

**Town of Scituate, RI  
Postretirement Health Insurance Program**

**Financial Disclosure Information  
in accordance with Statement of  
Governmental Accounting Standards  
Board No. 75**

**for the period beginning April 1, 2022 and  
ending March 31, 2023**

Prepared By:

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August, 2023

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## I. INTRODUCTION

The purpose of this report is to present certain financial information relative to the Town of Scituate, Rhode Island Postretirement Health Insurance Program in accordance with the Statement of Governmental Accounting Standards Board No. 75 (GASB 75).

The report presents the actuarial valuation for the Town of Scituate, Rhode Island Postretirement Health Insurance Program as of March 31, 2023. This information includes the determination of Actuarially Determined Contribution (ADC) and OPEB cost, disclosure of the Net OPEB Liability(NOL) and Funding Progress as well as other Required Supplementary Information. Sensitivity analysis on various financial and demographic assumptions is also provided.

This report was based on information submitted to our firm by the Town of Scituate, Rhode Island in the form of census data, substantive plan provisions, medical premium rates, asset/benefit payment information, and other ancillary material pertaining to the plan.

Actuarial computations under GASB 75 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with my understanding of GASB 75 and are in conformity with applicable actuarial standards of practice. To the best of my knowledge, the information contained in this report was determined in accordance with GASB 75. In addition, no relationship exists with the plan or plan sponsor that impairs the objectivity of our work.

I meet the GASB 75 Qualification Standards of the American Academy of Actuaries to render the actuarial opinions included in this report, based upon my education, experience and continuing education.



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Simon R. Encarnacion, F.S.A., E.A.  
Consulting Actuary

08/31/2023

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Date

## II. DESCRIPTIVE INFORMATION

*Plan Description:* Single-employer, defined benefit postretirement health and dental insurance program.

*Groups Covered & Eligibility:*

The Town of Scituate, Rhode Island can be separated under five groups of employees. Each group is covered under a separate contract with the Town. The groups are:

Certified Teachers  
Non-Certified School Employees  
Department of Public Works (DPW)  
Police Department  
Other Non-Union Town Employees

Town and school members are eligible for retirement at age 58 with 10 years of service or at any age with 30 years of service. Police officers are eligible at age 55 with 10 years of service or at any age with 25 years of service (20 years of service if hired before July 1, 2000).

*Benefit Formula:* **Certified Teachers:** Upon retirement, certified teachers are eligible to purchase medical and dental insurance (single or family) up to age 65 and pay 100% of the premium. The postretirement cost to the Town will be the implicit rate subsidy.

**Non-Certified School Employees:** Upon retirement, non-certified school employees are eligible to purchase medical and dental insurance (single or family) for 18 months under COBRA. The COBRA benefits do not constitute a benefit to be included in determination of OPEB liabilities. Therefore, we note this provision exists but it is not included in liabilities or costs valued in this report

**Police Department:** Police officers that are hired after July 1, 2000 with 20 years of service are eligible for medical and dental insurance (single or family). The police officer will contribute 50% of the premium towards his/her coverage.

## II. DESCRIPTIVE INFORMATION (cont'd)

*Benefit Formula*  
(cont'd):

**DPW and Town Employees:** DPW and Non-Union Town Employees upon retirement are eligible for individual medical insurance coverage. Retired members must contribute the following towards their premium coverage:

Service	Contribution
10-15	100%
16-22	21%
23-29	10.5%
30+	0%

Town employees are also eligible to contribute 100% of the remaining premium towards family coverage.

In addition, a town employee may purchase dental insurance through COBRA for up to 18 months. The COBRA benefits do not constitute a benefit to be included in determination of OPEB liabilities. Therefore, we note this provision exists but it is not included in liabilities or costs valued in this report.

Life Insurance coverage is not provided to retirees.

*Demographic Experience:*

The Total OPEB Liability decreased by approximately \$100,000 (1.5%) as a result of demographic experience more favorable than assumed.

*Significant Events:*

None.

