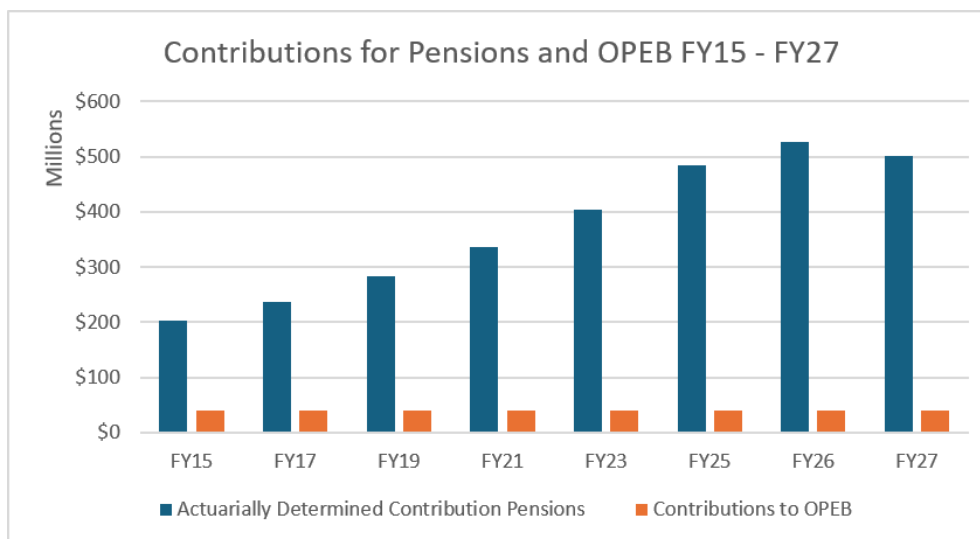


Update on Boston's Pensions and Other Post-Employment Benefits (OPEB)

Unfunded liabilities have long burdened municipalities. For many years, policymakers granted pension and other post-retirement benefits to municipal employees without a meaningful strategy to pay for these obligations. As a consequence, unfunded liabilities for pensions and other post-employment benefits grew nearly unchecked. For the past two decades, however, Boston city officials have been diligently working to fully fund these benefits and eliminate unfunded liabilities.

The City's pensions and other post-employment benefits are managed separately. Pensions are managed by the Boston Retirement Board and are housed in the [Boston Retirement System](#) (BRS).¹ Although teachers' pensions remain in the BRS, Massachusetts assumed funding responsibility for teachers' pensions in 2010, meaning the City does not pay for teachers' pensions in the BRS. Therefore, the City's contributions are applied to the "BRS excluding Teachers" liability.² Non-pension benefits that employees receive after they retire, including health and life insurance, are funded through the Other Post Employment Benefits (OPEB) Liability Trust Fund. Whereas the Boston Retirement Board manages the BRS, the City administers the OPEB Liability Trust Fund, which is a common investment for two separate trusts for City employees and Public Health Commission employees.



This *Research Update*

provides key figures regarding pensions (defined here as the BRS excluding teachers' pensions) and the OPEB Liability Trust Fund (referred to as "OPEB Trust"). The unfunded actuarial accrued liability on the actuarial value of assets for pensions was \$605.7M as of December 31, 2025. As of June 30, 2025, the unfunded OPEB liability was \$2.89B.³ The OPEB Trust's unfunded liability is over four times larger than

¹ 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.

² All figures and data presented refer to the Boston Retirement System and exclude teachers' pensions. Unless otherwise noted, all data comes from the Segal Group, Boston Retirement System Actuarial Valuation and Reviews: Jan 1, 2016; Jan 1, 2018; Jan 1, 2020; Jan 1, 2022; Jan 1, 2025; and Jan 1, 2026.

³ All figures for the OPEB Trust are for the City and Public Health Commission combined.

