the two proposed alternatives.
- “Mix A” retains the majority of the current asset allocation targets but adjusts the US Equity and non-US Equity components to the approximate weights of a global market cap weighted equity index. With this change, US Equity would increase from a weight of 40% of public equity to a weight of 62.5%.
 - Similar to the current policy, “Mix A” would have a 20-year expected return well in excess of the 7.0% discount rate.
 - “Mix B” is a more substantial asset allocation change from the current policy. “Mix B” is a more conservative portfolio with a lower expected return and risk profile than the current policy, as well as a lower allocation to semi-liquid assets.
 - Although “Mix B” would have a lower expected return than the current policy, its 20-year expected return would still be above the 7.0% discount rate.

Appendix

Setting Capital Market Expectations

- Capital markets expectations (“CMEs”) are the inputs needed to determine the long-term risk and returns expectations for a portfolio.
 - They serve as the starting point for determining asset allocation.
- Consultants (including Meketa) generally set them once a year.
 - Our results are published in January and based on data as of December 31 for public markets and September 30 for private markets.
 - Changes are driven by many factors, including interest rates, credit spreads, cap rates, and equity prices.
- Setting CMEs involves crafting long-term forecasts for:
 - Returns
 - Standard Deviation
 - Correlations (i.e., covariance)
- We do not assume any “alpha.”
- For asset classes where there is no passive option (e.g., private markets) we include an assumption for estimated fees.
- Our process relies on both quantitative and qualitative methodologies.
- We created inputs for 113 “asset classes” for our 2025 Capital Markets Expectations.

Building 10-Year Forecasts

→ Our first step is to develop 10-year forecasts based on fundamental models.

- Each model is based on the most important factors that drive returns for that asset class:

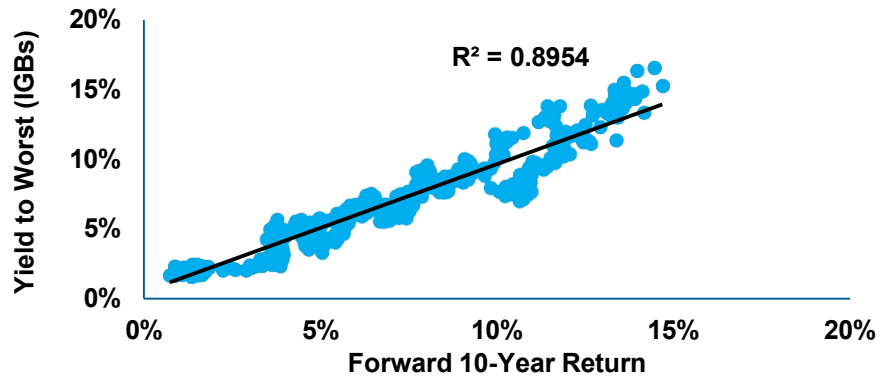
Asset Class Category	Major Factors
Equities	Dividend Yield, GDP Growth, Valuation
Bonds	Yield to Worst, Default Rate, Recovery Rate
Commodities	Collateral Yield, Roll Yield, Inflation
Infrastructure	Public IS Valuation, Income, Growth, Leverage
Natural Resources	Price per Acre, Income, Public Market Valuation
Real Estate	Cap Rate, Yield, Growth, Leverage
Private Equity	EBITDA Multiple, Leverage, Public VC Valuation
Hedge Funds and Other	Leverage, Alternative Betas

→ The common components are income, growth, and valuation.

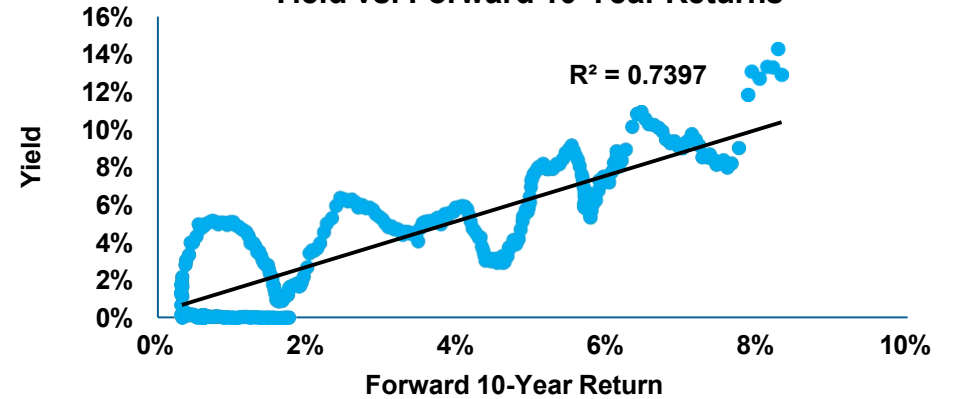
- Leverage and currency impact are also key factors for many strategies.

Some Factors are Naturally More Predictive Than Others¹

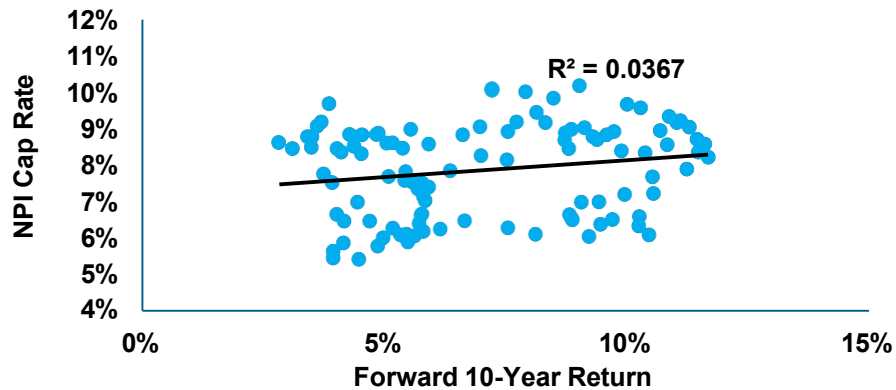
Investment Grade Bonds
Yield to Worst vs. Forward 10-Year Returns



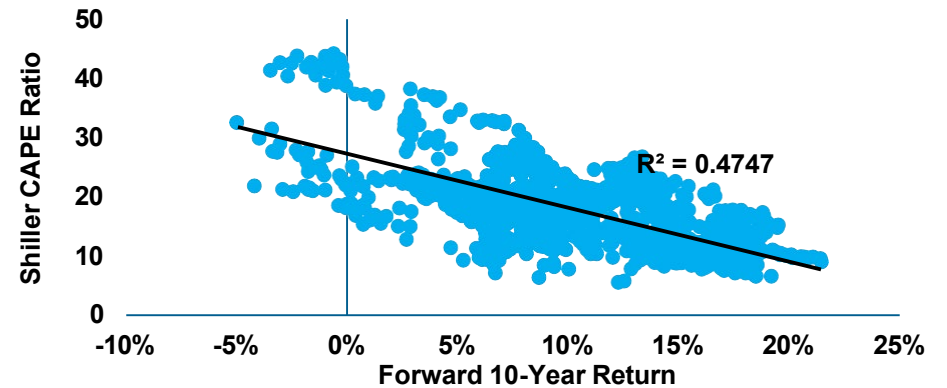
Cash (90-Day T-Bill)
Yield vs. Forward 10-Year Returns



Core Real Estate
Cap Rates vs. Forward 10-Year Returns



US Equities
Shiller CAPE vs. Forward 10-Year Returns



¹ Sources: Bloomberg, FRED, NCREIF, S&P, Robert Shiller (Yale University), and Meketa Investment Group. As of December 31, 2024.

