



Boston Retirement System

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**EXECUTIVE OFFICER**

Timothy J. Smyth, Esquire

**RECEIVED**

**By City Clerk at 3:42 pm, Mar 14, 2022**

March 14, 2022

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

**RE: FY23 Retiree Cost-of-Living Adjustment (COLA) Base Vote**

Dear Clerk Geourntas:

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 April 27, 2022, at 10:00 a.m. The vote on the COLA base shall take place on May 18, 2022, at 10:00 a.m.

Attached you will find a memorandum prepared by our actuary relative to the additional costs associated with increasing the Retirement System's Cost-of-Living Adjustment ("COLA") base. 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

Attachments.

cc: Honorable Michelle Wu, Mayor of City of Boston (hand delivery)  
Edward Flynn, City Council President (hand delivery)  
Justin Sterritt, City of Boston Chief Financial Officer (via email)  
Kate Bennett, Boston Housing Authority (via email)  
Bisola Ojikutu, MD, Boston Public Health Commission (via email)  
Brian P. Golden, Boston Redevelopment Authority (via email)  
Henry F. Vitale, Boston Water & Sewer Commission (via email)  
Kathleen A. Riley, Segal Co. (via email)



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February 25, 2022

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

**Re: Additional Cost of Increasing the COLA Base Effective July 1, 2022**

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, 2022 and that the additional cost would first be reflected in the fiscal 2023 appropriation. The estimates in this report are based on the January 1, 2020 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, 2020 actuarial valuation report (which reflected a \$14,000 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 slightly lower payment in fiscal 2027. In 2021, the Board adopted a \$15,000 COLA base and the fiscal 2022 appropriation was increased.

We have incorporated the additional cost of increasing the COLA base into the funding schedule by adding an amount to the fiscal 2023 appropriation, which will increase by 8.85% per year through fiscal 2026 with a slightly lower payment in fiscal 2027. We have determined that increasing the COLA base to \$16,000, \$17,000 or \$18,000 would result in the following fiscal 2023 appropriation.

|  | \$15,000<br>(current) | FY 2023 Appropriation |               |               |
|--|-----------------------|-----------------------|---------------|---------------|
|  |                       | \$16,000              | \$17,000      | \$18,000      |
| Fiscal 2023 Appropriation                          | \$403,678,138         | \$411,031,421         | \$418,289,076 | \$425,392,824 |
| Percent Increase from<br>Fiscal 2023 Appropriation |                       | 1.82%                 | 3.62%         | 5.38%         |

The increases in the unfunded liability, employer normal cost and fiscal 2023 appropriation for the Non-Teachers are shown in the following table. As noted above and consistent with the current funding schedule, the additional cost of increasing the COLA base would increase 8.85% per year through 2027.

|   | \$15,000<br>(current) | Additional cost due to COLA base increases<br>of as July 1, 2022 |              |              |
|---|-----------------------|--|--------------|--------------|
|   |                       | \$16,000   | \$17,000     | \$18,000     |
| July 1, 2022 Estimated Unfunded Liability | \$1,620,849,644       | \$33,836,597   | \$67,254,559 | \$99,957,460 |
| Percent Increase                          |                       | 2.1%   | 4.1%         | 6.2%         |
| July 1, 2022 Employer Normal Cost         | \$89,082,793          | \$705,414  | \$1,397,066  | \$2,075,424  |
| Percent Increase                          |                       | 0.8%   | 1.6%         | 2.3%         |
| Fiscal 2023 Appropriation                 | \$403,678,138         | \$7,353,283  | \$14,610,938 | \$21,714,686 |
| Percent Increase                          |                       | 1.8%   | 3.6%         | 5.4%         |

The attached exhibit shows the projected appropriations for fiscal 2023 through fiscal 2027 for the BRS Excluding Teachers, as well as the additional projected appropriations with the four alternative COLA bases.

We have determined the additional unfunded liability and employer normal cost if the COLA base is increased for the Teachers effective July 1, 2022 from \$15,000 to \$16,000, \$17,000 and \$18,000 as shown below:

|   | \$15,000<br>(current) | Additional cost due to COLA base increases<br>of as July 1, 2022 |              |              |
|---|-----------------------|--|--------------|--------------|
|   |                       | \$16,000   | \$17,000     | \$18,000     |
| July 1, 2022 Estimated Unfunded Liability | \$2,671,844,293       | \$18,300,827   | \$36,557,609 | \$54,759,659 |
| Percent Increase                          |                       | 0.7%   | 1.4%         | 2.0%         |
| July 1, 2022 Employer Normal Cost         | \$21,434,775          | \$270,530  | \$539,605    | \$807,090    |
| Percent Increase                          |                       | 1.3%   | 2.5%         | 3.8%         |

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, 2020 Actuarial Valuation and Review dated August 25, 2020 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. In my opinion, each assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

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 Actuary

KCR/jpb  
Enclosure

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

## Increase in appropriation if COLA base is increased as of July 1, 2022

| Fiscal year ended<br>June 30 | Appropriation with<br>\$15,000 COLA base | Additional increase in appropriation |                    |                    |
|------------------------------|--|--------------------------------------|--------------------|--------------------|
|                              |  | \$16,000 COLA base                   | \$17,000 COLA base | \$18,000 COLA base |
| 2023                         | \$403,678,138                            | \$7,353,283                          | \$14,610,938       | \$21,714,686       |
| 2024                         | 439,403,653                              | 8,004,049                            | 15,904,006         | 23,636,436         |
| 2025                         | 478,290,876                              | 8,712,408                            | 17,311,511         | 25,728,261         |
| 2026                         | 520,619,619                              | 9,483,456                            | 18,843,579         | 28,005,212         |
| 2027                         | 502,363,909                              | 9,150,935                            | 18,182,835         | 27,023,218         |

**Note:**

Recommended contribution is assumed to be paid on July 1.