

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

MEMORANDUM

TO: Worcester Regional Retirement Board
FROM: Joseph E. Connarton, Executive Director
RE: Appropriation for Fiscal Year 2019
DATE: December 14, 2017

Required Fiscal Year 2019 Appropriation: **\$56,616,875**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2019 which commences July 1, 2018.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2019 appropriation to be paid by each of the governmental units within your system. The allocation by governmental unit was determined by KMS Actuaries.

The amount shown above for Fiscal Year 2019 is greater than the amount shown in the schedule adopted by the Board. The increase reflects the addition of the Lancaster Sewer and the Nashoba Valley Dispatch governmental units.

The current schedule is due to be updated in Fiscal Year 2019.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446 Extension 921.

JEC/jrl
Attachments

cc: Regional Advisory Council
c/o Retirement Board

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Worcester Regional Retirement Board

Projected Appropriations

Fiscal Year 2019 - July 1, 2018 to June 30, 2019

Aggregate amount of appropriation: **\$56,616,875**

| Fiscal Year | Estimated Cost of Benefits | Funding Schedule (Excluding ERI) | ERI | Total Appropriation | Pension Fund Allocation | Pension Reserve Fund Allocation | Transfer From PRF to PF |
|--------------------|-----------------------------------|---|-------------|----------------------------|--------------------------------|--|--------------------------------|
| FY 2019 | \$71,980,996 | \$54,908,302 | \$1,708,573 | \$56,616,875 | \$56,616,875 | \$0 | \$15,364,121 |
| FY 2020 | \$77,200,625 | \$60,446,768 | \$1,785,199 | \$62,231,967 | \$62,231,967 | \$0 | \$14,968,658 |
| FY 2021 | \$82,820,532 | \$66,561,212 | \$1,865,273 | \$68,426,485 | \$68,426,485 | \$0 | \$14,394,047 |
| FY 2022 | \$88,871,415 | \$73,288,655 | \$1,948,952 | \$75,237,607 | \$75,237,607 | \$0 | \$13,633,808 |
| FY 2023 | \$95,386,322 | \$80,696,070 | \$2,030,626 | \$82,726,696 | \$82,726,696 | \$0 | \$12,659,626 |

The Total Appropriation column shown above is in accordance with your current funding schedule and the scheduled payment date(s) in that schedule. Whenever payments are made after the scheduled date(s), the total appropriation should be revised to reflect interest at the rate assumed in the most recent actuarial valuation. Payments should be made before the end of the fiscal year.

For illustration, we have shown the amount to be transferred from the Pension Reserve Fund to the Pension Fund to meet the estimated Cost of Benefits for each year. If there are sufficient assets in the Pension Fund to meet the Cost of Benefits, this transfer is optional.

