



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT GASB 75 ACTUARIAL VALUATION

For:

Town of Longmeadow, MA

As of:

July 1, 2019

(updated as of June 30, 2020)

Prepared by:

USI Consulting Group

November 19, 2020



CONSULTING GROUP

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November 19, 2020

Town of Longmeadow, MA
735 Longmeadow Street, Suite 101
Longmeadow, MA 01106

RE: July 1, 2019 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Longmeadow, MA as of July 1, 2019.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the OPEB expense for the fiscal years ending June 30, 2020 and June 30, 2021.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standard 75 (GAS 75). We believe this report provides all the information your auditor requires of the fiscal years ending June 30, 2020 and June 30, 2021. When completed, we would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink that reads "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

A handwritten signature in blue ink that reads "John Sheaves".

John Sheaves
Senior Actuarial Consultant

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Section I

Executive Summary

This section presents the results of the July 1, 2019 valuation. The Executive Summary provides a brief discussion of key valuation results and includes the actuarial certification. The Executive Summary Detail provides detailed development of the expenses and liabilities.

EXECUTIVE SUMMARY

Introduction

Other postemployment benefits (“OPEB”) are benefits, other than pension or retirement income benefits, that are earned during employment but are payable upon cessation of employment. OPEB includes postemployment health care benefits (medical, dental, vision, hearing, and other health-related benefits), whether provided separately or through a defined benefit pension plan. OPEB also includes life insurance, disability, long-term care, etc., when provided separately from a pension plan.

Unlike pension plans, there is no requirement that OPEB benefits be funded prior to when the benefits are payable. However, Generally Accepted Accounting Principles (“GAAP”) view OPEB as a form of deferred compensation, and require that the costs related to these benefits be recognized during employment.

This July 1, 2019 Actuarial Valuation has been prepared to assist management in meeting the requirements of Government Accounting Standards. The valuation is a biennial valuation that provides financial results for fiscal years ending June 30, 2020 and June 30, 2021.

The results for fiscal years ending June 30, 2020 and June 30, 2021 are developed to comply with Statement of Governmental Accounting Standards Number 75 (GAS 75), which replaces GAS 45 for fiscal years beginning after June 15, 2017.

Additional information about GAS 75 is provided in Appendix E.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Standards discussed above. Liabilities developed for other purposes could be significantly different than those shown in this report.

The valuation is based on the July 1, 2020 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 75. In our opinion, the actuarial assumptions are reasonable, considering the experience of the plan and reasonable expectations, and individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report. I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 75.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY (cont.)

Summary of Results

For fiscal years ending June 30, 2020 and June 30, 2021, the Total OPEB Liability, the Fiduciary Net Position, the Net OPEB Liability and Deferred (Outflows) / Inflows of resources are based on calculations as of the Valuation Date. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending June 30, 2020

<i>Total OPEB Liability</i>	\$33,078,415
<i>Fiduciary Net Position</i>	\$3,259,274
<i>Net OPEB Liability</i>	\$29,819,141
<i>OPEB Expense</i>	\$309,338
<i>Deferred (Outflows)/Inflows of Resources</i>	\$14,291,741
<i>Expected Benefit Payments</i>	\$1,330,343

Fiscal Year Ending June 30, 2021 (Estimated)

<i>Total OPEB Liability</i>	\$34,549,370
<i>Fiduciary Net Position</i>	\$4,108,919
<i>Net OPEB Liability</i>	\$30,440,451
<i>OPEB Expense</i>	\$78,592
<i>Deferred (Outflows)/Inflows of Resources</i>	\$11,612,446
<i>Expected Benefit Payments</i>	\$1,486,577

Economic Assumptions

The following table details the selected and projected economic assumptions for the current fiscal year and the fiscal year ending June 30, 2021, respectively. More detailed information is provided in Section IV.

<u>Assumption Selection Date</u>	<u>July 1, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
<i>Discount rate</i>	4.46%	5.57%	5.57% *
<i>2019 Medical Trend Rates</i>	7.00%	7.00%	7.00%
<i>2020 Medical Trend Rates</i>	6.50%	6.50%	6.50%
<i>Ultimate Medical Trend Rate</i>	5.00%	5.00%	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2023	2023	2023
<i>Annual Payroll Increase</i>	2.50%	2.50%	2.50%

*Estimated

Experience Gains and Losses

The plan had an accumulated experience gain over the past two years primarily due to healthcare costs increasing less than assumed. The impact on the OPEB Liability is provided in Section III.

EXECUTIVE SUMMARY (cont.)

Assumption Changes included in current valuation

The mortality projection scale was updated to MP-2018. The impact on the OPEB Liability is provided in Section III.

Benefit Changes included in current valuation

The repeal of the high cost plan excise tax is reflected in the 6/30/2020 liabilities.

Discount Rate

In accordance with GAS 75, the discount rate should be the single rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB assets are expected to be invested using a strategy to achieve that return.
- b) A yield or index rate for 20-year, tax-exempt, general obligation municipal bonds with an average rating of AA/Aa or higher. To the extent that the conditions in (a) are not met. We used the Bond Buyer's 20 Bond Index, which is at 3.50% as of June 30, 2019 and 2.21% as of June 30, 2020.

Based on the current asset allocation of the OPEB Trust fund and a 2.0% assumption we assumed an expected long-term of return on the Trust investments of 5.50%.

