

Town of Bellingham Other Postemployment Benefits Plan

GASB 74 & GASB 75 Actuarial Valuation

With a Valuation Date of July 1, 2021

As of the Measurement Date:
June 30, 2021

For the Reporting Date:
June 30, 2021

&

As of the Measurement Date:
June 30, 2022

For the Reporting Date:
June 30, 2022

Delivered December 7, 2022



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December 7, 2022

Personal and Confidential

Ms. Beth Cornell-Smith
Human Resources Director
Town of Bellingham
10 Mechanic Street
Bellingham, MA 02019

Dear Ms. Cornell-Smith:

We have performed an actuarial valuation of the Town of Bellingham Other Postemployment Benefits Plan for the Reporting Date & Fiscal Year Ending June 30, 2022 with a Measurement Date of June 30, 2022 and a Valuation Date of July 1, 2021. The figures presented in this report reflect the adoption, by the Town of Bellingham, of Statement Nos. 74 and 75 of the Governmental Accounting Standards Board ("GASB 74/75").

The financial results of the actuarial valuation are summarized in the report. The Executive Summaries highlight the results of the valuation. Additional information summarizing census data, actuarial assumptions, claim rates and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions used are reasonable, reflecting the experience of the plan and reasonable expectations and, in combination, represent our best estimate of the anticipated experience under the plan.

We will be pleased to answer any questions that you may have regarding this actuarial valuation report.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Parker E. Elmore'.

Parker E. Elmore, ASA, EA, FCA, MAAA
President, CEO & Actuary



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ACTUARIAL CERTIFICATION

This is to certify that Odyssey Advisors has conducted an actuarial valuation of certain benefit obligations of the Town of Bellingham other postemployment benefit programs with a Valuation Date of July 1, 2021 with a Measurement Date of June 30, 2022 for the Reporting Date & Fiscal Year Ending June 30, 2022 in accordance with Government Account Standards Board Statement No. 74 & 75 and Actuarial Standards of Practice as issued by the American Academy of Actuaries. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Numbers 74 & 75 for the determination of the liability for postemployment benefits other than pensions.

The actuarial data is based on the plan of benefits verified by the Town and on participant claims or premium data provided by the Town and/or vendors employed by the Town.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may yield results significantly different than those reported here. As such, additional determinations may be needed for other purposes including determining the benefit security at termination and/or adequacy of the funding of an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion represents the information necessary to comply with GASB Statements Number 74 and 75 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries and other professional actuarial organizations and meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience and expectations of the postemployment benefits programs.

A handwritten signature in black ink, appearing to read 'Parker E. Elmore'.

Parker E. Elmore, ASA, EA, FCA, MAAA
President, CEO & Actuary

EXECUTIVE SUMMARY

How did plan liabilities change from FY 21 to FY 22?

Plan Experience

For the year ending on the Measurement Date of June 30, 2022, experience was largely in line with expectation, with an experience loss of \$1,254,340 or 1.47% of the beginning Total OPEB Liability ("TOL"). This was mainly due to 5 Retirees remaining on Active plans after reaching age 65. This was largely offset by higher turnover than expected.

Assumption Changes

One or more key assumptions have changed since the prior valuation. The total impact of these assumption changes decreased disclosed liabilities by approximately \$2.1 million, as detailed below.

- ✓ Due to the GASB 75 standards the discount rate has been changed from 2.50% to 4.39% decreasing the disclosed liability by approximately \$19 million.
- ✓ Based on recent actuarial research we have adopted the Getzen model for future projected healthcare costs increasing the disclosed liability by approximately \$4.9 million.
- ✓ Due to updated guidance related to the implementation of ASOP 6, we have updated our methodology for calculating expected claims increasing the disclosed liability by approximately \$12 million.

It is important to remember that actuarial assumptions or changes in such do not impact the actual cost of the Plan. Rather, they impact the timing of the recognition of such costs.

Investment Experience

- ✓ During the period investments earned approximately \$73 thousand less than expected.

Changes in Benefit Terms

- ✓ The Town is moving to Medicare BlueRx beginning January 1, 2023. This decreased liabilities by \$29 million, which is to be recognized in full immediately.

EXECUTIVE SUMMARY

Recognition Period

- ✓ Changes in assumptions & plan experience are amortized into the net OPEB expense over 5.73 years.
- ✓ Differences between projected & actual earnings on OPEB plan investments are amortized into the net OPEB expense over 5.00 years
- ✓ Changes in benefit terms are to be recognized in full immediately

Events Subsequent to the Measurement Date

To the best of our knowledge there were no material events subsequent to the Measurement Date that would impact the figures shown in this report.

Key Drivers of Plan Liabilities

Several key drivers of plan costs and liabilities are:

- ✓ Premiums for Post 65 (Medicare supplement) plans – represent 74.56% of the total plan liabilities
- ✓ Age at which plan participants retire
- ✓ Percentage of plan participants who elect coverage for themselves and/or a spouse
- ✓ Medical care cost inflation rate – We currently assume medical costs increase according to the Getzen Model of Long-Run Medical Cost Trends for Active and Medicare supplement plans, which includes an assumed 9.00% increase in fiscal year 2022 and an ultimate trend rate of 3.63% in fiscal year 2060.
- ✓ Discount Rate (4.39%) – Higher discount rates yield lower liabilities and vice versa
- ✓ Cost Sharing – Under Massachusetts law you may charge retirees up to 50% of premiums for health insurance

Discount Rate Determinants

- ✓ Employer Current and Future Benefit Payments
- ✓ Municipal Bond Rate – The S&P 20-year high grade municipal bond index was 4.09% as of June 30, 2022.
- ✓ Current Asset Level – The Town had \$686,811 of OPEB assets as of June 30, 2022.
- ✓ Future Funding Policy – The Town is expected to contribute \$50,000 annually beyond pay-as-you-go costs.
- ✓ Investment Policy – The Town is expected to earn 6.41% per year on assets based on its investment policy.

EXECUTIVE SUMMARY

Low Default Risk Obligation Measure (LDROM)

For purposes of this LDROM, we have used a discount rate of 4.09% which represents the 20-year municipal bond index while keeping all other assumptions unchanged from the GASB 74/75 disclosures. Based on this, the LDROM Total OPEB Liability is \$62 million vs. the \$59 million under the GASB 74/75 measure - the reflection of the Town's funding and OPEB Trust Investment policy reduced disclosed liabilities by approximately \$3 million. Please note that the ultimate cost of the plan is the actual benefits paid plus expenses and any changes in assumptions, including discount rate, do not impact the actual cost of the plan.

Recommended Trust Contributions

We recommend a Fiscal 2023 contribution to an OPEB Trust of \$870,000 beyond pay-as-you-go costs which would increase by 3.00% per year thereafter. We have provided a projection of the Plan's funded status on page 4.

Medicare Buy-In

The Town currently has 12 retirees or covered spouses who are over the age of 65 and are enrolled in Active medical plans rather than Medicare Supplement (Senior) plans. Under Actuarial Standards of Practice for OPEB, we are required to reflect the projected higher healthcare costs that occur as retirees age.

Recently, some of our clients have seen substantial cost savings by "buying into" Medicare for retirees who would otherwise be ineligible. To buy into Medicare the Town would need to pay the Medicare Part A premium and the Medicare Part A and B penalties. While the cost to buy into Medicare is significant, it is likely still far less than the cost of the claims that the associated retirees are expected to incur. You may wish to review their Medicare eligibility to see if they are already eligible for Medicare or if a "buy-in" is appropriate as this could yield a reduction in your OPEB annual costs and disclosed liabilities. If you are in this situation, we encourage you to talk to your healthcare consultant to see if this might be viable.

EXECUTIVE SUMMARY

Key Plan Metrics

While an actuarial valuation under GASB 74/75 can be very complex with many variables, we find it helpful to look at several key metrics (shown below) to better allow you to manage your plan.

Representative Plan Statistics		
Valuation Date	July 1, 2021	July 1, 2019
Measurement Date & Period Ending	June 30, 2022	June 30, 2021
Reporting Date/Fiscal Year End	June 30, 2022	June 30, 2021
Total OPEB Liability	59,438,717	85,553,931
Per Eligible Active Plan Participant	74,952	99,513
Per Retiree/Spouse Plan Participant	71,012	122,000
Total Annual Service Cost (Annual Benefit Accrual)	3,511,653	3,083,486
Per Eligible Active Plan Participant	7,786	6,478
Expected Employer Share of Retiree Costs	2,139,202	1,943,746
Per Retiree/Spouse Plan Participant	5,926	6,210
Net OPEB Liability as a % of Covered Payroll	182.86%	256.23%

EXECUTIVE SUMMARY

Liabilities & Benefit Payments in Today's Dollars

With the growth of medical care costs over time, the nominal accrued liabilities ("TOL") and benefit payments can appear daunting. However, it is important to remember that a dollar paid in the future is worth less than a dollar paid today.

For the Period Ending on the Measurement Date of:	Number of Retirees, Spouses, & Surviving Spouses	Present Value at 3.00% of Total OPEB		Present Value at 3.00% of Employer Share of Premiums/Claims Including "Implicit Cost"	
		Total OPEB Liability	Liability	Employer Share of Premiums / Claims Including "Implicit Cost"	Employer Share of Premiums / Claims Including "Implicit Cost"
June 30, 2022	361	59,438,717	59,438,717	2,139,202	2,139,202
June 30, 2027	446	71,838,411	61,968,444	2,461,703	2,123,487
June 30, 2032	463	84,267,039	62,702,591	3,241,778	2,412,187
June 30, 2037	455	97,545,589	62,610,802	3,825,508	2,455,448
June 30, 2042	435	111,807,722	61,905,225	4,569,248	2,529,882
June 30, 2047	415	128,510,628	61,377,392	5,366,730	2,563,180
June 30, 2052	401	150,064,608	61,824,632	5,612,997	2,312,480

EXECUTIVE SUMMARY

Continuing OPEB Disclosures

In addition to pension benefits, municipal entities may provide retired employees with healthcare and life insurance benefits. The portion of the cost of such benefit paid by these entities is generally provided on a pay-as-you-go basis.

The pay-as-you-go costs to the Town for such benefits for the most recent years is as follows:

<u>Fiscal Year Ending</u>	<u>Cost</u>
June 30, 2023	(Projected) 1,778,266
June 30, 2022	2,139,202
June 30, 2021	1,943,746
June 30, 2020	1,770,876
June 30, 2019	1,715,869
June 30, 2018	1,525,583

The Town performs actuarial valuations of its non-pension post-employment benefits liability in accordance with GASB reporting requirements. As of the June 30, 2022 Measurement Date the Net OPEB Liability ("NOL") was determined to be \$58,751,906 assuming a discount rate of 4.39%. The Town has established an OPEB Trust and plans to fund this liability. The Town is expected to contribute \$50,000 annually beyond pay-as-you-go costs. The balance of this fund as of June 30, 2022 was \$686,811. See the Town's audit reports for additional information.

