NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

Board Material
February 4, 2021

New Mexico Public Schools Insurance Authority
Board of Directors Meeting

Board of Directors
Al Park, President, Governor Appointee
Chris Parrino, Vice President, NM Association of School Business Officials
Denise Balderas, Governor Appointee
Sammy J. Quintana, Governor Appointee
Bethany Jarrell, National Education Association NM
David Martinez, Jr., National Education Association NM
Tim Crone, American Federation of Teachers NM
Ricky Williams, NM Superintendents Association
Pauline Jaramillo, NM School Boards Association
K. T. Manis, Public Education Commission
Vacant, Educational Entities at Large

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Thursday, February 4, 2021
9:00 A.M.

Draft

Agenda

1. **Call to Order**	**A. Park**
2. **Roll Call**	**P. Vigil**
3. **Introduction of Guests**	**R. Valerio**
4. **Citizens to Address the Board** (Five-Minute Limit)	**A. Park**
5. **Approval of Agenda** (Action Item)	**A. Park**
6. **Approval of December 3, 2020 Minutes** (Action Item)	**A. Park**
7. **Administrative Matters**	
A. **Board Member Update**	**R. Valerio**

B. **Election of Secretary** (Action Item) — **M. Esquivel**

C. **Staff Update** — **R. Valerio**

D. **Legislative Update** — **R. Valerio, M. Esquivel**

E. **COVID-19 Update** — **R. Valerio**

F. **PED Surveillance Testing Requirement** (Action Item) — **R. Valerio**

G. **Annual August Meeting** (Action Item) — **R. Valerio**

8. **Financial Matters**

A. **Financial Reports for November 2020** (Action Item) — **P. Sandoval**

B. **Financial Reports for December 2020** (Action Item) — **P. Sandoval**

C. **Investment Performance Review for the Quarter Ended December 31, 2020 & Rebalancing of Long-Term Investments** (Action Item) — **E. Clark**

D. **FY2020 Audit** (Action Item) — **D. Trujillo**

9. **Benefits Matters**

A. **Temporary Waiver of Premium Payment Penalties and Interest** (Action Item) — **P. Sandoval**

B. **FY22 Projections, Plan Design and Premium Rate Setting** (Action Item) — **N. Patani/ M. Krumholz**

C. **Approval of Stop-Loss Renewal** (Action Item) — **N. Patani**

D. **Davis Vision Update** — **S. Garcia**

E. **Wellness Update** — **K. Chavez**

10. **Risk Matters**

A. **Approval of Request to Initiate RFP for Safe Schools Training Videos** (Action Item) — **P. Sandoval**

B. **Market Update** — **D. Poms**

C. **Property Coverage Self-Insured Retention** (Action Item) — **D. Poms**

D. **TPA Reports** — **R. Cangiolosi/ S. Vanetsky/ J. Mayo**

1. **Statewide Comparison of Workers' Compensation Claims**
2. **Property & Liability Monthly Claims Report**
3. **Property & Liability Large Losses**
4. **Workers' Compensation Monthly Claims Report**
5. **Workers' Compensation Large Losses**

E. Loss Prevention Update	**J. Garcia/ L. Vigil**
11. General Discussion	**A. Park**
12. Next Meeting Date and Location	**A. Park**
March Meeting – March 4, 2021, Location TBD	
13. Adjournment (Action Item)	**A. Park**

NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS VIRTUAL MEETING MINUTES

Virtual Meeting: https://global.gotomeeting.com/join/816046589

Dial in: + 1 (408) 650-3123
Access Code: 816-046-589

Thursday, December 3, 2020

1. Call to Order **DRAFT**

Mr. Al Park, President, called the NMPSIA Board Meeting to order at 9:00 a.m. on Thursday, December 3, 2020.

2. Roll Call

Ms. Pamela Vigil, called roll.

Present via virtual meeting/telephonic meeting:

Alfred Park, President
Chris Parrino, Vice-President
Trish Ruiz, Secretary
Denise Balderas
Tim Crone
Pauline Jaramillo
Bethany Jarrell
Sammy Quintana
David Martinez Jr.
Ricky Williams

Absent:

Staff Members Present via virtual/telephonic meeting:

Richard Valerio, Executive Director
Patrick Sandoval, Deputy Director
Martha Quintana, Chief Financial Officer
Melissa Rael, Human Resource/Finance Manager
Katherine Chavez, Benefits/Wellness Operations Manager
Pamela Vigil, Risk Program Coordinator
Dion Romero, Accountant/Auditor
Melissa Larrañaga, Benefits Specialist
Claudette Roybal, Chief Procurement Officer
Andrew Arellano, Financial Specialist

Audience present via virtual/telephonic meeting:

Martin Esquivel	Esquivel & Howington
Julie Garcia	Poms & Assoc.
Larry Vigil	Poms & Assoc.
Tamie Pargas	Poms & Assoc.
Rika Martinez	Poms & Assoc.
Richard Cangiolosi	CCMSI
Louise Carpenter	CCMSI
Kevin Sovereign	CCMSI
Jerry Mayo	CCMSI
Steve Vanetsky	CCMSI
Daniel Warner	Cigna
Dr. Nura Patani	Segal
Melissa Krumholz	Segal
Sam Garcia	Davis Vision
Stephanie Anthony	United Concordia
Tom Palmer	United Concordia
JoLou Trujjio-Ottino	Delta Dental
Rich Bolstad	Delta Dental
Steve Valdez	Presbyterian
Lia Gainey	Presbyterian
Connor Jorgensen	LFC
Joseph Simon	LESC
CS Hwa	Erisa
Michelle Alarid	Erisa
Lourdes Rael	Erisa
Mike Barios	Erisa
Lisa Guevara	BCBS
Maureen Sergel	BCBS
Jeanine Patterson	BCBS
Jennifer Oswald	Standard
Stephanie Crouch	Standard
Jon Molberg	Express Scripts

3. Introduction of Guests

There were no guests.

4. Citizens to Address the Board (five- minute time limit)

There were no citizens to address the Board.

5. Approval of the Agenda (Action Item)

A motion was made to approve the agenda as presented.

MOTION: P. Jaramillo **SECONDED:** T. Ruiz

A roll call vote was taken.

Ms. Vigil called roll:

Chris Parrino – Yes
Alfred Park – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

6. Approval of Virtual Board Minutes (Action Item)

A motion was made to approve the November 5, 2020 Virtual Board Minutes as presented.

MOTION: C. Parrino **SECONDED:** S. Quintana

A roll call vote was taken.

Ms. Vigil called roll:

Chris Parrino -Yes
Alfred Park – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

7. Administrative Matters

7. A Recognition of Trish Ruiz for Her Dedicated Service to NMPSIA Board and Risk Advisory Committee

Mr. Richard Valerio, Executive Director, NMPSIA informed the Board this is Ms. Trish Ruiz's last Board Meeting. He stated the NMPSIA Staff and Board would like to recognize her for her many years of dedicated service on the Board and Risk Advisory Committee. Mr. Valerio stated she has served since August of 2017. Mr. Valerio thanked Ms. Ruiz for everything. She has been a great leader, mentor and has done a lot of great work with this Board. Mr. Valerio expressed his regrets she could not be recognized in person. He stated a plaque will be sent to her.

Ms. Ruiz thanked the Board and staff. She stated it has been an absolute pleasure and honor to serve on this Board.

Mr. Park thanked Ms. Ruiz for her relentless service to the Board and to her community and state. He stated she is an absolute breath of positive energy.

Mr. Sammy Quintana echoed everything Mr. Park voiced. He thanked her and wished her the very best.

Mr. Tim Crone thanked Ms. Ruiz for everything. He stated he and Ms. Ruiz served together on the PEC for many years and became immediate friends. Mr. Crone expressed his sadness over Ms. Ruiz's departure from the Board.

Mr. David Martinez Jr. thanked Ms. Ruiz. He stated he has known Ms. Ruiz for many years and praised her dedication and professionalism to the Board and her community.

Ms. Bethany Jarrell stated she has worked with Ms. Ruiz for many years with NEA and this Board. She thanked Ms. Ruiz for her relentless advocacy and wished her well.

Mr. Chris Parrino stated it has been a joy working with Ms. Ruiz. He wished her well and thanked her for everything.

Mr. Ricky Williams wished Ms. Ruiz well and stated it is always a pleasure to be around her.

Ms. Pauline Jaramillo thanked Ms. Ruiz for her great leadership and stated it has been a pleasure serving with her on this Board.

Mr. Park closed by stating Ms. Ruiz has left an indelible mark on this Board. He asked Mr. Valerio to please invite Ms. Ruiz back once the Board can meet in person, so she can be properly recognized for her dedicated service.

7. B Recognition of Melissa Larrañaga for Her Dedicated Service to NMPSIA and the State of New Mexico

Mr. Valerio reported one of NMPSIA's staff members Ms. Melissa Larrañaga will be retiring on December 31, 2020. He stated Ms. Larrañaga was able to retire at 25 years in June of 2020. He stated she has worked for NMPSIA for a total of seven years during two stints. Mr. Valerio stated she will be greatly missed and has been a great asset to the agency. He thanked her for her service and dedication.

Mr. Park thanked Ms. Larrañaga for her dedicated service and wished her the best on her retirement.

Ms. Larrañaga thanked the Board and staff for everything.

Mr. Quintana thanked Melissa for all her work with the State of New Mexico. He stated she is a top-notch employee and wished her the best.

Ms. Katherine Chavez thanked Melissa and stated she has contributed so much to the agency and to the State of New Mexico.

7. C COVID-19 Update

Mr. Valerio reported on the COVID-19 claims count through the end of October 2020. He stated under BCBS there were 6,813 claims for either testing or treatment, for a total of $1.5 million dollars. He stated under Presbyterian there were 1,288 claims for either testing or treatment, for a total of $1.4 million dollars. Mr. Valerio stated the combined total was 8,101 claims and a total cost of $2.9 million dollars.

Mr. Valerio reported he has had conversations with the Department of Finance and Administration and the Department of Health to inquire if there is any federal funding available under the CARES Act that the state has received. He stated they have advised him because NMPSIA is considered an insurance company or entity, NMPSIA would not be eligible or qualify for any funding under the CARES Act.

7. D PED Surveillance Testing Requirement (Action Item)

Mr. Valerio reported back in March of 2020, the Governor and the Superintendent of Insurance declared a public health emergency due to COVID-19. He stated part of the public health emergency, The Superintendent of Insurance issued an order that all commercial insurance carriers cover the cost of testing and treatment for COVID-19 at 100% no cost to members. NMPSIA does not fall under the jurisdiction of the Superintendent of Insurance being that NMPSIA is a self-insured governmental entity. However, NMPSIA and the rest of the IBAC entities decided to provide the same benefit for members and opted to cover the cost of testing and treatment at 100%. Mr. Valerio reported since then, PED has issued their re-opening guidelines and part of those guidelines require that any schools that return to the hybrid mode, and are physically present in schools, 5% of staff need to be tested every week. Mr. Valerio stated he inquired with PED about how this will be funded. He stated after having conversations with the PED Cabinet Secretary Dr. Stewart. Dr. Stewart advised Mr. Valerio he spoke with the Governor's Office and they are interpreting the document to include surveillance testing because medical professional experts are recommending surveillance testing be put into place and be a requirement as part of public health safety, it should be considered medical necessary, and therefore be paid for by NMPSIA. Mr. Valerio stated there were lengthy conversations at the BAC and RAC with respect to this, and it is the recommendation of both committees to fund surveillance testing until the end of February and allow for more time to evaluate what the actual cost impact will be. He stated this will also allow more time for staff to have conversations with LFC or Department of Health to see if there is some sort of collaborative effort or seek funding reimbursement from the Legislature. Mr. Valerio stated at this point in time the fund balance is healthy, but if it gets into a deficit position this may be a conversation to have with the Legislature.

A motion was made to approve the recommendation as presented.

MOTION: C. Parrino **SECONDED:** D. Martinez Jr.

Ms. Vigil called roll:

Chris Parrino – Yes
Alfred Park – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

7. E Legislative Update

Mr. Park asked Mr. Parrino to take over the meeting for the next two items.

Mr. Valerio reported the LFC Budget hearing was on November 16, 2020. He reported staff discussed some of the issues of the impact of COVID-19 and the projections. Mr. Valerio stated the LFC recommendation should be released in January right before the session. Mr. Valerio stated he will report on this to the Board in February. Mr. Valerio mentioned there will be a House Appropriation and Finance Committee sometime in January or February.

8. FINANCIAL MATTERS

8. A Financial Reports for October 2020 (Action Item)

Mr. Sandoval reviewed the statement of revenues and expenditures for the Employee Benefits Fund for the period 10/1/2020 through 10/31/2020. The Benefits Fund had revenues in the amount of $26,691,913.91; expenditures in the amount of $30,163,602.50; resulting in a loss of $3,471,688.59.

Mr. Sandoval reviewed the statement of revenues and expenditures for the Risk Fund for the period 10/1/2020 through 10/31/2020. The Risk Fund had revenues in the amount of $6,818,389.39 expenditures in the amount of $6,311,041.28; resulting in a gain of $507,348.11.

Mr. Sandoval reviewed the statement of revenues and expenditures for the Program Support Fund for the period 10/1/2020 through 10/31/2020. The Program Support Fund had revenues in the amount of $116,750.00; expenditures in the amount of $110,743.07; resulting in a gain of $6,006.93.

Mr. Sandoval reviewed the balance sheet for the period 10/1/2020 through 10/31/2020. Program Support had total assets of $1,061,846.64, total liabilities of $281,380.91, and fund equity of $780,465.73. Employee Benefits had total assets of $58,996,072.44, ending liabilities of $28,040,361.84, and fund equity of $30,955,710.60. Risk had assets of $147,840,420.13, liabilities of $153,584,894.01, and a loss of $5,744,473.88. Total assets for the agency were $207,898,339.21 and ending liabilities of $181,906,636.76. Combined fund equity for the agency was $25,991,702.45.

A motion was made to approve the Financial Reports as presented.

MOTION: D. Martinez Jr. **SECONDED:** R. Williams

Ms. Vigil called roll:

Chris Parrino – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

9. Risk Matters

9. A Approval of Request to Initiate Sole Source Procurement of Safe Schools Training Videos (Action Item)

Mr. Sandoval stated staff is seeking approval to initiate a sole source procurement for Safe School Training Videos. He stated it is the recommendation of the RAC to approve this request.

A motion was made to approve the request to initiate Sole Source Procurement of Safe Schools Training Videos.

MOTION: S. Quintana **SECONDED:** R. Williams

Ms. Vigil called roll:

Chris Parrino – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

9. B COVID-19 Liability Immunity Legislation Discussion (Action Item)

Mr. Valerio reported there was discussion yesterday at the RAC surrounding the possible pursuit of legislation that would provide schools immunity for liability related to COVID-19. He stated there has been some efforts on the federal level and other states that have been going on. He explained this would be beneficial for schools if this could get passed, but it may be hard to get passed if plaintiffs attorneys push against this. Mr. Valerio mentioned this issue came up after discussions with the Superintendents Association, NMCEL and the School Boards Association. He explained these entities were interested in pursuing legislation and asked if NMPSIA would be interested in collaborating on these efforts. Mr. Valerio stated after discussions at the RAC, they would like to see what the legislation looks like before moving forward with this. He stated being there will not be a meeting in January, the RAC discussed the possibility of creating a sub-committee of the Board to review the legislation.

Mr. Parrino stated he would like to make sure Mr. Park as the President of the Board and Mr. Quintana as the Chairman of the RAC be on this sub-committee.

Mr. Quintana recommended naming Mr. Park as the chairman of the committee.

Ms. Jaramillo volunteered to serve on the committee.

Mr. Williams volunteered to serve on the committee.

Mr. Dave Poms, Poms & Associates stated he would like to offer their services.

Mr. Valerio stated Mr. Martin Esquivel, NMPSIA General Counsel and NMPSIA staff will also serve on the committee.

A motion was made to approve recommendation as presented, and to form a sub-committee of the Board to review and pursue legislation with respect to COVID-19 liability immunity.

MOTION: S. Quintana **SECONDED:** B. Jarrell

Mr. Martinez Jr. asked if this would prevent legal lawsuits against the school with respect to COVID-19.

Mr. Esquivel stated this would necessitate an additional waiver, to ensure some type of limitation against the schools. He indicated any time one attempts to constrict or expand the NM Tort Claims Act, there are a lot of consequences that can fall. This would take a significant change to the Tort Claims Act to enact that type of immunity to sue on this issue.

Mr. Martinez Jr. asked if a staff member does get sick with COVID-19, will the insurance still cover the cost for medical care if this gets passed.

Mr. Esquivel stated if it is a staff member, this would be a workers' compensation claim.

Mr. David Martinez Jr. asked if a staff member would still have coverage if they are sick with COVID-19.

Mr. Esquivel stated the determination would have to be on the workers' compensation side as to whether or not the staff member contracted the illness at work. He stated this is the biggest issue before all employers across the country right now.

Mr. Valerio reported in addition to that, if a member were declined for workers' compensation, they would be covered under the medical side.

Ms. Vigil called roll:

Chris Parrino – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

9. C TPA Reports

9.C.1 Property & Liability Monthly Claims Report

Mr. Steve Vanetsky, CCMSI reported on the Property & Liability Monthly Claims Report. He stated for the month of October 2020 there were 324 open claims, 32 new claims and 45 claims were closed. Mr. Venetsky reported reserves were at $63,352,495.97, payments were $22,673,478.24 for a total of $86,025,974.21.

9. C. 2 Property & Liability Large Losses

There were no large losses to report.

9. C. 3 Workers' Compensation Monthly Claims Report

Mr. Jerry Mayo, CCMSI provided the Workers' Compensation Monthly Claims Report for Districts as of October 31, 2020. He reported during the month of October there were 827 open claims, 102 new claims, 12 claims were re-opened, and 108 claims were closed. Mr. Mayo reported reserves were at $14,374,375.16; payments were $51,017,294.97; for a total of $65,391,670.13.

Mr. Mayo reported on the Workers' Compensation Monthly Claims Report for Charter Schools as of October 31, 2020. Mr. Mayo reported during the month of October, there were 31 open claims, 3 new claims, and 2 claims were closed. Mr. Mayo reported reserves were at $828,501.88; payments were $1,436,756.04, for a total of $2,265,257.92.

9. C. 4 Workers' Compensation Large Losses

Mr. Mayo reported there was one claim over $50,000 with Southwest Secondary Learning Center. He stated this is reserved at $350,000.

9. D Approval of Approach on an Anonymous Reporting System (Action Item)

Ms. Julie Garcia, Poms & Associates reported at the RAC last month this item was discussed in detail. She stated she and Ms. Rika Martinez had been working on the anonymous reporting system with Sandy Hook, only to discover STOPIT and the NM Central REC had been awarded a grant to do anonymous reporting for three years to small schools not including charter and larger schools. She also found out the Attorney General also received a grant to look at an anonymous reporting system similar to the Sandy Hook Promise Platform. Ms. Garcia stated because of the confusion, staff has decided the best approach is to go to the Legislature to ask them to mandate an anonymous reporting system for all schools. She stated NMPSIA can discuss afterwards if an RFP should be sent out for the larger schools and charter schools. Ms. Garcia stated she is asking for approval to start working with the Legislature to find a sponsor for the anonymous reporting system language.

A motion was made to approve the recommendation for staff to begin working with the Legislature to find a sponsor for anonymous reporting system language.

MOTION: P. Jaramillo **SECONDED:** A. Park

Mr. Martinez Jr. asked if there will be different types of anonymous systems.

Ms. Garcia stated there will be several systems, but the approach will be similar.

Ms. Vigil called roll:

Chris Parrino – Yes
Alfred Park - Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously

9. E Loss Prevention Update

Ms. Garcia reported staff has been working with Zuni Public Schools. She stated they have over 1,000 Zuni Pueblo members that have contracted COVID-19, 300 school staff members that have tested positive for COVID-19, two COVID-19 related deaths and a couple of individuals in critical condition. Ms. Garcia stated they are asking for some mental health assistance. She stated she spoke with Mr. Valerio yesterday about getting the Wellness Program involved and also providing them some two-minute uplifting toolbox talks.

Mr. Larry Vigil, Poms & Associates reported staff met with the New Mexico Public Facilities Managers Association and the Association of Maintenance Directors. There are some ongoing concerns the organization has with respect to merv 13 filters. He stated they are having a hard time locating these filters in the districts and this is an ongoing concern.

He stated they will be looking into several districts that received several palettes of hand sanitizer. He stated anything more than 10 gallons of hand sanitizer is considered a large quantity of combustible material and should be handled and stored safely. Mr. Vigil stated he will be looking into which districts received this and provide guidance on how to properly store this hand sanitizer.

10. BENEFITS MATTERS

10. A SHAPE Dashboard Report

Ms. Melissa Krumholz, Segal, provided the SHAPE Dashboard Report. She stated in FY20 the medical trend was down 1.4%. She stated in a normal year, the expected increase would be 6.5% increase. She reported COVID-19 really had a huge impact in the fourth quarter. She stated the directional downturn of 1.4% is in line with what was projected under the COVID-19 modeling. Ms. Krumholz stated pharmacy is up nearly 16% and is driven by utilization and generally higher cost with more people taking specialty drugs. She stated this is higher than what would have been projected. Ms. Krumholz stated this does not reflect any rebates or savings from SAVEON SP. She went on to report inpatient services are down and outpatient is up, which is driven by higher utilization prior to COVID-19. She stated there has been a decrease in ER utilization. Ms. Krumholz reported on the baseline start-point on the diabetics and the cost compared to non-diabetics. She stated it is important for members to stay in contact with their doctors during this time.

Mr. Valerio stated this report has been extremely helpful in pinpointing where the cost drivers are. For example, diabetics and asthma are some of the top conditions. He stated this allows staff to implement programs like Livongo to assist in cutting costs.

10. B Approval of Stop-Loss Renewal (Action Item)

Mr. Valerio reported staff and Segal are continuing to negotiate the renewal with the Stop Loss carrier Matrix. He stated since there is not a meeting until February, staff is requesting approval to continue negations and bind coverage once it is finalized. Mr. Valerio stated the final renewal contract will be brought back to the Board for review and approval in February 2021.

A motion was made to approve the stop-loss renewal and allow staff and Segal to continue negotiations to bind coverage.

MOTION: C. Parrino **SECONDED:** D. Martinez Jr.

Ms. Vigil called roll:

Chris Parrino – Yes
Alfred Park – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

10. C Approval of Professional Services Agreement for Benefits Actuarial Consulting Extension (Action Item)

Mr. Sandoval requested approval of the Professional Services Agreement for the Benefits Actuarial Consulting Extension. He explained the term is from January 1, 2021 through December 31, 2022. There are no changes to the scope and compensation.

A motion was made to approve the Professional Services Agreement for Benefits Actuarial Consulting Extension as presented.

MOTION: C. Parrino **SECONDED:** R. Williams

Ms. Vigil called roll:

Chris Parrino – Yes
Alfred Park – Yes
Denise Balderas - Yes
Tim Crone - Yes
Pauline Jaramillo – Yes
Bethany Jarrell - Yes
Sammy Quintana - Yes
David Martinez Jr. - Yes
Trish Ruiz – Yes
Ricky Williams - Yes

Vote carried unanimously.

10. D United Concordia Dental Updates

Ms. Stephanie Anthony, United Concordia, introduced Mr. Tom Palmer, Senior Vice President, United Concordia.

Mr. Palmer thanked NMPSIA for being a loyal and long-term customer. He reported on efforts to assist with issues related to the COVID-19 pandemic.

10. E 2021 Open/Switch Enrollment Update

Ms. Michelle Alarid, Erisa Administrative Services reported switch enrollment window started on October 1, 2020 through November 13, 2020, with an effective date of January 1, 2021. Ms. Alarid reported in close coordination with the NMPSIA staff and benefits carriers, there were a total of 14 open switch virtual benefits presentations, beginning September through November. Ms. Alarid stated when there is a switch or open enrollment, the practice is NMPSIA allows the request to be processed prior to the effective date, however, if an employer accepts the request prior to the effective date, it will be accepted.

Ms. Alarid reviewed the total open enrollment count, medical only switch enrollment counts for BCBS, Presbyterian, Cigna, United Concordia, Delta Dental and Davis Vision. She reviewed the dental only switch enrollment counts. Ms. Alarid stated the numbers are subject to change as Erisa will accept approved employer requests received by the employer through 12/31/2020.

10. F Wellness Update

Ms. Katherine Chavez, Benefits/Wellness Operations Manager, reported she provided this report in detail at the Benefits Advisory Committee.

She reported the program has touched more lives and increased engagement for 2020. More schools have been recruited to the Wellness Ambassador Program. She reported within the Naturally Slim Program, 10% of participants have lost 5% of body weight. The Livongo Program has seen great success as well as the Diabetes Program.

11. General Discussion

Mr. Valerio wished everyone Happy Holidays and a Happy New Year.

The Board had discussion about children returning to in-person learning.

Mr. Park thanked the Board, NMPSIA staff and all the partners for all their hard work during this difficult year. He wished everyone a Happy Holiday Season.

12. Next Meeting Date and Location

Mr. Valerio reported the next meeting will be held virtually on February 4, 2020.

13. Adjournment (Action Item)

A motion was made to adjourn The NMPSIA Board Meeting at 10:23 a.m.

MOTION: S. Quintana **SECONDED:** C. Parrino

The meeting was adjourned by acclimation.

