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Via Email

June 8, 2023

Mr. Neil Kueffer
Executive Director
New Mexico Retiree Health Care Authority
6300 Jefferson St. NE, Suite 150
Albuquerque, NM 87109-8611

Re: Service Purchase Tables for Actuarial Equivalent Costs

Dear Neil:

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 7.00%. 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 25 years for Non-Enhanced members (or more than 20 years for Enhanced members). 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 25 years of service (20 years for Enhanced) at retirement.

Please let me know if you have additional questions.

Sincerely,

A handwritten signature in black ink that reads "Melissa A. Krumholz". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Melissa A. Krumholz, FSA, MAAA
Vice President & Health Actuary

cc: Nura Patani

JAC/raa

Attachments

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 25 for non-Enhanced Retirees Or
Less Than 20 for Enhanced Retirees

Age at Retirement	Non-Enhanced Present Value of Benefit		Enhanced Present Value of Benefit	
	Retirements Commencing from July 1, 2023 through June 30, 2024	Retirements Commencing from July 1, 2024 through June 30, 2025	Retirements Commencing from July 1, 2023 through June 30, 2024	Retirements Commencing from July 1, 2024 through June 30, 2025
40	\$8,497	\$8,954	\$10,675	\$11,247
41	8,314	8,762	10,455	11,016
42	8,130	8,565	10,229	10,779
43	7,942	8,368	9,995	10,534
44	7,749	8,166	9,755	10,283
45	7,550	7,959	9,507	10,024
46	7,347	7,746	9,251	9,757
47	7,138	7,528	8,988	9,482
48	6,924	7,304	8,717	9,198
49	6,704	7,075	8,438	8,907
50	6,479	6,839	8,151	8,606
51	6,249	6,598	7,855	8,298
52	6,013	6,352	7,554	7,982
53	5,772	6,100	7,245	7,660
54	5,526	5,842	6,930	7,329
55	5,276	5,580	6,610	6,993
56	5,023	5,313	6,284	6,650
57	4,766	5,043	5,955	6,303
58	4,507	4,768	5,621	5,950
59	4,244	4,491	5,284	5,593
60	3,980	4,210	4,944	5,233
61	3,713	3,927	4,601	4,869
62	3,445	3,641	4,256	4,501
63	3,175	3,354	3,910	4,132
64	2,904	3,065	3,561	3,760
65	2,633	2,775	3,212	3,386
66	2,553	2,691	3,113	3,283
67	2,472	2,607	3,014	3,179
68	2,391	2,522	2,914	3,075
69	2,309	2,437	2,815	2,970
70	2,228	2,351	2,715	2,866
71	2,146	2,266	2,615	2,762
72	2,064	2,180	2,516	2,657
73	1,982	2,094	2,416	2,553
74	1,900	2,009	2,318	2,450
75	1,819	1,924	2,219	2,347
76	1,738	1,839	2,122	2,245
77	1,658	1,755	2,026	2,144
78	1,579	1,672	1,930	2,044
79	1,501	1,590	1,837	1,946
80	1,424	1,509	1,744	1,849

EXHIBIT II – Calculation Examples

Example 1 (Non-Enhanced)

Retirement Date	August 1, 2023
Age at Retirement	58
Service at retirement, before addition of service	14
Actuarial equivalent cost per additional year of service	\$4,507

Example 2 (Non-Enhanced)

Retirement Date	February 1, 2024
Age at Retirement	67
Service at retirement, before addition of 3 years of service	10
Actuarial equivalent cost of 3 additional years of service	\$7,416 (3 X 2,472)

Example 3 (Non-Enhanced)

Retirement Date	December 1, 2024
Age at Retirement	60
Service at retirement, before addition of service	23
Actuarial equivalent cost per additional year of service	\$4,210

Example 4 (Enhanced)

Retirement Date	October 1, 2024
Age at Retirement	62
Service at retirement, before addition of service	7
Actuarial equivalent cost per additional year of service	\$4,501

Example 5 (Enhanced)

Retirement Date	October 1, 2023
Age at Retirement	60
Service at retirement, before addition of service	22
Actuarial equivalent cost per additional year of service	Not Eligible

EXHIBIT III – Actuarial Assumptions

Service Purchase does not apply to the spousal subsidy rate.

Discount Rate: 7.00%

Mortality Rates

The mortality basis for the actuarial equivalence is a weighted average of the healthy post-retirement mortality rates from the June 30, 2022 GASB 74 valuation:

Non-Enhanced Weighting	Enhanced Weighting
25% PERA Male	55% PERA Male
20% PERA Female	45% PERA Female
15% ERB Male	0% ERB Male
40% ERB Female	0% ERB Female

PERA Healthy Post-Retirement Mortality Rates:

Headcount-Weighted RP-2014 Blue Collar Annuitant Mortality, set forward one year for females, projected generationally with Scale MP-2017 times 60%.

ERB Healthy Post-Retirement Mortality Rates:

Males: 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020

Females: 2020 GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020

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 25 years for Non-Enhanced or 20 years for Enhanced. Service purchase costs are based upon the plan with the highest enrollment; Non-Medicare – Premier and Medicare – Supplement plan.

	Non-Enhanced	Enhanced
Under Age 65		
12-month period from July 1, 2023 through June 30, 2024	\$340.81	\$447.31
12-month period from July 1, 2024 through June 30, 2025	\$366.37	\$480.86
Age 65 and Older		
12-month period from July 1, 2023 through June 30, 2024	\$142.59	\$187.15
12-month period from July 1, 2024 through June 30, 2025	\$152.57	\$200.25

Assumed Increases in Future Retiree Contributions

Year Ended June 30,	Assumed Rate (%) of Increase Over Preceding 12-Month Period	
	Non-Medicare	Medicare
2025	7.50	7.00
2026	7.25	6.75
2027	7.00	6.50
2028	6.75	6.25
2029	6.50	6.00
2030	6.25	5.75
2031	6.00	5.50
2032	5.75	5.25
2033	5.50	5.00
2034	5.25	4.75
2035	5.00	4.50
2036	4.75	4.50
2037 and Later	4.50	4.50