We have applied our professional judgement to project cash flows for contributions from the employer in determining the discount rate. The employer has adopted a formal written funding policy and has made contributions to the Trust in past years. In addition, the employer is paying plan benefits directly outside of the Trust, which was estimated at \$1,330,343 in fiscal year 2020. Based on this level of funding, our cashflow projections do not fully meet the requirements of (a) above. Thus, we have adopted a discount rate of 4.46% as of the June 30, 2019 measurement date and a discount rate of 5.57% as of the June 30, 2020 measurement date, which blends the long term expected rate of return with the index rate, in accordance with the provisions of GAS 75. This assumption will be reviewed as of the next measurement date and modified as appropriate.

Actuarial Determined Contribution

To our knowledge the plan sponsor is not subject to statutorily or contractually required contributions. For purposes of developing the discount rate we have developed an Actuarial Determined Contribution (ADC) such that if the plan is funded at the ADC level the funding will meet the requirements of (a) above under the Discount Rate discussion.

EXECUTIVE SUMMARY DETAIL
GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING JUNE 30, 2020

	<u>School Non-Teacher</u>	<u>Teacher</u>	<u>Day Care</u>	<u>Water</u>	<u>Sewer</u>	<u>All Other</u>	<u>Total</u>
I. Present Value of Future Benefits							
A. Retirees/Disableds	\$4,327,110	\$11,763,124	\$0	\$315,053	\$1,003,514	\$3,650,993	\$21,059,794
B. Active Employees	<u>\$5,040,374</u>	<u>\$11,733,394</u>	<u>\$51,705</u>	<u>\$0</u>	<u>\$1,480,639</u>	<u>\$3,425,595</u>	<u>\$21,731,707</u>
C. Total	\$9,367,484	\$23,496,518	\$51,705	\$315,053	\$2,484,153	\$7,076,588	\$42,791,501
II. Total OPEB Liability							
A. Retirees/Disableds	\$4,327,110	\$11,763,124	\$0	\$315,053	\$1,003,514	\$3,650,993	\$21,059,794
B. Active Employees	<u>\$2,887,824</u>	<u>\$6,923,278</u>	<u>\$32,280</u>	<u>\$0</u>	<u>\$667,507</u>	<u>\$1,507,732</u>	<u>\$12,018,621</u>
C. Total	\$7,214,934	\$18,686,402	\$32,280	\$315,053	\$1,671,021	\$5,158,725	\$33,078,415
III. Fiduciary Net Position	\$710,900	\$1,841,203	\$3,181	\$31,043	\$164,649	\$508,298	\$3,259,274
IV. Net OPEB Liability	\$6,504,034	\$16,845,199	\$29,099	\$284,010	\$1,506,372	\$4,650,427	\$29,819,141
V. Expected Benefit Payments							
A. Retirees/Disableds	\$285,937	\$771,254	\$0	\$14,796	\$52,079	\$206,277	\$1,330,343
B. Active Employees	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C. Total	\$285,937	\$771,254	\$0	\$14,796	\$52,079	\$206,277	\$1,330,343
VI. OPEB Expense							
A. Service Cost	\$363,390	\$684,143	\$4,884	\$0	\$125,591	\$263,811	\$1,441,819
B. Interest	\$362,609	\$946,664	\$1,684	\$15,750	\$86,048	\$263,863	\$1,676,618
C. Projected Investment Earnings	(\$29,138)	(\$73,307)	(\$581)	(\$959)	(\$829)	(\$24,990)	(\$129,804)
D. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0	\$0
E. Recognition of Deferred Outflows/ Inflows of Resources	<u>(\$69,709)</u>	<u>(\$1,883,137)</u>	<u>(\$50,875)</u>	<u>(\$4,916)</u>	<u>\$144,884</u>	<u>(\$815,542)</u>	<u>(\$2,679,295)</u>
F. OPEB Expense	\$627,152	(\$325,637)	(\$44,888)	\$9,875	\$355,694	(\$312,858)	\$309,338
[A. + B. + C. + D. + E.]							
VII. Deferred (Outflows) of Resources							
A. Experience Loss	(\$2,435,393)	\$0	\$0	(\$62,992)	(\$1,373,723)	\$0	(\$3,872,108)
B. Change In Assumptions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. Investment Loss	(\$37,361)	(\$52,248)	(\$9,510)	(\$735)	(\$638)	(\$113,139)	(\$213,631)
D. Total	(\$2,472,754)	(\$52,248)	(\$9,510)	(\$63,727)	(\$1,374,361)	(\$113,139)	(\$4,085,739)
Deferred Inflows of Resources							
A. Experience Gain	\$1,344,291	\$3,259,582	\$207,157	\$0	\$0	\$2,295,590	\$7,106,620
B. Change In Assumptions	\$2,332,310	\$6,239,313	\$50,509	\$81,063	\$320,829	\$2,078,977	\$11,103,001
C. Investment Gain	\$18,880	\$9,233	\$2,135	\$4,972	\$114,564	\$18,075	\$167,859
D. Total	\$3,695,481	\$9,508,128	\$259,801	\$86,035	\$435,393	\$4,392,642	\$18,377,480
Recognition in Expense							
Year ended June 30,							
2019	(\$69,709)	(\$1,883,137)	(\$50,875)	(\$4,916)	\$144,884	(\$815,542)	(\$2,679,295)
2020	(\$69,709)	(\$1,883,137)	(\$50,877)	(\$4,917)	\$144,882	(\$815,544)	(\$2,679,302)
2021	(\$71,092)	(\$1,886,833)	(\$50,893)	(\$4,969)	\$144,838	(\$816,720)	(\$2,685,669)
2022	(\$126,391)	(\$1,794,873)	(\$46,914)	(\$5,185)	\$144,508	(\$779,632)	(\$2,608,487)
2023	(\$465,694)	(\$1,068,435)	(\$25,957)	(\$2,159)	\$173,789	(\$545,644)	(\$1,934,100)
Thereafter	(\$420,132)	(\$939,465)	(\$24,775)	(\$162)	\$186,067	(\$506,421)	(\$1,704,888)

