LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

ACTUARIAL VALUATION
as of
January 1, 2026

KMS Actuaries, LLC
52 Hunt Road
Kingston, NH 03848

May, 2026

ACTUARIES

LLC

May 21, 2026

Lawrence Contributory Retirement Board
354 Merrimack Street
Entry C, 3rd Floor
Lawrence, MA 01843

Dear Board Members:

We are pleased to present the enclosed report providing the results of our actuarial valuation of the Lawrence Contributory Retirement System as of January 1, 2026. Our valuation was performed in accordance with the provisions contained in Chapter 32 of the Massachusetts General Laws, "M.G.L.", as of January 1, 2026. Disclosures under GASB Statement No. 67, Financial Reporting for Pension Plans (GASB 67) and GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) are provided in a separate report.

The principal results of our valuation are summarized in Section 2. The Summary of Plan Provisions and Actuarial Assumptions and Methods are shown in Sections 5 and 6, respectively. Section 7 summarizes the demographic profile of active members, retired plan members and beneficiaries and disabled plan members. Asset information and actuarial liabilities are presented in Section 2. The development of the required appropriations pursuant to Chapter 32 of the M.G.L. is shown in Section 3, including a 30-year forecast of the required appropriations and projected cash flows. Section 4 includes a summary of valuation information for PERAC as well as information relating to the primary risks to the System and an assessment of those risks.

This valuation is based upon member data provided by the Lawrence Contributory Retirement Board and asset information reported to the Public Employee Retirement Administration Commission (PERAC) by the Retirement Board. Although we did not audit the data used in the valuation, we believe that the information is complete and reliable.

Liabilities presented in this report are based on a long-term investment return rate assumption of 7%, net of investment expense, compounded annually.

This report was prepared in accordance with generally accepted actuarial principles and practices and applicable Actuarial Standards of Practice issued by the Actuarial Standards Board. The actuarial assumptions used in the determination of costs are reasonably related to the experience of the System and to reasonable expectations, and they represent our best estimate of anticipated long-term experience under the System.

Future actuarial valuation results may differ significantly from the current results presented in this report. Examples of potential sources of volatility include plan experience differing from that anticipated by the economic or demographic assumptions, the effect of new entrants, changes in economic or demographic assumptions, the effect of law changes and the delayed effect of smoothing techniques. The potential range of future measurements was not assessed as it was outside the scope of the project.

Our valuation follows generally accepted actuarial methods, and we perform such tests as we consider necessary to assure the accuracy of the results. The amounts presented in this report have been appropriately determined according to the actuarial assumptions and methods stated herein.

This report is intended for the sole use of the Lawrence Contributory Retirement Board and may only be provided to other parties in its entirety unless expressly authorized by KMS Actuaries. Further, it is intended to provide information to comply with the stated purpose of the report. It may not be appropriate for other purposes.

KMS Actuaries is completely independent of the Lawrence Contributory Retirement System and any of its officers or key personnel. None of the actuaries signing this report or anyone closely associated with them has a relationship with the Lawrence Contributory Retirement System, other than as consulting actuary for this assignment, that would impair our independence.

The undersigned credentialed actuaries agree that the analysis, assumptions and results are overall reasonable. They are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein. They are available to answer any questions with regard to this report.

Respectfully submitted,

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SECTION 1 - EXECUTIVE SUMMARY

At a Glance

The principal results of the January 1, 2026 actuarial valuation are summarized below.

- Funded Ratio increased from 63.6% to 67.4%
- UAAL decreased from $200.2 million to $196.7 million
- Current funding schedule projects full funding by 2036

The valuation also reflects an increase in the administrative expense assumption from $589,000 to $625,000.

Background

We have completed the Actuarial Valuation of the Lawrence Contributory Retirement System as of January 1, 2026. This valuation is based upon census data provided by the Retirement Board and asset information reported to the Public Employee Retirement Administration Commission (PERAC) by the Lawrence Contributory Retirement Board. Information for the prior valuation completed as of January 1, 2024 was obtained from the valuation report prepared by KMS Actuaries, LLC.

Primary Purpose

This report was prepared for the Retirement Board for the purposes described below:

- Measure and disclose the financial condition of the System as of the valuation date,
- Indicate trends, both historical and prospective, in the financial progress of the System,
- Identify, assess and disclose material risks of the System and
- Develop System appropriations.

Massachusetts General Laws

The valuation was prepared in accordance with Chapter 32 of the Massachusetts General Laws ("M.G.L."). The results are based on the active, inactive and retired members and beneficiaries as of December 31, 2025, the assets as of December 31, 2025 and assumptions regarding investment returns, salary increases, mortality, turnover, disability and retirement.

The valuation does not take into consideration:

- Changes in the law after the valuation date,
- Transfers between retirement systems pursuant to Section 3(8)(c) of Chapter 32,
- State-mandated benefits and
- Cost-of-living increases granted to members in pay status between 1982 and 1997.

GASB Statement Numbers 67 and 68

The required disclosures and notes under GASB Statement Number 67 and 68 for the fiscal year ending December 31, 2025 are provided in a separate report.

Assets

This valuation is based upon asset information reported to PERAC by the Lawrence Contributory Retirement Board. The market value of assets increased from $337,249,374 as of December 31, 2023 to $420,220,499 as of December 31, 2025. During the plan years ended 2024 and 2025, the market value rates of return were 9.41% and 12.57%, respectively.

The actuarial value of assets increased from $349,053,549 as of January 1, 2024 to $407,440,323 as of January 1, 2026. During the plan years ended 2024 and 2025, the rates of return on the actuarial value of assets were 6.96% and 7.52%, respectively.

The actuarial value of assets is currently 97.0% of market value, indicating minimal smoothing distortion.

Changes Since the Last Valuation

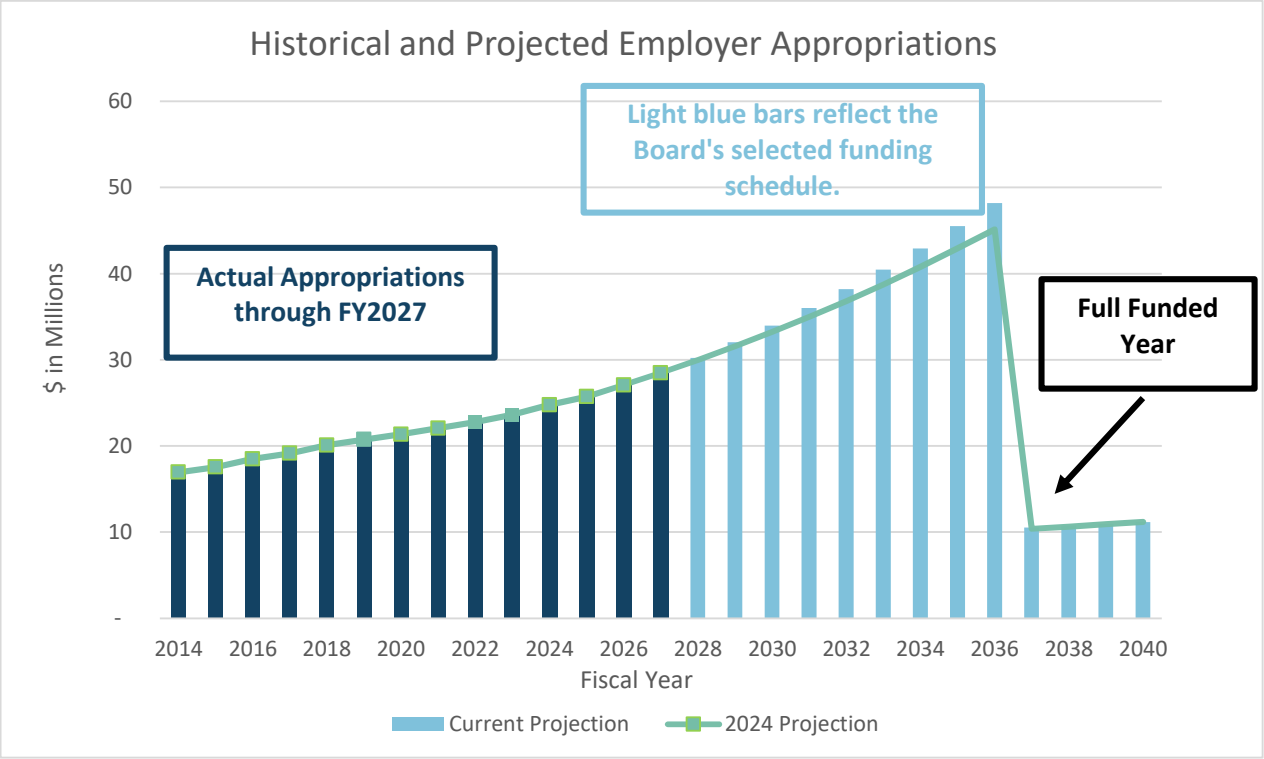
Since the last valuation, the total unfunded actuarial accrued liability of the System was expected to decrease from $200,169,052 as of January 1, 2024 to $180,079,742 as of January 1, 2026, for a total decrease of $20,089,310. The actual unfunded actuarial accrued liability, before any assumption or plan changes, was $196,706,457, resulting in an actuarial loss of $16,626,715. The actuarial loss was primarily due to a demographic experience loss of approximately $18,440,000 that was partially offset by an asset gain of approximately $1,813,000. The details of the gain and loss analysis are provided in Section 2, Actuarial Experience.

Appropriations

The funding appropriation for each year is computed as the sum of the normal cost, net 3(8)(c) transfers and an amortization payment to pay off the Unfunded Actuarial Liability, adjusted for annual payments of the appropriation made July 1. The appropriation calculated as of the January 1, 2026 valuation is $31,908,615, and is made up of a normal cost payment of $7,643,233, net 3(8)(c) transfers of $966,736, and an amortization payment of $23,298,645. The amortization method is an increasing amortization of the unfunded actuarial accrued liability at 4% over 10 years and is expected to fully pay the unfunded actuarial accrued liability by the year 2036. The development of the appropriation as of January 1, 2026 is presented in Section 3, Annual Appropriations.

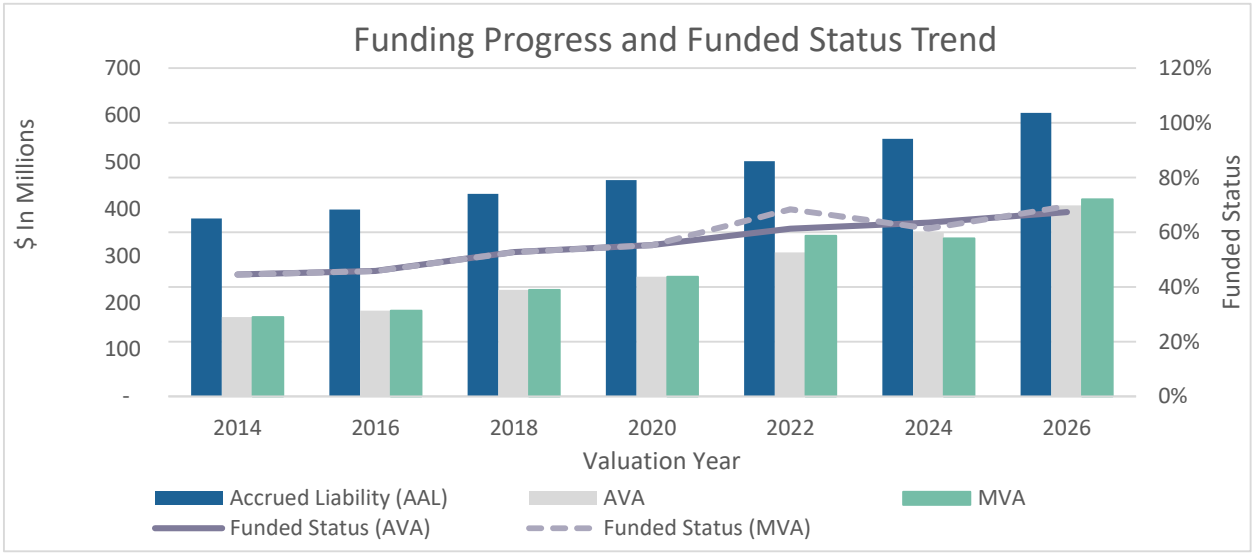
For fiscal year 2027, we show the actual appropriation developed under the previous funding schedule and reported on the PERAC "Required Fiscal Year 2027 Appropriation" letter dated November 24, 2025 of $28,506,366. For fiscal year 2028, we developed an annual appropriation of $30,222,449, which is made up of a normal cost of $7,833,962, net 3(8)(c) transfers of $1,000,000 and payment toward the unfunded actuarial accrued liability of $21,388,487. The Board selected a funding schedule with increases in the annual appropriation limited to 6.02% that fully funds the UAAL by 2036. The current funding schedule is shown in Section 3, Exhibit 3.1.