10-Year Model Example

→ Bonds

- The short version for investment grade bond models is:

$$E(R) = \text{Current YTW (yield to worst)}$$

- Our models assume that there is a reversion to the mean for spreads (though not yields).
- For TIPS, we add the real yield of the TIPS index to the breakeven inflation rate.
- As with equities, we make currency adjustments when necessary for foreign bonds.
- For bonds with credit risk, Meketa estimates default rates and loss rates in order to project an expected return:

$$E(R) = \text{YTW} - (\text{Annual Default Rate} \times \text{Loss Rate})$$

→ Equities

- We use a fundamental model for equities that combines income and capital appreciation.

$$E(R) = \text{Dividend Yield} + \text{Expected Earnings Growth} + \text{Multiple Effect} + \text{Currency Effect}$$

- Meketa evaluates historical data to develop expectations for dividend yield, earnings growth, the multiple effect, and currency effect.
 - Earnings growth is a function of real GDP growth, inflation, and exposure to foreign revenue sources.
 - We assume that long-term earnings growth is linked to economic growth.
 - However, many factors can cause differences between economic growth and EPS growth.
- Our models assume that there is a reversion toward mean pricing over this time frame.

Moving from 10-Year to 20-Year Forecasts

- Our next step is to combine our 10-year forecasts with projections for years 11-20 for each asset class.
- We use a risk premia approach to forecast 10-year returns in ten years (i.e., years 11-20).
 - We start with an assumption (market informed, such as the 10-year forward rate) for what the risk-free rate will be in ten years.
 - We then add a risk premium for each asset class.
 - We use historical risk premia as a guide, but many asset classes will differ from this, especially if they have a shorter history.
 - We seek consistency with finance theory (i.e., riskier assets will have a higher risk premia assumption).
- Essentially, we assume mean-reversion over the first ten years (where appropriate), and consistency with CAPM thereafter.
- The final step is to make any qualitative adjustments.
 - The Investment Policy Committee reviews the output and may make adjustments.

The Other Inputs: Standard Deviation and Correlation

→ Standard deviation:

- We review the trailing twenty-year standard deviation, as well as skewness.
- Historical standard deviation serves as the base for our assumptions.
- If there is a negative skew, we increase the volatility assumption based on the size of the historical skewness.

Asset Class	Historical Standard Deviation (%)	Skewness	Assumption ¹ (%)
Bank Loans	6.5	-2.9	10.0
FI / L-S Credit	5.8	-2.7	9.0

- We also adjust for private market asset classes with “smoothed” return streams.

→ Correlation:

- We use trailing twenty-year correlations as our guide.
- Again, we make adjustments for “smoothed” return streams.

→ Most of our adjustments are conservative in nature (i.e., they increase the standard deviation and correlation).

¹ Note that we round our standard deviation assumptions to whole numbers.

Correlation Data

	Inv. Grade Bonds	Long-Term Gov't Bonds	TIPS	High Yield Bonds	US Equity	Dev. Non-US Equity	Em. Market Equity	Private Equity	Real Estate	Commod.	Infra.	Hedge Funds
Investment Grade Bonds	1.00											
Long-Term Gov't Bonds	0.86	1.00										
TIPS	0.77	0.61	1.00									
High Yield Bonds	0.35	-0.03	0.47	1.00								
US Equity	0.18	-0.13	0.25	0.74	1.00							
Developed Non-US Equity	0.28	-0.07	0.34	0.77	0.87	1.00						
Emerging Market Equity	0.26	-0.06	0.35	0.72	0.71	0.85	1.00					
Private Equity	0.00	-0.10	0.03	0.66	0.90	0.83	0.79	1.00				
Real Estate	0.26	0.07	0.16	0.56	0.53	0.49	0.42	0.48	1.00			
Commodities	-0.01	-0.24	0.27	0.48	0.48	0.55	0.59	0.23	0.15	1.00		
Infrastructure	0.31	0.14	0.32	0.65	0.64	0.68	0.59	0.51	0.61	0.41	1.00	
Hedge Funds	0.15	-0.17	0.30	0.78	0.79	0.83	0.80	0.53	0.47	0.64	0.61	1.00

2024 Peer Survey¹

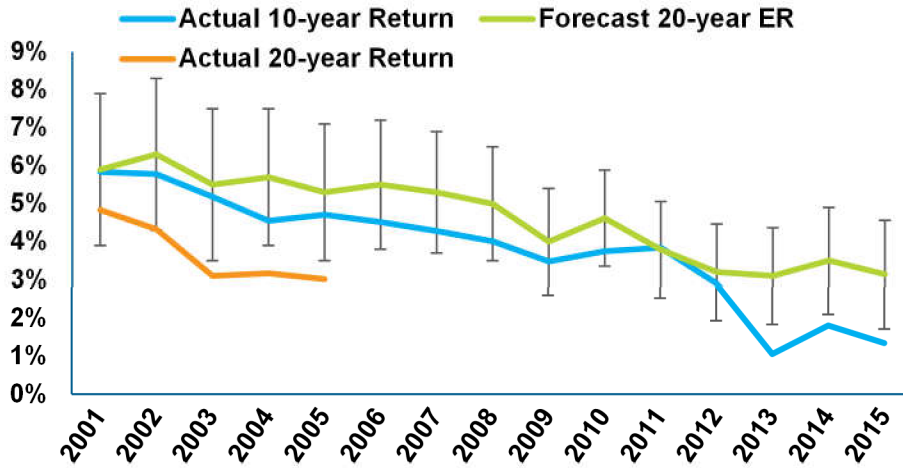
- Annually, Horizon Actuarial Services, LLC publishes a survey of capital market assumptions that they collect from various investment advisors.¹
- The Horizon survey is a useful tool to determine whether a consultant's expectations for returns (and risk) are reasonable.

Asset Class	Horizon 10-Year Average (%)	Meketa 10-Year (%)	Horizon 20-Year Average (%)	Meketa 20-Year (%)
Cash Equivalents	3.7	2.4	3.4	2.5
TIPS	4.4	4.3	4.3	4.7
US Core Bonds	4.9	4.6	4.9	4.8
US High Yield Bonds	6.1	6.5	6.4	6.8
Emerging Market Debt	6.2	6.3	6.3	6.2
Private Debt	8.3	9.2	8.4	9.2
US Equity (large cap)	6.5	6.9	7.0	8.5
Developed Non-US Equity	7.1	7.7	7.5	8.9
Emerging Non-US Equity	7.7	7.6	8.2	8.9
Private Equity	9.1	9.9	9.7	11.2
Real Estate	6.1	6.3	6.2	8.0
Infrastructure	7.3	7.4	7.4	9.0
Commodities	4.9	4.9	5.0	5.3
Hedge Funds	5.9	4.5	6.2	5.8
Inflation	2.4	2.4	2.4	2.8

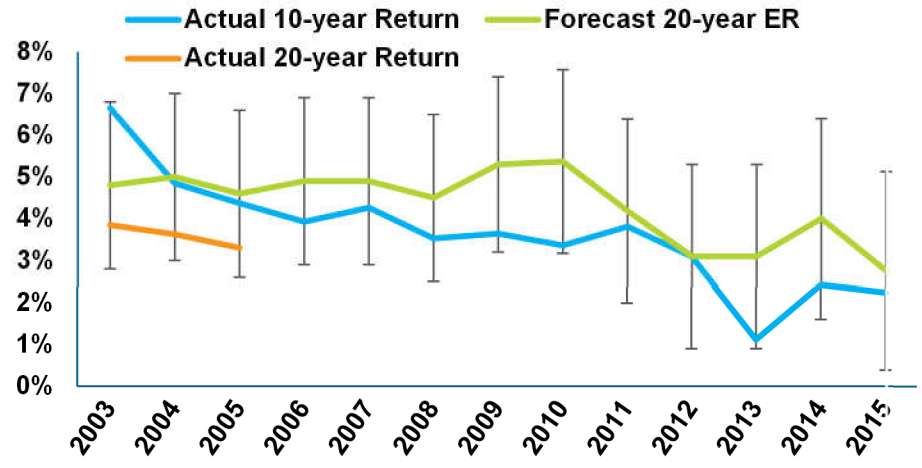
¹ The 10-year horizon included all 41 respondents to the survey, and the 20-year horizon included 26 respondents. Figures are based on Meketa's 2024 CMEs. The survey is typically published in August. Figures are based on Meketa's 2024 CMEs.