EXECUTIVE SUMMARY DETAIL
ESTIMATED GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING JUNE 30, 2021

	<u>School Non-Teacher</u>	<u>Teacher</u>	<u>Day Care</u>	<u>Water</u>	<u>Sewer</u>	<u>All Other</u>	<u>Total</u>
I. Present Value of Future Benefits							
A. Retirees/Disableds	\$4,766,225	\$12,276,395	\$6,956	\$316,182	\$1,035,064	\$3,795,625	\$22,196,447
B. Active Employees	<u>\$4,784,339</u>	<u>\$11,648,387</u>	<u>\$47,523</u>	<u>\$0</u>	<u>\$1,529,010</u>	<u>\$3,442,257</u>	<u>\$21,451,516</u>
C. Total	\$9,550,564	\$23,924,782	\$54,479	\$316,182	\$2,564,074	\$7,237,882	\$43,647,963
II. Total OPEB Liability							
A. Retirees/Disableds	\$4,766,225	\$12,276,395	\$6,956	\$316,182	\$1,035,064	\$3,795,625	\$22,196,447
B. Active Employees	<u>\$2,810,212</u>	<u>\$7,111,772</u>	<u>\$30,815</u>	<u>\$0</u>	<u>\$771,906</u>	<u>\$1,628,218</u>	<u>\$12,352,923</u>
C. Total	\$7,576,437	\$19,388,167	\$37,771	\$316,182	\$1,806,970	\$5,423,843	\$34,549,370
III. Fiduciary Net Position	\$897,007	\$2,318,679	\$4,089	\$38,887	\$208,763	\$641,494	\$4,108,919
IV. Net OPEB Liability	\$6,679,430	\$17,069,488	\$33,682	\$277,295	\$1,598,207	\$4,782,349	\$30,440,451
V. Expected Benefit Payments							
A. Retirees/Disableds	\$308,812	\$832,953	\$0	\$15,980	\$56,246	\$222,779	\$1,436,770
B. Active Employees	<u>\$20,951</u>	<u>\$24,220</u>	<u>\$102</u>	<u>\$0</u>	<u>\$639</u>	<u>\$3,895</u>	<u>\$49,807</u>
C. Total	\$329,763	\$857,173	\$102	\$15,980	\$56,885	\$226,674	\$1,486,577
VI. OPEB Expense							
A. Service Cost	\$282,707	\$513,076	\$3,597	\$0	\$95,975	\$199,563	\$1,094,918
B. Interest	\$408,559	\$1,045,862	\$1,996	\$17,109	\$96,859	\$292,229	\$1,862,614
C. Projected Investment Earnings	(\$43,567)	(\$112,714)	(\$197)	(\$1,895)	(\$10,118)	(\$31,154)	(\$199,645)
D. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0	\$0
E. Recognition of Deferred Outflows/ (Inflows) of Resources	<u>(\$69,709)</u>	<u>(\$1,883,137)</u>	<u>(\$50,875)</u>	<u>(\$4,916)</u>	<u>\$144,884</u>	<u>(\$815,542)</u>	<u>(\$2,679,295)</u>
F. OPEB Expense	\$577,990	(\$436,913)	(\$45,479)	\$10,298	\$327,600	(\$354,904)	\$78,592
[A. + B. + C. + D. + E.]							
VII. Deferred (Outflows) of Resources							
A. Experience Loss	(\$1,805,279)	\$0	\$0	(\$50,602)	(\$1,144,922)	\$0	(\$3,000,803)
B. Change In Assumptions	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. Investment Loss	<u>(\$27,329)</u>	<u>(\$37,337)</u>	<u>(\$7,123)</u>	<u>(\$472)</u>	<u>(\$410)</u>	<u>(\$84,265)</u>	<u>(\$156,936)</u>
D. Total	(\$1,832,608)	(\$37,337)	(\$7,123)	(\$51,074)	(\$1,145,332)	(\$84,265)	(\$3,157,739)
Deferred Inflows of Resources							
A. Experience Gain	\$1,122,461	\$2,653,254	\$166,240	\$0	\$0	\$1,894,758	\$5,836,713
B. Change In Assumptions	\$1,850,578	\$4,950,671	\$38,875	\$64,737	\$265,325	\$1,641,418	\$8,811,604
C. Investment Gain	<u>\$12,587</u>	<u>\$6,155</u>	<u>\$1,424</u>	<u>\$3,729</u>	<u>\$85,923</u>	<u>\$12,050</u>	<u>\$121,868</u>
D. Total	\$2,985,626	\$7,610,080	\$206,539	\$68,466	\$351,248	\$3,548,226	\$14,770,185
Recognition in Expense							
Year ended June 30,							
2020	(\$69,709)	(\$1,883,137)	(\$50,877)	(\$4,917)	\$144,882	(\$815,544)	(\$2,679,302)
2021	(\$71,092)	(\$1,886,833)	(\$50,893)	(\$4,969)	\$144,838	(\$816,720)	(\$2,685,669)
2022	(\$126,391)	(\$1,794,873)	(\$46,914)	(\$5,185)	\$144,508	(\$779,632)	(\$2,608,487)
2023	(\$465,694)	(\$1,068,435)	(\$25,957)	(\$2,159)	\$173,789	(\$545,644)	(\$1,934,100)
2024	(\$396,348)	(\$886,288)	(\$23,374)	(\$152)	\$175,534	(\$477,756)	(\$1,608,384)
Thereafter	(\$23,784)	(\$53,177)	(\$1,401)	(\$10)	\$10,533	(\$28,665)	(\$96,504)

