

FY2022 Assessments Explained

Hello All,

Your official assessment letters were mailed in the first week of January 2021. If you'd like to see the chart with each and all of your assessment numbers, click this link: <http://www.frrsma.com/wp-content/uploads/2020/12/FRRS-FY2022-Appropriation-Calculation-By-Unit.pdf>

Here is my explanation for why your assessments change from year-to-year: Assessments in total have largely increased because a number of assumptions were greater or lesser than expected – retirees lived longer than assumed, new members brought with them prior service which they purchased but for which we hadn't gathered matching funding, and there were fewer retirements than assumed (replacement workers pay more in deductions). These assumptions are 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 these various assumptions increased our future retirement liability by \$6.9 million. This year's share is \$425,219.

Now, 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 do more hiring or give bigger raises than your neighbors.

At this link: <http://www.frrsma.com/wp-content/uploads/2020/12/FRRS-FY2022-Assessment-Changes-Analysis.pdf> is the full chart listing each of you and showing the effect either the salaries change, or the reality of assumptions had on your assessment. By way of explaining, I am using Mahar and Orange here as examples.

Mahar's salaries (5-year average) went down by 22,377, so if the total assessment was the same as last year, Mahar's assessment would have decreased by \$19,688, however the total assessment is up this coming year by \$425,219, so Mahar's share of the life expectancy increase is \$20,259, netting Mahar's assessment next year at \$571.

Orange has a double increase because its salaries and or number of employees went up, and it picks up its share of the changed reality of assumptions increase. (\$8,565 + 56,923 = 65,488)

FY2021 (Old Year)			FY2022 (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
146,428	0.4485%	33,278	151,509	0.4489%	35,192	5,081	-0.0026%	1,914	5.75%	(193)	2,107
983,590	3.0587%	377,185	1,641,213	4.9297%	377,726	(22,377)	-0.2860%	571	0.15%	(19,688)	20,259
3,054,267	9.3555%	692,190	3,219,470	9.4741%	740,593	165,204	0.1664%	49,403	6.99%	8,775	39,628
115,943	0.3614%	28,823	124,626	0.3647%	28,938	8,683	0.0116%	2,313	6.60%	970	1,443
262,697	0.8047%	59,182	266,052	0.7829%	60,999	3,355	-0.0219%	1,837	3.11%	(1,603)	3,440
694,308	2.1267%	157,518	763,862	2.2479%	175,959	69,554	0.1212%	18,441	11.71%	8,977	9,464
847,896	2.5972%	192,275	893,884	2.6306%	205,877	45,988	0.0333%	13,402	6.97%	2,465	10,937
4,282,844	13.0569%	962,114	4,476,682	13.1738%	1,027,802	214,038	0.1169%	65,488	6.81%	8,565	56,923
36,273	0.1111%	8,135	35,857	0.1055%	8,602	(416)	-0.0056%	467	5.74%	(410)	877
32,846,866	100%	7,395,194	33,981,821	100%	7,820,413						
Increase in "Amount to be Raised" (as per Funding Schedule):						425,219				0.00 425,219	

* 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 like to say, **"Assessments are up because people are living longer."**

But for those of you that enjoy the deep dive . . . read our actuary's presentation from April of 2020 (pages 3 and 12 are interesting), and read our valuation report, most notably pages 12 and 13.

<http://www.frrsma.com/wp-content/uploads/2021/01/Franklin-Regional-1-1-2020-Valuation-Results-PPT-V2.pdf>

<http://www.frrsma.com/wp-content/uploads/2020/09/Jan-1-2020-Actuarial-Report-final-Revised-6-26-2020.pdf>

On the next page, are some snips from pages 3 and 12.