### III. ACTUARIAL METHODS

*Measurement Date:* April 1, 2022 (for purposes of determining the OPEB Expense) and March 31, 2023 (for purposes of Net OPEB Liability)

*Actuarial Cost Method:* Costs have been computed in accordance with the Entry Age Actuarial Cost Method. The service cost is the sum of the service costs for all participants. For an active participant, the individual service cost is (a) the present value of future benefits as of the participant's entry age divided by (b) the present value of future compensation as of the participant's entry age multiplied by (c) current compensation. For other than a current active participant, the service cost equals \$0.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to (d) the present value of future benefits less (e) the service cost accrual rate multiplied by (f) the present value of future compensation.

*Asset Valuation Method:* The Fiduciary Net Position is based on the fair market value of assets as of the measurement date.

*Amortization of Unfunded Liabilities:* The portion of unfunded actuarial liabilities included in the ARC is determined using the level dollar thirty year open amortization basis.

*Census Information:* Census data and premium information as of April 1, 2022 was used to calculate the OPEB Expense. Census data and premiums information as of April 1, 2022 was used to determine the Total OPEB Liability as of March 31, 2023.

*Net OPEB Liability at Fiscal Year End:* Based on actual benefit payments, actual contributions to the Plan trust (if applicable), and estimated implicit rate subsidy, for the fiscal year ending March 31, 2023.

## IV. ACTUARIAL ASSUMPTIONS

Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan.

### Assumptions for the Current Valuation

*Discount Rate:* 1.88% as of 3/31/2021  
 3.65% as of 3/31/2022  
 4.20% as of 3/31/2023

*Index Rate:* 1.74% as of 3/31/2021  
 3.46% af of 3/31/2022  
 4.05% af of 3/31/2023  
 Based on S&P Municipal Bond 20 Year High Grade Rate Index

*Long Term Rate of Return on Assets:* 7.50%

*Healthy Mortality:* 2010 Public sector Retirement Plans Mortality table for total Teacher, total Public Safety and total General employee populations with MP-2021 improvement scale

*Turnover:* Sarason Crocker Straight Table T-1. Sample rates below:

Age	Rate
20	5.4%
25	4.9%
35	2.3%
45	0.3%
50	0.0%

*Retirement Rates:*

Police Officers:	
Age	Rate
40-44	5%
45-49	15%
50	25%
51-54	15%
55-59	50%
60	100%

#### IV. ACTUARIAL ASSUMPTIONS (cont'd)

Town and School Employees:

Age	Rate
50-54	2%
55	15%
56-59	10%
60-64	25%
65	100%

*Health Care Monthly*

*Premium Rates:*

See Per Capita Medical Costs in Section XIII.

*Health Care Cost Trend Rates -  
Medical Costs:*

6.50% per year graded down by the Getzen model to an ultimate rate of 4.14% per year

*Health Care Cost Trend Rates -  
Dental Costs:*

4.00% per year.

*Plan Election:*

All current retirees are assumed to elect medical coverage under the Healthmate Coast to Coast plans. Retirees eligible for benefits past age 65 are assumed to be Medicare eligible and will begin receiving benefits under Plan 65.

*Participation:*

Police and Town Employees: 80% of eligible future retirees are assumed to elect medical coverage under the Plan.

School Employees: 45% of eligible future retirees are assumed to elect medical coverage under the Plan.



#### IV. ACTUARIAL ASSUMPTIONS (cont'd)

*Salary Scale:* 2.50%

*Aging Assumption:* Claims costs under Healthmate Coast to Coast are assumed to increase by the following rates per year of age to reflect higher healthcare costs for older individuals:

Age	Rate
45-69	3.0%
70-74	2.0%
75-79	1.0%
80+	0.0%

## V. CHANGES IN ACTUARIAL ASSUMPTIONS

The table below indicates which assumptions, other than the Health Care Working Rates, have changed from the prior valuation. In the opinion of the actuary, these changes were made to better reflect current expectations of future experience.

