

Newton Contributory Retirement System

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Thomas Lopez
Elected Member
CHAIRMAN

Anthony T. Logalbo
Mayoral Appointee
VICE CHAIRMAN

Stephen Curley
Ex-Officio Member

Kelly Byrne
Elected Member

Lisa M. Maloney, Esq.
Appointed Member

+

Barbara O'Brien
Director

Scenia Saintcyr
Deputy Director

Deirdre A. Walsh
Administrative Assistant

April 10, 2023

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Councilors:

Mayor Ruthanne Fuller and the Newton Contributory Retirement Board jointly submit a docket item to your Honorable Council requesting approval of the Newton Retirement Board's increase to the retiree COLA. Enclosed, please see April 6, 2023 correspondence to the Board from Segal Senior Vice President and Chief Actuary Kathleen A. Riley. Additionally, please see the enclosed April 6, 2023 COLA News from the Retired State, County, and Municipal Association of Massachusetts, which was received after the Board's vote but is being provided for additional context.

On April 6, 2023, the Newton Retirement Board voted, by a vote of 5-0 to increase the retiree COLA base as follows effective July 1, 2023: from \$12,000 to 13,000 in FY24; from \$13,000 to \$14,000 in FY25, and from \$14,000 to \$15,000 in FY26, pursuant to General Laws Chapter 32, Section 103(j). Per the provisions of the statute, the Newton City Council must approve the increase in order for it to become effective.

The Board further voted that should the City Council approve its COLA base increase, the Board will extend the System's actuarial funding schedule to reflect a fully funded date of FY32 at an annual growth of 6.6%.

Thank you for your consideration of this matter.

Sincerely,

Barbara O'Brien
Director, Newton Retirement Board

Ruthanne Fuller
Mayor



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Senior Vice President and Chief Actuary
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April 6, 2023

Retirement Board
Newton Contributory Retirement System
1000 Commonwealth Avenue
Newton Centre, MA 02459-1449

Re: Alternative Funding Schedules Reflecting 2022 Losses and Increases in the COLA Base

Dear Board Members:

As requested, we are providing estimates of the rate of increase in the Newton Retirement System's appropriation when the 2022 experience is reflected and if the System approves an increase in the COLA base from \$12,000 to \$13,000 effective July 1, 2023, then \$14,000 effective July 1, 2024 and then \$15,000 effective July 1, 2025. For these estimates, we have assumed there will be an experience loss reflected in the January 1, 2023 actuarial valuation. Because the 2022 experience loss and the increase in the COLA base will increase the System's unfunded liability, we are providing estimates that reflect extending the funding schedule from its current full funding date in fiscal 2030.

The System's market value of assets decreased from \$526.3 million as of January 1, 2022 to \$473.8 million as of December 31, 2022. The return for the year was -10.7%. We determined an actuarial value of assets of \$500.3 million as of December 31, 2022, an increase from the \$472.1 million actuarial value of assets at the beginning of the year. Although the actuarial value of assets increased during the year, it did not increase as much as expected. The investment loss on an actuarial basis was \$8.8 million.

Note that as of December 31, 2022, the actuarial value of assets as a percentage of the market value of assets was 105.6%, compared to 89.7% at the beginning of the year. The deferred gains at the beginning year provided a buffer for the 2022 investment loss on a market value basis. However, it is important to remember that as of December 31, 2022 there are \$26.5 million in deferred losses to recognize in future years. As we have done for previous funding schedules, we have not reflected any future deferred investment gains or losses in the funding schedule.

When the January 1, 2023 actuarial valuation is completed, we will quantify the non-investment related or demographic experience gain or loss. Over the last eight valuations, the demographic experience has ranged from a loss of \$7.5 million as of December 31, 2019 to a gain of \$4.1 million as of December 31, 2014. For the purpose of these estimates, we have included a demographic loss of \$8 million. This is the December 31, 2019 demographic loss rounded up to the nearest million.