APPROVED:

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Mr. Alfred Park, President

Public Schools Insurance Authority

Board Meeting

Fiscal Year 2021

November 2020 Financial Reports

February 04, 2021

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Employee Benefits Fund

From 11/1/2020 Through 11/30/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Health Insurance Assessments)	26,065,394.79	26,943,442.74	3.37	126,019,290.20	131,678,437.25	4.49
Interest Income (Wells Fargo, LGIP)	36,129.68	6,248.74	(82.70)	255,887.13	41,485.27	(83.79)
Investment Income (SIC)	358,517.72	1,879,302.14	424.19	1,003,360.16	2,883,330.84	187.37
Miscellaneous Income (Rx Rebates, Penalties, Subros, Etc)	20,351.03	0.00	(100.00)	31,857.23	0.00	(100.00)
Total Revenue	26,480,393.22	28,828,993.62	8.87	127,310,394.72	134,603,253.36	5.73
Expenditures						
Medical Claims Expense	21,632,414.46	17,918,581.79	(17.17)	103,616,579.58	94,154,178.14	(9.13)
Prescription Claims Expense	5,087,895.46	2,857,247.84	(43.84)	19,368,956.73	17,678,069.97	(8.73)
Dental Claims Expense	1,181,616.44	889,368.54	(24.73)	5,655,502.01	5,469,679.83	(3.29)
Premiums (Life, Vision)	964,147.29	1,014,523.95	5.22	4,426,288.63	5,116,585.71	15.60
Claims Administration Fees (Medical, Dental, Rx)	1,315,257.60	1,415,747.03	7.64	5,983,404.96	6,967,947.52	16.45
Contractual Services (Erisa, Segal, Legal, Etc)	163,334.71	208,636.81	27.74	876,497.96	1,106,280.95	26.22
Other Expenses	0.00	0.00	0.00	61,876.91	52.14	(99.92)
Transfer to Program Support	55,091.00	58,375.00	5.96	275,463.00	291,875.00	5.96
Total Expenditures	30,399,756.96	24,362,480.96	(19.86)	140,264,569.78	130,784,669.26	(6.76)
Net Revenue & Expenditures	(3,919,363.74)	4,466,512.66	(213.96)	(12,954,175.06)	3,818,584.10	(129.48)

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Risk Fund

From 11/1/2020 Through 11/30/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Risk Insurance Assessments)	6,902,429.00	6,922,434.00	0.29	34,512,178.19	34,612,192.00	0.29
Interest Income (Wells Fargo, LGIP)	113,487.91	14,301.26	(87.40)	661,058.69	84,138.38	(87.27)
Investment Income (SIC)	152,959.39	801,598.35	424.06	428,575.79	1,229,594.98	186.90
Miscellaneous Income (Penalties, Subros, Etc)	0.00	0.00	0.00	2.00	0.00	(100.00)
Total Revenue	7,168,876.30	7,738,333.61	7.94	35,601,814.67	35,925,925.36	0.91
Expenditures						
Property - Liability Claims Expense						
Property Claims	234,343.72	335,214.58	43.04	4,731,570.74	3,680,047.73	(22.22)
Liability Claims	1,233,377.10	695,263.00	(43.63)	17,493,438.44	3,828,533.65	(78.11)
P-L Provisions for Losses	107,575.07	(474,912.35)	(541.47)	3,221,600.78	14,028,163.82	335.44
P-L Excess Recoveries	(28,934.88)	261,933.21	(1,005.25)	(5,850,468.73)	(406,074.52)	(93.06)
Total Property - Liability Claims Expense	1,546,361.01	817,498.44	(47.13)	19,596,141.23	21,130,670.68	7.83
Workers' Compensation Claims Expense	628,626.25	675,283.97	7.42	5,224,335.53	3,940,227.45	(24.58)
Property Excess Coverage Premium	2,074,416.00	2,114,445.00	1.93	10,368,820.13	10,572,232.00	1.96
Liability Excess Coverage Premium	1,324,838.00	1,437,243.00	8.48	6,624,192.00	7,186,215.00	8.48
Workers' Compensation Excess Coverage Premium	48,903.00	49,432.00	1.08	244,523.00	247,170.00	1.08
Student Catastrophic Insurance Premium	20,789.00	19,949.00	(4.04)	83,165.26	79,797.77	(4.05)
Equipment Breakdown Insurance Premium	26,413.00	27,585.00	4.44	146,706.82	137,939.60	(5.98)
Property - Liability Claims Administration Fees	84,686.10	88,095.73	4.03	424,859.02	440,478.59	3.68
Workers' Compensation Claims Administration Fees	93,585.79	97,306.90	3.98	469,357.47	486,534.51	3.66
Contractual Services (Erisa, Poms, CCMSI, Legal, Etc)	230,625.72	234,655.88	1.75	2,139,928.65	2,161,166.66	0.99
Transfer to Program Support	55,091.00	58,375.00	5.96	275,463.00	291,875.00	5.96
Total Expenditures	6,134,334.87	5,619,869.92	(8.39)	45,597,492.11	46,674,307.26	2.36
Net Revenue & Expenditures	1,034,541.43	2,118,463.69	104.77	(9,995,677.44)	(10,748,381.90)	7.53

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Program Support Fund

From 11/1/2020 Through 11/30/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Transfers from Other Funds (Benefits, Risk)	110,182.00	116,750.00	5.96	550,926.00	583,750.00	5.96
Total Revenue	110,182.00	116,750.00	5.96	550,926.00	583,750.00	5.96
Expenditures						
Contractual Services (Professional, Audit, Legal, Etc)	2,692.87	2,983.96	10.81	41,199.76	38,075.26	(7.58)
Other Expenses (Travel, Maint., Supplies, Utilities, Etc.)	5,424.81	12,384.65	128.30	45,484.46	50,747.02	11.57
Per Svc/Ben (Salaries, Fringe Benefits)	95,019.73	84,693.64	(10.87)	429,348.88	410,267.13	(4.44)
Total Expenditures	103,137.41	100,062.25	(2.98)	516,033.10	499,089.41	(3.28)
Net Revenue & Expenditures	7,044.59	16,687.75	136.89	34,892.90	84,660.59	142.63

NM Public Schools Insurance Authority

Balance Sheet

As of 11/30/2020

	Program Support	Employee Benefits	Risk	Total
ASSETS				
Cash (Wells Fargo/State Treasurer)	815,895.99	1,290,152.50	1,149,948.33	3,255,996.82
Short-term Investments (LGIP)	0.00	37,798,550.86	99,544,667.57	137,343,218.43
Long-term Investments (SIC)	0.00	23,819,809.64	10,159,398.43	33,979,208.07
Receivables (LGIP Int., W/C Excess Carrier)	0.00	5,673.05	6,042,279.28	6,047,952.33
Prepaid Premiums (Risk Excess Coverage)	0.00	0.00	25,540,578.00	25,540,578.00
Other Assets (Deposits, Furniture, Fxtures, Equip., Etc)	262,774.69	84,861.48	340,861.48	688,497.65
Total ASSETS	1,078,670.68	62,999,047.53	142,777,733.09	206,855,451.30
LIABILITIES				
Accounts Payable (Admin Fees)	63.50	1,455,752.91	445,422.73	1,901,239.14
Case Reserves (P/L, W/C)	0.00	0.00	47,886,566.37	47,886,566.37
IBNR (Incurred But Not Reported)	0.00	19,575,106.00	49,356,311.00	68,931,417.00
Claims Payable (Medical, Dental, P/L, W/C)	0.00	6,486,846.61	258,405.18	6,745,251.79
Deferred Revenue (Self-Pays, P/L, W/C Premiums)	0.00	59,118.75	48,457,038.00	48,516,156.75
Other (Payroll Taxes, Benefits,Compensated Absences Payable)	281,453.70	0.00	0.00	281,453.70
Total LIABILITIES	281,517.20	27,576,824.27	146,403,743.28	174,262,084.75
FUND EQUITY				
Beginning Fund Equity	712,492.89	31,603,639.16	7,122,371.71	39,438,503.76
Net Revenue & Expenditures (Year-to-Date)	84,660.59	3,818,584.10	(10,748,381.90)	(6,845,137.21)
Total FUND EQUITY	797,153.48	35,422,223.26	(3,626,010.19)	32,593,366.55

Public Schools Insurance Authority

Board Meeting

Fiscal Year 2021

December 2020 Financial Reports

February 04, 2021

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Employee Benefits Fund

From 12/1/2020 Through 12/31/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Health Insurance Assessments)	25,937,048.27	26,825,120.13	3.42	151,956,338.47	158,503,557.38	4.31
Interest Income (Wells Fargo, LGIP)	38,179.58	6,248.58	(83.63)	294,066.71	47,733.85	(83.77)
Investment Income (SIC)	434,221.77	822,003.77	89.31	1,437,581.93	3,705,334.61	157.75
Miscellaneous Income (Rx Rebates, Penalties, Subros, Etc)	203,138.65	0.00	(100.00)	234,995.88	0.00	(100.00)
Total Revenue	26,612,588.27	27,653,372.48	3.91	153,922,982.99	162,256,625.84	5.41
Expenditures						
Medical Claims Expense	20,336,774.92	21,014,354.49	3.33	123,953,354.50	115,168,532.63	(7.09)
Prescription Claims Expense	2,984,927.71	2,571,416.74	(13.85)	22,353,884.44	20,249,486.71	(9.41)
Dental Claims Expense	886,500.63	1,135,010.75	28.03	6,542,002.64	6,604,690.58	0.96
Premiums (Life, Vision)	961,442.35	1,010,439.64	5.10	5,387,730.98	6,127,025.35	13.72
Claims Administration Fees (Medical, Dental, Rx)	1,251,688.32	1,525,566.15	21.88	7,235,093.28	8,493,513.67	17.39
Contractual Services (Erisa, Segal, Legal, Etc)	152,289.92	197,120.67	29.44	1,028,787.88	1,303,401.62	26.69
Other Expenses	126.98	388.32	205.81	62,003.89	440.46	(99.29)
Transfer to Program Support	55,091.00	58,375.00	5.96	330,554.00	350,250.00	5.96
Total Expenditures	26,628,841.83	27,512,671.76	3.32	166,893,411.61	158,297,341.02	(5.15)
Net Revenue & Expenditures	(16,253.56)	140,700.72	(965.66)	(12,970,428.62)	3,959,284.82	(130.53)

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Risk Fund

From 12/1/2020 Through 12/31/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Premiums (Risk Insurance Assessments)	6,902,429.00	6,922,434.00	0.29	41,414,607.19	41,534,626.00	0.29
Interest Income (Wells Fargo, LGIP)	113,168.69	14,066.71	(87.57)	774,227.38	98,205.09	(87.32)
Investment Income (SIC)	184,964.92	350,631.00	89.57	613,540.71	1,580,225.98	157.56
Miscellaneous Income (Penalties, Subros, Etc)	0.00	0.00	0.00	2.00	0.00	(100.00)
Total Revenue	7,200,562.61	7,287,131.71	1.20	42,802,377.28	43,213,057.07	0.96
Expenditures						
Property - Liability Claims Expense						
Property Claims	482,323.98	786,547.30	63.07	5,213,894.72	4,466,595.03	(14.33)
Liability Claims	2,463,816.67	1,140,956.93	(53.69)	19,957,255.11	4,969,490.58	(75.10)
P-L Provisions for Losses	1,417,756.59	(270,540.74)	(119.08)	4,639,357.37	13,757,623.08	196.54
P-L Excess Recoveries	(1,983,446.71)	(216,719.03)	(89.07)	(7,833,915.44)	(622,793.55)	(92.05)
Total Property - Liability Claims Expense	2,380,450.53	1,440,244.46	(39.50)	21,976,591.76	22,570,915.14	2.70
Workers' Compensation Claims Expense	(1,661,130.56)	569,131.03	(134.26)	3,563,204.97	4,509,358.48	26.55
Property Excess Coverage Premium	2,074,416.00	2,114,445.00	1.93	12,443,236.13	12,686,677.00	1.96
Liability Excess Coverage Premium	1,324,838.00	1,437,243.00	8.48	7,949,030.00	8,623,458.00	8.48
Workers' Compensation Excess Coverage Premium	48,903.00	49,432.00	1.08	293,426.00	296,602.00	1.08
Student Catastrophic Insurance Premium	20,789.00	19,949.00	(4.04)	103,954.26	99,746.77	(4.05)
Equipment Breakdown Insurance Premium	26,413.00	27,585.00	4.44	173,119.82	165,524.60	(4.39)
Property - Liability Claims Administration Fees	84,686.10	88,095.73	4.03	509,545.12	528,574.32	3.73
Workers' Compensation Claims Administration Fees	93,585.79	97,306.90	3.98	562,943.26	583,841.41	3.71
Contractual Services (Erisa, Poms, CCMSI, Legal, Etc)	212,918.06	229,945.72	8.00	2,352,846.71	2,391,112.38	1.63
Transfer to Program Support	55,091.00	58,375.00	5.96	330,554.00	350,250.00	5.96
Total Expenditures	4,660,959.92	6,131,752.84	31.56	50,258,452.03	52,806,060.10	5.07
Net Revenue & Expenditures	2,539,602.69	1,155,378.87	(54.51)	(7,456,074.75)	(9,593,003.03)	28.66

NM Public Schools Insurance Authority

Statement of Revenues and Expenditures - Program Support Fund

From 12/1/2020 Through 12/31/2020

	Prior Year Current Period Actual	Current Period Actual	Current Period % Change	Prior Year Actual	Current Year Actual	Current Year % Change
Revenue						
Transfers from Other Funds (Benefits, Risk)	110,182.00	116,750.00	5.96	661,108.00	700,500.00	5.96
Total Revenue	110,182.00	116,750.00	5.96	661,108.00	700,500.00	5.96
Expenditures						
Contractual Services (Professional, Audit, Legal, Etc)	14,901.07	14,693.48	(1.39)	56,100.83	52,768.74	(5.94)
Other Expenses (Travel, Maint., Supplies, Utilities, Etc.)	13,542.69	8,585.32	(36.61)	59,027.15	59,332.34	0.52
Per Svc/Ben (Salaries, Fringe Benefits)	67,314.88	97,067.92	44.20	496,663.76	507,335.05	2.15
Total Expenditures	95,758.64	120,346.72	25.68	611,791.74	619,436.13	1.25
Net Revenue & Expenditures	14,423.36	(3,596.72)	(124.94)	49,316.26	81,063.87	64.38

NM Public Schools Insurance Authority

Balance Sheet

As of 12/31/2020

	Program Support	Employee Benefits	Risk	Total
ASSETS				
Cash (Wells Fargo/State Treasurer)	780,855.99	1,077,974.57	1,535,791.46	3,394,622.02
Short-term Investments (LGIP)	0.00	34,482,569.87	97,224,674.82	131,707,244.69
Long-term Investments (SIC)	0.00	24,641,813.41	10,510,029.43	35,151,842.84
Receivables (LGIP Int., W/C Excess Carrier)	0.00	6,534.01	4,963,728.04	4,970,262.05
Prepaid Premiums (Risk Excess Coverage)	0.00	0.00	21,891,924.00	21,891,924.00
Other Assets (Deposits, Furniture, Fxtures, Equip., Etc)	262,774.69	84,861.48	340,861.48	688,497.65
Total ASSETS	1,043,630.68	60,293,753.34	136,467,009.23	197,804,393.25
LIABILITIES				
Accounts Payable (Admin Fees)	0.00	1,634,913.15	415,348.35	2,050,261.50
Case Reserves (P/L, W/C)	0.00	0.00	47,468,022.82	47,468,022.82
IBNR (Incurred But Not Reported)	0.00	19,575,106.00	49,356,311.00	68,931,417.00
Claims Payable (Medical, Dental, P/L, W/C)	0.00	3,422,509.65	163,354.38	3,585,864.03
Deferred Revenue (Self-Pays, P/L, W/C Premiums)	0.00	98,300.56	41,534,604.00	41,632,904.56
Other (Payroll Taxes, Benefits,Compensated Absences Payable)	250,073.92	0.00	0.00	250,073.92
Total LIABILITIES	250,073.92	24,730,829.36	138,937,640.55	163,918,543.83
FUND EQUITY				
Beginning Fund Equity	712,492.89	31,603,639.16	7,122,371.71	39,438,503.76
Net Revenue & Expenditures (Year-to-Date)	81,063.87	3,959,284.82	(9,593,003.03)	(5,552,654.34)
Total FUND EQUITY	793,556.76	35,562,923.98	(2,470,631.32)	33,885,849.42

New Mexico Public Schools Insurance Authority

Investment Performance Review
For the Quarter Ended December 31, 2020

Client Management Team		PFM Asset Management LLC
Paulina Woo, Managing Director Ellen Clark, Director Joseph Federico, Senior Analyst Matt Smith, Senior Analyst	1820 East Ray Road Chandler, AZ 85225 855-885-9621	1735 Market Street 43rd Floor Philadelphia, PA 19103 215-567-6100

Markets and Economy

QUARTERLY MARKET SUMMARY

Market Index Performance

As of December 31, 2020

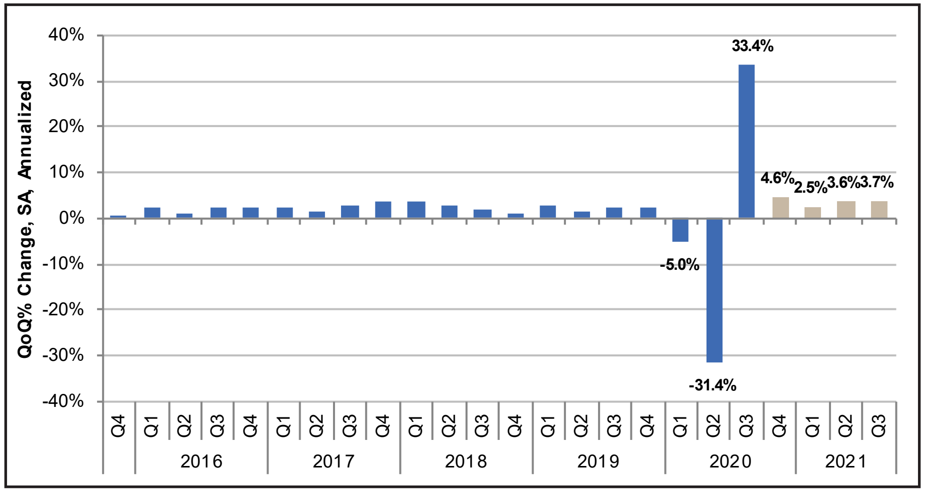
	QTD	YTD	1 Year	3 Years	5 Years	7 Years	10 Years
DOMESTIC EQUITY							
S&P 500	12.15%	18.40%	18.40%	14.18%	15.22%	12.92%	13.88%
Russell 3000 Index	14.68%	20.89%	20.89%	14.49%	15.43%	12.76%	13.79%
Russell 1000 Value Index	16.25%	2.80%	2.80%	6.07%	9.74%	8.20%	10.50%
Russell 1000 Growth Index	11.39%	38.49%	38.49%	22.99%	21.00%	17.53%	17.21%
Russell Midcap Index	19.91%	17.10%	17.10%	11.61%	13.40%	10.96%	12.41%
Russell 2500 Index	27.41%	19.99%	19.99%	11.33%	13.64%	10.17%	11.97%
Russell 2000 Value Index	33.36%	4.63%	4.63%	3.72%	9.65%	6.25%	8.66%
Russell 2000 Index	31.37%	19.96%	19.96%	10.25%	13.26%	9.34%	11.20%
Russell 2000 Growth Index	29.61%	34.63%	34.63%	16.20%	16.36%	12.08%	13.48%
INTERNATIONAL EQUITY							
MSCI EAFE (net)	16.05%	7.82%	7.82%	4.28%	7.45%	4.39%	5.51%
MSCI AC World Index (Net)	14.68%	16.25%	16.25%	10.06%	12.26%	8.87%	9.13%
MSCI AC World ex USA (Net)	17.01%	10.65%	10.65%	4.88%	8.93%	4.82%	4.92%
MSCI AC World ex USA Small Cap (Net)	18.56%	14.24%	14.24%	4.59%	9.37%	6.37%	5.95%
MSCI EM (Net)	19.70%	18.31%	18.31%	6.17%	12.81%	6.17%	3.63%
ALTERNATIVES							
FTSE NAREIT Equity REIT Index	11.57%	-8.00%	-8.00%	3.40%	4.77%	7.83%	8.31%
FTSE EPRA/NAREIT Developed Index	13.49%	-8.18%	-8.18%	2.48%	4.72%	5.55%	6.33%
Bloomberg Commodity Index Total Return	10.19%	-3.12%	-3.12%	-2.53%	1.03%	-5.80%	-6.50%
FIXED INCOME							
Blmbg. Barc. U.S. Aggregate	0.67%	7.51%	7.51%	5.34%	4.44%	4.09%	3.84%
Blmbg. Barc. U.S. Government/Credit	0.82%	8.93%	8.93%	5.97%	4.98%	4.42%	4.19%
Blmbg. Barc. Intermed. U.S. Government/Credit	0.48%	6.43%	6.43%	4.67%	3.64%	3.19%	3.11%
Blmbg. Barc. U.S. Treasury: 1-3 Year	0.05%	3.16%	3.16%	2.77%	1.91%	1.53%	1.31%
Blmbg. Barc. U.S. Corp: High Yield	6.45%	7.11%	7.11%	6.24%	8.59%	5.74%	6.80%
Credit Suisse Leveraged Loan index	3.64%	2.78%	2.78%	3.99%	5.19%	3.93%	4.47%
ICE BofAML Global High Yield Constrained (USD)	7.45%	7.90%	7.90%	5.86%	8.45%	5.30%	6.62%
Blmbg. Barc. Global Aggregate Ex USD	5.09%	10.11%	10.11%	4.23%	4.90%	2.10%	1.99%
JPM EMBI Global Diversified	5.80%	5.26%	5.26%	5.05%	7.08%	6.27%	6.22%
CASH EQUIVALENT							
90 Day U.S. Treasury Bill	0.03%	0.67%	0.67%	1.61%	1.18%	0.85%	0.62%

Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

THE ECONOMY

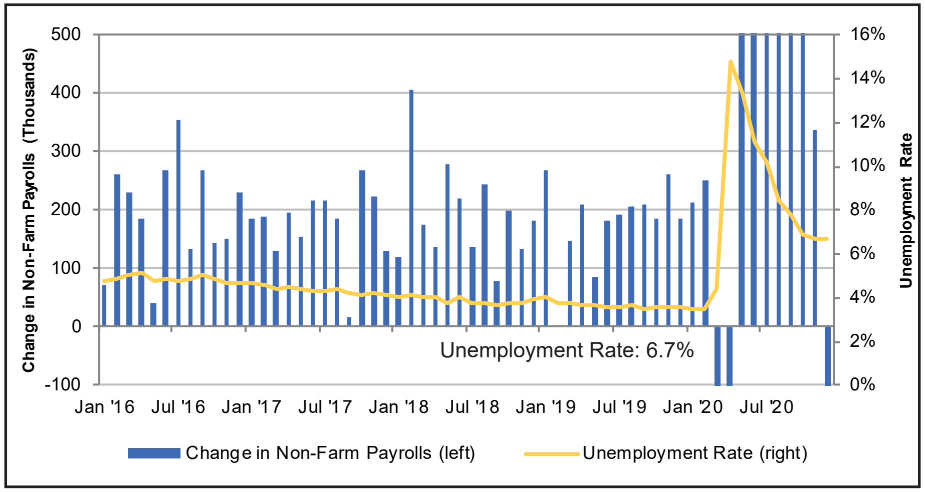
- The pandemic took a turn for the worse over the quarter. New infection rates rose significantly in Europe and the U.S., topping the previous highs. Limits to intensive care unit capacity and outbreaks in nursing homes forced governments to implement new stringent lockdown measures to slow the spread of the virus. In Europe and the UK, services are under pressure from the restrictions. In the U.S., the harsh autumn wave of the virus began with a time lag to Europe, with less stringent restrictions. Possible negative effects on U.S. gross domestic product (GDP) growth are not likely to be seen until the first quarter of 2021.
- While U.S. GDP for the third quarter was revised up slightly to 33.4% by the Commerce Department, fourth-quarter GDP is likely to be impacted by coronavirus infections coupled with increases in first-time jobless claims due to a fresh wave of shutdowns. The travel industry was decimated throughout the year and should see a bump from fourth quarter increased movements due to holiday season travels.
- In December, the U.S. economy shed jobs for the first time in eight months as the country buckled under an attack of COVID-19 infections, suggesting a significant loss of momentum that could temporarily stall the recovery from the pandemic. Non-farm payrolls decreased by 140,000 jobs last month. Despite the labor market weakness, the economy is unlikely to fall back into recession, with a backstop of nearly $900 billion in additional pandemic relief approved by the government.
- While the fourth quarter started with renewed stock market volatility, equities rolled higher following the November U.S. elections, finishing the year with new record highs. Unlike previous quarters, fourth quarter returns were widely distributed. This reflected a remarkable recovery for stocks after the U.S. market experienced its fastest bear market in history during the first quarter, as the threat of the pandemic hit home. Stocks briefly dipped ahead of the U.S. election but then rallied strongly as COVID-19 vaccines began to roll out. Also, investor views that the potential of a split government in the U.S. — with Democrats controlling the House of Representatives and Republicans the Senate (pending the January Georgia Senate run-off) — would make it harder to levy higher taxes on corporations.
- In its baseline forecast, the World Bank projects the global economy to grow by 4% in 2021, after a 4.3% contraction in 2020, if the vaccine rollout becomes widespread throughout the year while policymakers contain the pandemic and implement reforms that boost investments. Global growth is expected to moderate to 3.8% in 2022. According to the World Bank, global GDP growth could accelerate to nearly 5% this year if the pandemic is successfully contained along with rapid vaccinations.

U.S. Real GDP Growth
Seasonally Adjusted (SA)



Source: Bloomberg. Blue bars indicate actual numbers; taupe bars indicate forecasted estimates.

Change in Non-Farm Payrolls



Source: Bloomberg.

WHAT WE'RE WATCHING

- Three states across the U.S. have now identified cases of the new coronavirus strain in people with no travel history, a sign that the variant could already be spreading unknowingly among Americans. The new variant threatens to make matters worse if more people are hospitalized due to its spread. December was the deadliest month of the pandemic in the U.S., as hospitals reached capacity and the highly anticipated vaccine rollout ended up slower than expected.

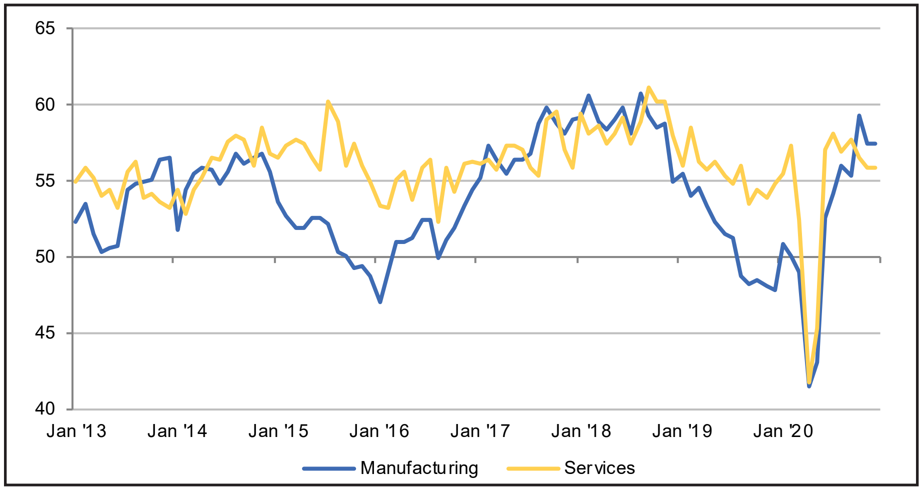
- Countries such as China, Korea and Taiwan have recovered relatively quickly from the coronavirus from both an economic and equity market standpoint. Towards the end of 2020, Australia and New Zealand signed a pact with 13 other Asian nations to form the Regional Comprehensive Economic Partnership, the world's largest trade deal. We are monitoring the direct economic benefit it will have on the region.

- President Donald Trump signed an executive order banning transactions with eight Chinese software applications, escalating tensions with Beijing two weeks before President-elect Joe Biden takes office. The move aims to curb the threat to Americans posed by Chinese software applications, which have large user bases and access to sensitive data. The order argues that the United States must take "aggressive action" against developers of Chinese software applications to protect national security.

- Democrats will have unified control of Capitol Hill and the White House for at least the first two years of President-elect Joe Biden's term. The news came amid a chaotic and violent day in Washington D.C. as supporters of President Trump stormed the U.S. Capitol, forcing Congress to recess while they were set to count the Electoral College votes.

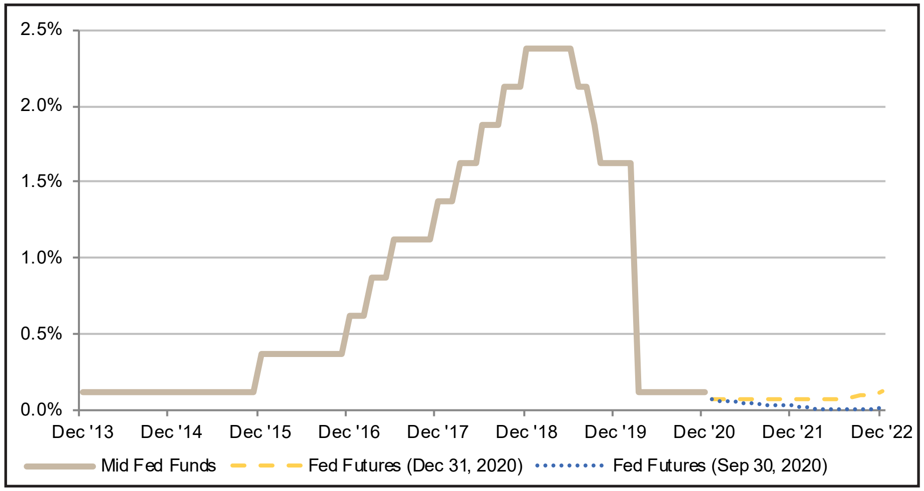
- Britain formally left the European Union's trade bloc on December 31, marking a new era for the UK and EU relationship. After years of wrangling, new trade rules were finally agreed on just days before the year-end deadline. However, there was minimal mention of financial services, a sector accounting for 7% of the UK's economy and 10% of its tax receipts.