Our Track Record

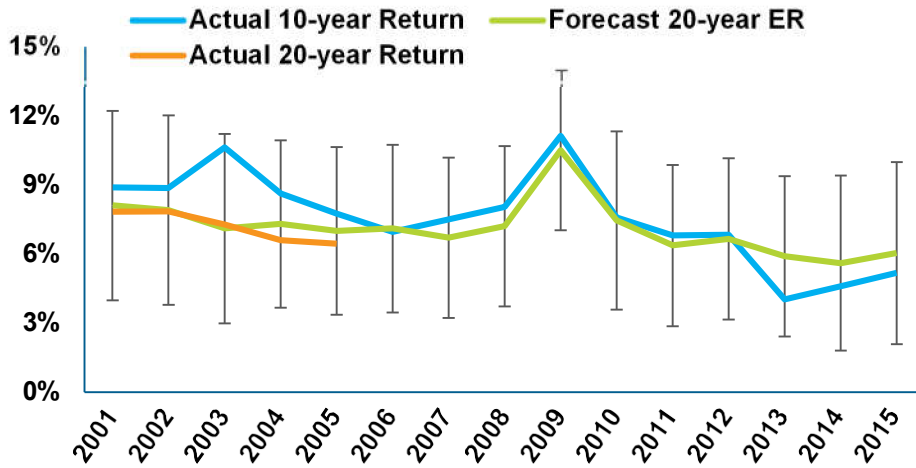
Investment Grade Bonds



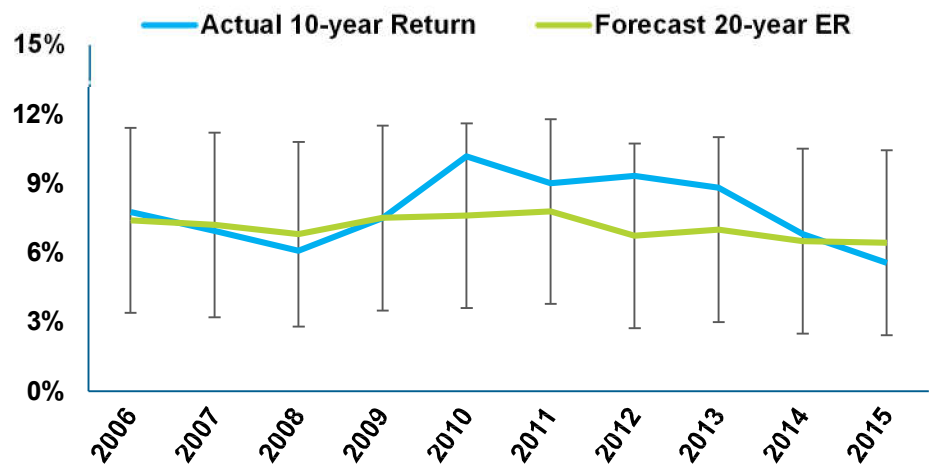
TIPS



High Yield Bonds

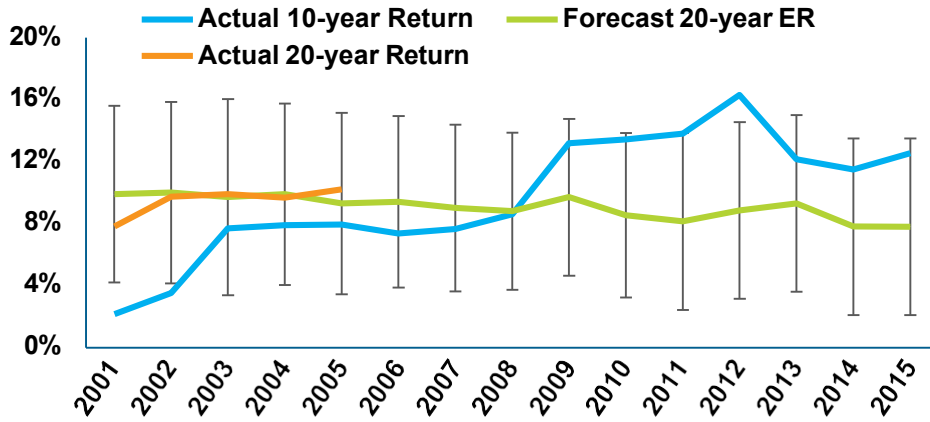


Core Real Estate

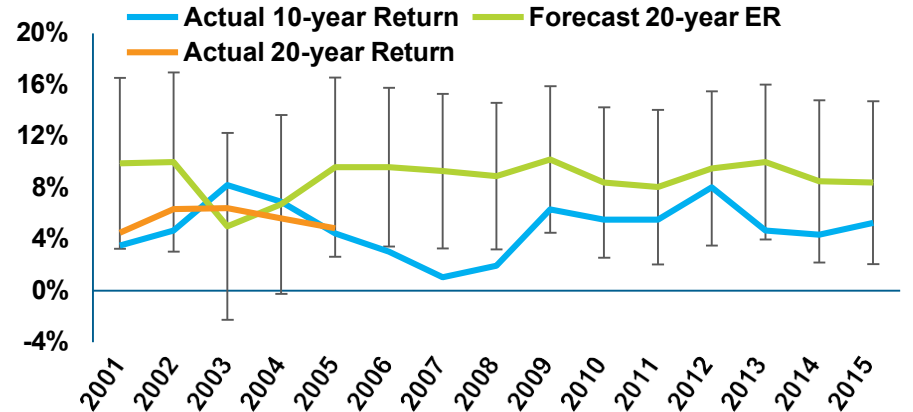


Our Track Record (continued)