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

	<i>As of July 1, 2020</i>				<i>As of January 1, 2018</i>			
	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>
Male	175	0	109	284	177	0	97	274
Female	<u>385</u>	0	<u>220</u>	<u>605</u>	<u>405</u>	0	<u>210</u>	<u>615</u>
Total	560	0	329	889	582	0	307	889

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES

**INACTIVE EMPLOYEES
 NOT YET RECEIVING BENEFITS**

<i>Age</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>
29 and under	0	45	45	0	0	0
30 - 34	0	42	42	0	0	0
35 - 39	0	56	56	0	0	0
40 - 44	3	48	51	0	0	0
45 - 49	10	62	72	0	0	0
50 - 54	23	85	108	0	0	0
55 - 59	45	39	84	0	0	0
60 - 64	44	14	58	0	0	0
65 and over	34	10	44	0	0	0
Total	156	401	560	0	0	0

INACTIVES RECEIVING BENEFITS

<i>Age</i>	<i>Retirees</i>	<i>Spouse</i>	<i>Total</i>
54 and under	2	2	4
55 - 59	7	9	16
60 - 64	26	15	41
65 - 69	58	29	87
70 - 74	76	27	103
75 - 79	55	32	87
80 - 84	44	16	60
85 - 89	33	11	44
90 and over	27	4	31
Total	328	145	473

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

	<u>As of July 1, 2020</u>	<u>As of January 1, 2018</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	35.6	35.4
Females	38.8	38.9
Total	37.8	37.8
B. Average Service		
Males	10.1	10.2
Females	10.8	10.2
Total	10.6	10.2
C. Average Current Age		
Males	45.7	45.6
Females	49.6	49.1
Total	48.4	48.0
INACTIVES NOT RECEIVING BENEFITS:		
D. Average Current Age		
Males	N/A	N/A
Females	N/A	N/A
Total	N/A	N/A
CURRENT RETIREES		
E. Average Current Age		
Males	75.3	75.6
Females	75.3	74.7
Total	75.3	75.0

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal years ending June 30, 2020 and June 30, 2021.

FINANCIAL STATEMENT DISCLOSURE

1.) Fiscal Year ending June 30, 2020

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non Trust Assets (c)	Net OPEB Liability (d)
<i>Balances as of 06/30/2019</i>	<u>\$42,645,513</u>	<u>\$2,591,133</u>	<u>\$0</u>	<u>\$40,054,380</u>
Changes for the year:				
Service Cost	\$1,441,819			\$1,441,819
Interest	\$1,676,618			\$1,676,618
Difference between expected and actual experience	(\$5,448,323)	(\$100,202)		(\$5,348,121)
Contributions - employer		\$638,539	\$1,330,343	(\$1,968,882)
Projected Investment Income		\$129,804		(\$129,804)
Changes in Benefit Terms	\$0			\$0
Changes in assumptions	(\$5,906,869)			(\$5,906,869)
Benefit Payments	(\$1,330,343)	\$0	(\$1,330,343)	\$0
Administration Expenses		\$0		\$0
Net Changes	<u>(\$9,567,098)</u>	<u>\$668,141</u>	<u>\$0</u>	<u>(\$10,235,239)</u>
<i>Balances as of 06/30/2020</i>	<u>\$33,078,415</u>	<u>\$3,259,274</u>	<u>\$0</u>	<u>\$29,819,141</u>

Notes:

Plan changes – None
 Plan provisions are summarized in Section V.

Assumption changes –
 The discount rate changed from 4.46% as of June 30, 2019 to 5.57% as of June 30, 2020
 Assumptions summarized in Section IV.

Sensitivity of the Net OPEB Liability

1% Decrease (4.57%)	Discount Rate (5.57%)	1% Increase (6.57%)
\$34,645,501	\$29,819,141	\$25,906,488
	Healthcare Cost Trend Rates	
1% Decrease (7.00% decreasing to 4.00%)	(8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
\$25,629,784	\$29,819,141	\$35,069,886

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) Fiscal Year ending June 30, 2021 (Estimated)

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non Trust Assets (c)	Net OPEB Liability (c)
<i>Balances as of 06/30/2020</i>	<u>\$33,078,415</u>	<u>\$3,259,274</u>	<u>\$0</u>	<u>\$29,819,141</u>
Changes for the year:				
Service Cost	\$1,094,918			\$1,094,918
Interest	\$1,862,614			\$1,862,614
Difference between expected and actual experience	\$0	\$0		\$0
Contributions - employer	\$0	\$650,000	\$1,486,577	(\$2,136,577)
Projected Investment Income		\$199,645		(\$199,645)
Changes in Benefit Terms	\$0			\$0
Changes in assumptions	\$0			\$0
Benefit Payments	(\$1,486,577)	\$0	(\$1,486,577)	\$0
Administration Expenses		\$0		\$0
Net Changes	<u>\$1,470,955</u>	<u>\$849,645</u>	<u>\$0</u>	<u>\$621,310</u>
<i>Balances as of 06/30/2021</i>	<u>\$34,549,370</u>	<u>\$4,108,919</u>	<u>\$0</u>	<u>\$30,440,451</u>

Notes:

Plan changes - None
 Plan provisions are summarized in Section V.