ISM Manufacturing & Services PMI



Source: Bloomberg.

Federal Funds Target Rate



Source: Bloomberg.

DOMESTIC EQUITY

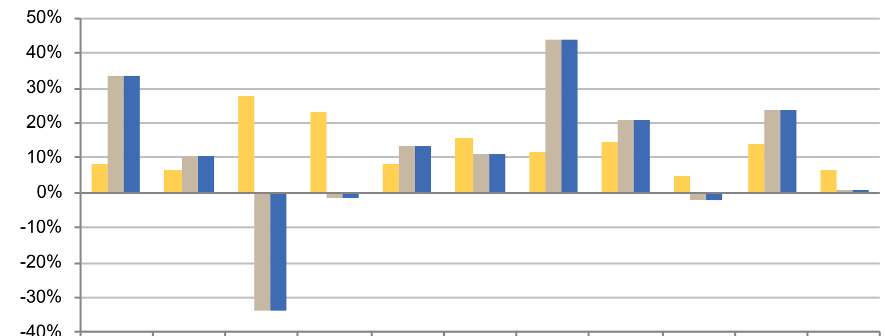
- The S&P 500 Index (S&P) posted a return of 12.2% for the quarter, benefitting from the COVID-19 vaccine announcement, election results and stimulus bill announcement.

- Within the S&P, all eleven sectors produced positive returns, with Energy (+27.8%) and Financials (+23.2%) leading the way. The strongest performing sector, Energy, was aided by positive vaccine news. Real Estate (+4.9%) posted a positive return but was the worst-performing sector.

- Value stocks, as represented by the Russell 1000 Value Index, returned 16.3% outperforming growth stocks, as represented by the Russell 1000 Growth Index, which returned 11.4%. The announcement of COVID-19 vaccines in November caused a reversal from growth to value as investors began to look towards recovery. Small-cap value, represented by the Russell 2000 Value, was the strongest performer and returned 33.4% for the quarter.

- Small-caps, as represented by the Russell 2000 Index, returned 31.4% during the quarter, outperforming mid- and large-caps. The Russell Midcap and Russell 1000 Indices returned 19.9% and 13.7%, respectively.

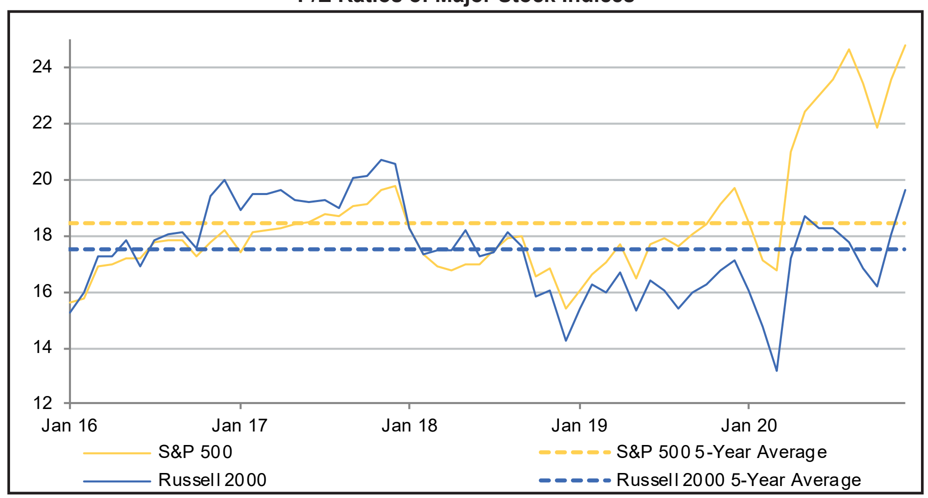
S&P 500 Index Performance by Sector
Periods Ended December 31, 2020



	Consumer Disc.	Consumer Staples	Energy	Financials	H'lthcare	Industrials	Info. Tech	Materials	Real Estate	Telecom	Utilities
QTD	8.0%	6.4%	27.8%	23.2%	8.0%	15.7%	11.8%	14.5%	4.9%	13.8%	6.6%
YTD	33.3%	10.7%	-33.7%	-1.8%	13.4%	11.1%	43.9%	20.7%	-2.2%	23.6%	0.5%
1 Year	33.2%	10.7%	-33.6%	-1.8%	13.4%	11.0%	43.7%	20.7%	-2.2%	23.5%	0.5%

Source: Bloomberg.

P/E Ratios of Major Stock Indices*



Source: Bloomberg.

**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

NON-U.S. EQUITY

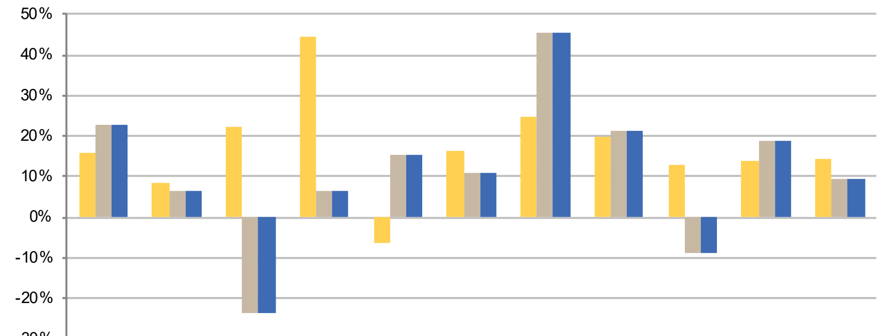
- Markets outside of the U.S., as measured by the MSCI ACWI ex-U.S. Index, outperformed their domestic equity counterparts, returning 17.0% for the quarter, primarily due to strong returns across emerging markets. News of vaccinations helped them rally, with all eleven sectors posting positive returns for the quarter. Financials were the best-performing sector returning 44.4%, while Healthcare was the worst-performing sector returning -6.2%.

- Emerging markets (EM), as represented by MSCI Emerging Market Index, outperformed Developed ex-U.S. Markets, represented by the MSCI EAFE Index, returning 19.7% versus 16.1% for the quarter. EM Asia continued to be a strong performer over the quarter, returning 18.9%.

- Value continued to underperform growth for the quarter across the International Markets (MSCI AC World ex-USA Growth 13.9% versus MSCI AC World ex-USA Value 20.5%).

- Small-caps performed well within the international equity markets, returning 18.6% for the quarter as represented by MSCI ACWI ex-U.S. Small Cap Index.

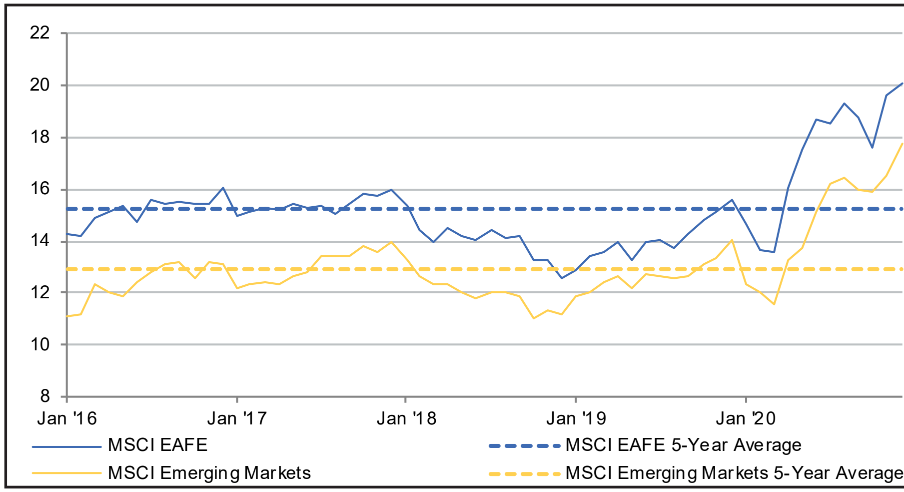
MSCI ACWI ex-U.S. Sectors
Periods Ended December 31, 2020



	Consumer Disc.	Consumer Staples	Energy	Financials	Healthcare	Industrials	Info Tech	Materials	Real Estate	Telecom	Utilities
QTD	15.9%	8.5%	22.5%	44.4%	-6.2%	16.2%	24.7%	19.9%	13.1%	13.7%	14.4%
YTD	22.9%	6.7%	-23.5%	6.3%	15.4%	10.8%	45.4%	21.2%	-8.6%	18.9%	9.4%
1 Year	22.9%	6.7%	-23.5%	6.3%	15.4%	10.8%	45.4%	21.2%	-8.6%	18.9%	9.4%

Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*



Source: Bloomberg.

**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

FIXED INCOME

- The U.S. bond market, represented by the Bloomberg Barclays U.S. Aggregate (Aggregate) Index, returned 0.7%.

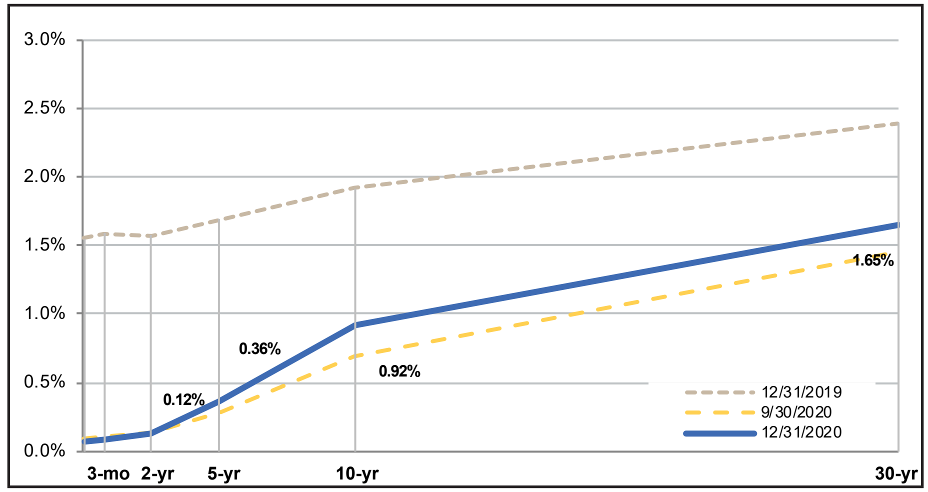
- Long-term rates rose compared to the previous quarter-end, with most of the move taking place in October after a sharp rebound in GDP and progress of multiple COVID-19 vaccines. The 5-year Treasury rose by eight basis points (bps) while the 10- and 30-year rates increased by 23 and 19 bps, respectively. Much of the Aggregate return came from spread compression in corporate and mortgage credit.

- Corporate credit had another solid quarter on the back of liquidity support and bond-buying programs from the Federal Reserve. The Bloomberg Barclays U.S. Corporate Index gained 3.1% during the quarter, led by a strong November. High yield bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield (HY) Index, had a stronger performance and gained 6.5%. The excess yield in the HY markets were additive in light of rising treasuries and aided by the economic rebound leading to lower default expectations. A falling U.S. dollar has led to an increase in commodity prices, helping some of the most distressed names in the HY market. By quality, the most substantial returns were in the CCC-rated category, up 9.9%.

- The fixed-rate mortgage market, as measured by the Bloomberg Barclays U.S. Mortgage-Backed Securities (MBS) Index, had another muted return and gained just 0.2%. Meanwhile, the Bloomberg Barclays U.S. Agency CMBS Index (measuring commercial MBS) gained 0.6%.

- Emerging market USD sovereign bonds, as represented by the JP Morgan EMBI Global Diversified Index, gained 5.8% on strong performance by some of the below investment-grade countries, particularly across Africa.

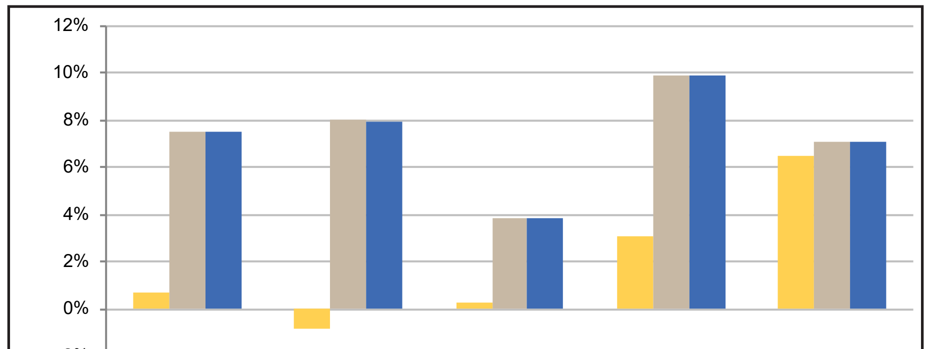
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended December 31, 2020



	Blmbg BC U.S. Aggregate	Blmbg BC U.S. Treasury	Blmbg BC U.S. MBS	Blmbg BC U.S. Corporate	Blmbg BC U.S. High Yield
QTD	0.7%	-0.8%	0.2%	3.0%	6.5%
YTD	7.5%	8.0%	3.9%	9.9%	7.1%
1 Year	7.5%	8.0%	3.9%	9.9%	7.1%

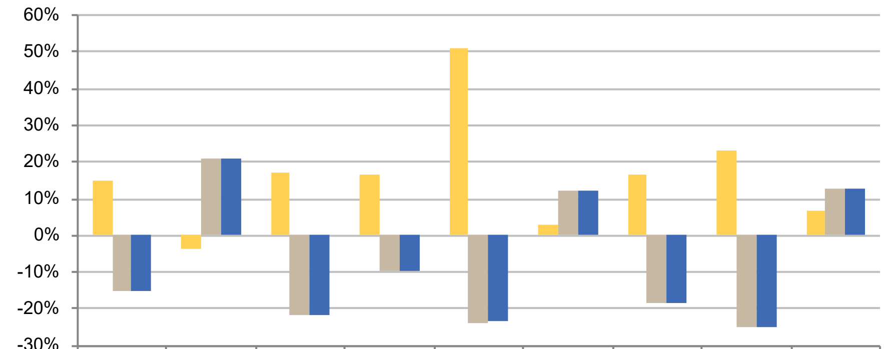
Source: Bloomberg. "Blmbg BC" is Bloomberg Barclays.

ALTERNATIVES

- REITs, as measured by the FTSE NAREIT Equity REITs Index, returned 11.6% in the fourth quarter, compared to a 1.4% return in the prior quarter. Ten out of eleven major sectors posted large gains over the quarter. This includes those hit significantly during the pandemic, suggesting investors believe many of these sectors are undervalued and a recovery may be close. The gains were led by the Lodging/Resorts and Retail sectors, which posted returns of 50.9% and 23.4%, respectively. Data Centers, which fell 3.8%, was the worst-performing sector during the quarter. However, this sector returned 21.0% during 2020 and was the best performer for the year.
- Private real estate, as measured by the NCREIF Property Index, gained 0.7% in the third quarter, resulting in a 2.0% return over the last twelve-month period. Industrial properties continued to be the top-performing sector, with a total return of 3.0% in the third quarter comprised of 1.1% in income return and 1.9% in appreciation return. Hotel Properties were again the worst-performing sector in the third quarter with a total return of -4.2%, comprised of -1.4% in income return and -2.7% in appreciation return.
- Hedge funds generated positive returns in the fourth quarter, with the HFRI Fund Weighted Composite Index returning 10.7%. During the same period, the HFRI Macro (Total) Index returned 4.7%. The HFRI Equity Hedge (Total) Index and the HFRI Fund of Funds Index returned 14.5% and 7.5%, respectively.
- In the third quarter of 2020, private capital fundraising was led by private equity funds, which closed on $127 billion, followed by $22 billion raised by infrastructure funds, $21 billion raised by private real estate funds and $8 billion raised by private debt funds. Private equity dry powder, which accounts for the bulk of private capital dry powder, reached $1.45 trillion as of June 2020. According to Cambridge Associates, U.S. private equity generated a return of 10.3% for the five years ended Q2 2020. According to Cliffwater Direct Lending Index, U.S. middle-market loans, a proxy for private debt, generated a return of 7.64% for the five years ended Q3 2020.
- Commodity futures, represented by the Bloomberg Commodity Total Return Index, returned 10.2% in the fourth quarter. The U.S. Dollar Index (DXY) fell 4.2% over the same period. Gold spot price finished the quarter at $1,898.36 per ounce, a 0.7% gain over the period. The West Texas Intermediate (WTI) Crude Oil spot price increased by 20.6% from $40.22 to $48.52 per barrel during the last quarter of 2020.

FTSE NAREIT Sectors

Periods Ended December 31, 2020

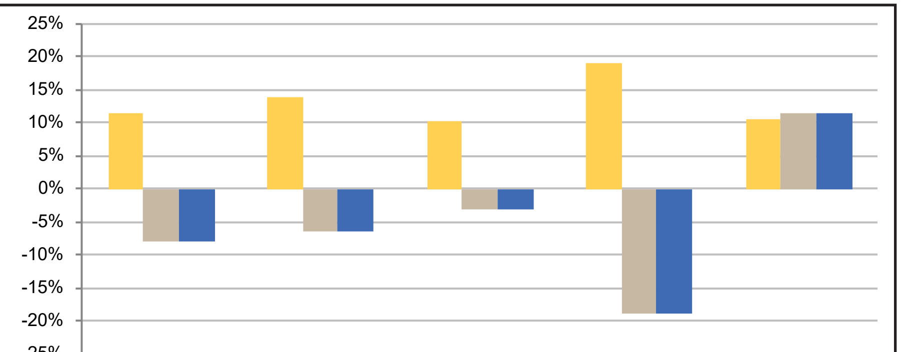


	Apartments	Data Centers	Diversified	Healthcare	Hotels	Industrial	Office	Retail	Storage
QTD	14.8%	-3.8%	17.3%	16.4%	50.9%	2.9%	16.9%	23.4%	6.7%
YTD	-15.3%	21.0%	-21.8%	-9.9%	-23.6%	12.2%	-18.4%	-25.2%	12.9%
1 Year	-15.3%	20.9%	-21.7%	-9.8%	-23.5%	12.1%	-18.4%	-25.1%	12.9%

Source: Bloomberg.

Returns for Alternative Assets

Periods Ended December 31, 2020



	U.S. REITs	International REITs	Commodity Futures	Commodities	HFRI Fund Weighted Comp.
QTD	11.6%	14.0%	10.2%	18.9%	10.7%
YTD	-8.0%	-6.5%	-3.1%	-19.0%	11.6%
1 Year	-8.0%	-6.5%	-3.1%	-19.0%	11.6%

Sources: Bloomberg and Hedge Fund Research, Inc.

Benefits Fund - Performance Review

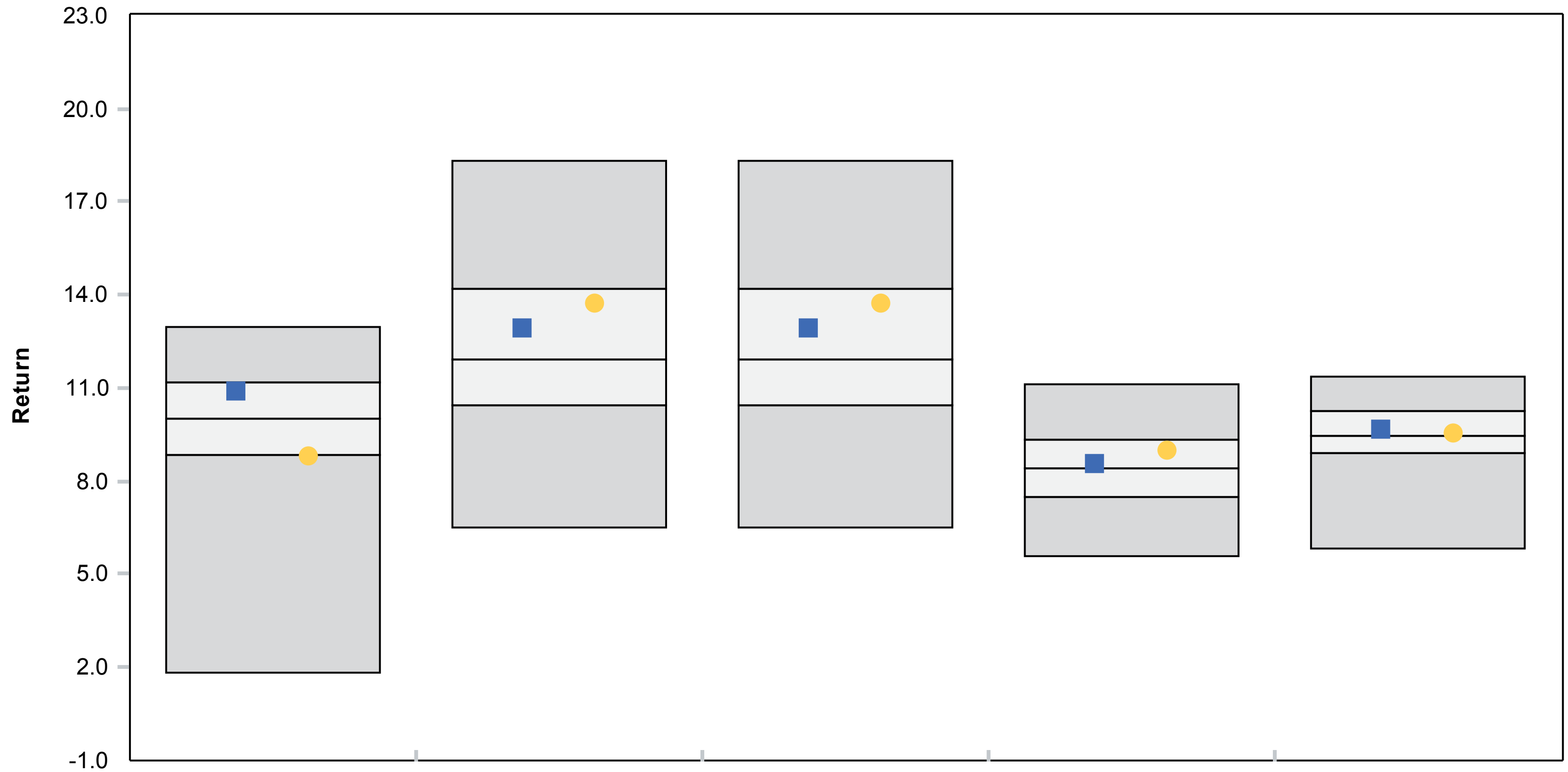
Asset Allocation & Performance

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	2020	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Fund	**24,641,813**	**100.00**	**10.85**	**12.90**	**12.90**	**8.52**	**9.65**	**7.56**	**07/01/2014**
Blended Benchmark			*8.76*	*13.69*	*13.69*	*8.98*	*9.51*	*7.54*	*07/01/2014*
Domestic Equity									
Large Cap Index	7,807,088	31.68	13.68	17.66	17.66	13.43	14.92	12.39	07/01/2014
Russell 1000 Index			*13.69*	*20.96*	*20.96*	*14.82*	*15.60*	*12.89*	*07/01/2014*
Small Mid Cap	2,136,859	8.67	31.64	16.35	16.35	9.80	12.63	14.87	02/01/2016
Russell 2500 Index			*27.41*	*19.99*	*19.99*	*11.33*	*13.64*	*15.83*	*02/01/2016*
International Equity									
Non US Developed	3,964,363	16.09	15.97	9.03	9.03	4.76	7.99	4.51	07/01/2014
MSCI AC World ex USA (Net)			*17.01*	*10.65*	*10.65*	*4.88*	*8.93*	*4.33*	*07/01/2014*
Non US Emerging	1,071,288	4.35	20.10	18.94	18.94	5.80	N/A	12.64	12/01/2016
MSCI Emerging Markets Index			*19.77*	*18.69*	*18.69*	*6.56*	*13.22*	*13.41*	*12/01/2016*
Fixed Income									
Core Plus Bonds	9,662,216	39.21	2.48	9.31	9.31	6.52	6.36	4.95	07/01/2014
Blmbg. Barc. U.S. Aggregate			*0.67*	*7.51*	*7.51*	*5.34*	*4.44*	*3.79*	*07/01/2014*

Returns are net of fees.
Returns are expressed as percentages.

Plan Sponsor Peer Group Analysis

All Public Plans-Total Fund



	1 Quarter	2020	1 Year	3 Years	5 Years
Total Fund	10.85 (29)	12.90 (40)	12.90 (40)	8.52 (47)	9.65 (43)
Blended Benchmark	*8.76 (76)*	*13.69 (31)*	*13.69 (31)*	*8.98 (35)*	*9.51 (47)*
5th Percentile	12.99	18.34	18.34	11.12	11.39
1st Quartile	11.19	14.19	14.19	9.33	10.27
Median	9.99	11.95	11.95	8.41	9.46
3rd Quartile	8.85	10.42	10.42	7.51	8.88
95th Percentile	1.81	6.52	6.52	5.61	5.81
Population	284	279	279	260	245

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.
Returns are net of fees and are expressed as percentages.

