Dedham Retirement System
Review of the Actuarial Analysis
As of January 1, 2019

As expected, the results of the January 1, 2019 actuarial analysis are significantly different from the 1/1/18 review. Even without changing any assumptions, the actual unfunded liability increased from $7.7M (million) on 1/1/18 to $19.5M @ 1/1/19 simply due to "life" moving the goal posts. The new actuary, Segal Consulting, recommended the following changes, to which the Board agreed:

- Reduce the Investment Rate of Return from 7.50% to 7.25% increasing the liability by $4.6M.
- Adopt PERAC's local assumptions Mortality Rates which has been an issue for PERAC for some time. Although this will increase the liability by $8.2M, the prior actuary was going to make a similar change. Therefore, even if you maintained the IRR @ 7.50% and only adopted the new mortality tables, the unfunded would be $27.7M.
- Reduce the Payroll Growth Rate from 4% to 3% having a marginal reduction to the liability.
- Increase the administrative expenses by $50K (thousand) to tie into the budgeted operating costs of $275K.

In an attempt to ease the cash-flow burden of the Town and Housing, the Board has requested various forecasts, increasing the maturity of the unfunded liability from 2022 to 2030. An invitation was sent to members of the Town's Board of Selectmen, Finance Committee, and the Acting Town Manager to attend the August meeting to provide them with input on which payment option they find best. This will also provide for changing from a single payment to dual payments, one in July and one in December, even though that will increase their costs.

It should be noted that under the revised funding schedules, the Employer Normal Costs are nearly two-thirds lower than the prior analysis. This will be significant for the Town when the unfunded liability is extinguished and they only have to pay "normal costs."

As with the prior report, the actuary has assumed the Town will be paying their full appropriation payment for F/Y '20. However, at this time, a demand letter was sent to the Town for the $732K underpayment, with interest accruing at 7.50%. Assuming they pay before year-end, with an assumed investment rate of return of 7.25%, the unfunded actuarial accrued liability is $33M.

From a Segal email received 8/15/18: "On a market value basis, the unfunded liability as of January 1, 2019 is $37.0 million and the funded ratio is 78.9% (compared to 99.1% as of January 1, 2018). On an actuarial value basis, the unfunded liability as of January 1, 2019 is $32.3 million and the funded ratio is 81.6% (compared to 94.7% as of January 1, 2018)."