Assumption changes – None
 Assumptions summarized in Section IV.

Sensitivity of the Net OPEB Liability

1% Decrease (4.57%)	Discount Rate (5.57%)	1% Increase (6.57%)
\$35,495,926	\$30,440,451	\$26,347,839
	Healthcare Cost Trend	
1% Decrease (6.50% decreasing to 4.00%)	Rates (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
\$25,768,593	\$30,440,451	\$36,328,692

Section IV

Actuarial Assumptions and Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Discount Rate:** The discount rate was 4.46% as of June 30, 2019.
 The discount rate was 5.57% as of June 30, 2020.
 The discount rate was based on the Bond Buyer's 20 Bond Index.

2. **Mortality:** RPH-2014 Total Dataset mortality table with mortality improvements projected by Scale MP-2019 on a generational basis.

3. **Retirement Rates:**

Group 1

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	1.0%	1.5%
55	2.0%	5.5%
60	12.0%	5.0%
65	40.0%	15.0%
70+	100.0%	100.0%

Group 4

<u>Age</u>	<u>Unisex</u>
50	2.0%
55	15.0%
60	20.0%
65+	100.0%

Teachers-Males/ Females

<u>Age</u>	<u><20</u>	<u>20-29</u>	<u>30+</u>
55	5.0% / 3.0%	3.0% / 3.0%	6.0% / 5.0%
60	10.0% / 10.0%	25.0% / 20.0%	40.0% / 35.0%
62	20.0% / 12.0%	35.0% / 30.0%	35.0% / 35.0%
65	25.0% / 25.0%	40.0% / 40.0%	35.0% / 35.0%
70	100.0% / 100.0%	100.0% / 100.0%	100.0% / 100.0%

4. **Disability Rates:**

<u>Age</u>	<u>Group 1 and 2</u>	<u>Group 4</u>	<u>Teachers</u>
	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
20	0.01%	0.10%	0.00%
25	0.02%	0.20%	0.01%
30	0.03%	0.30%	0.01%
35	0.06%	0.30%	0.01%
40	0.10%	0.30%	0.01%
45	0.15%	1.00%	0.03%
50	0.19%	1.25%	0.05%
55	0.24%	1.20%	0.08%
60	0.28%	0.85%	0.10%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

5. **Termination Rates:**

<u>Group 1</u>			
<u>Years of Service</u>	<u>Rate</u>	<u>Years of Service</u>	<u>Rate</u>
0	15.0%	20	2.0%
5	7.6%	25	1.0%
10	5.4%	30+	0.0%
15	3.3%		

<u>Group 4</u>	
<u>Years of Service</u>	<u>Rate</u>
0-10	15.0%
11+	0.0%

<u>Teachers-Males/ Females</u>			
	<u>Years of Service</u>		
<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10+</u>
20	13.0% / 10.0%	5.5% / 7.0%	1.5% / 5.0%
30	15.0% / 15.0%	5.4% / 8.8%	1.5% / 4.5%
40	13.3% / 10.5%	5.2% / 5.0%	1.7% / 2.2%
50	16.2% / 9.8%	7.0% / 5.0%	2.3% / 2.0%

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

7. **Participation Rate:** It is assumed that 65% current active employees will enroll in retiree medical and life insurance coverage.

8. **Percent Married:** It was assumed that 50% of employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

9. **Actuarial Value of Assets:** Market Value of Assets were used.
10. **Per Capita Claims Cost:** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

<u>Age</u>	<u>Male</u>	<u>Female</u>
45	\$5,997	\$7,528
50	\$7,199	\$8,305
55	\$8,741	\$9,070
60	\$10,542	\$10,106
65	\$3,850	\$3,605
70	\$4,252	\$3,984
75	\$4,695	\$4,399
80	\$4,935	\$4,620
85	\$5,188	\$4,857

Assumed 100% of participants hired after 1986 are eligible for Medicare and elect a Medicare Plan at age 65; and 90% of participants hired before 1986 are eligible for Medicare and elect a Medicare Plan at age 65. 90% of retirees under age 65 are assumed to elect a Medicare plan at age 65. Retirees over age 65 are assumed to remain in the plan currently elected.

11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 3.50% annually
13. **Payroll Growth Rate:** 2.50% annually
14. **High Cost Plan Excise Tax:** Repealed 12/31/2019
15. **Inflation Rate:** 2.50% annually

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

For GAS 45 purposes, the amortization of the unfunded actuarial accrued liability is being amortized as a level percentage of pay over 30 years on a closed basis.

ADDITIONAL COMMENTS

-The values in this valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Plan Provisions

PLAN PROVISIONS

A BRIEF DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PLAN:

- a. Plan Types:* Town participates in the Scantic Valley Regional Health Trust, which includes plans offered by Blue Cross Blue Shield, Health New England and Tufts Health Plan.
- b. Eligibility:* Group 1 and Teachers: Age 55 with 10 years of service or 20 years of service.
Group 4: Age 45 with 10 years of service or 20 years of service.