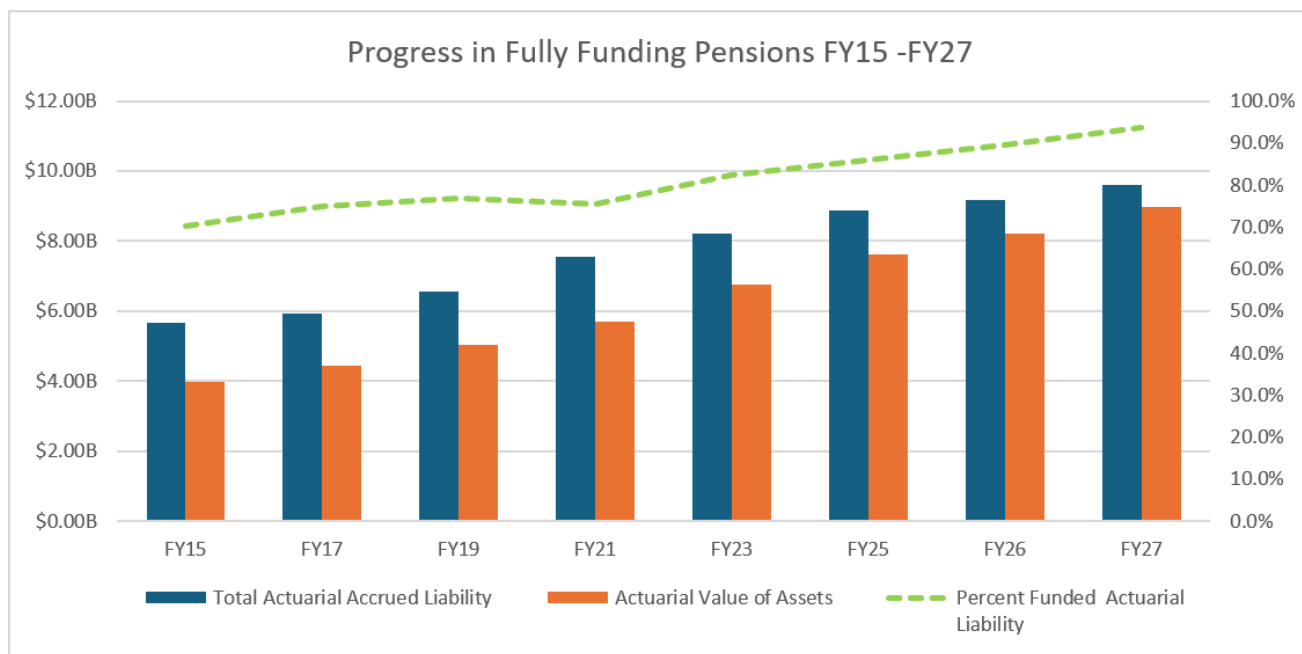
the unfunded pension liability. As the City approaches full funding of its pension liability, Boston should consider how it will fully fund its OPEB liability.

Pension and OPEB Funding Schedules – The City and the Boston Retirement Board have some discretion over pension and OPEB funding schedules, subject to statutory deadlines and actuarial requirements for pensions and the OPEB Trust. Boston is legally required to fully fund its pension liability by 2040. Currently, there is no statutory requirement for Boston to fully fund its OPEB liabilities. The City complies with legal reporting requirements for the OPEB Trust.

M.G.L. c.32 mandates payment of the Actuarially Determined Contribution, which is equal to the employer normal costs⁴ and the payment needed each year in order to pay off the unfunded actuarial accrued liability by the City’s target date. The Boston Retirement Board has pursued an aggressive contribution schedule to fully fund pensions by FY28. The City is on track to fully fund its pension liability by FY28, which is twelve years ahead of the state’s 2040 deadline. The City funds annual OPEB costs on a pay-as-you-go basis with additional appropriations. The City has been appropriating money annually for OPEB since FY08. Every year since FY13, Boston has contributed \$40.0M to the OPEB Liability Trust Fund.

