

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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

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## MEMORANDUM

TO: Wakefield Retirement Board

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

RE: Approval of Funding Schedule

DATE: August 11, 2022

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 August 1 of each fiscal year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23). This schedule is acceptable under Chapter 32, but we do not recommend it.

In our memorandum dated October 28, 2020, we indicated that we had concerns about the investment return assumption adopted by the Board. We now reiterate those concerns. As part of our 2018 actuarial valuation, we recommended the Board adopt a 7.35% assumption. Ultimately the Board maintained the 7.50% assumption used in the 2016 valuation. For the 2020 valuation we recommended a 7.25% assumption (a 25-basis point reduction from the 2018 assumption). The Board requested and then adopted a 7.40% assumption. With this valuation, we once again recommended a 7.25% assumption. The Board maintained the 7.40% assumption used in the 2020 valuation. We have generally recommended an assumption of 6.85% to 7.00% for our 2022 actuarial valuations. For comparison, there are 78 systems that currently use an assumption of 7.25% or lower. Note that this assumption falls outside of the high end of our reasonable range for this assumption this year (6.0% - 7.35%). As such, we will need to disclose this in our final valuation report to be issued later this year.

With respect to the amortization period of the unfunded actuarial liability (UAL), we would have preferred a schedule be adopted that more aggressively amortizes the UAL. The schedule completes the amortization of the UAL in FY36. For the past several years, we have been recommending that systems adopt schedules that fully fund the UAL by FY35. This provides more flexibility in the event of a market downturn.

This schedule reflects a minor adjustment to the mortality improvement scale.

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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Enc.

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Wakefield Retirement System  
January 1, 2022 Actuarial Valuation

5.65% total cost increasing until FY35 with a final amortization payment in FY36

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Net 3(8)(c)</u>	<u>Amort. of UAL</u>	<u>Amort. of 2010 ERI</u>	<u>Total Cost</u>	<u>Unfunded Act. Liab.</u>	<u>% Increase Total Cost</u>
2023	2,814,826	100,000	4,696,758	7,263	7,618,847	58,201,559	
2024	2,941,493	100,000	5,007,819		8,049,312	57,486,221	5.65%
2025	3,073,860	100,000	5,330,238		8,504,098	56,393,598	5.65%
2026	3,212,184	100,000	5,672,396		8,984,580	54,875,890	5.65%
2027	3,356,732	100,000	6,035,476		9,492,208	52,880,566	5.65%
2028	3,507,785	100,000	6,420,733		10,028,518	50,349,945	5.65%
2029	3,665,635	100,000	6,829,494		10,595,129	47,220,738	5.65%
2030	3,830,589	100,000	7,263,165		11,193,754	43,423,556	5.65%
2031	4,002,965	100,000	7,723,236		11,826,201	38,882,373	5.65%
2032	4,183,099	100,000	8,211,283		12,494,382	33,513,948	5.65%
2033	4,371,338	100,000	8,728,976		13,200,314	27,227,195	5.65%
2034	4,568,048	100,000	9,278,084		13,946,132	19,922,507	5.65%
2035	4,773,611	100,000	9,860,478		14,734,088	11,491,017	5.65%
2036	4,988,423	100,000	1,824,589		6,913,012	1,813,803	-53.08%
2037	5,212,902	100,000			5,312,902	0	-23.15%

Appropriation payments assumed to be made August 1 of each fiscal year.  
Normal cost assumed to increase 4.5% per year.  
Assumed expenses of \$650,000.  
FY23 appropriation maintained at the same level as the current schedule.