

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

MEMORANDUM

TO: Medford Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 2, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on August 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The revised schedule reflects a 7.5% investment return assumption (the same in the prior valuation) and the adoption of a fully generational mortality assumption. The schedule also reflects the adoption of other demographic assumptions based on a recent experience study performed by your actuary. Although the revised assumptions are less conservative than the current standard PERAC assumptions, which we continue to believe are reasonable, we have not performed a recent experience analysis for local systems to compare our findings with the results of your study.

The revised schedule maintains the FY17 appropriation but reduces the FY18 appropriation from the prior schedule by approximately \$325,000. The FY19 amount is reduced by approximately \$420,000. We often find that once a pension budget has been reduced, it is difficult to increase it in future years. So if we were preparing the funding schedules, we would have tried to provide a schedule with FY18 and FY19 amounts similar to the prior schedule. This could be accomplished by either reducing the schedule by a year or two, and/or adjusting the amortization basis.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



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Appropriation Forecast

Fiscal Year Ending	Employee Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2017	\$39,326,319	\$3,370,096	\$2,987,347	\$8,012,653	\$11,000,000	28.0	67.3
2018	\$40,702,740	\$3,529,404	\$3,048,768	\$8,126,008	\$11,174,776	27.5	68.6
2019	\$42,127,336	\$3,695,735	\$3,110,828	\$8,449,505	\$11,560,333	27.4	70.0
2020	\$43,601,793	\$3,869,386	\$3,173,498	\$8,786,044	\$11,959,542	27.4	71.5
2021	\$45,127,856	\$4,050,665	\$3,236,744	\$9,136,152	\$12,372,896	27.4	73.1
2022	\$46,707,331	\$4,239,894	\$3,300,530	\$9,500,377	\$12,800,907	27.4	74.8
2023	\$48,342,087	\$4,437,407	\$3,364,816	\$9,792,111	\$13,156,927	27.2	76.6
2024	\$50,034,060	\$4,643,551	\$3,429,558	\$9,593,786	\$13,023,344	26.0	78.6
2025	\$51,785,252	\$4,858,690	\$3,494,711	\$9,977,206	\$13,471,917	26.0	80.6
2026	\$53,597,736	\$5,083,201	\$3,560,223	\$10,375,964	\$13,936,187	26.0	82.8
2027	\$55,473,657	\$5,317,475	\$3,626,040	\$10,782,398	\$14,408,438	26.0	85.2
2028	\$57,415,235	\$5,561,921	\$3,692,103	\$11,213,694	\$14,905,797	26.0	87.7
2029	\$59,424,768	\$5,816,965	\$3,758,349	\$11,662,242	\$15,420,591	25.9	90.5
2030	\$61,504,635	\$6,083,048	\$3,824,709	\$12,128,732	\$15,953,441	25.9	93.5
2031	\$63,657,297	\$6,360,632	\$3,891,110	\$12,613,881	\$16,504,991	25.9	96.6
2032	\$65,885,303	\$6,650,195	\$3,957,474	\$0	\$3,957,474	6.0	100.0
2033	\$68,191,288	\$6,952,235	\$4,023,716	\$0	\$4,023,716	5.9	100.0
2034	\$70,577,983	\$7,267,271	\$4,089,748	\$0	\$4,089,748	5.8	100.0
2035	\$73,048,213	\$7,595,844	\$4,155,473	\$0	\$4,155,473	5.7	100.0
2036	\$75,604,900	\$7,938,515	\$4,220,789	\$0	\$4,220,789	5.6	100.0
2037	\$78,251,072	\$8,216,363	\$4,368,516	\$0	\$4,368,516	5.6	100.0
2038	\$80,989,859	\$8,503,935	\$4,521,414	\$0	\$4,521,414	5.6	100.0
2039	\$83,824,504	\$8,801,573	\$4,679,664	\$0	\$4,679,664	5.6	100.0
2040	\$86,758,362	\$9,109,628	\$4,843,452	\$0	\$4,843,452	5.6	100.0
2041	\$89,794,904	\$9,428,465	\$5,012,973	\$0	\$5,012,973	5.6	100.0
2042	\$92,937,726	\$9,758,461	\$5,188,427	\$0	\$5,188,427	5.6	100.0
2043	\$96,190,547	\$10,100,007	\$5,370,022	\$0	\$5,370,022	5.6	100.0
2044	\$99,557,216	\$10,453,508	\$5,557,973	\$0	\$5,557,973	5.6	100.0
2045	\$103,041,718	\$10,819,380	\$5,752,502	\$0	\$5,752,502	5.6	100.0
2046	\$106,648,178	\$11,198,059	\$5,953,839	\$0	\$5,953,839	5.6	100.0
2047	\$110,380,865	\$11,589,991	\$6,162,224	\$0	\$6,162,224	5.6	100.0
2048	\$114,244,195	\$11,995,640	\$6,377,902	\$0	\$6,377,902	5.6	100.0

* Calendar basis

** Beginning of Fiscal Year