Fiscal Year	Unfunded Actuarial Accrued Liability
FY15	\$1.69B
FY17	\$1.48B
FY19	\$1.51B
FY21	\$1.84B
FY23	\$1.45B
FY25	\$1.26B
FY26	\$977.2M
FY27	\$605.7M

In [March 2026 the Retirement Board adopted](#) an adjusted funding schedule for pensions through fiscal year 2031. There were three key changes in the adjusted schedule:



⁴ Employer normal costs are defined as the cost of the retirement benefits employees earn during the current working year plus applicable annual expenses minus employee contributions.

1. The FY27 Actuarially Determined Contribution was lowered by 5% from FY26, which is the maximum reduction allowed under M.G.L. c.32.
2. The new schedule calls for larger payments after pension liabilities are fully funded. After actuarially accrued liabilities are fully funded, future contributions will no longer be reduced to solely the employer normal costs. Instead, payments will be pegged to the previous year's amounts, going down by only \$50M per year.
3. Appropriations will build assets exceeding 100% of accrued liability to cushion against adverse shocks to the fund, such as drops in investment returns, or changes in benefits.

Fiscal Year	Pre-March 2026 Contribution Schedule	Pre-March 2026 Funded %	Post-March 2026 Contribution Schedule	Post-March 2026 Funded %
FY26	\$527.2M	89.4%	\$527.2M	89.4%
FY27	\$573.9M	94.0%	\$500.9M	93.7%
FY28	\$253.0M	98.6%	\$400.0M	97.9%
FY29	\$118.5M	100.0%	\$350.0M	100.7%
FY30	\$122.7M	100.0%	\$300.0M	103.0%
FY31	\$127.2M	100.0%	\$250.0M	104.7%

Source: Segal Group, Boston Retirement System Updated January 1, 2025 Funding Schedules. Mar 6, 2026. Segal Group, Boston Retirement System Actuarial Valuation and Reviews: January 1, 2026.

Update on Boston's Pension Liability – An actuarial valuation and review produced by the Segal Group, a third-party consultant, on January 1, 2026, shows that as of December 31, 2025, the City remained on track to fully fund its unfunded actuarial accrued liability (UAAL) by FY28. The report notes that staying on track depends on all actuarial assumptions being met as well as on the plan of benefits and actuarial assumptions remaining unchanged. The UAAL is the total actuarial accrued liability for the BRS excluding Teachers (\$9.60B) minus the actuarial value of assets (\$8.99B). Calculations for funding needs rely on the long-term investment return of 6.9%, which the Retirement Board approved in June 2022. The valuation reflects the new payment schedule the Retirement Board adopted in March 2026. Additionally, changes in assumptions made in the 2026 valuation include:

- Updates to mortality rate assumptions.
- Administrative expenses were set in calendar year 2026 to \$10.5M.

The funded percentage on the actuarial value of assets increased to 93.7% in FY27 from 89.4% in FY26. The actuarial value of assets increased to \$8.99B as of January 2026, up from \$8.20B as of January 2025.

The table below shows the actuarial accrued liability, actuarial value of assets, and the amount of unfunded actuarial accrued liability for pensions.

Valuation date	Contribution Fiscal Year	Total Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability
Jan 1, 2014	FY15	\$5.68B	\$3.99B	\$1.69B
Jan 1, 2016	FY17	\$5.92B	\$4.44B	\$1.48B
Jan 1, 2018	FY19	\$6.55B	\$5.04B	\$1.51B
Jan 1, 2020	FY21	\$7.55B	\$5.70B	\$1.84B
Jan 1, 2022	FY23	\$8.22B	\$6.77B	\$1.45B
Jan 1, 2024	FY25	\$8.88B	\$7.62B	\$1.26B
Jan 1, 2025	FY26	\$9.17B	\$8.20B	\$977.2M
Jan 1, 2026	FY27	\$9.60B	\$8.99B	\$605.7M

The market rate of return on pension assets, which is the net investment income divided by the average market value of assets, was 14.3% in calendar year 2025. The actuarial rate of return for calendar year 2025, which reflects the gradual recognition of investment gains and losses through asset smoothing, was 7.6%. In FY22, the Retirement Board adopted a long-term investment return of 6.9%, which considers past experience, the Retirement Board’s asset allocation policy, and expected future income. The expected actuarial investment income is calculated by multiplying the average actuarial value of assets by the long-term investment rate of return. Because the 2025 actuarial return (7.6%) exceeded the long-term investment return (6.9%), the pension system gained \$58.4 million in actuarial investment income above the amount expected at 6.9%.