The chart below shows the historical (navy bars) and projected (light blue bars) annual appropriations compared to the projected amounts shown in the prior valuation and funding schedule (green line).

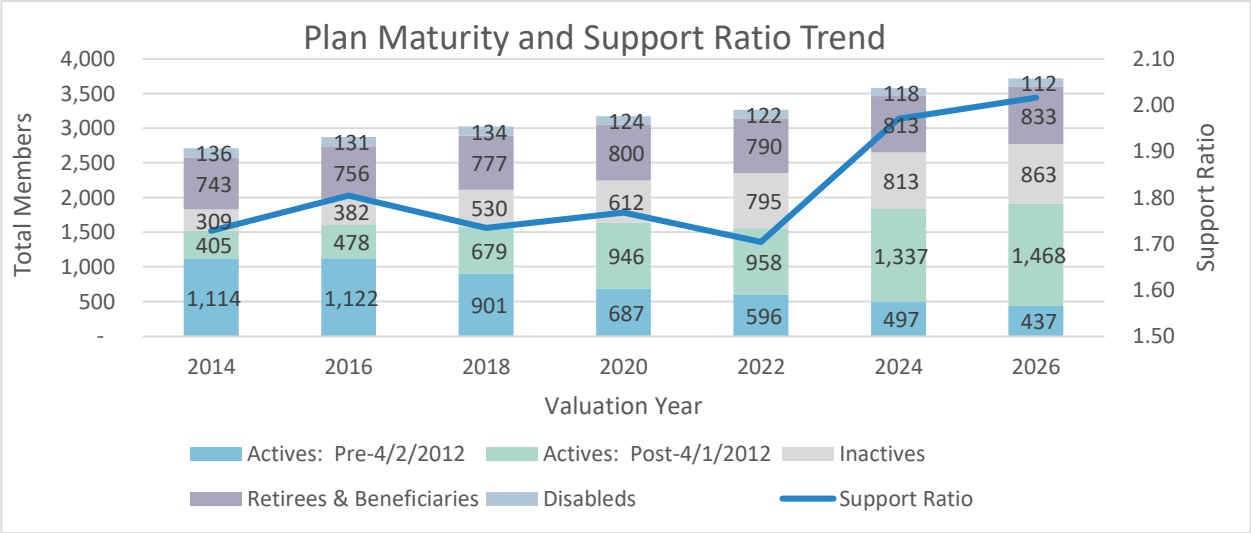


Historical Trends

Below are the accrued liabilities, asset values (actuarial and market) and funded status for each of the last 7 valuations. The purple solid line reflects the funded status on an actuarial value of assets (AVA) basis and the purple dotted line reflects the funded status on a market value (MVA) basis. Blue bars indicate actuarial accrued liabilities, grey bars indicate actuarial value of assets and green bars indicate market value of assets.



Below are the membership counts for each of the last 7 valuations. The blue line reflects the support ratio, which indicates how many active members are contributing to the System for each retiree receiving benefits.



Plan Provisions

All Plan provisions used in this valuation are the same as those used in the prior valuation and are summarized in Section 5, Summary of Plan Provisions.

Actuarial Assumptions and Methods

The administrative expense assumption increased from $589,000 to $625,000.

All other actuarial assumptions have remained the same. The Actuarial Assumptions and Methods utilized in this valuation are detailed in Section 6, Actuarial Assumptions and Methods.

Census Data

As of January 1, 2026, there are 1,905 active members who may be eligible for benefits in the future, 833 retirees and beneficiaries, 863 inactives and 112 disabled retirees. Summaries of the active, retired and disabled employees are included in Section 7, Plan Member Information. We have examined the data for reasonableness and consistency in accordance with ASOP 23.

SECTION 1 - EXECUTIVE SUMMARY

A summary of principal valuation results from the current valuation and the prior valuation follows.

Valuation Date	January 1, 2026	January 1, 2024	% Change
Census Data			
Active Members	1,905	1,834	3.9%
Valuation Salary	$126,024,463	$106,677,442	18.1%
Average Salary	$66,155	$58,167	13.7%
Retired Members and Beneficiaries	833	813	2.5%
Total Annual Retirement Allowance	$27,205,038	$25,213,447	7.9%
Average Annual Retirement Allowance	$32,659	$31,013	5.3%
Disabled Members	112	118	(5.1%)
Total Annual Retirement Allowance	$4,982,686	$4,930,887	1.1%
Average Annual Retirement Allowance	$44,488	$41,787	6.5%
Inactive Members	863	813	6.2%
Annuity Savings Fund	$8,433,112	$7,805,007	8.0%
Funded Status			
Actuarial Accrued Liability (AAL)	$604,146,780	$549,222,601	10.0%
Market Value of Assets (MVA)	$420,220,499	$337,249,374	24.6%
Unfunded Accrued Liability on MVA	$183,926,281	$211,973,227	(13.2%)
Funded Status on MVA	69.6%	61.4%	13.4%
Actuarial Value of Assets (AVA)	$407,440,323	$349,053,549	16.7%
Unfunded Accrued Liability on AVA	$196,706,457	$200,169,052	(1.7%)
Funded Status on AVA	67.4%	63.6%	6.0%
Appropriations			
Fiscal Year 2026	N/A	$27,081,859	N/A
Fiscal Year 2027	$28,506,366	$28,506,366	0.0%
Fiscal Year 2028	$30,222,449	$30,005,799	0.7%
Fiscal Year 2029	$32,041,839	$31,584,105	1.4%

Market Value of Assets

Asset information is reported annually to the Public Employee Retirement Administration Commission by the Lawrence Contributory Retirement Board. The Market Value of Assets for the three most recent calendar years are as follows:

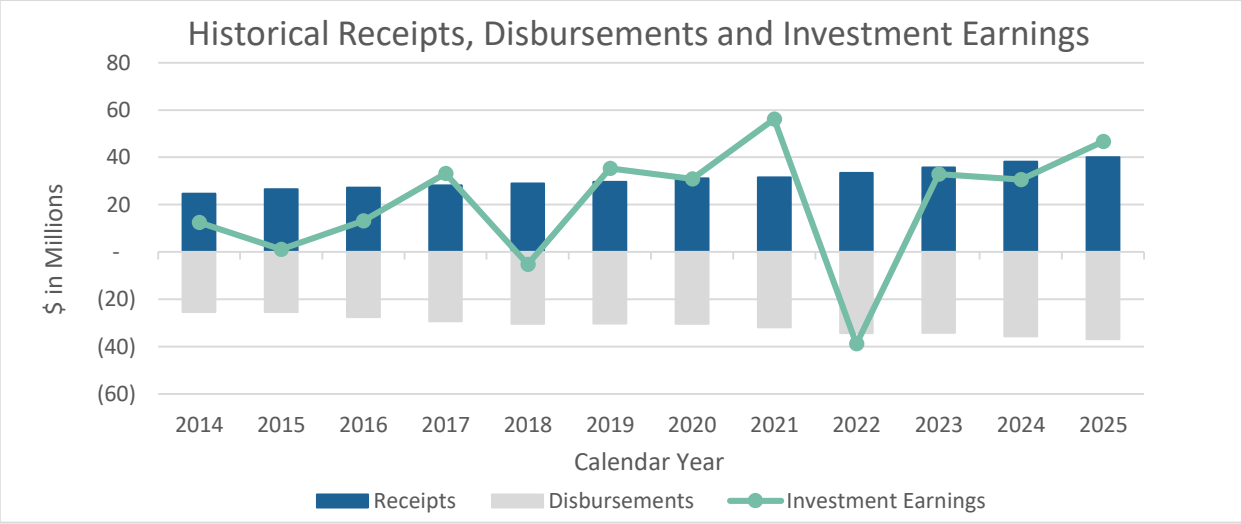
Calendar Year	2025	2024	2023
Trust Fund Composition at Year-End			
Cash	$454,809	$735,504	$724,615
Short-Term Investments	0	0	0
Fixed Income Securities	0	0	0
Equities	0	0	0
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	0
Pooled International Equity Funds	0	0	0
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investments	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
Hedge Funds	0	0	0
PRIT Cash	1,613,080	1,611,501	1,613,015
PRIT Fund	418,811,463	368,605,232	335,293,539
Interest Due & Accrued	0	0	0
Prepaid Expenses	11,109	10,629	13,685
Accounts Receivable	1,015,065	828,798	949,471
Land	0	0	0
Buildings	0	0	0
Accumulated Depreciation - Buildings	0	0	0
Accounts Payable	(1,685,027)	(1,488,109)	(1,344,951)
Total Market Value of Assets	**$420,220,499**	**$370,303,555**	**$337,249,374**

SECTION 2 - PRINCIPAL VALUATION RESULTS

Market Value of Assets

Calendar Year	2025	2024	2023
Funds			
Annuity Savings Fund	$93,476,526	$88,339,858	$82,727,162
Annuity Reserve Fund	17,005,869	17,831,433	19,061,033
Special Military Service Fund	5,324	5,318	5,313
Pension Fund	0	0	0
Expense Fund	0	0	0
Pension Reserve Fund	309,732,780	264,126,946	235,455,866
Total Market Value of Assets	**$420,220,499**	**$370,303,555**	**$337,249,374**
Asset Activity			
Market Value as of Beginning of Year	$370,303,555	$337,249,374	$302,914,197
Contributions and Receipts	40,122,850	38,104,890	35,736,410
Benefit Payments and Expenses	(36,943,738)	(35,662,066)	(34,240,241)
Investment Return	46,737,832	30,611,357	32,839,008
Total Market Value of Assets	**$420,220,499**	**$370,303,555**	**$337,249,374**
Rate of Return	12.57%	9.41%	10.81%

Below are the receipts and disbursements during the last 12 years. The green line reflects investment earnings, which vacillate as investment markets fluctuate. Blue bars indicate contributions, from employees and employers, and grey bars show benefit payments and administrative expenses.



Actuarial Value of Assets

The Actuarial Value of Assets is the market value of assets as of the valuation date adjusted to phase in investment gains and losses over a 5-year period, further constrained to be within 20% of the market value of assets. Investment gains and losses are the excess or deficiency of the expected returns over the actual returns. Prior to the 2022 valuation, the actuarial value of assets was equal to the market value of assets.