SECTION 9 ADDENDUM - MEMBER UNIT FY2019 APPROPRIATION

| Unit | Unit Name | FYE2019 Appropriation | | | | | Total | FYE2018 | Increase over | Payment on |
|------|------------------------------------|-----------------------|-----------|----------|----------|----------|-----------|---------------|---------------|------------|
| | | Normal Cost | UAL | 2002 ERI | 2003 ERI | 2010 ERI | | Appropriation | FYE 2018 | 7/1/2018 |
| 300 | Hopedale Housing Authority | - | 5,000 | - | - | - | 5,000 | 4,348 | 15.00% | 4,908 |
| 310 | Hubbardston | 107,495 | 138,664 | 10,068 | 4,260 | - | 260,487 | 238,741 | 9.11% | 255,716 |
| 320 | Lancaster | 215,788 | 354,975 | - | - | - | 570,763 | 518,363 | 10.11% | 560,308 |
| 325 | Lancaster Housing Authority | 5,452 | 9,314 | - | - | - | 14,766 | 13,397 | 10.22% | 14,496 |
| 330 | Leicester | 403,948 | 727,120 | 50,509 | 2,046 | - | 1,183,623 | 1,075,105 | 10.09% | 1,161,943 |
| 340 | Leicester Housing Authority | 10,563 | 27,671 | - | - | - | 38,234 | 34,326 | 11.38% | 37,534 |
| 350 | Leicester Water District | 9,791 | 40,544 | - | - | - | 50,335 | 44,771 | 12.43% | 49,413 |
| 360 | Lunenburg | 443,977 | 800,634 | - | - | - | 1,244,611 | 1,127,637 | 10.37% | 1,221,814 |
| 370 | Lunenburg Housing Authority | 1,119 | 227 | - | - | - | 1,346 | 1,285 | 4.75% | 1,321 |
| 380 | Lunenburg Water District | 5,398 | 44,562 | - | - | - | 49,960 | 43,998 | 13.55% | 49,045 |
| 390 | Mendon | 222,069 | 327,602 | 8,055 | 21,641 | - | 579,367 | 529,077 | 9.51% | 568,755 |
| 400 | Mendon-Upton Regional | 311,560 | 397,001 | 6,713 | 7,496 | - | 722,770 | 661,560 | 9.25% | 709,531 |
| 410 | Millbury | 579,592 | 1,065,070 | 137,098 | - | - | 1,781,760 | 1,620,560 | 9.95% | 1,749,124 |
| 420 | Millbury Housing Authority | 32,198 | 52,148 | - | 6,136 | - | 90,482 | 82,506 | 9.67% | 88,825 |
| 430 | Millville | 115,226 | 41,772 | - | - | - | 156,998 | 148,282 | 5.88% | 154,122 |
| 440 | Narragansett Regional | 126,424 | 227,298 | 23,661 | - | - | 377,383 | 343,145 | 9.98% | 370,470 |
| 450 | Nashoba Regional | 445,770 | 551,658 | - | - | - | 997,428 | 912,860 | 9.26% | 979,158 |
| 460 | New Braintree | 13,654 | 36,797 | - | - | - | 50,451 | 45,267 | 11.45% | 49,527 |
| 470 | Northboro | 582,040 | 1,339,980 | - | - | - | 1,922,020 | 1,730,816 | 11.05% | 1,886,814 |
| 480 | Northboro Housing Authority | 24,536 | 37,782 | - | - | - | 62,318 | 56,695 | 9.92% | 61,177 |
| 490 | Northboro-Southboro Regional | 168,782 | 191,472 | - | - | - | 360,254 | 330,503 | 9.00% | 353,655 |
| 500 | North Brookfield | 145,851 | 272,458 | - | 13,803 | - | 432,112 | 391,859 | 10.27% | 424,197 |
| 510 | North Brookfield Housing Authority | 2,021 | 16,223 | - | - | - | 18,244 | 16,072 | 13.51% | 17,910 |
| 530 | Oakham | 26,722 | 38,613 | - | - | - | 65,335 | 59,542 | 9.73% | 64,138 |
| 540 | Oxford | 630,691 | 1,132,006 | 131,057 | 14,825 | - | 1,908,579 | 1,736,825 | 9.89% | 1,873,620 |
| 550 | Oxford Housing Authority | 19,375 | 38,321 | - | - | - | 57,696 | 52,150 | 10.63% | 56,639 |
| 555 | Oxford-Rochdale Sewer District | 8,894 | 21,123 | - | - | - | 30,017 | 27,010 | 11.13% | 29,467 |
| 560 | Paxton | 296,504 | 370,026 | - | - | - | 666,530 | 609,877 | 9.29% | 654,321 |
| 570 | Petersham | 64,946 | 84,207 | - | 2,215 | - | 151,368 | 138,452 | 9.33% | 148,595 |
| 580 | Phillipston | 56,255 | 66,778 | - | - | - | 123,033 | 112,731 | 9.14% | 120,779 |
| 590 | Princeton | 87,302 | 265,236 | 8,055 | - | - | 360,593 | 323,191 | 11.57% | 353,988 |
| 600 | Quabbin Regional | 331,000 | 572,431 | 51,013 | 7,496 | - | 961,940 | 875,402 | 9.89% | 944,320 |
| 610 | Quaboag Regional | 115,264 | 191,815 | 29,533 | - | - | 336,612 | 307,063 | 9.62% | 330,446 |
| 620 | Royalston | 16,207 | 36,242 | - | - | - | 52,449 | 47,264 | 10.97% | 51,488 |
| 630 | Rutland | 244,876 | 318,958 | 6,043 | - | - | 569,877 | 521,088 | 9.36% | 559,439 |

