

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Marblehead Retirement Board

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

RE: Approval of Funding Schedule

DATE: July 27, 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 7.15% to 7.0%, and a slight revision to the mortality assumption.

The Board adopted a schedule that maintains the annual increase in the level of appropriation at 8.6%. This schedule completes the amortization of the UAL in FY36, one year beyond our recommendation of FY35. Additionally, the UAL is expected to increase (negative amortization continues) until FY25, which is past our recommendation to eliminate negative amortization immediately. The System has limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumptions/provisions that increase plan liabilities. It is possible that appropriation increases more than 8.6% annually may be required as part of the 2024 or future actuarial valuations.

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

JWP/jfb

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Enc.



Alternative 1
7.0% Investment Return
8.6% Total Cost Increasing
\$12,000 COLA

**Marblehead Retirement System
January 1, 2022 Actuarial Valuation**

8.6% total cost increasing to FY35 with a final amortization payment in FY36

| Fiscal Year | Normal Cost | Net 3(8)(c) | Amort. of UAL | Total Cost | Unfunded Act. Liab. | Change in Cost |
|------------------------|------------------------|------------------------|--------------------------|-----------------------|--------------------------------|---------------------------|
| 2023 | 2,252,082 | 35,000 | 2,908,231 | 5,195,313 | 49,988,376 | |
| 2024 | 2,353,426 | 35,000 | 3,253,684 | 5,642,110 | 50,375,756 | 8.6% |
| 2025 | 2,459,330 | 35,000 | 3,633,001 | 6,127,331 | 50,420,617 | 8.6% |
| 2026 | 2,570,000 | 35,000 | 4,049,282 | 6,654,282 | 50,062,749 | 8.6% |
| 2027 | 2,685,650 | 35,000 | 4,505,900 | 7,226,550 | 49,234,410 | 8.6% |
| 2028 | 2,806,504 | 35,000 | 5,006,529 | 7,848,033 | 47,859,506 | 8.6% |
| 2029 | 2,932,797 | 35,000 | 5,555,167 | 8,522,964 | 45,852,685 | 8.6% |
| 2030 | 3,064,773 | 35,000 | 6,156,166 | 9,255,939 | 43,118,344 | 8.6% |
| 2031 | 3,202,688 | 35,000 | 6,814,262 | 10,051,950 | 39,549,530 | 8.6% |
| 2032 | 3,346,809 | 35,000 | 7,534,609 | 10,916,418 | 35,026,737 | 8.6% |
| 2033 | 3,497,415 | 35,000 | 8,322,815 | 11,855,230 | 29,416,576 | 8.6% |
| 2034 | 3,654,799 | 35,000 | 9,184,981 | 12,874,779 | 22,570,325 | 8.6% |
| 2035 | 3,819,265 | 35,000 | 10,127,746 | 13,982,010 | 14,322,319 | 8.6% |
| 2036 | 3,991,132 | 35,000 | 4,488,193 | 8,514,325 | 4,488,193 | -39.1% |
| 2037 | 4,170,733 | 35,000 | | 4,205,733 | 0 | -50.6% |

Appropriation payments assumed to be made on July 1 of each fiscal year

Normal cost includes assumed expenses of \$400,000 and is assumed to increase 4.5% per year

FY23 amount maintained at level of current funding schedule