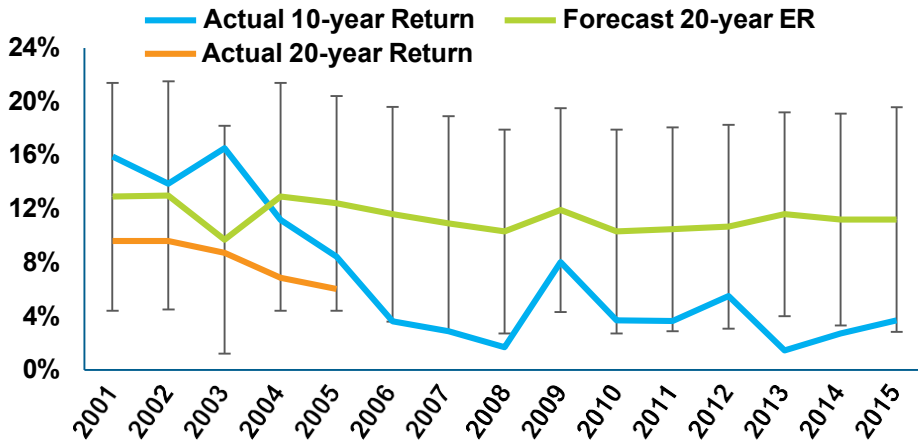
US Equity



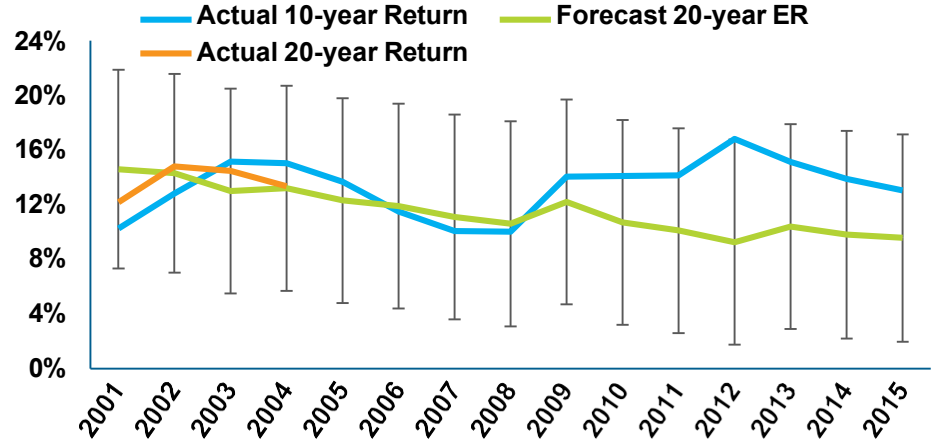
EAFE Equity



Emerging Markets Equity



Private Equity

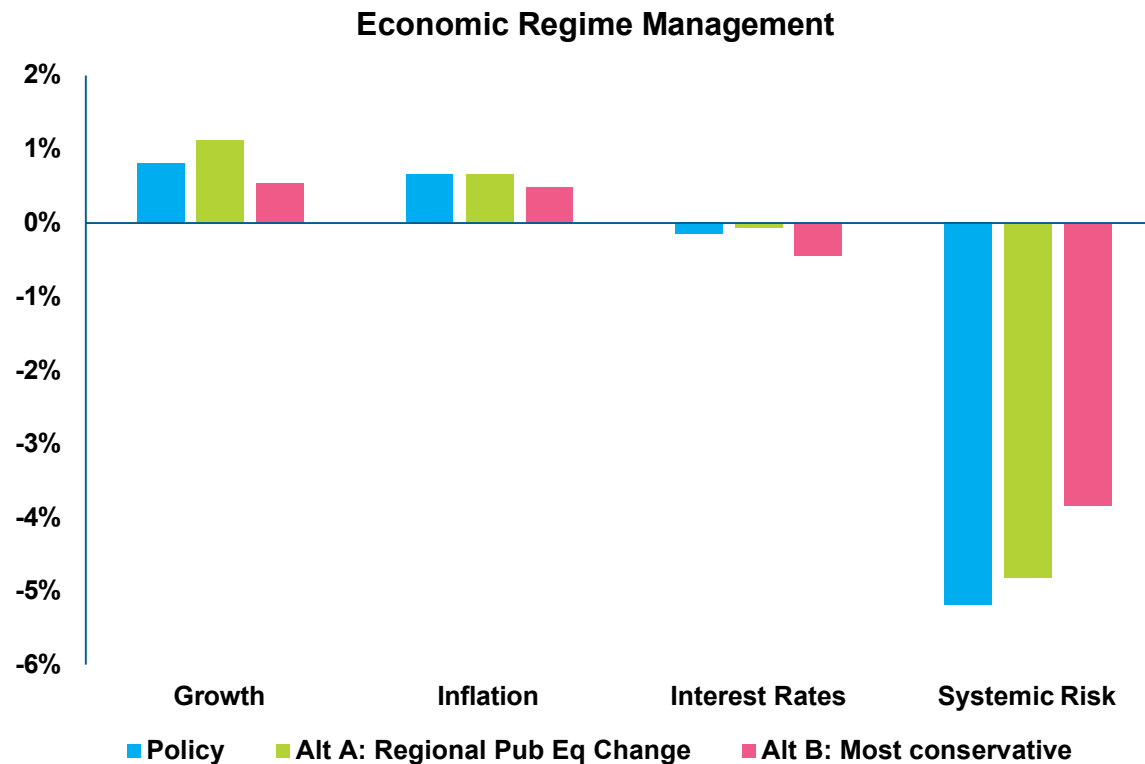


Economic Regime Management[®]

Economic Regime Management

- The Economic Regime Management (“ERM”) approach focuses on understanding the dynamics of the most important macro level forces that drive returns across asset classes.
- We find the most important factors to be:
 - Interest Rate Surprise – Unexpected changes in the 10 year interest rate (related to Duration).
 - Inflation Surprise – Unexpected changes in the CPI growth rate.
 - Growth Surprise – Unexpected changes in the Real GDP growth rate.
 - Systemic Risk – “System-wide” risk that propagates through all asset classes (e.g., 2008).
- We focus on surprises because expectations matter.
 - What was considered “low” inflation in the 1970s would be considered “high” today.
- These factors explain the majority of volatility across asset classes.
 - Understanding these dynamics explain the “why” not just the “what.”

Portfolio Sensitivity Comparison



- The chart above shows the resulting change in portfolio return given a one standard deviation event in the respective risk factor.
- There is more concentration in Growth and Systematic Risk because these sources of risk tend to pay better (have higher expected returns) than the other risk factors.

Negative Historical Scenario Returns - Sample Inputs

	Post-COVID Rate Hikes (Jan 2022-Oct 2023)	Covid-19 Market Shock (Feb 2020-Mar 2020)	Taper Tantrum (May - Aug 2013)	Global Financial Crisis (Oct 2007 - Mar 2009)	Popping of the TMT Bubble (Apr 2000 - Sep 2002)	LTCM (Jul - Aug 1998)
Cash Equivalents	5.5	0.4	0.0	2.6	9.9	0.8
Short-term Investment Grade Bonds	-1.6	0.4	-0.1	7.9	21.9	1.6
Investment Grade Bonds	-15.4	-0.9	-3.7	8.5	28.6	1.8
Long-term Corporate Bonds	-30.7	-18.4	-9.3	-10.3	26.9	-0.6
Long-term Government Bonds	-38.5	12.7	-11.6	24.2	35.5	4.1
TIPS	-13.2	-0.4	-8.5	8.2	37.4	0.7
Global Inflation Linked Bonds	-25.7	-6.5	-7.4	-3.9	39.7	0.7
High Yield Bonds	-7.1	-20.8	-2.0	-22.8	-6.3	-5.0
Bank Loans	8.8	-20.3	0.8	-23.7	6.3	0.7
Direct Lending	12.2	-4.8	2.6	-3.3	-2.0	-2.6
Foreign Bonds	-22.0	-4.5	-3.2	2.1	8.5	3.5
Emerging Market Bonds (major)	-15.8	-15.3	-11.5	-5.0	6.3	-28.2
Emerging Market Bonds (local)	-12.9	-13.9	-14.3	-7.9	7.2	-34.1
US Equity	-11.6	-35.0	3.0	-45.8	-43.8	-15.4
Developed Market Equity (non-US)	-12.1	-32.7	-2.2	-52.1	-46.7	-11.5
Emerging Market Equity	-21.8	-31.2	-9.4	-51.2	-43.9	-26.7
Global Equity	-12.9	-33.6	-0.7	-49.3	-46.7	-14.0
Private Equity/Debt	7.5	-7.8	5.7	-27.7	-23.6	-3.2
Private Equity	1.7	-7.4	5.8	-28.2	-26.2	-3.3
Private Debt	13.6	-10.1	4.6	-22.3	-1.8	-2.3
REITs	-31.4	-41.0	-13.3	-63.0	45.4	-15.3
Core Private Real Estate	-1.9	0.7	3.6	-10.6	23.6	2.3
Value-Added Real Estate	-4.0	-3.5	3.0	-32.2	25.4	0.0
Opportunistic Real Estate	9.1	-8.6	4.0	-25.7	21.4	1.5
Natural Resources (Private)	16.0	-22.1	2.5	-31.2	-3.9	-16.9
Timberland	18.4	0.1	1.3	20.7	-1.5	0.5
Farmland	12.5	-0.1	3.3	26.7	11.4	0.8
Commodities (naïve)	12.4	-18.9	-2.4	-36.9	18.5	-12.0
Infrastructure (Core Private)	13.6	-1.3	3.7	-0.8	24.8	-0.3
Hedge Funds	-2.1	-9.1	-0.4	-17.8	-2.1	-9.4
Long-Short	-9.5	-10.9	1.0	-26.4	-8.8	-8.3
Hedge Fund of Funds	-3.3	-7.6	-0.5	-19.5	-0.4	-7.7

Negative Historical Scenario Returns - Sample Inputs (continued)

