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April 25, 2023

Retirement Board  
Town of Natick Contributory Retirement System  
13 East Central Street  
Natick, MA 01760

**Re: Cost of Increasing the July 1, 2022 COLA from 3% to 5%**

Dear Board Members:

As requested, we have estimated the cost of increasing the July 1, 2022 Cost of Living Adjustment (COLA) from 3% to 5% with the current \$13,000 base for the Town of Natick Contributory Retirement System. Note that this is a one-time increase in the annual COLA percentage, which is projected to be 3% in 2023 and thereafter. The estimates in this report are based on the January 1, 2021 Actuarial Valuation and Review of the Town of Natick Contributory Retirement System and do not reflect any experience gains or losses after that date.

Increasing the July 1, 2022 COLA from 3% to 5% increases the estimated July 1, 2022 unfunded liability by \$917,051, or 1.26%, from \$72,988,027 to \$73,905,078.

The funding schedule included in the January 1, 2021 actuarial valuation report fully funds the actuarial accrued liability of the Town of Natick Contributory Retirement System by fiscal 2030 with appropriations that increase 4.00% per year.

We have incorporated the additional cost of increasing the July 1, 2022 COLA to 5% into the funding schedule with two alternative approaches:

1. Maintaining the appropriations in the current funding schedule through fiscal 2029 and increasing the final, fiscal 2030, appropriation. This fiscal 2030 appropriation would continue to be a decrease from the fiscal 2029 appropriation.
2. Increasing the fiscal 2025 appropriation. The fiscal 2025 appropriation would be an increase of 5.38% from the fiscal 2024 appropriation and the fiscal 2025 through fiscal 2029 appropriations would increase 4.00% per year.

The appropriations for fiscal 2024 through fiscal 2030 shown in the current funding schedule and reflecting the 5% COLA are on the following page:

<b>Fiscal Year Ended June 30</b>	<b>Current Funding Schedule - Actuarially Determined Contribution</b>	<b>5% COLA - Defer Payment to Fiscal 2030</b>	<b>5% COLA – Increase FY 2025 through 2030 Appropriations</b>
2024	\$13,828,435	\$13,828,435	\$13,828,435
2025	14,381,572	14,381,572	14,572,434
2026	14,956,835	14,956,835	15,155,332
2027	15,555,108	15,555,108	15,761,545
2028	16,177,312	16,177,312	16,392,006
2029	16,824,404	16,824,404	17,047,686
2030	10,873,304	12,371,008	11,105,517

These cost estimates are based on the assumptions used in the most recent actuarial valuation of the Town of Natick Contributory Retirement System. To the extent there is adverse experience, employer contributions will increase and the cost related the increased COLA 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 will be higher than shown.

Please refer to our January 1, 2021 Actuarial Valuation and Review dated November 1, 2021 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 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. 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 Town of Natick Contributory Retirement System and reasonable expectations.

Please let us know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kathleen A. Riley', is positioned above the printed name.

Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Chief Actuary