Valuation Date	January 1, 2026	January 1, 2025	January 1, 2024
1. Expected Market Value of Assets			
a. Market Value of Assets as of prior January 1	$370,303,555	$337,249,374	$302,914,197
b. Prior Year Contributions and Receipts	40,122,850	38,104,890	35,736,410
c. Prior Year Benefit Payments and Expenses	(36,943,738)	(35,662,066)	(34,240,241)
d. Expected Investment Return Rate	7.00%	7.00%	7.00%
e. Expected Investment Return	26,032,518	23,692,955	21,256,360
f. Expected Market Value of Assets	$399,515,185	$363,385,153	$325,666,726
2. Prior Year Gain/(Loss)			
a. Market Value of Assets as of January 1	$420,220,499	$370,303,555	$337,249,374
b. Expected Market Value of Assets	399,515,185	363,385,153	325,666,726
c. Prior Year Gain /(Loss)	$20,705,314	$6,918,402	$11,582,648

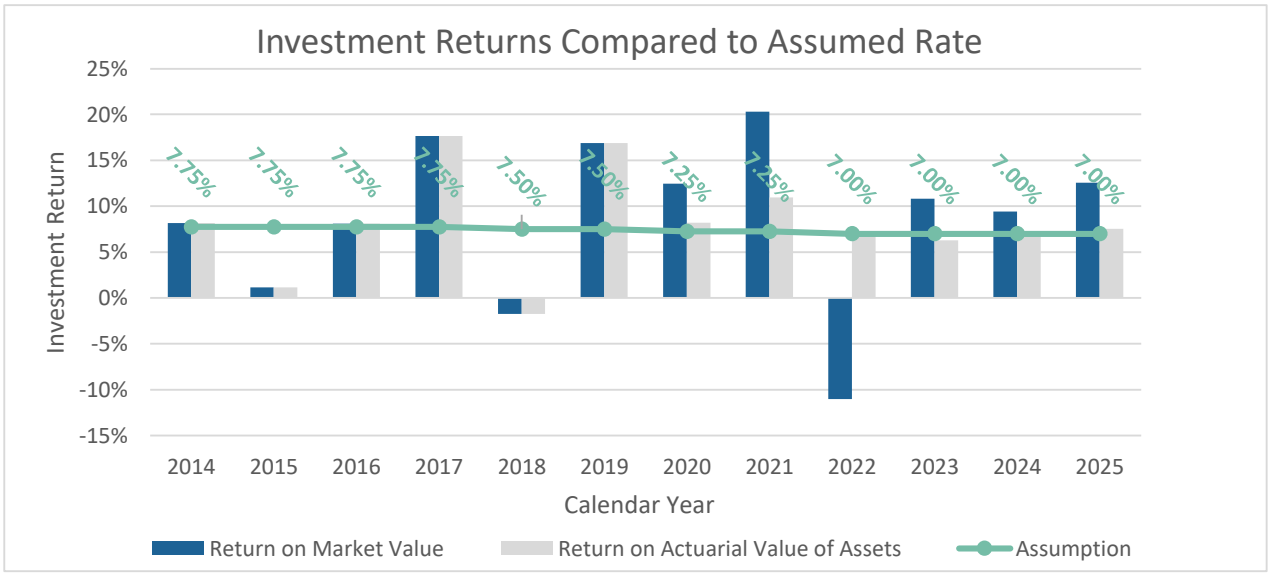
3. Phase-In of Asset Gains and Losses

	Calendar Year	Gain / (Loss)	Unrecognized Gain / (Loss)	Unrecognized Gain / (Loss)	Unrecognized Gain / (Loss)
a.	2025	$20,705,314	$16,564,251	$0	$0
b.	2024	6,918,402	4,151,041	5,534,722	0
c.	2023	11,582,648	4,633,059	6,949,589	9,266,118
d.	2022	(62,840,874)	(12,568,175)	(25,136,350)	(37,704,524)
e.	2021	35,436,838	0	7,087,368	14,174,735
f.	2020	12,297,478	0	0	2,459,496
g.	Total Deferred Gains/(Losses)		$12,780,176	($5,564,671)	($11,804,175)

Actuarial Value of Assets

Valuation Date	January 1, 2026	January 1, 2025	January 1, 2024
4. Actuarial Value of Assets			
a. Market Value of Assets	$420,220,499	$370,303,555	$337,249,374
b. Deferred Gains/(Losses)	12,780,176	(5,564,671)	(11,804,175)
c. Market Value of Assets Less Deferred Gains/(Losses)	$407,440,323	$375,868,226	$349,053,549
d. 80% of Market Value of Assets	336,176,399	296,242,844	269,799,499
e. 120% of Market Value of Assets	504,264,599	444,364,266	404,699,249
f. Actuarial Value of Assets, c., but not less than d. and not greater than e.	$407,440,323	$375,868,226	$349,053,549
g. Ratio of Actuarial Value of Assets to Market Value of Assets	97.0%	101.5%	103.5%
5. Rate of Return on Actuarial Value of Assets for Prior Calendar Year	7.52%	6.96%	6.27%

Below are the investment returns during the last 12 years. The green line reflects the investment return actuarial assumption. Blue bars indicate investment return rates on market value of assets, and grey bars show investment return rates on actuarial value of assets.



Actuarial Liabilities

The **Actuarial Present Value of Future Benefits** is the present value of the cost to finance all benefits payable in the future, discounted to reflect the probability of payment and the time value of money. Below is the Actuarial Present Value of Future Benefits from the current valuation and the prior valuation:

Valuation Date	January 1, 2026	January 1, 2024
Actives	$445,975,827	$384,842,765
Retired Members and Beneficiaries	271,296,990	254,792,392
Disabled Members	52,371,699	52,645,455
Inactive Members	8,433,112	7,805,007
Total Present Value of Future Benefits	**$778,077,628**	**$700,085,619**

The **Actuarial Accrued Liability** is the portion of the Actuarial Present Value of Future Benefits which is allocated to all periods prior to a valuation year and therefore is not provided for by future Normal Costs. Below is the Actuarial Accrued Liability from the current valuation and the prior valuation:

Valuation Date	January 1, 2026	January 1, 2024
Actives	$272,044,979	$233,979,747
Retired Members and Beneficiaries	271,296,990	254,792,392
Disabled Members	52,371,699	52,645,455
Inactive Members	8,433,112	7,805,007
Total Actuarial Accrued Liability	**$604,146,780**	**$549,222,601**

The **Unfunded Actuarial Accrued Liability** is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets as of the valuation date. The **Funded Status** is the Actuarial Value of Assets divided by the Actuarial Accrued Liability and is a point-in-time measurement of the amount of assets set aside to cover actuarial accrued liabilities. Below is the Unfunded Actuarial Accrued Liability and Funded Status from the current valuation and the prior valuation:

Valuation Date	January 1, 2026	January 1, 2024
Unfunded Actuarial Accrued Liability		
a. Actuarial Accrued Liability	$604,146,780	$549,222,601
b. Actuarial Value of Assets	407,440,323	349,053,549
c. Unfunded Actuarial Accrued Liability (a. - b.)	$196,706,457	$200,169,052
d. Funded Status (b. divided by a.)	67.4%	63.6%

Actuarial Liabilities

The **Normal Cost** is the portion of the Actuarial Present Value of Future Benefits that is allocated to a valuation year. Only active employees who have not reached the age at which 100% probability of retirement is assumed incur a Normal Cost. Below is the Normal Cost from the current valuation and the prior valuation:

Valuation Date	January 1, 2026	January 1, 2024
Total Normal Cost	$18,264,234	$15,998,674
As a Percentage of Salary	14.5%	15.0%
Employee Normal Cost	$11,246,001	$9,530,203
As a Percentage of Salary	8.9%	8.9%
Administrative Expenses	$625,000	$531,705
As a Percentage of Salary	0.5%	0.5%
Net Employer Normal Cost	$7,643,233	$7,000,176
As a Percentage of Salary	6.1%	6.6%

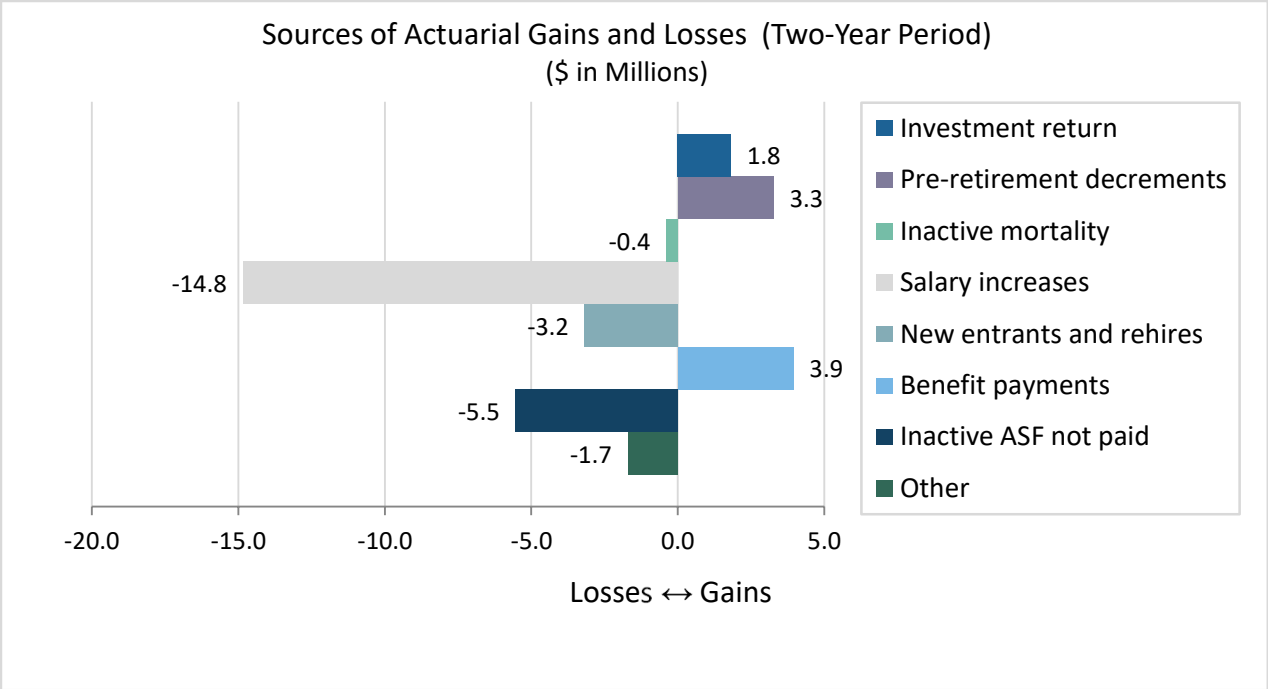
Actuarial Experience

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. During the two years since the last valuation, the total unfunded actuarial accrued liability of the System was expected to decrease by $20,089,310. Below is the development of the Actuarial Loss for the current 2-year period:

Calendar Year Ending		December 31, 2025	December 31, 2024
Expected Unfunded Actuarial Accrued Liability			
1.	Unfunded Actuarial Accrued Liability, Beginning of Year	$191,860,906	$200,169,052
2.	Normal Cost, Beginning of Year	15,248,339	15,998,674
3.	Total Contributions	40,122,850	38,104,890
4.	Interest (full year on 1. and 2., one-half year on 3.)	13,093,347	13,798,070
5.	Expected Unfunded Actuarial Accrued Liability	$180,079,742	$191,860,906
6.	Unfunded Actuarial Accrued Liability (before changes)	196,706,457	
7.	(Gain)/Loss (6. - 5.)	$16,626,715	
Asset Gain/(Loss)			
1.	Actuarial Value of Assets, Beginning of Year	$375,868,226	$349,053,549
2.	Contributions and Receipts	40,122,850	38,104,890
3.	Benefit Payments and Expenses	(36,943,738)	(35,662,066)
4.	Assumed Rate of Return (prior valuation)	7.00%	7.00%
5.	Expected Return	26,422,045	24,519,247
6.	Actuarial Value of Assets, End of Year	$407,440,323	$375,868,226
7.	Actual Return	28,392,985	24,371,853
8.	Actual Rate of Return	7.52%	6.96%
9.	Asset Gain/(Loss) (7. - 5.)	1,970,940	(147,394)
10.	Total Asset Gain/(Loss), 2-Year Period	$1,813,228	

Actuarial Experience

Below are the various sources of gains and losses over the 2-year period. The asset gain during the period was $1,813,228, and the total demographic loss during the period was $18,439,943, which totals to an overall loss of $16,626,715.



Unfunded Actuarial Accrued Liability

1.	Expected Unfunded Actuarial Accrued Liability	180,079,742
2.	Changes due to:	
	a. Asset Gain	(1,813,228)
	b. Demographic Experience Loss	18,439,943
	c. Total Loss Prior to Changes	16,626,715
	d. Plan Change	-
	e. Assumption and Method Changes	-
	f. Total Increase (including changes)	16,626,715
3.	Unfunded Actuarial Accrued Liability, End of Year	$196,706,457

Annual Appropriations

The Annual Appropriation is determined in accordance with the requirements set forth in Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws ("M.G.L."). The appropriation is comprised of the annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. Below are the details of the annual appropriations for the current and prior valuations, adjusted for annual payments made July 1. The appropriations shown are based on the results of the valuation and do not account for any adjustments made to appropriations in the selected funding schedule.