With an investment loss and an estimated demographic loss for 2022, it will not be possible to fully fund the Retirement System by fiscal 2030 with appropriations that are limited to a 9.60% increase each year. We estimate that increases in the appropriation of 9.6% per year through 2030 plus an appropriation of \$35.9 million in fiscal 2031 would be necessary. This fiscal 2031 appropriation is a decrease from the \$77.6 million appropriation in fiscal 2030 and is comprised of a normal cost payment of \$8.0 million and a payment on the unfunded liability of \$27.9 million.

You also requested that we estimate the cost of increasing the COLA base from \$12,000 to \$13,000 effective July 1, 2023, to \$14,000 effective July 1, 2024 and to \$15,000 effective July 1, 2025. Each \$1,000 increase in the COLA base increases the normal cost for fiscal 2024 by approximately \$76,000 and the July 1, 2023 unfunded liability by \$3.8 million.

As requested, we have determined the impact of the 2022 investment and experience losses and increasing the COLA base as described above on the rate of increase in the appropriation with various full funding dates. For these estimates, we have assumed the new rate of increase is effective with the fiscal 2024 appropriation. As a reminder, with the current funding schedule, the fiscal 2023 appropriation is \$40,847,226 and the fiscal 2024 appropriation is \$44,768,560. The results are summarized in the table below:

**Alternative Funding Schedules Reflecting 2022 Investment and Experience Losses and
Increasing the COLA Base from \$12,000 to \$13,000 Effective July 1, 2023, to \$14,000 Effective
July 1, 2024 and to \$15,000 Effective July 1, 2025**

Full Funding Year	Rate of Increase in Appropriation	Fiscal 2024 Appropriation
2031	8.60%	\$44,360,087
2032	6.20%	43,379,754
2033	4.40%	42,644,504
2034	3.10%	42,113,490
2035	2.10%	41,705,018

If the non-investment experience loss differs from the \$8,000,000 used in these estimates, the results will be different. However, the Board set the fiscal 2024 appropriation based on these estimates and will revise the fiscal 2025 and later appropriations after the January 1, 2023 valuation is complete.

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

Please refer to our January 1, 2023 Actuarial Valuation and Review dated July 15, 2022 for the data, assumptions and plan of benefits 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 meets 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 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 Newton Contributory Retirement System 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



SEARCH

COLA News

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Positive Developments Continue Statewide

When it comes to the local COLA (Cost-of-Living-Adjustment), there has been a tremendous amount of activity over the past year and positive developments statewide. As you can see here, *Mass Retirees* has been at the center of this COLA activity.

Local retirement boards continue to increase the COLA base, with some voting this spring to shatter the \$18,000 ceiling and push past the \$20,000 threshold.

For members of the State and Teacher Retirement systems, a major legislative push is now underway to increase the COLA base for the first time since 2011.



COLA BASES: ANNUAL OVERVIEW (As of 4/6/2023)

104 RETIREMENT SYSTEMS

\$12,000 Base

- Amesbury
- Chelsea
- Fall River
- Marblehead
- Marlborough
- Newton

\$13,000 Base

- Attleboro
- Belmont
- Beverly

Braintree FY25

- Danvers
- Gardner
- Hampshire County
- Haverhill
- Leominster
- Milford
- Natick
- North Adams
- Northampton
- Revere
- State
- Teachers'

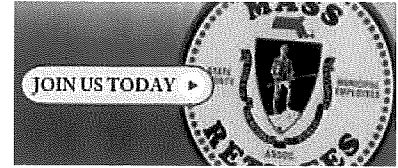
- West Springfield
- Westfield
- Weymouth

Winthrop FY24

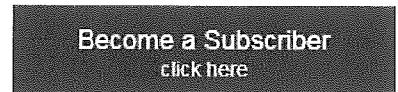
\$14,000 Base

- Adams
- Andover

Retirees



Public Employees



Frank Valeri
President

Since 1968 the Retired State, County and Municipal Employees Association has been the leading voice for Massachusetts public retirees and their families. Join with our 52,000 members as we continue the fight.