	Rate spike (1994 Calendar Year)	Crash of 1987 (Sep - Nov 1987)	Strong dollar (Jan 1981 - Sep 1982)	Volcker Recession (Jan - Mar 1980)	Stagflation (Jan 1973 - Sep 1974)
Cash Equivalents	3.9	1.4	24.4	2.9	13.5
Short-term Investment Grade Bonds	0.5	2.3	29.9	-2.6	4.3
Investment Grade Bonds	-2.9	2.2	29.9	-8.7	7.9
Long-term Corporate Bonds	-5.8	1.5	29.6	-14.1	-12.0
Long-term Government Bonds	-7.6	2.6	28.4	-13.6	-1.8
TIPS	-7.5	2.8	15.6	-7.8	4.3
Global Inflation Linked Bonds	-7.9	2.9	16.5	-8.3	4.5
High Yield Bonds	-1.0	-3.6	6.9	-2.3	-15.5
Bank Loans	10.3	-1.7	3.3	-1.1	-7.5
Direct Lending	7.6	-2.3	3.2	-1.0	-7.2
Foreign Bonds	5.3	-0.3	34.8	-6.5	-1.4
Emerging Market Bonds (major)	-18.9	-9.2	-1.6	-2.6	-20.2
Emerging Market Bonds (local)	-22.8	-11.0	-2.0	-3.2	-23.9
US Equity	1.3	-29.5	-2.3	-4.1	-42.6
Developed Market Equity (non-US)	7.8	-14.5	-18.0	-7.0	-36.3
Emerging Market Equity	-7.3	-25.3	-12.1	-6.6	-44.2
Global Equity	5.0	-20.5	-11.1	-5.4	-40.4
Private Equity/Debt	13.2	-0.7	-2.7	-2.5	-18.2
Private Equity	14.2	-0.5	-3.9	-2.7	-20.1
Private Debt	6.2	-1.8	3.0	-1.0	-6.9
REITs	-3.5	-19.5	2.5	-3.6	-33.9
Core Private Real Estate	6.4	2.5	23.9	5.5	-4.4
Value-Added Real Estate	6.5	4.3	44.2	9.6	-7.6
Opportunistic Real Estate	18.8	3.1	30.7	7.0	-5.6
Natural Resources (Private)	12.6	-9.9	-9.5	-9.1	19.3
Timberland	15.4	9.2	23.6	-7.4	5.5
Farmland	9.4	5.3	13.3	-4.2	3.1
Commodities (naïve)	16.6	1.8	-16.0	-9.6	139.5
Infrastructure (Core Private)	-11.5	-0.1	-0.2	-0.1	-0.5
Hedge Funds	4.1	-7.8	-3.8	-1.9	-15.7
Long-Short	2.6	-10.0	-4.9	-2.5	-19.8
Hedge Fund of Funds	-3.5	-5.7	-2.7	-1.4	-11.5

Positive Historical Scenario Returns - Sample Inputs

	Covid-19 Recovery (Apr 2020 – Dec 2021)	Global Financial Crisis Recover (Mar 2009 - Nov 2009)	Best of Great Moderation (Apr 2003 - Feb 2004)	Peak of the TMT Bubble (Oct 1998 - Mar 2000)	Plummeting Dollar (Jan 1986 - Aug 1987)	Volcker Recovery (Aug 1982 - Apr 1983)	Bretton Wood Recovery (Oct 1974 - Jun 1975)
Cash Equivalents	0.1	0.1	0.9	6.7	10.0	6.0	4.5
Short-term Investment Grade Bonds	1.1	4.3	2.8	5.3	13.2	15.4	5.0
Investment Grade Bonds	2.6	9.0	4.6	1.7	14.4	26.4	9.2
Long-term Corporate Bonds	18.0	28.8	11.3	-3.1	15.9	42.1	17.5
Long-term Government Bonds	-7.2	2.0	4.9	-2.3	15.4	33.6	11.8
TIPS	15.6	14.3	9.1	6.3	10.2	11.5	4.1
Global Inflation Linked Bonds	18.9	24.7	9.6	6.6	10.8	12.1	4.3
High Yield Bonds	29.1	49.1	21.8	2.1	24.9	23.3	19.3
Bank Loans	24.8	32.9	10.1	6.1	11.1	10.4	8.7
Direct Lending	25.0	9.4	23.7	26.8	5.4	8.2	8.3
Foreign Bonds	5.2	23.4	15.2	-7.0	44.5	32.3	17.9
Emerging Market Bonds (major)	15.7	27.0	20.6	49.0	38.9	21.6	21.0
Emerging Market Bonds (local)	7.0	37.5	25.2	61.0	48.4	26.5	25.7
US Equity	92.0	51.6	37.2	50.2	64.8	59.3	55.1
Developed Market Equity (non-US)	55.4	60.5	56.7	53.0	140.0	29.6	34.6
Emerging Market Equity	50.9	94.6	79.4	101.3	126.5	52.1	53.4
Global Equity	75.2	59.9	46.2	54.8	98.7	46.3	43.8
Private Equity/Debt	97.8	18.8	23.3	82.4	19.0	13.7	18.4
Private Equity	101.5	16.7	23.7	90.0	21.6	14.8	20.2
Private Debt	41.2	28.7	20.4	21.3	5.9	7.9	8.0
REITs	75.1	82.5	44.6	-5.2	51.8	47.4	42.5
Core Private Real Estate	21.4	-12.1	9.0	18.1	13.1	6.8	4.5
Value-Added Real Estate	36.6	-22.4	10.9	22.0	23.6	11.9	7.8
Opportunistic Real Estate	41.1	-14.8	13.6	27.9	16.7	8.6	5.7
Natural Resources (Private)	45.4	57.6	36.1	22.2	78.3	30.2	14.8
Timberland	9.9	-3.7	8.5	20.5	28.6	20.0	8.7
Farmland	11.3	4.5	9.6	10.4	15.9	11.3	5.0
Commodities (naïve)	60.5	28.9	30.6	17.1	27.6	6.2	-20.2
Infrastructure (Core Private)	32.7	6.9	8.5	33.0	1.4	0.6	0.6
Hedge Funds	39.3	20.1	22.4	52.8	30.6	13.8	14.5
Long-Short	54.1	25.9	25.3	81.4	40.8	18.0	18.9
Hedge Fund of Funds	29.1	10.3	13.3	36.8	21.3	9.7	10.3

Inflation Scenario Description

Scenario	Scenario Description
Inflation slightly higher than expected	Inflation is .05% above inflation expectation (i.e. surprise inflation is .05%). .05% is the 25th percentile of positive, historical surprise inflation.
Inflation moderately higher than expected	Inflation is .12% above inflation expectation (i.e. surprise inflation is .12%). .12% is the median of positive, historical surprise inflation.
Inflation meaningfully higher than expected	Inflation is .2% above inflation expectation (i.e. surprise inflation is .2%). .2% is the 75th percentile of positive, historical surprise inflation.
High Growth and Low Inflation	The real GDP growth rate is 1.2% and inflation is .1%. 1.2% GDP growth is the 75th percentile of historical GDP growth and .1% inflation is the 25th percentile of historical inflation.
High Growth and Moderate Inflation	The real GDP growth rate is 1.2% and inflation is .27%. 1.2% GDP growth is the 75th percentile of historical GDP growth and .27% inflation is the median of historical inflation.
High Growth and High Inflation	The real GDP growth rate is 1.2% and inflation is .43%. 1.2% GDP growth is the 75th percentile of historical GDP growth and .43% inflation is the 75th percentile of historical inflation.
Low Growth and Low Inflation	The real GDP growth rate is .3% and inflation is .1%. .3% GDP growth is the 25th percentile of historical GDP growth and .1% inflation is the 25th percentile of historical inflation.
Low Growth and Moderate Inflation	The real GDP growth rate is .3% and inflation is .27%. .3% GDP growth is the 25th percentile of historical GDP growth and .27% inflation is the median of historical inflation.
Low Growth and High Inflation	The real GDP growth rate is .3% and inflation is .43%. .3% GDP growth is the 25th percentile of historical GDP growth and .43% inflation is the 75th percentile of historical inflation.
Brief, moderate inflation spike	Inflation is .45% and lasts for 4-8 months. .45% is the 75th percentile of historical inflation.
Extended, moderate inflation spike	Inflation is .45% and lasts for 12+ months. .45% is the 75th percentile of historical inflation.
Brief, extreme inflation spike	Inflation is .9% and lasts for 4-8 months. .9% is the 95th percentile of historical inflation.
Extended, extreme inflation spike	Inflation is .9% and lasts for 12+ months. .9% is the 95th percentile of historical inflation.

