



**Boston Retirement System**

**BOARD MEMBERS**  
Daniel J. Greene, Chair  
Michael W. McLaughlin  
Thomas V.J. Jackson  
Michael D. O'Reilly  
Maureen A. Joyce  
**EXECUTIVE OFFICER**  
Timothy J. Smyth, Esquire

May 15, 2023

Alex G. Geourntas, City Clerk  
Boston City Council  
Boston City Hall, Room 601  
Boston, MA 02201

**RE: FY24 Retiree Cost-of-Living Adjustment (COLA) Base Vote**

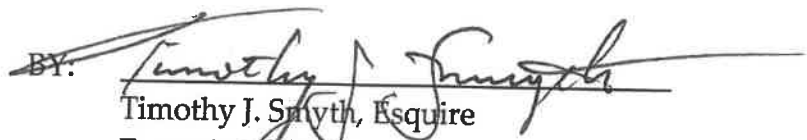
Dear Clerk Geourntas:

As a follow-up to our earlier correspondence, dated May 3, 2023, please be reminded that the Trustees of the Boston Retirement Board hereby notifies the Boston City Council that it shall receive public comment relative to retiree Cost of Living Adjustment ("COLA") base at a public meeting scheduled for May 17, 2023, at 10:00 a.m., in Room 716 of Boston City Hall. The actual vote on the COLA base shall take place on June 21, 2023, at 10:00 a.m.

Since our May 3, 2023 correspondence, we have received a memorandum prepared by our actuary relative to the additional costs associated with increasing the Retirement System's Cost-of-Living Adjustment ("COLA") base to either \$16,000, \$17,000 or \$18,000. It is attached hereto for filing. We note that the COLA base is currently set at \$15,000.

As always, I remain available should you have any questions or concerns. Thank you.

Respectfully submitted,  
BOSTON RETIREMENT SYSTEM

BY:   
Timothy J. Smyth, Esquire  
Executive Officer

Attachment (Segal & Co. cost memo dated 05.15.2023)

cc: Honorable Michelle Wu, Mayor of City of Boston (hand delivery)  
Edward J. Flynn, City Council President (hand delivery)  
Ashley Groffenberger, City of Boston Chief Financial Officer (via email)  
Kathryn A. Bennett, Boston Housing Authority (via email)  
Bisola Ojikutu, MD, Boston Public Health Commission (via email)  
Teresa Polhemus, Boston Redevelopment Authority (via email)  
Henry F. Vitale, Boston Water & Sewer Commission (via email)  
Kathleen A. Riley, Segal Co. (via email)



Kathleen A. Riley, FSA, MAAA, EA  
 Senior Vice President and Chief Actuary  
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 segalco.com

May 15, 2023

Boston Retirement Board  
 City Hall, Room 816  
 Boston, MA 02201

**Re: Additional Cost of Increasing the COLA Base Effective July 1, 2023**

Dear Board Members:

As requested, we have estimated the cost of increasing the Cost of Living Adjustment (COLA) base from \$15,000 to \$16,000, \$17,000 and \$18,000 for both the BRS Excluding Teachers and the Teachers. We have assumed the base would be increased effective July 1, 2023 and that the additional cost would first be reflected in the fiscal 2024 appropriation. The estimates in this report are based on the January 1, 2022 Actuarial Valuation and Review of the Boston Retirement System and do not reflect any experience gains or losses after that date.

The funding schedule included in the January 1, 2022 actuarial valuation report (which reflected a \$15,000 COLA base) fully funds the actuarial accrued liability of the BRS Excluding Teachers by fiscal 2027 with total payments increasing 8.85% per year through fiscal 2026 and a lower payment in fiscal 2027.

During 2022, the Board adopted an increase in the July 1, 2022 COLA from 3% to 5%. The funding schedule from the 2022 actuarial valuation was revised so that the cost for the 5% COLA was first reflected in the fiscal 2023 appropriation.

We have estimated the additional unfunded liability and employer normal cost if the COLA base is increased for the Non-Teachers effective July 1, 2023 from \$15,000 to \$16,000, \$17,000 and \$18,000 as shown below:

	January 1, 2022 Valuation Revised for 5% COLA	Additional cost due to COLA base increases as of July 1, 2023		
		\$16,000	\$17,000	\$18,000
July 1, 2023 Estimated Unfunded Liability	\$1,291,421,787	\$31,493,739	\$62,590,298	\$93,290,958
Percent Increase	--	2.4%	4.8%	7.2%
July 1, 2023 Employer Normal Cost	\$95,246,366	\$709,703	\$1,406,156	\$2,089,661
Percent Increase	--	0.7%	1.5%	2.2%

We have incorporated the additional cost of increasing the COLA base into the funding schedule with two alternative approaches:

1. Funding begins in fiscal 2024 - The additional fiscal 2024 appropriation will increase by 8.85% per year through fiscal 2026 with a lower payment in fiscal 2027.
2. Funding in fiscal 2027 - Maintain the current funding schedule through fiscal 2026 and increase the final fiscal 2027 appropriation.

### Funding begins in fiscal 2024

We have determined that increasing the COLA base to \$16,000, \$17,000 or \$18,000 would result in the following fiscal 2024 appropriation.

