

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Salem Retirement Board
FROM: John W. Parsons, Esq., Executive Director
RE: Appropriation for Fiscal Year 2021
DATE: December 12, 2019

Required Fiscal Year 2021 Appropriation: **\$15,431,474**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2021 which commences July 1, 2020.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2021 appropriation to be paid by each of the governmental units within your system. The allocation by governmental unit was developed by Segal Consulting as part of their January 1, 2018 actuarial valuation.

If your System has a valuation currently in progress, you may submit a revised funding schedule to PERAC upon its completion. The current schedule is due to be updated by Fiscal Year 2021.

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

JWP/jfb
Attachments

cc: Office of the Mayor
City Council
c/o City Clerk

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Salem Retirement Board

Projected Appropriations

Fiscal Year 2021 - July 1, 2020 to June 30, 2021

Aggregate amount of appropriation: **\$15,431,474**

Fiscal Year	Estimated Cost of Benefits	Funding Schedule (Excluding ERI)	ERI	Total Appropriation	Pension Fund Allocation	Pension Reserve Fund Allocation	Transfer From PRF to PF
FY 2021	\$13,738,352	\$15,124,061	\$307,413	\$15,431,474	\$13,738,352	\$1,693,122	\$0
FY 2022	\$14,115,615	\$15,967,543	\$320,378	\$16,287,921	\$14,115,615	\$2,172,306	\$0
FY 2023	\$14,503,772	\$16,877,296	\$314,605	\$17,191,901	\$14,503,772	\$2,688,129	\$0
FY 2024	\$14,903,136	\$17,817,289	\$328,762	\$18,146,051	\$14,903,136	\$3,242,915	\$0
FY 2025	\$15,314,031	\$18,809,601	\$343,556	\$19,153,157	\$15,314,031	\$3,839,126	\$0

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

For illustration, we have shown the amount to be transferred from the Pension Reserve Fund to the Pension Fund to meet the estimated Cost of Benefits for each year. If there are sufficient assets in the Pension Fund to meet the Cost of Benefits, this transfer is optional.

EXHIBIT F – DEPARTMENT RESULTS

	City of Salem	South Essex Sewerage	Essex County	Essex Regional	Essex Regional	City of Salem	City of Salem
	2019	2019	2019	2019	2019	2019	2019
1 Total normal cost	\$106,266	\$475,861	\$181,367	\$577,330	\$5,821,446	\$17,428	\$7,179,698
2 Administrative expenses	5,180	23,198	8,841	28,144	283,787	850	350,000
3 Expected employee contributions	<u>-101,518</u>	<u>-407,251</u>	<u>-150,050</u>	<u>-409,009</u>	<u>-3,614,622</u>	<u>-15,688</u>	<u>-4,698,138</u>
4 Employer normal cost: (1) + (2) + (3)	\$9,928	\$91,808	\$40,158	\$196,465	\$2,490,611	\$2,590	\$2,831,560
5 Employer normal cost as a percent of payroll	0.93%	2.32%	2.68%	4.81%	6.95%	1.76%	6.08%
6 Actuarial accrued liability	\$8,113,083	\$25,839,671	\$8,158,210	\$12,879,080	\$241,337,142	\$1,569,788	\$297,896,974
7 Actuarial value of assets	<u>4,601,270</u>	<u>17,175,660</u>	<u>4,507,485</u>	<u>7,298,425</u>	<u>136,577,326</u>	<u>895,911</u>	<u>171,056,077</u>
8 Unfunded actuarial accrued liability: (6) – (7)	\$3,511,813	\$8,664,011	\$3,650,725	\$5,580,655	\$104,759,816	\$673,877	\$126,840,897
9 Reallocation of Retirement Board unfunded actuarial accrued liability:	<u>18,757</u>	<u>46,276</u>	<u>19,499</u>	<u>29,807</u>	<u>559,538</u>	<u>-673,877</u>	<u>0</u>
10 Unfunded actuarial accrued liability with reallocation: (8) + (9)	\$3,530,570	\$8,710,287	\$3,670,224	\$5,610,462	\$105,319,354	\$0	\$126,840,897
11 Reallocation of Retirement Board normal cost	9	84	37	180	2,280	-2,590	0
12 Employer normal cost with reallocation: (4) + (11)	9,937	91,892	40,195	196,645	2,492,891	0	2,831,560
13 Employer normal cost projected to July 1, 2018	10,110	93,486	40,893	200,057	2,536,142	0	2,880,687
14 2002 ERI payments	0	43,051	24,296	5,804	0	0	73,150
15 2003 ERI payments	4,748	0	0	2,689	183,229	0	190,666
16 2010 ERI payments	0	0	0	0	19,320	0	19,320
17 Payment on remaining liability	<u>298,530</u>	<u>706,692</u>	<u>310,928</u>	<u>452,778</u>	<u>8,918,564</u>	<u>0</u>	<u>10,687,491</u>
18 Budgeted appropriation for fiscal 2019: (13)+(14)+(15)+(16)+(17)	\$313,388	\$843,228	\$376,116	\$661,327	\$11,657,254	\$0	\$13,851,313
19 Fiscal 2020 appropriation	333,752	896,743	378,006	723,581	12,287,979	0	14,620,061
20 Fiscal 2021 appropriation	353,553	947,998	399,480	762,598	12,967,845	0	15,431,474

Notes: Administrative expenses allocated in proportion to total normal cost.
 Actuarial value of assets allocated in proportion to actuarial accrued liability less present value of future ERI payments and adjusted for additional contributions by South Essex Sewerage.
 Recommended contributions are assumed to be paid July 1.