PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

M E M O R A N D U M

TO: Norwood Retirement Board

FROM: William T. Keefe, Executive Director

RE: Approval of Funding Schedule

DATE: January 22, 2025

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 FY25 (since the amount under the prior schedule was maintained in FY25) and is acceptable under Chapter 32.

For the past several years, PERAC has recommended that retirement boards adopt funding schedules that complete the amortization of the unfunded actuarial liability (UAL) by FY35. The revised schedule completes the amortization of the UAL in FY40. We would have preferred the Board to adopt a funding schedule that amortizes the UAL more aggressively. They system has virtually no flexibility in the event of a market downturn before the next actuarial valuation.

As previously mentioned, the revised schedule assumes that appropriation payments are made on July 1 of each fiscal year. However, it appears that the appropriation payment has been made on August 31 for the past few fiscal years (2 months later than the assumed payment date). If the appropriation payments continue to be made after the assumed payment date, the Board should discuss it with its actuary so a funding schedule can be developed that more accurately reflects the timing of the payments.

The revised schedule maintains the 7.25% investment return assumption used in the 2022 actuarial valuation. The schedule reflects an increase in the COLA base to $16,000.

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

WTK/jfb
P:\actuaria\APPROP\Approp25\norwood approval.docx

Enc.

10 CABOT ROAD, SUITE 300 | MEDFORD, MA 02155
PH 617 666 4446 | FAX 617 628 4002 | WWW.MASS.GOV/PERAC

Funding schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of Remaining Unfunded Liability	(6) Actuarially Determined Contribution (ADC): (2)+(3)+(4)+(5)	(7) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(8) Percent Increase in Actuarially Determined Contribution
2025	$966,733	$197,077	$22,482	$5,513,949	$6,700,241	$72,899,365	--
2026	1,001,318	204,960	23,382	5,735,241	6,964,901	72,035,382	3.95%
2027	1,037,085	213,158	24,317	5,965,455	7,240,015	70,862,004	3.95%
2028	1,074,077	221,684	25,290	6,204,945	7,525,996	69,346,857	3.95%
2029	1,112,330	0	0	6,710,943	7,823,273	67,454,821	3.95%
2030	1,151,889	0	0	6,980,403	8,132,292	65,147,809	3.95%
2031	1,192,796	0	0	7,260,722	8,453,518	62,384,543	3.95%
2032	1,235,097	0	0	7,552,335	8,787,432	59,120,298	3.95%
2033	1,278,836	0	0	7,855,700	9,134,536	55,306,640	3.95%
2034	1,324,063	0	0	8,171,287	9,495,350	50,891,133	3.95%
2035	1,370,825	0	0	8,499,591	9,870,416	45,817,035	3.95%
2036	1,419,173	0	0	8,841,124	10,260,297	40,022,959	3.95%
2037	1,469,161	0	0	9,196,418	10,665,579	33,442,518	3.95%
2038	1,520,841	0	0	9,566,028	11,086,869	26,003,942	3.95%
2039	1,574,270	0	0	9,950,530	11,524,800	17,629,663	3.95%
2040	1,629,505	0	0	8,235,870	9,865,375	8,235,870	-14.40%
2041	1,686,606	0	0	0	1,686,606	0	-82.90%

Notes:
The fiscal 2025 appropriation is equal to the budgeted amount determined with the prior valuation.
The appropriation is assumed to be paid on July 1st.
Employer normal cost is projected based on a 2.75% growth in payroll and a 0.15% adjustment to total normal cost to reflect the effect of mortality improvements due to the generational mortality assumption.
Amortization payments calculated to increase at 4.00% for items (3) and (4).
Projected normal cost does not reflect the future impact of pension reform for future hires.
The projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains/losses.