Job related disability, or non-job related disability with 10 years of service
- c. Benefit/Cost Sharing:* The Town covers 50% of the health premium and life premium.
- d. Spouse Benefit:* Yes, the Town covers 50% of the health premium.
- e. Surviving Spouse Benefit:* Yes, the Town provides medical coverage for surviving spouses. Surviving spouses pay the full medical premium.

f. Annual Medical Premiums:

Effective July 1, 2020:

BCBS Blue Care Elect Preferred PPO

Individual:	\$ 16,680.24
Family:	\$ 36,238.08

BCBS Network Blue NE HMO

Individual:	\$ 9,408.72
Family:	\$ 23,354.76

Health New England HMO

Individual:	\$ 8,202.96
Family:	\$ 20,429.52

Tufts HMO

Individual:	\$ 8,919.36
Family:	\$ 21,599.44

Effective January 1, 2020:

Medicare Plans

Tufts Medicare Preferred HMO	\$3,924.00 per person
BCBS Medex 2	\$4,522.80 per person
Tufts Medicare PDP Plus	\$4,296.00 per person
Managed Blue for Seniors	\$4,488.00 per person
HNE Medplus:	\$5,731.20 per person

- g. Life Insurance Amount:* \$2,000

Section VI
Appendices

APPENDIX - A.

ACTIVE EMPLOYEES BY AGE AND SERVICE

AS OF JULY 1, 2020

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	1	0	0	0	0	0	0	0	0	1
20 - 24	7	0	0	0	0	0	0	0	0	7
25 - 29	33	4	0	0	0	0	0	0	0	37
30 - 34	28	12	2	0	0	0	0	0	0	42
35 - 39	30	18	6	2	0	0	0	0	0	56
40 - 44	26	13	4	5	3	0	0	0	0	51
45 - 49	27	15	12	8	8	2	0	0	0	72
50 - 54	29	21	19	16	16	5	2	0	0	108
55 - 59	22	15	16	11	8	9	2	0	1	84
60 - 64	8	6	12	12	9	4	5	0	2	58
65 - 69	4	4	6	7	6	4	0	0	1	32
70 - 74	0	1	0	4	1	3	1	0	1	11
75 - 79	0	1	0	0	0	0	0	0	0	1
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	215	110	77	65	51	27	10	0	5	560

APPENDIX – B.

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2019	\$ 1,330,344	\$ 1,330,344	2049	\$ 3,360,684	\$ 78,915,790	2079	\$ 1,624,900	\$ 154,930,777
2020	\$ 1,486,578	\$ 2,816,922	2050	\$ 3,333,080	\$ 82,248,870	2080	\$ 1,535,565	\$ 156,466,342
2021	\$ 1,592,682	\$ 4,409,604	2051	\$ 3,254,680	\$ 85,503,550	2081	\$ 1,443,900	\$ 157,910,242
2022	\$ 1,679,923	\$ 6,089,527	2052	\$ 3,239,158	\$ 88,742,708	2082	\$ 1,349,810	\$ 159,260,052
2023	\$ 1,749,139	\$ 7,838,666	2053	\$ 3,176,645	\$ 91,919,353	2083	\$ 1,254,180	\$ 160,514,232
2024	\$ 1,810,469	\$ 9,649,135	2054	\$ 3,113,908	\$ 95,033,261	2084	\$ 1,157,668	\$ 161,671,900
2025	\$ 1,900,162	\$ 11,549,297	2055	\$ 3,106,752	\$ 98,140,013	2085	\$ 1,060,865	\$ 162,732,765
2026	\$ 2,001,978	\$ 13,551,275	2056	\$ 2,986,931	\$ 101,126,944	2086	\$ 964,889	\$ 163,697,654
2027	\$ 2,118,145	\$ 15,669,420	2057	\$ 2,922,856	\$ 104,049,800	2087	\$ 870,565	\$ 164,568,219
2028	\$ 2,229,149	\$ 17,898,569	2058	\$ 2,894,592	\$ 106,944,392	2088	\$ 778,765	\$ 165,346,984
2029	\$ 2,307,809	\$ 20,206,378	2059	\$ 2,818,415	\$ 109,762,807	2089	\$ 690,282	\$ 166,037,266
2030	\$ 2,381,014	\$ 22,587,392	2060	\$ 2,735,275	\$ 112,498,082	2090	\$ 606,010	\$ 166,643,276
2031	\$ 2,449,024	\$ 25,036,416	2061	\$ 2,698,277	\$ 115,196,359	2091	\$ 526,643	\$ 167,169,919
2032	\$ 2,516,695	\$ 27,553,111	2062	\$ 2,657,380	\$ 117,853,739	2092	\$ 452,687	\$ 167,622,606
2033	\$ 2,562,807	\$ 30,115,918	2063	\$ 2,597,445	\$ 120,451,184	2093	\$ 384,425	\$ 168,007,031
2034	\$ 2,592,264	\$ 32,708,182	2064	\$ 2,564,637	\$ 123,015,821	2094	\$ 322,362	\$ 168,329,393
2035	\$ 2,646,115	\$ 35,354,297	2065	\$ 2,527,726	\$ 125,543,547	2095	\$ 266,671	\$ 168,596,064
2036	\$ 2,714,757	\$ 38,069,054	2066	\$ 2,483,977	\$ 128,027,524	2096	\$ 217,457	\$ 168,813,521
2037	\$ 2,777,783	\$ 40,846,837	2067	\$ 2,439,697	\$ 130,467,221	2097	\$ 174,626	\$ 168,988,147
2038	\$ 2,849,701	\$ 43,696,538	2068	\$ 2,391,424	\$ 132,858,645	2098	\$ 137,962	\$ 169,126,109
2039	\$ 2,904,868	\$ 46,601,406	2069	\$ 2,337,622	\$ 135,196,267	2099	\$ 107,132	\$ 169,233,241
2040	\$ 2,945,063	\$ 49,546,469	2070	\$ 2,282,054	\$ 137,478,321	2100	\$ 81,709	\$ 169,314,950
2041	\$ 3,044,789	\$ 52,591,258	2071	\$ 2,222,416	\$ 139,700,737	2101	\$ 61,160	\$ 169,376,110
2042	\$ 3,125,699	\$ 55,716,957	2072	\$ 2,159,516	\$ 141,860,253	2102	\$ 44,882	\$ 169,420,992
2043	\$ 3,195,393	\$ 58,912,350	2073	\$ 2,093,206	\$ 143,953,459	2103	\$ 32,247	\$ 169,453,239
2044	\$ 3,266,061	\$ 62,178,411	2074	\$ 2,023,188	\$ 145,976,647	2104	\$ 22,685	\$ 169,475,924
2045	\$ 3,299,980	\$ 65,478,391	2075	\$ 1,950,289	\$ 147,926,936	2105	\$ 15,628	\$ 169,491,552
2046	\$ 3,369,422	\$ 68,847,813	2076	\$ 1,873,824	\$ 149,800,760	2106	\$ 10,516	\$ 169,502,068
2047	\$ 3,370,349	\$ 72,218,162	2077	\$ 1,794,088	\$ 151,594,848	2107	\$ 6,921	\$ 169,508,989
2048	\$ 3,336,944	\$ 75,555,106	2078	\$ 1,711,029	\$ 153,305,877			