VIEW Digital Newsletter



VIEW Newsletter Archives

WEP/GPO Explained

Berkshire County

Brockton

Concord

Dukes County

Everett

Falmouth

Fitchburg FY24

Gloucester

Greenfield

Hingham

Holyoke

Lawrence FY24

MassPort

Minuteman RSD

New Bedford FY24

North Attleboro

Northbridge

Reading

Shrewsbury

Southbridge

Springfield FY24

Swampscott

Waltham

Watertown

Webster FY24

Winchester

\$15,000 Base

Arlington

Boston

Brookline

Dedham

GLSD

Lexington

Lynn

Maynard

Newburyport FY24

Norwood

Peabody

Quincy

Salem

Somerville

Stoneham

\$16,000 Base

Chicopee

Easthampton

Essex Cty

Framingham

Melrose

Middlesex County

Needham

Pittsfield

Plymouth FY24

Taunton FY24

Wakefield

Woburn



Upcoming Events

« April »						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Fri, 2023/04/14 - 11:00am

Area Meeting: Medford-Malden Elks

Thu, 2023/04/27 - 11:00am

Area Meeting: Fitchburg / Leominster

Fri, 2023/05/05 - 11:00am

Boston Area Meeting

Fri, 2023/05/19 - 11:00am

Peabody Area Meeting

Wed, 2023/06/07 - 11:00am

Area Meeting: Cape Cod

All Upcoming Events

Worcester FY24

Worcester County
\$17,000 Base

Franklin County
Hull
Lowell

MHFA FY24

MWRA
\$18,000 Base

Barnstable County
Blue Hills RSD
Cambridge FY24
Clinton
Hampden County
Malden
Medford
Methuen
Milton
Montague
Norfolk County

Plymouth County FY24

Saugus

Webster FY24

\$19,000 Base

Wellesley FY24 (\$20,000 FY25; \$21,000 FY26)

\$20,000 Base

Bristol County FY24

5% FY23 COLA Update

LOCAL MOMENTUM INTENSIFYING

Momentum is intensifying among local retirement boards to increase their current 3% COLA for this fiscal year (FY23) to 5%. As part of the FY23 State Budget, the Association succeeded in enacting a local option law, allowing local retirement systems to increase this year's (FY23) 3% COLA by 2% to 5%, which is retroactive to July 1, 2022.

This new law requires a two-step approval process. First, a retirement board must vote in favor, and then it must be approved by the "local governing body" for that board. This second step was not in our original proposal nor supported by us.

For a county or regional retirement system, the second step is more complicated. Their governing body consists of the towns in the system, and the select boards in two-thirds of those towns must approve the 5% COLA. And for some city retirement systems, the city charter may require that the 5% COLA must be recommended first by the mayor or city manager before a vote by the city council. Even with the second step, several county, regional and city retirement boards (see chart below) took on the challenge of securing the approval by their governing body.

As of April 6, the additional 2% COLA has been approved by 65 local retirement boards. Of these systems, the increase to 5% has received full approval by 48 retirement boards and their local governing bodies. Included in the "fully approved" list is Norfolk County which has the distinction of being the first county or regional system to adopt the FY23 5% COLA. **The systems in BOLD below have fully approved the COLA increase:**

Bristol County
Franklin County
Hampshire County
Middlesex County
Norfolk County
Worcester County

Adams

Andover

Arlington

Attleboro

Beverly

Boston
Braintree
Cambridge
Chicopee
Clinton
Easthampton
Fairhaven
Fall River
Falmouth
Fitchburg
Gloucester
GLSD
Greenfield
Hull
Lawrence
Leominster
Lowell
Lynn
Marblehead
MassPort
Maynard
Medford
Melrose
Methuen
MHFA
Milford
Milton
Minuteman RSD
Montague
Needham
Newburyport
Newton
N Adams
Northampton
Northbridge
Norwood
Pittsfield
Plymouth
Revere
Salem
Saugus
Somerville
Southbridge
Springfield
Stoneham
Taunton
Wakefield
Waltham
Webster
Wellesley
Westfield
Winchester
Woburn
Worcester

Posted: Apr 06, 2023 Tags: COLA Breaking News

Retired State, County And Municipal Employees Association Of Massachusetts
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