Financial Reconciliation

	Market Value As of 10/01/2020	Net Transfers	Contributions	Distributions	Fees	Income	Capital Apprec./ Deprec.	Market Value As of 12/31/2020
Total Fund	22,230,071	-	-	-	(6,132)	127,134	2,290,741	24,641,813
Large Cap Index	6,867,603	-	-	-	(76)	29,815	909,745	7,807,088
Small Mid Cap	1,623,315	-	-	-	(1,704)	7,693	507,555	2,136,859
Non US Developed	3,418,577	-	-	-	(331)	12,331	533,785	3,964,363
Non US Emerging	891,974	-	-	-	(252)	3,435	176,131	1,071,288
Core Plus Bonds	9,428,601	-	-	-	(3,769)	73,860	163,524	9,662,216

Financial Reconciliation

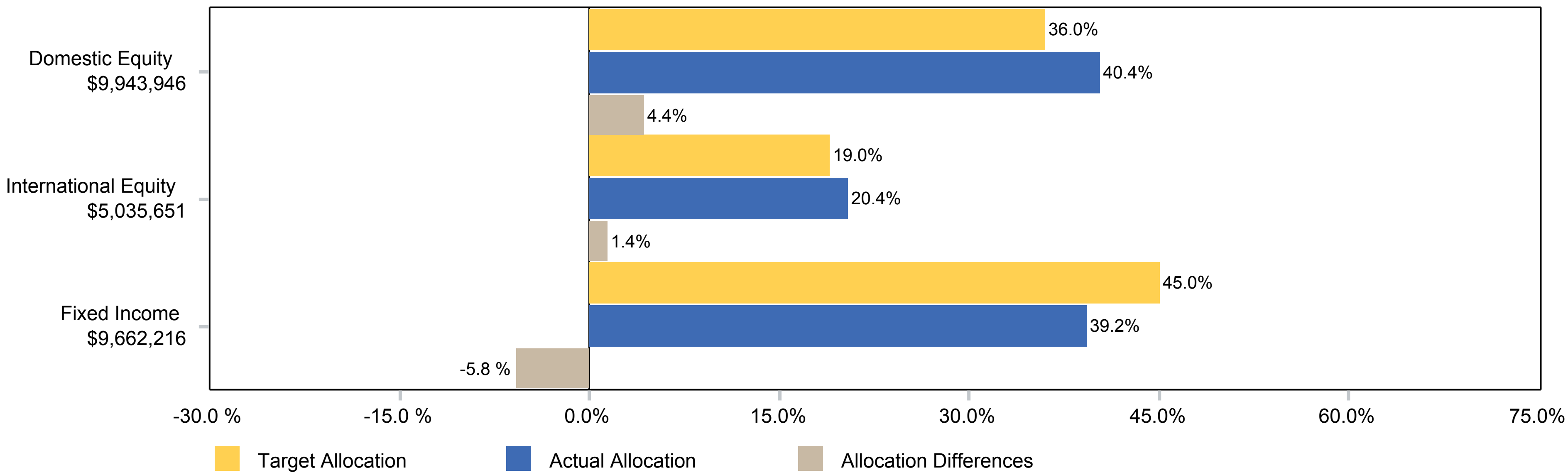
	Market Value As of 01/01/2020	Net Transfers	Contributions	Distributions	Fees	Income	Capital Apprec./ Deprec.	Market Value As of 12/31/2020
Total Fund	21,670,806	-	649,870	(492,885)	(24,792)	545,742	2,293,072	24,641,813
Large Cap Index	6,528,402	-	156,985	(46,758)	(486)	112,250	1,056,694	7,807,088
Small Mid Cap	2,065,760	-	-	(190,660)	(7,826)	22,672	246,913	2,136,859
Non US Developed	3,082,293	-	492,885	-	(1,227)	73,508	316,904	3,964,363
Non US Emerging	968,485	-	-	(60,876)	(1,008)	19,246	145,442	1,071,288
Core Plus Bonds	9,025,865	-	-	(194,590)	(14,245)	318,066	527,120	9,662,216

Financial Reconciliation

	Market Value As of 01/01/2020	Net Transfers	Contributions	Distributions	Fees	Income	Capital Apprec./ Deprec.	Market Value As of 12/31/2020
Total Fund	21,670,806	-	649,870	(492,885)	(24,792)	545,742	2,293,072	24,641,813
Large Cap Index	6,528,402	-	156,985	(46,758)	(486)	112,250	1,056,694	7,807,088
Small Mid Cap	2,065,760	-	-	(190,660)	(7,826)	22,672	246,913	2,136,859
Non US Developed	3,082,293	-	492,885	-	(1,227)	73,508	316,904	3,964,363
Non US Emerging	968,485	-	-	(60,876)	(1,008)	19,246	145,442	1,071,288
Core Plus Bonds	9,025,865	-	-	(194,590)	(14,245)	318,066	527,120	9,662,216

Asset Allocation Compliance - Total Fund

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Fund	**100.0**	**100.0**	**N/A**	**N/A**	**0.0**
Domestic Equity	40.4	36.0	21.0	51.0	4.4
International Equity	20.4	19.0	4.0	34.0	1.4
Fixed Income	39.2	45.0	25.0	65.0	-5.8



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
Jul-2014	
Russell 1000 Growth Index	20.0
Russell 1000 Value Index	20.0
Russell 2500 Index	10.0
MSCI EAFE (net)	10.0
Blmbg. Barc. Intermed. U.S. Government/Credit	35.0
90 Day U.S. Treasury Bill	5.0
Jul-2015	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	19.0
Blmbg. Barc. U.S. Aggregate	45.0

Risk Fund - Performance Review

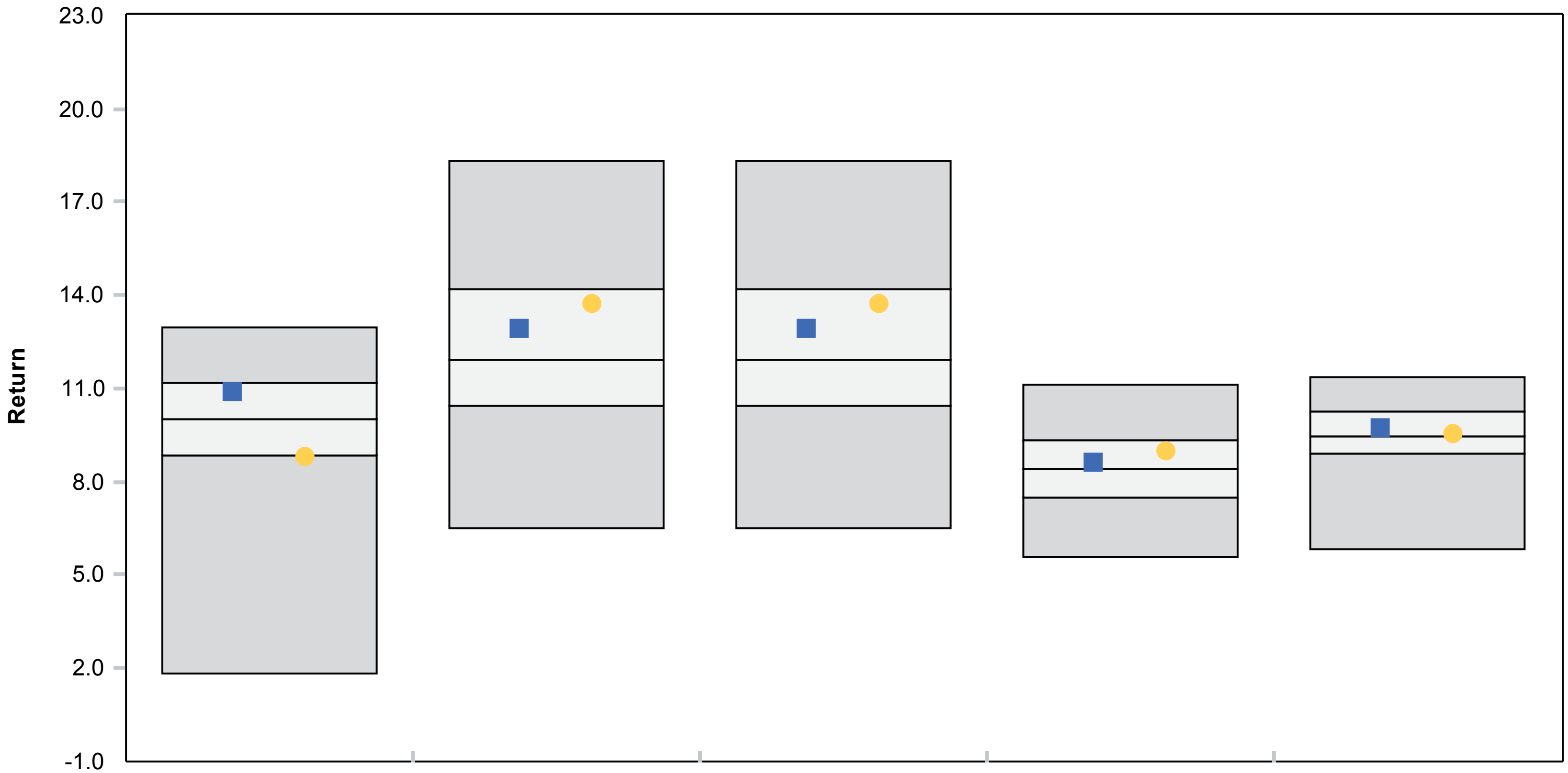
Asset Allocation & Performance

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	2020	1 Year	3 Years	5 Years	Since Inception	Inception Date
Total Fund	**10,510,029**	**100.00**	**10.85**	**12.88**	**12.88**	**8.60**	**9.70**	**7.59**	**07/01/2014**
Blended Benchmark			*8.76*	*13.69*	*13.69*	*8.98*	*9.51*	*7.54*	*07/01/2014*
Domestic Equity									
Large Cap Index	3,328,907	31.67	13.68	17.66	17.66	13.61	14.97	12.42	07/01/2014
Russell 1000 Index			*13.69*	*20.96*	*20.96*	*14.82*	*15.60*	*12.89*	*07/01/2014*
Small Mid Cap	912,065	8.68	31.64	16.33	16.33	10.83	12.65	14.90	02/01/2016
Russell 2500 Index			*27.41*	*19.99*	*19.99*	*11.33*	*13.64*	*15.83*	*02/01/2016*
International Equity									
Non US Developed	1,691,369	16.09	15.97	8.99	8.99	4.76	7.95	4.48	07/01/2014
MSCI AC World ex USA (Net)			*17.01*	*10.65*	*10.65*	*4.88*	*8.93*	*4.33*	*07/01/2014*
Non US Emerging	456,805	4.35	20.10	19.12	19.12	5.41	N/A	10.59	11/01/2016
MSCI Emerging Markets Index			*19.77*	*18.69*	*18.69*	*6.56*	*13.22*	*11.86*	*11/01/2016*
Fixed Income									
Core Plus Bonds	4,120,884	39.21	2.48	9.31	9.31	6.53	6.37	4.96	07/01/2014
Blmbg. Barc. U.S. Aggregate			*0.67*	*7.51*	*7.51*	*5.34*	*4.44*	*3.79*	*07/01/2014*

Returns are net of fees.
Returns are expressed as percentages.

Plan Sponsor Peer Group Analysis

All Public Plans-Total Fund



	1 Quarter	2020	1 Year	3 Years	5 Years
Total Fund	10.85 (29)	12.88 (40)	12.88 (40)	8.60 (45)	9.70 (43)
Blended Benchmark	*8.76 (76)*	*13.69 (31)*	*13.69 (31)*	*8.98 (35)*	*9.51 (47)*
5th Percentile	12.99	18.34	18.34	11.12	11.39
1st Quartile	11.19	14.19	14.19	9.33	10.27
Median	9.99	11.95	11.95	8.41	9.46
3rd Quartile	8.85	10.42	10.42	7.51	8.88
95th Percentile	1.81	6.52	6.52	5.61	5.81
Population	284	279	279	260	245

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.
Returns are net of fees and are expressed as percentages.

Financial Reconciliation

	Market Value As of 10/01/2020	Net Transfers	Contributions	Distributions	Fees	Income	Capital Apprec./ Deprec.	Market Value As of 12/31/2020
Total Fund	9,481,292	-	-	-	(2,616)	54,223	977,130	10,510,029
Large Cap Index	2,928,315	-	-	-	(32)	12,713	387,911	3,328,907
Small Mid Cap	692,872	-	-	-	(727)	3,283	216,637	912,065
Non US Developed	1,458,514	-	-	-	(141)	5,261	227,736	1,691,369
Non US Emerging	380,344	-	-	-	(107)	1,465	75,103	456,805
Core Plus Bonds	4,021,248	-	-	-	(1,608)	31,501	69,742	4,120,884

Financial Reconciliation

	Market Value As of 01/01/2020	Net Transfers	Contributions	Distributions	Fees	Income	Capital Apprec./ Deprec.	Market Value As of 12/31/2020
Total Fund	9,244,326	-	266,882	(200,145)	(10,591)	267,030	942,528	10,510,029
Large Cap Index	2,774,301	-	66,737	(11,028)	(207)	47,794	451,310	3,328,907
Small Mid Cap	890,687	-	-	(88,687)	(3,359)	9,763	103,661	912,065
Non US Developed	1,326,854	-	200,145	-	(526)	31,488	133,409	1,691,369
Non US Emerging	403,880	-	-	(18,344)	(425)	8,149	63,544	456,805
Core Plus Bonds	3,848,604	-	-	(82,086)	(6,075)	169,836	190,604	4,120,884

Financial Reconciliation

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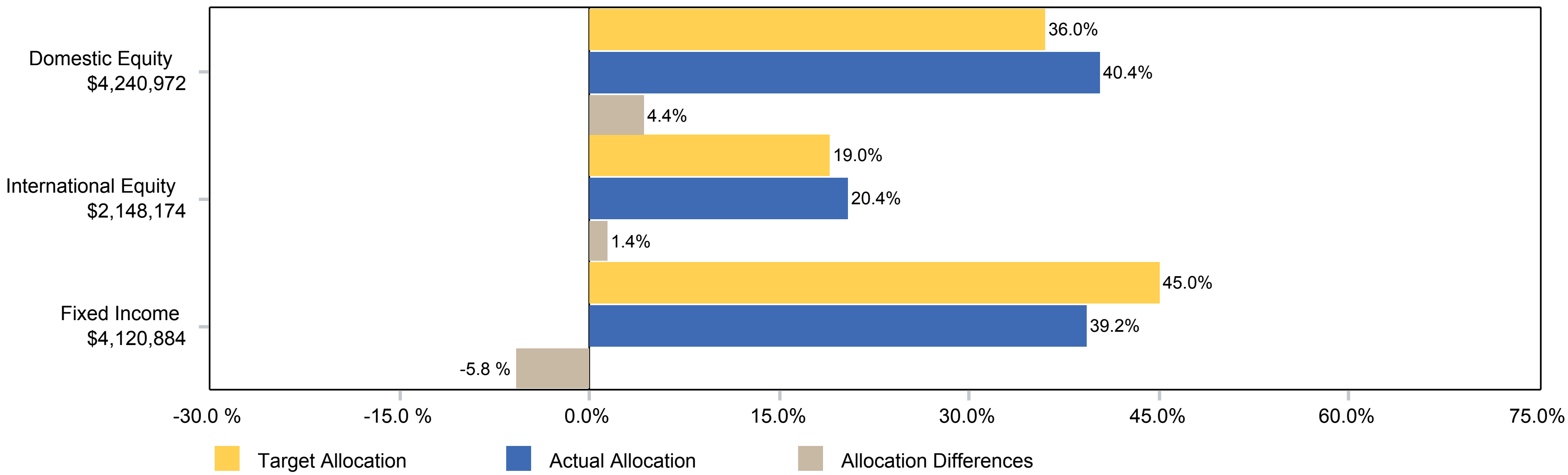
Core Plus Bonds	3,848,604	-	-	(82,086)	(6,075)	169,836	190,604	4,120,884

Asset Allocation Compliance - Total Fund

	Asset Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Differences (%)
Total Fund	**100.0**	**100.0**	**N/A**	**N/A**	**0.0**
Domestic Equity	40.4	36.0	21.0	51.0	4.4
International Equity	20.4	19.0	4.0	34.0	1.4
Fixed Income	39.2	45.0	25.0	65.0	-5.8



Historical Hybrid Composition - Blended Benchmark

Allocation Mandate	Weight (%)
Jul-2014	
Russell 1000 Growth Index	20.0
Russell 1000 Value Index	20.0
Russell 2500 Index	10.0
MSCI EAFE (net)	10.0
Blmbg. Barc. Intermed. U.S. Government/Credit	35.0
90 Day U.S. Treasury Bill	5.0
Jul-2015	
Russell 3000 Index	36.0
MSCI AC World ex USA (Net)	19.0
Blmbg. Barc. U.S. Aggregate	45.0

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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2021

pfm

Capital Market Assumptions and Overview of Economic Fundamentals

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All data as of November 30, 2020 and sourced from Bloomberg, unless otherwise noted.

Introduction

In order to assist our clients in developing and maintaining portfolio asset allocations, PFM develops two sets of capital market assumptions (CMAs): intermediate (next five years) and long-term (next 30 years).

We develop our assumptions by examining the economic fundamentals of each asset class. Our CMAs include expected returns, expected risks (measured as the standard deviation of returns) and correlations among a wide variety of asset classes. We derive our CMAs based on our projections for economic growth, inflation, interest rates, corporate profit growth and margins and other fundamental economic and market conditions.

During 2020, COVID-19 led to a global slowdown and a recession in the U.S. and other major economies. As the global economy slowly recovers, central banks are expected to remain accommodative, with interest rates expected to remain low for an extended period. Low rates are expected to support higher equity valuations above historical averages. Conversely, return expectations across fixed income markets are lower because of the accommodative stance of central banks. We will touch on some of the major asset classes with a more complete explanation of our CMAs in the subsequent text.

2021 Changes

We have increased intermediate-term expectations for U.S. equities from 5.7% to 6.0% and long-term expectations from 7.4% to 7.5%. The increase in return expectations is driven by the expectation of a lower level of interest rates in the U.S. as the Federal Reserve (Fed) continues to maintain an accommodative monetary policy stance to spur economic growth, which in turn supports higher equity valuations.

Non-U.S. developed markets equities are expected to return 6.8% over the next five years and 7.6% over the longer-term. These estimates are higher than our previous expectation of 6.0% and 7.3%, respectively. Emerging markets equities are expected to return 6.7% over the intermediate-term versus 5.8% previously and 7.9% over the longer-term, an increase from our previous estimate of 7.4%. International equities experienced a sell-off in 2020 and have not recovered to the same extent as U.S. equities. This lower starting level allows for higher return expectations for these equities. Similar to domestic equities, accommodative central bank policies and recovering economic activity are a tailwind. Corporate profit growth from the lows of 2020 is also additive to performance.

Core bonds, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, are expected to return -0.2% over the intermediate-term, a sizeable reduction from our previous estimate of 1.5%. The lower level of interest rates will continue to weigh on fixed income returns.

Likewise, expected returns for investment-grade and high-yield corporate bonds have also been reduced due to lower starting yields and tighter spreads. While spreads widened from the lows seen before the COVID-19 sell-off, credit spreads continue to tighten, nearing pre-COVID-19 levels, especially within investment-grade bonds. The intermediate-term expected returns for investment-grade and high-yield bonds are 0.5% and 3.2% respectively. The long-term expected returns for investment grade and high yield bonds are 4.4% and 6.0% respectively. Driven by lower interest rates versus a year ago, cash is expected to return 0.1% over the intermediate-term and 2.4% over the longer-term, with the relatively lower returns driven by slower than expected interest rate normalization.

For private debt, we expect a total return of 6.5% over the intermediate-term and 7.5% over the longer-term. For private real estate, we expect a total return of 6.8% over the intermediate-term and 7.8% over the longer-term versus our 2020 estimates of 6.2% and 7.5%, respectively. For publicly traded real estate investment trusts (REITs), we expect a total return of 6.0% and 6.5% over the intermediate- and long-term, respectively, higher than the 5.5% and 6.3% estimated for 2020.

In deriving our estimates for hedge funds and private equity, we assume that these strategies perform in-line with public markets equivalencies once adjusted for the characteristics of these strategies, such as leverage. Hedge funds are expected to return 5.5% over the intermediate-term and 7.1% over the longer-term versus our prior year expectations of 5.1% and 7.1%, respectively. The increase in intermediate-term expectation is due to higher expected returns for public equities.

In the case of private equity, our estimates have modestly increased. In a typical private equity buyout transaction, approximately two-thirds of the purchase price is financed via various bonds and loans. Lower borrowing costs due to the lower level of interest rates combined with higher expectations for public equities, leads to higher return expectations. Over the intermediate-term, we expect private equity to return 8.5%, up from 7.9% previously. Over the longer-term, we expect a return of 10.5%, up from 10.1%.

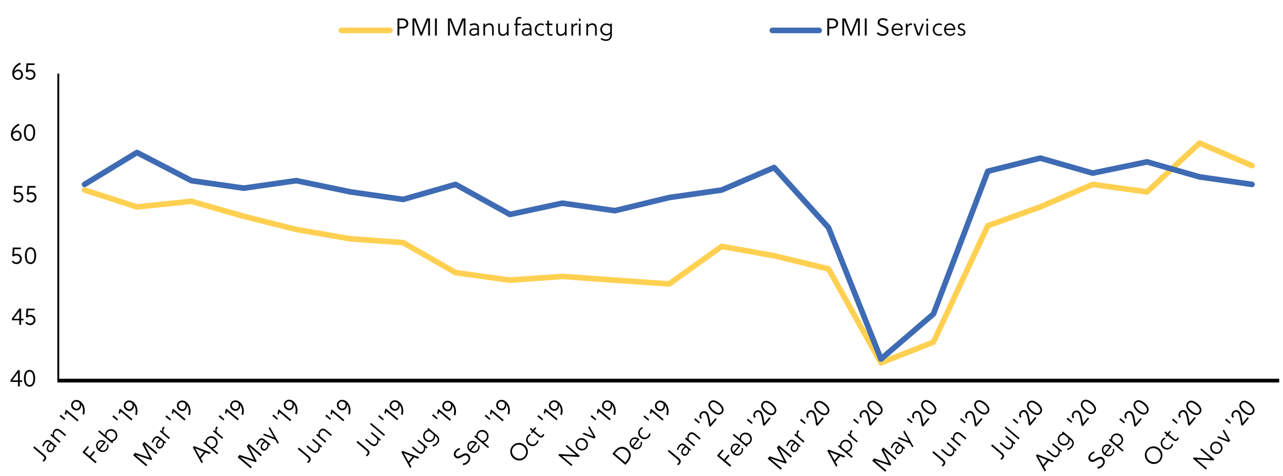
Review and Outlook of Global Economy and Capital Markets

Review of Events in 2020 and Forward-Looking Indicators for 2021 and Subsequent Years

Global

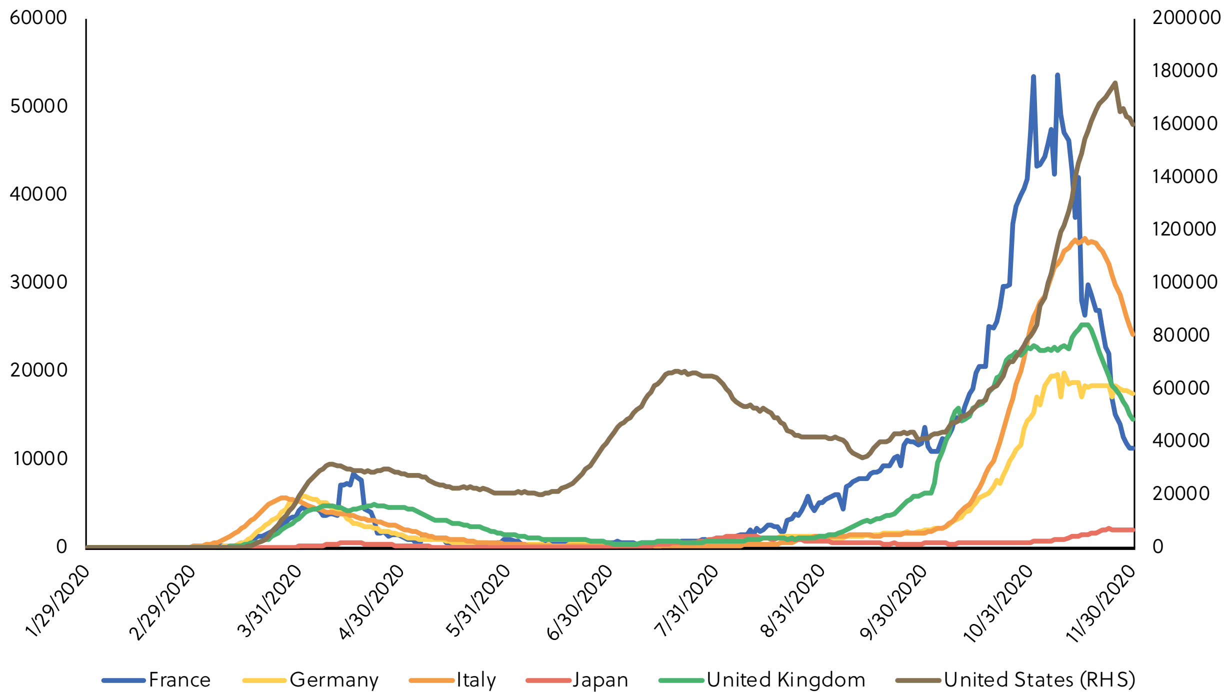
In 2020, the coronavirus or COVID-19 pandemic changed the course of economic activity across the globe. At the beginning of 2020, we expected the global economy to continue to grow at a modest pace. Our view of the global economy changed as the World Health Organization (WHO) raised its threat assessment of the SARS-CoV-2 virus. While the first set of virus cases emerged in China in 2019, the virus spread worldwide in early 2020, leading to widespread lockdowns and an abrupt halt to economic activity. Economies have mostly re-opened since, as various countries adopted varying levels of social distancing and lockdown measures in reaction to rising or falling cases over the year. Economic activity has since recovered from the lows seen in April 2020 (Exhibit 1), with a greater recovery seen in manufacturing activity while services led activity indicators have lagged the pre-COVID-19 levels. The recent surge in cases in the U.S. and Europe (Exhibit 2 on page 3), pointing to the second wave of the coronavirus, has resulted in a slowdown in the economic recovery we experienced in the third quarter. News of effective vaccine trials by Moderna, Pfizer and others have renewed hopes for virus containment and a return to a pre-COVID-19 level of economic activity sometime in the second half of 2021.

Exhibit 1. U.S. PMIs



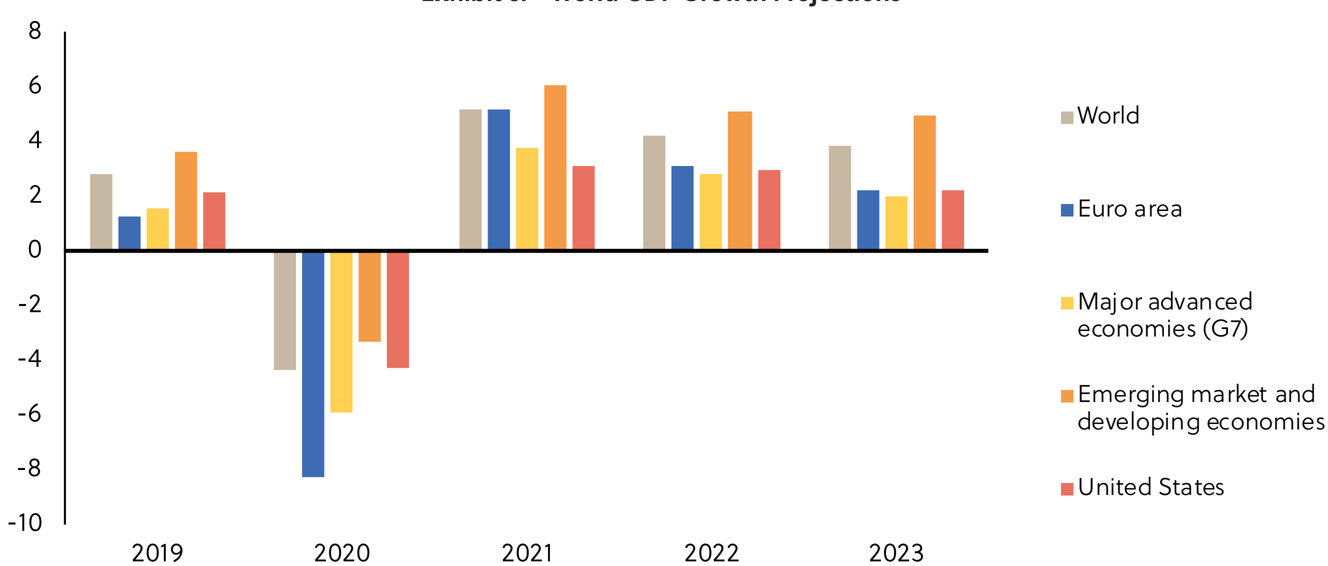
According to the International Monetary Fund, global gross domestic product (GDP) growth is expected to be -4.4% in 2020 (Exhibit 3). All major regions in the Group of Seven (G7) are expected to report a decline in 2020 GDP, with major advanced economies declining at -5.9% and emerging market and developing economies declining at -3.3%. The expected growth for the U.S. for 2020 is -4.27%. China is the only major economy that is expected to post positive growth for 2020 at 1.85%.

Exhibit 2. COVID 19 Cases: Select Countries



Source: Our World In Data.

Exhibit 3. World GDP Growth Projections

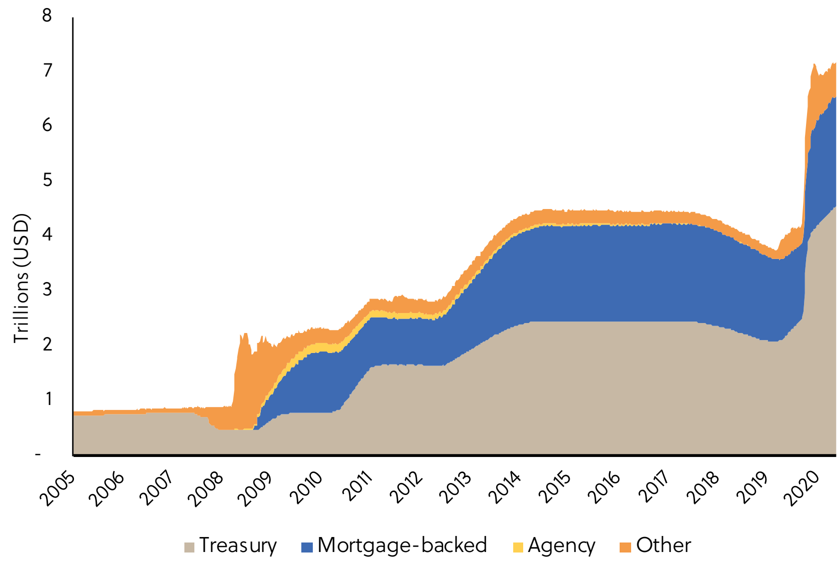


Source: International Monetary Fund, World Economic Outlook Database, October 2020.