APPENDIX – C.

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability						
Service Cost	\$1,094,918 *	\$1,441,819	\$1,932,518	\$2,342,191		
Interest	\$1,862,614 *	\$1,676,618	\$1,767,398	\$1,540,944		
Changes in Benefit Terms	\$0 *	\$0	\$0	\$0		
Differences between expected and actual experience	\$0 *	(\$5,448,323)	\$0	\$2,561,437		
Changes in assumptions and other inputs	\$0 *	(\$5,906,869)	(\$4,083,992)	(\$5,686,616)		
Benefit Payments	(\$1,486,577) *	(\$1,330,343)	(\$1,400,869)	(\$1,300,634)		
Net Changes in Total OPEB Liability	\$1,470,955 *	(\$9,567,098)	(\$1,784,945)	(\$542,678)		
Total OPEB Liability - Beginning	\$33,078,415 *	\$42,645,513	\$44,430,458	\$44,973,136		
Total OPEB Liability - Ending	\$34,549,370 *	\$33,078,415	\$42,645,513	\$44,430,458	\$44,973,136	
Plan Fiduciary Net Position						
Contributions Employer	\$650,000 *	\$638,539	\$481,000	\$386,059		
Differences between expected and actual experience	\$0 *	(\$100,202)	\$78,576	(\$31,892)		
Projected Investment Income	\$199,645 *	\$129,804	\$84,653	\$54,199		
Benefit Payments	\$0 *	\$0	\$0	\$0		
Administration Expenses	\$0 *	\$0	\$0	\$0		
Net Changes in plan Fiduciary Net Position	\$849,645 *	\$668,141	\$644,229	\$408,366		
Plan Fiduciary Net Position - Beginning	\$3,259,274 *	\$2,591,133	\$1,946,904	\$1,538,538		
Plan Fiduciary Net Position - Ending	\$4,108,919 *	\$3,259,274	\$2,591,133	\$1,946,904	\$1,538,538	
Net OPEB Liability - Ending	30,440,451 *	\$29,819,141	\$40,054,380	\$42,483,554	\$43,434,598	

APPENDIX – C (cont.)

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS (cont.)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	11.89% *	9.85%	6.08%	4.38%		
Covered Employee Payroll	N/A	N/A	N/A	N/A		
Net OPEB Liability as a percentage of covered Employee Payroll	N/A	N/A	N/A	N/A		
Notes:						
Assumption changes:						
Discount Rate	5.57%	5.57%	4.46%	3.87%	3.13%	
Plan changes:	None	None	None	None		

* *Estimated*

APPENDIX – C (cont.).
SCHEDULE B. SCHEDULE OF ACTUARIAL DETERMINED CONTRIBUTIONS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial Determined Contribution	\$2,288,974 *	2,309,713.00	\$2,356,404	2,406,315.00	
Contributions in relation to the Actuarially Determined Contribution	<u>\$2,136,577 *</u>	<u>\$1,968,882</u>	<u>\$1,881,869</u>	<u>\$1,686,693</u>	
Contribution Deficiency / (Excess)	\$152,397 *	\$340,831	\$474,535	\$719,622	
Covered Employee Payroll	N/A	N/A	N/A	N/A	
Contribution as a percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	
Investment Rate of Return	7.00% *	7.00%	7.50%	7.50%	

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of Payroll
Remaining amortization period	28 years
Asset Valuation	Market Value
Inflation	2.50%
Healthcare Trend rates	8.0% initially, decreasing to an ultimate rate of 5.0% in 2023
Salary Increases	3.50%
Payroll Growth	2.50%
Average Assumed Retirement Age	62
Mortality	RPH-2014 Total Dataset with Scale MP-2019

* *Estimated*

APPENDIX – D.

