



MWRA Retirement System Funding

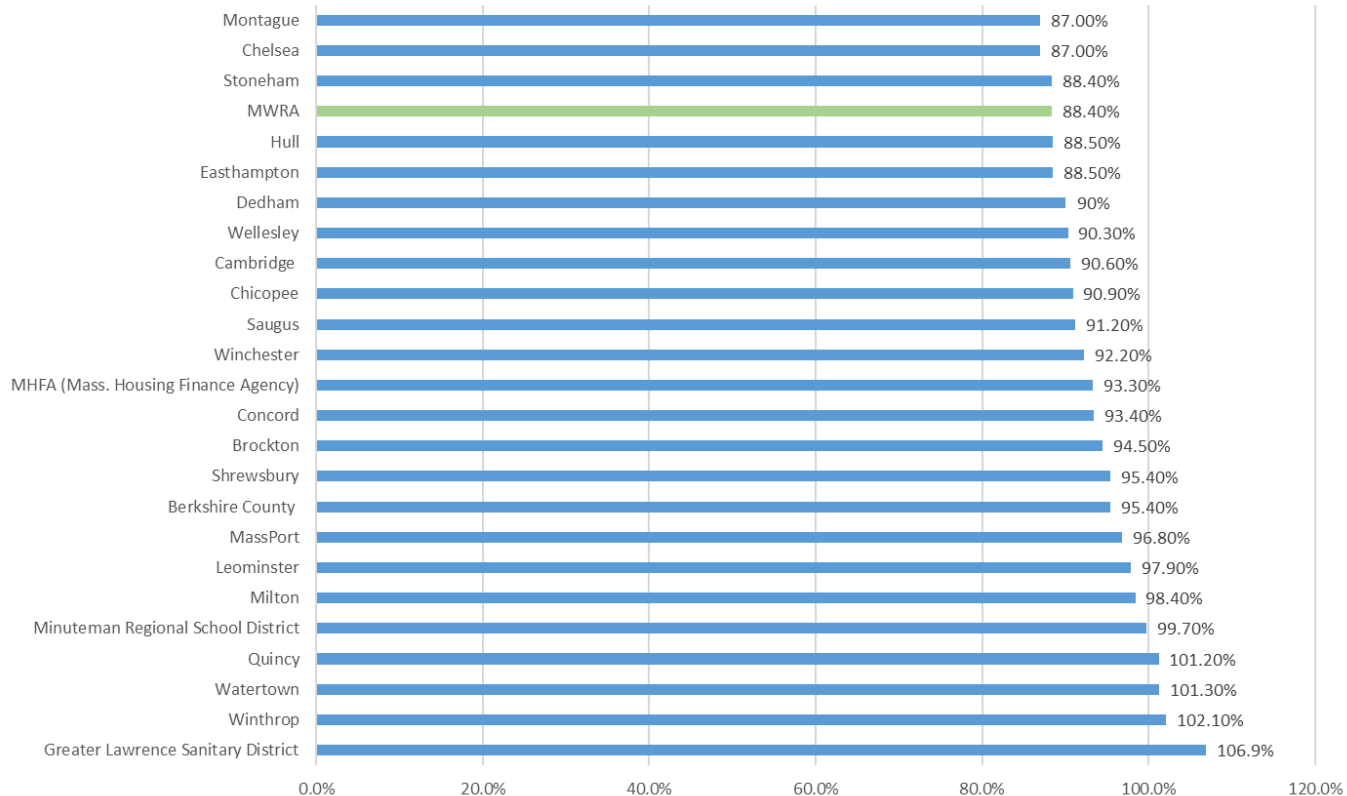
MWRA Advisory Board

March 20, 2025



PERAC Report Funding Comparison of 104 Systems

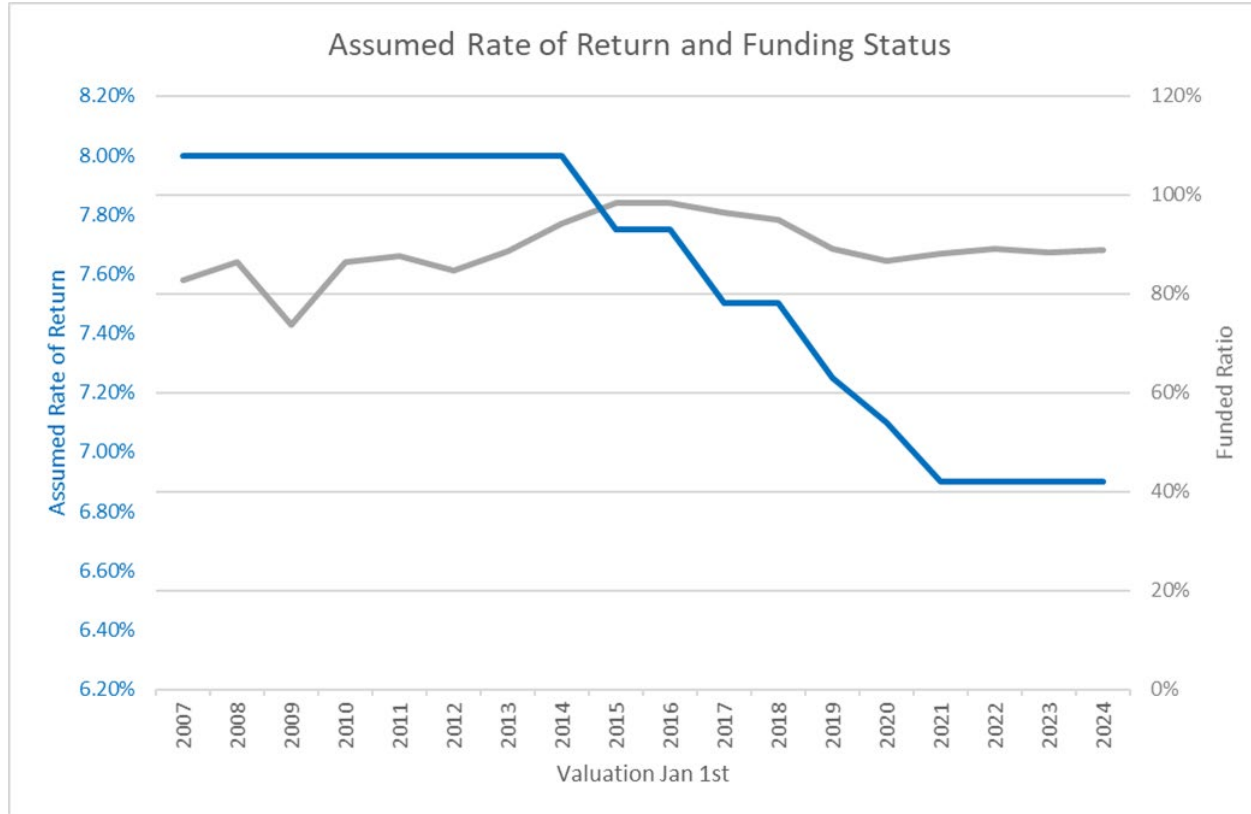
Top Funded Pension Systems
PERAC 2023 Report





Retirement Liability –January 1, 2024

- Unfunded Actuarial Accrued Liability (UAAL) is \$90.6 million and is 88.9% funded





January 2024 Actuarial Valuation – Approved Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Liability	(4) Actuarially Determined Contribution (ADC): (2) + (3)	(5) Total Unfunded Actuarial Liability at Beginning of Fiscal Year	(6) Percent Increase in Actuarially Determined Contributions
2025	\$ 4,152,177.00	\$ 11,913,599.00	\$ 16,065,776.00	\$ 93,693,781.00	\$ -
2026	\$ 4,299,778.00	\$ 14,047,338.00	\$ 18,347,116.00	\$ 81,865,558.00	14.20%
2027	\$ 4,452,533.00	\$ 16,499,873.00	\$ 20,952,406.00	\$ 72,497,677.00	14.20%
2028	\$ 4,610,620.00	\$ 19,317,028.00	\$ 23,927,648.00	\$ 59,861,652.00	14.20%
2029	\$ 4,774,223.00	\$ 22,551,151.00	\$ 27,325,374.00	\$ 43,342,203.00	14.20%
2030	\$ 4,943,532.00	\$ 22,225,635.00	\$ 27,169,167.00	\$ 22,225,635.00	-0.57%
2031	\$ 5,118,744.00	\$ -	\$ 5,118,744.00	\$ -	-81.16%