PRINCIPAL RESULTS OF THE VALUATION

 Town of Bellingham
 Assuming Funding - 4.39% discount rate
 Comparison of Plan Liabilities to Prior Valuation

Valuation Date	July 1, 2021	July 1, 2019
For the Measurement Period ending on the Measurement Date of:	June 30, 2022	June 30, 2021
For the Reporting Period & Fiscal Year ending on:	June 30, 2022	June 30, 2021
I. Total OPEB Liability		
A. Actives	33,803,250	47,367,994
B. Retirees/Disabled	<u>25,635,467</u>	<u>38,185,937</u>
C. Total	59,438,717	85,553,931
II. Fiduciary Net Position [Plan Assets]	686,811	663,637
III. Net OPEB Liability (Asset) [I. - II.]	58,751,906	84,890,294
IV. Funded Ratio [II. / I.]	1.16%	0.78%
V. Number of Eligible Participants		
A. Actives	451	476
B. Retirees/Disabled & Dependents	<u>361</u>	<u>313</u>
C. Total	812	789
VI. Service Cost	3,511,653	3,083,486
VII. Financial Statement Expense/(Income)	(21,010,357)	7,559,933
VIII. Employer OPEB Trust (Contribution)/Withdrawal	(50,000)	(25,000)
IX. Deferred Inflow of Resources	(5,791,581)	(5,460,960)
X. Deferred Outflow of Resources	7,961,468	10,569,676
XI. Money Weighted Rate of Return	(3.78%)	11.67%
XII. 20-year Municipal Bond Rate (SAPIHG)	4.09%	2.18%
XIII. Expected Long Term Rate of Return (Net of Expense)	6.41%	6.77%
XIV. Crossover Year	Immediate	Immediate
XV. Discount Rate	4.39%	2.50%

PRINCIPAL RESULTS OF THE VALUATION
Town of Bellingham
Plan Liabilities as of the June 30, 2022 Measurement Date

	Town Employees and Retirees	School Employees and Retirees	Police Employees and Retirees	Fire Employees and Retirees	Highway Enterprise Employees and Retirees	Sewer Enterprise Employees and Retirees	Sanitation Enterprise Employees and Retirees	Water Enterprise Employees and Retirees	Total
I. Total OPEB Liability									
A. Actives	2,119,731	25,387,840	3,412,278	1,844,809	112,480	182,002	89,369	654,741	33,803,250
B. Retirees/Disabled	<u>11,665,996</u>	<u>11,011,866</u>	<u>1,016,778</u>	<u>864,000</u>	<u>493,121</u>	<u>0</u>	<u>50,958</u>	<u>532,748</u>	<u>25,635,467</u>
C. Total	13,785,727	36,399,706	4,429,056	2,708,809	605,601	182,002	140,327	1,187,489	59,438,717
II. Fiduciary Net Position [Plan Assets]	159,294	420,597	51,177	31,300	6,998	2,103	1,621	13,721	686,811
III. Net OPEB Liability (Asset) [I. - II.]	13,626,433	35,979,109	4,377,879	2,677,509	598,603	179,899	138,706	1,173,768	58,751,906
For the Reporting Date and Fiscal Year Ending June 30, 2022									
IV. Service Cost	210,649	2,621,703	254,053	278,720	25,139	28,746	9,652	82,991	3,511,653
V. Financial Statement Expense/(Income)	(5,495,235)	(12,381,123)	(1,572,020)	(836,129)	(225,041)	(45,926)	(48,203)	(406,680)	(21,010,357)
VI. Employer Share of Costs	(1,018,578)	(914,172)	(71,950)	(56,836)	(31,648)	(3)	(4,112)	(41,903)	(2,139,202)
VII. Employer OPEB Trust (Contribution)/Withdrawal	(11,596)	(30,620)	(3,726)	(2,279)	(509)	(153)	(118)	(999)	(50,000)
VIII. Total Employer Contribution [VI. + VII.]	(1,030,174)	(944,792)	(75,676)	(59,115)	(32,157)	(156)	(4,230)	(42,902)	(2,189,202)

PRINCIPAL RESULTS OF THE VALUATION
CURRENT FUNDING POLICY (OPEN GROUP)

Funding - 4.39% discount rate

For the Fiscal Year	Period Ending on the Measurement Date of:	II. Fiduciary Net Position as of Measurement Date						VI. Employer Share of Benefit Payments (With Implicit Cost)	VII. Trust Contributions Beyond Pay-as- you-go	VIII. Gross Trust Contributions [VI. + VII.]	IX. Benefit Payments & Investment Reimbursed from the Trust	X. Administraive Payments Expenses Reimbursed from the Trust	XI. Total Employer Payments Less Reimbursements [VIII. - IX. - X.]
		I. Total OPEB Liability ("TOL") as of Measurement		III. Net OPEB Liability (Asset)	IV. Funded Ratio	V. Service Cost							
		Date	6.41% return	[II. - III.]	[II. / I.]	Cost							
2022	June 30, 2022	59,438,717	686,811	58,751,906	1.16%	3,511,653	2,139,202	50,000	2,189,202	2,139,202		0	50,000
2023	June 30, 2023	61,997,925	782,413	61,215,512	1.26%	1,692,430	1,778,266	50,000	1,828,266	1,778,266		0	50,000
2024	June 30, 2024	64,473,831	884,143	63,589,688	1.37%	1,756,471	1,939,171	50,000	1,989,171	1,939,171		0	50,000
2025	June 30, 2025	66,911,341	992,394	65,918,947	1.48%	1,814,476	2,138,428	50,000	2,188,428	2,138,428		0	50,000
2026	June 30, 2026	69,391,491	1,107,584	68,283,907	1.60%	1,874,778	2,259,696	50,000	2,309,696	2,259,696		0	50,000
2027	June 30, 2027	71,838,411	1,230,158	70,608,253	1.71%	1,939,915	2,461,703	50,000	2,511,703	2,461,703		0	50,000
2028	June 30, 2028	74,258,102	1,360,589	72,897,513	1.83%	2,014,543	2,661,033	50,000	2,711,033	2,661,033		0	50,000
2029	June 30, 2029	76,793,056	1,499,380	75,293,676	1.95%	2,087,196	2,717,442	50,000	2,767,442	2,717,442		0	50,000
2030	June 30, 2030	79,264,765	1,647,068	77,617,697	2.08%	2,162,249	2,920,893	50,000	2,970,893	2,920,893		0	50,000
2031	June 30, 2031	81,750,571	1,804,223	79,946,348	2.21%	2,229,281	3,126,475	50,000	3,176,475	3,126,475		0	50,000
2032	June 30, 2032	84,267,039	1,971,451	82,295,588	2.34%	2,312,034	3,241,778	50,000	3,291,778	3,241,778		0	50,000
2033	June 30, 2033	86,886,717	2,149,399	84,737,318	2.47%	2,380,769	3,277,424	50,000	3,327,424	3,277,424		0	50,000
2034	June 30, 2034	89,497,195	2,338,753	87,158,442	2.61%	2,453,161	3,442,147	50,000	3,492,147	3,442,147		0	50,000
2035	June 30, 2035	92,203,401	2,540,245	89,663,156	2.76%	2,534,566	3,597,823	50,000	3,647,823	3,597,823		0	50,000
2036	June 30, 2036	94,791,134	2,754,652	92,036,482	2.91%	2,617,866	3,671,162	50,000	3,721,162	3,671,162		0	50,000
2037	June 30, 2037	97,545,589	2,982,803	94,562,786	3.06%	2,696,042	3,825,508	50,000	3,875,508	3,825,508		0	50,000
2038	June 30, 2038	100,306,582	3,225,578	97,081,004	3.22%	2,785,784	4,011,655	50,000	4,061,655	4,011,655		0	50,000
2039	June 30, 2039	103,068,004	3,483,915	99,584,089	3.38%	2,878,599	4,145,391	50,000	4,195,391	4,145,391		0	50,000
2040	June 30, 2040	105,867,872	3,758,812	102,109,060	3.55%	2,972,066	4,244,090	50,000	4,294,090	4,244,090		0	50,000
2041	June 30, 2041	108,748,400	4,051,329	104,697,071	3.73%	3,071,003	4,435,860	50,000	4,485,860	4,435,860		0	50,000
2042	June 30, 2042	111,807,722	4,362,597	107,445,125	3.90%	3,174,288	4,569,248	50,000	4,619,248	4,569,248		0	50,000
2043	June 30, 2043	114,861,919	4,693,817	110,168,102	4.09%	3,278,378	4,648,750	50,000	4,698,750	4,648,750		0	50,000
2044	June 30, 2044	118,125,209	5,046,268	113,078,941	4.27%	3,383,788	4,856,885	50,000	4,906,885	4,856,885		0	50,000
2045	June 30, 2045	121,504,170	5,421,311	116,082,859	4.46%	3,503,209	5,078,514	50,000	5,128,514	5,078,514		0	50,000
2046	June 30, 2046	125,044,759	5,820,395	119,224,364	4.65%	3,624,077	5,173,540	50,000	5,223,540	5,173,540		0	50,000
2047	June 30, 2047	128,510,628	6,245,060	122,265,568	4.86%	3,754,994	5,366,730	50,000	5,416,730	5,366,730		0	50,000
2048	June 30, 2048	132,249,855	6,696,946	125,552,909	5.06%	3,882,270	5,470,481	50,000	5,520,481	5,470,481		0	50,000
2049	June 30, 2049	136,391,011	7,177,798	129,213,213	5.26%	4,026,373	5,477,628	50,000	5,527,628	5,477,628		0	50,000
2050	June 30, 2050	140,475,109	7,689,472	132,785,637	5.47%	4,174,415	5,597,476	50,000	5,647,476	5,597,476		0	50,000
2051	June 30, 2051	145,128,238	8,233,945	136,894,293	5.67%	4,324,020	5,597,162	50,000	5,647,162	5,597,162		0	50,000
2052	June 30, 2052	150,064,608	8,813,318	141,251,290	5.87%	4,486,469	5,612,997	50,000	5,662,997	5,612,997		0	50,000

PRINCIPAL RESULTS OF THE VALUATION
ALTERNATIVE FUNDING SCENARIO (OPEN GROUP)

Alternative Funding Scenario - 5.96% discount rate													
For the Fiscal Year	Period Ending on the Measurement Date of:	Liability ("TOL") as of Measurement Date	II. Fiduciary Net			VI. Employer Share of Benefit	VII. Trust Contributions Beyond Pay-as- you-go	IX. Benefit Payments		X. Administrative		XI. Total Employer Payments Less Reimbursements [VIII. - IX. - X.]	
			I. Total OPEB 6.41% return	II. Position as of Measurement Date with an expected 6.41% return	III. Net OPEB [I. - II.]			Payments [VI. + VII.]	Reimbursed from the Trust	& Investment Expenses	Reimbursed from the Trust		
2022	June 30, 2022	47,535,003	686,811	46,848,192	1.44%	2,306,406	2,139,202	50,000	2,189,202	2,139,202	0	50,000	
2023	June 30, 2023	49,581,682	1,628,286	47,953,396	3.28%	1,111,565	1,778,266	870,000	2,648,266	1,778,266	0	870,000	
2024	June 30, 2024	51,561,741	2,657,033	48,904,708	5.15%	1,153,626	1,939,171	896,100	2,835,271	1,939,171	0	896,100	
2025	June 30, 2025	53,511,094	3,779,454	49,731,640	7.06%	1,191,723	2,138,428	922,983	3,061,411	2,138,428	0	922,983	
2026	June 30, 2026	55,494,548	5,002,385	50,492,163	9.01%	1,231,329	2,259,696	950,672	3,210,368	2,259,696	0	950,672	
2027	June 30, 2027	57,451,426	6,333,126	51,118,300	11.02%	1,274,110	2,461,703	979,192	3,440,895	2,461,703	0	979,192	
2028	June 30, 2028	59,386,529	7,779,470	51,607,059	13.10%	1,323,125	2,661,033	1,008,568	3,669,601	2,661,033	0	1,008,568	
2029	June 30, 2029	61,413,811	9,349,736	52,064,075	15.22%	1,370,842	2,717,442	1,038,825	3,756,267	2,717,442	0	1,038,825	
2030	June 30, 2030	63,390,514	11,052,805	52,337,709	17.44%	1,420,136	2,920,893	1,069,990	3,990,883	2,920,893	0	1,069,990	
2031	June 30, 2031	65,378,491	12,898,153	52,480,338	19.73%	1,464,162	3,126,475	1,102,090	4,228,565	3,126,475	0	1,102,090	
2032	June 30, 2032	67,390,989	14,895,894	52,495,095	22.10%	1,518,513	3,241,778	1,135,153	4,376,931	3,241,778	0	1,135,153	
2033	June 30, 2033	69,486,028	17,056,820	52,429,208	24.55%	1,563,657	3,277,424	1,169,208	4,446,632	3,277,424	0	1,169,208	
2034	June 30, 2034	71,573,709	19,392,444	52,181,265	27.09%	1,611,203	3,442,147	1,204,284	4,646,431	3,442,147	0	1,204,284	
2035	June 30, 2035	73,737,946	21,915,050	51,822,896	29.72%	1,664,669	3,597,823	1,240,413	4,838,236	3,597,823	0	1,240,413	
2036	June 30, 2036	75,807,438	24,637,742	51,169,696	32.50%	1,719,379	3,671,162	1,277,625	4,948,787	3,671,162	0	1,277,625	
2037	June 30, 2037	78,010,261	27,574,497	50,435,764	35.35%	1,770,724	3,825,508	1,315,954	5,141,462	3,825,508	0	1,315,954	
2038	June 30, 2038	80,218,314	30,740,222	49,478,092	38.32%	1,829,665	4,011,655	1,355,433	5,367,088	4,011,655	0	1,355,433	
2039	June 30, 2039	82,426,710	34,150,816	48,275,894	41.43%	1,890,625	4,145,391	1,396,096	5,541,487	4,145,391	0	1,396,096	
2040	June 30, 2040	84,665,852	37,823,234	46,842,618	44.67%	1,952,013	4,244,090	1,437,979	5,682,069	4,244,090	0	1,437,979	
2041	June 30, 2041	86,969,500	41,775,554	45,193,946	48.03%	2,016,993	4,435,860	1,481,118	5,916,978	4,435,860	0	1,481,118	
2042	June 30, 2042	89,416,136	46,027,054	43,389,082	51.48%	2,084,830	4,569,248	1,525,552	6,094,800	4,569,248	0	1,525,552	
2043	June 30, 2043	91,858,673	50,598,286	41,260,387	55.08%	2,153,194	4,648,750	1,571,319	6,220,069	4,648,750	0	1,571,319	
2044	June 30, 2044	94,468,428	55,511,161	38,957,267	58.76%	2,222,426	4,856,885	1,618,459	6,475,344	4,856,885	0	1,618,459	
2045	June 30, 2045	97,170,689	60,789,037	36,381,652	62.56%	2,300,860	5,078,514	1,667,013	6,745,527	5,078,514	0	1,667,013	
2046	June 30, 2046	100,002,209	66,456,813	33,545,396	66.46%	2,380,245	5,173,540	1,717,023	6,890,563	5,173,540	0	1,717,023	
2047	June 30, 2047	102,773,973	72,541,030	30,232,943	70.58%	2,466,229	5,366,730	1,768,534	7,135,264	5,366,730	0	1,768,534	
2048	June 30, 2048	105,764,349	79,069,975	26,694,374	74.76%	2,549,823	5,470,481	1,821,590	7,292,071	5,470,481	0	1,821,590	
2049	June 30, 2049	109,076,162	86,073,798	23,002,364	78.91%	2,644,467	5,477,628	1,876,238	7,353,866	5,477,628	0	1,876,238	
2050	June 30, 2050	112,342,343	93,584,629	18,757,714	83.30%	2,741,699	5,597,476	1,932,525	7,530,001	5,597,476	0	1,932,525	
2051	June 30, 2051	116,063,595	101,636,709	14,426,886	87.57%	2,839,958	5,597,162	1,990,501	7,587,663	5,597,162	0	1,990,501	
2052	June 30, 2052	120,011,365	110,266,527	9,744,838	91.88%	2,946,652	5,612,997	2,050,216	7,663,213	5,612,997	0	2,050,216	
2053	June 30, 2053	124,153,066	119,512,963	4,640,103	96.26%	3,052,456	5,730,910	2,111,722	7,842,632	5,730,910	0	2,111,722	
2054	June 30, 2054	128,509,900	129,417,446	(907,546)	100.71%	3,167,631	5,926,580	2,175,074	8,101,654	5,926,580	0	2,175,074	
2055	June 30, 2055	132,989,978	134,745,826	(1,755,848)	101.32%	3,290,070	6,166,588	(2,876,518)	3,290,070	6,166,588	0	(2,876,518)	
2056	June 30, 2056	137,692,750	140,348,149	(2,655,399)	101.93%	3,415,977	6,358,033	(2,942,056)	3,415,977	6,358,033	0	(2,942,056)	
2057	June 30, 2057	142,603,520	146,198,660	(3,595,140)	102.52%	3,548,236	6,597,820	(3,049,584)	3,548,236	6,597,820	0	(3,049,584)	
2058	June 30, 2058	147,845,929	152,354,224	(4,508,295)	103.05%	3,687,466	6,804,875	(3,117,409)	3,687,466	6,804,875	0	(3,117,409)	

