FY2019 Assessments Explained

Hello All,

Your official assessment letters are being mailed today. If you'd like to see all the chart with each and all of your assessment numbers click this link: http://www.frrsma.com/wp-content/uploads/2018/01/FRRS-FY2019-Appropriation-Calculation-By-Unit.pdf

Here is my explanation for why your assessments change from year-to-year: Assessments in total have increased because we had to update our assumptions about our members' life expectancy. Life expectancy is part of the calculation of future retirement benefits, and assessments are the town's share of that future expense. (Member deductions, and investment earnings are the other funding sources.) The change in life expectancy increased that future retirement liability by $5.1 million. This year's share is $326,769.

Your specific assessments increase/decrease for the above reason, but also because your salary increases or decreases from year to year might not be the same as your fellow employer units (towns, schools, agencies), so your share of the assessment will increase if you give bigger raises than your neighbors.

At this link: http://www.frrsma.com/wp-content/uploads/2018/01/FRRS-FY2019-Assessment-Changes-Analysis.pdf
 is the full chart listing each of you and showing the effect either the salaries change or the life expectancy change had on your assessment. By way of explaining, I'm using Mahar and Orange here as examples.

Orange's salaries (5-year average) went down by -31,494, so if the total assessment was the same as last year Orange's assessment would have dropped -$27,490, but the total assessment is up this coming year by $344,745, so Orange's share of the life expectancy increase is $47,497, netting Orange's assessment next year at $20,007.

Mahar has a double increase because its salaries went up, and it picks up its share of the life expectancy increase. ($5,950 + 17,921 = 23,871)

FY2018 (Old Year)			FY2019 (New Year)				Increase/(decrease)					
salaries*	share	Assessment** - (does not include ERIs)	salaries*	share	Assessment** - (does not include ERIs)		salaries	share	Assessment $	%	due to shift in salaries	due to base assessment increase
412,039	1.3986%	85,156	420,788	1.3924%	89,340	Ashfield	8,749	-0.0062%	4,184	4.91%	(377)	4,561
128,739	0.4370%	26,763	133,882	0.4430%	28,280	Leyden	5,143	0.0060%	1,517	5.67%	367	1,150
1,490,440	5.0591%	307,779	1,558,480	5.1569%	331,650	Mahar Regional School	68,040	0.0978%	23,871	7.76%	5,950	17,921
2,761,450	9.3734%	569,938	2,844,714	9.4130%	604,812	Mohawk Regional School	83,264	0.0396%	34,874	6.12%	2,408	32,466
93,465	0.3173%	19,464	94,864	0.3139%	19,925	Monroe	1,399	-0.0034%	461	2.37%	(209)	670
225,317	0.7648%	46,228	239,217	0.7916%	50,776	New Salem	13,900	0.0268%	4,548	9.84%	1,620	2,928
574,342	1.9495%	118,610	599,218	1.9828%	127,261	New Salem/Wendell School	24,876	0.0333%	8,651	7.29%	2,026	6,625
771,158	2.6176%	159,364	804,329	2.6615%	170,967	Northfield	33,171	0.0439%	11,603	7.28%	2,673	8,930
4,069,644	13.8139%	840,612	4,038,150	13.3621%	860,619	Orange	(31,494)	-0.4518%	20,007	2.38%	(27,490)	47,497
45,279	0.1537%	9,124	42,237	0.1398%	8,998	Orange Housing	(3,042)	-0.0139%	(126)	-1.38%	(825)	699
827,299	2.8082%	170,921	859,326	2.8435%	182,536	Whately	32,027	0.0353%	11,615	6.80%	2,149	9,466
29,460,407	100%	6,082,584	30,220,970	100%	6,427,329	totals:						
	Increase in "Amount to be Raised" (as per Funding Schedule):				344,745						0.00	344,745

* These salaries amounts are based on a 5-year average derived from monthly retirement deduction records.
** Assessments do not include office operating expenses. Assessments are based on future retirement benefits of current employees, and are offset by investment balances.

