

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

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

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MEMORANDUM

TO: Waltham Retirement Board

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

RE: Approval of Funding Schedule

DATE: December 11, 2023

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 of each fiscal year. The schedule is effective in FY24 (since the amount under the prior schedule was maintained in FY24) and is acceptable under Chapter 32.

Although we are approving the schedule, we, once again, have serious concerns regarding the plan's assumptions. The System maintained the 7.75% investment return assumption that was used in the 2019 and 2021 valuations. In our 2019 approval we noted we had generally recommended an assumption between 7.0% and 7.25% at that time. We are recommending an assumption of 7.0% (or lower) for our 2023 actuarial valuations. For comparison, 74 systems are currently using an assumption of 7.0% or below

Our reasonable range for this assumption for our 2023 valuations is 6.0% to 7.35%. Your assumption continues to be significantly greater than the high end of our reasonable range. This means that if we were the actuary for the plan, we would not allow that assumption and would request you find another actuary if the Board insisted on using it. If we were to complete the work using that assumption, we would provide extensive detail as to what the plan liabilities would be using our recommended assumptions.

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

We expect the plan's actuarial liability would increase about 10% (\$50 million) using our recommended investment return assumption and PERAC's other standard assumptions. This would require a significant level of increase in the appropriation to maintain the FY32 date for the completion of the amortization of unfunded liability.

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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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability**	Funded Ratio %**
2024	\$6,452,471	\$1,724,341	\$20,543,927	\$22,268,268	31.7	\$164,945,151	67.0
2025	6,752,250	1,707,939	21,720,123	23,428,062	32.2	156,393,377	70.1
2026	7,065,109	1,688,276	23,023,061	24,711,337	32.8	145,959,552	73.3
2027	7,391,597	1,665,145	24,404,445	26,069,590	33.4	133,372,859	76.7
2028	7,732,285	1,638,326	25,868,711	27,507,037	34.1	118,376,783	80.2
2029	8,087,765	1,607,590	27,420,834	29,028,424	34.8	100,698,564	83.9
2030	8,458,658	1,572,695	29,066,084	30,638,779	35.5	80,039,137	87.8
2031	8,845,605	1,533,389	29,476,336	31,009,725	34.7	56,070,791	91.8
2032	9,249,277	1,489,404	30,952,973	32,442,377	35.0	29,819,045	95.9
2033	9,670,370	1,440,463	0	1,440,463	1.5	(0)	100.0
2034	10,109,609	1,386,271	0	1,386,271	1.4	(0)	100.0
2035	10,567,748	1,326,521	0	1,326,521	1.3	(0)	100.0
2036	11,045,573	1,260,890	0	1,260,890	1.2	(0)	100.0
2037	11,543,901	1,189,040	0	1,189,040	1.1	(0)	100.0
2038	11,947,937	1,230,656	0	1,230,656	1.1	(0)	100.0
2039	12,366,115	1,273,729	0	1,273,729	1.1	(0)	100.0
2040	12,798,929	1,318,310	0	1,318,310	1.1	(0)	100.0
2041	13,246,891	1,364,450	0	1,364,450	1.1	0	100.0
2042	13,710,533	1,412,206	0	1,412,206	1.1	0	100.0
2043	14,190,401	1,461,633	0	1,461,633	1.1	0	100.0
2044	14,687,065	1,512,791	0	1,512,791	1.1	0	100.0
2045	15,201,113	1,565,738	0	1,565,738	1.1	0	100.0
2046	15,733,152	1,620,539	0	1,620,539	1.1	0	100.0
2047	16,283,812	1,677,258	0	1,677,258	1.1	0	100.0
2048	16,853,745	1,735,962	0	1,735,962	1.1	0	100.0
2049	17,443,626	1,796,721	0	1,796,721	1.1	0	100.0
2050	18,054,153	1,859,606	0	1,859,606	1.1	0	100.0
2051	18,686,049	1,924,692	0	1,924,692	1.1	0	100.0
2052	19,340,060	1,992,056	0	1,992,056	1.1	0	100.0
2053	20,016,962	2,061,778	0	2,061,778	1.1	0	100.0
2054	20,717,556	2,133,941	0	2,133,941	1.1	0	100.0
2055	21,442,671	2,208,628	0	2,208,628	1.1	0	100.0

** Beginning of Fiscal Year