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

The GASB Standards for accounting and financial reporting for postemployment benefits other than pensions require the following disclosures in the financial statements:

1. OPEB Expense Development

Components of the Town's OPEB Expenses for the Fiscal Year Ending June 30, 2022	
Description	Amount
I. Service Cost	3,511,653
II. Interest on Total OPEB Liability (Asset), Service Cost, and Benefit Payments	2,200,065
III. Deferred (Inflows)/Outflows from Plan Experience*	(838,368)
IV. Deferred (Inflows)/Outflows from Changes of Assumptions*	2,999,183
V. Projected Earnings on OPEB Plan Investments	(46,624)
VI. Deferred (Inflows)/Outflows from Earnings on Plan Investments**	13,917
VII. OPEB Plan Administrative Expense	0
VIII. Other Changes in Fiduciary Net Position	0
IX. Financial Statement Expense/(Income) Prior to Plan Design Changes [I. + II.+ ... + VII. + VIII.]	7,839,826
X. Expense Related to Change in Benefit Terms***	(28,850,183)
XI. Financial Statement Expense/(Income) [IX. + X.]	(21,010,357)

* Amortized over 5.73 years

** Amortized over 5.00 years

*** Recognized Immediately

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

2. Changes in Net OPEB Liability

	Changes in Net OPEB Liability		
	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
I. Balances for the June 30, 2021 Reporting Date	85,553,931	663,637	84,890,294
II. Prior Period Adjustment	0	0	0
III. Balances for the June 30, 2021 Reporting Date with Adjustment [I. + II.]	85,553,931	663,637	84,890,294
Changes for the year:			
IV. Service Cost	3,511,653	0	3,511,653
V. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	2,200,065	0	2,200,065
VI. Changes in Benefit Terms *	(28,850,183)	0	(28,850,183)
VII. Change in Assumptions **	(2,091,887)	0	(2,091,887)
VIII. Differences Between Actual and Expected Experience **	1,254,340	0	1,254,340
IX. Net Investment Income	0	(26,826)	26,826
X. Employer Contributions to Trust	0	2,189,202	(2,189,202)
XI. Benefit Payments Withdrawn from Trust	0	(2,139,202)	2,139,202
XII. Benefit Payments Excluding Implicit Cost	(1,531,796)	0	(1,531,796)
XIII. Implicit Cost Amount	(607,406)	0	(607,406)
XIV. Total Benefit Payments Including Implicit Cost [XII. + XIII.]	(2,139,202)	0	(2,139,202)
XV. Administrative Expense	0	0	0
XVI. Other Charges	0	0	0
XVII. Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	(26,115,214)	23,174	(26,138,388)
XVIII. Balances for the June 30, 2022 Reporting Date [III.+XVII.]	59,438,717	686,811	58,751,906

* Recognized Immediately

** Amortized over 5.73 years

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

3. Changes in Net OPEB Expense

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of the Effects of Differences Between Expected & Actual Experience									
Fiscal Year	Differences			2022	2023	2024	2025	2026	2027
	Between Actual & Expected Experience	Recognition Period (Years)	Remaining Balance						
2017									
2018	1,834,685	5.64	208,190	325,299	208,190				
2019	0	5.64	0	0	0	0	0	0	
2020	(8,212,492)	5.94	(4,064,770)	(1,382,574)	(1,382,574)	(1,382,574)	(1,299,622)		
2021	0	5.94	0	0	0	0	0	0	0
2022	1,254,340	5.73	1,035,433	218,907	218,907	218,907	218,907	218,907	159,805
2023									
2024									
2025									
2026									
Total Remaining Balance			(2,821,147)						
Net increase (decrease) in OPEB Expense			(838,368)	(955,477)	(1,163,667)	(1,080,715)	218,907	218,907	159,805

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of the Effects of Changes in Assumptions									
Fiscal Year	Differences from Changes in			2022	2023	2024	2025	2026	2027
	Actuarial Assumptions	Recognition Period (years)	Remaining Balance						
2017									
2018	4,502,203	5.64	510,888	798,263	510,888				
2019	8,898,393	5.64	2,587,477	1,577,729	1,577,729	1,009,748			
2020	1,902,062	5.94	941,426	320,212	320,212	320,212	301,002		
2021	3,968,247	5.94	2,632,137	668,055	668,055	668,055	668,055	627,972	
2022	(2,091,887)	5.73	(1,726,811)	(365,076)	(365,076)	(365,076)	(365,076)	(365,076)	(266,507)
2023									
2024									
2025									
2026									
Total Remaining Balance			4,945,117						
Net increase (decrease) in OPEB Expense			2,999,183	2,711,808	1,632,939	603,981	262,896	(266,507)	

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

3. Changes in Net OPEB Expense (Continued)

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of Differences Between Projected & Actual Earnings on OPEB Plan Investments									
Fiscal Year	Differences			2022	2023	2024	2025	2026	2027
	Between Actual & Expected Earnings	Recognition Period (years)	Remaining Balance						
2017									
2018	10,976	5.00	0	2,196					
2019	6,674	5.00	1,334	1,335	1,334				
2020	6,318	5.00	2,526	1,264	1,264	1,262			
2021	(27,839)	5.00	(16,703)	(5,568)	(5,568)	(5,568)	(5,567)		
2022	73,450	5.00	58,760	14,690	14,690	14,690	14,690	14,690	0
2023									
2024									
2025									
2026									
Total Remaining Balance			45,917						
Net increase (decrease) in OPEB Expense				13,917	11,720	10,384	9,123	14,690	0

EXHIBIT A
FINANCIAL STATEMENT DISCLOSURES
 (As of the June 30, 2022 Measurement Date)

 3. Changes in Net OPEB Expense (Continued)

Statement of (Inflows) & Outflows Arising from Current & Prior Reporting Periods for the Measurement Period Ending on June 30, 2022 to be Reported for the Fiscal Year Ending June 30, 2022			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
I. Contributions Made Subsequent to the Measurement Date	0	0	0
II. Differences Between Actual & Expected Experience	1,243,623	(4,064,770)	(2,821,147)
III. Changes of Assumptions	6,671,928	(1,726,811)	4,945,117
IV. Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	45,917	0	45,917
VI. Total [I. + II. + III. + IV.]	7,961,468	(5,791,581)	2,169,887

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

3. Changes in Net OPEB Expense (Continued)

Annual Amortization of Deferred (Inflows) & Outflows	
The balance of deferred (inflows) & outflows as of the Reporting Date of June 30, 2022 will be recognized in future years as shown below.	
Year ending June 30:	
2023	1,768,051
2024	479,656
2025	(467,611)
2026	496,493
2027	(106,702)
Thereafter	0

4. Discount Rate

The discount rate used to measure the Total OPEB liability was 4.39% as of June 30, 2022 and 2.50% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 - Year High Grade Index ("SAPIHG"), which was 4.09% as of June 30, 2022. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20 - Year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

5. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2022 Measurement Date, total Town premiums plus implicit costs for the retiree medical program were \$2,139,202. The Town also contributed \$50,000 to an OPEB Trust for a total contribution during the measurement period of \$2,189,202 to be reported on the financial statement for the fiscal year ending June 30, 2022.

6. Investment Policy

The chart below shows how the long-term rate of return on assets is developed based on the Town's Investment Policy.

Investment Target Allocation & Expected Long-Term Real Rate of Return			
Asset Class	Target Allocation	Asset Class	Long-Term Expected Real Rate of Return*
Domestic Equity - Large Cap	14.50%	Domestic Equity - Large Cap	4.42%
Domestic Equity - Small/Mid Cap	3.50%	Domestic Equity - Small/Mid Cap	4.81%
International Equity - Developed Market	16.00%	International Equity - Developed Market	4.91%
International Equity - Emerging Market	6.00%	International Equity - Emerging Market	5.58%
Domestic Fixed Income	20.00%	Domestic Fixed Income	1.00%
International Fixed Income	3.00%	International Fixed Income	1.04%
Alternatives	23.00%	Alternatives	5.98%
Real Estate	14.00%	Real Estate	6.25%
Cash	<u>0.00%</u>	Cash	<u>0.00%</u>
Total	<u>100.00%</u>		
		I. Real Rate of Return	4.41%
		II. Inflation Assumption	2.50%
		III. Total Nominal Return [I. + II.]	6.91%
		IV. Investment Expense	0.50%
		V. Net Investment Return* [III.-IV.]	6.41%

* Mean Geometric Returns based on 2021 Horizon Survey of Capital Market Assumptions

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

7. Schedule of The Town's Contributions

For the Fiscal Year Ending	Actuarial Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2022	5,874,283	(2,189,202)	3,685,081	32,129,673	6.81%
June 30, 2021	5,718,045	(1,968,746)	3,749,299	33,130,449	5.94%
June 30, 2020	6,639,492	(1,820,876)	4,818,616	32,165,485	5.66%
June 30, 2019	7,075,463	(1,715,869)	5,359,594	30,891,835	5.55%
June 30, 2018	5,580,666	(1,525,583)	4,055,083	29,992,073	5.09%
June 30, 2017	5,575,718	(1,210,598)	4,365,120	27,445,923	4.41%

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

8. Effect of 1% Change in Healthcare Trend

<u>Impact of a 1% Change in the Healthcare Trend Rate as of the June 30, 2022 Measurement Date</u>			
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	50,086,369	58,751,906	69,782,994

