



March 18th, 2021

DLS Municipal Finance Training & Resource Center User Survey



The Division of Local Services has developed a short survey that will help us learn more about your experience using our online [Municipal Finance Training & Resource Center](#). Your feedback will assist us in prioritizing and publishing future training resources. The survey is anonymous, consists of ten questions and takes around three minutes to complete.

In this edition:

- **DLS Municipal Finance Training & Resource Center User Survey**
- **New Local Finance Committee Training Video Now Available**
- **PERAC's List of Retirement Boards by Funded Ratio – Updated**

To view the survey, please [click here](#). Thank you!

New Local Finance Committee Training Video Now Available

In collaboration with the Association of Town Finance Committees, we published a [video presentation](#) that provides an overview of local finance committees. The presentation covers the primary roles and responsibilities of local committees, and how they work with other boards, committees, and town staff to manage a community's finances and achieve its budgetary goals.

Additionally, you can now access videos pertaining to the local assessor's [property tax roll](#), identifying the [assessed owner](#), and [assessment units](#). You can also learn more about the various [records and reports](#) that local assessors should maintain and prepare as part of their responsibilities. We

Important Dates & Information

**Community Compact
Efficiency & Regionalization
Grant Program Now Open**

The Efficiency & Regionalization grant program provides financial support for entities interested in implementing regionalization and other efficiency initiatives. The application period for the FY21 E&R Grant program opens on March 15th, 2021 and closes on April 15th, 2021.

To learn more, please [click here](#).

OSD: Latest Issue of *Buy the Way* Now Available

Don't miss the March-April 2021 edition of [Buy the Way](#), the monthly newsletter of the Operational Services Division (OSD).

Click [here](#) to get news and updates from OSD delivered to your inbox.

IGR Regarding 2021 Land of Low Value Limit

The Division of Local Services'

hope these videos will serve as a helpful resource for local officials and taxpayers alike! Note that new assessors are still required to complete Course 101 in Gateway, and these modules will still be available in their current form on our website. For other assessing related resources, please visit the [Property Taxes and Proposition 2 ½ section](#) of our training page.

Be sure to bookmark the [Municipal Finance Training and Resource Center](#) page and subscribe to our [YouTube channel](#) to stay updated on new items added. Is there Something you'd like to see added? We'd love to hear from you! Please email DLS's Data Analytics & Resources Bureau at DARB@dor.state.ma.us.

PERAC's List of Retirement Boards by Funded Ratio – Updated

Tony Rassias - Deputy Director of Accounts

PERAC, the Public Employee Retirement Administration Commission, is responsible for oversight, guidance, monitoring and regulation of 99 city, town, county, special purpose district and regional school district public pension systems (municipal systems), and six state public pension systems, inclusive of the system for Boston teachers.

PERAC publishes quarterly a list of retirement boards and their last valuation date, the date when the system's actuarial valuation was last performed. The most recent list is as of 1/1/2021. GASB, the Governmental Accounting Standards Board, requires a new valuation at least every two years, if not more frequently.

PERAC's list also includes three common fiscal metrics as reported by each system that can help assess whether a retirement system is fiscally healthy: Funded Ratio, Investment Return Assumption (Assumed Rate of Return, ARR), and Funding Schedule ([G.L. c. 32, §22F](#)) for amortizing the system's unfunded actuarial liability (UAL).

Bureau of Municipal Finance Law has issued [Informational Guideline Release \(IGR\) 2021-2](#) containing the Calendar Year 2021 Adjustment In Land of Low Value Foreclosure Valuation Limit.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS website.

IGR Regarding Betterments and Special Assessments

The Division of Local Services' Bureau of Municipal Finance Law has issued [Informational Guideline Release \(IGR\) 2021-1](#) containing guidance regarding Betterments and Special Assessments.

To review other recent DLS Bulletins and Informational Guideline Releases, please see [this page](#) on the DLS website.

Final 2020 Equalized Valuations (EQVs)

The Bureau of Local Assessment issued the final 2020 Equalized Valuations (EQVs), representing the full and fair cash value of all

The purpose of this article is to review the latest list for the 99 municipal systems only and determine how their metrics have changed from one year ago.

Funded Ratio

PERAC lists each system by its funded ratio, from greatest percentage to least. The funded ratio is the total value of a plan's assets weighed against its accrued liabilities as of its last valuation date. It indicates the extent to which assets cover system liabilities. A system with a greater funded ratio is considered a stronger system.

