

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

## MEMORANDUM

TO: Taunton Retirement Board

FROM: William T. Keefe, Executive Director

RE: Approval of Funding Schedule

DATE: November 12, 2024

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes quarterly payments and is effective in FY25 (since the amount under the prior schedule was maintained in FY25) and is acceptable under Chapter 32, with the caveats noted below.

The schedule reduces the FY26 (and subsequent appropriations) by \$1.6 million. This was accomplished by extending the funding schedule by two years. Although this is allowable, we would not have recommended reducing the appropriation amounts so significantly, especially when combined with the investment return assumption issue described in the next two paragraphs. By reducing the budgeted amounts from the prior schedule, a significant investment loss in the next few years could require substantial increases in the level of appropriation.

The 7.6% investment return assumption is outside the range we consider reasonable. For our 2024 valuations, we are generally recommending an assumption of between 6.75% and 7.15%. Our reasonable range for this assumption as of January 1, 2024 is 6.0% to 7.35%. For comparison, there are currently 77 systems with an assumption of 7.0% or less. Our understanding is your actuary recommended a decrease in this assumption, but the Board decided to maintain the 7.6% assumption.

However, since PERAC is not the actuary for the plan, we will allow the schedule. Note that if PERAC were the actuary for the plan, our report would indicate that we do not believe this assumption is reasonable and would reflect plan liabilities using a 7.0% assumption. We estimate that using a 7.0% investment return assumption, the actuarial liability would increase by approximately \$34 million and the funded ratio would decrease to 76%.



May 13, 2025

Page 2

The System used the SOA Pub-2010 Public Retirement Plans mortality assumptions (group specific) with mortality improvement to 2025. The valuation assumes no mortality improvement after 2025. This is not the case for most other public plans in Massachusetts and our understanding is that it is not general practice. However, we also note that the base mortality assumption used by your actuary is more conservative than PERAC's base standard mortality assumption for local systems (see our November 14, 2022 approval letter). We did not try to assess, overall, how PERAC's assumption compares with that of your actuary.

The schedule amortizes the unfunded actuarial liability on a 4.5% annually increasing basis through FY32. Under the provisions of G.L. c. 32, Section 22F, the maximum allowance increase is 4.0% for schedules that extend beyond FY30. However, since the Board could have adopted a schedule with similar payments over the next few years by having the total payments increase approximately 4.0% each year, we will allow this schedule.

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

P:\actuarial\APPROP\Approp25\taunton approval.docx

Enc.