Change in Unfunded Liability

During the 2-Year Period 2018 – 2019

Unfunded Actuarial Accrued Liability (UAL), January 1, 2018	\$50.8
Expected UAL, January 1, 2020	45.9
Actual UAL, January 1, 2020	52.8
(Decrease)/Increase during 2018 – 2019	\$6.9
Increase due to Demographic Experience	\$2.9
Increase due to Asset Investment Return ^{less} _{greater} than expected	2.5
Increase due to change in mortality and mortality improvement rates	1.5
Total (Decrease) / Increase during 2018 – 2019	\$6.9

Dollars in millions



Franklin Regional Retirement System 2020 Actuarial Valuation Results

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Key Findings

- **Market Value of Assets (MVA)**
 - Return for 2018 did not meet expectations
 - Return for 2019 exceeded expectations
 - \$3.2m asset loss on MV during 2-year period
- **Actuarial Value of Assets (AVA)**
 - 7.75% expected
 - 2018 and 2019 gains phased-in at 25% per year
 - Modest asset loss on AVA during 2-year period
- **Demographic experience loss of \$2.9m**
 - Losses
 - new entrants with past service
 - fewer retiree deaths than expected
 - Gains
 - Salary increases lower than expected
 - COLA granted lower than expected for 2019
- **Funded Status (on an AVA basis) changed from 73.2% to**
 - 74.9% before assumption changes - increased
 - 74.4% after recommended assumption changes - increased



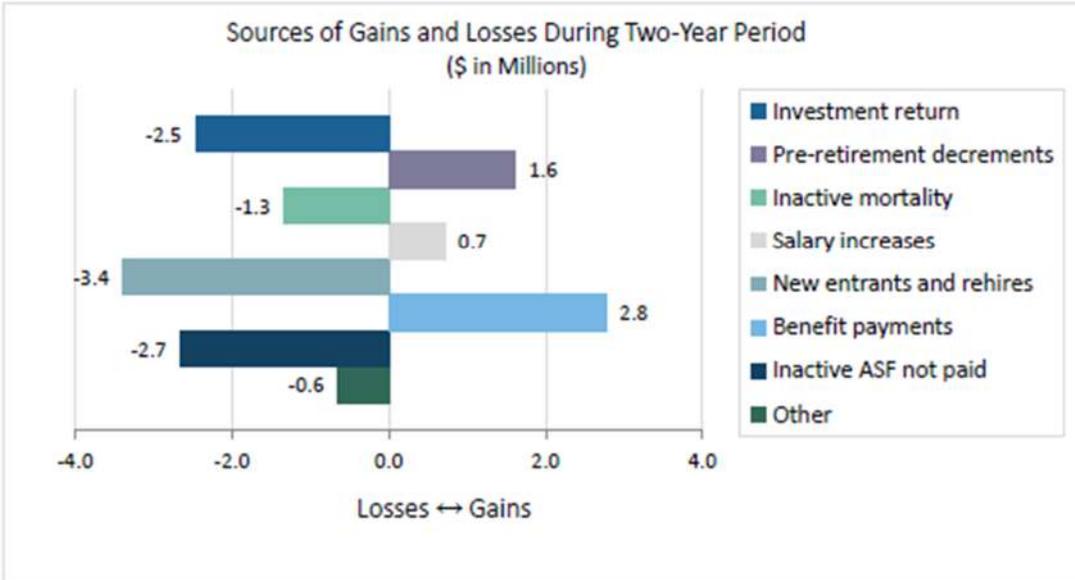
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SECTION 2 - PRINCIPAL VALUATION RESULTS

Actuarial Experience

Below are the various sources of gains and losses over the 2-year period. The asset loss during the period was \$2,466,702, and the total demographic loss during the period was \$2,935,148, which totals to an overall loss of \$5,401,850.



Unfunded Actuarial Accrued Liability

1. Changes due to:	
a. Asset Loss	\$2,466,702
b. Demographic Experience Loss	2,935,148
c. Total Loss Prior to Changes	5,401,850
d. Plan Change	-
e. Assumption Change - Change in Mortality and Mortality Improvement Rates	1,485,132
f. Total Increase (including changes)	6,886,982
2. Unfunded Actuarial Accrued Liability, End of Year	\$52,801,066

Somebody asked for a history of our COLA. You can find it on our website:

<http://www.frrsma.com/wp-content/uploads/2020/05/COLA-History-at-FRRS-July-2020.pdf>

I think the COLA report is self-explanatory. The averages are new in the last few years.

This was enjoyable - thanks for asking.

Dale

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