Appendix B: Summary of Actuarial Assumptions and Methods

Actuarial Assumptions Used for the Valuation

The rate of investment return (effective June 30, 2017): 7.25% per annum net of investment expenses for the first 9 years, 7.75% thereafter.

Administrative expenses: $6,000.

The rates of separation from active membership: None.

The rates of active member disability: None.

The rate of increase in the per diem was 3.0% per annum. This assumption was first used in the June 30, 2004 valuation and was based on an observed trend in the per diem rate prior to that valuation. The current assumed per diem rate is $161.

The rate of retirement from active membership: Members were assumed to retire immediately upon satisfying age and service requirements.

It was assumed that any service rendered by a legislator prior to the valuation date and not already purchased would not be purchased.

Mortality Assumption. The mortality assumptions are based on the RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.

Rates are shown for sample ages in the following schedule. Note that sex distinct mortality rates are used solely for determining the funded status and contribution rate adequacy. All benefit amounts are based on merged gender mortality rates.

Sample Mortality Rates								
Pre-Retirement			Post-Retirement			Disabled		
Age	Male	Female	Age	Male	Female	Age	Male	Female
25	0.0003	0.0002	45	0.0012	0.0008	45	0.0178	0.0056
30	0.0004	0.0002	50	0.0015	0.0012	50	0.0209	0.0085
35	0.0007	0.0004	55	0.0026	0.0024	55	0.0251	0.0143
40	0.0009	0.0005	60	0.0050	0.0046	60	0.0314	0.0200
45	0.0012	0.0008	65	0.0099	0.0089	65	Uses healthy post-retirement rates upon surviving to normal retirement age.	
50	0.0015	0.0012	70	0.0169	0.0153	70		
55	0.0021	0.0022	75	0.0294	0.0243	75		
60	0.0036	0.0036	80	0.0537	0.0404	80		
65	0.0059	0.0053	85	0.0976	0.0695	85		

Miscellaneous and Technical Assumptions

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	N/A.
Decrement Timing:	Decrements are assumed to occur at the beginning of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study without adjustment for multiple decrement table effects.
Incidence of Contributions:	Contributions are assumed to be received at the beginning of the year.
Normal Form of Benefit:	Straight life.
Credited Service:	Service nearest the whole year is used to determine the amount of benefit payable.

Definitions of Technical Terms

Actuarial Accrued Liability. The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs.

Actuarial Cost Method. A mathematical procedure for allocating the dollar amount of the "actuarial present value of future benefit payments" between future normal cost and actuarial accrued liability.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.

Amortization. Paying off an amount with periodic payments of interest and principal – as opposed to paying off with a lump sum payment.

Experience Gain (Loss). The difference between actual actuarial costs and anticipated actuarial costs – during the period between two valuation dates.

Normal Cost. The actuarial cost allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and the actuarial value of assets. Sometimes referred to as "unfunded accrued liability."

Appendix C: Summary of Plan Provisions

Voluntary Retirement

Plan 1 and Plan 1 Enhanced:

Age 65 with 5 or more years of credited service; age 64 with 8 or more years of credited service; age 63 with 11 or more years of credited service; age 60 with 12 or more years of credited service; or any age with 14 or more years of credited service.

Plan 2:

Age 65 with 5 or more years of credited service or any age with 10 or more years of credited service.

Superannuation Annuity

Plan 1:	$250 a year times credited service.
Plan 1 Enhanced:	$500 a year times credited service.
Plan 2:	11% of the per diem rate in effect, pursuant to Section 2-1-8 NMSA on the January 1 of the calendar year that the member retires multiplied by 60 and further multiplied by credited service.

Deferred Annuity

A Legislative member who terminates with 5 or more years of credited service may apply for a superannuation annuity upon reaching voluntary retirement date, provided accumulated contributions are not withdrawn. The annuity is based upon Legislative service credit at time of termination.

Survivor Pensions – Death in the Line of Duty

Pensions are paid to the eligible spouse and eligible children if survivor coverage has not been elected under the Elective Survivor Pension Beneficiary provision. The amount of pension payable for life to an eligible spouse is 80% of the accrued normal retirement pension.

Survivor Pensions – Death Not In the Line of Duty

Requires 5 years of credited service. Benefit applies to members and vested former members who have not elected coverage under the Elective Survivor Pension Beneficiary provision. Pensions are paid to an eligible spouse OR eligible children. The amount of pension payable for the life of an eligible spouse is up to 80% of accrued normal retirement pension. An eligible child pension is paid if there is not an eligible spouse or following the death of an eligible spouse. The amount of pension payable to each eligible child is an equal share of 50% of accrued normal retirement pension. An eligible child is an unmarried natural or adopted child who is under age 18. A child's pension terminates upon death, marriage or reaching age 18. The pension of any remaining eligible children is recalculated whenever a child's pension is terminated.

Member's Contributions

Plan 1:	$100 for each year of credited service.
Plan 1 Enhanced:	$200 for each year of credited service
Plan 2:	$600 for each year of credited service.

Elective Survivor Beneficiary Pension

Applicable to members with 5 or more years of credited service and vested former members who have elected option B and designated a survivor pension beneficiary who has an insurable interest. The amount of pension is the amount of accrued normal retirement pension under optional form of payment B (100% continuation to beneficiary).

Disability Retirement

Applicable to members and vested former members with 5 or more years of credited service. The 5 year credited service requirement is waived if the disability is incurred in the line of duty. The amount of disability pension is the accrued normal retirement pension at time of disability retirement. If the disability is in the line of duty, the credited service used is the amount that would have been acquired when first eligible for normal retirement.

State's Contributions

Annual appropriations to finance portions of benefits not financed by members' contributions, determined by actuarial valuation.

Cost-of-Living Increases

Effective July 1, 2014, pensions are increased each July 1 by 2% subject to the following eligibility periods:

- If member retires prior to July 1, 2014, Cost-of-Living Adjustment (COLA) is payable after retirement has been in effect for at least 2 full calendar years.
- If member retires on or after July 1, 2014 but prior to July 1, 2016, COLA is payable after retirement has been in effect for at least 3 full calendar years.
- If member retires on or after July 1, 2016 but prior to July 1, 2017, COLA is payable after retirement has been in effect for at least 4 full calendar years.
- If member retires on or after July 1, 2017, COLA is payable after retirement has been in effect for at least 7 full calendar years.
- If retired on account of disability or if at least age 65, the waiting period is reduced to 1 full calendar year.