9. Effect of 1% Change in Discount Rates

<u>Impact of a 1% Change in the Discount Rate as of the June 30, 2022 Measurement Date</u>			
	<u>Current Discount Rate</u>	<u>1% Decrease</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	4.39%	68,732,503	58,751,906

EXHIBIT A
FINANCIAL STATEMENT DISCLOSURES
 (As of the June 30, 2022 Measurement Date)

 10. Money Weighted Rate of Return

	Plan	Investments / Net External Cash Flows	Periods Invested	Period Weight
I. Beginning value - June 30, 2021		663,637	12	1.0000
Monthly net external cash flows:				
July		50,000	11	0.9167
August		0	10	0.8333
September		0	9	0.7500
October		0	8	0.6667
November		0	7	0.5833
December		0	6	0.5000
January		0	5	0.4167
February		0	4	0.3333
March		0	3	0.2500
April		0	2	0.1667
May		0	1	0.0833
June		0	0	0.0000
II. Total net external cash flow		50,000		
III. Earnings and increase in fair value		(26,826)		
IV. Ending value - June 30, 2022 [I.+II.+III.]		686,811		
V. Receivable Contributions		0		
Plan Asset Value - June 30, 2022 [IV.+V.]		686,811		
Money Weighted Rate of Return		(3.78%)		

EXHIBIT A
FINANCIAL STATEMENT DISCLOSURES

(As of the June 30, 2022 Measurement Date)

 11. OPEB Liability, OPEB Expense

	Fiscal Year Ending June 30, 2022									
	Town	School	Police	Fire	Highway	Sewer	Sanitation	Water	Enterprise	Enterprise
	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Employees and Retirees	Total
I. Total OPEB Liability as of June 30, 2022	13,785,727	36,399,706	4,429,056	2,708,809	605,601	182,002	140,327	1,187,489	59,438,717	
II. Fiduciary Net Position as of June 30, 2022	159,294	420,597	51,177	31,300	6,998	2,103	1,621	13,721	686,811	
III. Net OPEB Liability (Asset) as of June 30, 2022 [I. - II.]	13,626,433	35,979,109	4,377,879	2,677,509	598,603	179,899	138,706	1,173,768	58,751,906	
IV. Service Cost	210,649	2,621,703	254,053	278,720	25,139	28,746	9,652	82,991	3,511,653	
V. Interest on Total OPEB Liability (Asset), Service Cost, and Benefit Payments	491,795	1,361,534	165,116	102,963	22,081	7,152	5,232	44,192	2,200,065	
VI. Projected Earnings on OPEB Plan Investments	(10,795)	(28,567)	(3,476)	(2,128)	(474)	(143)	(110)	(931)	(46,624)	
VII. Net Recognition of Deferred (Inflows)/Outflows	504,390	1,331,785	162,049	99,109	22,158	6,659	5,134	43,448	2,174,732	
VIII. OPEB Plan Administrative Expense	0	0	0	0	0	0	0	0	0	0
IX. Expense Related to Change in Benefit Terms	(6,691,274)	(17,667,578)	(2,149,762)	(1,314,793)	(293,945)	(88,340)	(68,111)	(576,380)	(28,850,183)	
X. Financial Statement Expense/(Income) [IV. + V. + ... + VIII. + IX.]	(5,495,235)	(12,381,123)	(1,572,020)	(836,129)	(225,041)	(45,926)	(48,203)	(406,680)	(21,010,357)	
XI. Employer Share of Costs	(1,018,578)	(914,172)	(71,950)	(56,836)	(31,648)	(3)	(4,112)	(41,903)	(2,139,202)	
XII. Employer (Payments) Withdrawals to/from OPEB Trust	(11,596)	(30,620)	(3,726)	(2,279)	(509)	(153)	(118)	(999)	(50,000)	
XIII. Total Employer Contribution [XI. + XII.]	(1,030,174)	(944,792)	(75,676)	(59,115)	(32,157)	(156)	(4,230)	(42,902)	(2,189,202)	
XIV. Net OPEB Expense/(Income) [X. + XIII.]	(6,525,409)	(13,325,915)	(1,647,696)	(895,244)	(257,198)	(46,082)	(52,433)	(449,582)	(23,199,559)	

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2022 Measurement Date)

12. OPEB Liability, OPEB Expense and Deferred Inflow/Outflow

Valuation Date	July 1, 2021
For the Measurement Period ending on the Measurement Date of:	June 30, 2022
For the Reporting Period & Fiscal Year ending on:	June 30, 2022

Source of Deferred Inflow/Outflow	
I. Deferred (Inflow)/Outflow from Actual vs. Expected Experience	(2,821,147)
II. Deferred (Inflow)/Outflow from Investment Experience	45,917
III. Deferred (Inflow)/Outflow from Changes in Assumptions	4,945,117

Change in Deferred Inflow/Outflow	
I. Deferred Outflow at the beginning of the period	10,578,331
II. Deferred Outflow created during the period	1,327,790
III. Deferred Outflow recognized during the period	3,927,950
IV. Change in Deferred Outflow (II. - III.)	(2,600,160)
V. Deferred Outflow at end of the period (I. + IV.)	7,978,171
VI. Deferred Inflow at the beginning of the period	(5,469,615)
VII. Deferred Inflow created during the period	(2,091,887)
VIII. Deferred Inflow recognized during the period	(1,753,218)
IX. Change in Deferred Inflow (VII. - VIII.)	(338,669)
X. Deferred Inflow at end of the period (VI. + IX.)	(5,808,284)

Net OPEB Liability	
I. Net OPEB Liability at beginning of period	84,890,294
II. Service Cost	3,511,653
III. Interest on Total OPEB Liability, Service Cost, and Payments	2,200,065
IV. Projected Investment Income	(46,624)
V. OPEB Plan Administrative Expense	0
VI. Total Employer Contributions	(2,189,202)
VII. Expense Related to Change in Benefit Terms	(28,850,183)
VIII. Net OPEB Expense/(Income) - Before Recognition of Deferred (Inflow)/Outflow (II. + III. + ... + VI. + VII.)	(25,374,291)
IX. Deferred Outflow created during the period	1,327,790
X. Deferred Inflow created during the period	(2,091,887)
XI. Net OPEB Liability at end of period (I. + VIII. + IX. + X.)	58,751,906

Net OPEB Expense	
I. Service Cost	3,511,653
II. Interest on Total OPEB Liability, Service Cost, and Payments	2,200,065
III. Projected Investment Income	(46,624)
IV. Recognition of Deferred (Inflow)/Outflow	2,174,732
V. OPEB Plan Administrative Expense	0
VI. Expense Related to Change in Benefit Terms	(28,850,183)
VII. Financial Statement Expense/(Income) (I. + II. + III. + IV. + V. + VI.)	(21,010,357)
VIII. Benefit Payments	(2,139,202)
IX. Contributions to Trust	(50,000)
X. Total Employer Payments (VIII. + IX.)	(2,189,202)
XI. Total Net OPEB Expense/(Income) under GASB 75 (IX. + X.)	(23,199,559)

EXHIBIT A
REQUIRED SUPPLEMENTARY INFORMATION
 (As of the June 30, 2022 Measurement Date)

Valuation Date Measurement Date For the Reporting Period & Fiscal Year Ending on:	Schedule of Changes in the Town's Net OPEB Liability and Related Ratios					
	July 1, 2021	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017	July 1, 2016
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability	59,438,717	85,553,931	78,236,198	81,124,133	68,268,802	58,819,995
I. Service Cost	3,511,653	3,083,486	2,906,707	3,201,129	2,517,169	2,771,538
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	2,200,065	2,209,746	2,286,664	2,471,678	2,120,333	1,871,855
III. Changes in Benefit Terms	(28,850,183)	0	0	0	0	0
IV. Difference Between Expected & Actual Plan Experience	1,254,340	0	(8,212,492)	0	1,834,685	0
V. Changes of Assumptions	(2,091,887)	3,968,247	1,902,062	8,898,393	4,502,203	0
VI. Benefit Payments Excluding Implicit Cost	(1,531,796)	(1,520,975)	(1,388,583)	(1,435,737)	(1,286,488)	N/A
VII. Implicit Cost Amount	(607,406)	(422,771)	(382,293)	(280,132)	(239,095)	N/A
VIII. Total Benefit Payments	(2,139,202)	(1,943,746)	(1,770,876)	(1,715,869)	(1,525,583)	(1,284,525)
IX. Other	0	0	0	0	0	0
X. Net Change in OPEB Liability [I.+II.+III.+IV.+V.+VIII.+IX.]	(26,115,214)	7,317,733	(2,887,935)	12,855,331	9,448,807	3,358,868
XI. Total OPEB Liability - Beginning of Period	85,553,931	78,236,198	81,124,133	68,268,802	58,819,995	55,461,127
XII. Prior Period Adjustment	0	0	0	0	0	0
XIII. Total OPEB Liability - Beginning of Period with Adjustment [XI.+XII.]	85,553,931	78,236,198	81,124,133	68,268,802	58,819,995	55,461,127
XIV. Total OPEB Liability - End of Period [XII.+XIII.]	59,438,717	85,553,931	78,236,198	81,124,133	68,268,802	58,819,995
Plan Fiduciary Net Position	686,811	663,637	571,289	514,133	506,868	503,984
XV. Earnings from Plan Investments	(26,826)	67,348	7,156	7,265	2,884	1,508
XVI. Employer Contribution to Trust	2,189,202	1,968,746	1,820,876	1,715,869	1,525,583	1,210,598
XVII. Benefit Payments from Trust, Including Refunds of Member Contributions	(2,139,202)	(1,943,746)	(1,770,876)	(1,715,869)	(1,525,583)	(1,210,598)
XVIII. Administrative Expense	0	0	0	0	0	0
XIX. Other	0	0	0	0	0	0
XX. Net Change in Plan Fiduciary Net Position [XV.+XVI.+XVII.+XVIII.+XIX.]	23,174	92,348	57,156	7,265	2,884	1,508
XXI. Plan Fiduciary Net Position - Beginning of Period	663,637	571,289	514,133	506,868	503,984	502,476
XXII. Prior Period Adjustment	0	0	0	0	0	0
XXIII. Plan Fiduciary Net Position - Beginning of Period with Adjustment [XXI.+XXII.]	663,637	571,289	514,133	506,868	503,984	502,476
XXIV. Plan Fiduciary Net Position - End of Period [XXII.+XXIII.]	686,811	663,637	571,289	514,133	506,868	503,984
XXV. Net OPEB Liability [XIV.-XXIV.]	58,751,906	84,890,294	77,664,909	80,610,000	67,761,934	58,316,011
XXVI. Plan Fiduciary Net Position as % of Total OPEB Liability [XXIV./XIV.]	1.16%	0.78%	0.73%	0.63%	0.74%	0.86%
XXVII. Covered Employee Payroll	32,129,673	33,130,449	32,165,485	30,891,835	29,992,073	27,445,923
XXVIII. Plan NOL as % of Covered Employee Payroll [XXV./XXVII.]	182.86%	256.23%	241.45%	260.94%	225.93%	212.48%
Single Discount Rate to Calculate Plan Liabilities	4.39%	2.50%	2.75%	2.75%	3.50%	3.25%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION (As of the June 30, 2022 Measurement Date)

The Town's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which is composed of the service cost and an amortization of the unfunded liability. For FY 2022 and future years we have used a 30-year amortization increasing by 3.00% per year of the Town's unfunded liability for the purpose of calculating ADC. The following table shows the components of the Town's annual ADC and the amount actually contributed to the plan:

Actuarially Determined Contribution - Deficiency / (Excess)						
For the Fiscal Year Ending:	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
I. Service Cost	3,511,653	3,083,486	2,906,707	3,201,129	2,517,169	2,771,538
II. 30 Year Level Dollar Amortization of NOL	<u>2,362,630</u>	<u>2,634,559</u>	<u>2,498,644</u>	<u>3,874,334</u>	<u>3,063,497</u>	<u>2,804,180</u>
III. Actuarial Determined Contribution [I. + II.]	5,874,283	5,718,045	6,639,492	7,075,463	5,580,666	5,575,718
IV. Contributions in Relation to the Actuarially Determined Contribution	<u>(2,189,202)</u>	<u>(1,968,746)</u>	<u>(1,820,876)</u>	<u>(1,715,869)</u>	<u>(1,525,583)</u>	<u>(1,210,598)</u>
V. Contribution Deficiency / (Excess) [III. + IV.]	<u>3,685,081</u>	<u>3,749,299</u>	<u>4,818,616</u>	<u>5,359,594</u>	<u>4,055,083</u>	<u>4,365,120</u>
<hr/>						
Covered Employee Payroll	32,129,673	33,130,449	32,165,485	30,891,835	29,992,073	27,445,923
Contributions as a % of Covered Employee Payroll	6.81%	5.94%	5.66%	5.55%	5.09%	4.41%
Discount Rate	4.39%	2.50%	2.75%	2.75%	3.50%	3.25%
Money Weighted Rate of Return	<u>(3.78%)</u>	11.67%	1.32%	1.43%	0.57%	2.75%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2022 Measurement Date)

Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2021.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2022.

