

# 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: Wakefield Retirement Board

FROM: William T. Keefe, Executive Director

RE: Approval of Funding Schedule

DATE: January 21, 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 August 1 of each fiscal year. The schedule is effective in FY25 (since the amount under the prior schedule was maintained in FY25). This schedule is acceptable under Chapter 32, but we do not recommend it.

In our memoranda dated October 28, 2020 and August 11, 2022, 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. For both the 2022 valuation and this valuation, we again recommended a 7.25% assumption. The Board continues to maintain the 7.40% assumption used in the 2020 valuation. We have generally recommended an assumption of 6.85% to 7.00% for our 2024 actuarial valuations. For comparison, there are 92 systems that currently use an assumption of 7.25% or lower. Note that the 7.40% 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 and an increase in the COLA base to \$16,000.

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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Enc.



Wakefield Retirement System  
January 1, 2024 Actuarial Valuation

6.40% total cost increasing until FY35 with a final amortization payment in FY36

<u>Fiscal</u> <u>Year</u>	<u>Normal</u> <u>Cost</u>	<u>Net</u> <u>3(8)(c)</u>	<u>Amort. Of</u> <u>UAL</u>	<u>Total</u> <u>Cost</u>	<u>Unfunded</u> <u>Act. Liability</u>	<u>% Increase</u> <u>Total Cost</u>
2025	3,111,986	65,000	5,327,112	8,504,098	63,651,899	
2026	3,252,026	65,000	5,731,335	9,048,360	62,674,643	6.40%
2027	3,398,367	65,000	6,164,089	9,627,455	61,193,501	6.40%
2028	3,551,293	65,000	6,627,319	10,243,612	59,140,724	6.40%
2029	3,711,102	65,000	7,123,102	10,899,204	56,441,474	6.40%
2030	3,878,101	65,000	7,653,652	11,596,753	53,013,155	6.40%
2031	4,052,616	65,000	8,221,329	12,338,945	48,764,699	6.40%
2032	4,234,983	65,000	8,828,654	13,128,637	43,595,776	6.40%
2033	4,425,558	65,000	9,478,313	13,968,870	37,395,942	6.40%
2034	4,624,708	65,000	10,173,170	14,862,878	30,043,711	6.40%
2035	4,832,820	65,000	10,916,282	15,814,102	21,405,550	6.40%
2036	5,050,296	65,000	11,402,184	16,517,480	11,334,780	4.45%
2037	5,277,560	65,000		5,342,560	0	-67.66%

Appropriation payments assumed to be made August 1 of each fiscal year.

FY25 Normal cost includes assumed expenses of \$725,000 and is assumed to increase 4.5% per year.

FY25 appropriation maintained at the same level as the current schedule.