

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Andover Retirement Board
FROM: John W. Parsons, Esq., Executive Director
RE: Appropriation for Fiscal Year 2023
DATE: November 9, 2021

Required Fiscal Year 2023 Appropriation: **\$13,990,159**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2023 which commences July 1, 2022.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2023 appropriation to be paid by each of the governmental units within your system. The allocation by governmental unit was developed by KMS Actuaries as part of their January 1, 2021 actuarial valuation.

The current schedule is due to be updated by Fiscal Year 2024.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446 Extension 935.

JWP/jfb
Attachments

cc: Town Manager
Town Meeting
c/o Town Clerk

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Andover Retirement Board

Projected Appropriations

Fiscal Year 2023 - July 1, 2022 to June 30, 2023

Aggregate amount of appropriation: **\$13,990,159**

Fiscal Year	Estimated Cost of Benefits	Funding Schedule (Excluding ERI)	ERI	Total Appropriation	Pension Fund Allocation	Pension Reserve Fund Allocation	Transfer From PRF to PF
FY 2023	\$13,879,637	\$13,990,159	\$0	\$13,990,159	\$13,879,637	\$110,522	\$0
FY 2024	\$14,412,611	\$15,021,232	\$0	\$15,021,232	\$14,412,611	\$608,621	\$0
FY 2025	\$14,965,866	\$16,128,297	\$0	\$16,128,297	\$14,965,866	\$1,162,431	\$0
FY 2026	\$15,540,176	\$17,316,952	\$0	\$17,316,952	\$15,540,176	\$1,776,776	\$0
FY 2027	\$16,136,339	\$18,593,211	\$0	\$18,593,211	\$16,136,339	\$2,456,872	\$0

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

For illustration, we have shown the amount to be transferred from the Pension Reserve Fund to the Pension Fund to meet the estimated Cost of Benefits for each year. If there are sufficient assets in the Pension Fund to meet the Cost of Benefits, this transfer is optional.

SECTION 9 - RESULTS BY DEPARTMENT

Department	Water	Sewer	Housing Authority	School - Cafeteria Workers	School	All Other	Total
Actuarial Value of Plan Assets as of January 1, 2021							
3.1 Actuarial Value of Assets	7,335,412	698,304	1,718,429	2,357,311	33,417,170	125,302,782	170,829,408
Unfunded Actuarial Accrued Liability (UAAL) as of January 1, 2021							
4.1 UAL = 2.5 - 3.1	8,307,821	790,874	1,946,231	2,669,804	37,847,073	141,913,383	193,475,186
Projected Payroll	1,551,462	153,169	612,284	971,928	12,988,690	29,561,051	45,838,583
FY2022 Appropriation							
5.1 Employer Normal Cost	105,802	8,428	47,901	137,164	1,416,282	3,660,490	5,376,067
5.2 Amortization Payment of UAL*	349,247	30,981	84,566	98,983	1,299,794	5,790,219	7,653,790
5.3 Total = 5.1 + 5.2	455,049	39,409	132,467	236,147	2,716,076	9,450,709	13,029,857
FY2023 Appropriation							
6.1 Employer Normal Cost	109,505	8,723	49,578	141,965	1,465,852	3,788,607	5,564,230
6.2 Amortization Payment of UAL**	360,875	34,457	84,416	116,572	1,657,208	6,172,402	8,425,929
6.3 Total = 6.1 + 6.2	470,380	43,180	133,994	258,537	3,123,060	9,961,009	13,990,159
Increase over prior year	3.369%	9.569%	1.153%	9.481%	14.984%	5.400%	7.370%
FY2024 Appropriation							
7.1 Employer Normal Cost	113,338	9,028	51,313	146,934	1,517,157	3,921,208	5,758,978
7.2 Amortization Payment of UAL	396,694	37,877	92,795	128,142	1,821,696	6,785,051	9,262,254
7.3 Total = 7.1 + 7.2	510,032	46,905	144,108	275,076	3,338,853	10,706,259	15,021,232
Increase over prior year	8.430%	8.627%	7.548%	6.397%	6.910%	7.482%	7.370%

Notes:

1. FY2023 and FY2024 Appropriation is based on Funding Schedule F-3 adopted by the Retirement Board August 26, 2021.
2. 2022 Employer Normal Cost (5.1) is the Employer Normal Cost as of January 1, 2021, adjusted for payment timing (1.6). 2023 Employer Normal Cost (6.1) is based on 2022 Employer Normal Cost (5.1) increased by 3.5%.
- *3. Amortization Payment of UAL (5.2) equals fiscal year 2022 budgeted appropriation (5.3) developed in the January 1, 2020 actuarial valuation less Employer Normal Cost (5.1).
- **4. Amortization Payment of UAL (6.2) is the total Amortization Payment of UAL (6.2) allocated to each department in the proportion that the UAL (4.1) less 2022 Amortization Payment of UAL (5.2) bears to the total UAL (4.1) less total 2022 Amortization Payment of UAL (5.2).