	Valuation Date	January 1, 2026	January 1, 2024
1.	Early Retirement Incentive Plan (2002 Housing Authority)		
	Fully Funded Year	2028	2028
	Investment Return Rate	7.00%	7.00%
	Balance as of Valuation Date	14,121	25,264
	Amortization Amount	$7,144	$6,542
	Increasing Rate	4.50%	4.50%
	Remaining Payment Period from Valuation Date	2	4
2.	Early Retirement Incentive Plan (2002 VOC and City)		
	Fully Funded Year	2028	2028
	Investment Return Rate	7.00%	7.00%
	Balance as of Valuation Date	1,951,313	3,508,450
	Amortization Amount	$989,528	$914,874
	Increasing Rate	4.00%	4.00%
	Remaining Payment Period from Valuation Date	2	4
3.	Early Retirement Incentive Plan (2003 VOC and City)		
	Fully Funded Year	2028	2028
	Investment Return Rate	7.00%	7.00%
	Balance as of valuation date	616,838	1,109,071
	Amortization Amount	$312,804	$289,205
	Increasing Rate	4.00%	4.00%
	Remaining Payment Period from Valuation date	2	4
4.	Unfunded Actuarial Accrued Liability		
	Fully Funded Year	2036	2036
	Investment Return Rate	7.00%	7.00%
	Balance as of Valuation Date	$194,124,185	$195,526,267
	Amortization Amount	$21,989,169	$18,960,973
	Increasing Rate	4.00%	4.00%
	Remaining Payment Period from Valuation Date	10	12

Annual Appropriations

	Valuation Date	January 1, 2026	January 1, 2024
5.	Total Amortization Payments	$23,298,645	$20,171,594
6.	Normal Cost	$7,643,233	$7,000,176
7.	Net 3(8)(c) Transfers	$966,736	$966,736
8.	Total Appropriation as of January 1	$31,908,615	$28,138,506
9.	**Adjusted for Annual Payments as of July 1**	**$33,006,528**	**$29,106,697**

Exhibit 3.1 - 30-Year Forecast of Annual Appropriations

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAAL	Amortization Payment of ERI 2002 (Housing Authority)	Amortization Payment of ERI 2002 (VOC and City)	Amortization Payment of ERI 2003 (VOC and City)	Net 3(8)(c) Transfers	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2027	$7,906,222	$18,245,611	$7,390	$1,023,576	$323,567	$1,000,000	$28,506,366		$196,706,457
2028	7,833,962	19,979,736	7,722	1,064,520	336,509	1,000,000	30,222,449	6.02%	190,201,362
2029	7,928,903	23,112,936	-	-	-	1,000,000	32,041,839	6.02%	181,391,034
2030	8,085,894	24,884,865	-	-	-	1,000,000	33,970,759	6.02%	170,180,199
2031	8,244,359	26,771,440	-	-	-	1,000,000	36,015,799	6.02%	156,351,708
2032	8,412,404	28,771,546	-	-	-	1,000,000	38,183,950	6.02%	139,603,735
2033	8,601,992	30,880,631	-	-	-	1,000,000	40,482,623	6.02%	119,614,478
2034	8,849,658	33,070,020	-	-	-	1,000,000	42,919,678	6.02%	96,044,318
2035	9,053,653	35,449,789	-	-	-	1,000,000	45,503,442	6.02%	68,559,526
2036	9,250,294	37,951,547	-	-	-	1,000,000	48,201,841	5.93%	36,689,145
2037	9,522,820	-	-	-	-	1,000,000	10,522,820	-78.17%	-
2038	9,703,483	-	-	-	-	1,000,000	10,703,483	1.72%	-
2039	9,943,129	-	-	-	-	1,000,000	10,943,129	2.24%	-
2040	10,176,330	-	-	-	-	1,000,000	11,176,330	2.13%	-
2041	10,466,270	-	-	-	-	1,000,000	11,466,270	2.59%	-
2042	10,785,629	-	-	-	-	1,000,000	11,785,629	2.79%	-
2043	11,095,401	-	-	-	-	1,000,000	12,095,401	2.63%	-
2044	11,439,613	-	-	-	-	1,000,000	12,439,613	2.85%	-
2045	11,776,422	-	-	-	-	1,000,000	12,776,422	2.71%	-
2046	12,152,038	-	-	-	-	1,000,000	13,152,038	2.94%	-
2047	12,541,903	-	-	-	-	1,000,000	13,541,903	2.96%	-
2048	12,939,093	-	-	-	-	1,000,000	13,939,093	2.93%	-
2049	13,354,372	-	-	-	-	1,000,000	14,354,372	2.98%	-
2050	13,798,775	-	-	-	-	1,000,000	14,798,775	3.10%	-
2051	14,238,950	-	-	-	-	1,000,000	15,238,950	2.97%	-
2052	14,730,445	-	-	-	-	1,000,000	15,730,445	3.23%	-
2053	15,231,863	-	-	-	-	1,000,000	16,231,863	3.19%	-
2054	15,732,504	-	-	-	-	1,000,000	16,732,504	3.08%	-
2055	16,240,357	-	-	-	-	1,000,000	17,240,357	3.04%	-
2056	16,813,594	-	-	-	-	1,000,000	17,813,594	3.32%	-

The significant decrease in 2037 reflects the full amortization of the UAAL.

Exhibit 3.2 - 30-Year Forecast of Cash Flow

Calendar Year	Market Value of Assets, BOY	Benefit Payments	Employee Contributions	Employer Contributions	Investment Return	Market Value of Assets, EOY
2026	$420,220,499	$45,040,784	$11,246,001	$27,558,144	$30,555,298	$444,539,158
2027	444,539,158	38,530,823	12,024,203	29,217,144	32,656,057	479,905,739
2028	479,905,739	40,291,416	12,667,329	30,976,015	35,238,236	518,495,904
2029	518,495,904	42,125,748	13,278,028	32,840,772	38,048,628	560,537,584
2030	560,537,584	43,845,972	13,915,895	34,817,787	41,114,380	606,539,675
2031	606,539,675	45,560,639	14,574,166	36,913,817	44,467,314	656,934,333
2032	656,934,333	47,091,659	15,242,387	39,136,029	48,143,684	712,364,775
2033	712,364,775	48,476,706	15,886,394	41,492,018	52,185,338	773,451,819
2034	773,451,819	49,803,382	16,605,747	43,989,838	56,640,200	840,884,223
2035	840,884,223	50,946,287	17,366,581	46,598,478	61,556,330	915,459,325
2036	915,459,325	52,198,794	18,089,714	10,172,794	64,233,571	955,756,611
2037	955,756,611	54,547,740	18,938,652	10,347,447	67,043,819	997,538,789
2038	997,538,789	57,002,388	19,768,953	10,579,122	69,956,997	1,040,841,474
2039	1,040,841,474	59,567,495	20,645,309	10,804,566	72,975,532	1,085,699,386
2040	1,085,699,386	62,248,032	21,508,132	11,084,861	76,101,785	1,132,146,133
2041	1,132,146,133	65,049,193	22,385,381	11,393,597	79,338,036	1,180,213,954
2042	1,180,213,954	67,976,407	23,316,372	11,693,065	82,686,463	1,229,933,448
2043	1,229,933,448	71,035,345	24,260,211	12,025,827	86,149,127	1,281,333,268
2044	1,281,333,268	74,231,936	25,259,079	12,351,433	89,727,947	1,334,439,792
2045	1,334,439,792	77,572,373	26,270,099	12,714,555	93,424,678	1,389,276,751
2046	1,389,276,751	81,063,130	27,318,875	13,091,451	97,240,886	1,445,864,834
2047	1,445,864,834	84,710,971	28,414,032	13,475,429	101,177,917	1,504,221,241
2048	1,504,221,241	88,522,965	29,547,168	13,876,895	105,236,868	1,564,359,208
2049	1,564,359,208	92,506,498	30,709,698	14,306,515	109,418,552	1,626,287,475
2050	1,626,287,475	96,669,290	31,936,019	14,732,049	113,723,463	1,690,009,717
2051	1,690,009,717	101,019,408	33,174,673	15,207,195	118,151,732	1,755,523,909
2052	1,755,523,909	105,565,281	34,468,001	15,691,934	122,703,084	1,822,821,648
2053	1,822,821,648	110,315,719	35,828,758	16,175,922	127,376,793	1,891,887,402
2054	1,891,887,402	115,279,926	37,251,721	16,666,882	132,171,623	1,962,697,703
2055	1,962,697,703	120,467,523	38,683,247	17,221,051	137,085,777	2,035,220,255

Forecast Notes

Exhibit 3.1:

- The Total Normal Cost is assumed to increase 3.75% per year, and the Employee Normal Cost is assumed to increase at a rate that reflects a total payroll increase of 3.75% per year and incorporates new entrants sufficient to maintain constant active membership.
- The Unfunded Actuarial Accrued Liability ("UAAL") is computed as of January 1 of each year assuming no future gains or losses.
- The Amortization Payment of UAAL is an increasing payment at 4% paid over 10 years through 2036.
- The Amortization Payment of the Early Retirement Incentive Plan (2002 Housing Authority) is an increasing payment at 4.5% paid over 2 years through 2028.
- The Amortization Payment of the Early Retirement Incentive Plan (2002 VOC and City) is an increasing payment at 4% paid over 2 years through 2028.
- The Amortization Payment of the Early Retirement Incentive Plan (2003 VOC and City) is an increasing payment at 4% to be paid over 2 years through 2028.
- Net 3(8)(c) transfers are a level dollar amount based on the net transfers expected to be paid by the Lawrence Contributory Retirement Board during the current year offset by the amount received during the same period.
- Total Employer Cost is the sum of the Employer Normal Cost, net 3(8)(c) transfers and the Amortization of the UAAL, all computed as of January 1 of each year and adjusted for annual payments made on July 1.
- For fiscal year 2027, we show the actual appropriation developed under the previous funding schedule of $28,506,366. For fiscal years 2028 and later, the Board has selected a funding schedule with increases in the annual appropriation limited to 6.02% that fully funds the UAAL by 2036.
- The funding schedule adopted by the Board results in amortization payments for every year up to and including the fully funded date that are greater than the interest computed on the outstanding UAL from the prior year. This amortization method fully amortizes the UAAL within a reasonable time period and reduces the UAAL by a reasonable amount within a sufficiently short period.

Exhibit 3.2:

- Expected benefit payments include payments expected to be made to retired members, beneficiaries, disabled members and active members expected to retire. In addition, expected benefit payments include distribution of the annuity savings fund attributed to inactive members.
- Benefit payments exclude cost-of-living increases granted to members in pay status between 1982 and 1997. In addition, benefit payments are as expected for the first ten years of the forecast then increase by the greater of 4.5% per year thereafter or the expected future payments for the current population projected by our computer model.
- Calendar year cash flow entries are developed as of each January 1.

SECTION 4 - DISCLOSURES

4.1 - GASB 67 and GASB 68 Disclosures

Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans, establishes financial reporting requirements for pension plans, including the Lawrence Contributory Retirement System. GASB 67 requires pension plans to report information regarding fiduciary net position, changes in fiduciary net position, and other disclosures relating to the plan's financial condition, funding, and investments.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for participating employers. GASB 68 requires employers to recognize pension liabilities, deferred inflows and outflows of resources, and pension expense in their financial statements.

Under GASB 67 and GASB 68, projected benefit payments are discounted to present value using a single discount rate that reflects:

(1) the long-term expected rate of return on pension plan investments to the extent that projected plan assets are sufficient to make projected benefit payments; and

(2) a tax-exempt, high-quality municipal bond rate to the extent that projected plan assets are not sufficient to make projected benefit payments.

The GASB report, prepared under separate cover as of December 31, 2025 (the measurement date), provides information required for financial reporting purposes under GASB 67 and GASB 68.

4.2 - PERAC Disclosure Information

The most recent actuarial valuation of the System was prepared by KMS Actuaries, LLC as of January 1, 2026.

