

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Salem Retirement Board
FROM: Joseph E. Connarton, Executive Director
RE: Appropriation for Fiscal Year 2014
DATE: November 26, 2012

Required Fiscal Year 2014 Appropriation: **\$11,433,741**

This Commission is hereby furnishing you with the amount to be appropriated for your retirement system for Fiscal Year 2014 which commences July 1, 2013.

Attached please find summary information based on the present funding schedule for your system and the portion of the Fiscal Year 2014 appropriation to be paid by each of the governmental units within your system. The allocation by governmental unit was developed by Segal as part of their January 1, 2012 actuarial valuation.

The current schedule is/was due to be updated by Fiscal Year 2016.

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

Attachments

cc: Office of the Mayor
City Council
c/o City Clerk



Salem Retirement Board

Projected Appropriations

Fiscal Year 2014 - July 1, 2013 to June 30, 2014

Aggregate amount of appropriation: **\$11,433,741**

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 2014	\$10,990,868	\$11,202,070	\$231,671	\$11,433,741	\$10,990,868	\$442,873	\$0
FY 2015	\$11,264,426	\$11,707,050	\$241,209	\$11,948,259	\$11,264,426	\$683,833	\$0
FY 2016	\$11,544,753	\$12,234,754	\$251,177	\$12,485,931	\$11,544,753	\$941,178	\$0
FY 2017	\$11,832,018	\$12,786,204	\$261,594	\$13,047,798	\$11,832,018	\$1,215,780	\$0
FY 2018	\$12,126,391	\$13,362,469	\$272,479	\$13,634,948	\$12,126,391	\$1,508,557	\$0

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 3: Supplemental Information for the City of Salem Contributory Retirement System

EXHIBIT I

Department Results

Category	Water	South Essex Sewerage	Housing	North Shore Regional VOC	City	Salem Retirement Board	Total
1. Total normal cost	\$99,365	\$451,379	\$158,101	\$267,323	\$4,478,819	\$25,429	\$5,480,416
2. Administrative expenses	6,346	28,827	10,097	17,072	286,034	1,624	350,000
3. Expected employee contributions	<u>-81,574</u>	<u>-342,331</u>	<u>-117,452</u>	<u>-168,772</u>	<u>-2,701,801</u>	<u>-19,652</u>	<u>-3,431,582</u>
4. Employer normal cost: (1) + (2) + (3)	\$24,137	\$137,875	\$50,746	\$115,623	\$2,063,052	\$7,401	\$2,398,834
5. Employer normal cost as a percent of payroll	2.54%	3.78%	4.05%	6.46%	7.06%	3.70%	6.47%
6. Actuarial accrued liability	\$5,250,167	\$18,383,408	\$6,300,573	\$4,639,875	\$178,616,856	\$1,155,484	\$214,346,363
7. Actuarial value of assets	<u>2,605,546</u>	<u>9,862,278</u>	<u>3,024,439</u>	<u>2,279,011</u>	<u>88,455,690</u>	<u>579,196</u>	<u>106,806,161</u>
8. Unfunded actuarial accrued liability: (6) - (7)	\$2,644,621	\$8,521,130	\$3,276,134	\$2,360,864	\$90,161,166	\$576,288	\$107,540,202
9. Reallocation of Retirement Board unfunded actuarial accrued liability	<u>14,248</u>	<u>45,909</u>	<u>17,651</u>	<u>12,720</u>	<u>485,760</u>	<u>-576,288</u>	<u>0</u>
10. Unfunded actuarial accrued liability with reallocation: (8) + (9)	\$2,658,869	\$8,567,039	\$3,293,785	\$2,373,583	\$90,646,926	\$0	\$107,540,202
11. Reallocation of Retirement Board normal cost	75	427	157	358	6,385	-7,401	0
12. Employer normal cost with reallocation: (4) + (11)	24,212	138,301	50,903	115,981	2,069,437	0	2,398,834
13. Employer normal cost projected to July 1, 2012	24,691	141,040	51,911	118,278	2,110,420	0	2,446,340
14. 2002 ERI payments	0	35,604	20,093	4,800	0	0	60,497
15. 2003 ERI payments	3,927	0	0	2,224	151,536	0	157,687
16. 2010 ERI payments	0	0	0	0	19,642	0	19,642
17. Payment on remaining liability	<u>195,165</u>	<u>601,594</u>	<u>242,051</u>	<u>133,112</u>	<u>7,055,844</u>	<u>0</u>	<u>8,227,766</u>
18. Budgeted appropriation for fiscal 2013: (13) + (14) + (15) + (16) + (17)	\$223,783	\$778,238	\$314,055	\$258,414	\$9,337,442	\$0	\$10,911,932

SECTION 3: Supplemental Information for the City of Salem Contributory Retirement System

Category	Water	South Essex Sewerage	Housing	North Shore Regional VOC	City	Salem Retirement Board	Total
19. Payment date	August 1	August 1	August 1	June 30	July 1	N/A	N/A
20. Adjustment for timing	1.006667	1.006667	1.006667	1.080000	1.000000	0	0
21. Fiscal 2013 appropriation with reallocation, adjusted for timing: (18) x (20)	\$225,275	\$783,426	\$316,149	\$279,087	\$9,337,442	\$0	\$10,941,379
22. Fiscal 2014 appropriation with reallocation, adjusted for timing	246,334	854,752	323,829	322,732	9,686,094	0	11,433,741
23. Fiscal 2015 appropriation with reallocation, adjusted for timing	257,631	893,540	338,524	336,943	10,121,621	0	11,948,259

Notes: Administrative expenses allocated in proportion to total normal cost.

Actuarial value of assets allocated in proportion to actuarial accrued liability less present value of future ERI payments and adjusted for additional contributions by South Essex Sewerage.