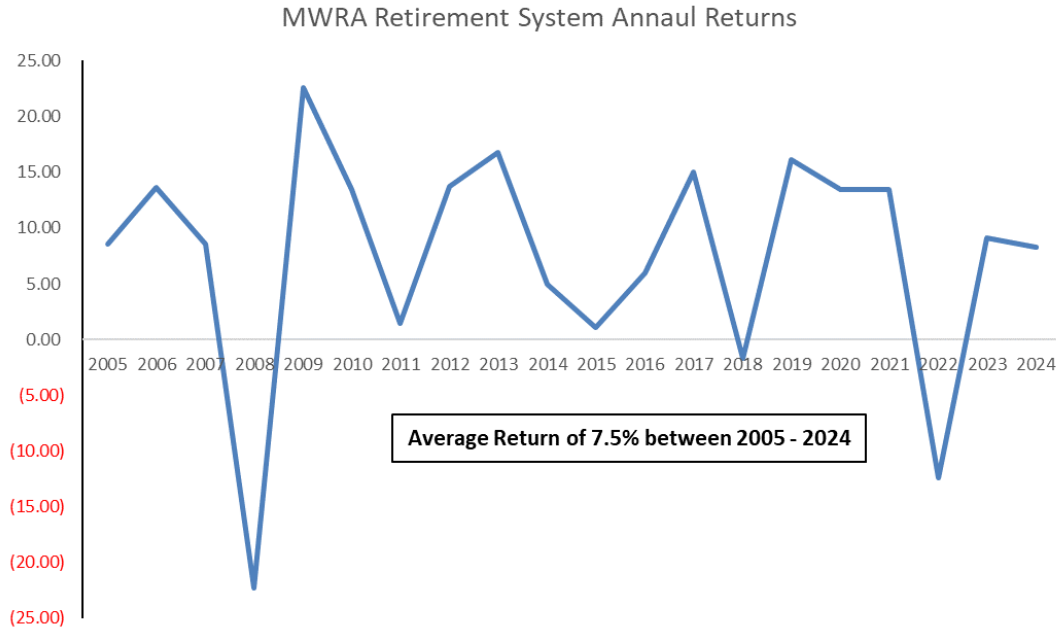
Challenges to Achieving Full Funding

- Many of the factors that go into an actuarial analysis are driven by factors outside MWRA's control.
- Demographic
 - Participant Population (Retirement Age/Years of Service)
 - Mortality
 - Beneficiaries
 - Disabilities (Ordinary and Accidental)
- Economic
 - Salary Changes
 - Investment Returns (Interest Rates/Inflation)



Managing Investment Returns

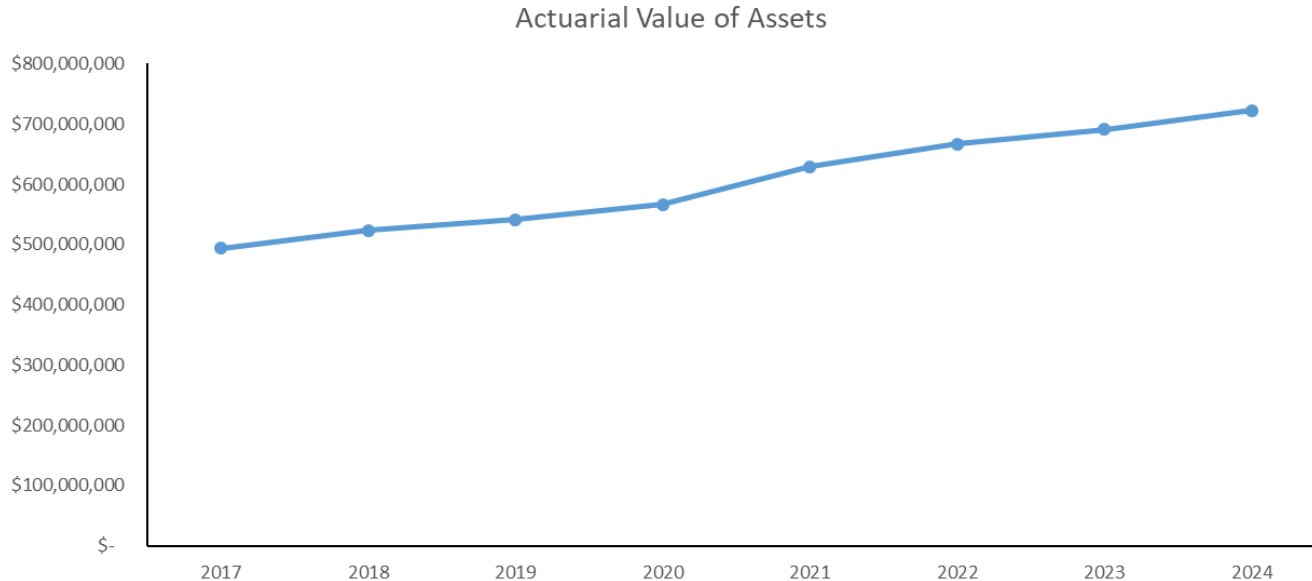
- Returns over the last 20 years including the Global Financial Crisis and aftermath of COVID-19.