Normal Cost - Employees	$11,246,001	8.9% of payroll
Normal Cost - Employers	$7,643,233	6.1% of payroll
Actuarial Liability - Active Members	$272,044,979	45% of total AAL
Actuarial Liability - Retired and Inactive Members	332,101,801	55% of total AAL
Total Actuarial Liability (AAL)	$604,146,780	
System Assets	$407,440,323	
Unfunded Actuarial Accrued Liability	$196,706,457	
Funded Status	67.4%	

Principal actuarial assumptions used in the valuation:

Investment Return	7.00%
Rate of Salary Increase	Based on service, 6% graded down to 4.25% for Group 1 Based on service, 7% graded down to 4.75% for Group 4

4.3 - Risk Measures

The Lawrence Contributory Retirement System is subject to certain risks that could affect the plan's future financial condition. Here we identify the primary risks to the System, provide some background information about those risks, and provide an assessment of those risks in accordance with Actuarial Standards of Practice (ASOP) 51.

Risk is the potential of actual future measurements deviating from expected future measurements due to actual future experience deviating from actuarially assumed experience. Examples of potential risks that may be reasonably anticipated to significantly affect the future financial condition of the plan include the following:

- **Investment Risk** - the potential that investment returns will be different than expected.
- **Asset/Liability Mismatch Risk** - the potential that changes in asset values are not matched by changes in the value of liabilities.
- **Interest Rate Risk** - the potential that interest rates will be different than expected.
- **Longevity and Other Demographic Risks** - the potential that mortality or other demographic experience will be different than expected.
- **Contribution Risk** - the potential of actual future contributions deviating from expected future contributions. For example, that actual contributions are not made in accordance with the plan's funding policy, that other anticipated payments to the plan are not made, or that material changes occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base.
- **Benefit Change Risk** - the potential for the provisions of the System to be changed such that the benefits and liabilities are changed materially.
- **Assumption Change Risk** - the potential for the environment to change such that future valuation assumptions are adjusted to be different than the current assumptions.

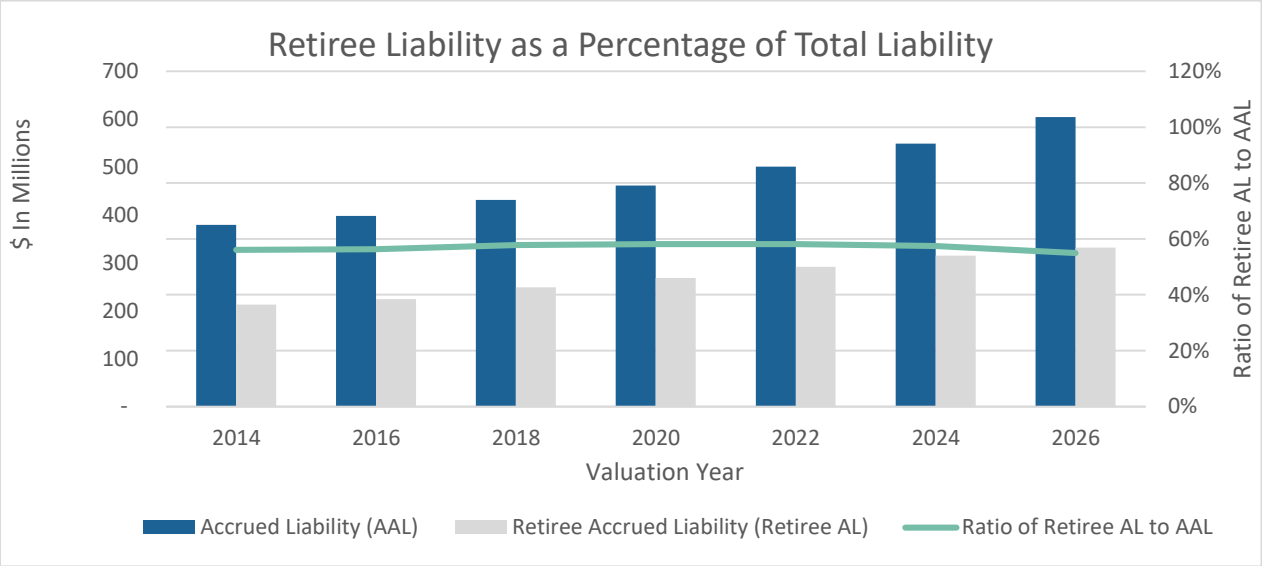
We have provided several risk measures in this section that we believe are most significant for the plan. However, we believe that a more rigorous assessment of risk would be beneficial to the Board to understand the risks identified above, such as:

- Scenario Test - a process for assessing the impact of one possible event, or several simultaneous or sequentially occurring possible events, on a plan's financial condition.
- Sensitivity Test - a process for assessing the impact of a change in an actuarial assumption on an actuarial measurement.
- Stochastic Modeling - a process for generating numerous potential outcomes by allowing for random variations in one or more inputs over time for the purpose of assessing the distribution of those outcomes.
- Stress Test - a process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition.

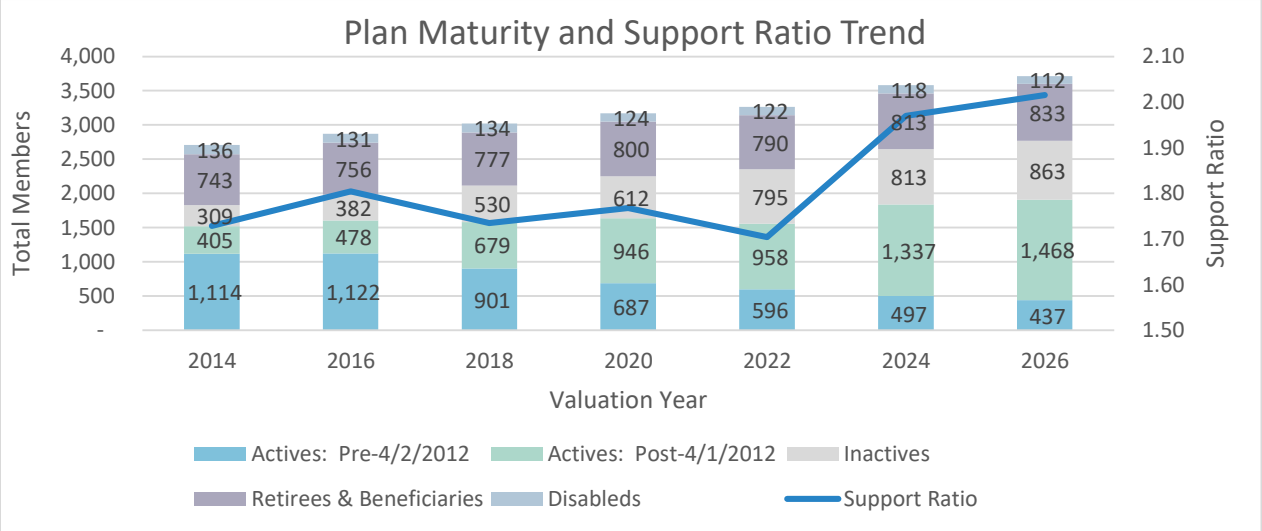
4.3 - Risk Measures

Maturity Measures

As retirement systems mature they become much more sensitive to risks. This is because a higher proportion of the actuarial liability is attributable to participants who are no longer active. Plan maturity measures are helpful in understanding the risks associated with a plan. One such maturity measure is the ratio of the system's retiree liability to its total liability. A retirement system in its infancy will have a very low ratio of retiree liability to total liability. As the system matures, the ratio starts increasing. A mature plan will often have a ratio above 60%. For the Lawrence Contributory Retirement System this ratio has been fairly steady around 60% in recent years.



Another maturity measure is the ratio of actives to retirees, or support ratio. A retirement system in its infancy will have a very high ratio of active to retired members. As the system matures, and members retire, the support ratio starts declining. A mature system will often have a support ratio near or below one.



4.3 - Risk Measures

Volatility Indices

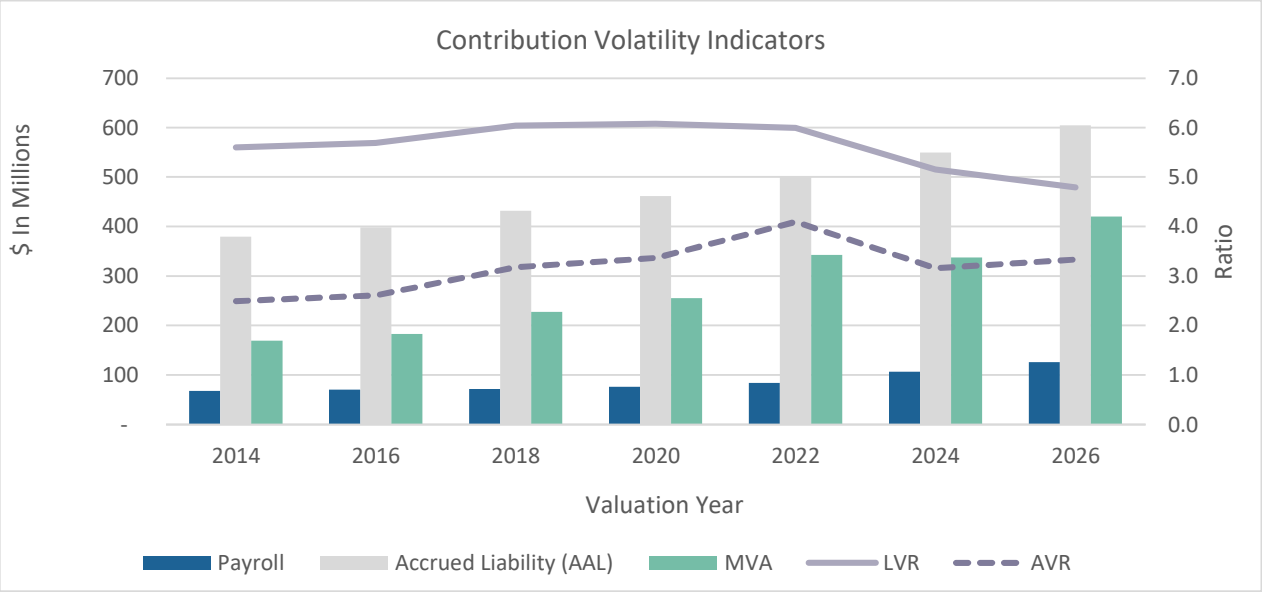
Volatility indices are measures of the relative sensitivity of employer contributions to changes in assets or liabilities. Below we present two such indices - the Asset Volatility Ratio (AVR) and the Liability Volatility Ratio (LVR):

Asset Volatility Ratio (AVR)

The Asset Volatility Ratio (AVR) is the ratio of the Market Value of Assets (MVA) to Payroll. Systems with a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. This ratio indicates a measure of the system's current contribution volatility. The AVR increases over time but generally tends to stabilize as the system matures.

Liability Volatility Ratio (LVR)

The Liability Volatility Ratio (LVR) is the ratio of the Actuarial Accrued Liability (AAL) to Payroll. Systems with a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to the investment return assumption and changes in liability. This ratio indicates a longer-term potential for contribution volatility. The AVR, described above, will tend to move close to the LVR as the system matures.

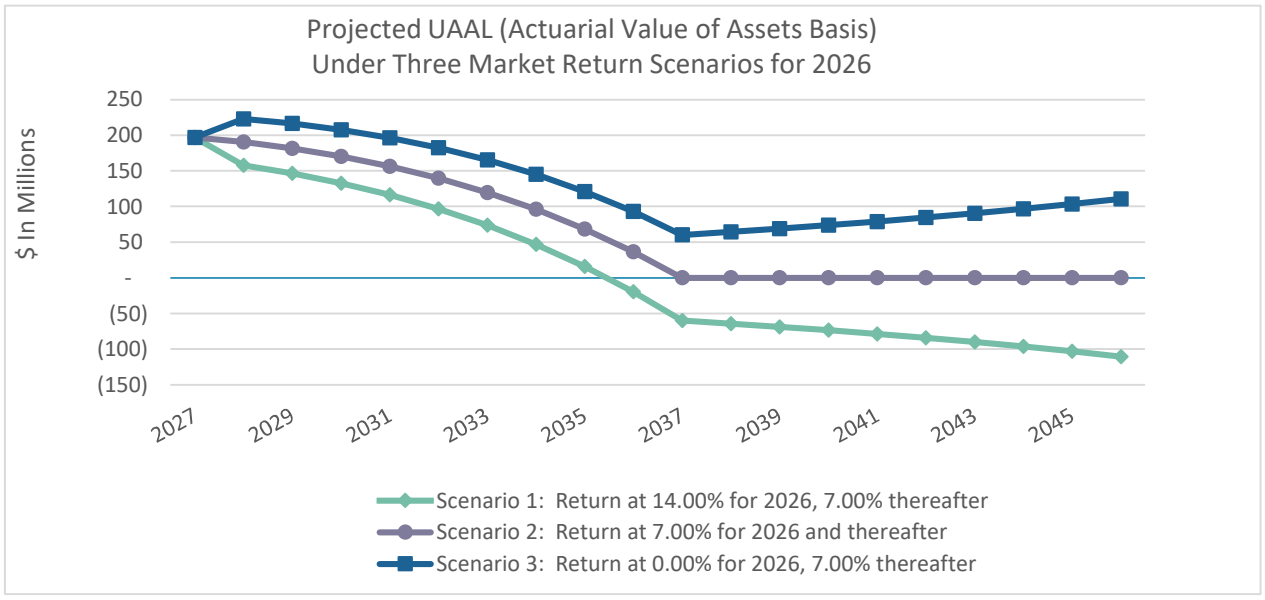


As these ratios increase, employer contributions become more sensitive to changes in investment experience.

