

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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## MEMORANDUM

TO: Peabody Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 5, 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 in equal quarterly installments 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 schedule reflects a reduction in the investment return assumption from 8.25% to 7.75% and the adoption of a fully generational mortality table. 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.

With respect to the amortization period of the unfunded actuarial liability (UAL), we would have preferred a schedule be adopted that more aggressively amortizes the UAL. For the past three years, we have been recommending that systems determine schedules to fully fund the UAL by FY35. This provides more flexibility in the event of a market downturn. We believe this could be accomplished with relatively small increases to current appropriation levels.

In our memorandum dated December 9, 2014, we indicated that we had concerns about the salary increase assumption of 3.0%. This valuation used that assumption once again. This assumption is the lowest used by any system under Chapter 32. We expect over the long term that this assumption will need to be increased (and/or the investment return assumption decreased) which will increase plan liabilities.

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

JEC/jrl

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Enc.



Appropriation Forecast

Fiscal Year	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	\$42,615,790	\$3,728,231	\$1,253,843	\$10,098,239	\$11,352,082	26.6	49.9
2018	44,533,501	3,935,002	1,268,642	10,463,483	11,732,125	26.3	53.9
2019	46,537,508	4,152,833	1,282,233	10,879,803	12,162,036	26.1	57.5
2020	48,631,696	4,382,300	1,294,479	11,312,721	12,607,200	25.9	60.8
2021	50,820,122	4,624,010	1,305,231	11,762,899	13,068,130	25.7	63.8
2022	53,107,028	4,878,600	1,314,329	12,231,026	13,545,355	25.5	66.7
2023	55,496,844	5,146,739	1,321,603	12,717,817	14,039,420	25.3	69.4
2024	57,994,202	5,429,132	1,326,869	13,224,020	14,550,889	25.1	71.9
2025	60,603,941	5,726,517	1,329,934	13,750,407	15,080,341	24.9	74.4
2026	63,331,118	6,039,674	1,330,587	14,297,786	15,628,373	24.7	76.8
2027	66,181,019	6,369,418	1,328,607	14,866,994	16,195,601	24.5	79.2
2028	69,159,165	6,716,609	1,323,753	15,458,903	16,782,656	24.3	81.6
2029	72,271,327	7,082,149	1,315,772	15,880,333	17,196,105	23.8	83.8
2030	75,523,537	7,466,986	1,304,392	16,515,546	17,819,938	23.6	86.0
2031	78,922,096	7,872,118	1,289,324	17,176,168	18,465,492	23.4	88.2
2032	82,473,590	8,298,590	1,270,258	17,863,215	19,133,473	23.2	90.3
2033	86,184,902	8,747,504	1,246,866	18,577,743	19,824,609	23.0	92.3
2034	90,063,222	9,220,016	1,218,795	19,320,853	20,539,648	22.8	94.3
2035	94,116,067	9,717,340	1,185,674	20,093,687	21,279,361	22.6	96.3
2036	98,351,290	10,240,753	1,147,103	20,897,434	22,044,537	22.4	98.2
2037	102,777,098	10,791,595	1,102,661	0	1,102,661	1.1	100.0
2038	107,402,068	11,277,217	1,152,280	0	1,152,280	1.1	100.0
2039	112,235,161	11,784,692	1,204,133	0	1,204,133	1.1	100.0
2040	117,285,743	12,315,003	1,258,319	0	1,258,319	1.1	100.0
2041	122,563,602	12,869,178	1,314,943	0	1,314,943	1.1	100.0
2042	128,078,964	13,448,291	1,374,116	0	1,374,116	1.1	100.0
2043	133,842,517	14,053,464	1,435,951	0	1,435,951	1.1	100.0
2044	139,865,430	14,685,870	1,500,569	0	1,500,569	1.1	100.0
2045	146,159,375	15,346,734	1,568,094	0	1,568,094	1.1	100.0
2046	152,736,547	16,037,337	1,638,659	0	1,638,659	1.1	100.0
2047	159,609,691	16,759,018	1,712,398	0	1,712,398	1.1	100.0
2048	166,792,127	17,513,173	1,789,456	0	1,789,456	1.1	100.0

\*\* Beginning of Fiscal Year