Leading this list is Shrewsbury at 93.4% with Springfield at the end of the list at 28.9%. The group median is 63.9%, down from 64.8% last year. The following two tables list the five highest and five lowest funded ratios along with their valuation dates:

<u>System</u>	<u>Funded Ratio</u>	<u>Valuation Date</u>
Shrewsbury	93.4%	January 1, 2020
Watertown	91.7%	January 1, 2020
Leominster	90.4%	January 1, 2019
Greater Lawrence	87.6%	January 1, 2019
Concord	86.1%	January 1, 2019

Source: PERAC, January 1, 2021

<u>System</u>	<u>Funded Ratio</u>	<u>Valuation Date</u>
New Bedford	46.9%	January 1, 2020
Worcester Regional	46.4%	January 1, 2020
Quincy	45.0%	January 1, 2018
Fall River	41.8%	January 1, 2019
Springfield	28.9%	January 1, 2020

Source: PERAC, January 1, 2021

Investment Return Assumption

A system's ARR is a major component in a retirement system's projected asset growth because of the importance of investment earnings to the system. The ARR is chosen by the retirement system and should represent the long-term rate of return based upon a retirement system's investment

taxable property for each municipality as of January 1, 2020 to the DLS Gateway [website](#).

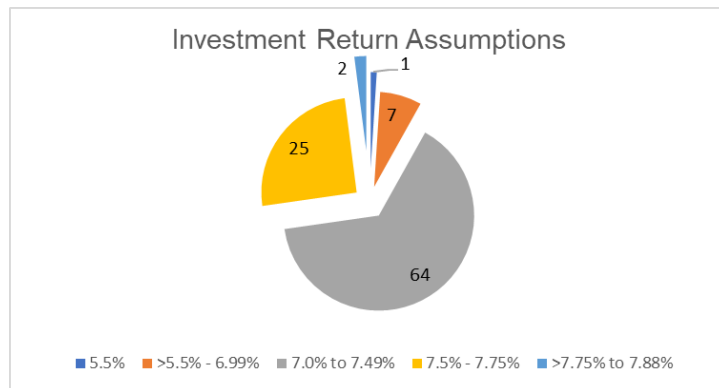
Access can be made directly from the Gateway landing page, by clicking on [LA19 Equalized Valuation Report](#).

Massachusetts Dredging Program Grants

In February, the Executive Office of Housing and Economic Development will open the 2021 grant round of the [Massachusetts Dredging Program](#), the Commonwealth's first standalone grant program with focused funding to support saltwater dredging. One-year construction grants will be competitively awarded with a focus on shovel-ready projects that contribute to the economic significance, recreational value, public safety, and/or coastal resilience of Massachusetts' coastal harbors. All 78 Massachusetts coastal municipalities are eligible to apply. Applications are anticipated to be due in mid-March. Watch for details at [How to Apply](#).

policy.

The current list shows that no system has reported an ARR greater than Plymouth County at 7.88%, with the lowest in Leominster at 5.5%. Twenty-five systems reported an ARR of 7.5% to 7.75%. The group median is 7.25%.



Source: PERAC, January 1, 2021

Funding Schedule

Each system must amortize its UAL by a fiscal year of its choosing, but no later than by FY2040 per State law. A system's UAL is the difference between its projected future pension costs, demographic and economic events and the value of its invested assets. Projecting these costs and values requires an actuarial review that includes many factors.

PERAC's FY2019 Annual Report, its most current annual report, shows the unfunded liability for the 99 municipal systems is over \$16 billion (over \$37 billion when including all 105 systems within PERAC's oversight).

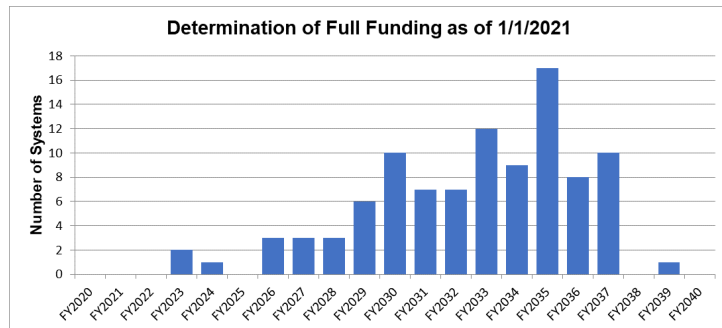
The following graph illustrates when all 99 systems reportedly will reach full funding. Note that as of 1/1/2021, only three systems, (Shrewsbury, Watertown and Leominster) are expected to be fully funded prior to FY2025 and that FY2035 is the most common date. Marblehead is the last municipal system scheduled for full funding in FY2039.

Housing Choice Initiative: Preliminary Guidance for MBTA Communities

Preliminary Guidance for MBTA Communities is posted [here](#) in response to changes in the Zoning Enabling statute (chapter 40A) enacted as part of the Economic Development Bond Bill and briefly described below.

The new section 3A of the Zoning Act states that an MBTA community shall have at least one zoning district of reasonable size in which multi-family housing is permitted as of right and meets other criteria set forth in the statute:

- Minimum gross density of 15 units per acre
- Not more than $\frac{1}{2}$ miles from a commuter rail station, subway station, ferry terminal or bus station, if applicable
- No age restrictions
- Suitable for families with children.



Source: PERAC, January 1, 2021

Change from One Year Ago

When comparing PERAC's most recent list to its 1/1/2020 list, 69 of the 99 municipal systems updated their valuation. If a system's valuation was not updated, there is no change to the information listed. The following analysis, then, reviews the 69 systems reporting new information.

