

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Dedham Retirement Board

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

RE: Approval of Funding Schedule

DATE: December 6, 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 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 7.0% and an adjustment to the fully generational mortality assumption. Also, the schedule reflects an increase in the COLA base from \$15,000 to \$18,000 over the next three years.

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

JWP/jfb

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## Section 2: Actuarial Valuation Results

### Funding schedule

| (1)<br>Fiscal Year<br>Ended June 30 | (2)<br>Employer<br>Normal Cost | (3)<br>Amortization of<br>Unfunded Actuarial<br>Accrued Liability | (4)<br>Actuarially<br>Determined<br>Contribution (ADC):<br>(2) + (3) | (5)<br>Unfunded Actuarial<br>Accrued Liability at<br>Beginning of<br>Fiscal Year | (6)<br>Percent Increase<br>in ADC Over<br>Prior Year |
|-------------------------------------|--------------------------------|---|--|--|--|
| 2023                                | \$1,076,608                    | \$3,623,619   | \$4,700,227  | \$20,878,486   | --   |
| 2024                                | 1,114,675                      | 3,585,552   | 4,700,227  | 18,462,708   | 0.00%  |
| 2025                                | 1,154,066                      | 3,640,166   | 4,794,232  | 15,918,557   | 2.00%  |
| 2026                                | 1,194,827                      | 3,695,290   | 4,890,117  | 13,137,878   | 2.00%  |
| 2027                                | 1,237,005                      | 3,750,914   | 4,987,919  | 10,103,569   | 2.00%  |
| 2028                                | 1,280,648                      | 3,807,029   | 5,087,677  | 6,797,341  | 2.00%  |
| 2029                                | 1,325,806                      | 3,199,634   | 4,525,440  | 3,199,634  | -11.05%  |
| 2030                                | 1,372,530                      | 0   | 1,372,530  | 0  | -69.67%  |

**Notes:**

Fiscal 2023 Actuarially Determined Contribution is set equal to budgeted amount

Actuarially Determined Contributions are assumed to be paid on July 1

Item (2) reflects 3.0% growth in payroll as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvements due to the generational mortality assumption

Projected normal cost does not reflect the future impact of pension reform for future hires

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains/losses

**Department Breakouts of Actuarially Determined Contribution:**

| Fiscal Year<br>Ended June 30 | Housing   | All Others  | Total       |
|------------------------------|-----------|-------------|-------------|
| 2023                         | \$180,577 | \$4,519,650 | \$4,700,227 |
| 2024                         | 247,784   | 4,452,443   | 4,700,227   |
| 2025                         | 252,085   | 4,542,147   | 4,794,232   |

**Notes:**

Administrative expenses allocation in proportion to total normal cost

Actuarial value of assets allocated in proportion to actuarial accrued liability and adjusted for additional contributions made by the Town (the value of the additional contribution as of December 31, 2021 was \$15,792,122)

Fiscal 2024 and 2025 actuarially determined contributions equal to the sum of projected employer normal cost plus the amortization of the unfunded liability allocated in proportion to the unfunded liability