

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

Auditor DIANA DIZOGGIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

## MEMORANDUM

TO: Somerville Retirement Board

FROM: William T. Keefe., Executive Director

RE: Approval of Funding Schedule

DATE: December 6, 2024

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and is effective in FY23 (since the amount under the prior schedule was maintained in FY25) and is acceptable under Chapter 32.

The Board maintained the 7.50% investment return assumption as part of this actuarial valuation. We are generally recommending an assumption of 7.0% for our 2024 actuarial valuations. For comparison, 77 systems are currently using an assumption of 7.0% or below.

The range we consider reasonable for our 2024 actuarial valuations is 6.0% to 7.35%. Note that your assumption is slightly greater than the high end of our reasonable range. This means that if we were the actuary for your plan, we would not recommend that assumption and if we were to complete the work using that assumption, we would outline that the Board determined that assumption and we would disclose what the plan liabilities would be using our recommended assumption. We expect the plan's actuarial liability would increase about 5% (\$28 million) using a 7.0% investment return assumption.

The Board updated the salary increase assumption from 3.0% per year to 3.25% per year. The 3.25% salary increase assumption is among the lowest of any Chapter 32 system. PERAC's current standard assumption (ultimate rate after 10 years of service) ranges from 4.25% for Group 1 members to 4.75% for Group 4 members.

We also note that although you use a current mortality base table, mortality improvement is projected only to 2025. PERAC's mortality assumption does not limit the length of mortality improvements to a specific year. Based on our experience, PERACs methodology is common practice.



May 13, 2025

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We have outlined and reiterated a number of our concerns regarding funding levels and the actuarial assumptions in our last eight funding schedule approval memorandums. Overall, your actuarial assumption set is among the least conservative of any Chapter 32 system.

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.

WTK/jfb

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[https://ahermainactuary-my.sharepoint.com/personal/dan\\_shermainactuary\\_com/Documents/Recovered Data/Somerville/Val24/2024 Somer Val 75pet 325SS 2\\_75 16k COLA v1 spciFS.xlsx](https://ahermainactuary-my.sharepoint.com/personal/dan_shermainactuary_com/Documents/Recovered%20Data/Somerville/Val24/2024%20Somer%20Val%2075pet%20325SS%202_75%2016k%20COLA%20v1%20spciFS.xlsx)Approp. Results

## Appropriation Forecast

Fiscal Year	Employee	Employer	Amortization	Employer	Employer	Funded
Ending	Payroll*	Contribution	Normal Cost with Interest	Payments with Interest	Total Cost with Interest	Ratio %**
2025	\$106,977,543	\$9,877,130	\$2,827,925	\$15,268,405	\$18,096,330	75.1
2026	\$111,256,645	\$10,389,693	\$2,819,238	\$16,724,798	\$19,544,036	78.1
2027	\$114,594,344	\$10,822,386	\$2,778,358	\$18,329,201	\$21,107,559	80.9
2028	\$118,032,174	\$11,271,689	\$2,732,487	\$20,063,677	\$22,796,164	83.7
2029	\$121,573,140	\$11,738,211	\$2,681,364	\$21,466,642	\$24,148,006	86.5
2030	\$125,220,334	\$12,222,580	\$2,624,714	\$23,183,973	\$25,808,687	89.2
2031	\$128,976,944	\$12,725,446	\$2,562,252	\$25,038,691	\$27,600,943	91.9
2032	\$132,846,252	\$13,247,484	\$2,493,680	\$27,041,786	\$29,535,466	94.6
2033	\$136,831,640	\$13,789,391	\$2,418,687	\$29,205,129	\$31,623,816	97.3
2034	\$140,936,589	\$14,351,890	\$2,336,951	\$0	\$2,336,951	100.0
2035	\$145,164,687	\$14,935,729	\$2,248,133	\$0	\$2,248,133	100.0
2036	\$149,519,627	\$15,541,681	\$2,151,884	\$0	\$2,151,884	100.0
2037	\$154,005,216	\$16,170,548	\$2,047,836	\$0	\$2,047,836	100.0
2038	\$158,625,372	\$16,655,664	\$2,109,271	\$0	\$2,109,271	100.0
2039	\$163,384,134	\$17,155,334	\$2,172,549	\$0	\$2,172,549	100.0
2040	\$168,285,658	\$17,669,994	\$2,237,725	\$0	\$2,237,725	100.0
2041	\$173,334,227	\$18,200,094	\$2,304,857	\$0	\$2,304,857	100.0
2042	\$178,534,254	\$18,746,097	\$2,374,003	\$0	\$2,374,003	100.0
2043	\$183,890,282	\$19,308,480	\$2,445,223	\$0	\$2,445,223	100.0
2044	\$189,406,990	\$19,887,734	\$2,518,580	\$0	\$2,518,580	100.0
2045	\$195,089,200	\$20,484,366	\$2,594,137	\$0	\$2,594,137	100.0
2046	\$200,941,876	\$21,098,897	\$2,671,961	\$0	\$2,671,961	100.0
2047	\$206,970,132	\$21,731,864	\$2,752,120	\$0	\$2,752,120	100.0
2048	\$213,179,236	\$22,383,820	\$2,834,684	\$0	\$2,834,684	100.0
2049	\$219,574,613	\$23,055,334	\$2,919,724	\$0	\$2,919,724	100.0
2050	\$226,161,852	\$23,746,994	\$3,007,316	\$0	\$3,007,316	100.0
2051	\$232,946,707	\$24,459,404	\$3,097,535	\$0	\$3,097,535	100.0
2052	\$239,935,108	\$25,193,186	\$3,190,461	\$0	\$3,190,461	100.0
2053	\$247,133,162	\$25,948,982	\$3,286,175	\$0	\$3,286,175	100.0
2054	\$254,547,157	\$26,727,451	\$3,384,761	\$0	\$3,384,761	100.0
2055	\$262,183,571	\$27,529,275	\$3,486,303	\$0	\$3,486,303	100.0
2056	\$270,049,078	\$28,355,153	\$3,590,893	\$0	\$3,590,893	100.0

\* Calendar basis

\*\* Beginning of Fiscal Year