

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Marblehead Retirement Board

FROM: Joseph I. Martin, Deputy Executive Director

RE: Approval of Funding Schedule

DATE: September 5, 2018

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY19 (since the amount under the prior schedule was maintained in FY19) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.35% and a slight adjustment to the fully generational mortality assumption.

The schedule reflects the minimum schedule allowed under Chapter 32 with appropriation payments increasing 8.0% per year until FY38 with a final amortization payment in FY39. Note that the schedule continues beyond our FY35 recommended date to complete the amortization of the unfunded actuarial liability (UAL). In addition, the UAL is expected to increase (negative amortization continues) until FY28 which is well past our recommended FY20 timeframe. In short, the System has limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumption that increase the plan's liability, and it is possible appropriation increases in excess of 8.0% may be required as part of the 2020 or future actuarial valuations.

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

Enc.



**Marblehead Retirement System
January 1, 2018 Actuarial Valuation**

Total cost increases 8.0% per year until FY38 with a final amortization payment in FY39

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Amort. of UAL</u>	<u>Total Cost</u>	<u>Unfunded Act. Liab.</u>	<u>Change in Cost</u>
2019	1,816,622	1,960,009	3,776,631	54,278,314	
2020	1,898,370	2,180,391	4,078,761	56,163,701	8.0%
2021	1,983,797	2,421,265	4,405,062	57,951,083	8.0%
2022	2,073,068	2,684,399	4,757,467	59,611,260	8.0%
2023	2,166,356	2,971,709	5,138,065	61,110,984	8.0%
2024	2,263,842	3,285,268	5,549,110	62,412,512	8.0%
2025	2,365,715	3,627,324	5,993,039	63,473,097	8.0%
2026	2,472,172	4,000,310	6,472,482	64,244,437	8.0%
2027	2,583,420	4,406,861	6,990,280	64,672,071	8.0%
2028	2,699,674	4,849,829	7,549,503	64,694,703	8.0%
2029	2,821,159	5,332,304	8,153,463	64,243,472	8.0%
2030	2,948,111	5,857,629	8,805,740	63,241,139	8.0%
2031	3,080,776	6,429,423	9,510,199	61,601,198	8.0%
2032	3,219,411	7,051,604	10,271,015	59,226,900	8.0%
2033	3,364,285	7,728,412	11,092,696	56,010,180	8.0%
2034	3,515,677	8,464,435	11,980,112	51,830,479	8.0%
2035	3,673,883	9,264,638	12,938,521	46,553,448	8.0%
2036	3,839,208	10,134,395	13,973,603	40,029,537	8.0%
2037	4,011,972	11,079,519	15,091,491	32,092,435	8.0%
2038	4,192,511	12,106,300	16,298,810	22,557,365	8.0%
2039	4,381,174	11,219,218	15,600,392	11,219,218	-4.3%
2040	4,578,326		4,578,326	0	-70.7%

Appropriation payments assumed to be made on July 1 of each fiscal year

Normal cost assumed to increase 4.5% per year

Assumed expenses of \$275,000

FY19 amount maintained at level of current funding schedule