U.S.

The global pandemic led slowdown has caused central banks, including the Fed, to embark on accommodative monetary policy. This brought about lowered rates, quantitative easing measures and providing credit facilities to help improve liquidity in capital markets (Exhibit 4). All major central banks took policy action to spur economic growth. Economic activity is not expected to recover to pre-COVID-19 levels until 2021, with the fears of slowdown and lockdowns relating to the second wave of the virus weighing on economic recovery. The Fed is expected to maintain the accommodative monetary policy and keep interest rates low into 2024 to allow for economic activity to recover fully and inflation to rise above 2%. Similarly, other key central banks are expected to remain accommodative for the next several years.

Exhibit 4. Assets of the Federal Reserve



Governments across the world assisted in the economic recovery effort by providing fiscal stimulus support. Looking ahead, further fiscal stimulus and policy support will be additive to monetary policy accommodation, aiding in a quicker recovery.

In 2021, economic activity is expected to recover strongly from the lows of 2020. We expect economic recovery over the next few years as economies absorb the pent-up demand from households and corporations. Within the U.S., consumer finances have remained strong, with higher saving rates (Exhibit 5-6), which should support consumer spending. Industrial production has been recovering steadily as well (Exhibit 7 on page 5).

Exhibit 5. U.S. Household Savings Rate

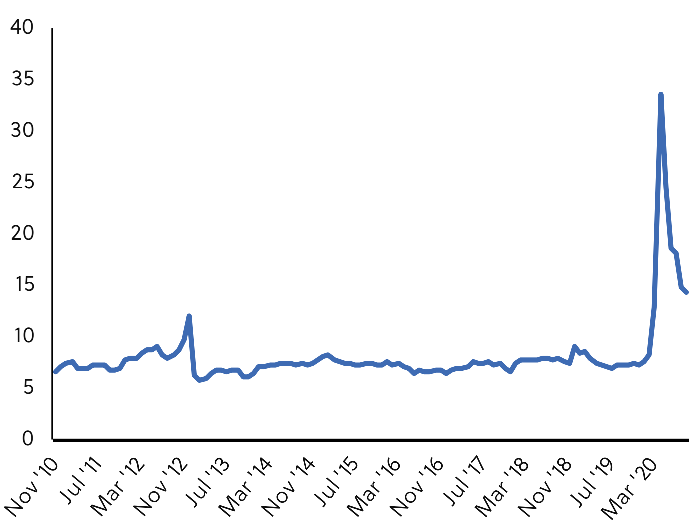


Exhibit 6. U.S. Household Net Worth

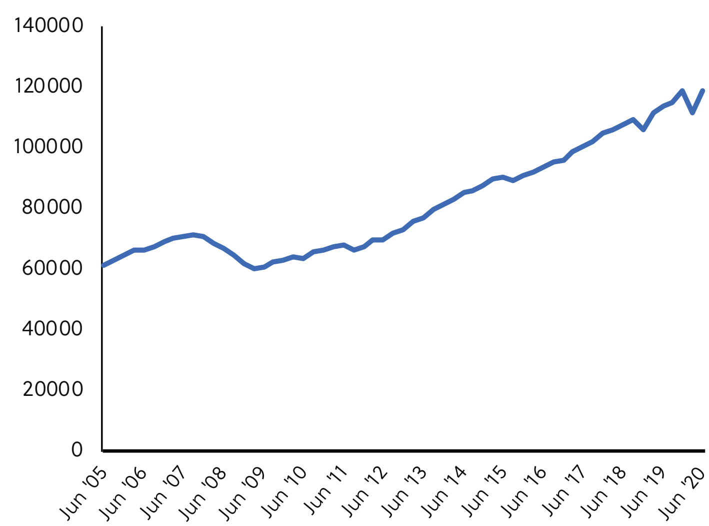
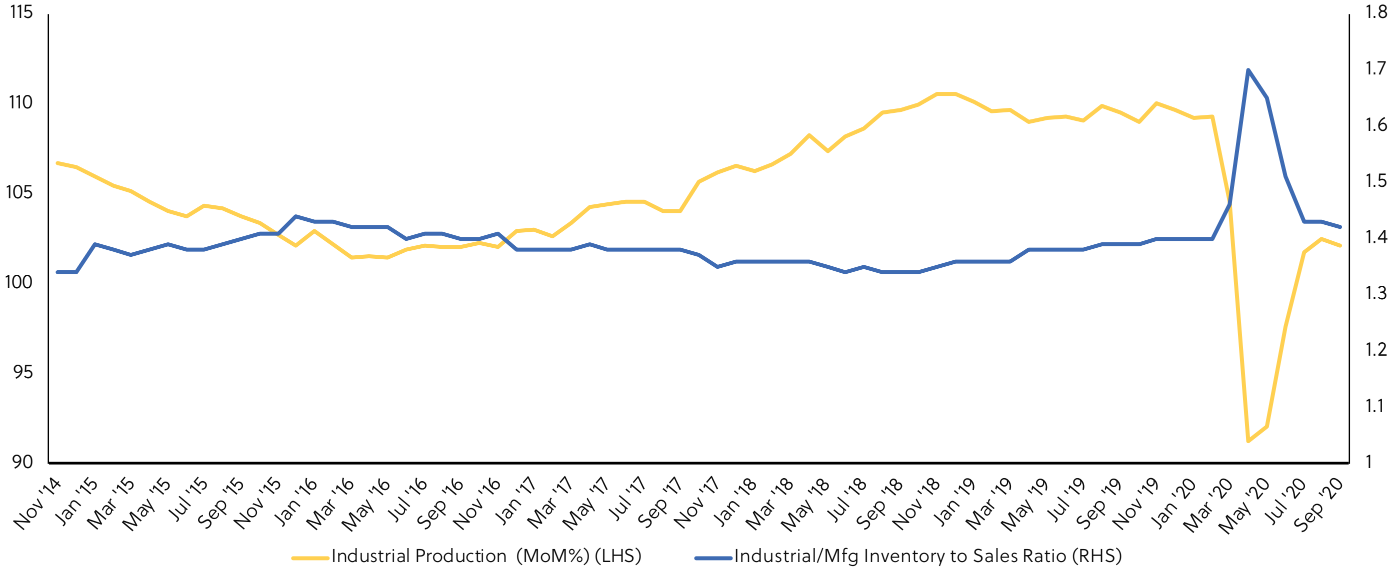


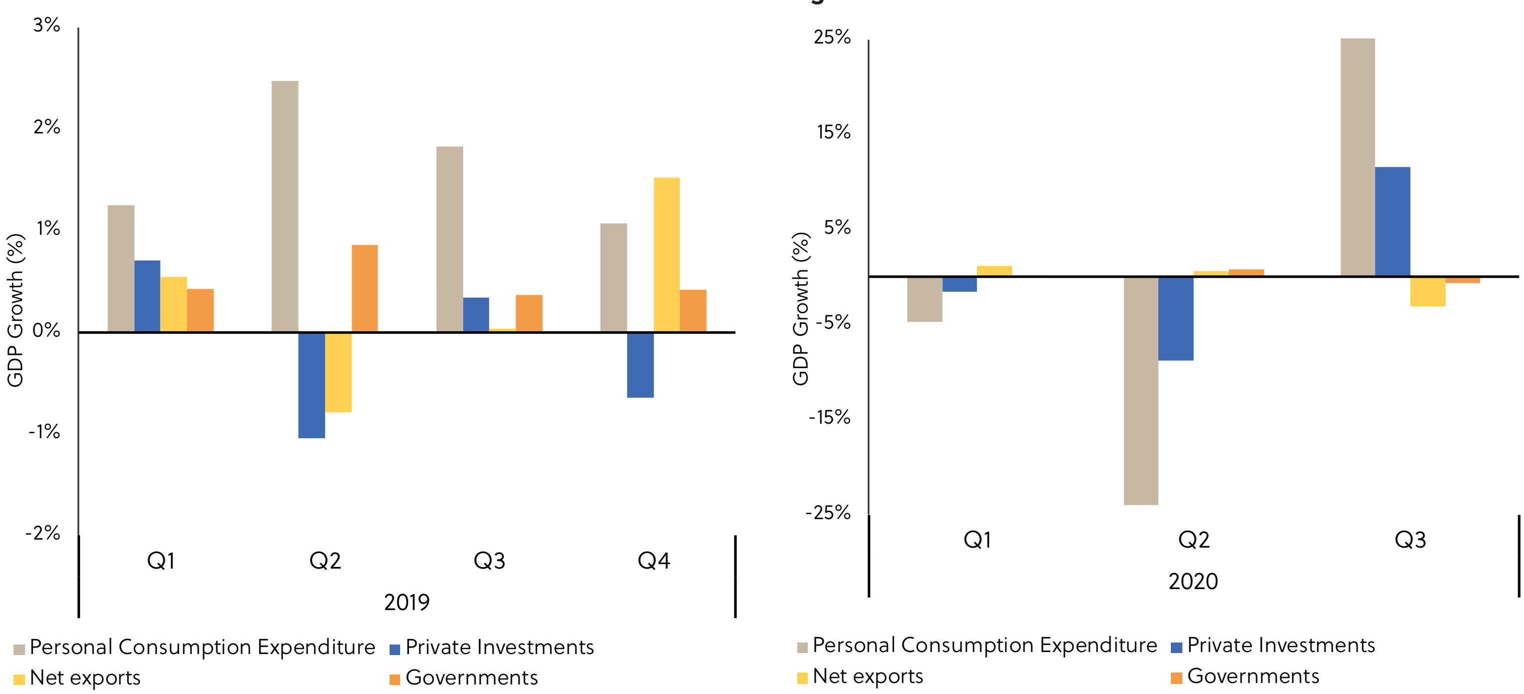
Exhibit 7. U.S. Industrial Production



In the U.S., recovery in the third quarter from the pandemic related slowdown has been helped by a rebound in consumer and private spending. The deep decline in economic activity that we saw in the first and second quarters was followed by a strong rebound in the third quarter (Exhibit 8). U.S. recovery has been led by improving consumer confidence and improving labor market conditions (Exhibit 9-11 on page 6).

The unemployment rate has dropped faster than most economists expected. Business closures as a result of shutdowns from rising case levels is an overhang on these improving labor market conditions. The housing market has been a bright spot as demand for housing is strong and driven by low mortgage rates, some migration from large cities to suburbs as well as increased demand for second homes (Exhibit 12 on page 7).

Exhibit 8. Contributions to Percent Change in Real Gross Domestic Product



Source: Bureau of Economic Analysis.

Exhibit 9. U.S. Consumer Confidence

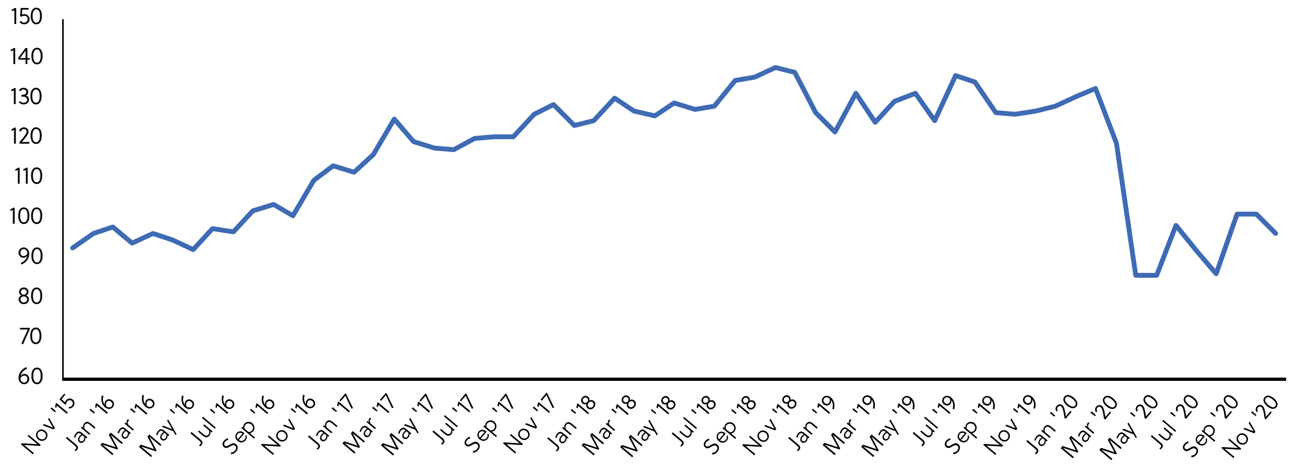
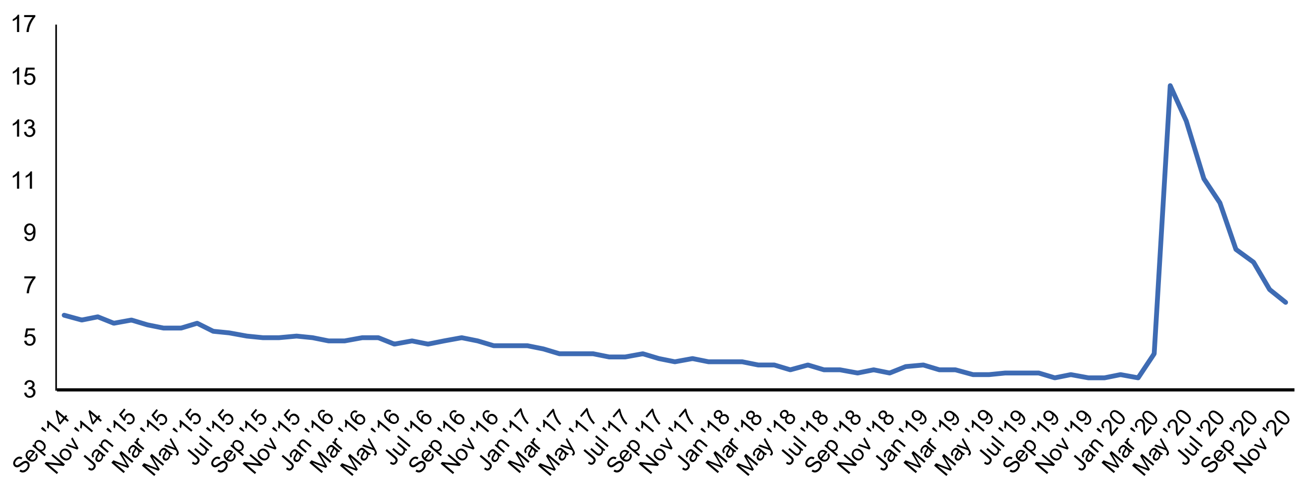
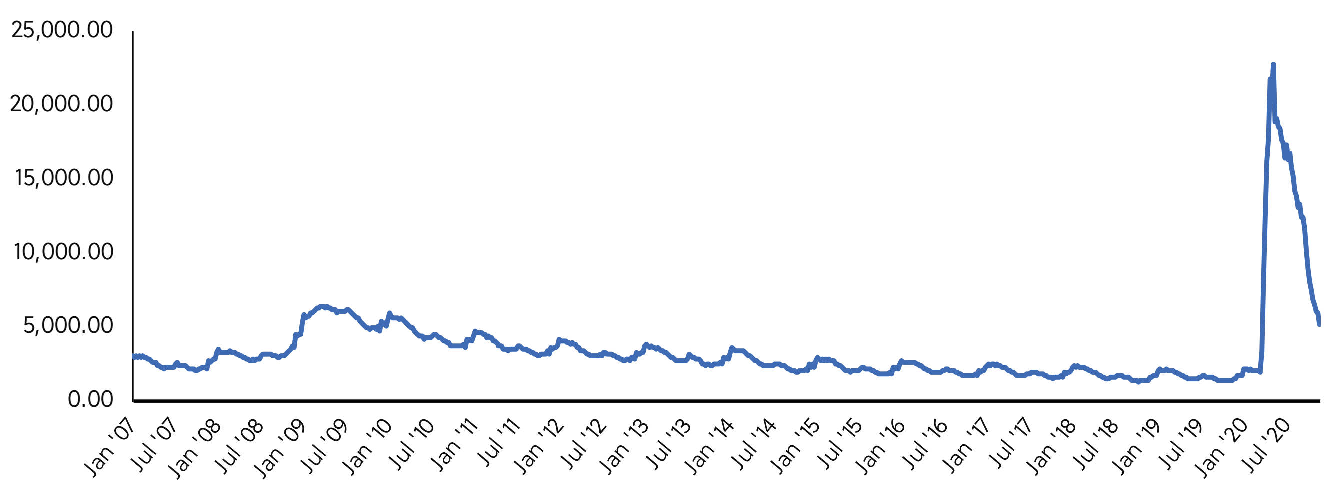


Exhibit 10. U.S. Unemployment Rate



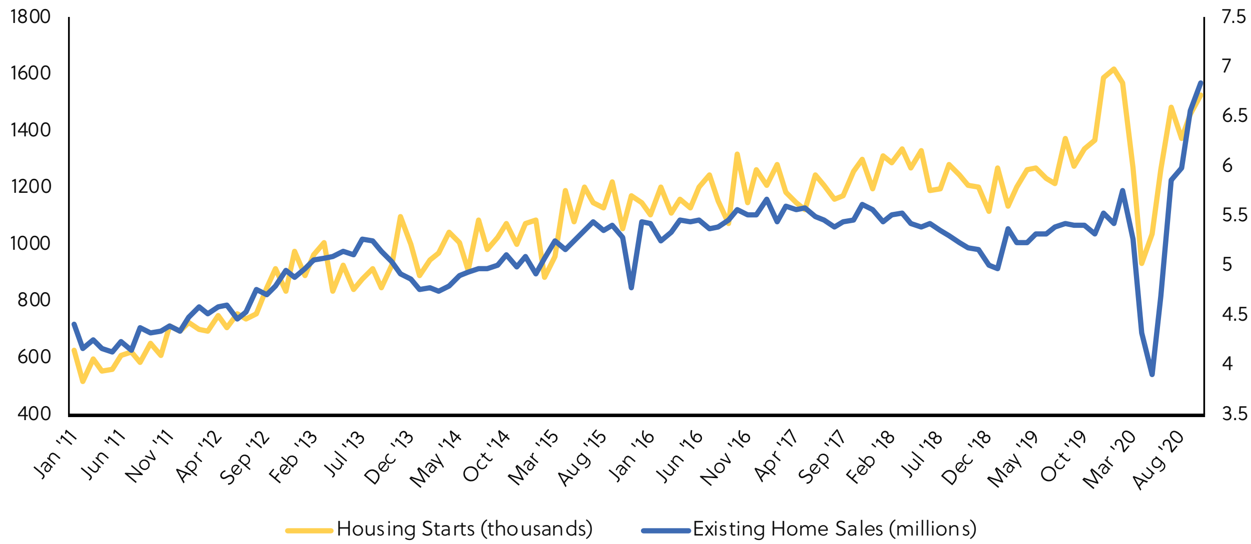
Source: U.S. Bureau of Labor Statistics (fred.stlouisfed.org).

Exhibit 11. U.S. Continuing Jobless Claims



Source: U.S. Bureau of Labor Statistics (fred.stlouisfed.org).

Exhibit 12. U.S. Housing Starts and Home Sales



In 2020, interest rates dropped significantly as economic growth stalled and global central banks embarked on an accommodative monetary policy stance. In the U.S., as a response to the global pandemic, the Fed lowered the federal fund rate to zero in March. Among the fixed income market indicators, both investment-grade and high-yield credit spreads widened during the COVID-19 sell-off in February and March and have since tightened back close to pre-COVID-19 levels after the Fed's easing actions (Exhibit 13-14).

Equity markets experienced some of the worst single-day drawdowns as capital markets declined. Since the Fed's actions to improve liquidity through bond-buying (including investment-grade bonds and high-yield ETFs), among other things, equity markets have rallied strongly, albeit exhibiting higher volatility over the year. The Presidential election in the U.S. also contributed to volatility and uncertainty during the months of October and November.

Exhibit 13. U.S. Investment-Grade Spreads

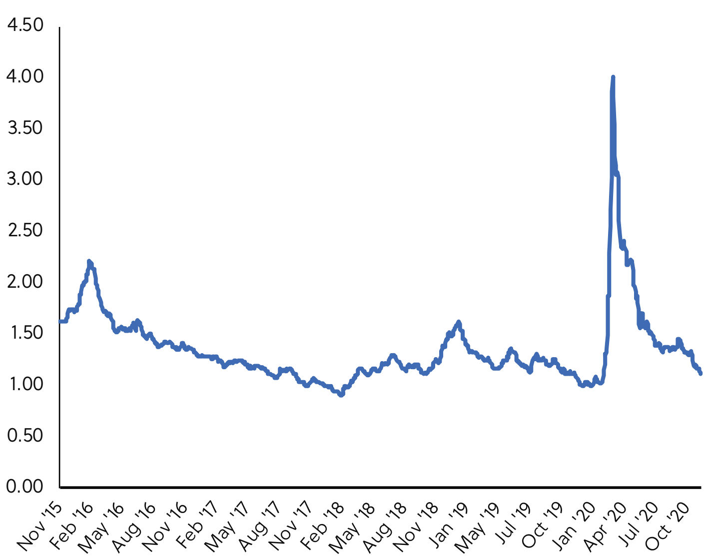


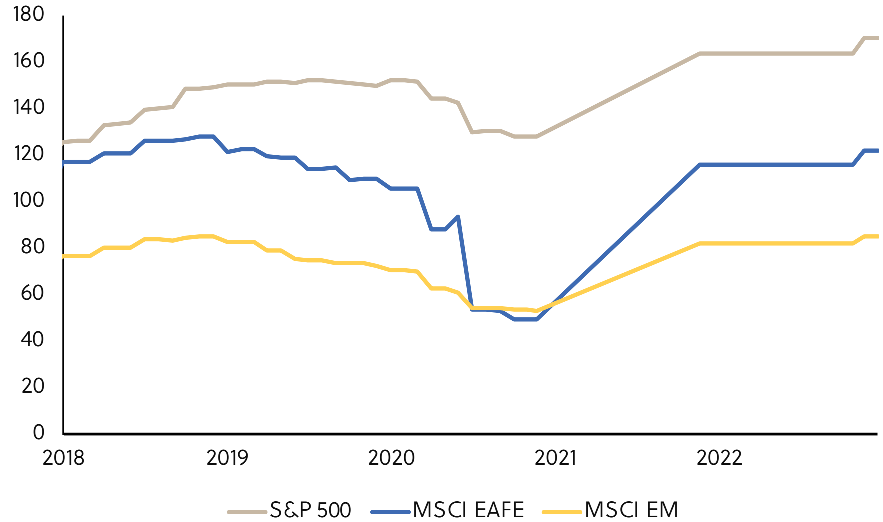
Exhibit 14. U.S. High Yield Spreads

As the news of successful vaccine trials trickled in, equity markets started factoring in strong earnings recovery, corporate profit and consumer spending rebound in 2021 (Exhibit 15).

Europe

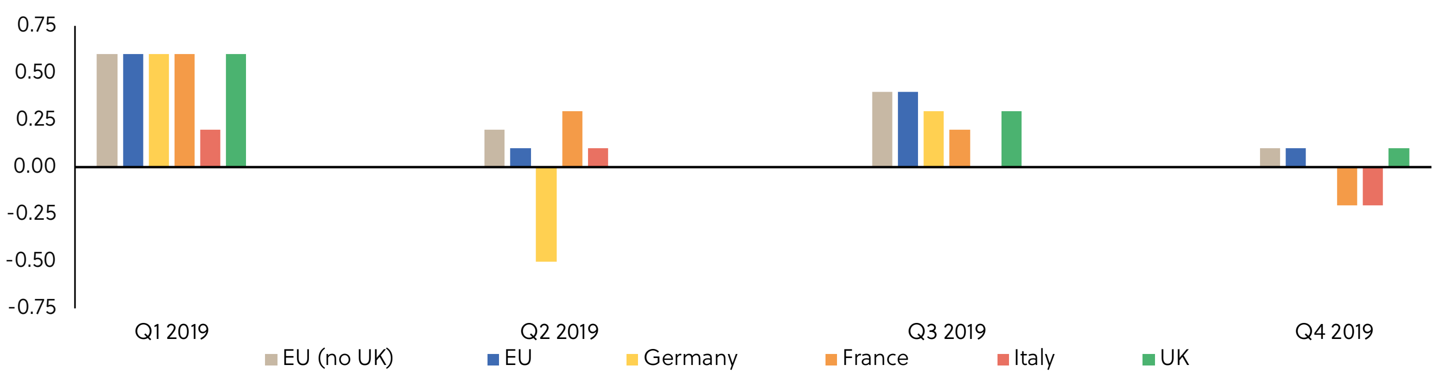
The European Union (EU) has slowed significantly since 2019 (Exhibit 16). The EU faces several uncertainties, such as Brexit and rising political populism. In addition, it has been impacted to a greater degree by trade frictions in comparison to the U.S. With this backdrop, the global pandemic related slowdown had a more significant impact. First- and second-quarter GDP quarter-over-quarter growth for the Eurozone area was -3.70% and -11.80%, followed by a 12.60% recovery. Eurozone PMIs, especially manufacturing, have decelerated significantly (Exhibit 17 on page 9) since the first quarter. Each of the individual countries have been impacted significantly.

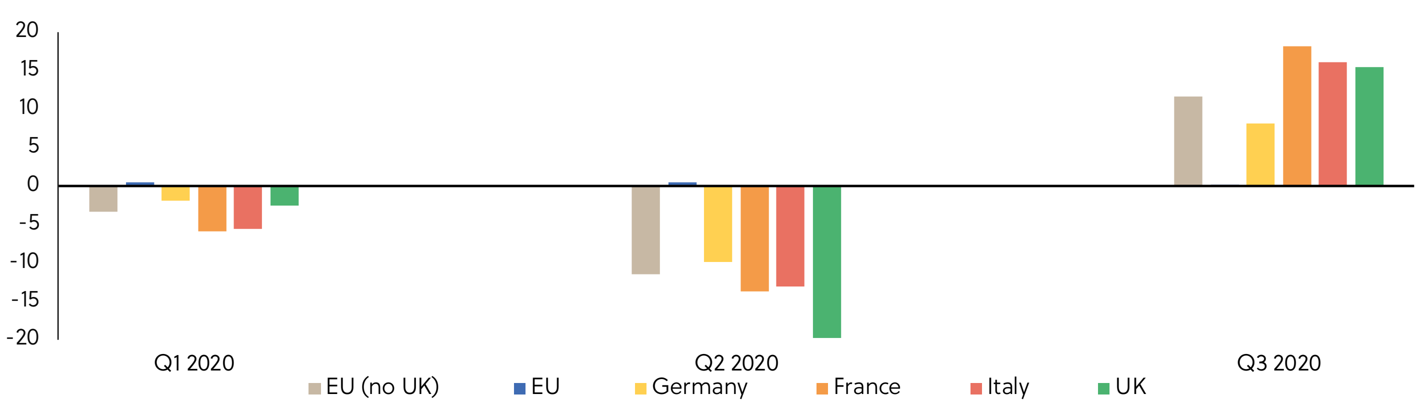
Exhibit 15. Earnings Growth Expectations



In the second quarter, the German economy contracted 9.8%, France contracted 13.7% and Italy contracted 13.0%. Recent economic data has shown improvement, with a strong rebound in third-quarter GDP — Germany at 8.2%, France at 18.2%, Italy at 16.1%. Similar to the U.S., the ability to sustain this recovery is predicated upon virus containment and re-opening of the economy.

