The Worcester Retirement Board met at 8:30 A.M. on Thursday May 14th, 2020 for their annual actuarial review through a WebEx teleconference. All Board members were present. S. Wentzell acted as Chair for the meeting. Kathy Riley, Andrew Luongo, and Ken Gordon from Segal Co. were in attendance to present the 1/1/2020 valuation.

The valuation is a review based on the 2019 retirement system data and does not reflect any current year 2020 Covid-19 related events.

There was a 3% increase in total number of active employees from 2018 to 2019. Average Payroll went up .5% compared to the inflation assumption of 3%. Overall distribution trend of pensioners has stayed the same as last year with an average age of 73.9. There was a slight increase in average monthly benefit ($87.00), COLA can account for this. Annual benefits paid are higher than employee contributions. The difference is funded from investment returns on assets.

During 2019 there was a large return of 16.44%, an approximate $40 million dollars in gains on a market value basis. The actuarial value of assets only recognizes market value over a five year period due to the smoothing process. The result is a net loss of $7 million dollars from investments with a small amount from other sources when measured against the assumed rate of return.

The System is currently 63.92% funded, with a $560.9 million unfunded liability. The System plan is to be fully funded by June 30th 2034. Each year there is a 6.33% increase until the final year where there will be an increase of 10.29%. The FY 2021 total appropriation has been set to $55,510,926.

In regards to risk given the current economic environment, a very rough estimate was calculated as if there was a 0% return in 2020. This would increase the appropriation increase from 6.33% to 6.75%. There are many ways to absorb such increases which can be discussed in future valuations.

There was discussion regarding the amortization of special legislations.

Voted: Accept the valuation and funding schedule with subject to the edits that do not affect the funding schedule. 4-0

The Board recessed at approximately 9:30 A.M.

Respectfully Submitted,

___________________________________________
Lisa M. Poske, Executive Secretary

___________________________________________
Stephen F. Wentzell, Appointed Member, Acting Chair

___________________________________________
Elizabeth A. Early, Elected Member

___________________________________________
John F. Mahan, Elected Member
Robert V. Stearns, Ex Officio Member

Tamara Cullen, Fifth Member