PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair* JOHN W. PARSONS, ESQ., *Executive Director*

M E M O R A N D U M

TO: Cambridge Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 14, 2022

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 of each fiscal year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.25% to 7.10% and an adjustment to the fully generational mortality assumption. In addition, the schedule reflects an increase in the COLA base from $16,000 to $18,000 and a change from using the market value of assets to a 5-year asset smoothing method.

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

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Enc.

FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

Funding schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Liability	(4) Actuarially Determined Contribution (ADC) Before Additional Payment: (2) + (3)	(5) Additional Payment	(6) Actuarially Determined Contribution (ADC) with Additional Payment: (4) + (5)	(7) Total Unfunded Accrued Liability at Beginning of Fiscal Year	(8) Percent change from prior year
2023	$15,668,907	$44,695,055	$60,363,962	$300,000	$60,663,962	$181,487,914	- -
2024	16,201,583	51,466,418	67,668,001	300,000	67,968,001	146,183,852	12.10%
2025	16,752,213	59,103,616	75,855,829	300,000	76,155,829	101,121,072	12.10%
2026	17,321,399	44,379,395	61,700,794	300,000	62,000,794	44,679,395	-18.66%
2027	17,909,763	0	17,909,763	0	17,909,763	0	-70.97%
2028	18,517,947	0	18,517,947	0	18,517,947	0	3.40%

Notes:
Actuarially Determined Contribution for fiscal year 2023 is set equal to the amount determined with the prior valuation.
Actuarially Determined Contributions are assumed to be paid on July 1.
Item (2) reflects 3.0% growth in payroll and a 0.15% adjustment to total normal cost to reflect the effect of mortality improvements due to the generational mortality assumption.
Projected normal cost does not reflect the future impact of pension reform for new hires.
Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains.