

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Newburyport Retirement Board

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

RE: Approval of Funding Schedule

DATE: January 6, 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 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. The schedule also reflects a \$15,000 COLA base.

For the past several years, PERAC has been recommending that Boards adopt schedules that complete the amortization of the unfunded actuarial liability (UAL) by FY35. The schedule adopted by the Board completes the amortization of the UAL in FY36 and has total appropriation payments that increase 5.0% each year. As a result, the System has limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumptions that increase the plan's liability, and it is possible appropriation increases in excess of 5.0% 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.

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Enc.



Alternative 5
 7.0% Investment Return
 5.0% Total Cost Increasing
 \$15,000 COLA Base
 5% COLA on July 1, 2022

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

Total cost increases 5.0% per year until FY35 with a final amortization payment in FY36

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Net 3(8)(c)</u>	<u>Amort. of UAL</u>	<u>Total Cost</u>	<u>Unfunded Act. Liab.</u>	<u>Change in Cost</u>
2023	2,408,457	50,000	3,481,327	5,939,784	42,682,723	
2024	2,516,838	50,000	3,669,935	6,236,773	41,945,494	5.0%
2025	2,630,096	50,000	3,868,516	6,548,612	40,954,848	5.0%
2026	2,748,450	50,000	4,077,592	6,876,042	39,682,375	5.0%
2027	2,872,130	50,000	4,297,714	7,219,845	38,097,118	5.0%
2028	3,001,376	50,000	4,529,461	7,580,837	36,165,362	5.0%
2029	3,136,438	50,000	4,773,441	7,959,879	33,850,414	5.0%
2030	3,277,578	50,000	5,030,295	8,357,873	31,112,362	5.0%
2031	3,425,069	50,000	5,300,697	8,775,766	27,907,811	5.0%
2032	3,579,197	50,000	5,585,358	9,214,555	24,189,612	5.0%
2033	3,740,261	50,000	5,885,022	9,675,282	19,906,552	5.0%
2034	3,908,572	50,000	6,200,474	10,159,046	15,003,038	5.0%
2035	4,084,458	50,000	6,532,540	10,666,999	9,418,743	5.0%
2036	4,268,259	50,000	3,088,237	7,406,496	3,088,237	-30.6%
2037	4,460,330	50,000		4,510,330	0	-39.1%
2038	4,661,045	50,000		4,711,045	0	4.5%

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

Normal cost assumed to increase 4.5% per year

Assumed expenses of \$700,000

FY23 amount maintained at level of current funding schedule