	March 31, 2022	March 31, 2023	Percent Change TOL
<i>Discount Rate:</i>	3.65%	4.20%	-6.57%
<i>HCCTR:</i>	6.00% per year graded down by the Getzen model to an ultimate rate of 3.94% per year	6.50% per year graded down by the Getzen model to an ultimate rate of 4.14% per year	2.74%

## VI. DETERMINATION OF DISCOUNT RATE

### A. Determination of Discount Rate as of March 31, 2023 - Analysis of Crossover Point

Plan Year Valuation	Total Prior Year Employer Contributions	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments		
				"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Portion 7.50%	Present Value of "Unfunded" Portion * 4.05%	Present Value of All Benefit Payments - Single Rate 4.20%
2023	100,000	1,520,270	234,373	234,373	0	234,373	0	234,373
2024	100,000	1,499,917	264,101	264,101	0	245,675	0	253,462
2025	100,000	1,448,310	299,388	299,388	0	259,070	0	275,754
2026	100,000	1,357,545	329,372	329,372	0	265,131	0	291,150
2027	100,000	1,229,989	346,282	346,282	0	259,296	0	293,767
2028	100,000	1,075,956	374,037	374,037	0	260,539	0	304,531
2029	100,000	882,616	393,845	393,845	0	255,196	0	307,741
2030	100,000	654,967	403,382	403,382	0	243,140	0	302,496
2031	100,000	400,708	396,181	396,181	0	222,140	0	285,128
2032	0	34,580	410,292	34,580	375,712	18,036	262,831	283,389
2033	0	0	419,881	0	419,881	0	282,296	278,330
2034	0	0	435,640	0	435,640	0	281,491	277,144
2035	0	0	435,150	0	435,150	0	270,230	265,680
2036	0	0	458,848	0	458,848	0	273,856	268,864
2037	0	0	515,456	0	515,456	0	295,667	289,867
2038	0	0	523,743	0	523,743	0	288,727	282,663
2039	0	0	591,209	0	591,209	0	313,233	306,221
2040	0	0	648,361	0	648,361	0	330,143	322,295
2041	0	0	658,406	0	658,406	0	322,208	314,105
2042	0	0	677,726	0	677,726	0	318,753	310,297
2043	0	0	702,181	0	702,181	0	317,400	308,543
2044	0	0	722,042	0	722,042	0	313,674	304,490
2045	0	0	766,141	0	766,141	0	319,877	310,072
2046	0	0	729,345	0	729,345	0	292,661	283,289
2047	0	0	711,562	0	711,562	0	274,412	265,249
2048	0	0	701,381	0	701,381	0	259,957	250,922
2049	0	0	692,930	0	692,930	0	246,828	237,912
2050	0	0	719,248	0	719,248	0	246,231	237,001
2051	0	0	696,667	0	696,667	0	229,217	220,313
2052	0	0	741,844	0	741,844	0	234,581	225,149
2053	0	0	773,376	0	773,376	0	235,033	225,264
2054	0	0	767,696	0	767,696	0	224,225	214,602
2055	0	0	816,583	0	816,583	0	229,221	219,073
2056	0	0	838,586	0	838,586	0	226,234	215,913
2057	0	0	832,940	0	832,940	0	215,965	205,820
2058	0	0	783,552	0	783,552	0	195,252	185,817