Actuarial Assumptions:

Investment Rate of Return:	6.41%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)
Single Equivalent Discount Rate:	4.39%, net of OPEB plan investment expense, including inflation
Inflation:	2.50% as of June 30, 2022 and for future periods
Salary Increases:	3.00% annually as of June 30, 2022 and for future periods
Cost of Living Adjustment:	Not Applicable

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2022 Measurement Date)

Pre-Retirement Mortality:

General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females

Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females

Post-Retirement Mortality:

General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females

Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Disabled Mortality:

General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2022 Measurement Date)

Plan Membership

At July 1, 2021, OPEB plan membership consisted of the following:

Retirees & Beneficiaries:	361
Actives:	<u>451</u>
Total:	812

Events Subsequent to the Measurement Date

To the best of our knowledge there were no material events subsequent to the Measurement Date that would impact the figures shown in this report.

Changes in Assumptions: From June 30, 2021 to June 30, 2022

- ✓ Due to the GASB 75 standards the discount rate has been changed from 2.50% to 4.39%.
- ✓ Based on recent actuarial research we have adopted the Getzen model for future projected healthcare costs.
- ✓ Due to updated guidance related to the implementation of ASOP 6, we have updated our methodology for calculating expected claims.

Contributions/Withdrawals:

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town contributed \$50,000 beyond the pay-as-you-go cost for the period ending on the June 30, 2022 Measurement Date. For the year ending on the June 30, 2022 Measurement Date total Town premiums plus implicit costs for the retiree medical program were \$2,139,202. \$607,406 of the \$2,139,202 represents implicit cost.

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2022 Measurement Date)

Census Data Manipulation:

In the absence of data, the following was assumed:

Spouse Sex:

Male participants had female spouses and vice versa.

Spouse Age:

Male spouses were three years older than female spouses and same sex spouses were the same age.

Hire Age:

Participants who were not on the previous valuation were hired halfway between last valuation and the current valuation. If we did not have census data related to the last valuation, the participants were assumed to have been hired at age forty.

Retiree Age:

Retirees had the same birth date as they had the prior valuation. If we did not have census data related to the last valuation, retirees who were enrolled in Active plans were assumed to be age sixty-two and retirees who were enrolled in Medicare Supplement plans were assumed to be age seventy-two. Those not enrolled in a medical plan were assumed to be sixty-seven.

School Demographics:

Two thirds of school participants were teachers.

Other Material Changes:

No other data changes were deemed to be material.

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS
CONTRIBUTION PROJECTION DISCLOSURES

Table 1: Projection of Contributions using a July 1, 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Payroll for current employees	II. Payroll for future employees	III. Total Payroll [I+II.]	IV. Contributions from current employees	V. Employer Payments for current plan members	VI. Employer Payments for future employees	VII. Total Payments [IV.+V.+VI.]
June 30, 2022	32,129,673	0	32,129,673	0	2,139,202	0	2,139,202
June 30, 2023	29,936,079	3,157,484	33,093,563	0	1,778,266	0	1,778,266
June 30, 2024	28,234,411	5,851,959	34,086,370	0	1,939,171	0	1,939,171
June 30, 2025	26,697,590	8,411,371	35,108,961	0	2,138,428	0	2,138,428
June 30, 2026	25,245,169	10,917,061	36,162,230	0	2,259,696	0	2,259,696
June 30, 2027	23,851,524	13,395,573	37,247,097	0	2,461,703	0	2,461,703
June 30, 2028	22,636,907	15,727,603	38,364,510	0	2,661,033	0	2,661,033
June 30, 2029	21,462,904	18,052,541	39,515,445	0	2,717,442	0	2,717,442
June 30, 2030	20,406,389	20,294,519	40,700,908	0	2,920,893	0	2,920,893
June 30, 2031	19,300,294	22,621,641	41,921,935	0	3,126,475	0	3,126,475
June 30, 2032	18,412,507	24,767,086	43,179,593	0	3,241,778	0	3,241,778
June 30, 2033	17,554,304	26,920,677	44,474,981	0	3,264,448	12,976	3,277,424
June 30, 2034	16,637,013	29,172,217	45,809,230	0	3,407,700	34,447	3,442,147
June 30, 2035	15,832,850	31,350,657	47,183,507	0	3,533,059	64,764	3,597,823
June 30, 2036	15,128,891	33,470,121	48,599,012	0	3,562,097	109,065	3,671,162
June 30, 2037	14,357,198	35,699,784	50,056,982	0	3,660,082	165,426	3,825,508
June 30, 2038	13,645,261	37,913,430	51,558,691	0	3,811,794	199,861	4,011,655
June 30, 2039	13,020,256	40,085,196	53,105,452	0	3,903,547	241,844	4,145,391
June 30, 2040	12,396,969	42,301,647	54,698,616	0	3,951,262	292,828	4,244,090
June 30, 2041	11,813,224	44,526,350	56,339,574	0	4,110,981	324,879	4,435,860
June 30, 2042	11,261,196	46,768,565	58,029,761	0	4,208,953	360,295	4,569,248
June 30, 2043	10,778,961	48,991,693	59,770,654	0	4,226,451	422,299	4,648,750
June 30, 2044	10,175,910	51,387,864	61,563,774	0	4,350,402	506,483	4,856,885
June 30, 2045	9,631,250	53,779,437	63,410,687	0	4,467,571	610,943	5,078,514
June 30, 2046	9,054,301	56,258,707	65,313,008	0	4,425,845	747,695	5,173,540
June 30, 2047	8,542,431	58,729,967	67,272,398	0	4,456,704	910,026	5,366,730
June 30, 2048	7,907,576	61,382,994	69,290,570	0	4,438,506	1,031,975	5,470,481
June 30, 2049	7,310,139	64,059,148	71,369,287	0	4,306,692	1,170,936	5,477,628
June 30, 2050	6,750,009	66,760,357	73,510,366	0	4,268,362	1,329,114	5,597,476
June 30, 2051	6,126,853	69,588,824	75,715,677	0	4,145,352	1,451,810	5,597,162
June 30, 2052	5,558,433	72,428,714	77,987,147	0	4,030,190	1,582,807	5,612,997
June 30, 2053	5,025,755	75,301,006	80,326,761	0	3,981,973	1,748,937	5,730,910
June 30, 2054	4,479,739	78,256,825	82,736,564	0	3,990,931	1,935,649	5,926,580
June 30, 2055	3,994,356	81,224,305	85,218,661	0	4,025,109	2,141,479	6,166,588
June 30, 2056	3,513,536	84,261,685	87,775,221	0	3,981,962	2,376,071	6,358,033
June 30, 2057	3,029,117	87,379,361	90,408,478	0	3,966,042	2,631,778	6,597,820
June 30, 2058	2,566,319	90,554,413	93,120,732	0	3,932,517	2,872,358	6,804,875
June 30, 2059	2,168,920	93,745,434	95,914,354	0	3,839,051	3,126,133	6,965,184
June 30, 2060	1,842,430	96,949,355	98,791,785	0	3,720,895	3,395,203	7,116,098
June 30, 2061	1,478,386	100,277,153	101,755,539	0	3,618,960	3,661,470	7,280,430

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS
CONTRIBUTION PROJECTION DISCLOSURES (CONTINUED)

Table 1: Projection of Contributions using a July 1, 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Payroll for current employees	II. Payroll for future employees	III. Total Payroll [I.+II.]	IV. Contributions from current employees	V. Employer Payments for current plan members	VI. Employer Payments for future employees	VII. Total Payments [IV.+V.+VI.]
June 30, 2062	1,179,065	103,629,140	104,808,205	0	3,462,321	3,934,580	7,396,901
June 30, 2063	871,904	107,080,547	107,952,451	0	3,381,740	4,243,351	7,625,091
June 30, 2064	652,174	110,538,851	111,191,025	0	3,310,758	4,573,259	7,884,017
June 30, 2065	419,173	114,107,583	114,526,756	0	3,224,279	4,931,735	8,156,014
June 30, 2066	288,435	117,674,124	117,962,559	0	3,157,310	5,322,669	8,479,979
June 30, 2067	156,297	121,345,139	121,501,436	0	3,090,296	5,737,713	8,828,009
June 30, 2068	91,145	125,055,334	125,146,479	0	3,043,567	6,159,433	9,203,000
June 30, 2069	46,787	128,854,086	128,900,873	0	2,985,364	6,598,913	9,584,277
June 30, 2070	20,627	132,747,272	132,767,899	0	2,921,403	7,060,104	9,981,507
June 30, 2071	9,421	136,741,515	136,750,936	0	2,866,814	7,513,061	10,379,875
June 30, 2072	0	140,853,464	140,853,464	0	2,802,446	7,979,189	10,781,635
June 30, 2073	0	145,079,068	145,079,068	0	2,731,057	8,470,530	11,201,587
June 30, 2074	0	149,431,440	149,431,440	0	2,647,679	8,974,210	11,621,889
June 30, 2075	0	153,914,383	153,914,383	0	2,552,818	9,497,967	12,050,785
June 30, 2076	0	158,531,814	158,531,814	0	2,462,001	10,041,067	12,503,068
June 30, 2077	0	163,287,768	163,287,768	0	2,365,828	10,597,940	12,963,768
June 30, 2078	0	168,186,401	168,186,401	0	2,262,136	11,190,702	13,452,838
June 30, 2079	0	173,231,993	173,231,993	0	2,157,688	11,797,472	13,955,160
June 30, 2080	0	178,428,953	178,428,953	0	2,048,260	12,420,324	14,468,584
June 30, 2081	0	183,781,822	183,781,822	0	1,934,261	13,069,126	15,003,387
June 30, 2082	0	189,295,277	189,295,277	0	1,819,323	13,733,245	15,552,568
June 30, 2083	0	194,974,135	194,974,135	0	1,697,677	14,418,183	16,115,860
June 30, 2084	0	200,823,359	200,823,359	0	1,575,515	15,122,824	16,698,339
June 30, 2085	0	206,848,060	206,848,060	0	1,451,503	15,852,163	17,303,666
June 30, 2086	0	213,053,502	213,053,502	0	1,330,793	16,606,159	17,936,952
June 30, 2087	0	219,445,107	219,445,107	0	1,212,284	17,383,946	18,596,230
June 30, 2088	0	226,028,460	226,028,460	0	1,096,546	18,196,312	19,292,858
June 30, 2089	0	232,809,314	232,809,314	0	986,463	19,032,322	20,018,785
June 30, 2090	0	239,793,593	239,793,593	0	880,566	19,895,214	20,775,780
June 30, 2091	0	246,987,401	246,987,401	0	780,723	20,790,180	21,570,903
June 30, 2092	0	254,397,023	254,397,023	0	687,240	21,712,613	22,399,853
June 30, 2093	0	262,028,934	262,028,934	0	600,303	22,663,018	23,263,321
June 30, 2094	0	269,889,802	269,889,802	0	519,977	23,645,537	24,165,514
June 30, 2095	0	277,986,496	277,986,496	0	446,312	24,662,244	25,108,556
June 30, 2096	0	286,326,091	286,326,091	0	379,288	25,714,216	26,093,504