4.3 - Risk Measures

Market Return Scenarios

Below we illustrate the projected effect on funding levels of a single year of investment return above or below the assumed investment return. Scenario 1 assumes a one-year return of 2 times the assumed return and the expected return thereafter, Scenario 2 assumes assets earn the expected return every year and Scenario 3 assumes a one-year return of 0% and the expected return thereafter.



Sensitivity Analysis

The following presents the Actuarial Accrued Liability and Funded Status calculated using the investment return rate of 7%, as well as what the Actuarial Accrued Liability and Funded Status would be if they were calculated using an investment return rate 1-percentage point lower (6%) or 1-percentage point higher (8%) than the assumed investment return rate:

	1% Decrease (6.00%)	Current Investment Return Rate (7.00%)	1% Increase (8.00%)
Actuarial Accrued Liability	$673,485,055	$604,146,780	$545,669,315
% Change	11%		-10%
Actuarial Value of Assets	$407,440,323	$407,440,323	$407,440,323
Unfunded Actuarial Accrued Liability	266,044,732	196,706,457	138,228,992
% Change	35%	N/A	-30%
Funded Status	60.5%	67.4%	74.7%

4.3 - Risk Measures

Low-Default Risk Obligation Measure (LDROM)

The retirement plan invests in a diversified portfolio of stocks, bonds, real estate, and other assets with the objective of maximizing investment returns at a reasonable level of risk. The potential for investment returns to be different than expected is a key risk for the plan. Reducing the plan's investment risk by investing solely in bonds, however, would also likely reduce the plan's investment returns thereby increasing the amount of contributions needed over the long term. The Low-Default Risk Obligation Measure (LDROM) represents what the funding liability would be if the plan invested its assets solely in a portfolio of high-quality bonds whose cash flows approximately match future benefit payments. Consequently, the difference between the plan's Actuarial Accrued Liability and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan's diversified portfolio compared to investing only in high-quality bonds.

The following presents the LDROM and Funded Status calculated using the LDROM investment return rate of 5.32%:

LDROM	$728,114,873
Actuarial Value of Assets	$407,440,323
Funded Status	55.96%

The LDROM investment return rate is based on the FTSE Pension Liability Index published as of December 31, 2025. The index represents the single discount rate that would produce the same present value as calculated by discounting a standardized set of liabilities using the Pension Discount Curve, which is a set of yields on hypothetical AA zero coupon bonds whose maturities range from 6 months up to 30 years.

The actuarial valuation reports the funded status and develops appropriations based on the expected return of the plan's investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high appropriation requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

4.3 - Risk Measures

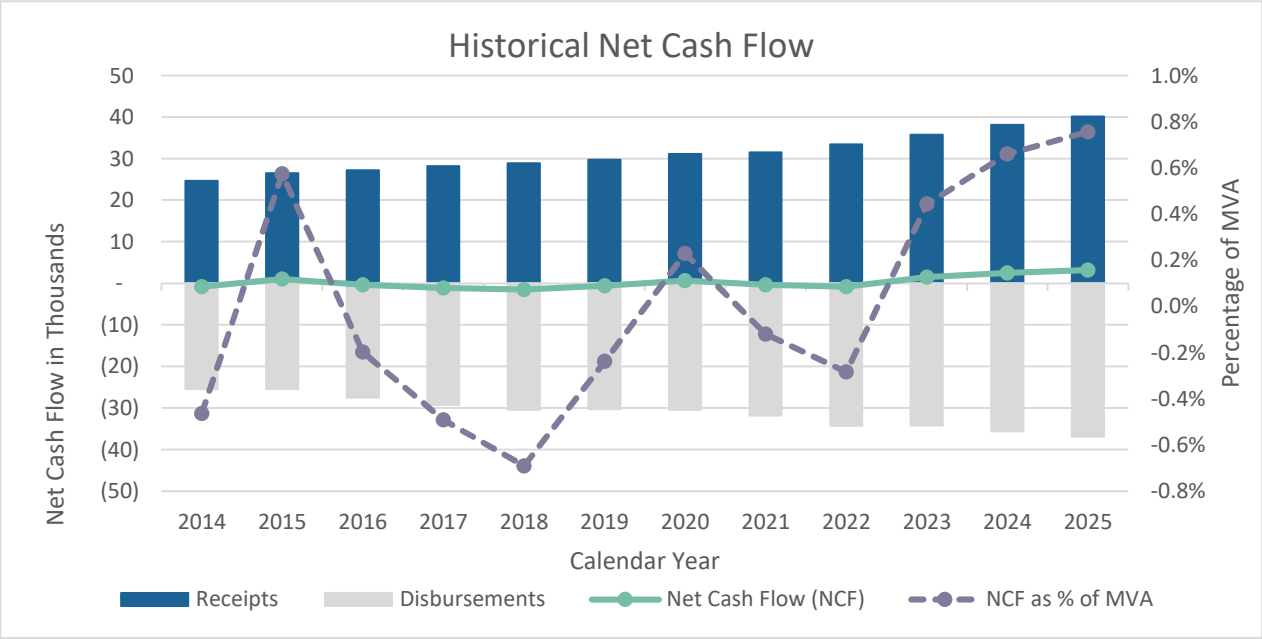
Duration

Duration is another measure that is used to describe how the present value of a cash flow series changes when small changes are made to the underlying interest rates. The duration of the Lawrence Contributory Retirement System is 11%, and this represents an approximate percentage change in the Actuarial Accrued Liability for each 1% change to the investment return rate.

Net Cash Flow (NCF)

Net cash flow (NCF) during a year is the difference between contributions, both employer and employee, paid into the System and benefit payments and expenses paid from the System. If the level of benefit payments plus expenses is greater than contributions, then the System has negative NCF. Mature plans generally have a negative NCF as the number of retirees grows. When a System has negative NCF, then additional cash from existing assets are needed to pay the pension benefits.

Historical NCF since 2014 is shown in the next graph. Blue bars indicate contributions, from employees and employers, and grey bars show benefit payments and administrative expenses. The NCF is represented by the green line. The dashed purple line (which corresponds to the right-hand axis) provides the NCF as a percentage of the Market Value of Assets. As of December 31, 2025, the NCF was positive $3.2 million, which represents 0.8% of the Market Value of Assets. The NCF falls within the range of -0.7% to 0.8% of total assets over the 12-year period.



4.3 - Risk Measures

Overall Risk Assessment

Based on the current funded status, funding schedule, and maturity measures presented above, the System continues to face moderate contribution and investment risk associated with its unfunded actuarial accrued liability and reliance on investment performance. However, the current funding schedule is projected to fully amortize the unfunded actuarial accrued liability by 2036, and recent investment experience has contributed to continued improvement in the System's funded position.

SECTION 5 - SUMMARY OF PLAN PROVISIONS

Administration

There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws and other applicable statutes. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

Participation

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the local retirement board and approved by PERAC. Membership is optional for certain elected officials.

Membership Groups

There are four membership groups in the Retirement System:

Group 1	General employees, including clerical, administrative, technical and all other employees not otherwise classified.
Group 2	Certain specified hazardous duty positions.
Group 3	State police officers and inspectors.
Group 4	Local police officers, firefighters and other specified hazardous positions.

For members in more than one group, participation will be proportional.

Member Contributions

Member contributions vary depending on the most recent date of membership:

Prior to 1975	5% of Salary
1975 – 1983	7% of Salary
1984 – June 30, 1996	8% of Salary
July 1, 1996 – present	9% of Salary
1979 – present	An additional 2% of Salary in excess of $30,000.
Group 1 members hired on or after April 2, 2012	6% of Salary with 30 or more years of creditable service.

Rate of Interest

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least ten financial institutions.

Retirement Age

The mandatory retirement age for some Group 2 and Group 4 members is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for members in Group 1.

Salary

Gross regular compensation. This does not include bonuses, overtime, severance pay, unused sick leave credit or other similar compensation. For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. §401(a)(17). For 2026, the limit is 64% of $360,000, or $230,400.

Average Salary

Membership before April 2, 2012

- Average annual rate of regular compensation received during the three consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.

Membership on or after April 2, 2012

- Average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement.

Creditable Service

The period during which a member contributes to the retirement system plus certain periods of military service and "purchased" service.

Benefit Rate

The benefit rate varies with the member's retirement age, Group, membership date and years of creditable service at retirement. Each year a member retires prior to the age at which the 2.5% maximum benefit rate applies, a reduction is applied to each year of age under the maximum age. The maximum age and reduction for each Group and membership date is as follows:

	Group 1	Group 2	Group 4
2.5% for Membership before April 2, 2012:			
Maximum age:	65	60	55
Reduction:	0.1%	0.1%	0.1%
2.5% for Membership on or after April 2, 2012 (less than 30 years of service):			
Maximum age:	67	62	57
Reduction:	0.15%	0.15%	0.15%
2.5% for Membership on or after April 2, 2012 (30+ years of service):			
Maximum age:	67	62	57
Reduction:	0.125%	0.125%	0.125%

Superannuation Retirement	Eligibility if membership before April 2, 2012	♦ completion of 20 years of Creditable Service, or ♦ attainment of age 55 if hired prior to 1978, or ♦ attainment of age 55 with 10 years of Creditable Service, if hired after 1978.
	Eligibility if membership on or after April 2, 2012	♦ attainment of age 60 with 10 years of Creditable Service if classified in Group 1 ♦ attainment of age 55 with 10 years of Creditable Service if classified in Group 2 ♦ attainment of age 55 if classified in Group 4
	Benefit Amount	Product of the member's Benefit Rate, Average Salary and Creditable Service.
	Maximum Benefit	80% of the member's Average Salary.
	Veteran's Benefit	Additional benefit of $15 per year of Creditable Service, up to a maximum of $300.
Deferred Vested	Eligibility	♦ completion of ten or more years of Creditable Service. ♦ elected officials hired prior to 1978, completion of six years of Creditable Service.
	Benefit Amount	Accrued benefit payable commencing at age 55, or the completion of 20 years of Creditable Service, or may be deferred until later at the participant's option.
Withdrawal of Contributions		Contributions may be withdrawn upon termination of employment. ♦ Members hired on or after January 1, 1984 who terminate with less than ten years of Creditable Service receive contributions plus interest on the Annuity Savings Account at an annual rate of 3%. ♦ All other withdrawals receive contributions plus 100% of the regular interest that has accrued to the Annuity Savings Account.