LONG-TERM EXPECTED RATE OF RETURN ON OPEB PLAN INVESTMENTS

Asset Class	Long-Term Real Returns
Global Equity	3.75%
Core Fixed Income	5.38%
Value-Added Fixed Income	5.32%
Private Equity	12.61%
Real Estate	4.41%
Timberland	5.94%
Portfolio Completion Strategies	1.73%
Overlay	2.57%

The long-term expected rate of return on OPEB plan investments is based on the above real rates of return, the asset allocation percentages, and a 2.0% inflation rate.

The following was the Plan’s asset allocation as provided by the Plan’s investment advisor:

Asset Class	Target Allocation
Global Equity	42.00%
Core Fixed Income	15.70%
Value-Added Fixed Income	7.50%
Private Equity	11.40%
Real Estate	9.20%
Timberland	3.70%
Portfolio Completion Strategies	9.70%
Overlay	0.60%
Total	100%

Money-Weighted Rate of Return

	Plan Investments (a)	Months Invested (b)	Period Weight (c)
<i>Balance as of 07/01/2019</i>	\$2,591,133	12	1.00
<i>Contribution 01/01/2020</i>	\$638,539	5	0.42
<i>Balance as of 06/30/2020</i>	\$3,259,271		
Money-Weighted Rate of Return	1.02%		

APPENDIX – E.

GOVERNMENT ACCOUNTING STANDARD NO. 75

The Government Accounting Standards Board (“GASB”) issued Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans” in April 2004 and Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” in June 2004. The statements introduced accrual accounting for postretirement benefits other than pensions.

GASB issued Statements No. 74 and 75 in June 2015, which are updates to Statements 43 and 45, respectively. GAS 74 and 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively, and will require numerous changes; including new terminology, accelerated recognition of plan cost, and extended disclosure items. In addition, the valuation discount rate assumption must reflect the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher to the extent that plan assets (plan’s fiduciary net position) are projected to be insufficient to make projected benefit payments.

GAS 74/75 Key changes:

- **Consistency:** New standards parallel the recent changes to pension plan accounting standards.
- **Standardization:** The Entry Age Normal (EAN) actuarial cost method will now be the only method allowed, discarding the acceptance of five other methods. The discount rate used for “pay as you go” plans will be based on a 20-year municipal bond index rate.
- **Philosophy:** More focus on plan liability than plan cost. Recognition of liability is accelerated by eliminating the provision that allowed for the 30-year amortization of the plan’s unfunded liability.
- **Reporting:** Net OPEB liability will now be on government-wide financial statement balance sheets. Information disclosed and included in Required Supplementary Information is expanded.
- **Measurement:** OPEB Actuarial Valuations must be performed at least every two years regardless of the size of the plan. GASB 45 allowed plans with less than 200 participants to have valuations performed at least every three years.
- **Timing:** GAS 74 is effective for fiscal years beginning after June 15, 2016 and GAS 75 is effective for fiscal years beginning after June 15, 2017.

The **OPEB Expense** (and Deferred Inflows and Outflows of Resources) results mostly from changes to the Net OPEB Liability. The change to the liability attributable to benefit changes is fully recognized in the Net OPEB expense the year the change is made. Changes to the Net OPEB liability due to plan experience, assumption changes, and investment experience will be amortized over the average service of plan participants, which is likely much shorter than the 30 years allowed under GAS 45. Deferred outflows and inflows of resources will be established for amounts not recognized in the current year’s expense.

APPENDIX – E.

GOVERNMENT ACCOUNTING STANDARD NO. 75 (CONT.)

The **Discount Rate** for plans with assets will be determined using a depletion date test. The test will determine a “cross-over” date when the assets are estimated to be depleted. For this purpose, the projection of future contributions to the Trust will be based on a written funding policy and/or experience over the most recent five years. A single equivalent discount rate will then be developed by discounting the benefits prior to the cross-over date using the trust’s long term expected rate of return and discounting the benefits after the cross-over date using the market rate for high-quality 20-year municipal bonds. For plans that are funded on a pay-as-you-go basis, the discount rate will equal the market rate for high-quality 20-year municipal bonds as of the measurement date.

The **Long-Term Expected Rate of Return** on OPEB plan assets will consider the assumed asset allocation of the plan’s portfolio, and the long-term expected real rate of return for each major asset class.

The use of unadjusted premiums as the basis of projected **Per Capita Claims Costs** by employers in “community rated” plans has been effectively eliminated. Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The current Actuarial Standards of Practice significantly limit the situations in which age adjustments may be disregarded in developing per capita claims costs.

Notes to financial statements

This Statement requires that notes to financial statements of single and agent employers include:

- For the current year, sources of changes in the net OPEB liability.
- Significant assumptions and other inputs used to calculate the total OPEB liability.
- The date of the actuarial valuation used to determine the total OPEB liability, information about changes of assumptions or other inputs and benefit terms.

Required supplementary information

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability.
- The components of the net OPEB liability and related ratios, including the OPEB plan’s fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.
- If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios.

Guidelines

GASB is scheduled to issue implementation guidelines for GAS No.74 and No.75 in March and November of 2017, respectively.

APPENDIX – F.

GLOSSARY
GAS 45 / (GAS 75)

Actuarial Accrued Liability / (Total OPEB Liability). The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost / (OPEB Expense). The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

Annual Required Contributions of the Employer (ARC) / (NA). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption / (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

Healthcare Cost Trend Rate. The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

Net OPEB Obligation / (OPEB Liability). **GAS 45:** The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan. **GAS 75:** The difference between the Total OPEB Liability and the OPEB Plan's fiduciary net position as of the measurement date

Normal Cost / (Service Cost). The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost / (NA). The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.