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

FIDUCIARY NET POSITION PROJECTION DISCLOSURES

Table 2: Projection of OPEB Plan's Fiduciary Net Position using a July 1 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Employer Share of Benefit Payments for Current Plan Members	III. Contributions to Trust for Current Plan Members	IV. Gross Contributions to Trust for Current Plan Members	V. Administrative Expenses Withdrawn from the Trust for Current Plan Members	VI. Benefit Payments Withdrawn from the Trust	VII. Trust Withdrawals [V. + VI.]	VIII. Investment Earnings	IX. Ending Fiduciary Net Position for Current Plan Members
			beyond Pay-as-you-go	[II. + III.]					
June 30, 2022	663,637	2,139,202	50,000	2,189,202	0	2,139,202	2,139,202	(26,826)	686,811
June 30, 2023	686,811	1,778,266	45,229	1,823,495	0	1,778,266	1,778,266	41,251	773,291
June 30, 2024	773,291	1,939,171	41,416	1,980,587	0	1,939,171	1,939,171	50,875	865,582
June 30, 2025	865,582	2,138,428	38,021	2,176,449	0	2,138,428	2,138,428	56,683	960,286
June 30, 2026	960,286	2,259,696	34,905	2,294,601	0	2,259,696	2,259,696	62,656	1,057,847
June 30, 2027	1,057,847	2,461,703	32,018	2,493,721	0	2,461,703	2,461,703	68,818	1,158,683
June 30, 2028	1,158,683	2,661,033	29,502	2,690,535	0	2,661,033	2,661,033	75,202	1,263,387
June 30, 2029	1,263,387	2,717,442	27,158	2,744,600	0	2,717,442	2,717,442	81,840	1,372,385
June 30, 2030	1,372,385	2,920,893	25,069	2,945,962	0	2,920,893	2,920,893	88,761	1,486,215
June 30, 2031	1,486,215	3,126,475	23,019	3,149,494	0	3,126,475	3,126,475	95,993	1,605,227
June 30, 2032	1,605,227	3,241,778	21,321	3,263,099	0	3,241,778	3,241,778	103,568	1,730,116
June 30, 2033	1,730,116	3,264,448	19,735	3,284,183	0	3,277,424	3,277,424	111,523	1,848,398
June 30, 2034	1,848,398	3,407,700	18,159	3,425,859	0	3,442,147	3,442,147	119,055	1,951,165
June 30, 2035	1,951,165	3,533,059	16,778	3,549,837	0	3,597,823	3,597,823	125,599	2,028,778
June 30, 2036	2,028,778	3,562,097	15,565	3,577,662	0	3,671,162	3,671,162	130,536	2,065,814
June 30, 2037	2,065,814	3,660,082	14,341	3,674,423	0	3,825,508	3,825,508	132,871	2,047,600
June 30, 2038	2,047,600	3,811,794	13,233	3,825,027	0	4,011,655	4,011,655	131,669	1,992,641
June 30, 2039	1,992,641	3,903,547	12,259	3,915,806	0	4,145,391	4,145,391	128,115	1,891,171
June 30, 2040	1,891,171	3,951,262	11,332	3,962,594	0	4,244,090	4,244,090	121,582	1,731,257
June 30, 2041	1,731,257	4,110,981	10,484	4,121,465	0	4,435,860	4,435,860	111,304	1,528,166
June 30, 2042	1,528,166	4,208,953	9,703	4,218,656	0	4,569,248	4,569,248	98,262	1,275,836
June 30, 2043	1,275,836	4,226,451	9,017	4,235,468	0	4,648,750	4,648,750	82,066	944,620
June 30, 2044	944,620	4,350,402	8,265	4,358,667	0	4,856,885	4,856,885	60,811	507,213
June 30, 2045	507,213	4,467,571	7,594	4,475,165	0	5,078,514	5,078,514	32,752	0
June 30, 2046	0	4,425,845	6,931	4,432,776	0	5,173,540	5,173,540	219	0
June 30, 2047	0	4,456,704	6,349	4,463,053	0	5,366,730	5,366,730	200	0
June 30, 2048	0	4,438,506	5,706	4,444,212	0	5,470,481	5,470,481	180	0
June 30, 2049	0	4,306,692	5,121	4,311,813	0	5,477,628	5,477,628	162	0
June 30, 2050	0	4,268,362	4,591	4,272,953	0	5,597,476	5,597,476	145	0
June 30, 2051	0	4,145,352	4,046	4,149,398	0	5,597,162	5,597,162	128	0
June 30, 2052	0	4,030,190	3,564	4,033,754	0	5,612,997	5,612,997	112	0
June 30, 2053	0	3,981,973	3,128	3,985,101	0	5,730,910	5,730,910	99	0
June 30, 2054	0	3,990,931	2,707	3,993,638	0	5,926,580	5,926,580	85	0
June 30, 2055	0	4,025,109	2,344	4,027,453	0	6,166,588	6,166,588	74	0
June 30, 2056	0	3,981,962	2,001	3,983,963	0	6,358,033	6,358,033	63	0
June 30, 2057	0	3,966,042	1,675	3,967,717	0	6,597,820	6,597,820	53	0
June 30, 2058	0	3,932,517	1,378	3,933,895	0	6,804,875	6,804,875	43	0
June 30, 2059	0	3,839,051	1,131	3,840,182	0	6,965,184	6,965,184	36	0
June 30, 2060	0	3,720,895	932	3,721,827	0	7,116,098	7,116,098	29	0
June 30, 2061	0	3,618,960	726	3,619,686	0	7,280,430	7,280,430	23	0

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

FIDUCIARY POSITION PROJECTION DISCLOSURES (CONTINUED)

Table 2: Projection of OPEB Plan's Fiduciary Net Position using a July 1 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Employer Share of Benefit Payments for Current Plan Members	III. Contributions to Trust for Current Plan Members	IV. Gross Contributions to Trust for Current Plan Members	V. Administrative Expenses Withdrawn from the Trust for Current Plan Members	VI. Benefit Payments Withdrawn from the Trust	VII. Trust Withdrawals [V. + VI.]	VIII. Investment Earnings	IX. Ending Fiduciary Net Position for Current Plan Members
			beyond Pay-as-you- go	[II. + III.]					
June 30, 2062	0	3,462,321	562	3,462,883	0	7,396,901	7,396,901	18	0
June 30, 2063	0	3,381,740	404	3,382,144	0	7,625,091	7,625,091	13	0
June 30, 2064	0	3,310,758	293	3,311,051	0	7,884,017	7,884,017	9	0
June 30, 2065	0	3,224,279	183	3,224,462	0	8,156,014	8,156,014	6	0
June 30, 2066	0	3,157,310	122	3,157,432	0	8,479,979	8,479,979	4	0
June 30, 2067	0	3,090,296	64	3,090,360	0	8,828,009	8,828,009	2	0
June 30, 2068	0	3,043,567	36	3,043,603	0	9,203,000	9,203,000	1	0
June 30, 2069	0	2,985,364	18	2,985,382	0	9,584,277	9,584,277	1	0
June 30, 2070	0	2,921,403	8	2,921,411	0	9,981,507	9,981,507	0	0
June 30, 2071	0	2,866,814	3	2,866,817	0	10,379,875	10,379,875	0	0
June 30, 2072	0	2,802,446	0	2,802,446	0	10,781,635	10,781,635	0	0
June 30, 2073	0	2,731,057	0	2,731,057	0	11,201,587	11,201,587	0	0
June 30, 2074	0	2,647,679	0	2,647,679	0	11,621,889	11,621,889	0	0
June 30, 2075	0	2,552,818	0	2,552,818	0	12,050,785	12,050,785	0	0
June 30, 2076	0	2,462,001	0	2,462,001	0	12,503,068	12,503,068	0	0
June 30, 2077	0	2,365,828	0	2,365,828	0	12,963,768	12,963,768	0	0
June 30, 2078	0	2,262,136	0	2,262,136	0	13,452,838	13,452,838	0	0
June 30, 2079	0	2,157,688	0	2,157,688	0	13,955,160	13,955,160	0	0
June 30, 2080	0	2,048,260	0	2,048,260	0	14,468,584	14,468,584	0	0
June 30, 2081	0	1,934,261	0	1,934,261	0	15,003,387	15,003,387	0	0
June 30, 2082	0	1,819,323	0	1,819,323	0	15,552,568	15,552,568	0	0
June 30, 2083	0	1,697,677	0	1,697,677	0	16,115,860	16,115,860	0	0
June 30, 2084	0	1,575,515	0	1,575,515	0	16,698,339	16,698,339	0	0
June 30, 2085	0	1,451,503	0	1,451,503	0	17,303,666	17,303,666	0	0
June 30, 2086	0	1,330,793	0	1,330,793	0	17,936,952	17,936,952	0	0
June 30, 2087	0	1,212,284	0	1,212,284	0	18,596,230	18,596,230	0	0
June 30, 2088	0	1,096,546	0	1,096,546	0	19,292,858	19,292,858	0	0
June 30, 2089	0	986,463	0	986,463	0	20,018,785	20,018,785	0	0
June 30, 2090	0	880,566	0	880,566	0	20,775,780	20,775,780	0	0
June 30, 2091	0	780,723	0	780,723	0	21,570,903	21,570,903	0	0
June 30, 2092	0	687,240	0	687,240	0	22,399,853	22,399,853	0	0
June 30, 2093	0	600,303	0	600,303	0	23,263,321	23,263,321	0	0
June 30, 2094	0	519,977	0	519,977	0	24,165,514	24,165,514	0	0
June 30, 2095	0	446,312	0	446,312	0	25,108,556	25,108,556	0	0
June 30, 2096	0	379,288	0	379,288	0	26,093,504	26,093,504	0	0

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

BENEFIT PAYMENT PROJECTION DISCLOSURES

Table 3: Actuarial Present Values of Projected Benefit Payments using a July 1, 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Benefit Payments for Current Plan Members		IV. Unfunded Portion of Benefit Payments [II. - III.]	V. Present Value of Funded Benefit Payments using the Long-Term Rate of Return [6.41%]	VI. Present Value of Unfunded Benefit Payments using the Municipal Bond Rate [4.09%]	VII. Present Value of Benefit Payments using the Single Equivalent Discount Rate [4.39%]
		III. Funded Portion of Benefit Payments	Payments [II. - III.]				
June 30, 2022	663,637	2,139,202	663,637	1,475,565	663,637	1,475,565	2,139,202
June 30, 2023	686,811	1,778,266	686,811	1,091,455	645,438	1,048,574	1,703,456
June 30, 2024	773,291	1,939,171	773,291	1,165,880	682,933	1,076,069	1,779,445
June 30, 2025	865,582	2,138,428	865,582	1,272,846	718,391	1,128,639	1,879,738
June 30, 2026	960,286	2,259,696	960,286	1,299,410	748,981	1,106,926	1,902,773
June 30, 2027	1,057,847	2,461,703	1,057,847	1,403,856	775,373	1,148,915	1,985,669
June 30, 2028	1,158,683	2,661,033	1,158,683	1,502,350	798,123	1,181,217	2,056,154
June 30, 2029	1,263,387	2,717,442	1,263,387	1,454,055	817,823	1,098,329	2,011,407
June 30, 2030	1,372,385	2,920,893	1,372,385	1,548,508	834,865	1,123,720	2,071,045
June 30, 2031	1,486,215	3,126,475	1,486,215	1,640,260	849,649	1,143,538	2,123,553
June 30, 2032	1,605,227	3,241,778	1,605,227	1,636,551	862,407	1,096,126	2,109,238
June 30, 2033	1,730,116	3,264,448	1,730,116	1,534,332	873,511	987,287	2,034,634
June 30, 2034	1,848,398	3,407,700	1,848,398	1,559,302	877,013	963,934	2,034,568
June 30, 2035	1,951,165	3,533,059	1,951,165	1,581,894	870,006	939,480	2,020,672
June 30, 2036	2,028,778	3,562,097	2,028,778	1,533,319	850,120	874,855	1,951,574
June 30, 2037	2,065,814	3,660,082	2,065,814	1,594,268	813,494	873,892	1,920,898
June 30, 2038	2,047,600	3,811,794	2,047,600	1,764,194	757,750	929,043	1,916,360
June 30, 2039	1,992,641	3,903,547	1,992,641	1,910,906	692,991	966,767	1,879,928
June 30, 2040	1,891,171	3,951,262	1,891,171	2,060,091	618,083	1,001,295	1,822,854
June 30, 2041	1,731,257	4,110,981	1,731,257	2,379,724	531,735	1,111,208	1,816,753
June 30, 2042	1,528,166	4,208,953	1,528,166	2,680,787	441,084	1,202,608	1,781,799
June 30, 2043	1,275,836	4,226,451	1,275,836	2,950,615	346,070	1,271,650	1,713,936
June 30, 2044	944,620	4,350,402	944,620	3,405,782	240,793	1,410,149	1,689,983
June 30, 2045	507,213	4,467,571	507,213	3,960,358	121,505	1,575,345	1,662,489
June 30, 2046	0	4,425,845	0	4,425,845	0	1,691,339	1,577,676
June 30, 2047	0	4,456,704	0	4,456,704	0	1,636,218	1,521,842
June 30, 2048	0	4,438,506	0	4,438,506	0	1,565,515	1,451,867
June 30, 2049	0	4,306,692	0	4,306,692	0	1,459,343	1,349,485
June 30, 2050	0	4,268,362	0	4,268,362	0	1,389,530	1,281,208
June 30, 2051	0	4,145,352	0	4,145,352	0	1,296,466	1,191,939
June 30, 2052	0	4,030,190	0	4,030,190	0	1,210,928	1,110,075
June 30, 2053	0	3,981,973	0	3,981,973	0	1,149,435	1,050,653
June 30, 2054	0	3,990,931	0	3,990,931	0	1,106,760	1,008,717
June 30, 2055	0	4,025,109	0	4,025,109	0	1,072,383	974,557
June 30, 2056	0	3,981,962	0	3,981,962	0	1,019,207	923,551
June 30, 2057	0	3,966,042	0	3,966,042	0	975,250	881,161
June 30, 2058	0	3,932,517	0	3,932,517	0	929,014	836,956
June 30, 2059	0	3,839,051	0	3,839,051	0	871,302	782,691
June 30, 2060	0	3,720,895	0	3,720,895	0	811,307	726,688
June 30, 2061	0	3,618,960	0	3,618,960	0	758,079	677,047