Exhibit 16. EU GDP Growth





Source: Eurostat.

Exhibit 17. Eurozone Manufacturing PMI

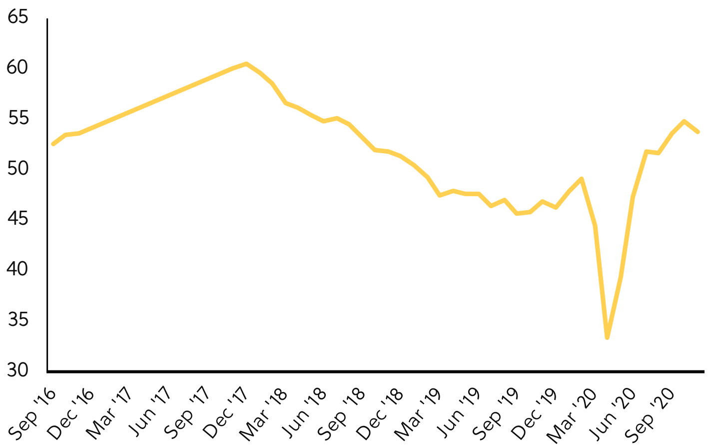
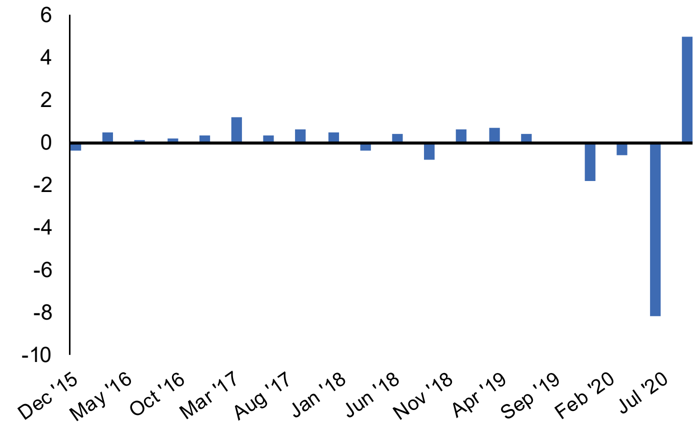


Exhibit 18. Japan GDP Growth



In an effort to stimulate economic growth and counteract the negative impact of the pandemic, the European Central Bank (ECB) maintained interest rates in negative territory, announced additional asset purchases under the pandemic emergency purchase programme to continue its accommodative monetary policy stance and continued to inject liquidity in the capital markets through its targeted longer-term refinancing operations. With these moves, the ECB has further increased the size of its balance sheet. In July 2020, EU leaders also embarked on an unprecedented stimulus agreement of 750 billion euros. To provide assistance to countries most impacted by the pandemic, the EU is negotiating the issuance of bonds backed by the entire EU. This is the first time that the monetary union has collectively issued bonds as a unit. This marks a departure from Germany's prior stance, which has, on occasion, refused to backstop the weaker economies.

Japan

Despite an aging population more susceptible to COVID-19, Japan's per-capita caseloads were much lower than what was experienced in the U.S. or Europe. Japan was among the first countries to impose lockdowns, leading to a contraction in GDP for the first half of the year. After three straight quarters of contraction due to a decline in export demand and slowing consumer spending, the economy bounced back strongly in the third quarter (Exhibit 18), with 5% growth for the quarter (21.4% annualized). During the pandemic, consumer spending and slower global trade weighed on the export-driven economy. In response to the global pandemic, the Government of Japan passed a fiscal stimulus aimed at individuals and firms. The Bank of Japan (BoJ), which was already following accommodative monetary policy support, continued to further support additional asset purchases, targeted liquidity provisions and concessional loan facilities.

Exhibit 19. China GDP Growth

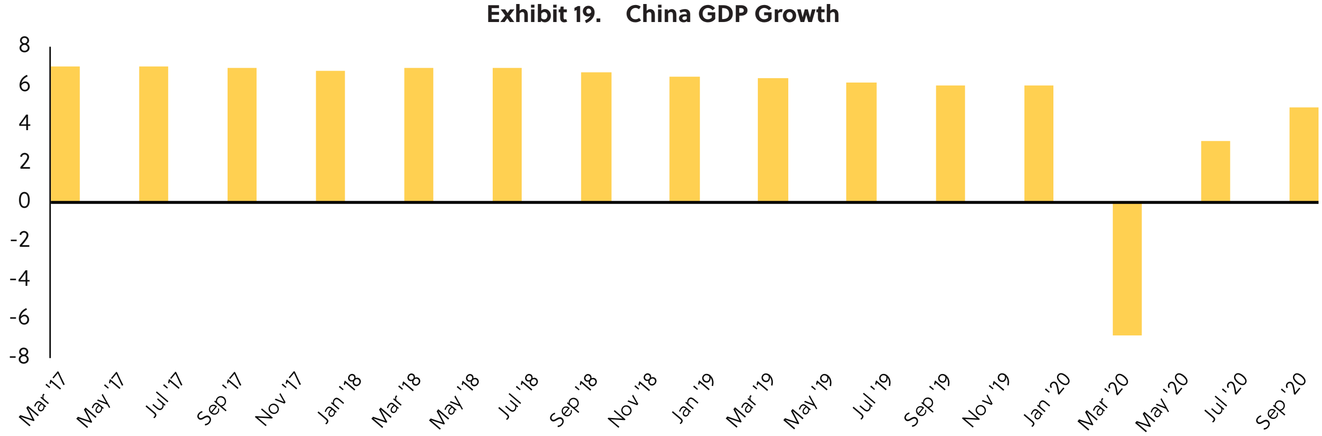


Exhibit 20. China Shadow Banking Financial Index

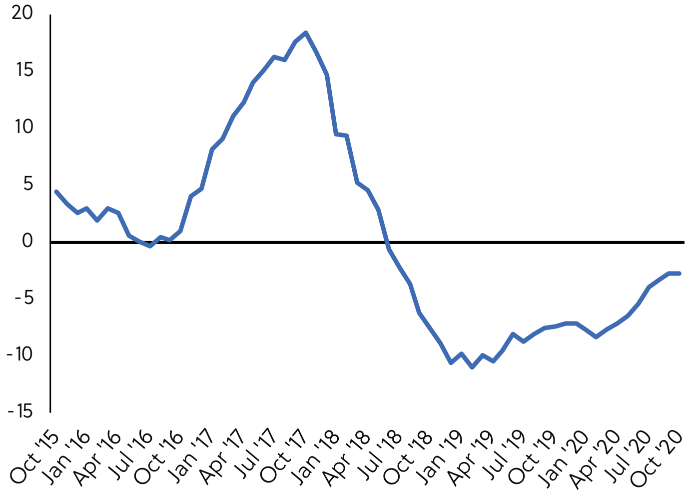
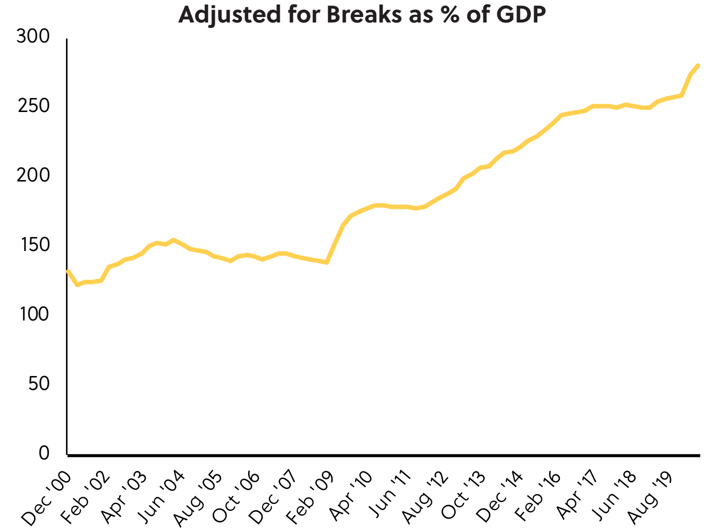


Exhibit 21. China Credit to Non-financial Sector Adjusted for Breaks as % of GDP



Source: Bank of International Settlements.

In September, Prime Minister Shinzo Abe stepped down due to health reasons and was replaced by Yoshihide Suga, who has indicated that he will continue many of the reforms started under Mr. Abe. In addition, Mr. Suga has indicated that he intends to focus more on structural reform, one of the arrows in the so-called "Abenomics" policies.

China

Debt in China has increased significantly since the financial crisis (Exhibit 19 on page 9). To help reduce debt growth, the government began restricting the shadow banking system (Exhibit 20).

The restrictions on the shadow banking system combined with the impact from trade frictions formed the backdrop of slower economic activity in 2019, hampered by COVID-19 related travel restrictions and lockdowns in early 2020. The GDP growth rate (year-over-year), which slowed to 6.0% in the third and fourth quarters of 2019, fell 6.8% in the first quarter of 2020, followed by recovery in the second and third quarters of 2020 at 3.2% and 4.9%, respectively. With the sustained recovery over two quarters, China leads the world in virus containment as well as recovery during the year.

Exhibit 22. China Total Debt as % of GDP

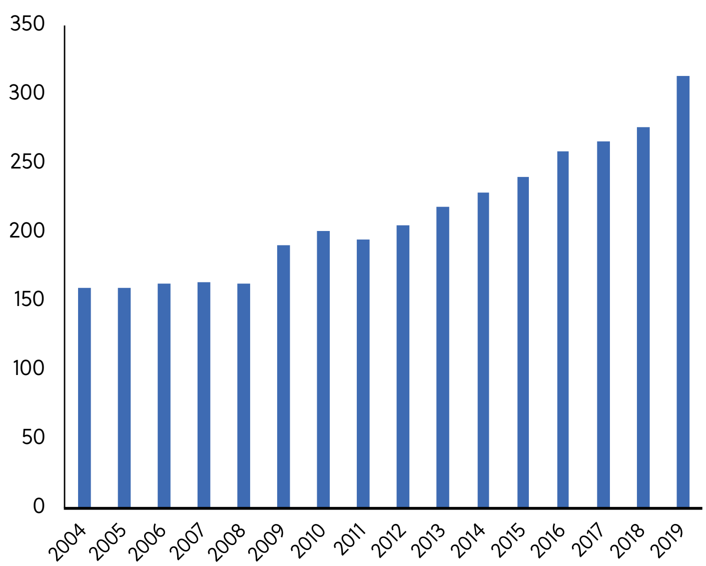
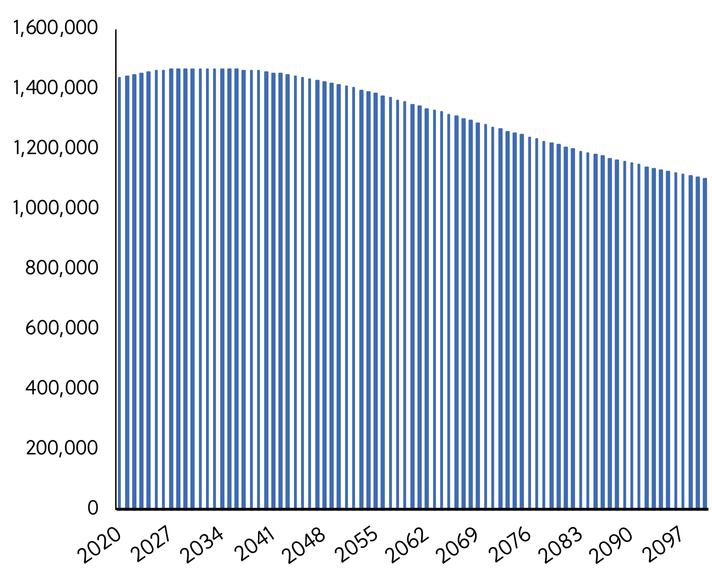


Exhibit 23. China Demographic Data



This economic recovery was predicated by the fiscal measures aimed at supporting labor markets as well as small- and medium-sized enterprises. The People's Bank of China provided monetary policy support to inject liquidity and limit the tightening of financial conditions, which helped the region's swift recovery. The recent trend of slowing economic growth in China has remained, which has led to rising debt levels to spur economic growth (Exhibit 21 on page 10).

According to the Bank of International Settlements, total debt as a percentage of GDP was 249.6% at the end of 2018, but increased to 274.4% at the end of March 2020 (Exhibit 22 on page 10).

In addition to slowing economic growth and rising debt, China's population is expected to begin declining in about 10 years. These trends will be a headwind for future economic growth (Exhibit 23 on page 10).

With the backdrop of strong economic recovery in 2021 amidst easing monetary policy and fiscal stimulus measures, we expect the global economy to continue to recover over the next few years. Thereafter, we expect the global economy to grow at a modest pace due to headwinds from rising debt levels, demographic changes and long-term shifts in global trade trends due to rising populism.

Capital Market Assumptions for Various Asset Classes

Equity

The outlook for economic recovery in the post-pandemic world over the next several years combined with interest rates that are expected to remain at lower levels versus the historical average will impact our projections for capital market returns over the intermediate- and longer-terms. For U.S. equities, while current valuations are above the long-term average, we expect the continuation of lower of interest rates to justify higher valuation multiples. We also expect a strong earnings recovery in 2021, followed by a return to the historical averages. Similarly, economic growth should recover strongly in 2021, followed by a return to modest economic growth after that, in line with our long-term economic growth expectations. Given low interest rates, low inflation, near-term recovery and higher valuation multiples, our total return expectation over the intermediate- and long-term for the U.S. is 6.0% and 7.5%. This is a modest improvement from our 2020 CMAs.

While economic conditions are more challenging outside of the U.S., valuations for non-U.S. equities are meaningfully lower than for U.S. equities. The lower valuation, we believe, will result in slightly higher equity returns over the intermediate-term.

For non-U.S. developed markets equities, as represented by MSCI EAFE Equity Index, we project a total return of 6.8%, but for emerging markets equities, we estimate 6.7% over the intermediate-term. Over the longer-term, we estimate that non-U.S. developed markets will return 7.6%, while emerging markets will return a slightly higher 7.9%. Depressed valuations within emerging markets relative to developed markets and its own history lead us to project higher returns for emerging markets than in 2020 over the intermediate-term. While in the past, emerging markets have benefitted by expanding globalization, offshoring and increasing global trade, we believe the current trends are less favorable. In addition, a large portion of the gap in economic growth between emerging and developed markets is due to China, and as we mentioned previously, we expect China to continue to slow. Despite these headwinds, we project higher returns for emerging market equities over developed market equities over the longer-term, given the lower level of interest rates. Investors will continue to seek diversifying return opportunities and are expected to pay a higher multiple for these opportunities.

Fixed Income

In 2020, interest rates dropped significantly as economic growth stalled, and global central banks embarked on an accommodative monetary policy stance. In the U.S., in response to the global pandemic, the Fed lowered the federal funds rate to zero in March, along with announcing quantitative easing measures that included large-scale asset purchases and established credit facilities to provide liquidity to the capital markets. Investment-grade and high-yield spreads, which widened during the COVID-19 sell-off in February and March, have since tightened back close to pre-COVID-19 levels, resulting in strong returns for the year. Given the lower bound of interest rates resulting in little room for yield compression, we have meaningfully reduced our intermediate-term fixed income expectations. With interest rates lower for a longer period, we have also reduced our longer-term expected returns. For core bonds, we expect a total return of -0.2% over the intermediate-term and 3.8% over the longer-term. These expectations are down from our previous estimates of 1.5% and 4.9%, respectively. We expect high-yield bonds to return 3.2% over the next five years and 6.0% over the longer-term.

Alternatives

While some investors view alternatives such as private equity, hedge funds, etc., as *sui generis*, we believe that alternative strategies need to be understood based on their underlying economic and market exposures. Therefore, the investment profile of alternatives such as returns and risk are not dissimilar to those of public markets once we normalize or consider the different characteristics, such as leverage. In deriving our CMAs for alternatives, we start with our assumptions for public markets and make the necessary adjustments.

We expect hedge funds to return 5.5% over the intermediate-term and 7.1% over the longer term. The intermediate-term estimate has increased from 5.1% due to higher forecasts for public market equities.

In a typical private equity buyout transaction, approximately two-thirds of the purchase price is financed via various bonds and loans. Therefore, the expected return is significantly impacted by financing costs. Lower borrowing costs due to the lower level of interest rates combined with higher expectations for public equities leads to higher return expectations. Over the intermediate-term, we expect private equity to return 8.5%, up from 7.9% previously. While over the longer-term, we expect a return of 10.5%, up from 10.1%. The higher expected returns are simply due to lower financing costs. We expect private debt to return 6.5% and 7.5% in the intermediate- and long-term, respectively. Similarly, for private debt, we expect a total return of 6.5% over the intermediate-term and 7.5% over the longer-term.

Private real estate as an asset class includes both high-quality, core properties as well as non-core. Most of the total return comes from income for core real estate, while for non-core properties, price appreciation makes up a more meaningful part. Publicly traded REITs own predominantly high-quality core properties, and as such, the expected total return is made up mostly by income. For private real estate, we expect a total return of 6.8% and 7.8% over the intermediate- and longer-term, respectively. These expectations are modestly higher than the 6.2% and 7.5% we estimated in our 2020 capital market assumptions due to the recent disruption of global pandemic related shutdowns that led to attractive valuations. For publicly traded REITs, we expect an annualized total return of 6.0% over the next five years and 6.5% over the longer-term, slightly higher than 5.5% and 6.3% estimated in 2019 due to higher starting yield. Approximately 4.0% of the total return is made up of income, with the balance coming from price appreciation.

Considerations for Asset Owners

Given the current low level of interest rates and the likelihood that rates will remain low over the next few years, most plan sponsors will find it difficult to maintain a positive real (inflation-adjusted) return within their fixed income allocations. Corporate pension plans have struggled as rates have fallen, leading to lower discount rates and higher present values for pension liabilities. While fixed income portfolio performance will struggle if rates rise over the next few years, higher rates will translate into a higher discount rate and corresponding lower liabilities. If this occurs, funding ratios could improve due to the longer duration of the liabilities relative to the duration of the typical pension plan's fixed-income portfolio. Other post-employment benefits (OPEB) plans have had similar challenges as interest rates have declined, leading to higher liabilities. Like pensions, OPEB plans' funded status should improve as interest rates rise due to the longer duration of plan liabilities versus fixed income assets.

Foundations and endowments also face hurdles. The typical foundation seeks to pay out 5% or more of assets in annual grants. To preserve purchasing power, the portfolio must achieve a real (inflation-adjusted) return of 5%. Given the levels of interest rates, this implies a healthy allocation to asset classes that are expected to achieve a real return above 5% to offset the lower return from the fixed income portfolio. Unlike pension plans, foundations typically do not have liabilities whose values fluctuate with interest rates. This means that, when interest rates rise, the loss incurred on the fixed income portfolio will not be offset by lower liabilities. Endowments face a similar challenge of generating adequate returns to continue to meet their funding obligations.

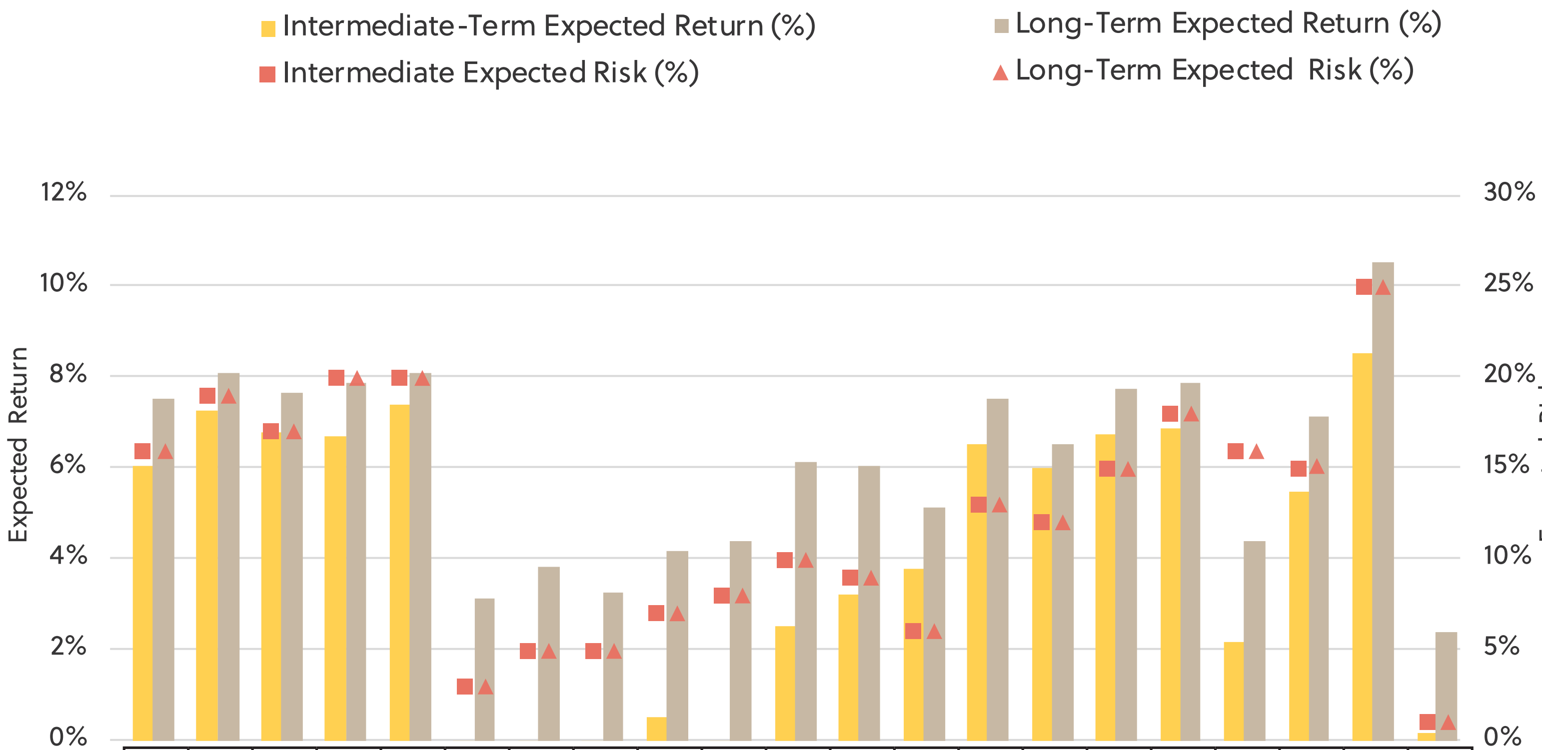
In addition to historically low interest rates, the macroeconomic backdrop also presents challenges for plan sponsors. Global economic activity was negatively impacted by COVID-19 and is expected to recover to pre-COVID levels in 2021 amidst unprecedented monetary and fiscal stimulus measures. While this should help spur recovery in 2021, long term trends of rising populism, rising debt, aging demographics, and slowing productivity remain. This calls into question how much more can central banks do if the global economy slips into a recession again. Challenges around Brexit in Eurozone and rising debt in China remain as well. Plan sponsors should be cognizant of these variables as they review their long-term investment strategy and decide whether changes are necessary.

PFM takes all of the preceding market and economic information into account when making investment decisions on behalf of our clients.

For more information, please contact your PFM relationship manager.

Ellen Clark
clarke@pfm.com | 415.509.6863

Long- and Intermediate-Term Capital Market Assumptions



	U.S. Equity	U.S. Small-Cap	Int'l Developed Equity	EM Equity	Non-U.S. Small-Cap	Short Bonds	Core Bonds	Global Core	Intermediate IG Corp	Long IG Corp	EM Debt	High Yield	Bank Loans	Private Debt	REITs	PE RE	Infrastructure	Commodities	Hedge Funds	Private Equity	Cash
Intermediate-Term Annualized Assumptions (Over the Next 5 Years)																					
Expected Return (%)	6.0	7.2	6.8	6.7	7.4	0.0	-0.2	-0.8	0.5	-0.5	2.5	3.2	3.8	6.5	6.0	6.8	6.9	2.1	5.5	8.5	0.1
Expected Risk (%)	16	19	17	20	20	3	5	5	7	8	10	9	6	13	12	15	18	16	15	25	1
Long-Term Annualized Assumptions (Over the Next 30 Years)																					
Expected Return (%)	7.5	8.1	7.6	7.9	8.1	3.1	3.8	3.2	4.2	4.4	6.1	6.0	5.1	7.5	6.5	7.8	7.9	4.4	7.1	10.5	2.4
Expected Risk (%)	16	19	17	20	20	3	5	5	7	8	10	9	6	13	12	15	18	16	15	25	1

Asset Class Correlation Assumptions

	U.S. Equity	U.S. Small-Cap	Int'l Developed Equity	EM Equity	Non-U.S. Small-Cap	Short Bonds	Core Bonds	Global Core	Intermediate IG Corp	Long IG Corp	EM Debt	High Yield	Bank Loans	Private Debt	REITs	PE RE	Infrastructure	Commodities	Hedge Funds	Private Equity	Cash
U.S. Equity	1																				
U.S. Small-Cap	0.9	1																			
Int'l Developed Equity	0.8	0.8	1																		
EM Equity	0.7	0.7	0.7	1																	
Non-US Small-Cap	0.8	0.8	0.9	0.8	1																
Short Bonds	0.2	0.2	0.1	0.1	0.1	1															
Core Bonds	0.3	0.3	0.2	0.2	0.2	0.5	1														
Global Core	0.2	0.2	0.2	0.2	0.2	0.4	0.4	1													
Intermediate IG Corp	0.3	0.3	0.2	0.2	0.2	0.7	0.9	0.9	1												
Long IG Corp	0.3	0.3	0.2	0.2	0.2	0.7	0.9	0.9	0.9	1											
EM Debt	0.5	0.5	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.4	1										
High Yield	0.7	0.7	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.4	0.4	1									
Bank Loans	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.7	0.7	1								
Private Debt	0.4	0.3	0.5	0.5	0.5	0.5	0.7	0.5	0.6	0.9	0.7	0.7	0.5	1							
REITs	0.5	0.5	0.4	0.4	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	1						
PE RE	0.4	0.4	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.4	0.2	0.1	0.8	1					
Infrastructure	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.7	0.4	0.5	1				
Commodities	0.1	0.1	0.1	0.2	0.1	0.4	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.1	0.1	0.1	1			
Hedge Funds	0.6	0.6	0.5	0.5	0.5	0.3	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.2	1		
Private Equity	0.7	0.7	0.6	0.6	0.6	0.2	0.3	0.3	0.3	0.3	0.3	0.5	0.2	0.4	0.4	0.4	0.4	0.1	0.5	1	
Cash	0.1	0.1	0.1	0.1	0.1	0.5	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1

pfm

Disclosures

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Memorandum

February 2, 2021

To: Richard Valerio, Executive Director
Patrick Sandoval, Chief Financial Officer
Board of Directors
New Mexico Public Schools Insurance Authority

From: Ellen Clark
PFM Asset Management LLC

Re: Benefits Fund and Risk Fund – Recommended Rebalancing

The capital markets endured a tumultuous year riddled with political uncertainty, civil unrest, and endless volatility on top a global pandemic abruptly ending the longest historical expansion on record. Despite the profound impact of the COVID-19 pandemic, the stock market, as measured by the S&P 500 Index (S&P), returned 18.4% for the calendar year ending December 31, 2020.

PFM is optimistic global economies may rebound significantly in the later half of 2021. Fixed income returns are expected to be very low due to the Fed holding rates low in the wake of the COVID-19 pandemic. Based upon our outlook, we recommend a modest overweight to equities and an underweight to fixed income.

Equity markets continued to rally starting off the year, leading PFM to recommend rebalancing portfolios. Recently, the market has pulled back due to speculative trading. Because the NMPSIA portfolios had a meaningful overweight to domestic equity as of December 31, 2020, PFM recommends shifting 2%+ from domestic equity to fixed income. International equity stocks are selling at a discount to domestic equities. PFM recommends holding your position in international stocks.