Worcester Regional Retirement System
Actuarial Valuation as of January 1, 2016

SECTION 9 ADDENDUM - MEMBER UNIT FY2019 APPROPRIATION

| Unit | Unit Name | FYE2019 Appropriation | | | | | Total | FYE2018 | Increase over | Payment on |
|--------------------|----------------------------------|-----------------------|-------------------|------------------|----------------|--------------|-------------------|-------------------|---------------|-------------------|
| | | Normal Cost | UAL | 2002 ERI | 2003 ERI | 2010 ERI | | Appropriation | FYE 2018 | 7/1/2018 |
| 640 | Southboro | 662,116 | 1,148,135 | - | - | - | 1,810,251 | 1,641,785 | 10.26% | 1,777,093 |
| 650 | Southboro Housing | 4,271 | (144) | 10,571 | - | - | 14,698 | 14,141 | 3.94% | 14,429 |
| 660 | Spencer | 312,799 | 543,535 | - | - | - | 856,334 | 776,600 | 10.27% | 840,649 |
| 670 | Spencer-East Brookfield Regional | 192,896 | 356,859 | 22,821 | 3,917 | - | 576,493 | 523,348 | 10.15% | 565,933 |
| 680 | Spencer Housing Authority | 10,119 | 29,515 | - | - | - | 39,634 | 35,499 | 11.65% | 38,908 |
| 690 | Sterling | 377,430 | 556,130 | - | 13,463 | - | 947,023 | 863,233 | 9.71% | 929,676 |
| 700 | Sterling Housing Authority | 4,634 | 4,215 | - | - | - | 8,849 | 8,167 | 8.35% | 8,687 |
| 710 | Sturbridge | 565,662 | 672,467 | - | 61,349 | - | 1,299,478 | 1,193,117 | 8.91% | 1,275,676 |
| 720 | Sutton | 389,351 | 697,327 | - | - | - | 1,086,678 | 984,722 | 10.35% | 1,066,773 |
| 730 | Tantasqua Regional | 278,265 | 361,473 | - | - | - | 639,738 | 584,717 | 9.41% | 628,020 |
| 740 | Templeton | 243,852 | 486,810 | 20,640 | - | - | 751,302 | 680,029 | 10.48% | 737,540 |
| 750 | Templeton Housing Authority | 6,174 | 13,545 | 20,471 | - | - | 40,190 | 37,368 | 7.55% | 39,454 |
| 760 | Upton | 207,507 | 367,161 | - | - | - | 574,668 | 520,914 | 10.32% | 564,142 |
| 770 | Uxbridge | 559,227 | 1,131,638 | 71,149 | - | - | 1,762,014 | 1,595,556 | 10.43% | 1,729,739 |
| 780 | Uxbridge Housing Authority | 11,424 | 36,200 | - | - | - | 47,624 | 42,581 | 11.84% | 46,752 |
| 790 | Wachusett Regional | 856,939 | 948,550 | 54,537 | - | - | 1,860,026 | 1,709,701 | 8.79% | 1,825,956 |
| 800 | Warren | 136,319 | 172,798 | 50,678 | - | 5,769 | 365,564 | 336,986 | 8.48% | 358,868 |
| 810 | Warren Water District | 7,537 | 8,091 | - | - | - | 15,628 | 14,359 | 8.84% | 15,342 |
| 820 | Westboro | 1,295,604 | 2,490,617 | - | 34,082 | - | 3,820,303 | 3,457,380 | 10.50% | 3,750,330 |
| 825 | Westboro Housing Authority | 12,431 | 19,596 | 4,864 | - | - | 36,891 | 33,774 | 9.23% | 36,215 |
| 830 | West Boylston | 458,252 | 663,811 | 57,728 | - | - | 1,179,791 | 1,077,763 | 9.47% | 1,158,181 |
| 835 | West Boylston Housing Authority | 1,738 | 8,647 | - | - | - | 10,385 | 9,208 | 12.78% | 10,195 |
| 840 | West Boylston Water District | 13,788 | 38,062 | - | - | - | 51,850 | 46,497 | 11.51% | 50,900 |
| 850 | West Brookfield | 121,289 | 137,511 | - | - | - | 258,800 | 237,431 | 9.00% | 254,060 |
| 860 | Westminster | 285,552 | 536,852 | - | 4,771 | - | 827,175 | 748,881 | 10.45% | 812,024 |
| 870 | Winchendon | 450,088 | 925,910 | 57,894 | - | - | 1,433,892 | 1,297,921 | 10.48% | 1,407,627 |
| 880 | Winchendon Housing Authority | 29,862 | 58,306 | 4,530 | - | - | 92,698 | 84,054 | 10.28% | 91,000 |
| Total | | 20,642,910 | 34,246,743 | 1,423,676 | 279,128 | 5,769 | 56,598,226 | 51,474,497 | 9.95% | 55,561,524 |
| 327 | Lancaster Sewer | 1,586 | - | - | - | - | 1,586 | - | 0.00% | 1,557 |
| 455 | Nashoba Valley Dispatch | 7,021 | 10,042 | - | - | - | 17,063 | - | 0.00% | 16,750 |
| Grand Total | | 20,651,517 | 34,256,785 | 1,423,676 | 279,128 | 5,769 | 56,616,875 | 51,474,497 | | 55,579,831 |

