

## **RISK MANAGEMENT ADVISORY BOARD**

**December 10, 2024  
Via Microsoft Teams**

### **1. CALL TO ORDER**

The meeting of the Risk Management Advisory Board called to order at 2:03 p.m. The meeting was held via Microsoft Teams.

#### **ROLL CALL**

Roll call indicated the presence of a quorum as follows:

##### **Members Present:**

Teresa Ann Costantinidis, CFO of UNM  
Blaine Moffatt, Designee for Attorney General  
Alice Kane, Superintendent of Insurance  
Rennette Apodaca, Designee for CFO of Albuquerque Public Schools  
Shawna Casebier, Director of Legislative Council  
Tom Pratt, CFO of a Local Public Body

##### **Others Present:**

Anna Silva, GSD  
Jennifer Conn, GSD  
Rebecca Guay  
Leane Madrid  
Andrew Magida, GSD  
Jeannette Chavez, GSD  
Markita Sanchez, GSD  
Gerardo Ruelas, GSD

**A Quorum was present.**

### **2. APPROVAL OF THE AGENDA**

Approved.

### **3. APPROVAL OF MAY 23, 2024, MEETING MINUTES**

Approved with abstentions from Shawna Casebier and Blaine Moffatt.

### **4. WELCOME - INTERIM LEGISLATIVE UPDATE (Jeannette Chavez)**

Ms. Chavez thanked the Board members for their attendance and participation. She apologized for the sound issues.

Ms. Chavez stated that the annual report for the last fiscal year has been completed and will be sent out to the Legislative Finance Committee on Friday, two days ahead of the due date and will also be posted to the RMD website so that everyone will have access to the annual report. If anyone would like a copy of the report emailed to them, please let her know and she will send that to you over the weekend.

Ms. Chavez reported that they are also working on House Bill 287 in terms of creating a loss prevention unit or further enhancing the loss prevention staff that we have now to assist on large exposure claims and those that involve high damages and severe injuries. Ms. Chavez completed her report.

The Chair asked if there were any questions for Ms. Chavez. Hearing none, the Chair moved on to the presentation of Markita Sanchez on the health benefits transition.

## **5. HEALTH BENEFITS TRANSITION (Markita Sanchez)**

Ms. Sanchez thanked the Chair and the Board members and reported that at the end of this fiscal year, 2024, we transferred the health benefits program to the Health Care Authority. We did transfer eleven contracts over there so they could continue working on that program. The projected ending cash balance is \$8.715 million. That is cash balance, not fund balance. The fund balance is -\$124 million, and at this point they have that program over there. Is there anything you would like to add Jennifer?

Jennifer Conn: I think Secretary Armijo said this morning at the LFC meeting that that fund is projected to be at a -\$132 million by the end of this fiscal year. So, they have been asked to figure out how to right-size that back and get us back to zero so that they're assessing in the future more normally, where it's a typical 5 to 6%. Right now, I believe it's at 35% increase that they would have to actually get there.

The Chair asked if there was any discussion about a state funding allocation recognizing that the reason for the significant growth in the fund balance was a cap on the ability to charge. Do you think there is any interest or openness to state funding to cover that accumulated shortfall?

Jennifer Conn: During the LFC meeting, Senator Muñoz, Chairman of the Finance Committee, asked Secretary Armijo to figure out what the exact amount would be to bring us to zero so that in future years it would be a normal premium increase to people. She's supposed to get that number to him because he believes that if they don't fill that completely then the problem will keep going. It sounds like the senator is open to it.

Chair Costantinidis asked if it would take about three years with the planned increases in the premium to get to basically cover it?

Ms. Conn commented that the senator was talking sooner rather than later what it would take this year to get us there for next fiscal year.

There were no further questions about the health care transition, and the Chair announced it was time to move on to the finance bureau chief's presentation.

## **6. FINANCE BUREAU CHIEF'S PRESENTATION (Gerardo Ruelas)**

Mr. Ruelas started his presentation after thanking the Chair and members of the Board.

The first screen presented was the State Unemployment estimated cash balance for fiscal year 2023, our ending balance was \$8.4 million. That's what we began 2024 with. We had \$9.2 million in revenue and \$5.1 million in expenses in 2024, our balance would then be \$12.4 million. If everything goes okay, we are predicting for 2025 to have a balance of \$12.1 million. Of course, things can change. If federal funds are cut, we may see more unemployment claims that will heavily impact us so this is just a projected number. Does anybody have any questions on this one?

Chair Costantinidis: Can you tell me a little about the, it's got a footnote 4 on it but I don't see the footnote. Maybe I'm misreading it. The \$4.5 million WSD reimbursement use. Is that a budgeted figure?

