

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: October 8, 2025

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 FY26 (since the amount under the prior schedule was maintained in FY26) and is acceptable under Chapter 32.

The Board once again maintained the 7.50% investment return assumption as part of this actuarial valuation. We are generally recommending an assumption of 7.0% for our 2025 actuarial valuations. For comparison, 78 systems are currently using an assumption of 7.0% or below.

The range we consider reasonable for our 2025 actuarial valuations is 6.0% to 7.40%. 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 by about 5% (\$28 million) using a 7.0% investment return assumption.

The Board reduced the salary increase assumption from 3.25% per year to 3.0% per year. The 3.0% 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, PERAC's methodology is common practice.



November 4, 2025

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We have outlined and reiterated several of our concerns regarding funding levels and the actuarial assumptions in our last nine 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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Appropriation Forecast

Fiscal			Employer	Amortization	Employer	Employer	
Year		Employee	Normal Cost	Payments	Total Cost	Total Cost	Funded
Ending	Payroll*	Contribution	with Interest	with Interest	with Interest	% of Payroll	Ratio %**
2026	\$111,713,255	\$10,340,113	\$2,679,372	\$16,864,664	\$19,544,036	17.5	79.7
2027	\$116,181,785	\$10,874,165	\$2,661,664	\$17,256,839	\$19,918,503	17.1	81.4
2028	\$119,667,239	\$11,324,451	\$2,612,885	\$17,947,112	\$20,559,997	17.2	83.6
2029	\$123,257,256	\$11,791,967	\$2,558,784	\$18,664,997	\$21,223,781	17.2	85.8
2030	\$126,954,974	\$12,277,342	\$2,499,085	\$19,411,597	\$21,910,682	17.3	88.3
2031	\$130,763,623	\$12,781,227	\$2,433,501	\$20,188,060	\$22,621,561	17.3	90.9
2032	\$134,686,531	\$13,304,296	\$2,361,733	\$20,995,583	\$23,357,316	17.3	93.7
2033	\$138,727,127	\$13,847,245	\$2,283,468	\$21,835,406	\$24,118,874	17.4	96.8
2034	\$142,888,941	\$14,410,798	\$2,198,382	\$0	\$2,198,382	1.5	100.0
2035	\$147,175,609	\$14,995,701	\$2,106,136	\$0	\$2,106,136	1.4	100.0
2036	\$151,590,878	\$15,602,729	\$2,006,377	\$0	\$2,006,377	1.3	100.0
2037	\$156,138,604	\$16,232,682	\$1,898,736	\$0	\$1,898,736	1.2	100.0
2038	\$160,822,762	\$16,886,390	\$1,782,832	\$0	\$1,782,832	1.1	100.0
2039	\$165,647,445	\$17,392,982	\$1,836,317	\$0	\$1,836,317	1.1	100.0
2040	\$170,616,868	\$17,914,771	\$1,891,406	\$0	\$1,891,406	1.1	100.0
2041	\$175,735,375	\$18,452,214	\$1,948,148	\$0	\$1,948,148	1.1	100.0
2042	\$181,007,436	\$19,005,781	\$2,006,593	\$0	\$2,006,593	1.1	100.0
2043	\$186,437,659	\$19,575,954	\$2,066,791	\$0	\$2,066,791	1.1	100.0
2044	\$192,030,789	\$20,163,233	\$2,128,794	\$0	\$2,128,794	1.1	100.0
2045	\$197,791,712	\$20,768,130	\$2,192,658	\$0	\$2,192,658	1.1	100.0
2046	\$203,725,464	\$21,391,174	\$2,258,438	\$0	\$2,258,438	1.1	100.0
2047	\$209,837,228	\$22,032,909	\$2,326,191	\$0	\$2,326,191	1.1	100.0
2048	\$216,132,344	\$22,693,896	\$2,395,977	\$0	\$2,395,977	1.1	100.0
2049	\$222,616,315	\$23,374,713	\$2,467,856	\$0	\$2,467,856	1.1	100.0
2050	\$229,294,804	\$24,075,954	\$2,541,892	\$0	\$2,541,892	1.1	100.0
2051	\$236,173,648	\$24,798,233	\$2,618,149	\$0	\$2,618,149	1.1	100.0
2052	\$243,258,858	\$25,542,180	\$2,696,693	\$0	\$2,696,693	1.1	100.0
2053	\$250,556,623	\$26,308,445	\$2,777,594	\$0	\$2,777,594	1.1	100.0
2054	\$258,073,322	\$27,097,699	\$2,860,922	\$0	\$2,860,922	1.1	100.0
2055	\$265,815,522	\$27,910,630	\$2,946,749	\$0	\$2,946,749	1.1	100.0
2056	\$273,789,987	\$28,747,949	\$3,035,152	\$0	\$3,035,152	1.1	100.0
2057	\$282,003,687	\$29,610,387	\$3,126,206	\$0	\$3,126,206	1.1	100.0

* Calendar basis

** Beginning of Fiscal Year