Worcester Regional Retirement System
Actuarial Valuation as of January 1, 2016

Actuarial Breakout by Unit

| Breakouts | Housing Authority | Police & Fire | School | Waste Water | Water | Whittier | All Others | Total |
|--|-------------------|---------------|--------------|-------------|-------------|-------------|-------------|--------------|
| (1) Participants | | | | | | | | |
| Active | 16 | 178 | 440 | 23 | 20 | 54 | 156 | 887 |
| Inactives (Nonvested) | 0 | 0 | 79 | 0 | 0 | 9 | 25 | 113 |
| Inactives (Vested) | 0 | 0 | 14 | 0 | 0 | 7 | 41 | 62 |
| Retirees | 12 | 133 | 237 | 19 | 7 | 37 | 531 | 976 |
| Disabled | 0 | 62 | 7 | 0 | 3 | 4 | 22 | 96 |
| Total | 28 | 373 | 777 | 42 | 30 | 111 | 775 | 2136 |
| (2) Payroll of Active Participants | \$773,817 | \$12,716,219 | \$12,603,584 | \$1,407,793 | \$1,027,049 | \$2,320,471 | \$7,418,128 | \$38,267,061 |
| (3) Gross Normal Cost | | | | | | | | |
| (a) Total Normal Cost | 93,639 | 2,201,915 | 1,544,453 | 129,727 | 95,780 | 251,632 | 774,233 | 5,091,379 |
| (b) Expected Employee Contributions | 65,923 | 1,221,784 | 1,081,531 | 117,315 | 85,763 | 206,938 | 632,862 | 3,412,117 |
| (c) Net Employer Normal Cost | 27,716 | 980,131 | 462,922 | 12,412 | 10,017 | 44,694 | 141,371 | 1,679,262 |
| (d) Interest on Net Normal Cost | 1,785 | 63,143 | 29,823 | 800 | 645 | 2,879 | 9,107 | 108,182 |
| (e) Net Employer Normal Cost w Interest | 29,501 | 1,043,274 | 492,745 | 13,212 | 10,662 | 47,573 | 150,478 | 1,787,444 |
| Expenses ¹ | 11,579 | 272,286 | 190,985 | 16,042 | 11,844 | 31,117 | 95,741 | 629,594 |
| (4) Actuarial Accrued Liability | 4,776,632 | 124,885,678 | 56,159,030 | 12,092,295 | 7,113,666 | 13,032,211 | 128,862,594 | 346,922,106 |
| (5) Assets | 2,495,493 | 65,244,991 | 29,339,597 | 6,317,471 | 3,716,448 | 6,808,519 | 67,322,682 | 181,245,199 |
| (6) Unfunded Actuarial Accrued Liability (UAL) | 2,281,139 | 59,640,687 | 26,819,434 | 5,774,824 | 3,397,218 | 6,223,692 | 61,539,912 | 165,676,907 |
| (7) 2002 ERI payment | 4,686 | 77,511 | 61,704 | 17,546 | 21,862 | 3,555 | 202,502 | 389,364 |
| (8) 2003 ERI payment | 0 | 96,324 | 57,929 | 47,498 | 17,497 | 1,823 | 69,624 | 290,695 |
| (9) Fresh Start Amortization ² | 193,050 | 4,996,043 | 2,205,202 | 435,569 | 255,143 | 534,107 | 5,062,442 | 13,681,557 |
| (10) Net 3(B)(c) payments ² | 5,748 | 150,292 | 67,584 | 14,552 | 8,561 | 15,683 | 155,078 | 417,499 |
| (11) Total Required Employer Contributions (3f)+(7)+(8)+(9)+(10) | 244,564 | 6,635,730 | 3,076,149 | 544,419 | 325,569 | 633,858 | 5,735,865 | 17,196,153 |
| (12) Fiscal 2018 Cost: (11) adj for semiannual payment | 248,986 | 6,755,692 | 3,131,760 | 554,261 | 331,455 | 645,317 | 5,839,559 | 17,507,028 |
| (13) Fiscal 2019 Cost | 258,390 | 7,010,862 | 3,250,050 | 575,196 | 343,974 | 669,692 | 6,060,125 | 18,168,287 |
| (14) Fiscal 2020 Cost | 268,159 | 7,275,926 | 3,372,927 | 596,943 | 356,979 | 695,011 | 6,289,243 | 18,855,188 |
| (17) Percentage of Total Cost | 1.4% | 38.6% | 17.9% | 3.2% | 1.9% | 3.7% | 33.4% | 100.0% |

¹Allocated on the basis of Gross Normal Cost

²Allocated on the basis of Accrued Liability