Markita Sanchez: It is a projected figure Madam Chair. Basically, we usually don't include this in our actuarial study because it's actual claims, it's a reimbursable pull, so if entities incur claims, then we pay them and they reimburse us back, so this isn't something we look at as far as you have this premium, you are going to pay the claims that are incurred. So, this is a projected number and the reason there is not a -4- is because it's not in the AON report. This fund is not included in the AON report, it's just a dollar for dollar claims reimbursement. We're predicting like a straight line here. Now again, like Gerry said, things can change and that's why it's yellow. Basically, our fund indicator is yellow. We haven't seen high unemployment. It's been pretty steady but with the change in administration on the federal side, if grants get cut and our funding gets cut, there are people who get paid out of grants and they could be terminated so we're looking at potential for higher claims here. We just don't know what's going to happen. So, at this point, our projection is to remain steady at \$4.5 million. That's a total quarterly payout that we are projecting.

There are no further other questions about the unemployment cash balances. The presentation continues with LPB unemployment.

Gerardo Ruelas indicates that the LPB unemployment format is the same as the previous one. The ending cash value for 2023 was \$2.6 million. Fiscal year 2024, we had \$2.1 million in revenue, and \$1.2 million in expenses bringing us to \$3.5 million. Our projected would be \$3.3 million. These rates are based on actual claims. Does anybody have any questions on this one? There are none and the presentation continues with Fund 356, the Public Property Fund.

The ending cash balance for 2023 was \$15.2 million. The ending cash balance for 2024 was \$16 million. We are projecting an ending cash balance for 2025 of \$15.8 million. Does anybody have any questions? There were none.

Markita Sanchez commented on this fund in particular. What you want to look at is the 300 category that represents the blanket property policy that we pay to cover all the insurance on our buildings. You'll notice in 2023 it was \$6.6 million to insure the property that the state owns. In 2024, it went up to \$7.7 million, and in 2025, it went up to \$8.1 million. Our new broker, Alliance, has indicated that the property market is softening a bit so we might not see that large of an increase going forward. The liability is hardening though so we are going to see higher rates for liability coverage but, in this case, that number right there is strictly for insurance. We only pay for that policy out of this fund and then it's done. The 300 category. Then the claims you'll notice go from \$6.1 million to \$6.2 million to \$7.1 million. That's attributable to all the pothole claims we have been processing for DOT because of the roads so that gives you a little bit of what does this fund pay for. It pays for insurance, for property and for property claims and that's about it. We are paying a lot of claims. It's gone up quite a bit, and we are projecting a lot more payout for this year and next.

Chair Costantinidis: So, the \$2 million for the prior year 400s that show up in this fiscal year is that implying that really those should have been booked and it would have been \$8.2 for 2023-2024 if it had come in the right year?

It was determined after conversing that something came in late and had to be applied to 2024-2025. Markita Sanchez will look into the matter. It was explained that the state has a new broker and that they are trying to straighten things out during the transition from the old broker to the new. It was agreed this information implies the \$7.1 million in the 400s might be too low.

The Chair asked if there were any further questions about the Public Property Fund. There were none and the presentation continued with the Worker's Compensation Fund 359. The actual for 2023 was \$40 million. Actual for 2024, we are anticipating a balance of \$47.6 million. \$26 million in revenue and \$19 million in expenses. The good thing about this fund is that the goal is to be at 50% and in fiscal year 2024, we were at 63%, and for fiscal year 2025, we are projected to be at 64%. Again, these are projections. We actually hired a TPA for this one and are currently working with them to help us smooth things out. So far, it's working great. Are there any questions on this fund?

The Chair asked what the 500s on uses. Markita Sanchez responded that 500 are transfers out for program support for operating RMD operations and our program support at GSD. The Chair noted that that has come down substantially in the last two years. The Chair asked why it went down and if there was no longer a need for it. Ms. Sanchez said she believed so. The assessment comes from ASD. They tell them how much we should be putting in for program support. We choose how much we transfer in there based on what the cash balances of these funds are. For this one, we were assessed less this year, not really sure what the reason is.

Chair Costantinidis asks about projecting even less for this year we are in. Ms. Sanchez responds that they are supporting less staff because Worker's Comp actually moved out. Numbers are based on the staffing. Andrew Magida explained about the staffing changes and that the third-party administrator Alliance has helped to bring this about. There were no further questions about the Worker's Compensation Fund cash balances.

The presentation continued with discussion of the Public Liability Fund. Mr. Ruelas stated that Fund 357's actual cash balance for 2023 was \$43.1 million. The actual for 2024 had revenue of \$51 million and expenditures of \$73 million so there is a cash balance of \$20.8 million. Projected for this fund if the trend remains the same is \$25.3 million. This fund is in red; we do have a high volume of claims, and we will get into that on the next slide. Does anybody have any questions on this particular fund?

