



March 15, 2012

Mr. Jack Rourke
Chairman
Somerville Retirement Board
City Hall Annex
50 Evergreen Avenue
Somerville, MA 02145

Re: COLA Base Increase

Dear Mr. Rourke:

As requested, we have prepared this letter to summarize the impact on the Unfunded Actuarial Accrued Liability and the Funding Schedule of an increase in the COLA Base from the current limit of \$12,000, to \$14,000. The change will increase the Unfunded Actuarial Accrued Liability by \$2,632,709 (long term cost) and the FYE13 appropriation by \$264,253 (short term cost). Our calculations are based on the January 1, 2011 Actuarial Valuation and the actuarial assumptions used. The COLA base is used as a limit on the amount of a retiree's or beneficiary's pension that is subject to a COLA increase.

The impact on the liabilities and costs assuming the change was implemented as of January 1, 2011 are as follows:

	<u>\$12,000 Base</u>	<u>\$14,000 Base</u>	<u>Difference</u>	<u>Increase %</u>
Accrued Liability	\$311,654,245	\$314,286,954	\$2,632,709	0.84%
Unfunded Accrued Liability	\$123,329,286	\$125,961,995	\$2,632,709	2.14%
Funded Ratio	60.4%	59.9%	0.5%	
Employer Normal Cost	\$2,072,674	\$2,128,683	\$56,009	2.70%
FYE13 Appropriation	\$11,820,973	\$12,085,226	\$264,253	2.23%

Please let me know if you have any questions.

Best Regards,

A handwritten signature in cursive script that reads "Dan Sherman".

Dan Sherman, ASA, MAAA, EA
CEO