Ordinary Disability Retirement	Eligibility	Non-job related disability after completion of ten years of Creditable Service.
	Benefit Amount for Group 1 membership before April 2, 2012 or Group 2 or Group 4	Superannuation benefit determined if the member is age 55, up to a maximum of 80% of Average Salary over three years. If the member is a veteran, 50% of final rate of salary (final year) plus an annuity based on the accumulated member contributions plus credited interest, up to a maximum of 80% of Average Salary over five years.
	Benefit Amount for Group 1 membership on or after April 2, 2012	Superannuation benefit determined if the member is age 60, up to a maximum of 80% of Average Salary over three years. If the member is a veteran, 50% of final rate of salary (final year) plus an annuity based on the accumulated member contributions plus credited interest, up to a maximum of 80% of Average Salary over five years.
Accidental Disability Retirement	Eligibility	Disabled as a result of an accident in the performance of duties. There is no minimum age or service requirement.
	Benefit Amount	72% of Salary plus an annuity based on accumulated member contributions plus credited interest.
	Maximum Benefit	100% of Salary if hired before January 1, 1988, otherwise 75% of Salary.
	Veteran's Benefit	Additional allowance of $15 per year of Creditable Service, up to a maximum of $300.
	Supplemental Dependent Allowance	Additional allowance of $1,159.08 per year for each child until age 18 (or age 22 if a full-time student).
Violent Act Injury Disability	Eligibility	Permanently and physically disabled firefighters, emergency medical technicians, licensed health care professionals and certain police officers resulting in life-threatening bodily injuries sustained from a violent attack involving an individual carrying a dangerous weapon. These dangerous weapons include, but are not limited to, a firearm, knife, automobile or explosive device.

Violent Act Injury Disability (continued)	Benefit Amount	100% of compensation that would be paid to the member if they continued in service and ultimately retired. This benefit includes all forms of compensation paid to the member on the date of injury that are classified as pensionable earnings.
	Maximum Benefit	Reduced to 80% of the average annual rate of compensation paid to the member in the previous 12 months upon reaching the mandatory retirement age for their job title, if applicable.
	Surviving Spouse Allowance	Upon the death of the member, the spouse will receive 75% of the benefit for their lifetime.
	Supplemental Dependent Allowance	If both the member and the spouse predecease their children, any children under the age of 18 (or 22 if full time students) will receive 75% of the amount of the pension payable to the member at the time of their death. This benefit will be split equally between all eligible children. Once a child is no longer eligible for this benefit, the amount received by the other eligible children will not change.
Non-Occupational Death	Eligibility	For members with at least two years of creditable service who die while in active service, but not due to occupational injury.
	Benefit Amount	Benefit as if Option C had been elected. Minimum benefit of $500 per month for surviving spouse, $120 per month for first child and $90 per month for each additional child.
Accidental Death	Eligibility	For members who die as a result of an occupational injury.
	Benefit Amount	72% of Salary plus an annuity based on accumulated member contributions plus credited interest.
	Maximum Benefit	100% of Salary if hired before January 1, 1988, otherwise 75% of Salary.
	Veteran's Benefit	Additional allowance of $15 per year of creditable service, up to a maximum of $300.
	Supplemental Dependent Allowance	Additional allowance of $1,159.08 per year for each child until age 18 (or age 22 if a full-time student).

Cost-of-Living Adjustment (COLA)

In accordance with the adoption of Chapter 17 of the Acts of 1997, the granting of a Cost-of-Living Adjustment will be determined by an annual vote by the Retirement Board. The amount of increase will be based upon the Consumer Price Index, limited to a maximum of 3.0%, beginning on July 1. All retirees, disabled retirees and beneficiaries who have been receiving benefit payments for at least one year as of July 1 are eligible for the adjustment. The maximum amount of pension benefit subject to a COLA is $14,000. All COLAs granted to members after 1981 and prior to July 1, 1998 are deemed to be an obligation of the Commonwealth of Massachusetts and are not the liability of the Retirement System.

Optional Forms of Payment

A member may elect to receive his or her retirement allowance, payable in monthly installments, in one of three forms of payment:

- Option A – Total annual allowance commencing at retirement and terminating at member's death.

- Option B – A reduced annual allowance commencing at retirement with death benefit equal to excess of member contributions plus credited interest to retirement over annuity benefit paid to member.

- Option C – A reduced annual allowance commencing at retirement with 66⅔% of benefit continued to designated beneficiary upon death of member. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable increases based on the factor used to determine the Option C benefit at retirement.

SECTION 6 - ACTUARIAL ASSUMPTIONS AND METHODS

Valuation Date	January 1, 2026
Investment Return Rate	7.00% per year. The investment return assumption is a long-term assumption based on capital market expectations by asset class, historical returns and professional judgment. We considered analysis prepared by PRIM's investment advisor using a building block approach and using the target asset allocation, expected returns by asset class and risk analysis to determine a long-term expected average annual rate of return.
Low-Default Risk Obligation Measure (LDROM) Investment Return Rate	5.32% per year. The LDROM investment return rate is based on the FTSE Pension Liability Index published as of December 31, 2025. The index represents the single discount rate that would produce the same present value as calculated by discounting a standardized set of liabilities using the Pension Discount Curve, which is a set of yields on hypothetical AA zero coupon bonds whose maturities range from 6 months up to 30 years.
Annuity Savings Fund Interest Rate	2.00% per year
Amortization Method	*Unfunded Actuarial Accrued Liability (UAAL):* Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2036. *Early Retirement Incentive Program (ERI) for 2002 (Housing Authority):* Increasing dollar amount at 4.5% to reduce the Unfunded Actuarial Accrued Liability attributable to the 2002 ERI for the Housing Authority to zero on or before June 30, 2028. *Early Retirement Incentive Programs (ERI) for 2002 (VOC and City):* Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability attributable to the 2002 ERI for VOC and City to zero on or before June 30, 2028. *Early Retirement Incentive Program (ERI) for 2003 (VOC and City):* Increasing dollar amount at 4% to reduce the Unfunded Actuarial Accrued Liability attributable to the 2003 ERI for VOC and City to zero on or before June 30, 2028.
Output Smoothing Method	Total appropriation increases are limited to 6.02% per year.

Salary Scale

The assumed annual rates for salary increases including longevity are illustrated by the following rates:

Years of Service	Groups 1 and 2	Group 4
0	6.00%	7.00%
1	5.50%	6.50%
2	5.50%	6.00%
3	5.25%	5.75%
4	5.25%	5.25%
5	4.75%	5.25%
6	4.75%	4.75%
7	4.50%	4.75%
8	4.50%	4.75%
9+	4.25%	4.75%

The salary scale assumption is a long-term estimate derived from historical data, current and recent market expectations and professional judgment.

Cost-of-Living Allowance

Cost-of-Living Allowances (COLA) are assumed to be 3% of the pension amount, capped at $420 per year.

Inflation

2.5% per year, based on current economic data, analyses from economists and other experts, and professional judgment.

Payroll Growth

3.75% per year, based on historical data, current and recent market expectations and professional judgment.

Mortality Rates

RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

General Employees: 55% of deaths are job-related.
Police and Fire: 90% of deaths are job-related.

PERAC completed a local system retiree mortality study in 2019 and selected the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018 and subsequently updated the mortality improvement scale to MP-2020 in 2022. The underlying tables with generational mortality improvement selected reasonably reflect the mortality experience of the System as of the valuation date based on historical and current demographic data as well as professional judgement.

Turnover Rates

Illustrative turnover rates are shown below:

Creditable Service	Groups 1 and 2	Group 4
0	0.1500	0.0150
10	0.0540	0.0150
20	0.0200	0.0000
30	0.0000	0.0000

Disability Rates

Illustrative disability rates are shown below:

Attained Age	Groups 1 and 2	Group 4
20	0.0001	0.0010
30	0.0003	0.0030
40	0.0010	0.0030
50	0.0019	0.0125
60	0.0028	0.0085

General Employees: 55% of disabilities are accidental and 45% are ordinary.
Police and Fire: 90% of disabilities are accidental and 10% are ordinary.

Retirement Rates

Illustrative retirement rates are shown below:

Attained Age	Groups 1 and 2		Group 4
	Male	Female	Male & Female
50	0.0100	0.0150	0.0200
51	0.0100	0.0150	0.0200
52	0.0100	0.0200	0.0200
53	0.0100	0.0250	0.0500
54	0.0200	0.0250	0.0750
55	0.0200	0.0550	0.1500
56	0.0250	0.0650	0.1000
57	0.0250	0.0650	0.1000
58	0.0500	0.0650	0.1000
59	0.0650	0.0650	0.1500
60	0.1200	0.0500	0.2000
61	0.2000	0.1300	0.2000
62	0.3000	0.1500	0.2500
63	0.2500	0.1250	0.2500
64	0.2200	0.1800	0.3000
65	0.4000	0.1500	1.0000
66	0.2500	0.2000	1.0000
67	0.2500	0.2000	1.0000
68	0.3000	0.2500	1.0000
69	0.3000	0.2000	1.0000
70	1.0000	1.0000	1.0000

The turnover, disability and retirement rates are based on PERAC's most recent experience analysis of local retirement systems which reviewed age, gender and job group. The assumptions reflect this analysis as well as professional judgment.

Actuarial Cost Method

Individual Entry Age Normal.

Actuarial Asset Method

The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:

a) 80% of gains and losses of the prior year,
b) 60% of gains and losses of the second prior year,
c) 40% of gains and losses of the third prior year,
d) 20% of gains and losses of the fourth prior year.

Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.

Census Data

Census data as of the valuation date were submitted by the Retirement Board.

Asset Data

Asset information is reported annually to the Public Employee Retirement Administration Commission by the Lawrence Contributory Retirement Board.

Dependents

80% of all members will be survived by a spouse. Age assumption for spouses is that males are assumed to be three years older than females.

Net Section 3(8)(c) Transfers

Reimbursements paid to and received from other retirement systems for that portion of a retiree's pension that is based on service earned in another retirement system. Net 3(8)(c) transfers are assumed to be $1,000,000 per year.

Administrative Expenses

For calendar year 2026, the administrative expenses were assumed to be $625,000 and are anticipated to increase 3.75% per year.

The administrative expense assumption is based on information relating to the System's administrative expenses provided by the Retirement Board.

Use of ProVal®

KMS Actuaries has used ProVal® to develop the liabilities, normal costs and projected benefit payments in this report. We have a lease agreement with WinTech, the developer of ProVal®, and have relied on their system to perform these calculations. The actuaries signing this report and the KMS staff members who were involved in preparing it have a clear understanding of ProVal® and have used it only for its intended purpose. We have reviewed the output produced by ProVal® for reasonableness and we are not aware of any material inconsistencies, limitations or known weaknesses that would affect this report.

SECTION 7 - PLAN MEMBER INFORMATION

Exhibit 7.1 - Summary of Census Data as of January 1, 2026

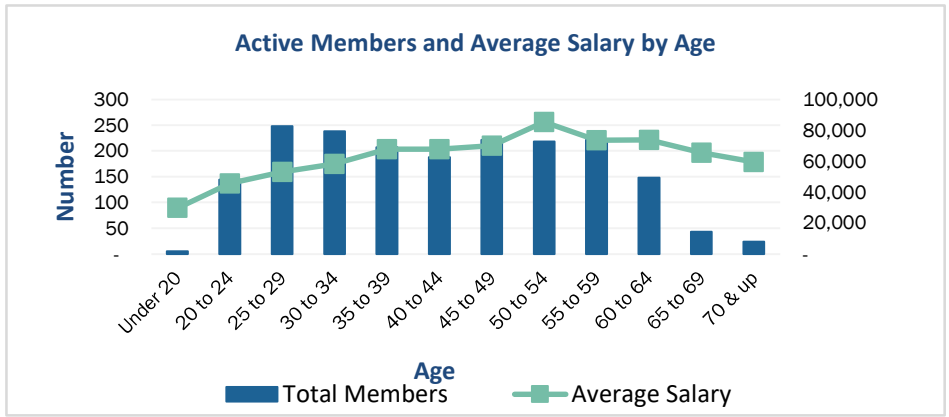
Census data as of December 31, 2025 was provided to us by the Retirement Board. We performed edits on the data to ensure that it is reasonable and complete and made certain assumptions regarding any missing or invalid data so that results are not materially affected. Presented on the following pages are summaries of the demographic profile of active members (Exhibit 7.2) and retired plan members and beneficiaries and disabled plan members (Exhibit 7.3). Below, we present a comparison of the census data from the current and prior valuations:

Valuation Date	January 1, 2026	January 1, 2024	% Change
Census Data			
Active Members	1,905	1,834	3.9%
Average Age	43.2	43.2	(0.1%)
Average Service	8.9	8.8	1.1%
Valuation Salary	$126,024,463	$106,677,442	18.1%
Average Salary	$66,155	$58,167	13.7%
Retired Members and Beneficiaries	833	813	2.5%
Average Age	73.6	73.2	0.5%
Total Annual Retirement Allowance	$27,205,038	$25,213,447	7.9%
State Reimbursed COLAs	$66,651	$73,631	(9.5%)
Total System-Funded Retirement Allowance	$27,138,387	$25,139,816	7.9%
Average System-Funded Retirement Allowance	$32,579	$30,922	5.4%
Disabled Members	112	118	(5.1%)
Average Age	70.0	69.3	1.0%
Total Annual Retirement Allowance	$4,982,686	$4,930,887	1.1%
State Reimbursed COLAs	$17,904	$25,182	(28.9%)
Total System-Funded Retirement Allowance	$4,964,782	$4,905,705	1.2%
Average System-Funded Retirement Allowance	$44,328	$41,574	6.6%
Inactive Members	863	813	6.2%
Annuity Savings Fund	$8,433,112	$7,805,007	8.0%

Exhibit 7.2 - Active Members by Age and Years of Service as of January 1, 2026

Attained Age	Years of Service 0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	Total	Total Salary	Average Salary
Under 20	5	-	-	-	-	-	-	-	-	5	148,990	29,798
20 to 24	142	2	-	-	-	-	-	-	-	144	6,580,308	45,697
25 to 29	223	24	1	-	-	-	-	-	-	248	13,177,581	53,135
30 to 34	160	64	14	-	-	-	-	-	-	238	13,859,885	58,235
35 to 39	114	61	25	7	-	-	-	-	-	207	14,041,574	67,834
40 to 44	99	31	24	18	14	2	-	-	-	188	12,732,151	67,724
45 to 49	100	34	28	23	28	8	-	-	-	221	15,459,192	69,951
50 to 54	62	30	26	14	30	42	13	1	-	218	18,618,920	85,408
55 to 59	48	27	21	14	37	34	29	10	1	221	16,254,903	73,552
60 to 64	37	29	14	15	12	14	17	9	1	148	10,903,589	73,673
65 to 69	9	5	4	7	5	10	3	-	-	43	2,819,658	65,573
70 & up	4	3	6	2	3	2	2	1	1	24	1,427,712	59,488
Total	1,003	310	163	100	129	112	64	21	3	1,905	126,024,463	66,155
Average Salary	55,619	66,583	71,760	76,801	81,076	93,507	102,227	118,429	86,457			

Average Age: 43.2 **Average Service:** 8.9



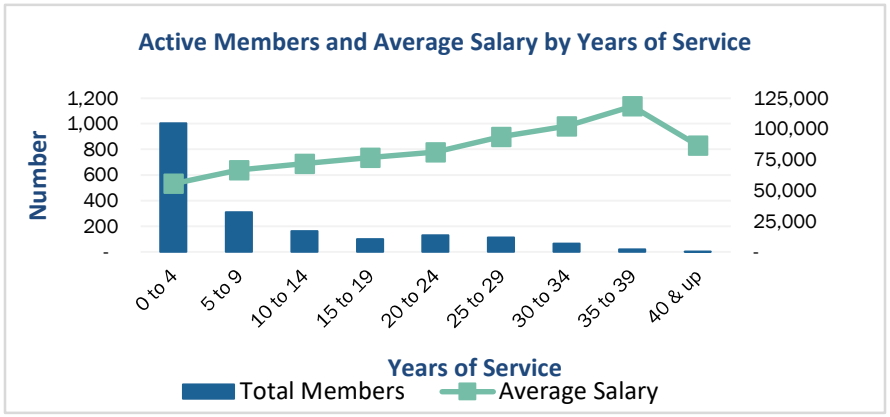
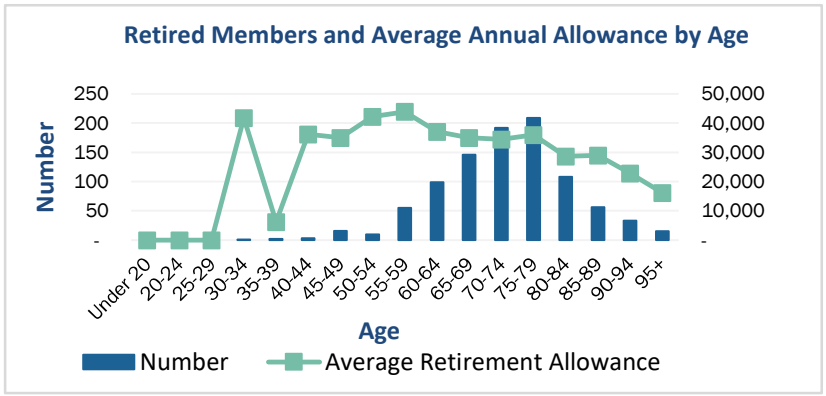
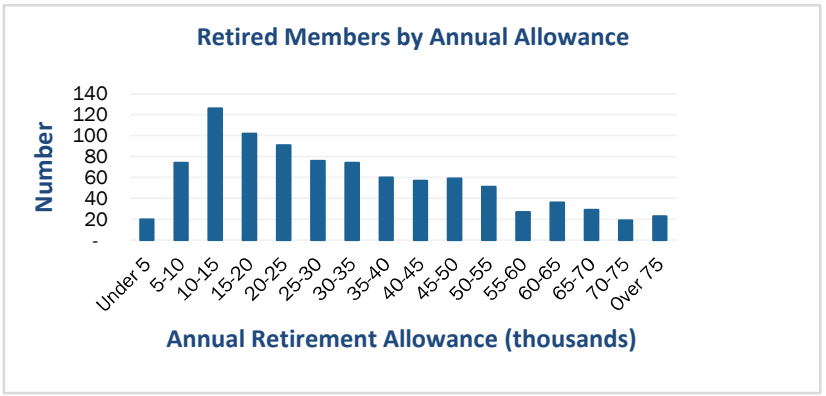


Exhibit 7.3 - Annual Retirement Allowances as of January 1, 2026

Attained Age	Service Retirements			Disability Retirements			Beneficiaries		
	Number	Annual Retirement Allowance	Average Retirement Allowance	Number	Annual Retirement Allowance	Average Retirement Allowance	Number	Annual Retirement Allowance	Average Retirement Allowance
Under 20	-	-	-	-	-	-	-	-	-
20-24	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	1	41,797	41,797
35-39	-	-	-	1	4,467	4,467	1	7,946	7,946
40-44	-	-	-	1	12,223	12,223	2	96,337	48,169
45-49	3	83,981	27,994	6	392,661	65,444	7	83,735	11,962
50-54	2	86,368	43,184	8	335,997	42,000	-	-	-
55-59	37	1,715,857	46,375	9	445,721	49,525	9	254,668	28,296
60-64	84	3,228,771	38,438	8	327,104	40,888	7	109,776	15,682
65-69	117	4,063,514	34,731	14	639,907	45,708	15	410,200	27,347
70-74	161	5,450,954	33,857	16	787,378	49,211	15	377,653	25,177
75-79	153	5,618,605	36,723	30	1,313,536	43,785	26	589,450	22,671
80-84	79	2,244,145	28,407	14	514,178	36,727	15	330,730	22,049
85-89	34	1,103,755	32,463	4	165,442	41,361	18	354,977	19,721
90-94	19	479,753	25,250	1	44,072	44,072	13	228,782	17,599
95+	6	102,341	17,057	-	-	-	9	140,943	15,660
Total	**695**	**24,178,044**	**34,789**	**112**	**4,982,686**	**44,488**	**138**	**3,026,994**	**21,935**
Average Age	**73.2**			**70.0**			**75.7**		





SECTION 8 - GLOSSARY OF TERMS

Actuarial Accrued Liability – That portion of the Actuarial Present Value of pension plan benefits which is not provided by future Normal Costs or employee contributions. It is the portion of the Actuarial Present Value attributable to service rendered as of the Valuation Date.

Actuarial Assumptions – Assumptions, based upon past experience or standard tables, used to predict the occurrence of future events affecting the commencement, amount and duration of pension benefits, such as: changes in compensation, mortality, withdrawal, disablement and retirement; rates of investment earnings and asset appreciation or depreciation; and any other relevant items.

Actuarial Cost Method (or Funding Method) – A procedure for allocating the Actuarial Present Value of all past and future pension plan benefits to the current year (Normal Cost) and the past (Actuarial Accrued Liability).

Actuarial Gain or Loss (or Experience Gain or Loss) – A measure of the difference between actual experience and that expected based upon the set of Actuarial Assumptions, during the period between the valuation date and the most recent immediately preceding valuation date.

Actuarial Present Value – The dollar value on the valuation date of all benefits expected to be paid to current members based upon the Actuarial Assumptions and the terms of the Plan.

Actuarial Standard of Practice – Standards set by the Actuarial Standards Board for appropriate actuarial practice in the United States. These Standards describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

Actuarial Valuation – The measurement of relevant pension obligations and, when applicable, the determination of periodic costs or actuarially determined contributions.

Amortization Payment – That portion of the pension plan appropriation which represents payments made to pay interest on and the reduction of the Unfunded Accrued Liability.

Annual Statement – The statement submitted by the local retirement board to PERAC each year that describes the asset holdings and Fund balances as of December 31 and the transactions during the calendar year that affected the financial condition of the retirement system.

Annuity Reserve Fund – The fund into which total accumulated Member Contributions, including interest, is transferred at the time a member retires, and from which annuity payments are made.

Annuity Savings Fund – The fund in which Member Contributions plus interest credited are held for active members and for former members who have not withdrawn their contributions and are not yet receiving a benefit (inactive members).

Assets – The total value of the investments held by the Plan trust that are for the payment of promised benefits. Employer appropriations and Member Contributions, as well as investment earnings, are added to the Plan trust. Benefit payments and other disbursements are withdrawn from the Plan trust. For valuation purposes, assets are usually measured at market value.

Cost of Benefits – The estimated payment from the pension system for benefits for the fiscal year.

Expense Fund – The fund into which the appropriation for administrative expenses is paid and from which all such expenses are paid.

Funded Ratio – The Actuarial Value of Assets expressed as a percentage of the Actuarial Accrued Liability.

Funding Schedule – The schedule based upon the most recently approved actuarial valuation which sets forth the amount which would be appropriated to the pension system in accordance with Section 22D and Section 22F of M.G.L. Chapter 32.

GASB – Governmental Accounting Standards Board.

LDROM (Low-Default Risk Obligation Measure) – A measure that represents what the funding liability would be if the plan invested its assets solely in a portfolio of high-quality bonds whose cash flows approximately match future benefit payments.

Normal Cost – Total Normal Cost is that portion of the Actuarial Present Value of pension plan benefits which is expected to accrue in the current fiscal year. The Employee Normal Cost is the amount of the expected Member Contributions for the current fiscal year. The Employer Normal Cost is the difference between the Total Normal Cost and the Employee Normal Cost.

Output Smoothing Method – A method to reduce volatility of the results of a contribution allocation procedure. Output smoothing methods include 1) phasing in the impact of assumption changes on contributions, 2) blending a prior valuation with a subsequent valuation to determine contributions, or 3) placing a corridor around changes in the dollar amount, contribution rate, or percentage change in contributions from year to year.

Pension Fund – The fund into which appropriation amounts as determined by PERAC are paid and from which pension benefits are paid.

Pension Reserve Fund – The fund which shall be credited with all amounts set aside by a system for the purpose of establishing a reserve to meet future pension liabilities. These amounts would include excess interest earnings.

Present Value of Future Benefits – The actuarial present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

Special Fund for Military Service Credit – The fund which is credited with amounts paid by the retirement board equal to the amount which would have been contributed by a member during a military leave of absence as if the member had remained in active service of the retirement board. In the event of retirement or a non-job related death, such amount is transferred to the Annuity Reserve Fund. In the event of termination prior to retirement or death, such amount shall be transferred to the Pension Fund.

Total Pension Liability – The portion of the Actuarial Present Value attributable to past service in accordance with the Entry Age cost method as stipulated by GASB Statement Number 67 (GASB 67).

Unfunded Actuarial Accrued Liability – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.