

# 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: Approval of Funding Schedule

DATE: November 30, 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 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 7.15% to 6.90% and an adjustment to the fully generational mortality assumption. In addition, the schedule reflects an increase in the COLA base from \$12,000 to \$15,000.

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

JWP/jfb

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## Section 2: Actuarial Valuation Results

### Funding schedule

(1) Fiscal year ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Actuarially Determined Contribution (ADC): (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in ADC Over Prior Year
2023	\$3,404,495	\$285,435	\$13,501,971	\$17,191,901	\$124,038,518	--
2024	3,519,954	298,280	14,327,818	18,146,052	117,858,439	5.55%
2025	3,639,296	311,703	15,202,159	19,153,158	110,355,373	5.55%
2026	3,762,653	325,729	16,127,776	20,216,158	101,385,575	5.55%
2027	3,890,157	340,387	17,107,611	21,338,155	90,792,383	5.55%
2028	4,021,948	355,704	18,144,771	22,522,423	78,405,148	5.55%
2029	4,158,167	371,712	19,242,538	23,772,417	64,038,095	5.55%
2030	4,298,966	388,439	20,404,381	25,091,786	47,489,090	5.55%
2031	4,444,495	405,918	21,633,967	26,484,380	28,538,313	5.55%
2032	4,594,912	424,184	6,522,636	11,541,732	6,946,820	-56.42%
2033	4,750,379	0	0	4,750,379	0	-58.84%

**Notes:**

Fiscal 2023 Actuarially Determined Contribution set to budgeted amount.

Actuarially Determined Contributions are assumed to be paid on July 1.

Item (2) reflects 3.0% growth in payroll, plus an additional 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Item (3) reflects increasing (4.50% per year) amortization of 2002 and 2003 ERI.

Projected normal cost does not reflect the impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment gains/losses.