Actuarial Asset Values

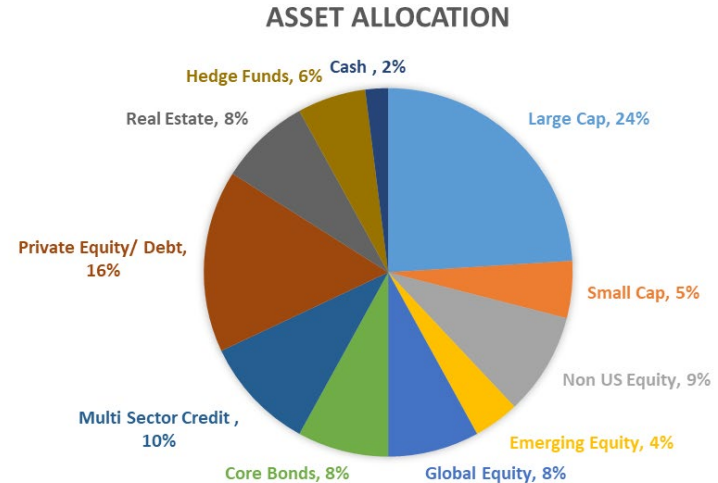
- MWRA utilizes a +/- 10% asset corridor which keeps the Actuarial Asset Value within 90%-110% of the Market Asset Value.
- Actuarial gains and/or losses are smoothed over a 5-year period.





Managing Investments and Fees

- Asset allocation balanced to maximize returns mindful of the System's funding goals.
- Massachusetts Pension Reserves Investment Management (PRIM)
 - Strong investment performance
 - Increased exposure by \$10.4 million over last two years.
 - Increased 2025 commitment to PRIM private equity by \$2 million over prior years.
- Reducing Fees paid for investments
 - Reduced fees by 7 basis points in 2024
 - Approximately \$400,000 in savings





Benefit of the FY25 Additional Deposit

- FY25 Additional Payment Saves \$1.8 million in Future Actuarial Calculated Deposits
- Reduced the year-over-year increase in the Annual Required Contribution from 15.05% to 14.2%.

Fiscal Year	Without Additional \$5.2M	Final Schedule with \$5.2M	Annual Funding Impact
2025	\$ 16,065,776	\$ 16,065,776	\$ -
2026	\$ 18,483,675	\$ 18,347,116	\$ (136,559)
2027	\$ 21,265,468	\$ 20,952,406	\$ (313,062)
2028	\$ 24,465,921	\$ 23,927,648	\$ (538,273)
2029	\$ 28,148,042	\$ 27,325,374	\$ (822,668)
2030	\$ 32,371,343	\$ 27,169,167	\$ (5,202,176)
2031	\$ 5,118,744	\$ 5,118,744	\$ -
Total			\$ (7,012,738)
FY25 Additional Payment			\$ 5,198,743
Actuarial Savings			\$ (1,813,995)



Full Funding Date

- Massachusetts requires that all systems are fully funded by 2040.
- MWRA’s System is schedule for full funding in 2030.
- Funding date after 2030 triggers MGL Chapter 22F restrictions.
 - Funding schedules cannot be lower than the prior year.
 - Year-over-year increase to required deposit cannot be more than 4%.
- Pushing out full funding date significantly increases costs with limited rate benefit.

<u>Detail</u>	<u>Fiscal Year Appropriation</u>										<u>Total Cost</u>	
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>		
2023 Schedule -2030	\$ 14,068,105	\$ 16,065,776	\$ 18,347,116	\$ 20,952,406	\$ 23,927,648	\$ 27,325,374	\$ 31,195,022	\$ 5,385,834			\$ 157,267,281	} \$18.0 million difference
Schedule 2 -2032	\$ 14,068,105	\$ 15,072,568	\$ 16,148,749	\$ 17,301,770	\$ 18,537,116	\$ 19,860,666	\$ 21,278,718	\$ 22,798,018	\$ 24,413,548	\$ 5,771,183	\$ 175,250,441	