	January 1, 2022 Valuation Revised for 5% COLA	FY 2024 Appropriation		
		\$16,000	\$17,000	\$18,000
Fiscal 2024 Appropriation	\$444,990,429	\$454,794,514	\$463,880,577	\$472,846,771
Percent Increase from Fiscal 2024 Appropriation	--	2.20%	4.25%	6.26%

### Funding in fiscal 2027

We have determined that an increase in the COLA base to \$16,000, \$17,000 or \$18,000 can be absorbed by increasing the fiscal 2027 appropriation as shown below:

	January 1, 2022 Valuation Revised for 5% COLA	\$16,000	\$17,000	\$18,000
		2027	2027	2027
Full funding date	2027	2027	2027	2027
Fiscal 2027 Appropriation	\$361,131,872	\$402,906,504	\$444,134,307	\$484,818,237
Percent increase	--	11.57%	22.98%	34.25%

The attached exhibit shows the projected appropriations for fiscal 2024 through fiscal 2027 for the BRS Excluding Teachers based on the current \$15,000 COLA base and reflecting the 5% COLA effective as of July 1, 2022, as well as the additional projected appropriations for the three alternative COLA bases for the two alternative funding approaches.

We have estimated the additional unfunded liability and employer normal cost if the COLA base is increased for the Teachers effective July 1, 2023 from \$15,000 to \$16,000, \$17,000 and \$18,000 as shown below:

	January 1, 2022 Valuation Revised for 5% COLA	Additional cost due to COLA base increases as of July 1, 2023		
		\$16,000	\$17,000	\$18,000
July 1, 2023 Estimated Unfunded Liability	\$2,651,027,869	\$17,040,781	\$34,045,153	\$51,007,487
Percent Increase	--	0.6%	1.3%	1.9%
July 1, 2023 Employer Normal Cost	\$24,252,489	\$278,511	\$555,865	\$831,978
Percent Increase	--	1.1%	2.3%	3.4%

These cost estimates are based on the assumptions used in the most recent actuarial valuation of the Boston Retirement System. To the extent there is adverse experience, employer contributions will increase and the cost related to a change in the COLA base may be different than expected. For example, if members live longer than assumed under the current mortality table assumption, the cost of increasing the COLA base will be higher than shown.

Please refer to our January 1, 2022 Actuarial Valuation and Review dated August 1, 2022 for the data, assumptions and plan of benefits (other than the COLA base) underlying these calculations and for a discussion of the risks that may affect the System.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.


The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this

Boston Retirement Board  
May 15, 2023  
Page 4

actuarial valuation were selected by the Board based upon my analysis and recommendations. In my opinion, the assumptions are reasonable and take into account the experience of the Boston Retirement System plan and reasonable expectations.

Please let us know if you have any questions or need any additional information.

Sincerely,



Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Chief Actuary

KCR/jpb  
Enclosure

cc: Timothy J. Smyth, Esq. (w/enclosure)

Increase in appropriation if COLA base is increased as of July 1, 2023

Fiscal year ended June 30	Additional increase in appropriation – Funding begins in fiscal 2024		
	Appropriation with \$15,000 COLA base and 5% COLA	\$16,000 COLA base	\$17,000 COLA base
2024	\$444,990,429	\$9,804,084	\$18,890,147
2025	484,372,083	10,671,745	20,561,925
2026	527,239,012	11,616,195	22,381,656
2027	361,131,864	5,184,891	12,502,665
			\$18,000 COLA base
			\$27,856,341
			30,321,627
			33,005,091
			19,723,930

Fiscal year ended June 30	Additional increase in appropriation – Funding in fiscal 2027		
	Appropriation with \$15,000 COLA base and 5% COLA	\$16,000 COLA base	\$17,000 COLA base
2024	\$444,990,429	--	--
2025	484,372,083	--	--
2026	527,239,012	--	--
2027	361,131,864	\$41,774,632	\$83,002,435
			\$123,686,365

Note:  
Recommended contribution is assumed to be paid on July 1.



Boston Retirement System

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**EXECUTIVE OFFICER**  
Timothy J. Smyth, Esquire

May 3, 2023

Alex G. Geourntas, City Clerk  
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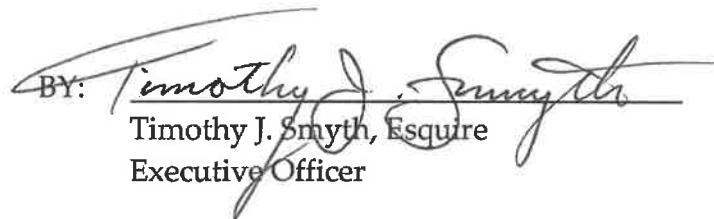
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Upon receipt, we shall later file a memorandum prepared by our actuary relative to the additional costs associated with increasing the Retirement System's Cost-of-Living Adjustment ("COLA") base with you. We note that the COLA base is currently set at \$15,000.

As always, I remain available should you have any questions or concerns. Thank you.

Respectfully submitted,  
BOSTON RETIREMENT SYSTEM

BY:   
Timothy J. Smyth, Esquire  
Executive Officer



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