Of these 69 systems, 64 updated their valuations to 1/1/2020, (9 from 1/1/2019, 55 from 1/1/2018). Four of the remaining five systems updated their valuations to 1/1/2019 from 1/1/2017 and the fifth system updated its valuation to 1/1/2019 from 2018. For comparison, this analysis will review these systems by their consistent valuation date.

Valuations as of January 1, 2020

Seen as a group, funded ratios increased and ARR's decreased in most cases, but no ARR was increased. There was no change to funding schedules in most systems, but 28 systems did push their schedules forward while only three pushed theirs back.

The statute requires DHCD to issue guidelines that define compliance with this new section of the Zoning Act. Compliance criteria will be developed in consultation with affected MBTA communities and other stakeholders.

For purposes of EOHED and DHCD grant programs, MBTA communities will be deemed to be in compliance with this new section until more detailed compliance criteria have been established.

All communities are eligible to apply for MassWorks or the Housing Choice Capital Grants Program in the upcoming 2021 grant cycle.

Cybersecurity and IT Health Check Programs

The Office of Municipal and School Technology has announced the following programs available to Massachusetts municipalities and schools. If you have any questions, please contact Catherine.Marques@mass.gov

[Cybersecurity Health Check](#)

The Cybersecurity Health

January 1, 2019 - January 1, 2020				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	7	2	0	9
Change in Assumed Rate of Return	0	1	8	9
Change in Funding Schedule	2	2	5	9
January 1, 2018 - January 1, 2020				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	36	18	1	55
Change in Assumed Rate of Return	0	38	17	55
Change in Funding Schedule	26	1	28	55

Source: PERAC, January 1, 2021

Individually, Hull increased its funded ratio the largest percentage from 63.9% to 69.6%. Andover and Needham decreased their ARR by 0.75 percentage points from 7.0% to 6.25% and 7.25% to 6.5%, respectively. Bristol County extended its funding schedule the farthest from 2028 to 2034. Arlington, Gardner and West Springfield each reduced their funding schedules by one year.

Valuations as of January 1, 2019

Viewed as a group, one more funded ratio decreased than increased and ARRs decreased in most cases. There was no change to funding schedules in most systems, but two systems pushed their schedule forward.

January 1, 2017 - January 1, 2019				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	2	2	0	4
Change in Assumed Rate of Return	1	3	0	4
Change in Funding Schedule	1	0	3	4
January 1, 2018 - January 1, 2019				
	Increase	Decrease	No Change	Total
Change in Funded Ratio	0	1	0	1
Change in Assumed Rate of Return	0	0	1	1
Change in Funding Schedule	1	0	0	1

Source: PERAC, January 1, 2021

Individually, Westfield increased its funded ratio the highest percentage from 69.5% to 70.4%, Leominster decreased its funding schedule the highest percentage from 99.7% to 90.4% and Leominster increased its funding schedule the largest number of years, moving from 2020 to 2023.

Final Thoughts

Check Program provides opportunities for local government to access basic cyber security services at no cost.

These services can be a good first step in discovering, assessing and identifying cybersecurity gaps that could impact IT systems that support essential business functions. This is a rolling application.

[IT Health Check](#)

An IT Health Check is a high-level assessment of current IT assets. A Health Check can be a good first step in discovering, assessing and identifying gaps that could impact IT systems that support essential business functions.

The discovery will result in a completed score card that will identify the current state of critical IT systems, and platform and vendor agnostic suggestions. This is a rolling application.

DLS Links:

[COVID-19 Resources and Guidance for Municipal](#)

Retirement Board information shown in PERAC's 1/1/21 listing does not reflect the strong CY2020 performance. That experience will be reflected when systems are next revalued.

Retirement board information shown in PERAC's 1/1/2021 listing does reflect some positive signs despite pandemic effects upon the economy:

- More than one-half the systems that updated their valuation showed an increase in their funded ratio
- All systems are scheduled to amortize their unfunded liability before the legal deadline of 2040
- Assumed Rates of Return continue to be lower than they were less than a decade ago, following a similar nationwide trend

Here are some words of caution:

- An asset portfolio dependent upon the capital markets always carries a risk of value and revenue loss which then negatively affects the system's funded ratio
- When the UAL reaches \$0, the system is said to be fully funded after which appropriations are only required to cover the Normal Cost, costs that represent a portion of the Actuarial Present Value of pension plan benefits to be paid in a single fiscal year. However, the funding status can change. Actuarial and investment losses, changes in plan provisions, and/or assumption changes can increase UAL, or even return a fully funded system to less than fully funded status
- Systems with low funded ratios could experience their annual fixed cost assessment consuming a far

[Officials](#)

greater portion of their annual operating budgets in the near future

[Events & Training Calendar](#)

Follow this [link](#) to see PERAC's complete list of Retirement Boards by Funded Ratio.

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