Chair Costantinidis asks if there is a goal on this percentage coverage? Or percentage in the fund ratio? Markita Sanchez responds that they have been working with an actuary to implement rate increases but what they have done to do this is to have implemented reserving practice which is something Risk Management has never done before. The actuary recommended that they start doing it this way, to start reserving the claims. Reserves were implemented and what that does is pad the cost of a claim to account for future costs which assists in raising the premium rate per entity in our pool. So the next slide shows where Risk Management went out and got a second opinion from Bickmore Consulting to do an analysis of the public liability fund. The slide shows the \$440 million Bickmore predicts are the outstanding liabilities. The amount that will be needed to settle every claim they have in their claims system at this time. Future costs takes into account inflation from every angle. Right now, they are in a critical position and not able to cover these claim payments and settlement with the money they are collecting. They have put in a supplemental with the legislature this year but don't know what the recommendations are as yet. Even with the prior \$20 million received in the 2024 second session, they are still looking at being short.

Robert Doucette state that there could be a possibility of an additional \$50 million dollars as discussed by Senator Muñoz, the Senate Finance Chair. It was in the paper. Also, we have been looking internally as to what we can do. Last year was the first year we were in the red in this fund and that happened pretty quickly. The Governor's office allowed for three more attorney positions. He explained about the different risks associated with them. They are local public bodies and executive agencies. They are going to have the new attorneys act as managers for these entities. They are also putting a lot more resources into their prevention bureau and working with the entities where they are seeing these large claims. Risk Management is actively doing things to offset these liabilities.

Jeannette Chavez asked if the Board had any questions because they are aware that there are a lot of changes being made.

Blaine Moffatt asked for clarification of the Worker's Compensation Fund monies. Andrew Magida explained more about that slide and the increase in the 300 category. Markita Sanchez elaborated on the \$39 million projection that was the basis of Mr. Moffatt's inquiry. She

explained that the numbers mentioned were old and the new numbers (FY 25) were on another slide titled RMD Public Liability Fund Q1 of FY 25. It was explained that everything associated with claims has gone up. The number of claims, the severity of the claims, the costs of the claims, and the attorney's fees associated with handling them. The goal is to get aligned with the current world they are dealing with right now.

Mr. Moffatt also inquired whether RMD feels a lot of the claims are coming from the Civil Rights Act. Jeannette Chavez responded that the Civil Rights Act has absolutely played a role. The Civil Rights legislative wording is very vague, and they are seeing a lot of claims that historically wouldn't have had civil rights components where civil rights violations are being alleged. The claim of civil rights violations elevates the value of the claim overall but it's also making more civil rights claims whether or not they are actually true.

Rennette Apodaca asked for RMD to share ways they are trying to mitigate risk. Jeannette Chavez responded and explained how RMD is considering more data and trends historically and work with state agencies by offering training to show them how they can lessen the situation for themselves. There are elements that are out of their control, and there is no real way to mitigate these. Andrew Magida offered further information about things RMD has and is doing to help mitigate risk and some steps that he has helped implement to get control of the "easy" payout methods that seemed to be in place previously. Hiring better and more qualified attorneys to represent the state's interests is part of that. It will take time to see the overall results.

Ms. Apodaca asked if the state has stop loss insurance. Jeannette Chavez responded that they do not. She explained the public liability fund is strictly self-insured with the premiums and the cost assessments they get from the different agencies and LPBs. She explained that it is very expensive and difficult to find this type of coverage. The presentation continued with the Civil Right claims data.

Gerry Ruelas discussed the slide that indicates the increase in the civil rights claim count. There were no further questions. The Board moved on to the FY24 RMD RFP's and FY25 Contract Awards. The Chair reminded the Board that one of their duties was to review all professional and consulting contracts or agreements entered into by the Risk Management Division and is something that will be done on a regular basis.

Jeannette Chavez then pointed out to the Board the various contracts on the slide that have already been entered into and are actively working right now. She reviewed each of the contractors and discussed what each contract covers and the work that is being performed by each. There were no questions presented by the Board.

The Chair asked if there were any other discussion items or issues that any member of the Board would like to raise. None being presented, the Chair then asked if any members of the public had any questions.

## **7. NEXT MEETING – March 20, 2025.**

It was pointed out that March 20, 2025, was the last day for the state legislature. Date was corrected to reflect that March 22, 2025, was the actual last day. A new meeting date would be arranged.

**8. ADJOURN**

With all business concluded at 2:46 p.m., the meeting was adjourned.

Signed and approved:

Approved by RMAB at the April 8, 2025, Meeting  
Teresa Costantinidis, Chair