

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Norfolk County Retirement Board

FROM: Bill Keefe, Executive Director BK

RE: Approval of Funding Schedule

DATE: June 5, 2025

This Commission is hereby furnishing you with approval of the revised funding schedule you adopted earlier this year (copy enclosed). The schedule is effective in FY25 (since the amount under the prior schedule was maintained in FY25) and FY26 only and is acceptable under Chapter 32. Our understanding is that the Board will have another actuarial valuation performed as of January 1, 2025, at which time a new funding schedule will be adopted.

We are approving the schedule because the schedule aggressively funds the plan by completing the amortization of the unfunded liability by FY31. However, we reiterate our past concerns regarding the plan assumptions. The Board reduced the investment return assumption to 7.625% (from the 7.75% investment return assumption used in the prior valuation). You are one of five Boards using an assumption this high. We have generally recommended an assumption of 6.75% to 7.15% for our 2024 PERAC valuations. The wider range that we consider reasonable for 2024 valuations is 6.0% to 7.35%. For comparison, 78 systems currently use an assumption of 7.0% or lower.

If PERAC were your actuary, we would disclose the fact that we would not recommend a 7.625% assumption, and we would need to disclose the results of the valuation using our recommended assumptions.

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

WTK/jfb

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## Section V - Contributions Payable Under the System (continued)

Fiscal Year Ending	Payroll <sup>1</sup>	Unfunded Accrued Liability <sup>2</sup>	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio % <sup>2</sup>
2025	356,820,710	609,515,924	32,532,391	11,650,454	91,293,423	102,943,877	28.9%	70.7%
2026	372,877,642	566,230,466	34,299,631	15,178,627	92,066,248	107,244,875	28.8%	72.8%
2027	389,657,136	515,616,514	36,160,045	15,526,834	106,394,568	121,921,402	31.3%	75.6%
2028	407,191,707	446,546,815	38,118,439	15,875,643	111,173,200	127,048,843	31.2%	78.9%
2029	425,515,334	367,342,499	40,179,865	16,224,403	113,805,354	130,029,757	30.6%	83.1%
2030	444,663,524	279,417,445	42,349,629	16,572,404	118,916,729	135,489,133	30.5%	87.5%
2031	464,673,383	179,581,084	44,633,307	16,918,871	124,257,719	141,176,590	30.4%	92.2%
2032	485,583,685	66,691,268	47,036,759	17,262,960	24,181,348	41,444,308	8.5%	97.2%
2033	507,434,951	47,142,640	49,566,139	17,603,756	25,269,509	42,873,265	8.4%	98.0%
2034	530,269,524	24,994,905	52,227,913	17,940,268	26,406,636	44,346,904	8.4%	99.0%
2035	554,131,653	0	55,028,876	18,271,416	0	18,271,416	3.3%	100.0%

The detailed amortization schedule would be:

Participation	Outstanding Balance as of January 1, 2023	Amortization Payment as of January 1, 2024	Remaining Period as of January 1, 2024
Unfunded Actuarial Liability	\$ 444,397,506	\$ 69,232,550	7
FY 2002 Early Retirement Incentive	4,394,096	1,147,544	4
FY 2003 Early Retirement Incentive	2,782,152	726,575	4
Sheriffs Liability	10,108,546	1,596,655	7
Increase from Changes in Assumptions	<u>147,833,624</u>	<u>16,819,182</u>	10
Total	\$ 609,515,924	\$ 89,522,505	

To be sure the proper time is allowed for the determination of the final funding schedule, NCRS has decided to follow the 2026 appropriation determined in the 2022 valuation. Insofar as the final funding policy would have created an appropriation that differs from this amount, the difference will be amortized in future appropriations.

**Please note that this latter policy is not final and there are other policies being considered as of the date of this issued report. Once the final policy is determined, a funding schedule based on that policy will be prepared.**

Each of the above forecasts is based upon an assumption of a stable population in which the total payroll and normal cost of the system are expected to increase 4.5% per year. The employee contribution rate is expected to increase to 10.5% by 2041 as members contributing base percentages 5%, 7%, and 8% are replaced by new members, whose base contribution is 9% in addition to the 2% over \$30,000 contribution. The unfunded accrued liability contribution is also based on a 4.5% annual increase and is assumed to be paid semi-annually. This schedule incorporates the funding required to provide annual COLAs under Chapter 17 of the Acts of 1997.

Please note that the amounts shown in each schedule for the 2025 fiscal year represent the actual amounts already appropriated by NCRS for the 2025 fiscal year.

The Actuarially Determined Contribution shown in this section is compliant with the definition of a reasonable actuarially determined contribution under ASOP 4 Section 3.21. The balance among benefit security, intergenerational equity, and stability or predictability of actuarially determined contributions, the timing and duration of expected benefit payments, the nature and frequency of plan amendments, and relevant input from the principal were taken into account when determining the actuarial cost method, smoothing period for the actuarial value of assets and the amortization period and method for any unfunded actuarial accrued liability.