

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | ELIZABETH FONTAINE | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. McCARTHY

MEMORANDUM

TO: North Attleboro Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 2, 2015

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 July 1 each fiscal year. The schedule is effective in FY16 (since the amount under the prior schedule was maintained in FY16) and is acceptable under Chapter 32.

The Board used an 8.0% investment return assumption in this valuation. We recommend that the Board consider reducing this assumption at the time of the next actuarial valuation. As of January 1, 2013, PERAC reduced its “standard” investment return assumption for local system valuations to 7.75%. In our January 1, 2015 valuations, we have recommended reducing this assumption further to 7.50% or 7.60%. For comparison, there are now 76 Chapter 32 systems using an assumption less than 8.0%, with 20 of those systems using an assumption less than 7.75%.

We also recommend that the Board consider adopting a fully generational mortality assumption. A fully generational assumption includes all expected future mortality improvement (longer life expectancy). Currently 41 systems have adopted such an assumption and we expect more than half will have adopted this type of assumption after all 2015 valuations are completed.

We believe it is important to develop schedules that amortize the unfunded liability by FY35. This would provide the System more flexibility in the event of a market downturn. Although the amortization under your schedule is completed in FY32, we expect that if you used the recommended assumptions outlined above in your 2015 actuarial valuation, your unfunded liability would increase significantly and your schedule might need to be extended beyond FY35 if you were to maintain the current appropriation amounts.

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

Enc.



Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability	Funded Ratio %**
2016	\$1,968,034	\$1,597,654	\$1,996,975	\$3,594,629	15.8	\$23,815,553	79.2
2017	\$2,076,361	\$1,649,007	\$2,018,441	\$3,667,448	15.5	\$23,698,853	80.1
2018	\$2,190,452	\$1,701,747	\$2,098,887	\$3,800,634	15.3	\$23,497,137	81.2
2019	\$2,310,607	\$1,755,894	\$2,175,276	\$3,931,170	15.2	\$23,195,680	82.4
2020	\$2,437,140	\$1,811,469	\$2,262,287	\$4,073,756	15.0	\$22,790,721	83.5
2021	\$2,570,383	\$1,868,490	\$2,352,779	\$4,221,269	14.9	\$22,262,941	84.6
2022	\$2,710,681	\$1,765,812	\$2,446,890	\$4,212,702	14.2	\$21,598,897	85.8
2023	\$2,858,402	\$1,986,938	\$2,544,765	\$4,531,703	14.7	\$20,783,926	86.9
2024	\$3,013,928	\$2,048,396	\$2,646,556	\$4,694,952	14.5	\$19,802,043	88.1
2025	\$3,177,664	\$2,111,363	\$2,752,418	\$4,863,781	14.4	\$18,635,824	89.3
2026	\$3,350,032	\$2,175,848	\$2,862,515	\$5,038,363	14.3	\$17,266,293	90.5
2027	\$3,531,479	\$2,241,862	\$2,977,016	\$5,218,878	14.2	\$15,672,784	91.7
2028	\$3,722,472	\$2,309,411	\$3,096,096	\$5,405,507	14.0	\$13,832,801	93.0
2029	\$3,923,504	\$2,378,499	\$3,219,940	\$5,598,439	13.9	\$11,721,868	94.3
2030	\$4,135,090	\$2,449,129	\$3,348,738	\$5,797,867	13.8	\$9,313,357	95.6
2031	\$4,357,774	\$2,521,299	\$3,482,687	\$6,003,986	13.7	\$6,578,315	97.1
2032	\$4,592,125	\$2,595,005	\$3,621,995	\$6,217,000	13.5	\$3,485,266	98.5
2033	\$4,838,744	\$2,670,238	\$0	\$2,670,238	5.6	\$0	100.0
2034	\$5,098,260	\$2,746,988	\$0	\$2,746,988	5.5	\$0	100.0
2035	\$5,371,334	\$2,825,238	\$0	\$2,825,238	5.4	\$0	100.0
2036	\$5,658,660	\$2,904,968	\$0	\$2,904,968	5.3	\$0	100.0
2037	\$5,960,969	\$2,986,153	\$0	\$2,986,153	5.2	\$0	100.0
2038	\$6,279,026	\$3,068,761	\$0	\$3,068,761	5.1	\$0	100.0
2039	\$6,561,582	\$3,206,856	\$0	\$3,206,856	5.1	\$0	100.0
2040	\$6,856,854	\$3,351,164	\$0	\$3,351,164	5.1	\$0	100.0
2041	\$7,165,412	\$3,501,966	\$0	\$3,501,966	5.1	\$0	100.0
2042	\$7,487,856	\$3,659,555	\$0	\$3,659,555	5.1	\$0	100.0
2043	\$7,824,809	\$3,824,235	\$0	\$3,824,235	5.1	\$0	100.0
2044	\$8,176,926	\$3,996,325	\$0	\$3,996,325	5.1	\$0	100.0
2045	\$8,544,887	\$4,176,160	\$0	\$4,176,160	5.1	\$0	100.0
2046	\$8,929,407	\$4,364,087	\$0	\$4,364,087	5.1	\$0	100.0
2047	\$9,331,230	\$4,560,471	\$0	\$4,560,471	5.1	\$0	100.0

** Beginning of Fiscal Year