## VI. DETERMINATION OF DISCOUNT RATE

### A. Determination of Discount Rate as of March 31, 2023 - Analysis of Crossover Point

Plan Year Valuation	Total Prior Year Employer Contributions	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments		
				"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Portion 7.50%	Present Value of "Unfunded" Portion * 4.05%	Present Value of All Benefit Payments - Single Rate 4.20%
2059	0	0	691,124	0	691,124	0	165,516	157,296
2060	0	0	696,943	0	696,943	0	160,413	152,230
2061	0	0	567,375	0	567,375	0	125,508	118,937
2062	0	0	504,160	0	504,160	0	107,183	101,428
2063	0	0	462,708	0	462,708	0	94,542	89,339
2064	0	0	363,497	0	363,497	0	71,380	67,356
2065	0	0	343,607	0	343,607	0	64,848	61,106
2066	0	0	321,036	0	321,036	0	58,230	54,792
2067	0	0	295,312	0	295,312	0	51,479	48,371
2068	0	0	295,532	0	295,532	0	49,512	46,457
2069	0	0	294,720	0	294,720	0	47,454	44,464
2070	0	0	292,637	0	292,637	0	45,285	42,371
2071	0	0	289,766	0	289,766	0	43,095	40,265
2072	0	0	285,685	0	285,685	0	40,834	38,099
2073	0	0	280,545	0	280,545	0	38,539	35,906
2074	0	0	274,274	0	274,274	0	36,211	33,690
2075	0	0	266,733	0	266,733	0	33,845	31,444
2076	0	0	258,471	0	258,471	0	31,520	29,242
2077	0	0	249,262	0	249,262	0	29,213	27,064
2078	0	0	239,419	0	239,419	0	26,968	24,948
2079	0	0	229,160	0	229,160	0	24,807	22,917
2080	0	0	218,430	0	218,430	0	22,726	20,964
2081	0	0	207,504	0	207,504	0	20,748	19,114
2082	0	0	196,380	0	196,380	0	18,872	17,360
2083	0	0	185,015	0	185,015	0	17,088	15,697
2084	0	0	173,390	0	173,390	0	15,391	14,118
2085	0	0	161,445	0	161,445	0	13,773	12,616
2086	0	0	149,134	0	149,134	0	12,227	11,184
2087	0	0	136,424	0	136,424	0	10,750	9,819
2088	0	0	123,402	0	123,402	0	9,345	8,524
2089	0	0	110,165	0	110,165	0	8,018	7,303
2090	0	0	96,902	0	96,902	0	6,778	6,165
2091	0	0	83,892	0	83,892	0	5,640	5,122
2092	0	0	71,361	0	71,361	0	4,611	4,182
2093	0	0	59,591	0	59,591	0	3,700	3,351
2094	0	0	48,819	0	48,819	0	2,913	2,635

## VI. DETERMINATION OF DISCOUNT RATE

### A. Determination of Discount Rate as of March 31, 2023 - Analysis of Crossover Point

Plan Year Valuation	Total Prior Year Employer Contributions	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments				
				"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Portion 7.50%	Present Value of "Unfunded" Portion * 4.05%	Present Value of All Benefit Payments - Single Rate 4.20%		
2095	0	0	39,211	0	39,211	0	2,249	2,031		
2096	0	0	30,872	0	30,872	0	1,702	1,535		
2097	0	0	23,811	0	23,811	0	1,261	1,136		
2098	0	0	17,978	0	17,978	0	915	823		
2099	0	0	13,277	0	13,277	0	650	583		
2100	0	0	9,582	0	9,582	0	451	404		
2101	0	0	6,752	0	6,752	0	305	273		
2102	0	0	4,640	0	4,640	0	202	180		
2103	0	0	3,106	0	3,106	0	130	116		
2104	0	0	2,024	0	2,024	0	81	72		
2105	0	0	1,282	0	1,282	0	49	44		
2106	0	0	790	0	790	0	29	26		
2107	0	0	474	0	474	0	17	15		
2108	0	0	277	0	277	0	9	8		
2109	0	0	158	0	158	0	5	5		
2110	0	0	88	0	88	0	3	2		
2111	0	0	49	0	49	0	1	1		
2112	0	0	26	0	26	0	1	1		
2113	0	0	14	0	14	0	0	0		
2114	0	0	7	0	7	0	0	0		
2115	0	0	4	0	4	0	0	0		
2116	0	0	2	0	2	0	0	0		
2117	0	0	1	0	1	0	0	0		
2118	0	0	0	0	0	0	0	0		
2119	0	0	0	0	0	0	0	0		
2120	0	0	0	0	0	0	0	0		
						2,262,598	+	8,827,224	=	11,089,822

\* The 4.05% discount rate is the 3/31/2023 S&P Municipal Bond 20 Year High Grade Rate Index.

## VI. DETERMINATION OF DISCOUNT RATE

### B. Funding Policy

Currently, the funding policy is to fund approximately \$100,000 per year.

### C. Long Term Expected Rate of Return and Asset Allocation

The long term expected rate of return on Plan investments was determined by the investment manager.

