

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Melrose Retirement Board

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

RE: Approval of Funding Schedule

DATE: December 11, 2023

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 FY24 (since the amount under the prior schedule was maintained in FY24) and is acceptable under Chapter 32.

The schedule reflects a 7.0% investment return assumption which is a reduction from the prior assumption of 7.25%, and an update to the mortality improvement scale.

This schedule completes the amortization of the unfunded actuarial liability (UAL) in FY38, one year later than the prior funding schedule. Although this is allowable, our recommendation for almost 10 years has been for systems to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of another market downturn. Only 18 systems have amortization schedules that extend beyond FY35 and more than half of these complete the amortization by FY36. We believe the FY35 date would be attainable with modest adjustments to the schedule. We are available to discuss alternative ways a FY35 schedule could be accomplished.

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.



## MELROSE RETIREMENT SYSTEM

### FUNDING SCHEDULE

Fiscal Year	Unfunded Liability	Net Normal Cost	Funding Amortization of UAAL	Amortization of Recognized Asset Loss/(Gain)	Net 3(8)(c) Payments	Schedule Contribution
2025	62,768,328	2,037,095	5,483,975	-	(3,391)	7,517,679
2026	61,294,258	2,128,764	5,681,398	-	(3,391)	7,806,772
2027	61,007,443	2,224,559	5,885,929	148,537	(3,391)	8,255,633
2028	58,821,086	2,324,664	6,097,822	153,884	(3,391)	8,572,979
2029	62,660,379	2,429,274	6,317,344	897,629	(3,391)	9,640,856
2030	59,326,584	2,538,591	6,544,768	929,944	(3,391)	10,009,912
2031	55,481,503	2,652,828	6,780,380	963,422	(3,391)	10,393,239
2032	51,079,340	2,772,205	7,024,473	998,105	(3,391)	10,791,393
2033	46,070,735	2,896,954	7,277,354	1,034,037	(3,391)	11,204,955
2034	40,402,497	3,027,317	7,539,339	1,071,262	(3,391)	11,634,528
2035	34,017,328	3,163,546	7,810,755	1,109,828	(3,391)	12,080,739
2036	26,853,517	3,305,906	8,091,943	1,149,782	(3,391)	12,544,239
2037	18,844,619	3,454,672	8,383,253	1,191,174	(3,391)	13,025,707
2038	9,919,106	3,610,132	8,685,050	1,234,056	(3,391)	13,525,847
2039	-	3,772,588	-	-	(3,391)	3,769,197

#### Amortization of Unfunded Liability as of July 1, 2024

Year	Type*	Original Base	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2025	Fresh Start	62,768,328	5,483,975	3.60%	14	5,483,975	14
2027	Asset Loss	1,501,684	148,537	3.60%	12	-	12
2029	Asset Loss	6,411,143	738,205	3.60%	10	-	10

\* Asset Gain/Loss is the amount recognized by the smoothing method in the year shown

#### Bases in the funding schedule:

- Fresh Start amortization of the unfunded liability: 14 years.
- Deferred recognition of assets gains and losses, recognized in the contributions over the course of the amortization period.