Notes and Disclaimers

- ¹ The returns shown in the Policy Options and Risk Analysis sections rely on estimates of expected return, standard deviation, and correlation developed by Meketa Investment Group. To the extent that actual return patterns to the asset classes differ from our expectations, the results in the table will be incorrect. However, our inputs represent our best unbiased estimates of these simple parameters.
- ² The returns shown in the Policy Options and Risk Analysis sections use a lognormal distribution, which may or may not be an accurate representation of each asset classes' future return distribution. To the extent that it is not accurate in whole or in part, the probabilities listed in the table will be incorrect. As an example, if some asset classes' actual distributions are even more right-skewed than the lognormal distribution (i.e., more frequent low returns and less frequent high returns), then the probability of the portfolio hitting a given annual return will be lower than that stated in the table.
- ³ The standard deviation bars in the chart in the Risk Analysis section do not indicate the likelihood of a 1, 2, or 3 standard deviation event—they simply indicate the return we expect if such an event occurs. Since the likelihood of such an event is the same across allocations regardless of the underlying distribution, a relative comparison across policy choices remains valid.

Disclosure

You understand and agree that this document is partly based on analysis conducted using Meketa's Asset Allocation Tool ("AAT"), an interactive tool created by Meketa Investment Group, Inc. ("Meketa") for informational purposes only and is not intended to provide, and should not be relied on for, accounting, legal, tax, or investment advice. The tool generates outcomes that are hypothetical in nature and should not be considered as providing advice on which investments to buy or sell. Results may vary with each use and overtime. Specifically, the results may vary if the user modifies the inputs or there are changes to the capital markets assumptions. The information contained herein is subject to change at any time without notice.

The majority of the underlying data is updated annually, with a significant portion based on our capital markets expectations ("CMEs"). CMEs include forecasts for each asset class over a 10-year and 20-year horizon for expected return, standard deviation, and covariance. These forecasts do not represent predictions for any fund or strategy. These forecasts are forward-looking projections based upon the reasonable beliefs of Meketa and are not a guarantee of future performance. Forward-looking projections relate only to the date they are made, and Meketa assumes no duty to and does not generally undertake to update forward-looking statements outside of our standard annual CME update. Further, forward-looking projections are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking projections.

Historical data published herein may be simulated or backdated using reasonable beliefs of available historical data and, in such instances, no allowance has necessarily been made for trading costs, management fees, implementation shortfalls or other costs, are not indicative of any specific investment, are unmanaged and cannot be invested in directly. Note there are specific modules and information in the tool that provide modeling analysis that includes reasonable assumptions, management fees, active management, etc. Past performance, including simulated or backdated performance, is no guarantee of future performance, and actual investment results will likely differ. Any information and data pertaining to an index contained in this document relates only to the index itself and not to any asset management product based on the index. All information and data are generally based on information and data from third party sources. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, hypothetical results do not represent actual trading but are based on the historical returns of the selected investments, indices or investment classes and various assumptions of past and future events.

All projections provided are estimates and are in US dollar terms, unless otherwise specified, and are based on data as of the dates indicated. Given the complex risk-reward trade-offs involved, one should always rely on judgment in addition to any analysis in setting strategic allocations to any or all of the asset classes specified. All information shown is based on both quantitative and qualitative analysis developed by Meketa. The asset class and strategy assumptions contained herein are primarily passive — they do not consider the impact of active management, though a specific model in the tool is designed to contemplate the use of active management. References

to future returns are not promises of actual returns a client portfolio may achieve. Assumptions, opinions, and estimates are provided for illustrative purposes only. Forecasts of financial market trends that are based on current market conditions or historical data constitute a judgment and are subject to change without notice. We do not warrant their accuracy or completeness. There is no assurance that any of the market values displayed will be attained.

The return characteristics and behavior of asset classes are represented by broad-based indices that have been selected because they are well known and are easily recognizable by investors. The AAT does not favor certain asset classes. The AAT is intended to illustrate the possible trade-offs between portfolios composed of various assets. The behavior modeled for an asset class may differ from an actual portfolio. For example, investments made for a portfolio may differ significantly in terms of security holdings, industry weightings, and asset allocation, from those of the asset class. Further, other asset classes not considered may have characteristics similar or superior to those being analyzed by the AAT.

No investment process is risk free and there is no guarantee of profitability; investors may lose some or all of their investments. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Diversification does not guarantee a profit or protect against loss. Asset classes vary significantly in projected returns and volatility.

Our models and assumptions utilize data from various vendors, including MSCI, S&P, Russell, FTSE, NCREIF, Bloomberg, Oxford Economics, FRED, etc. No model or assumptions are sponsored, endorsed, or promoted by any vendor, and vendors bear no liability.

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FY25 New Internal Audit Contract - Action Item

Background:

NMRHCA continues to look at opportunities to drive better efficiencies within the agency and have identified services that can improve operations by evaluating current process and procedures in place. This will ensure compliance, operating efficiency, and safeguard information and assets this agency is entrusted with. This is an action taken last year and a common practice that other agencies conduct.

Scope of Work:

The contractor shall provide NMRHCA independent and objective internal audit services designed to add value to improve the agency's operations. These services will assist the agency in accomplishing its objectives by contributing to the evaluation and improvement of the effectiveness of risk management, internal control, and governance processes.

- Perform independent assessments on the systems of risk management critical to business functions, internal controls, and operating efficiency, guided by professional standards.
- Ensure the plan identifies potential risks (e.g., natural disasters, cyberattacks) and includes strategies to mitigate and recover from those risks.
- Support the agency's efforts to achieve its objectives through independent internal auditing services.

The objective of these services are to provide independent assurance to the NMRHCA Board of Directors, executive director, management, and members, retirees, beneficiaries, and the public that NMRHCA assets are safeguarded with appropriate internal controls, that operating efficiency is enhanced, that reporting by managers, staff, agency, and consultants is accurate, well designed, appropriately informative and under adequate controls, and compliance is maintained with prescribed laws, and Board and management policies. These objectives include independent assessment of NMRHCA's risk awareness and management, reliability and integrity of the organization's data and achievement of NMRHCA's goals and objectives.

The work will be specific to the items listed below.

NMRHCA is seeking independent and objective internal audit services to enhance agency operations in the Information Technology Department.

- Specifically Evaluating the Disaster Recovery Plan (DCP), Business Continuity Plan (BCP), Security Incident Response Plan and other key documents to ensure alignment with compliance and best practices.
- Verify that the BCP is integrated with the DRP and other organizational policies, ensuring cohesive responses to disruptions.
- Evaluate security awareness training program to ensure key IT security risks and best practices are in place that include recommendations for enhancing the training.
- Assist IT by evaluating key cybersecurity risks and evaluating current processes to ensure internal

- controls and best practices are in place, including HIPAA requirements.
- Confirm that each plan includes processes for regular review intervals to reflect changes providing guidance on industry's best practices.
- Provide Executive Summary outlining all areas reviewed and feedback pertaining to any gaps in compliance, industry norms or risk for exposure

Quote Review and Recommendation:

The Staff requested quotes from four audit firms, one firm declined to quote the scope of services and one firm did not respond at all. Two quotes were received with competitive and comprehensive offers. One firm provided a response with a lower required hour of completion, earlier completion date of the project, and an overall lower cost.

Action Item Request: NMRHCA staff respectfully request permission to contract with the selected audit firm, REDW, to provide internal audit services for the scope of work referenced, not to exceed \$23,500 (plus NM Gross Receipts Tax) to improve internal process and operations within the agency. Project will be completed by June 30, 2025.

FY25 Contract Amendments -

Background

NMRHCA staff is amending the Medicare Advantage Prescription Drug Plan agreement with Presbyterian Health Plan as shown below in the Healthcare Benefits Administration chart. The increase is based on projected expenditures through June 30, 2025. The proposed amendment will increase Presbyterian Health Plan’s MAPD contract to accommodate the expected shortfall due to the increase of premiums for the second half of fiscal year 2025. The increase will meet the projected expenses for the remainder of the fiscal year. In addition, a new proposed Internal Audit agreement is shown in the Program Support chart below. If the contract is approved, there is a sufficient budget in Program Support for the new contract.