The above should suffice for those that want the easy-to-understand explanation. I say, **"Assessments are up because people are living longer."**

For those of you that enjoy the deep dive . . . read our valuation report, most notably page 11.

http://www.frrsma.com/wp-content/uploads/2011/06/Franklin-Regional-2016-Report-Final-10-19-2016.pdf

On the next page, I'll quickly point out some data from the report:

- You can see our unfunded liability went up by the $5.1 million for the change in mortality tables ($43m + 5m = 48m).
- That $1.8 million is the cost of going from a $15,000 COLA base to $17,000, but please also notice that we had it covered by our Asset gains $4.9m (amongst other things).
- Note that our Actual Rate of Return topped our Assumed rate of return (9.56% versus 7.75%). Let's hope that continues.

Exhibit 2.6 - Actuarial Experience

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. During the two years since the last valuation, the total unfunded actuarial accrued liability of the System was expected to decrease by $1,913,347. Below is the development of the Actuarial Gain or Loss for the current 2-year period:

Calendar Year Ending		**12/31/2015**	**12/31/2014**
Expected Unfunded Actuarial Accrued Liability			
a.	Unfunded Actuarial Accrued Liability, beginning of year	$44,966,930	$45,743,843
b.	Normal cost, beginning of year	$5,007,586	4,814,987
c.	Total contributions	9,643,365	9,155,436
d.	Interest (full year on a. and b., one-half year on c.)	3,499,345	3,563,536
e.	Expected Unfunded Actuarial Accrued Liability	$43,830,496	$44,966,930
f.	Unfunded Actuarial Accrued Liability (before changes)	$42,085,704	
g.	(Gain)/Loss	($1,744,792)	
Asset (gain)/loss			
a.	Actuarial value of assets, beginning of year	$113,953,468	$105,787,170
b.	Contributions and Receipts	9,643,365	9,155,436
c.	Benefit Payments and Expenses	(12,170,009)	(11,801,498)
d.	Assumed rate of return	7.750%	7.750%
e.	Expected return	8,733,486	8,095,971
f.	Actuarial value of assets, end of year	122,196,803	113,953,468
g.	Actual return	10,769,979	10,812,360
h.	Actual rate of return	9.56%	10.35%
i.	Asset (gain)/loss	($2,036,492)	($2,716,389)
j.	Total asset (gain)/loss, 2-year period	($4,963,402)	
Actual Unfunded Actuarial Accrued Liability			
a.	Changes due to:		
	i) Asset (gain)/loss	($4,963,402)	
	ii) (Gain)/loss from demographic experience	3,218,610	= Ø
	iii) (Gain)/loss prior to changes	(1,744,792)	
	iv) Plan change - increase COLA base	1,800,410	
	v) Assumption change - mortality tables	5,021,222	
	vi) Assumption change - salary scale	38,538	
	vii) Total changes	5,115,378	
b.	Unfunded Actuarial Accrued Liability, end of year	$48,945,874	

Somebody asked for a history of our COLA:

History of FRRS COLAs

	SocSec	FRRS	COLA Base	COLA Max	COLA avg	Overall Avg Bene	Avg COLA Salary
In 1998 the expense went back to the retirement system							
07/01/1998	2.1%	2.1%	12,000	360			
07/01/1999	1.3%	3.0%	12,000	360			
07/01/2000	2.5%	3.0%	12,000	360			
07/01/2001	3.5%	3.0%	12,000	360			
07/01/2002	2.6%	3.0%	12,000	360			
07/01/2003	1.4%	3.0%	12,000	360			
07/01/2004	2.1%	3.0%	12,000	360			
07/01/2005	2.7%	3.0%	12,000	360			
07/01/2006	4.1%	3.0%	12,000	360			
07/01/2007	3.3%	3.0%	12,000	360			
07/01/2008	2.3%	3.0%	12,000	360			
07/01/2009	5.8%	3.0%	12,000	360			
07/01/2010	0.0%	3.0%	12,000	360			
07/01/2011	0.0%	3.0%	13,000	390	267	12,446	8,900
07/01/2012	3.6%	3.0%	14,000	420	287	13,250	9,568
07/01/2013	1.7%	3.0%	14,000	420	288	13,962	9,600
07/01/2014	1.5%	3.0%	15,000	450	312	14,577	10,400
07/01/2015	1.7%	3.0%	16,000	480	328	15,060	10,933
07/01/2016	0.0%	3.0%	17,000	510	336	15,479	11,200
07/01/2017	0.3%	3.0%	17,000	510	348	15,538	11,600

I think it's self-explanatory. The averages are new in the last few years.

This was enjoyable - thanks for asking.

Dale

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