The recommendation to rebalance allows NMPSIA to capture the gains from the strong performance of domestic equity, shifting these gains to fixed income.

This rebalancing will bring the two portfolios into alignment with PFM's current tactical allocation stance for client portfolios.

Benefits Fund

Sell $500,000 Large Cap Fund

Buy $500,000 Core Plus Bond Fund

Risk Fund

Sell $250,000 Large Cap Fund

Buy $250,000 Core Plus Bond Fund

STATE OF NEW MEXICO
NEW MEXICO PUBLIC
SCHOOLS INSURANCE AUTHORITY

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2020

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
OFFICIAL ROSTER
AS OF JUNE 30, 2020

BOARD OF DIRECTORS

Mary Parr-Sanchez, President	National Education Association
Chris Parrino, Vice-President	NM Association of Business School Officials
Alfred Park, Secretary	Governor Appointee
Tim Crone	American Federation of Teachers, NM
Pauline Jaramillo	NM School Boards Association
David Martinez, Jr.	National Education Association
Trish Ruiz	Public Education Commission
Ricky Williams	NM Superintendents Association
Denise Balderas	Governor Appointee
Sammy J. Quintana	Governor Appointee
Vacant	Educational Institutions-at-Large

OFFICIALS OF THE NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY

Richard Valerio	Executive Director
Vacant	Deputy Director
Patrick Sandoval	Chief Financial Officer

KMA
KUBIAK MELTON & ASSOCIATES, LLC
AUDITORS – BUSINESS CONSULTANTS - CPAs

Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Mexico Public Schools Insurance Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the New Mexico Public Schools Insurance Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons information presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2020, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the New Mexico Public Schools Insurance Authority as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended and its respective budgetary comparisons for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the notes, the financial statements of the New Mexico Public Schools Insurance Authority are intended to present the net position, and the changes in net position and cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of the New Mexico Public Schools Insurance Authority. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2020, and the changes in its net position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and Ten-year Claims Development Information on pages 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Mexico Public School Insurance Authority's basic financial statements and the budgetary comparison information presented in the supplemental information. The supplementary information included is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information included is also presented for purposes of additional analysis and is not a required part of the financial statements of the New Mexico Public Schools Insurance Authority. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 25, 2020 on our consideration of the New Mexico Public Schools Insurance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Mexico Public Schools Insurance Authority's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 25, 2020

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2020

This section represents a discussion and analysis of the financial performance of the New Mexico Public Schools Insurance Authority (NMPSIA) for the year ended June 30, 2020, compared to the year ended June 30, 2018. Please read it in conjunction with the basic financial statements, which follow this section.

<u>Overview of the Basic Financial Statements</u>

NMPSIA's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities that act as a business-type operation such as an insurance pool.

Statement of Net Position -This statement presents information reflecting NMPSIA's assets, liabilities and net position. Net position represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and non-current assets and liabilities. For purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectable or becoming due within twelve months of the statement date. NMPSIA's long-term investment portfolio strategy is to hold investments which exceed one year in maturity or equity holdings with long-term gains in mind. The value of NMPSIA's long-term investment portfolio at June 30, 2020, was $29,875,030.

Statement of Revenues, Expenses, and Changes in Net Position - This statement reflects NMPSIA's operating revenues and expenses, as well as non-operating revenues during the operating year. The major source of operating revenues is premium income, with major sources of operating expenses being claims expense both for medical and risk claims, premiums paid for vision, life, disability, property/liability and workers' compensation excess coverage. The change in net position for an enterprise fund is similar to net profit or loss for an insurance company. See page 10 of the financial statements.

Statement of Cash Flows -The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating, capital and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year. See page 11 of the financial statements.

Statement of Revenues and Expenditures Budget and Actual (Budget Basis) reflects NMPSIA's budgetary basis of accounting and NMPSIA was in compliance with its budget. See pages 36-38 of the financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data in the financial statements. The notes to the financial statements can be found on pages 12 through 31 of this report. As disclosed in footnote 17 on page 32, the State of New Mexico implemented GASB 68, *Accounting and Financial Reporting for Pensions,* only in the statewide Comprehensive Annual Financial Report (CAFR) and did not impact NMPSIA's financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including the Schedule of Cash and Cash Equivalents and financial information on the three functional activities of NMPSIA.

NMPSIA's total net position for the year ended June 30, 2020 increased by $6,688,196 The Employee Benefits Fund (350) began fiscal year 2020 with a net position of $26,697,900 and increased $4,905,740 to a fiscal year 2020 net position of $31,603,640. The Risk Fund (351) began fiscal year 2020 with a net position of $5,326,985 and increased by $1,795,386 in fiscal year 2020 to $7,122,371.

The long-term investment portfolio increased by $1,001,227 during fiscal 2020. NMPSIA's long-term investments portfolio was managed by the State of New Mexico Investment Council (SIC) and are invested in their Core Bond, Large Cap Index, Non US Developed Markets, Non US Emerging Markets and Mid/Small Cap funds. NMPSIA contracted with the same investment consultant firm as in 2019 to review its long-term investment policy and to make recommendations investment allocations for funds managed by the SIC.

NMPSIA's short term funds are invested in the New Mexico Local Government Investment Pool (LGIP). NMPSIA also has two Money Market accounts with the fiscal agent bank, one for the Employee Benefits Fund and one for the Risk Fund, in an attempt to provide more flexibility for daily cash requirements. These accounts were also expected to provide an alternative to the LGIP accounts with rates of return comparable to those provided by the LGIP. However, the LGIP yield rates were more favorable in 2020. The flexibility to meet daily cash requirements continues to be the most important advantage of these Money Market accounts. Short-term interest income was higher than originally anticipated due to the Agency's conservative projections.

Total liabilities increased by $8,991,209 in the current year. The Risk Fund continued to use the discounted (present value) basis to account for the Risk Program's reserve for losses and loss adjustment expenses. This methodology reflects the interest income earning power, which in 2019 computed at the rate of 2.0%, of the fund's cash reserves. NMPSIA contracted with the same actuary firm as in 2019.

NMPSIA had no capital asset additions in 2020. There was $12,932 of capital asset depreciation in 2020.

NMPSIA did not issue any short-term or long-term debt during 2020 or 2019.

NMPSIA's budget is on a modified accrual basis of accounting. Depreciation expense and claims loss reserve expense is a GAAP expense but not for budgetary purposes. An original budget of $388,364,600 was appropriated. The final approved budget was $430,864,600. There were three budget adjustment requests for the year ended June 30, 2020. For fund 34900 a transfer from other to contractual services in the amount of $41,700 for fund 35000, an increase in contractual services of $12,500,000. For fund 35100, there was an increase of 22,000,000 and a supplemental appropriation received of $8,000,000.

Opportunities to decrease provider reimbursement rates have been limited for self-insured pools due to the providers' losses associated with lower Medicaid and Medicare reimbursements. In addition, claims costs tend to be higher in rural communities and out-of-state. Approximately 85% of NMPSIA's members enrolled in medical coverage reside in rural communities. NMPSIA maintained its stop-loss insurance in 2020 for claims over $1 million with a $500,000 aggregating specific deductible.

The frequency of general liability and workers compensation claims is decreasing, while the severity is increasing. A lack of capital improvements and maintenance (i.e. roof leaks, etc.) continues. Catastrophic property losses are difficult to project since they generally result from hailstorms, floods, windstorms, etc. The exposure presented by these types of losses is directly tied to the weather. Property insurance premiums are expected to rise due to increased property values through a recent appraisal.

There continues to be an ongoing concern for sexual molestation claims, civil rights claims, and employment related claims (which include Whistleblower Protection Act allegations). The expenses associated with defending all of these types of claims continue to increase year over year, representing significant cost exposure to NMPSIA.

NMPSIA continues its bill review process through its third-party claims processing contractor, which has led to an overall decrease of the total claims billed amount and to an aggressive return to work policy. NMPSIA also utilizes nurse case management to facilitate care and bring advanced resolution to some of the more serious or longer-term claims. These factors, along with loss prevention services provided by the third-party contractor, have positively impacted the workers' compensation program despite an increase in the number of covered entities and an aging workforce.

With the onset of the COVID-19 pandemic in March 2020 NMPSIA saw gains in the Benefits Fund. Although the Benefits fund finished with a gain for Fiscal Year 2020, those gains are expected to diminish in Fiscal Year 2021 and NMPSIA is anticipating using a substantial amount of fund balance.

NMPSIA expects increases in premiums assessed to its members for the next fiscal year.

The following tables summarize the financial position of NMPSIA's operations as of and for the years ended June 30, 2020 and 2019:

	2020	2019	Increase (Decrease)
ASSETS			
Cash and Investments	$ 115,218,878	$ 99,218,895	$ 15,999,983
Other Current Assets	10,207,627	11,516,500	(1,308,873)
Total Current Assets	125,426,505	110,735,395	14,691,110
Investments - Long-Term	29,875,030	28,873,803	1,001,227
Capital Assets, Net	262,774	275,706	(12,932)
Total Non-Current Assets	30,137,804	29,149,509	988,295
TOTAL ASSETS	$ 155,564,309	$ 139,884,904	$ 15,679,405
LIABILITIES			
Reserves for Losses and Loss Adjustment Expense	$ 19,575,106	$ 22,777,770	$ (3,202,664)
Other Current Liabilities	14,186,721	8,966,212	5,220,509
Total Current Liabilities	33,761,827	31,743,982	2,017,845
Non-Current Liabilities Reserve for Losses	82,363,976	75,390,612	6,973,364
Total Non-Current Liabilities	82,363,976	75,390,612	6,973,364
TOTAL LIABILITIES	116,125,803	107,134,594	8,991,209
NET POSITION			
Net Investment in Capital Assets	262,776	275,706	(12,930)
Restricted for Future Benefits	38,726,011	32,024,885	6,701,126
Unrestricted	449,719	449,719	-
TOTAL NET POSITION	39,438,506	32,750,310	6,688,196
TOTAL LIABILITIES AND NET POSITION	$ 155,564,309	$ 139,884,904	$ 15,679,405

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
June 30, 2020

	2020	2019	Increase (Decrease)
REVENUE			
Premium Revenue and Other	$ 393,009,898	$ 375,555,270	$ 17,454,628
EXPENSES			
Claims Loss and Loss Adjustments	319,585,255	299,138,999	20,446,256
Premium Expense	53,633,853	48,606,661	5,027,192
Insurance Services	22,517,040	20,849,316	1,667,724
General and Administrative and other	1,533,159	1,436,705	96,454
TOTAL EXPENSES	397,269,307	370,031,681	27,237,626
Operating Income (Loss)	(4,259,409)	5,523,589	(9,782,998)
Nonoperating Revenues and Expenses	10,947,605	4,449,403	6,498,202
TOTAL NONOPERATING REVENUES AND EXPENSES	10,947,605	4,449,403	6,498,202
NET CHANGE IN NET POSITION	6,688,196	9,972,992	(3,284,796)
NET POSITION, BEGINNING	32,750,310	22,777,318	9,972,992
NET POSITION, END	$ 39,438,506	$ 32,750,310	$ 6,688,196

Requests for Information

NMPSIA's financial statements are designed to present users with the general overview of the NMPSIA's finances and to demonstrate NMPSIA's accountability. If you have questions about the report or need additional financial information, please contact New Mexico Public Schools Insurance Authority, 410 Old Taos Highway, Santa Fe, New Mexico 87501.

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Business-Type Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 19,812,207
NM State Treasurer's State Fund Investment Pool	746,810
NM State Treasurer's Local Fund Investment Pool	94,659,861
Accounts Receivable, Net	270,737
Accrued Interest Receivable, Net	33,071
Receivables From Excess Insurers, Net	9,647,819
Prepaid Expenses and Deposits	256,000
Total Current Assets	125,426,505
Non-Current Assets	
Investments - Long-Term	29,875,030
Capital Assets, Net	262,774
Total Non-Current Assets	30,137,804
TOTAL ASSETS	$ 155,564,309
LIABILITIES AND NET POSITION	
Current Liabilities:	
Reserves for Losses and Loss Adjustment Expense	$ 19,575,106
Unearned Premium Revenue and Carrier Advances	148,686
Due to Insurance Carriers for Claims Paid	9,952,902
Accounts Payable	1,978,183
Accrued Payroll	43,114
Due to State General Fund	2,000,000
Accrued Compensated Absences	63,836
Total Current Liabilities	33,761,827
Non-Current Liabilities	
Reserve for Losses and Loss Adjustment Expense	82,363,976
Total Non-Current Liabilities	82,363,976
TOTAL LIABILITIES	116,125,803
NET POSITION	
Net Investment in Capital Assets	262,776
Restricted for Future Benefits	38,726,011
Unrestricted	449,719
TOTAL NET POSITION	39,438,506
TOTAL LIABILITIES AND NET POSITION	$ 155,564,309

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities
REVENUES	
Participant Premiums	$ 393,009,898
TOTAL REVENUES	393,009,898
EXPENSES	
Loss and Loss Adjustment Expenses	319,585,255
Premiums	53,633,853
Insurance Servicing and Fees	22,517,040
General and Administrative	1,520,227
Depreciation Expense	12,932
TOTAL EXPENSES	397,269,307
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(4,259,409)
NON-OPERATING REVENUES AND EXPENSES	
Investment Income	2,616,113
General Fund Appropriation	8,000,000
Other Income	331,492
Transfers in	1,491,923
Transfers out	(1,491,923)
TOTAL NON-OPERATING REVENUES AND EXPENSES	10,947,605
NET CHANGE IN NET POSITION	6,688,196
NET POSITION, BEGINNING OF YEAR	32,750,310
NET POSITION, END OF YEAR	$ 39,438,506

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

		Business-Type Activities
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Participant Premiums Collected	$	394,160,973
Losses and Loss Adjustment Expenses Paid		(312,594,046)
Health Maintenance Premiums Paid		(53,633,853)
Amount Paid to Third Party Administrators / Vendors		(24,037,267)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		3,895,807
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers - General Fund Appropriation		8,000,000
Due to General Fund		2,000,000
Other Income		331,492
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES		10,331,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest, Dividends, Realized Gains and Losses (Net)		1,772,684
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		1,772,684
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,999,983
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		99,218,895
CASH AND CASH EQUIVALENTS, END OF YEAR	$	115,218,878
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(4,259,409)
Adjustments to reconcile operating income (loss) to Net cash used by operating activities:		
Depreciation Expense		12,932
Changes in assets and liabilities:		
Change in Receivables		1,151,075
Change in Prepaid Expenses and Deposits		-
Increase (Decrease) in Reserve for Losses		3,770,700
Change in Unearned Premium Revenue and Carrier Advances		20,575
Change in Due to Insurance Carriers		2,775,124
Change in Accounts Payable and Accrued Liabilities		420,774
Change in Accrued Compensated Absences		4,036
NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES	$	3,895,807

See Independent Auditors' Report and Notes to Financial Statements

NOTE 1: ORGANIZATION AND OPERATIONS

The New Mexico Public Schools Insurance Authority (NMPSIA) was formed April 5, 1985 under the New Mexico Public School Insurance Authority Act of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance (benefits) coverage and property, casualty, and workers' compensation insurance (risk) coverage to participating public schools, school board members and retirees, and public school employees within the State of New Mexico and is not a reverting fund. Because NMPSIA is a self-insurance pool pursuant to Section 22-2 NMSA 1978, NMPSIA is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies. Therefore, NMPSIA is not subject to minimum or maximum statutory reserve requirements.

Participation in NMPSIA is mandatory unless the school district is granted a waiver by NMPSIA. Once NMPSIA has awarded insurance contracts, no school district may withdraw from NMPSIA for the entire term of the contract. Upon withdrawal from NMPSIA, there is no refund of premiums. NMPSIA's own insurance coverage is also included as part of the pool.

The participants pay premiums for workers' compensation, and property and casualty coverage based on their own experience in the pool in past years. If the premium for a policy year does not cover the claims paid for that participant during the year, no additional premium will be assessed for that year. However, the next years' premiums will be increased to cover the excess claims. Premiums for health coverage are based on the experience of the total pool and are assessed on a premium per participating employee basis. Employees of all participants pay premiums based on a single premium schedule. At June 30, 2020 there were 18 active board members and 34 inactive board members participating and paying 100% of their premiums. Thus, there is no liability for post-retirement benefits recorded. If premiums assessed in one year do not cover the claims of that year, the premium schedule may be adjusted upward for the next year.

Financial Reporting Entity and Component Units

Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by FASB 39 and 61, *The Financial Reporting Entity,* establishes the standards for defining and reporting on the financial reporting entity. GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. NMPSIA, therefore, is part of the primary government of the State of New Mexico, and its financial data is included with the financial data of the State.

NOTE 1: ORGANIZATION AND OPERATIONS (CONTINUED)

Financial Reporting Entity and Component Units (Continued)

NMPSIA has developed criteria to determine whether the participating public schools should be included within its financial reporting entity. The criteria include, but are not limited to, whether NMPSIA exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. Based on these criteria, management of NMPSIA has determined that no other such entities should be included in its financial reporting entity and no component units are included in these financial statements.

NMPSIA did not receive any appropriations or bond proceeds from the State of New Mexico in 2019. Any unexpended or unencumbered funds remaining at the end of the fiscal year do not revert to the State of New Mexico. There is no maximum or minimum amount of net position required. Investment earnings are budgeted to fund general and administrative expenses. Excess investment earnings are used to offset premiums to participants and increase reserves.

Activities of NMPSIA are largely performed by third party administrators under contractual arrangements. These activities are as follows:

> **Benefits** - encompasses activities to provide health, disability, and life insurance coverage to enrolled employees and retired employees of the participants. (SHARE #35000).
>
> **Risk** - encompasses activities to provide property, casualty, and workers' compensation insurance coverage to the participants. (SHARE #35100).
>
> **Administration** - encompasses expenses incurred to administer NMPSIA's activities. (SHARE #34900).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of NMPSIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB). NMPSIA adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB Statement 34). With the implementation of GASB Statement 34, the NMPSIA has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements, has prepared a balance sheet classified between current and noncurrent assets and liabilities, and has categorized net position as invested in capital assets, restricted, and unrestricted.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operating of these funds are included on the statement of net position.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. All operations of NMPSIA are accounted for as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities are provided to outside parties. NMPSIA follows GASB 62, which incorporates Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Research Bulletins which do not conflict or contradict GASB statements.

The accrual basis of accounting is used by proprietary fund types. NMPSIA follows GASB 10 and as amended GASB 30, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.* Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to participants for premiums. Principal operating expenses are the costs of providing insurance coverage, administrative costs and depreciation of capital assets. Transactions not included as operating activities for the statements of cash flows are classified as nonoperating revenues and expenses in the statements of revenues, expenses, and changes in net position.

When both restricted and unrestricted resources are available for use, it is NMPSIA's policy to use restricted resources first, then unrestricted resources as needed.

Budgetary Process

An operating budget is submitted annually for review to the Public Education Department, the Budget Division of the Department of Finance and Administration and the Legislative Finance Committee of the State of New Mexico. The budget is prepared on a modified accrual basis and monthly modified accrual basis reports of receipts and expenditures are required to be submitted to the state. This modified accrual basis used for budget purposes differs from the accrual basis of accounting in that purchases of fixed assets are recorded as expenditures and depreciation and compensated absences are not recorded. Also, any accounts payable that does not get paid by the statutory deadline must be paid out of next year's budget. There were no differences between GAAP and budgetary basis accounts payable amounts. Budget amendments must be reviewed by the Department of Finance and Administration. For the administrative function budget, line item expenditures within budget appropriation unit may legally exceed amounts budgeted; however, the budget appropriation unit expenditures may not legally exceed the total approved budget amount.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process (Continued)

Unfavorable variances by expense category are not a budget violation. There are no legal restrictions on the Benefits and Risk functions' expenditures.

Budget Adjustments: The approved Budget Adjustment Requests for fiscal year 2020 were as follows:

Fund 34900 – Program Support:

Budget adjustment to increase category 300:	$ 41,700
Budget adjustment to decrease category 400:	$ 41,700

Fund 35000 – Benefits:

Budget adjustment to increase category 300:	$ 12,500,000
Budget adjustment to increase revenue:	$ 12,500,000

Fund 35100 – Risk:

Budget adjustment to increase category 300:	$ 22,000,000
Budget adjustment to increase revenue:	$ 22,000,000

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position

Statements of Cash Flows and Cash and Cash Equivalents: For purposes of the statements of cash flows, cash and cash equivalents include checking accounts, money market accounts and amounts on deposit in the New Mexico State Treasurer's Local Government Investment Pool and State Fund Investment Pool with original maturities of three months or less. A summary of cash and cash equivalents that reconciles to the statement of cash flows is as follows at June 30:

Cash and Cash Equivalents Type	2020
Cash and Cash Equivalents	$ 19,812,207
New Mexico State Treasurer's State Fund Investment Pool	746,810
New Mexico State Treasurer's Local Gov't Investment Pool	94,659,861
Total Cash and Cash Equivalents	$ 115,218,878

Cash in bank accounts is insured up to $250,000 per bank at June 30, 2020. As required by state law, 50 percent of the uninsured balance is required to be secured by pledges of qualifying securities held by the depository. The State Treasurer's Office has determined that all NMPSIA's bank accounts at Wells Fargo are covered by the State Treasurer's Collateralization Policy. As such, all bank accounts at Wells Fargo are covered by the provision in the State Fiscal Agency Contract entered into between Wells Fargo and the State Board of Finance. That contract specifies that the State Fiscal Agent must identify total State monies on deposit on a monthly basis in order that the State Board of Finance may require adjustment of collateralization levels of State money as necessary to comply with the State law requirements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

All bank accounts at Wells Fargo are therefore covered by these collateralization requirements. Funds with the State Treasurer are required to be collateralized at a minimum level of 50 percent. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments.

Investment in the New Mexico State Treasurer's Local Government Investment Pool. New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool: The Board of NMPSIA shall determine which money of NMPSIA constitutes long-term reserves for investment purposes. The State Treasurer shall invest the money in the fund that does not constitute the long-term reserves of the fund in accordance with the applicable provisions of Chapter 6, Article 10.

Investments in the New Mexico State Treasurer's Local Government Investment Pool (Pool) are carried at cost, which approximates market, plus accrued interest and are secured by obligations of the U.S. government or its agencies. Interest income is allocated to NMPSIA on the basis of its invested balance to the Pool's total invested balance. Amounts can be withdrawn by NMPSIA on demand.

State law (Section 8-6-3 NMSA 1978) requires NMPSIA's administrative cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of NMPSIA consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2020 NMPSIA had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool: $746,810.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the SGFIP), which is managed by the Office of the New Mexico State Treasurer. Claims on the SGFIP are reported as assets by the various agencies investing in the SGFIP.

The SGFIP represents cash and short-term investments. The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by State statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the $250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Investment in the New Mexico State Treasurer's Local Government Investment Pool. New Mexico State Treasurer's State General Fund Investment Pool and New Mexico State Investment Council Long-Term Investment Pool (Continued):

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, see the separate audit report of the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2020.

NMPSIA had funds that represented the long-term reserves invested in stocks and bonds formerly managed by independent third parties following NMPSIA's investment policy. During fiscal year 2004, stewardship of all funds were transferred to the New Mexico State Investment Council by a joint powers agreement that will expire only when either party terminates the agreement.

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools,* with increases or decreases in fair market value recognized in the statements of revenues, expenses, and changes in fund net position at the end of each month. Fair value is based on quoted market value at year-end. Investment transactions are recorded on the trade date. Dividends are recognized as income when declared.

Capital Assets: Capital assets consist of premises and equipment which are stated at cost, less accumulated depreciation. Capital assets are defined by the state as assets which have a cost of $5,000 acquired during the 2007 fiscal year and thereafter. Purchased assets are valued at historical cost. Donated assets are recorded at their fair market value at the date of donation. There is no debt related to capital assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Generally, estimated useful lives are as follows:

Assets	Years
Building Improvements	10 - 30
Building	30
Computer Equipment	3 - 7
Furniture and Fixtures	7

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Participant Premiums: Participant premiums for benefits coverage are recognized as revenue on a pro rata basis over the applicable contract period. Premiums for risk coverage are recognized as revenue in the applicable contract period (coincides with the fiscal year).

Excess Insurance Premiums: Excess insurance premiums for risk coverage are recognized as expense in the applicable contract period (coincides with the fiscal year). Premium adjustments for retrospectively adjusted excess insurance policies are estimated and recorded as revenue or expense over the period of policy coverage. Outstanding receivables at year end due from participants and excess insurers are fully collectable. Accordingly, no allowance for uncollectable receivables has been recorded.

Reserve for Losses and Loss Adjustment Expenses: Insurance losses and related loss adjustment expenses are charged to operations as incurred. The reserves for losses and loss adjustment expenses are determined based upon case-basis evaluations and actuarial projections and include a provision for claims incurred but not reported. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty, and workers' compensation insurance industry data, which supplements NMPSIA's historical experience and includes the effects of inflation and other factors. Losses are reported net of estimated amounts recoverable from excess insurance, salvage and sub rogations, and the deductible portion of claims. Adjustments to the probable ultimate liability for losses and loss adjustment expenses are made continually, based on subsequent developments and experience, and are included in operations as made.

During 2003, NMPSIA changed its methodology for accounting for its risk fund reserve for losses and loss adjustment expenses from an undiscounted basis to a discounted basis. The change was made to adjust the reserves to present value and to better reflect income.

In the opinion of NMPSIA's management and NMPSIA's independent actuary, the reserves for losses and loss adjustment expenses are reasonably stated to cover the present value of the ultimate net cost of loss adjustment expenses.

As discussed above, NMPSIA's management has discounted the losses and loss adjustment expenses for property, casualty, and workers' compensation to present values. Estimated outstanding losses were determined by NMPSIA's actuary to be $93,089,807 at June 30, 2020. The indicated discounted losses and loss adjustment expenses are $82,363,976 at June 30, 2020. Discounting is based on estimated payment dates and an appropriate assumed rate of return. The estimated unpaid losses as of June 30, 2020 were discounted using an interest rate of 2.0%.

Income Taxes: NMPSIA provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and is exempt from federal income taxes pursuant to the Code.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position (Continued)

Net Position: The government-wide fund financial statements utilize a net position presentation. Net positions are categorized as investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. NMPSIA did not have any related debt during the year ended June 30, 2020.

Restricted Net Position – consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – are all other net position that do not meet the definition of restricted or net investment in capital assets.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

At June 30, 2020, NMPSIA has total current and non-current reserves for losses and loss adjustment expenses in the amount of $101,939,082. The allocation of current and non-current is an estimate. Due to the uncertainty of future claims, this amount could significantly change in fiscal year 2020.

COVID-19 (Coronavirus) Pandemic: In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. In response to the COVID-19 Pandemic, NMPSIA has seen several significant changes to NMPSIA's operations for the last few months of fiscal year 2020 and to the start of fiscal year 2021. In light of recent public health orders mandated by the Office of the Governor, all non-essential staff and those staff eligible to telecommute were sent home. The safety and health of our employees as well as the general public that we serve is of great importance to NMPSIA. We remain committed to the purpose of NMPSIA and ensuring that adequate internal controls over financial transactions and reporting were maintained.

As a result of this pandemic, the economy in which NMPSIA operates has seen significant declines in the market values of investments, gross receipts tax revenues, and revenues derived from the oil and gas industry, all of which are significant sources of revenue for the State of New Mexico, which allocates these resources through appropriations to individual state agencies. Due to these significant declines, a Special Session of the legislature was called in June of 2020 to consider and take action on proposed budget cuts to ensure the continued operation of state government. Agencies received a four percent reduction to their operating budget for the upcoming fiscal year. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: CASH AND INVESTMENTS

NMPSIA follows GASB statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended June 30, 2020.