Healthcare Benefits Administration Contractual Services Information for FY25

FY25 Approved/Adjusted Operating Budget								
	\$402,071,700							
Contract	Amount Encumbered YTD	Expended 3.21.25	Contract Balance	Percent Remaining	Proposed Amendment	Revised Total	Projected	Shortfall/ Surplus
1 BCBS -- Self Insured	\$122,500,000	\$76,982,296	\$45,517,704	37.2%	\$0	\$122,500,000	\$118,500,000	\$4,000,000
2 Presbyterian -- Self Insured	\$55,000,000	\$32,958,014	\$22,041,986	40.1%	\$0	\$55,000,000	\$48,000,000	\$7,000,000
3 Presbyterian MA	\$16,500,000	\$14,835,484	\$1,664,516	10.1%	\$5,000,000	\$21,500,000	\$20,500,000	\$1,000,000
4 BCBS MA	\$1,800,000	\$241,740	\$1,558,260	86.6%	\$0	\$1,800,000	\$1,000,000	\$800,000
5 Humana MA	\$8,500,000	\$915,537	\$7,584,463	89.2%	\$0	\$8,500,000	\$1,300,000	\$7,200,000
6 UnitedHealthcare MA	\$10,000,000	\$4,704,954	\$5,295,046	53.0%	\$0	\$10,000,000	\$6,500,000	\$3,500,000
7 Express Scripts	\$125,000,000	\$78,233,550	\$46,766,450	37.4%	\$0	\$125,000,000	\$117,000,000	\$8,000,000
8 Delta Dental	\$19,500,000	\$17,899,237	\$1,600,763	8.2%	\$6,000,000	\$25,500,000	\$24,500,000	\$1,000,000
9 BCBS Dental	\$8,500,000	\$204,675	\$8,295,326	97.6%	\$0	\$8,500,000	\$900,000	\$7,600,000
10 Standard Life	\$15,500,000	\$10,359,319	\$5,140,681	33.2%	\$0	\$15,500,000	\$14,500,000	\$1,000,000
11 Davis Vision	\$3,250,000	\$1,929,363	\$1,320,637	40.6%	\$0	\$3,250,000	\$2,700,000	\$550,000
PCORI Fee	\$45,000		\$45,000	100.0%	\$0	\$45,000	\$ 40,000.00	\$5,000
Total	\$386,095,000	\$239,264,167	\$146,830,833	38.0%	\$11,000,000	\$397,095,000	\$355,440,000	\$41,655,000
Unencumbered Balance	\$15,976,700		\$15,976,700		-\$11,000,000	\$4,976,700		\$4,976,700

Program Support Contractual Services Information for FY25

FY25 Approved Operating Budget		\$748,300		
		Proposed		
		Contract		
Vendor	Amount	Contract Term	Type	
1 Segal - Benefit & Actuary Consultant	\$334,000	July 1, 2023 - June 30, 2027	Term/Comp	
2 Judith Beatty	\$7,000	July 1, 2024 - June 30, 2025	New/Small	
3 Moss Adams - Audit Services	\$77,940	July 1, 2023 - June 30, 2025	Term/Comp	
4 Rodey - Legal Services	\$25,000	July 1, 2024 - June 30, 2025	New/Small	
5 RESPEC	\$60,862	July 1, 2024 - June 30, 2025	Price Agreement	
6 PERA MOU - HR Services	\$25,500	July 1, 2024 - June 30, 2025	MOU	
7 Adelante - Shredding Services	\$4,418	July 1, 2024 - June 30, 2025	New/Small	
8 Real Time Solutions (Webhost)	\$1,700	July 1, 2024 - June 30, 2025	Price Agreement	
9 Meketa	\$55,000	July 1, 2024 - June 30, 2028	Term/Comp	
10 Robert Romero & Associates	\$32,456	August 22, 2024 - June 30, 2025	Price Agreement	
11 Real Time Solutions (Webportal)	\$39,229	April 2025 - June 30,2025	Price Agreement	
12 REDW - Internal Audit Services	\$23,500	April 2025 - June 30,2025	New/Small	
Total	\$686,605			
Unencumbered Balance	\$61,695	Available for mid/end-year adjustments		

FY26 Operating Budget – (Action Item)

Background: The State Budget Act (Section 6-3-7 NMSA 1978) mandates the completion and submission of the FY26 operating budget to the State Budget Division (SBD) by close of business Thursday, May 1, 2025. The State Budget Act specifies that operating budgets require SBD approval, and expenditures cannot be made without such approval. In addition, the Retiree Health Care Act (Section 10-7C-16) includes a requirement that “expenditures for the administration of the Retiree Health Care Act shall be made as provided by an operating budget adopted by the board.” In accordance with these requirements, the FY26 operating budget submitted by the agency will be consistent with the amounts contained in Laws 2025, **Chapter XX**, otherwise known as the General Appropriation Act of 2025.

Table I							
(\$ shown in thousands)							
Agency	FY25 Approved Operating	FY25 Adjusted Operating	FY26 Request	HB2/GAA	Comp/ Package (OPBUD2)	Percent	Total
Personal Services & Employee Benefits*	\$ 2,751.7	\$ 2,751.7	\$ 2,941.1	\$ 2,941.1	\$ -	0.0%	\$ 2,941.1
Contractual Services	\$ 402,775.0	\$ 402,775.0	\$ 407,454.9	\$ 407,385.0	\$ -	0.0%	\$ 407,385.0
Other	\$ 670.2	\$ 670.2	\$ 698.7	\$ 670.2	\$ -	0.0%	\$ 670.2
Other Financing Uses*	\$ 4,125.2	\$ 4,125.2	\$ 4,413.0	\$ 4,314.6	\$ -	0.0%	\$ 4,314.6
Total	\$ 410,322.1	\$ 410,322.1	\$ 415,507.7	\$ 415,310.9	\$ -	0.0%	\$ 415,310.9
Healthcare Benefits Administration							
Contractual Services	\$ 402,026.7	\$ 402,026.7	\$ 406,636.7	\$ 406,636.7	\$ -	0.0%	\$ 406,636.7
Other	\$ 45.0	\$ 45.0	\$ 45.0	\$ 45.0	\$ -	0.0%	\$ 45.0
Other Financing Uses*	\$ 4,125.2	\$ 4,125.2	\$ 4,413.0	\$ 4,314.6	\$ -	0.0%	\$ 4,314.6
Subtotal	\$ 406,196.9	\$ 406,196.9	\$ 411,094.7	\$ 410,996.3	\$ -	0.0%	\$ 410,996.3
Program Support							
Personal Services & Employee Benefits*	\$ 2,751.7	\$ 2,751.7	\$ 2,941.1	\$ 2,941.1	\$ -	0.0%	\$ 2,941.1
Contractual Services	\$ 748.3	\$ 748.3	\$ 818.2	\$ 748.3	\$ -	0.0%	\$ 748.3
Other	\$ 625.2	\$ 625.2	\$ 653.7	\$ 625.2	\$ -	0.0%	\$ 625.2
Subtotal	\$ 4,125.2	\$ 4,125.2	\$ 4,413.0	\$ 4,314.6	\$ -	0.0%	\$ 4,314.6
Total	\$ 410,322.1	\$ 410,322.1	\$ 415,507.7	\$ 415,310.9	\$ -	0.0%	\$ 415,310.9
FTE	27	27	29	28	28	103.7%	28

*Subject to change based on Compensation Package

The sections highlighted are for appropriations for agency-wide compensation increases in FY26. The allocation provided is to support the pay increases and employer contribution toward medical insurance premium authorized in Section 8 of the General Appropriation Act. The increases apply to all employees (classified and exempt) and will be reflected in the personal services and employee benefits category of Program Support and the other financing uses category of the Healthcare Benefits Administration Program.

Section 4: Fiscal Year 2026 Appropriations.

Performance Measure and Reversion.

Performance Measure:

- (a) Output: Minimum number of years of positive fund balance – Target 30

Reversion Language:

Any unexpended balances in program support of the retiree health care authority remaining at the end of fiscal year 2026 from this appropriation shall revert to the healthcare benefits administration program.

Section 8. Compensation Appropriations.