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS
BENEFIT PAYMENT PROJECTION DISCLOSURES (CONTINUED)
Table 3: Actuarial Present Values of Projected Benefit Payments using a July 1, 2021 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Benefit Payments for Current Plan Members	III. Funded Portion of Benefit Payments	IV. Unfunded Portion of Benefit Payments [II. - III.]	V. Present Value of Funded Benefit Payments using the Long-Term Rate of Return [6.41%]	VI. Present Value of Unfunded Benefit Payments using the Municipal Bond Rate [4.09%]	VII. Present Value of Benefit Payments using the Single Equivalent Discount Rate [4.39%]
June 30, 2062	0	3,462,321	0	3,462,321	0	696,773	620,492
June 30, 2063	0	3,381,740	0	3,381,740	0	653,819	580,555
June 30, 2064	0	3,310,758	0	3,310,758	0	614,947	544,459
June 30, 2065	0	3,224,279	0	3,224,279	0	575,355	507,931
June 30, 2066	0	3,157,310	0	3,157,310	0	541,269	476,457
June 30, 2067	0	3,090,296	0	3,090,296	0	508,967	446,725
June 30, 2068	0	3,043,567	0	3,043,567	0	481,577	421,461
June 30, 2069	0	2,985,364	0	2,985,364	0	453,809	396,010
June 30, 2070	0	2,921,403	0	2,921,403	0	426,639	371,223
June 30, 2071	0	2,866,814	0	2,866,814	0	402,218	348,961
June 30, 2072	0	2,802,446	0	2,802,446	0	377,739	326,775
June 30, 2073	0	2,731,057	0	2,731,057	0	353,654	305,054
June 30, 2074	0	2,647,679	0	2,647,679	0	329,387	283,299
June 30, 2075	0	2,552,818	0	2,552,818	0	305,108	261,658
June 30, 2076	0	2,462,001	0	2,462,001	0	282,693	241,733
June 30, 2077	0	2,365,828	0	2,365,828	0	260,978	222,518
June 30, 2078	0	2,262,136	0	2,262,136	0	239,735	203,815
June 30, 2079	0	2,157,688	0	2,157,688	0	219,682	186,226
June 30, 2080	0	2,048,260	0	2,048,260	0	200,348	169,344
June 30, 2081	0	1,934,261	0	1,934,261	0	181,764	153,191
June 30, 2082	0	1,819,323	0	1,819,323	0	164,246	138,027
June 30, 2083	0	1,697,677	0	1,697,677	0	147,243	123,380
June 30, 2084	0	1,575,515	0	1,575,515	0	131,279	109,684
June 30, 2085	0	1,451,503	0	1,451,503	0	116,194	96,800
June 30, 2086	0	1,330,793	0	1,330,793	0	102,346	85,016
June 30, 2087	0	1,212,284	0	1,212,284	0	89,569	74,187
June 30, 2088	0	1,096,546	0	1,096,546	0	77,834	64,281
June 30, 2089	0	986,463	0	986,463	0	67,270	55,395
June 30, 2090	0	880,566	0	880,566	0	57,689	47,368
June 30, 2091	0	780,723	0	780,723	0	49,138	40,231
June 30, 2092	0	687,240	0	687,240	0	41,555	33,924
June 30, 2093	0	600,303	0	600,303	0	34,872	28,386
June 30, 2094	0	519,977	0	519,977	0	29,019	23,553
June 30, 2095	0	446,312	0	446,312	0	23,930	19,366
June 30, 2096	0	379,288	0	379,288	0	19,537	15,765

APPENDIX II – PLAN PROVISIONS

Plan Year

July 1 through June 30.

Premium Effective Date

Medicare Supplement Plans: effective January 1, 2023

Active Plans: effective July 1, 2022

Dental Plans: N/A

Creditable Service

Elapsed time from date of hire to termination of service date.

Benefits Offered

Comprehensive Medical Insurance and \$1,000 of Group Term Life Insurance.

Medicare Part A

To the best of our knowledge the Town does not pay any Medicare Part A premiums or penalties.

Medicare Part B

Medicare Part B Premium reimbursements by the Town were not reflected in this valuation.

Medicare Part B Penalty reimbursements have been reflected.

Surviving Spouse Coverage

Spousal benefits do not change after the death of a plan participant.

APPENDIX II – PLAN PROVISIONS

Eligibility

Hire Date	Eligibility
Before April 2, 2012	<ul style="list-style-type: none"> • Age 55 with 10 years of creditable service • 20 years of service regardless of age
On or after April 2, 2012	• Age 60 with 10 years of creditable service

Participant Contributions

Group	Individual	Two-Person / Family
Medical	50%	50%
Dental	100%	100%
Life	50%	N/A

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Pre-Retirement Mortality

General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females

Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females

Post-Retirement Mortality

General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females

Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Disabled Mortality

General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year

Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

Assumption Experience Study

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Discount Rate

4.39% per annum (previously 2.50%)

Net Long Term Rate of Return

6.41% (based on investment policy)

Municipal Bond Rate

4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)

Actuarial Cost Method

Individual Entry Age Normal

Asset-Valuation Method

Market Value of Assets as of the Measurement Date, June 30, 2022

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Employee Termination

It was assumed that employees would terminate employment in accordance with the sample rates shown in the following table:

Non-Public Safety Employees

Service	Male	Female
0	15.00%	15.00%
5	7.60%	7.60%
10	5.40%	5.40%
15	3.30%	3.30%
20	2.00%	2.00%

Public Safety Employees

Service	Male	Female
0	9.00%	9.00%
5	6.00%	6.00%
10	3.50%	3.50%
15	2.00%	2.00%
20	1.50%	1.50%
25	1.50%	1.50%
30	1.50%	1.50%

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS
Retirement Rates for Eligible Employees

Age	Standard	Standard	Male	Female	Public
	Male	Female	Teachers	Teachers	Safety
45 - 49	0.00%	0.00%	0.00%	0.00%	6.00%
50 - 51	3.00%	3.00%	2.00%	1.50%	6.00%
52	3.00%	3.00%	2.00%	1.50%	6.00%
53	3.00%	3.00%	2.00%	1.50%	7.50%
54	3.00%	3.50%	2.00%	2.00%	15.00%
55	3.50%	5.00%	6.00%	5.00%	25.00%
56	3.50%	5.00%	20.00%	15.00%	15.00%
57	4.00%	5.50%	40.00%	35.00%	15.00%
58	5.00%	6.00%	50.00%	35.00%	15.00%
59	6.00%	6.50%	50.00%	35.00%	15.00%
60	9.00%	7.50%	40.00%	35.00%	20.00%
61	11.00%	10.00%	40.00%	35.00%	20.00%
62	15.00%	15.00%	35.00%	35.00%	20.00%
63	15.00%	15.00%	35.00%	35.00%	20.00%
64	16.00%	15.00%	35.00%	35.00%	30.00%
65	20.00%	20.00%	35.00%	35.00%	50.00%
66	20.00%	20.00%	40.00%	35.00%	25.00%
67	20.00%	20.00%	40.00%	30.00%	25.00%
68	20.00%	20.00%	40.00%	30.00%	25.00%
69	20.00%	20.00%	40.00%	30.00%	25.00%
70	100.00%	100.00%	100.00%	100.00%	100.00%
71	100.00%	100.00%	100.00%	100.00%	100.00%
72	100.00%	100.00%	100.00%	100.00%	100.00%

Permanent Disability Rates

Age	Public		
	Standard	Teachers	Safety
20	0.01%	0.05%	0.20%
30	0.01%	0.07%	0.21%
40	0.07%	0.21%	0.71%
50	0.13%	0.42%	1.10%
60	0.12%	0.50%	0.80%

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Trend Rate

Medicare Part A & B Premiums & Penalties: Assumed to rise at the same rates as our Medical Plan trend assumption.

Medical Plans: Rates were developed using the SOA Getzen Model of Long-Run Medical Cost Trends with the following model input variables:

Inflation (CPI):	2.50%
Real GDP (per capita):	1.10%
Excess Medical Cost Growth:	1.10%
Expected Health Share of GDP in 2030:	21%
Health Share of GDP Resistance Point:	22.5%
Year for Limiting Cost Growth to GDP Growth:	2060

See below for a table of trend rates for select years:

Year	Rate
2021	9.00%
2022	8.00%
2023	6.50%
2024	5.00%
2025	4.96%
2026	4.92%
2027	4.88%
2028	4.84%
2029	4.81%
2030 - 2037	4.77%
2050	4.38%
2060+	3.63%

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Participation Rate

It was assumed that 80% of employees eligible to receive retirement benefits would enroll in the retiree medical plans upon retirement. For life insurance plans, it was assumed that 80% of eligible employees would elect coverage upon retirement.

Spouse Participation Rate

It was assumed that 80% of male employees and 70% of female employees who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement.

Medicare Eligibility

It was assumed that retirees who were over age 66 on the valuation date and were enrolled in an Active plan were ineligible for Medicare and all other participants would be eligible for Medicare at age 65, absent any information to the contrary.

Compensation Increases

3.00% per year.

Inflation Rate

2.50% per year.

COVID-19

We recognize that COVID-19 may impact plan experience. We have reviewed the assumptions used in this report. Based on the data that is currently available, we have not made any adjustments to these assumptions to reflect the impact of COVID-19. We will continue to monitor the impact of COVID-19 to determine if adjustments to valuation assumptions are warranted.

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Implicit Subsidy

The implicit subsidy arises because retirees who are not eligible for Medicare are charged the same premium as active employees, even though their actual medical costs are higher on average. Consequently, a portion of the premiums being paid for active employees are being used to “subsidize” the premiums of retirees. Actuarial Standards of Practice and GASB standards require the liability associated with this implicit subsidy to be valued. The chart below shows a breakdown of how implicit cost impacts reported cash flows and liabilities. Actuarial Standard of Practice No. 6 (“ASOP 6”) requires us to recognize this implicit subsidy while the plan sponsor may only pay the premiums billed by an insurance provider.

Impact of Implicit Subsidy		
	As of the Measurement Date	
Impact on Liability	<u>June 30, 2022</u>	<u>June 30, 2021</u>
I. Total OPEB Liability	59,438,717	85,553,931
II. Total OPEB Liability (Excluding Implicit Subsidy)	<u>39,256,421</u>	<u>73,420,939</u>
III. Liability from Implicit Subsidy [I. - II.]	20,182,296	12,132,992

	For the Measurement Period Ending	
Impact on Payments	<u>June 30, 2022</u>	<u>June 30, 2021</u>
IV. Employer Payments (Including Implicit Subsidy)	2,139,202	1,943,746
V. Actual Employer Payments	<u>1,531,796</u>	<u>1,520,975</u>
VI. Implicit Subsidy [IV. - V.]	607,406	422,771

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Pre-65 and post-65 per capita costs were developed using fully insured premium rates.

ANNUAL PER CAPITA CLAIMS*

ACTIVE EMPLOYEES			RETIREE - NOT MEDICARE ELIGIBLE			RETIREE - MEDICARE ELIGIBLE		
Age Bracket	Female	Male	Age Bracket	Female	Male	Age Bracket	Female	Male
24 & Under	5,200	3,278	44 & Under	10,220	6,697	65 to 69	3,018	3,100
25 to 29	7,672	3,411	45 to 49	11,226	8,456	70 to 74	3,560	3,714
30 to 34	9,694	4,281	50 to 54	13,206	11,136	75 to 79	4,131	4,386
35 to 39	9,985	5,375	55 to 59	15,267	14,478	80 to 84	4,738	5,041
40 to 44	10,220	6,697	60 to 64	18,167	18,579	85 to 89	5,296	5,615
45 to 49	11,226	8,456	65 to 69	21,777	23,174	90 & Over	5,296	5,615
50 to 54	13,206	11,136	70 to 74	25,681	27,772			
55 to 59	15,267	14,478	75 to 79	29,824	32,800			
60 to 64	18,167	18,579	80 to 84	34,195	37,701			
65 to 69	21,777	23,174	85 to 89	39,033	43,154			
70 & Over	25,681	27,772	90 & Over	39,033	43,154			

*Based on SOA 'Health Care Costs--From Birth to Death' study published in 2013

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Open Group Forecast

For the projection of plan liabilities in future years, it was assumed that the number of active employees will remain constant and those who terminate employment or retire will be replaced with new employees with the demographics below:

Open Group Forecast Population Demographics		
Age	Male	Female
20	8.0%	5.0%
30	7.0%	14.0%
40	20.0%	19.0%
50	10.0%	10.0%
60	3.0%	4.0%
Total	48.0%	52.0%

Additional Comments

The liabilities being reported as of the Measurement Date of June 30, 2022 reflect a closed group and do not reflect any new entrants after the valuation date.