NMPSIA investments held by the State Investment Council at June 30, 2020 was as follows:

	June 30, 2020		
Type	**Benefits**	**Risk**	**Total**
Large Cap Index	$ 6,133,411	$ 2,615,459	$ 8,748,870
Core Bonds	9,237,157	3,939,598	13,176,755
Mid / Small Cap	1,527,543	651,994	2,179,537
Non US Emerging Markets	808,706	344,838	1,153,544
Non US Developed Markets	3,235,794	1,380,530	4,616,324
Total	$ 20,942,611	$ 8,932,419	$ 29,875,030

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. NMPSIA has exposure to interest rate risk by its investment in the Core Bond holdings with the State Investment Council.

The carrying amounts of NMPSIA's deposits at financial institutions as of June 30, 2020 was $115,218,878. Bank balances before reconciling items were $115,218,878 at June 30, 2020. The custodial credit risk for deposits is the risk that in the event of a bank failure, NMPSIA's deposits may not be recovered. The bank balance for 2020 was insured or covered by the State Treasurer's Collateralization Policy.

The New Mexico State Treasurer Local Government Investment Pool (Pool) is not SEC registered. Section 6-10-10 I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government that have AAA credit quality ratings. The Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The New Mexico LGIP AAAm Rated $94,659,861 [25] day weighted average maturity (WAM) (R); [77] day WAM (F).

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The Pool does not have any foreign currency risk as all holdings are denominated in US dollars. Participation in the Pool is voluntary.

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Total investment income and gains from investments are as follows:

Type	2020
Investment Income	$ 1,578,456
Unrealized Gain	1,037,657
Total Investment Income	$ 2,616,113

NMPSIA does not engage in any securities lending arrangements, reverse repurchase agreements or in the use of derivatives.

All investments are managed by the New Mexico State Investment Council which is audited annually. That report can be obtained by writing to the New Mexico State Investment Council, 41 Plaza la Prensa, Santa Fe, New Mexico 87507.

State General Fund Investment Pool Reconciliation

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except where otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the state's bank when agency cash receipts are deposited with STO and pooled in a statewide investment fund, also referred to as the State General Fund Investment Pool (SGFIP). In times when amounts are greater than immediate needs they are placed into shortterm investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2020. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration (Department), and the State of New Mexico's Comprehensive Annual Financial Report. These reviews have deemed the process sound and the Department is fully compliant with reconciliation requirements. The Department asserts that:

- As of June 30, 2020, resources held in the pool were equivalent to the corresponding business unit claims on those resources

- All claims, as recorded in SHARE, shall be honored at face value

NOTE 4: FAIR VALUE MEASUREMENTS

Investments are recorded at fair value in accordance with GASB No. 72. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. NMPSIA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments measured at the net asset value (NAV) are those whose underlying positions are not evident and thus the market value of the investment is priced at a price per share in a fund or by another pricing methodology.

NMPSIA has the following recurring fair value measurements:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2020
Assets				
Large Cap Index	$ 8,748,870	$ -	$ -	$ 8,748,870
Core Bonds	-	13,176,755	-	13,176,755
Mid / Small Cap	2,179,537	-	-	2,179,537
Non US Emerging Markets	1,153,544	-	-	1,153,544
Non US Developed Markets	4,616,324	-	-	4,616,324
Total Investments at fair market value	$ 16,698,275	$ 13,176,755	$ -	$ 29,875,030

NOTE 5: RECEIVABLES

Receivables as of June 30, 2020 are as follows:

Receivables	**Balance June 30, 2020**
Accounts Receivable, Net	$ 270,737
Accrued Interest Receivable, Net	33,071
Receivables From Excess Insurers, Net	6,413,933
Drug Rebates	3,233,886
Receivables, Net	$ 9,951,627

NMPSIA considers all receivables to be fully collectable, and therefore, there is no provision for uncollectable accounts.

NOTE 6: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 235,000	$ -	$ -	$ 235,000
Art	1,765	-	-	1,765
Total Capital Assets Not Being Depreciated	236,765	-	-	236,765
Capital Assets Being Depreciated:				
Buildings and Improvements	556,920	-	-	556,920
Data Processing Equipment	17,674	-	-	17,674
Total Capital Assets Being Depreciated	574,594	-	-	574,594
Total Capital Assets	811,359	-	-	811,359
Accumulated Depreciation:				
Buildings and Improvements	(531,354)	(10,868)	-	(542,222)
Data Processing Equipment	(4,299)	(2,064)	-	(6,363)
Total Accumulated Depreciation	(535,653)	(12,932)	-	(548,585)
Capital Assets, Net	$ 275,706	$ (12,932)	$ -	$ 262,774

Depreciation expense of $12,932 is unallocated in the Program Fund for the year ended June 30, 2020.

NOTE 7: EXCESS INSURANCE

NMPSIA has entered into contracts with various commercial excess insurance carriers to minimize exposure on risks above NMPSIA's self-insurance retention. As of June 30, 2020, the per occurrence self-insurance retention for workers' compensation losses is $1 million; general, automobile and errors and omissions liability is $1 million; property and automobile physical damage losses is $1 million.

Property and casualty aggregate losses are self-insured up to certain amounts during each policy year. Each coverage part maintains a separate aggregate limit and is reinsured by commercial excess insurance carriers. For the policy year July 1, 2019 to July 1, 2020, the property policy aggregate limit is unlimited. The liability policy aggregate limit is $13,000,000. The aggregate limit limits the annual amounts that NMPSIA would be responsible for in funding its self-insured losses.

NOTE 8: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for losses and loss adjustment expenses represent, in management's opinion, the best estimate of the ultimate cost of settling all reported and unreported claims. The actuarial projections of ultimate losses on reported claims and the estimate of claims incurred but not reported are based on a composite of NMPSIA's experience and benefits, property, casualty and workers' compensation insurance industry data.

However, due to the historical experience of NMPSIA, there exists a range of variability around the best estimate of the ultimate cost of settling all unpaid NMPSIA claims. Accordingly, the amount reflected in the accompanying financial statements as reserves for losses and loss adjustment expense at June 30, 2020 and the related provisions for the year ended June 30, 2020, may not ultimately be the actual cost of settling all unpaid claims.

NOTE 8: RESERVES FOR LOSSES AND LOSS ADJUSTMENT EXPENSES (CONTINUED)

Components of the reserves for losses and Loss adjustment expenses are as follows:

	Benefits 2020	Workers' Compensation 2020	Property and Casualty 2020	Total
Estimated Reserves for Claims	$ 29,130,000	$ -	$ -	$ 29,130,000
Less: Estimated Amounts Recoverable pursuant to excess insurance on specific and aggregate loss occurrences	-	-	-	-
Reserve for Losses and Loss adjustment expenses at year end (discounted)	29,130,000	-	-	29,130,000
Changes in reserves for losses and loss adjustment expenses are as follows:				
Reserve for Losses and Loss adjustment expenses at beginning of year (discounted)	28,921,000	34,436,598	42,957,640	106,315,238
Incurred Losses and Loss Adjustment Expenses				
Provision for Insured Events of the Current Year	301,800,530	10,423,037	20,088,611	332,312,178
Increase (Decrease) in Provision for Events of Prior Year	222,456	(1,754,340)	5,265,383	3,733,499
Total Incurred Losses and Loss Adjustment Expenses	302,022,986	8,668,697	25,353,994	336,045,677
Payments (net of amounts receivable pursuant to excess insurance contracts)				
Losses and Loss Adjustment Expenses Attributable to Events of the Current Year	271,703,772	2,698,360	1,843,592	276,245,724
Losses and Loss Adjustment Expenses Attributable to Events of the Prior Year	30,110,214	7,229,356	16,018,880	53,358,450
Total Payments and Adjustment Expenses	301,813,986	9,927,716	17,862,472	329,604,174
Reserve for Losses and Loss Adjustment Expenses at End of Year (Undiscounted)	29,130,000	33,177,580	50,449,162	112,756,742
Add: Premium Factor	-	-	-	-
Reserves for Losses and Loss Adjustment Expenses at End of Year	$ 29,130,000	$ 33,177,580	$ 50,449,162	$ 112,756,742

NOTE 9: ACCRUED COMPENSATED ABSENCES

NMPSIA accounts for accumulated annual and sick leave on the accrual basis. Employees are entitled to accumulate annual leave at a graduated rate based on years of service. In accordance with State law, NMPSIA has recorded a liability included in accrued compensated absences for each employee for annual leave up to 240 hours at 100% of the employee's hourly wage. State law requires that sick leave be accrued for each employee for hours in excess of 600, but not over 720 (a maximum of 120 hours).

Upon termination of employment, sick pay for hours accumulated for 600 hours is forfeited and vacation pay is limited to payment of 240 hours at 100% of the employee's hourly wage. Sick leave is payable semiannually to qualified employees for hours accumulated over 600 hours but not over 720 at 50% of the employee's hourly wage. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at 50% of the employee's hourly wage.

A detail of accrued compensated absences is as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Annual Leave	$ 59,800	$ 34,099	$ 30,063	$ 63,836	$ 63,836
Total	$ 59,800	$ 34,099	$ 30,063	$ 63,836	$ 63,836

Based on expected usage during the 2020 fiscal year all of the accrued compensated absences balance has been classified as a current liability.

NOTE 10: JOINT POWERS AGREEMENT

An agreement exists among NMPSIA, New Mexico Retiree Health are Authority, Albuquerque Public Schools, and the State's Risk Management Division of the General services Department (collectively, the Interagency Benefits Advisory Committee). The purpose is to authorize the parties to exercise their common powers to provide and administer health care insurance program, and to implement the purposes of the Health Care Purchasing Act. Each agency acts as its own fiscal agent for cost purposes. The agreement was effective March 15,1999 and continues in force until terminated by any party upon 90 days written notice to the other parties.

NOTE 11: INSURANCE SERVICING AND ADMINISTRATION AGREEMENTS

NMPSIA has entered into agreements with third parties for claims administration, administration of excess insurance contracts, accounting, administrative services, and related matters. These agreements are generally renewable on an annual basis.

NOTE 11: INSURANCE SERVICING AND ADMINISTRATION AGREEMENTS (CONTINUED)

Fees for such services for the year ended June 30, 2020 was as follows:

Description	2020
Administrative / Wellness Fees of Health Care Providers	$ 14,716,501
Third Party Administration Claims & Fees	2,146,733
Total	$ 16,863,234

NOTE 12: OPERATING LEASES

NMPSIA leases one vehicle, a phone system and other office equipment for use in its operations under operating leases. Total rent expense paid for the year ended June 30, 2020 was $9,502. Remaining lease payments under the leases are as follows:

Year Ending	Amount
2021	$ 9,814
2022	5,138
2023	5,138
2024	-
2025	-
Total	$ 20,090

NOTE 13: OPERATING TRANSFERS

The following operating transfers occurred between the NMPSIA functional activities and with the Department of Finance and Administration during the year ended June 30, 2020:

SHARE FUND		June 30, 2020	
		From	To
Administration Fund (Fund 34900)	*A*	$ -	$ 1,322,200
Benefits Fund (Fund 35000)	*A*	661,100	-
Risk Fund (Fund 35100)	*A*	661,100	-
Administration Fund (Fund 34900)	*B*	169,723	-
Benefits Fund (Fund 35000)	*B*	-	84,862
Risk Fund (Fund 35100)	*B*	-	84,861
Risk Fund (Fund 35100)	*C*	-	8,000,000
Total		$ 1,491,923	$ 9,491,923

A) These annual transfers were to pay for administration fund operating costs as approved by the NMPSIA board and by the budgetary process.

B) Unexpended balance in Administration Fund remaining at the end of the fiscal year reverted back to the Risk and Benefits funds.

NOTE 13: OPERATING TRANSFERS (CONTINUED)

C) A supplemental transfer was received from the general fund for $10,000,000 per Laws 2020, Chapter 83, Section 6, to help pay for claims. Laws 2020, 1st SS, Chapter 5 required a reduction of the transfer resulting in a payable due to state general fund from fund 35100 in the amount of $2,000,000 at June 30, 2020. The total transfer amount received was $8,000,000.

NOTE 14: PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description - Substantially all of NMPSIA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.nmpera.org.

Funding Policy - Plan members are required to contribute 8.92% of their gross salary for the year ended June 30, 2020. NMPSIA is required to contribute 17.24% of the gross covered salary for the year ended June 30, 2020. The contribution requirements of plan members and NMPSIA are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. NMPSIA's contributions to PERA, for the years ending June 30, 2020, 2019, and 2018 were $111,548, $112,648, and $119,878, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for multiple employer cost sharing pension plans by employers:

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2016.

NMPSIA, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE

Plan Description - The NMPSIA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers' effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served as least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy - The Retiree Health Care Act (Section 1 0-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 1 0-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees.

NOTE 15: POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE (CONTINUED)

For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2020, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2020, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

NMPSIA's total contributions to the RHCA for the year ended June 30, 2020, 2019 and 2018 were $12,941, $13,261, and $14,112, respectively, which equal the required contributions for each fiscal year.

Financial Reporting and Disclosure for post-employment benefits:

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 16: CONTINGENT LIABILITIES

NMPSIA is subject to various legal proceedings, claims and liabilities, which arise in the ordinary course of NMPSIA's operations. In the opinion of NMPSIA's management and legal counsel, the ultimate resolution of these matters will not have a material adverse impact on the financial position or results of operations of NMPSIA.

NOTE 17: NEW ACCOUNTING STANDARDS

NMPSIA reviewed subsequent pronouncements to June 30, 2020 issued by GASB noting the following statements that may have a potential material effect on the NMPSIA's financial statements in subsequent periods.

GASB 95

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

NOTE 18: SUBSEQUENT EVENTS

NMPSIA has evaluated subsequent events through September 25, 2020, which is the date the financial statements were available to be issued. See *Note 1: Summary of Significant Accounting Policies* for the *COVID-19 (Coronavirus) Pandemic* disclosure. There are no other matters identified for recognition in the accounts.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

The following table illustrates how NMPSIA's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by re-insurers) and other expenses assumed by NMPSIA as of the end of each of the last ten years. The rows of the table are defined as follows:

1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.

2) This line shows each fiscal year's other operating costs, including overhead and claims expense not allocable to individual claims.

3) This line shows NMPSIA's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that occurred triggered coverage under the contract (called policy year) .

4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.

5) This section of ten rows shows how each policy years incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether the latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive policy years.

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net earned required contribution and investment revenues	$ 293,708,019	$ 281,118,806	$ 282,627,712	$ 306,988,501	$ 315,681,448	$ 323,531,055	$ 335,640,756	$ 328,834,095	$ 330,487,993	$ 341,982,495
Unallocated Expenses	6,696,198	7,222,667	5,570,613	5,522,823	8,207,462	7,004,493	6,970,350	6,837,718	7,348,438	8,678,473
Estimated incurred claims and expense, end of policy year	270,658,035	270,953,635	281,150,718	287,923,547	303,520,019	328,244,167	318,308,067	302,599,897	303,469,568	327,668,402
Net Paid (cumulative) as of:										
End of policy year	235,603,145	235,713,317	239,862,997	245,048,536	259,387,540	270,733,727	274,268,674	256,097,967	259,798,127	269,327,553
One year later	243,563,999	240,427,472	245,422,529	252,704,464	280,251,992	302,077,252	311,697,655	288,225,691	297,554,916	
Two years later	247,508,334	243,331,130	249,668,956	272,079,338	285,830,477	306,004,391	316,984,386	294,439,798		
Three years later	250,523,638	246,308,303	249,668,956	273,051,395	289,763,911	310,120,469	321,450,458			
Four years later	252,448,586	246,308,303	249,668,956	274,763,528	292,186,337	311,486,541				
Five years later	252,448,586	246,308,303	249,668,956	276,462,411	293,930,752					
Six years later	252,448,586	246,308,303	249,668,956	276,699,642						
Seven years later	252,448,586	246,308,303	249,668,956							
Eight years later	252,448,586	246,308,303								
Nine years later	252,448,586									
Re-estimated net incurred claims and expenses										
End of policy year	270,658,035	270,953,635	281,150,718	287,923,547	303,520,019	305,437,028	309,189,860	296,021,418	298,101,048	327,668,402
One year later	265,296,208	265,603,783	276,228,199	281,881,679	286,078,510	309,015,653	320,900,610	301,397,386	311,684,679	
Two years later	263,282,222	263,578,328	273,485,545	275,872,282	291,878,444	313,743,072	323,761,732	305,585,640		
Three years later	261,807,751	262,256,828	273,485,545	275,820,441	294,752,589	312,816,078	325,099,233			
Four years later	260,796,425	262,256,828	273,485,545	277,726,022	296,533,549	313,965,886				
Five years later	260,796,425	262,256,828	273,485,545	277,731,263	296,014,407					
Six years later	260,796,425	262,256,828	273,485,545	277,450,851						
Seven years later	260,796,425	262,256,828	273,485,545							
Eight years later	260,796,425	262,256,828								
Nine years later	260,796,425									
	-	-	-	-	-	-	-	-	-	-
Increases (decrease) in estimated net incurred claims and expenses from end of original policy year.	$ 9,861,610	$ 8,696,807	$ (7,665,173)	$ (10,472,696)	$ (7,505,612)	$ (14,278,281)	$ 6,791,166	$ 2,985,743	$ 8,215,111	$ -

* Data is current for fiscal years 2014 - 2020. Due to a change in actuaries, data for fiscal years 2010 - 2013 is carried forward.

* Estimated incurred claims and expense, end of policy year 2019 were updated

SUPPLEMENTARY INFORMATION

Fund	Agency #	SHARE FUND #
Administration	342	34900
Benefits	342	35000
Risk	342	35100

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
PROGRAMS FUND (34900)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES				
Transfers In	$ 1,322,200	$ 1,322,200	$ 1,322,200	$ -
Total Revenues and Other Financing Sources	1,322,200	1,322,200	1,322,200	-
Prior Year Fund Balance Rebudgeted	32,800	32,800	-	(32,800)
Total Revenues, Other Financing Sources and Prior Year Fund Balance Rebudgeted	1,355,000	1,355,000	1,322,200	(32,800)
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	-	-	-	-
Premiums	-	-	-	-
Insurance Servicing and Administration	-	-	-	-
General and Administrative	1,355,000	1,355,000	1,152,475	202,525
TOTAL EXPENSES AND OTHER FINANCING USES	$ 1,355,000	$ 1,355,000	1,152,475	$ 202,525
NON-BUDGETED ITEMS:				
Transfers Out			(169,723)	
Depreciation Expense			(12,932)	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			$ (12,930)	

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
BENEFITS (FUND 35000)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	$ 314,794,100	$ 327,294,100	$ 310,180,717	$ (17,113,383)
Investment Income	132,000	132,000	1,162,987	1,030,987
Other Income	-	-	331,490	331,490
Settlement Reimbursements	-	-	-	-
Total Revenues and Other Financing Sources	314,926,100	327,426,100	311,675,194	(15,750,906)
Prior Year Fund Balance Rebudgeted	2,003,000	2,003,000	-	(2,003,000)
Total Revenues, Other Financing Sources and Prior Year Fund Balance Rebudgeted	316,929,100	329,429,100	311,675,194	(17,753,906)
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	287,018,000	299,518,000	277,468,831	22,049,169
Premiums	12,000,000	12,000,000	11,698,933	301,067
Insurance Servicing and Administration	17,000,000	17,000,000	16,810,460	189,540
General and Administrative	250,000	250,000	214,992	35,008
Transfers Out	661,100	661,100	661,100	-
TOTAL EXPENSES AND OTHER FINANCING USES	$ 316,929,100	$ 329,429,100	306,854,316	$ 22,574,784
NON-BUDGETED ITEMS:				
Transfers In			84,862	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			$ 4,905,740	

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS) –
RISK (FUND 35100)
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES				
Participant Premiums	$ 69,958,500	$ 91,958,500	$ 82,829,181	$ (9,129,319)
Investment Income	82,000	82,000	1,453,126	1,371,126
Settlement Reimbursements	-	-	-	-
Other Income	40,000	40,000	2	(39,998)
General Fund Appropriation	8,000,000	8,000,000	8,000,000	-
Total Revenues and Other Financing Sources	78,080,500	100,080,500	92,282,309	(7,798,191)
EXPENSES AND OTHER FINANCING USES				
Loss and Loss Adjustment Expenses	21,219,400	51,219,400	42,116,424	9,102,976
Premiums	42,000,000	42,000,000	41,934,920	65,080
Insurance Servicing and Administration	6,000,000	6,000,000	5,706,580	293,420
General and Administrative	8,200,000	200,000	152,760	47,240
Transfers Out	661,100	661,100	661,100	-
TOTAL EXPENSES AND OTHER FINANCING USES	$ 78,080,500	$ 100,080,500	90,571,784	$ 9,508,716
NON-BUDGETED ITEMS:				
Transfers In			84,861	
Other Income			2	
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENSES AND OTHER FINANCING SOURCES AND USES			$ 1,795,388	

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
CASH AND CASH EQUIVALENTS - RECONCILIATION
FROM BOOKS TO FINANCIAL STATEMENTS
JUNE 30, 2020

	Benefits 35000	Risk 35100	Programs 34900	Total
Interest bearing checking and money market:				
Wells Fargo:				
Employee Benefits Depository	$ 7,582,449	$ -	$ -	$ 7,582,449
Employee Benefits Short-Term Investments	200,298	-	-	200,298
Local Government Investment Pool	30,311,602	64,348,259	-	94,659,861
Employee Benefits Disbursement Account	-	-	-	-
Risk Depository Account	-	11,787,150	-	11,787,150
Risk Short-Term Investment Account	-	242,310	-	242,310
Total -Interest bearing checking and money market:	38,094,349	76,377,719	-	114,472,068
New Mexico State Treasurer Accounts				
General Fund Investment Pool	-	-	746,810	746,810
Total Amounts held with State Treasurer	-	-	746,810	746,810
Total Cash Balances	38,094,349	76,377,719	746,810	115,218,878
Less: Outstanding Checks / Reconciling Items	-	-	-	-
Total Cash and Cash Equivalents	$ 38,094,349	$ 76,377,719	$ 746,810	$ 115,218,878

The information on outstanding warrants at June 30, 2020 was not provided to NMPSIA by the State Treasurer’s Office.

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF NET POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
JUNE 30, 2020

	35000 Benefits	35100 Risk	34900 Programs	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 7,782,747	$ 12,029,460	$ -	$ 19,812,207
NM State Treasurer's State Fund Investment Pool	-	-	746,810	746,810
NM State Treasurer's Local Fund Investment Pool	30,311,602	64,348,259	-	94,659,861
Accounts Receivable, Net	24,177	246,372	188	270,737
Accrued Interest Receivable, Net	12,433	20,638	-	33,071
Receivables From Excess Insurers, Net	3,233,886	6,413,933	-	9,647,819
Due from Other Funds	84,861	84,861	-	169,722
Prepaid Expenses and Deposits	-	256,000	-	256,000
Total Current Assets	41,449,706	83,399,523	746,998	125,596,227
Non-Current Assets:				
Investments - Long-Term	20,942,611	8,932,419	-	29,875,030
Capital Assets, Net	-	-	262,774	262,774
Total Non-Current Assets	20,942,611	8,932,419	262,774	30,137,804
TOTAL ASSETS	$ 62,392,317	$ 92,331,942	$ 1,009,772	$ 155,734,031
LIABILITIES AND NET POSITION				
Current Liabilities:				
Reserves for Losses and Loss Adj. Expense	$ 19,575,106	$ -	$ -	$ 19,575,106
Unearned Premium Rev. and Carrier Advances	148,686	-	-	148,686
Due to Insurance Carriers for Claims Paid	9,552,629	400,273	-	9,952,902
Accounts Payable	1,512,256	445,322	20,605	1,978,183
Accrued Payroll	-	-	43,114	43,114
Due to State General Fund	-	2,000,000	-	2,000,000
Due to Other Funds	-	-	169,722	169,722
Accrued Compensated Absences	-	-	63,836	63,836
Total Current Liabilities	30,788,677	2,845,595	297,277	33,931,549
Non-Current Liabilities				
Reserve for Losses and Loss Adj. Expense	-	82,363,976	-	82,363,976
Total Non-Current Liabilities	-	82,363,976	-	82,363,976
TOTAL LIABILITIES	30,788,677	85,209,571	297,277	116,295,525
NET POSITION				
Net Investment in Capital Assets	-	-	262,774	262,774
Restricted for Future Benefits	31,603,640	7,122,371	-	38,726,011
Unrestricted	-	-	449,721	449,721
TOTAL NET POSITION	31,603,640	7,122,371	712,495	39,438,506
TOTAL LIABILITIES AND NET POSITION	$ 62,392,317	$ 92,331,942	$ 1,009,772	$ 155,734,031

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
BY FUNCTIONAL ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2020

	35000 Benefits	35100 Risk	34900 Programs	Total
REVENUES				
Participant Premiums	$ 310,180,717	$ 82,829,181	$ -	$ 393,009,898
TOTAL REVENUES	310,180,717	82,829,181	-	393,009,898
EXPENSES				
Loss and Loss Adjustment Expenses	277,468,831	42,116,424	-	319,585,255
Premiums	11,698,933	41,934,920	-	53,633,853
Insurance Servicing and Fees	16,810,460	5,706,580	-	22,517,040
General and Administrative	214,992	152,760	1,152,475	1,520,227
Depreciation Expense	-	-	12,932	12,932
TOTAL EXPENSES	306,193,216	89,910,684	1,165,407	397,269,307
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	3,987,501	(7,081,503)	(1,165,407)	(4,259,409)
NON-OPERATING REVENUES AND EXPENSES				
Investment Income	1,162,987	1,453,126	-	2,616,113
General Fund Appropriation	-	8,000,000	-	8,000,000
Other Income	331,490	2	-	331,492
Transfers in	84,862	84,861	1,322,200	1,491,923
Transfers out	(661,100)	(661,100)	(169,723)	(1,491,923)
TOTAL NON-OPERATING REVENUES AND EXPENSES	918,239	8,876,889	1,152,477	10,947,605
NET CHANGE IN NET POSITION	4,905,740	1,795,386	(12,930)	6,688,196
NET POSITION, BEGINNING OF YEAR	26,697,900	5,326,985	725,425	32,750,310
NET POSITION, END OF YEAR	$ 31,603,640	$ 7,122,371	$ 712,495	$ 39,438,506

COMPLIANCE SECTION

KMA
KUBIAK MELTON & ASSOCIATES, LLC
AUDITORS – BUSINESS CONSULTANTS - CPAs

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and
The Board of Directors
New Mexico Public Schools Insurance Authority
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the New Mexico Public School Insurance Authority's basic financial statements, and the related budgetary comparisons of the New Mexico Public Schools Insurance Authority, presented as supplementary information, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit, of the financial statements, we considered the New Mexico Public Schools Insurance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the New Mexico Public Schools Insurance Authority's internal control. Accordingly, we ·do not express an opinion on the effectiveness of the New Mexico Public Schools Insurance Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Mexico Public Schools Insurance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants - CPAs

Albuquerque, New Mexico
September 25, 2020

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of Auditors' Report Issued: Unmodified

2. Internal Control Over Financial Reporting:

   a. Material weaknesses identified? No
   b. Significant deficiencies identified? No
   c. Noncompliance material to financial statements noted? No

SECTION II. CURRENT YEAR AUDIT FINDINGS

There are no audit findings in the current year.

SECTION III. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no audit findings in the prior year.

STATE OF NEW MEXICO
NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2020

An exit conference was held on September 25, 2020 to discuss the results of the audit. Representing the New Mexico Public Schools Insurance Authority:

Al Park, Board President
Patrick Sandoval, Chief Financial Officer
Melissa Rael, Financial Manager
Pamela Vigil, CPO

Representing the Independent Auditors:

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA, Member – Director of Audit
Jose “Joe” Ortiz, Audit Manager

Note: The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of The New Mexico Public Schools Insurance Authority. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.