

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: Woburn Retirement Board

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

RE: Approval of Funding Schedule

DATE: November 18, 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 September 1 each fiscal year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23) and is acceptable under Chapter 32.

The revised schedule reflects a 7.50% investment return assumption (the same assumption as used in the past two actuarial valuations). We are generally recommending an assumption of 7.0% (or lower) for our 2022 actuarial valuations. For comparison, 57 systems are currently using an assumption of 7.0% or below. There are 87 systems using an assumption of 7.25% or below.

The range we consider reasonable for our 2022 actuarial valuations is 6.0% to 7.35%. Note that your assumption is somewhat 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 about 5% (\$14 million) using a 7.0% investment return assumption.

The revised funding schedule completes the amortization of the unfunded actuarial liability at the same time as the prior funding schedule even though the system experienced significant actuarial gains over the past two years. This resulted in lower annual appropriation payments than under the prior schedule (e.g. \$430,000 in FY24, \$700,000 in FY25 with similar reductions thereafter). While allowable, we would have suggested that the system adopt a funding schedule that more closely maintained the level, or close to the level, of appropriation found in the prior schedule and reduced the overall length of the schedule.

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.



Section V - Contributions Payable Under the System (continued)

Pension Reform Act - Section 22D Funding Requirements

Fiscal Year Ending	Unfunded Accrued Payroll ¹	Unfunded Liability ²	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio % ²
2023	31,737,213	90,339,582	2,849,352	2,060,881	9,413,760	11,474,641	36.2%	66.8%
2024	33,006,702	87,454,389	2,986,161	2,125,147	9,349,494	11,474,641	34.8%	69.1%
2025	34,326,970	84,427,260	3,129,357	2,178,744	9,456,563	11,635,307	33.9%	71.8%
2026	35,700,049	81,076,577	3,279,230	2,233,295	9,834,825	12,068,120	33.8%	74.1%
2027	37,128,051	77,087,285	3,436,086	2,288,792	10,228,218	12,517,010	33.7%	76.3%
2028	38,613,173	72,395,995	3,600,243	2,345,224	10,637,346	12,982,570	33.6%	78.2%
2029	40,157,700	66,933,945	3,772,035	2,402,580	11,062,841	13,465,421	33.5%	80.3%
2030	41,764,008	60,626,571	3,951,811	2,460,843	11,505,355	13,966,198	33.4%	82.6%
2031	43,434,568	53,393,046	4,139,933	2,519,999	11,965,569	14,485,568	33.4%	85.0%
2032	45,171,951	45,145,786	4,336,782	2,580,028	12,444,192	15,024,220	33.3%	87.6%
2033	46,978,829	35,789,912	4,542,755	2,640,906	12,941,959	15,582,865	33.2%	90.4%
2034	48,857,982	25,222,676	4,758,267	2,702,609	13,459,638	16,162,247	33.1%	93.4%
2035	50,812,301	13,332,837	4,983,752	2,765,107	13,998,022	16,763,129	33.0%	96.6%
2036	52,844,793	0	5,219,662	2,828,368	0	2,828,368	5.4%	100.0%
2037	54,958,585	0	5,466,471	2,892,356	0	2,892,356	5.3%	100.0%
2038	57,156,928	0	5,724,673	2,957,030	0	2,957,030	5.2%	100.0%
2039	59,443,205	0	5,994,786	3,022,343	0	3,022,343	5.1%	100.0%
2040	61,820,933	0	6,277,347	3,088,251	0	3,088,251	5.0%	100.0%
2041	64,293,770	0	6,572,922	3,154,696	0	3,154,696	4.9%	100.0%
2042	66,865,521	0	6,882,099	3,221,620	0	3,221,620	4.8%	100.0%
2043	69,540,142	0	7,205,494	3,288,957	0	3,288,957	4.7%	100.0%
2044	72,321,748	0	7,543,748	3,356,637	0	3,356,637	4.6%	100.0%
2045	75,214,618	0	7,897,535	3,424,582	0	3,424,582	4.6%	100.0%
2046	78,223,203	0	8,213,436	3,549,501	0	3,549,501	4.5%	100.0%
2047	81,352,131	0	8,541,974	3,679,053	0	3,679,053	4.5%	100.0%
2048	84,606,216	0	8,883,653	3,813,416	0	3,813,416	4.5%	100.0%
2049	87,990,465	0	9,238,999	3,952,769	0	3,952,769	4.5%	100.0%
2050	91,510,084	0	9,608,559	4,097,301	0	4,097,301	4.5%	100.0%
2051	95,170,487	0	9,992,901	4,247,207	0	4,247,207	4.5%	100.0%
2052	98,977,306	0	10,392,617	4,402,690	0	4,402,690	4.4%	100.0%
2053	102,936,398	0	10,808,322	4,563,959	0	4,563,959	4.4%	100.0%

¹Calendar year basis

²As of preceding January 1