## Section V - Contributions Payable Under the System (continued)

### Pension Reform Act - Section 22D Funding Requirements

| Fiscal Year Ending | Payroll     | Unfunded Accrued Liability | Employee Contribution | Employer Normal Cost with Interest | Amortization Payments with Interest | Employer Total Cost with Interest | Employer Total Cost % of Payroll | Funded Ratio % <sup>1</sup> |
|--------------------|-------------|----------------------------|-----------------------|------------------------------------|-------------------------------------|-----------------------------------|----------------------------------|-----------------------------|
| 2025               | 77,699,978  | 111,287,733                | 7,211,313             | 3,602,480                          | 17,341,507                          | 20,943,987                        | 27.0%                            | 80.2%                       |
| 2026               | 81,196,477  | 101,956,982                | 7,625,805             | 3,522,135                          | 17,122,294                          | 20,644,429                        | 25.4%                            | 81.9%                       |
| 2027               | 84,850,318  | 92,433,559                 | 8,062,998             | 3,580,397                          | 17,656,670                          | 21,237,067                        | 25.0%                            | 83.6%                       |
| 2028               | 88,668,582  | 81,647,459                 | 8,524,096             | 3,636,769                          | 18,451,220                          | 22,087,989                        | 24.9%                            | 85.4%                       |
| 2029               | 92,658,668  | 69,240,119                 | 9,010,365             | 3,690,965                          | 19,281,525                          | 22,972,490                        | 24.8%                            | 87.9%                       |
| 2030               | 96,828,308  | 55,052,256                 | 9,523,137             | 3,742,674                          | 20,149,194                          | 23,891,868                        | 24.7%                            | 90.5%                       |
| 2031               | 101,185,582 | 38,910,859                 | 10,063,813            | 3,791,562                          | 21,055,907                          | 24,847,469                        | 24.6%                            | 93.4%                       |
| 2032               | 105,738,933 | 20,628,075                 | 10,633,865            | 3,837,271                          | 22,003,422                          | 25,840,693                        | 24.4%                            | 96.6%                       |
| 2033               | 110,497,185 | 0                          | 11,234,843            | 3,879,417                          | 0                                   | 3,879,417                         | 3.5%                             | 100.0%                      |
| 2034               | 115,469,558 | 0                          | 11,868,375            | 3,917,585                          | 0                                   | 3,917,585                         | 3.4%                             | 100.0%                      |
| 2035               | 120,665,688 | 0                          | 12,536,175            | 3,951,332                          | 0                                   | 3,951,332                         | 3.3%                             | 100.0%                      |
| 2036               | 126,095,644 | 0                          | 13,240,043            | 3,980,183                          | 0                                   | 3,980,183                         | 3.2%                             | 100.0%                      |
| 2037               | 131,769,948 | 0                          | 13,835,845            | 4,159,291                          | 0                                   | 4,159,291                         | 3.2%                             | 100.0%                      |
| 2038               | 137,699,596 | 0                          | 14,458,458            | 4,346,459                          | 0                                   | 4,346,459                         | 3.2%                             | 100.0%                      |
| 2039               | 143,896,078 | 0                          | 15,109,088            | 4,542,051                          | 0                                   | 4,542,051                         | 3.2%                             | 100.0%                      |
| 2040               | 150,371,402 | 0                          | 15,788,997            | 4,746,443                          | 0                                   | 4,746,443                         | 3.2%                             | 100.0%                      |
| 2041               | 157,138,115 | 0                          | 16,499,502            | 4,960,033                          | 0                                   | 4,960,033                         | 3.2%                             | 100.0%                      |
| 2042               | 164,209,330 | 0                          | 17,241,980            | 5,183,233                          | 0                                   | 5,183,233                         | 3.2%                             | 100.0%                      |
| 2043               | 171,598,750 | 0                          | 18,017,869            | 5,416,479                          | 0                                   | 5,416,479                         | 3.2%                             | 100.0%                      |
| 2044               | 179,320,694 | 0                          | 18,828,673            | 5,660,221                          | 0                                   | 5,660,221                         | 3.2%                             | 100.0%                      |
| 2045               | 187,390,125 | 0                          | 19,675,963            | 5,914,931                          | 0                                   | 5,914,931                         | 3.2%                             | 100.0%                      |
| 2046               | 195,822,681 | 0                          | 20,561,382            | 6,181,102                          | 0                                   | 6,181,102                         | 3.2%                             | 100.0%                      |
| 2047               | 204,634,702 | 0                          | 21,486,644            | 6,459,252                          | 0                                   | 6,459,252                         | 3.2%                             | 100.0%                      |
| 2048               | 213,843,264 | 0                          | 22,453,543            | 6,749,918                          | 0                                   | 6,749,918                         | 3.2%                             | 100.0%                      |
| 2049               | 223,466,211 | 0                          | 23,463,952            | 7,053,665                          | 0                                   | 7,053,665                         | 3.2%                             | 100.0%                      |
| 2050               | 233,522,190 | 0                          | 24,519,830            | 7,371,080                          | 0                                   | 7,371,080                         | 3.2%                             | 100.0%                      |
| 2051               | 244,030,689 | 0                          | 25,623,222            | 7,702,779                          | 0                                   | 7,702,779                         | 3.2%                             | 100.0%                      |
| 2052               | 255,012,070 | 0                          | 26,776,267            | 8,049,403                          | 0                                   | 8,049,403                         | 3.2%                             | 100.0%                      |
| 2053               | 266,487,613 | 0                          | 27,981,199            | 8,411,627                          | 0                                   | 8,411,627                         | 3.2%                             | 100.0%                      |
| 2054               | 278,479,556 | 0                          | 29,240,353            | 8,790,150                          | 0                                   | 8,790,150                         | 3.2%                             | 100.0%                      |
| 2055               | 291,011,136 | 0                          | 30,556,169            | 9,185,706                          | 0                                   | 9,185,706                         | 3.2%                             | 100.0%                      |

<sup>1</sup> Calendar basis

<sup>2</sup> As of preceding January 1