

## Boston's Pension Liability Increased

*City remains on track to reach full funding of its pension liability by 2025*

The Boston Retirement System (BRS) remains on track to fully fund its unfunded actuarial accrued liability (UAAL), of \$1.51B by 2025, despite decreasing the assumed investment rate of return from 7.75% to 7.50%, a fiscally prudent change. A new independent actuarial valuation report, recently released, shows that as of January 1, 2018, plan and assumption changes increased the overall pension liability by \$236.7M over the 2016 projection.

The City of Boston is the predominant member of the BRS which also includes four other government units: the Boston Planning and Development Agency, Boston Water and Sewer Commission, Boston Public Health Commission, and Boston Housing Authority.

### City Pension Liabilities

Year	UAAL (Billions)	Funded Ratio
2014	\$1.69	70.2%
2016	\$1.48	74.9%
2018	\$1.51	76.9%

Even with the pension liability increase, the pension funded ratio increased to 76.9% as the actuarial value of BRS assets increased to \$5.04B in 2018, up from \$4.44B in 2016. The market rates of return for the BRS in 2016 and 2017 were 6.52% and 16.98%, respectively. However, because the actuarial value of assets gradually recognizes market value fluctuations, the actuarial rates of return for the two years were 6.08% and 8.11%, respectively.

### Assumption and Plan Changes

The pension assumptions made in the 2018 report include:

- The mortality rate assumption was updated to account for people living longer.
- The investment rate of return assumption for BRS, excluding teachers, was lowered from 7.75% to 7.5% to be more conservative.
- Administrative expenses increased from \$9.5M to \$11M in 2018.

The plan change involved the Retirement Board's vote to increase the Cost of Living Adjustment (COLA) base from \$13,000 to \$14,000 effective July 1, 2017, which added \$24.1M to the pension liability. The Research Bureau [opposed](#) the COLA base increase because it would increase the pension liability. The Research Bureau recommended that a base increase should not be considered until the funded ratio reached 80%.

### Teachers' Pension

These figures do not reflect the teacher's pension liability because in 2010 the Commonwealth assumed responsibility for paying the teachers' pension expenses. The administrative responsibilities for teacher pensions should be assumed by the State Teachers Retirement System as it is for all other municipalities. The investment rate of return assumption for teachers was lowered to 7.35%.