

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Norfolk County 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 in equal installments on July 1 and January 1 each year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23) and is acceptable under Chapter 32.

We are approving the schedule because the schedule aggressively funds the plan by completing the amortization of the unfunded liability by FY29. However, we reiterate our past concerns regarding the plan assumptions. The Board once again maintained the 7.75% investment return assumption. You are one of four Boards using an assumption this high. We have generally recommended an assumption of 6.75% to 7.00% for our 2022 PERAC valuations. The wider range that we consider reasonable for 2022 valuations is 6.0% to 7.35%. For comparison, 61 systems currently use an assumption of 7.0% or lower. If PERAC were your actuary, we would disclose the fact that we did not recommend a 7.75% assumption and we would need to disclose the results of the valuation using our recommended assumptions.

The System once again maintained the fully generational mortality assumption originally adopted in 2016. That assumption is based on an experience study performed by your actuary. The mortality assumption we use for other local systems is based on our analysis of local system retirees and reflects longer life expectancy than your assumption. Based on our analysis of retiree mortality for both the State Retirement System and the results of our local system valuations, we could not justify the mortality assumption used in your valuation. We note that page 3 of the valuation report shows an inactive mortality loss of \$13.7 million reflecting fewer deaths than assumed over the two-year period.



December 6, 2022

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We estimate that if the plan used a 7.0% investment return assumption and the PERAC mortality assumption, the actuarial liability (and unfunded actuarial liability) would increase about \$193 million and the funded ratio would decrease to about 65%.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**	Unfunded Accrued Laibility
2023	\$30,568,955	\$11,234,768	\$82,301,555	\$93,536,323	27.5	71.8	\$505,359,983
2024	\$32,224,289	\$11,444,546	\$87,369,920	\$98,814,466	27.8	74.6	\$459,529,716
2025	\$33,966,701	\$11,650,454	\$91,293,423	\$102,943,877	27.8	78.2	\$406,330,779
2026	\$35,800,676	\$11,851,718	\$95,393,157	\$107,244,875	27.7	81.9	\$345,020,661
2027	\$37,730,927	\$12,047,504	\$99,677,041	\$111,724,545	27.6	86.0	\$274,791,605
2028	\$39,762,403	\$12,236,911	\$104,153,347	\$116,390,258	27.5	90.3	\$194,765,206
2029	\$41,900,307	\$12,418,968	\$106,463,510	\$118,882,478	26.9	95.0	\$103,986,572
2030	\$44,150,104	\$12,592,631	\$2,060,901	\$14,653,532	3.2	99.8	\$3,830,240
2031	\$46,517,534	\$12,756,774	\$2,143,337	\$14,900,111	3.1	99.9	\$2,026,997
2032	\$49,008,629	\$12,910,191	\$0	\$12,910,191	2.6	100.0	\$0
2033	\$51,629,725	\$13,051,583	\$0	\$13,051,583	2.5	100.0	\$0
2034	\$54,387,477	\$13,179,557	\$0	\$13,179,557	2.4	100.0	\$0
2035	\$57,288,876	\$13,292,619	\$0	\$13,292,619	2.3	100.0	\$0
2036	\$60,341,266	\$13,389,168	\$0	\$13,389,168	2.2	100.0	\$0
2037	\$63,552,362	\$13,467,489	\$0	\$13,467,489	2.1	100.0	\$0
2038	\$66,930,265	\$13,525,745	\$0	\$13,525,745	2.1	100.0	\$0
2039	\$70,483,486	\$13,561,974	\$0	\$13,561,974	2.0	100.0	\$0
2040	\$74,220,963	\$13,574,073	\$0	\$13,574,073	1.9	100.0	\$0
2041	\$78,152,084	\$13,559,798	\$0	\$13,559,798	1.8	100.0	\$0
2042	\$82,286,708	\$13,516,750	\$0	\$13,516,750	1.7	100.0	\$0
2043	\$85,989,610	\$14,125,004	\$0	\$14,125,004	1.7	100.0	\$0
2044	\$89,859,142	\$14,760,629	\$0	\$14,760,629	1.7	100.0	\$0
2045	\$93,902,804	\$15,424,857	\$0	\$15,424,857	1.7	100.0	\$0
2046	\$98,128,430	\$16,118,976	\$0	\$16,118,976	1.7	100.0	\$0
2047	\$102,544,209	\$16,844,330	\$0	\$16,844,330	1.7	100.0	\$0
2048	\$107,158,699	\$17,602,325	\$0	\$17,602,325	1.7	100.0	\$0
2049	\$111,980,840	\$18,394,429	\$0	\$18,394,429	1.7	100.0	\$0
2050	\$117,019,978	\$19,222,179	\$0	\$19,222,179	1.7	100.0	\$0
2051	\$122,285,877	\$20,087,177	\$0	\$20,087,177	1.7	100.0	\$0
2052	\$127,788,742	\$20,991,100	\$0	\$20,991,100	1.7	100.0	\$0
2053	\$133,539,235	\$21,935,699	\$0	\$21,935,699	1.7	100.0	\$0
2054	\$139,548,500	\$22,922,806	\$0	\$22,922,806	1.7	100.0	\$0

** Beginning of Fiscal Year