A. Ninety-six million one hundred forty-three thousand one hundred dollars (\$96,143,100) is appropriated from the general fund to the department of finance and administration for fiscal year 2026 to pay all costs attributable to the general fund of providing an average salary increase of four percent to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance. The salary increases shall be effective the first full pay period after July 1, 2025, and distributed as follows:

(3) thirty-five million one hundred twenty-nine thousand six hundred dollars (\$35,129,600) for incumbents in positions in the classified service governed by the Personnel Act, for incumbents in the New Mexico state police career pay system and for executive exempt employees; and

B. Seventeen million dollars (\$17,000,000) is appropriated from the general fund to the department of finance and administration for fiscal year 2026 to pay all costs attributable to the general fund to transition to a single salary schedule for the classified service and to implement other recommendations of the 2024 study of the state’s system of classification and compensation, contingent on the adoption of a revised system of classification and single salary schedule by the personnel board.

G. For those state employees whose salaries are referenced in or received as a result of nongeneral fund appropriations in the General Appropriation Act of 2025, the department of finance and administration shall transfer from the appropriate fund to the appropriate agency the amount required for the salary increases equivalent to those provided for in this section. Such amounts are appropriated for expenditure in fiscal year 2026. Any unexpended balances remaining at the end of fiscal year 2026 shall revert to the appropriate fund.

Section 13. Certain Fiscal Year 2026 Budget Adjustment Authorized.

Subsection B. Pursuant to Sections 6-3-23 through 6-3-25 NMSA 1978, those budget adjustments specified in this section are authorized for fiscal year 2026.

Subsection C. In addition to the specific category transfers authorized in Subsection E of this section and unless a conflicting category transfer is authorized in Subsection E of this section, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other.

Subsection D. Unless a conflicting budget increase is authorized in Subsection E of this section, a program with internal service funds/interagency transfers appropriations that collects money in excess of those appropriated may request budget increases in an amount not to exceed five percent of its internal service funds/interagency transfers, and a program with other state funds that collects money in excess of those appropriated may request budget increases in an amount not to exceed five percent of its other state funds contained in Section 4 of the General Appropriation Act of 2025. To track the five percent transfer limitation, agencies shall report cumulative budget adjustment request totals on each budget adjustment request submitted. The department of finance and administration shall certify agency reporting of these cumulative totals.

Subsection E. In addition to the budget authority otherwise provided in the General Appropriation Act of 2025, the following agencies may request specified budget adjustments:

(3) the healthcare benefits administration program of the retiree health care authority may request budget increases from other state funds for claims;

Other Substantive Information:

Subsection D authorizes budget adjustments by program as follows:

	GAA	5%	Total
Healthcare Benefits Administration	\$ 410,996.3	\$ 20,549.8	\$ 431,546.1
Program Support	\$ 4,314.6	\$ 215.7	\$ 4,530.3
	\$ 415,310.9	\$ 20,765.5	\$ 436,076.4

Requested Action:

The deadline for submission is prior to the next regularly scheduled board meeting, therefore, NMRHCA staff respectfully requests that the Board of Directors delegate final adoption of the FY26 operating budget to the Finance Committee, upon review at its regularly scheduled meeting (to be scheduled prior to May 1st). Final adoption will include a four percent pay increase for all employees subject to the State Personnel Act and executive exempt employees including the executive director.

Healthcare Benefits Administration & Program Support
FY26 Contract Amendments/New Contracts – (Action Item)

The charts below include a list of new or existing contracts that need to be amended for fiscal year 2026 as required to meet our business obligations. This is for both the administration of the Healthcare Benefits Administration Program and Program Support.

Healthcare Benefits Administration Program FY26 Proposed Contract Amendments

The proposed contracts administered through the Healthcare Benefits Administration Program are as follows:

FY26 Approved Operating Budget		\$406,636,700		
		Proposed		
		Contract	Contract	Amendment
Vendor	Amount	Term	Type	
1 BCBS -- Self Insured	\$124,500,000	July 1, 2024 - June 30, 2028	Term & Comp	
2 Presbyterian -- Self Insured	\$54,000,000	July 1, 2024 - June 30, 2028	Term & Comp	
3 Presbyterian MA	\$22,500,000	July 1, 2024 - June 30, 2028	Term & Comp	
4 BCBS MA	\$3,000,000	July 1, 2024 - June 30, 2028	Term & Comp	
5 Humana MA	\$4,800,000	July 1, 2024 - June 30, 2028	Term & Comp	
6 UnitedHealthcare MA	\$10,000,000	July 1, 2024 - June 30, 2028	Term & Comp	
7 Express Scripts	\$125,000,000	July 1, 2022 - June 30, 2026	Term & Comp	
8 Delta Dental	\$26,500,000	July 1, 2024 - June 30, 2028	Term & Comp	
9 BCBS Dental	\$4,500,000	July 1, 2024 - June 30, 2028	Term & Comp	
10 Standard Life	\$16,000,000	July 1, 2023 - June 30, 2027	Term & Comp	
11 Davis Vision	\$3,500,000	July 1, 2024 - June 30, 2028	Term & Comp	
Total	\$394,300,000	NA	NA	
Unencumbered Balance	\$12,336,700	Available for mid/end-year adjustments		

The proposed amounts for FY26 are based on FY25 projected expenditures and assume the following variables:

1. BCBS (Self-Insured Medical) – projected costs based on FY25 projected expenditures + medical trend – decrease participation.
2. Presbyterian (Self-Insured Medical) – projected costs based on FY25 projected expenditures + medical trend – decrease participation.
3. Presbyterian (Medicare Advantage) – projected costs based on FY25 projected expenditures – decrease in participation.
4. BCBS (Medicare Advantage) – projected costs based on FY25 projected expenditures + growth in participation.
5. Humana (Medicare Advantage) - projected costs based on FY25 projected expenditures + growth in participation.
6. UnitedHealthcare (Medicare Advantage) - projected costs based on FY25 projected expenditures + growth in participation.
7. Express Scripts - projected costs based on FY25 projected expenditures to include impact of the Inflation Reduction Act.
8. Delta (Dental) – projected costs based on FY25 projected expenditures - decrease in participation.
9. BCBS (Dental) – projected costs based on FY25 projected expenditures + growth in participation.

10. Standard (Life Insurance) – projected costs based on FY25 projected expenditures and participation.

11. Davis (Vision) – projected costs based on FY25 projected expenditures.

Program Support FY26 Proposed Contract Amendments/New

The proposed contracts administered through Program Support are as follows:

FY26 Approved Operating Budget		\$748,300		
Vendor		Proposed Contract Amount	Contract Term	Type
1	Segal - Benefit & Actuary Consultant	\$345,000	July 1, 2023 - June 30, 2027	Term/Comp
2	Judith Beatty	\$7,000	July 1, 2025 - June 30, 2026	New/Small
3	Vendor A - Audit Services	TBD	July 1, 2025 - June 30, 2029	Term/Comp
4	Vendor B - Legal Services	\$25,000	July 1, 2025 - June 30, 2026	New/Small
5	RESPEC	\$60,900	July 1, 2025 - June 30, 2026	Price Agreement
6	PERA MOU - HR Services	\$30,350	July 1, 2025 - June 30, 2026	MOU
7	Adelante - Shredding Services	\$4,600	July 1, 2025 - June 30, 2026	New/Small
8	Vendor C (Webhost)	TBD	July 1, 2025 - June 30, 2026	Price Agreement
9	Meketa	\$55,000	July 1, 2024 - June 30, 2028	Term/Comp
Total		\$527,850		
Unencumbered Balance		\$220,450	Available for mid/end-year adjustments	

The proposed contracts and amounts for FY26 assume the following:

1. Segal (Benefit & Actuary Consulting Services) – multiyear contract amount for expenditures related to benefit consulting services, solvency projections, GASB employer allocation schedules, HIPAA compliance support.
2. Judith Beatty – projected expenditures based on prior year actuals.
3. Vendor A (Audit Services) – Based on request for proposal response.
4. Vendor B (legal services) - for fees consistent with historical expenditures and contingencies.
5. RESPEC – projected amounts associated with ongoing maintenance related to CareView.
6. PERA MOU – shared HR services based on prior year and expected change for new MOU with PERA.
7. Vendor C – document destruction services projected expenditures based on historical expenditures.
8. Vendor D (Webhost) – projected expenditures based on historical expenditures and additional needs.

Requested Action:

NMRHCA staff respectfully request approval of the proposed amendments and new contracts as listed in the charts above for fiscal year 2026.