

MUNICIPAL PENSION FUNDING POLICY

Redesigning a city's pension funding policy for sustainable progress

A municipal government inherited a funding policy that had been in place for more than five years — yet funded ratios were not improving and required contributions were climbing. Bolton, engaged as a new advisor, diagnosed the structural issues and helped the City adopt a revised policy aligned with both actuarial principles and real-world budget capacity.

CLIENT

Municipal government (identity not available)

SECTOR

**Public sector ·
Municipal government**

BOLTON ROLE

Funding policy advisor
New client engagement

01 THE CHALLENGE

A policy followed for five years. **Funded ratios still flat.**

The City came to Bolton as a new client with a very low pension funded ratio. A funding policy had been in place for more than five years. Despite consistent use of that policy, funded ratios had not improved and City leadership was increasingly concerned about both long-term plan health and the near-term impact of contributions on the City budget.



No progress on funded status.

Five-plus years of policy adherence had not moved funded ratios upward.



Contributions on a sharp upward path.

Required contributions were rising year over year, raising sustainability concerns for the City budget.



Long-term plan health at risk.

Without a structural change, the gap between the plan and the City's ability to fund it would keep widening.

A funding policy can be technically compliant and still fail to improve funded status when its structure is misaligned with financial reality.

02 BOLTON'S APPROACH

Looking under the hood of a policy that wasn't working.

We reviewed the existing funding policy and its historical results, then sat down with the City's financial leadership to test our findings against budget realities. Two core structural issues explained why funded ratios had not improved despite years of disciplined adherence.

A

Review the historical record

Traced 5+ years of policy results to understand why funded ratios had stayed flat.

B

Diagnose the structure

Identified early-year negative amortization and steeply rising later-year contributions as the root causes.

C

Pressure-test against the budget

Engaged the City's financial executives and the Mayor to ground the redesign in real budget capacity.

03 THE REVISED POLICY

A funding policy that improves the plan and respects the budget.

Drawing on the analysis and the conversations with City leadership, Bolton developed a revised funding policy designed to balance pension improvement with budget sustainability.



Contributions level as a share of the City budget

So required payments stay predictable and proportional to the City's capacity to fund them.



Negative amortization eliminated

Contributions cover interest on the unfunded liability and the balance no longer grows on autopilot.



A structure that lifts funded ratios over time

The policy is designed to make visible progress on funded status, not just maintain the status quo.



OUTCOMES · POLICY ADOPTED

A redesign grounded in the City's priorities: predictability, progress, and plan health.

BUDGET

Contributions held level as a share of the City budget

STRUCTURE

Negative amortization eliminated by design

TRAJECTORY

A policy supporting improving funded ratios over time

BOLTON VALUE

Pension funding policy designed for actuarial principles and budget reality — at the same time.

01

Diagnosed structural issues a long-standing policy had been masking.

02

Engaged City finance leadership and the Mayor to ground the redesign in budget capacity.

03

Built a policy that improves funded status without destabilizing the City budget.