Update for OPEB Liability Trust Fund – Except where otherwise noted, all information below refers to the figures presented in the City of Boston’s actuarial valuation and review of the OPEB Trust as of June 30, 2025, produced by the Segal Group, a third-party consultant. The liabilities and assets for the OPEB Trust presented here include City and Public Health Commission employees and retirees.

The reported funded ratio was 31.6% as of June 30, 2025, but the actuarial report cautions that this ratio is not necessarily appropriate for assessing whether assets are sufficient to cover the plan’s obligations, or the amount of future contributions.⁵ As of June 30, 2023, the OPEB Trust had an unfunded actuarial accrued liability of \$2.68B, and in the 2023 report, actuaries expected the unfunded actuarial liability to be \$2.85B by June 2025. However, following the 2023–2025 valuation interval, the combined plan’s liability was \$2.89B. The higher-than-expected increase in the unfunded liability was driven by updated health care cost trend assumptions.

⁵ While the actuarial report does not specify why the OPEB funded ratio is not necessarily appropriate for assessing OPEB assets or future contribution amounts, one potential reason for caution is that the City has not set a target date to fully fund the OPEB Liability Trust.

The OPEB Trust had an actuarial value of assets of \$1.33B as of June 30, 2025, and the actuarial report recommended maintaining the estimated rate of return on the OPEB Trust's assets at 6.25%. The report estimated that, after the City fully funds its pension liability, Boston could appropriate \$100M rather than \$40M toward its OPEB liability. With the adjusted payment schedule, the actuarial report estimated that the City could increase payments to the OPEB Trust from \$40M to \$100M starting in FY29, one year later than projected in the prior OPEB Trust valuation.

Concluding Thoughts – The pensions' unfunded actuarial accrued liability (UAAL) was \$605.7M as of December 31, 2025. As of March 2026, the adjusted payment schedule for pensions had been supported by stronger-than-estimated returns on investments in 2025. Notably, the actuaries were not asked to test the sensitivity of future contributions in different financial conditions or scenarios. Losses in investment returns and increases in pensions from recent CBAs may have impacts on the new funding schedule from FY28 through FY31. While the Retirement Board voted against increasing cost-of-living adjustments (COLA) base salaries in recent years, the Retirement Board could vote to increase COLA base salaries in the future. Decisions regarding [COLA base salaries and COLA percentage increases](#) will also need to consider the impact on the new funding schedule for pensions.

As Boston has approached full funding of the pension system, it has dedicated larger amounts of general fund expenditures to the purpose. In FY27, 9.0% of the City's operating budget is dedicated to pensions, with an additional 0.8% budgeted for OPEB. As of the most recent valuations, the OPEB Trust's unfunded liability was over four times larger than the unfunded pension liability. As pension payments decline through FY31, more funds could be freed up in the general operating budget to allocate to other uses. As the City approaches full funding of its pension liability, Boston should consider how it will fully fund its OPEB liability.

Decisions to address the OPEB Trust liability will take place in a constrained revenue environment where healthcare costs continue to rise. The underlying drivers for OPEB liabilities (e.g., healthcare costs and service utilization) are fundamentally more volatile than drivers for pensions, and harder to predict. While there is no statutory requirement to fully fund the OPEB Trust liability, the City should build on its approach of fully funding the pension system. This approach will be critical for Boston's overall financial stability and to ensure that public employees and retirees receive the benefits they have been promised.