To the best of our knowledge all employees who are eligible on the valuation date are included in the actuarial valuation.

APPENDIX IV – PLAN DEMOGRAPHICS
Active Employees

Valuation Date	July 1, 2021	July 1, 2019
A. Average Age at Hire	35.83	35.81
B. Average Service	<u>10.70</u>	<u>11.18</u>
C. Average Current Age	46.53	46.99

Retired Employees & Spouses

Valuation Date	July 1, 2021	July 1, 2019
A. Under Age 65	48	35
B. Age 65 & Over	<u>313</u>	<u>278</u>
C. Total	361	313

Average Service Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-24	15									15
25-29	36	4								40
30-34	20	17	1							38
35-39	25	29	8	3						65
40-44	15	11	12	9	3					50
45-49	17	5	3	12	7	3				47
50-54	16	14	12	9	9	12				72
55-59	9	7	8	8	8	4		1		45
60-64	4	4	9	14	10	6	2	2		51
65-69	2	8	1	4	3		1			19
70+		1	1	1	1	3	1		1	9
Total	159	100	55	60	41	28	4	3	1	451

APPENDIX IV – PLAN DEMOGRAPHICS
Plan Offerings

	Number of Contracts			
	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>	<u>Total</u>
HMO Blue	129		271	400
Master Health Plus	1		1	2
Medex	130		72	202
Total	260		272	604

Per Contract Costs (monthly)

	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>
HMO Blue	1,010.92		2,631.48
Master Health Plus	2,792.56		6,928.90
Medex	385.00		770.00
Dental Plan	N/A		N/A

APPENDIX IV – PLAN DEMOGRAPHICS

	Active Plan Average Premium Calculation					
	Single	Two-Person	Family	Number of Participants	Total Premiums Paid	Claims Without Children
HMO Blue	129		271	671	10,122,477.12	8,139,927.84
Master Health Plus	1		1	3	116,657.52	100,532.16
Total	130	0	272	674	10,239,134.64	8,240,460.00
						Blended Average Monthly Rate: \$ 1,018.85

	Medicare Supplement Plan Average Premium Calculation					
	Single	Two-Person	Family	Number of Participants	Total Premiums Paid	Claims Without Children
Medex	130	72		274	1,265,880.00	1,265,880.00
Total	130	72	0	274	1,265,880.00	1,265,880.00
						Blended Average Monthly Rate: \$ 385.00

APPENDIX V – OVERVIEW OF GASB 74 & 75

Before Statements 74 and 75, GASB statement 45 established the reporting standards for Other Postemployment Benefit (“OPEB”) plans. It was designed to recognize the Other Postemployment Benefits earned by employees throughout their working career vs. when they are paid in retirement – accrual accounting vs. “pay-as-you-go” accounting. Additionally, each eligible active employee earns benefits each year representing benefits to be paid in retirement or a “Service Cost”. These amounts are reflected in your financial statement each year so that OPEB benefits for an eligible employee shall be fully charged to the financial statement when that eligible employee terminates employment.

In 2012 GASB issued GASB Statements 67 and 68 to update and standardize the financial reporting of pension liabilities. This increased the transparency of pension liabilities by moving them to the balance sheet and made financial statement disclosures of pension liabilities more comparable between municipal entities. GASB Statements 74 and 75 are designed to have the same effect on OPEB plans.

GASB 74 and 75 require retiree medical plans to disclose information about asset and liability levels and show historical contribution information. GASB 74 only applies in situations where a separate trust is established to prefund these benefits. GASB 75 requires employers to perform periodic actuarial valuations to determine annual accounting costs and to keep a running tally of the extent to which these amounts are over or under funded.

GASB 74 and 75 apply to those benefits provided after retirement, except for pension benefits, such as medical, dental and life insurance. The philosophy behind the accounting standard is that these postemployment benefits are part of the compensation earned by employees in return for their services, and the cost of these benefits should be recognized while employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 74 and 75 extend this practice to all other postemployment benefits.

APPENDIX V – OVERVIEW OF GASB 74 & 75

The process of determining the liability for OPEB benefits is based on many assumptions about future events. The key actuarial assumptions are:

Turnover and retirement rates – How likely is it that an employee will qualify for postemployment benefits and when will they start?

Medical inflation and claims cost assumptions – When an employee starts receiving postemployment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

Mortality assumption – How long is a retiree likely to receive benefits?

Discount rate assumption – What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Total OPEB Liability" or "Past Service Liability"), the part that is being earned this year (the "Service Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Service Cost have been calculated, the next step is to determine an actuarially determined contribution. This is an amount that if paid annually would fully prefund the benefits for current active and retired employees. This consists of two pieces:

- ✓ Service Cost – because the benefits earned by active employees each year should be paid for each year
- ✓ Past Service Cost – a catch-up payment to fund the Accrued Liability over a period of time determined by an actuary

The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements as the Net OPEB Liability (NOL). If you decide to fully fund the NOL this will appear in the financial statement as a Net OPEB Asset. In addition, the Discount Rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside to prefund the benefits; if there is no prefunding then the Discount Rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.

APPENDIX VI – ASOP 41 DISCLOSURES

The Actuarial Standards Board (the “ASB”), vested by the U.S.-based actuarial organizations¹, promulgates actuarial standards of practice (“ASOPs”) for use by actuaries when providing professional services in the United States. Each of these organizations requires its members, through its Code of Professional Conduct², to observe the ASOPs of the ASB when practicing in the United States.

The ASOPs are not narrowly prescriptive and neither dictate a single approach nor mandate a particular outcome. ASOPs are intended to provide actuaries with a framework for performing professional assignments and to offer guidance on relevant issues, recommended practices, documentation, and disclosure. Each ASOP articulates a process of analysis, documentation, and disclosure that, in the ASB’s judgment, constitutes appropriate practice within the scope and purpose of the ASOP.

ASOP 41 provides guidance to actuaries with respect to actuarial communications and requires certain disclosures which are contained in this Appendix.

Identification of the Responsible Actuary

The responsible actuary is Parker Elmore, ASA, EA, FCA, MAAA of Odyssey Advisors. This actuary is available to provide supplementary information and explanation.

Identification of Actuarial Documents

The date of this document is December 7, 2022 and its subject is the Town of Bellingham's GASB 75 OPEB liabilities.

¹ The American Academy of Actuaries (the “Academy”), the American Society of Pension Professionals and Actuaries, the Casualty Actuarial Society, the Conference of Consulting Actuaries, and the Society of Actuaries.

² These organizations adopted identical *Codes of Professional Conduct* effective January 1, 2001

APPENDIX VI – ASOP 41 DISCLOSURES

Disclosures in Actuarial Reports

- ✓ The contents of this report are intended for the use of the officers, employees, and elected officials of the Town and the Town's appointed auditor. The Town may distribute this report to those parties that have a legal right to require the Town to provide it, in which case it will be provided in its entirety including all assumptions, caveats, and limitations. In addition, we request that the Town notify Odyssey Advisors to whom it was distributed.
- ✓ The purpose of this engagement was to provide the Town with analysis of the GASB 75 OPEB liabilities.
- ✓ The responsible actuary identified above is qualified as specified in the *Qualification Standards* of the American Academy of Actuaries.
- ✓ Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.
- ✓ Actuarial computations under GASB 75 are for purposes of fulfilling financial accounting requirements of the Town. Determinations for purposes other than meeting these financial accounting requirements may be significantly different from the results contained in this report. These communications should not be relied upon for any other purpose.
- ✓ The Town of Bellingham has agreed to pay Odyssey Advisors a fee for preparing this report. Other than with regard to that contract, we are financially and organizationally independent from the Town and any entity or individual related to the Town. There is nothing in our relationship with the Town that would impair or seem to impair the objectivity of our work.
- ✓ The Town provided the employee/retiree data, premium rates and other information used to prepare our report. We have reviewed the data for reasonableness but have not audited it. To the extent that there are material inaccuracies in the data, our results may be accordingly affected.
- ✓ The date through which data or other information has been considered in developing the findings included in this report is June 30, 2022.
- ✓ The various documents comprising the actuarial report are contained within the document to which these disclosures are attached.

APPENDIX VI – ASOP 41 DISCLOSURES

Events Subsequent to the Measurement Date

To the best of our knowledge there were no material events subsequent to the Measurement Date that would impact the figures shown in this report.

Actuarial Findings

The actuarial findings of the report can be found in the report to which these disclosures are attached.

Methods, Procedures, Assumptions, and Data

The methods, procedures, assumptions and data used by the actuary can be found in the report to which these disclosures are attached.

Assumptions or Methods Prescribed by Law

While not legally binding, our determinations were made in accordance with our understanding of Statement No. 75 of the Governmental Accounting Standards Board. Actuarial computations under GASB 75 are for purposes of fulfilling employer accounting requirements. Determinations for purposes other than meeting such requirements may be significantly different from these results. Accordingly, additional determinations may be needed for other purposes.

Responsibility for Assumptions and Methods

The actuary does not disclaim responsibility for any material assumption(s) or method(s).

Deviation from the Guidance of an ASOP

The actuary has not deviated materially from the guidance set forth in an applicable ASOP.

Rounding

Results in this report are shown to the nearest dollar. Due to the predictive nature of these results, no implication is made as to the degree of precision in these unrounded figures. Clients should work with their auditors to decide if it would be prudent to round these results when applying them to the financial statements.

GLOSSARY

Accrual Accounting – A system of accounting in which revenues are recorded when earned and outlays are recorded when goods are received or services performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time.

Actuarially Determined Contribution – Amount of funding required annually to fully fund plan benefits. Determined by the actuary using a consistent methodology.

Amortization – Allows the recognition of liability over a fixed period of time.

Cash Basis Accounting – A system of accounting in which revenues are recorded when received and outlays are recorded when payment is made.

Deferred Inflows/Outflows of Resources – Amounts arising from experience gains and losses that have not been recognized into the OPEB Expense but will be recognized in the future.

Discount Rate – The interest rate used to calculate the present value of future cash flows. Under GASB 75, the rate should be the expected long-term rate of return on investments for a plan that is being fully funded, the 20-year municipal bond index for a pay-as-you-go plan, and a blend of the two rates for a plan that is being partially funded.

Entry Age Normal – Under this method, the annual service cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement. The annual service cost for each active member is a level percent of payroll. The total OPEB liability is the actuarial present value of the projected benefit times the ratio of past service to expected total service at retirement/termination.

Fiduciary Net Position – The value of cash, investments, other assets and property belonging to an OPEB trust.

GLOSSARY

Government Accounting Standards Board (GASB) – “The Governmental Accounting Standards Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.”

Implicit Subsidy – The liability that arises because retirees who are not eligible for Medicare are charged the same premium as active employees even though their actual medical costs are higher on average.

Irrevocable Contribution – The transfer of assets to a qualified trust in which assets may only be withdrawn for the purpose of providing retiree other postemployment benefits.

Net OPEB Liability (NOL) – Total OPEB Liability less the Fiduciary Net Position.

Other Postemployment Benefits (OPEB) – Benefits that an employee will begin to receive at the start of retirement. This does not include pension benefits paid to the retired employee.

OPEB Trust – An entity which holds assets for the sole purpose of funding OPEB. All contributions and earning within this entity must be irrevocable and protected from creditors.

Pay-as-you-go funding – Paying benefits (such as pensions or OPEB) on a cash basis, with no money set aside for future liabilities which are already incurred.

Service Cost – The actuarially determined present value contribution needed to fund benefits which are earned for employee service rendered during the current year. Service cost depends on many factors, including the interest rate used to discount future cashflows, and expected inflation.

Total OPEB Liability (TOL) – That portion, as determined by the Individual Entry Age Normal Actuarial Cost Method, of the Actuarial Present Value of benefits and expenses which are not provided for by future Service Costs.