

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Shrewsbury Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: December 8, 2023

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule is effective in FY24 (since the amount under the prior schedule was maintained in FY24) and is acceptable under Chapter 32.

The System had a funded ratio in excess of 100% as of January 1, 2022. Due to actuarial losses in 2022, the plan is about 95% funded as of January 1, 2023. The funding schedule completes the amortization of remaining unfunded liabilities in FY30. The scheduled appropriation for FY25 is more than twice that of the normal cost. This is a reasonable approach. We expect the System will complete an actuarial valuation as of January 1, 2024 to determine whether the FY26 appropriation in the enclosed schedule continues to be reasonable.

The Board maintained a 7.5% investment return assumption in this valuation. Note that this is, once again, greater than the high end of our reasonable range for this assumption as of January 1, 2023. We are typically recommending an assumption of 7.0% (or lower) for our 2023 actuarial valuations. Our wider reasonable range for our 2023 valuations is 6.0% to 7.35%. For comparison, 74 systems are currently using an assumption of 7.0% or below. We roughly estimated that the actuarial liability (and therefore the unfunded actuarial liability) would increase by about \$9 million if a 7.0% investment return assumption were used.

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 Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2024	\$30,311,282	\$2,767,518	\$726,753	\$571,635	\$1,298,388	4.3	96.9
2025	\$31,523,733	\$2,907,004	\$725,525	\$1,074,475	\$1,800,000	5.7	97.1
2026	\$32,784,683	\$3,053,220	\$723,036	\$1,076,964	\$1,800,000	5.5	97.5
2027	\$34,096,070	\$3,206,483	\$719,188	\$1,080,812	\$1,800,000	5.3	98.0
2028	\$35,459,913	\$3,367,121	\$713,874	\$1,086,126	\$1,800,000	5.1	98.4
2029	\$36,878,309	\$3,535,480	\$706,985	\$1,093,015	\$1,800,000	4.9	98.9
2030	\$38,353,442	\$3,711,920	\$698,402	\$1,084,005	\$1,782,407	4.6	99.5
2031	\$39,887,579	\$3,896,819	\$688,002	\$0	\$688,002	1.7	100.0
2032	\$41,483,082	\$4,090,571	\$675,652	\$0	\$675,652	1.6	100.0
2033	\$43,142,406	\$4,293,588	\$661,213	\$0	\$661,213	1.5	100.0
2034	\$44,868,102	\$4,506,301	\$644,539	\$0	\$644,539	1.4	100.0
2035	\$46,662,826	\$4,729,162	\$625,472	\$0	\$625,472	1.3	100.0
2036	\$48,529,339	\$4,962,642	\$603,849	\$0	\$603,849	1.2	100.0
2037	\$50,470,513	\$5,207,233	\$579,495	\$0	\$579,495	1.1	100.0
2038	\$52,489,333	\$5,463,451	\$552,226	\$0	\$552,226	1.1	100.0
2039	\$54,588,906	\$5,731,835	\$521,849	\$0	\$521,849	1.0	100.0
2040	\$56,772,463	\$5,961,109	\$542,723	\$0	\$542,723	1.0	100.0
2041	\$59,043,361	\$6,199,553	\$564,432	\$0	\$564,432	1.0	100.0
2042	\$61,405,096	\$6,447,535	\$587,010	\$0	\$587,010	1.0	100.0
2043	\$63,861,300	\$6,705,436	\$610,490	\$0	\$610,490	1.0	100.0
2044	\$66,415,751	\$6,973,654	\$634,909	\$0	\$634,909	1.0	100.0
2045	\$69,072,382	\$7,252,600	\$660,306	\$0	\$660,306	1.0	100.0
2046	\$71,835,277	\$7,542,704	\$686,718	\$0	\$686,718	1.0	100.0
2047	\$74,708,688	\$7,844,412	\$714,187	\$0	\$714,187	1.0	100.0
2048	\$77,697,035	\$8,158,189	\$742,754	\$0	\$742,754	1.0	100.0
2049	\$80,804,917	\$8,484,516	\$772,464	\$0	\$772,464	1.0	100.0
2050	\$84,037,113	\$8,823,897	\$803,363	\$0	\$803,363	1.0	100.0
2051	\$87,398,598	\$9,176,853	\$835,498	\$0	\$835,498	1.0	100.0
2052	\$90,894,542	\$9,543,927	\$868,917	\$0	\$868,917	1.0	100.0
2053	\$94,530,324	\$9,925,684	\$903,674	\$0	\$903,674	1.0	100.0
2054	\$98,311,537	\$10,322,711	\$939,821	\$0	\$939,821	1.0	100.0
2055	\$102,243,998	\$10,735,620	\$977,414	\$0	\$977,414	1.0	100.0

* Calendar basis

** Beginning of Fiscal Year