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August 13, 2019

Mr. David Archuleta
Executive Director
New Mexico Retiree Health Care Authority
4308 Carlisle Boulevard NE, Suite 104
Albuquerque, NM 87107-4849

Re: Service Purchase Tables for Actuarial Equivalent Costs

Dear David:

Per your request, please find enclosed updated tables showing the cost at retirement of purchasing a year of service. We have assumed spouses are not eligible for service purchase credit.

Please note that for our calculations, we have applied a discount rate of 7.25%. The full assumptions used for the basis of the calculations is included in the attachment.

Note that to calculate the cost of the purchase of multiple years of service, multiply the factor shown by the number of years to be purchased. Purchased service should not be allowed to result in aggregate service of more than 20 years. We have also provided calculation examples and the assumptions used to derive the actuarially equivalent costs.

The tables will only apply to participants with less than 20 years of service at retirement. Please let me know if you have additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa A. Krumholz".

Melissa A. Krumholz, FSA, MAAA
Senior Health Consultant, Actuary

cc: Nura Patani, Segal Consulting
Thomas Bergman, Segal Consulting

JAC/Attachment
5592942v1/05496.001

**NEW MEXICO RETIREE HEALTHCARE AUTHORITY
TABLES FOR CALCULATING ACTUARIAL EQUIVALENCE OF
SERVICE PURCHASE**

**EXHIBIT I
ACTUARIAL EQUIVALENCE TABLES (Retiree Coverage Only)**

**Actuarial Equivalent Value of Reduction in Retiree Contribution for
Each Additional Year of Service – Total Less Than 20**

Age at Retirement	Retirements Commencing from July 1, 2019 through June 30, 2020	Retirements Commencing from July 1, 2020 through June 30, 2021
40	\$8,766	\$9,227
41	8,584	9,037
42	8,398	8,843
43	8,207	8,643
44	8,012	8,439
45	7,812	8,230
46	7,607	8,016
47	7,398	7,797
48	7,183	7,573
49	6,963	7,343
50	6,737	7,107
51	6,506	6,865
52	6,269	6,618
53	6,027	6,364
54	5,779	6,104
55	5,526	5,839
56	5,269	5,568
57	5,009	5,293
58	4,745	5,015
59	4,478	4,732
60	4,209	4,447
61	3,937	4,158
62	3,664	3,868
63	3,390	3,576
64	3,115	3,283
65	2,840	2,989
66	2,752	2,897
67	2,664	2,805
68	2,576	2,713
69	2,487	2,619
70	2,397	2,525
71	2,307	2,431
72	2,216	2,336
73	2,126	2,242
74	2,035	2,147
75	1,945	2,053
76	1,856	1,959
77	1,767	1,866
78	1,680	1,774
79	1,594	1,684
80	1,509	1,596

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**EXHIBIT II
CALCULATION EXAMPLES**

Example 1:

Retirement Date:	August 1, 2019
Age at Retirement	58
Service at retirement, before addition of service	14
Actuarial equivalent cost per additional year of service	\$4,745

Example 2:

Retirement date:	February 1, 2020
Age at retirement	67
Service at retirement, before addition of 3 years of Service	10
Actuarial equivalent cost of 3 additional years of service	\$8,415 (3 X \$2,805)

Example 3:

Retirement date:	October 1, 2020
Age at retirement	62
Service at retirement, before addition of Service	7
Actuarial equivalent cost per additional year of service	\$3,868

Example 4:

Retirement Date:	October 1, 2019
Age at Retirement	60
Service at Retirement, before addition of Service	22
Actuarial equivalent cost per additional year of service	Not Eligible

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**EXHIBIT III
ACTUARIAL ASSUMPTIONS**

Service Purchase does not apply to the spousal subsidy rate.

Discount Rate: 7.25%

Mortality Rates:

The mortality basis for the actuarial equivalence is a weighted average of the healthy post-retirement mortality rates from the June 30, 2018 GASB 74 and 75 valuations:

- 30% PERA Healthy Male
- 20% PERA Healthy Female
- 15% ERB Healthy Male*
- 35% ERB Healthy Female*

Below is a series of sample rates:

Age	Mortality Rate (%)
40	0.1017
45	0.1432
50	0.1921
55	0.2715
60	0.4363
65	0.7877
70	1.3159
75	2.2557
80	4.1047
85	7.5339
90	13.6610

* The ERB mortality tables were changed from a generational projection in the valuation to static projection to 2018 for the service purchase calculation.

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**EXHIBIT III
ACTUARIAL ASSUMPTIONS**

Retiree Contribution Increments Used for Actuarial Equivalence

Reduction in annual retiree contribution for additional year of service, when total years of service does not exceed 20:

Under Age 65

12-month period from July 1, 2019 through June 30, 2020	\$ 360.75
12-month period from July 1, 2020 through June 30, 2021	\$ 387.81

Age 65 and Older

12-month period from July 1, 2019 through June 30, 2020	\$ 165.67
12-month period from July 1, 2020 through June 30, 2021	\$ 177.27

Assumed Increases in Future Retiree Contributions

Year Ended June 30,	Assumed Rate of Increase Over Preceding 12-month Period	
	Non-Medicare	Medicare
2022	7.25%	6.75%
2023	7.00%	6.50%
2024	6.75%	6.25%
2025	6.50%	6.00%
2026	6.25%	5.75%
2027	6.00%	5.50%
2028	5.75%	5.25%
2029	5.50%	5.00%
2030	5.25%	4.75%
2031	5.00%	4.50%
2032	4.75%	4.50%
2033 and Later	4.50%	4.50%