<b><u>Asset Class</u></b>	<b><u>March 31, 2023 Asset Allocation*</u></b>	<b><u>Target Asset Allocation*</u></b>	<b><u>Long Term Expected Rate of Return*</u></b>
Equity	67.90%	69.00%	8.50%
Fixed Income	24.60%	23.00%	4.50%
Real estate	7.50%	8.00%	7.00%
Cash and Equivalents	0.00%	0.00%	0.00%
	<u>100.00%</u>	<u>100.00%</u>	

Projected Rate of Return: 7.5%

\* The Projected Rate of Return was estimated by the plan sponsor.

Money-Weighted Rate of Return for Fiscal Year Ending 03/31/2023\*\*: -7.05%

\*\* This rate is determined assuming contributions and expenses are paid in the middle of the plan year.

## VII. NET OPEB LIABILITY

### A. Net OPEB Liability as of March 31, 2022

The Net OPEB Liability for the Plan was measured as of March 31, 2022, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of April 1, 2022.

The components of the Net OPEB Liability of the Plan as of March 31, 2022, were as follows:

Total OPEB Liability	\$6,891,129
Plan Fiduciary Net Position	\$ (1,531,825)
Net OPEB Liability	<u>\$ 5,359,304</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	22.23%

The discount rate used to calculate the Total OPEB Liability was 3.65%.

### B. Net OPEB Liability as of March 31, 2023

The Net OPEB Liability for the Plan was measured as of March 31, 2023, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of April 1, 2022.

The components of the Net OPEB Liability of the Plan as of March 31, 2023, were as follows:

Total OPEB Liability	\$7,031,487
Plan Fiduciary Net Position	\$ (1,520,270)
Net OPEB Liability	<u>\$ 5,511,217</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	21.62%

The discount rate used to calculate the Total OPEB Liability was 4.20%.

## VII. NET OPEB LIABILITY(cont'd)

### C. Changes in Net OPEB Liability for the Fiscal Year ending March 31, 2023

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance as of 3/31/2022	\$6,891,129	\$ 1,531,825	\$5,359,304
Changes for the year:			
Service Cost	382,152		382,152
Interest on Total OPEB Liability	246,924		246,924
Differences Between Expected and Actual Experience	(103,313)		(103,313)
Changes of Assumptions	(293,564)		(293,564)
Changes in Benefit Terms	0		0
Contributions - Employer		191,841	(191,841)
Contributions - Retirees*	65,000	65,000	0
Net Investment Income		(111,555)	111,555
Benefit Payments	(156,841)	(156,841)	0
Administrative Expense		0	0
Other Changes	0		0
Net Changes	<u>\$140,358</u>	<u>(\$11,555)</u>	<u>\$151,913</u>
Balance as of 3/31/2023	<u>\$7,031,487</u>	<u>\$1,520,270</u>	<u>\$5,511,217</u>

\* Estimated



## VII. NET OPEB LIABILITY(cont'd)

### D. Sensitivity of the Net OPEB Liability to Changes in Discount Rate as of March 31, 2023

The following presents the Net OPEB Liability as of March 31, 2023 calculated using the discount rate of 4.20%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20%) or 1-percentage-point higher (5.20%) than the current rate:

	<u>1% Decrease</u> 3.20%	<u>Current</u> <u>Discount Rate</u> 4.20%	<u>1% Increase</u> 5.20%
Plan's Net OPEB Liability as of March 31, 2023:	6,454,737	5,511,217	4,737,620

## VII. NET OPEB LIABILITY(cont'd)

### E. Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rate as of March 31, 2023

The following presents the Net OPEB Liability as of March 31, 2023 calculated using the trend rate of 6.50% per year graded down by the Getzen model to an ultimate rate of 4.14% per year, as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (5.50% per year graded down by the getzen model to an ultimate rate of 3.14% per year) or 1-percentage-point higher (7.50% per year graded down by the getzen model to an ultimate rate of 5.14% per year) than the current rate:

	<u>1% Decrease</u> 5.50% per year graded down by the getzen model to an ultimate rate of 3.14% per year	<u>Current HCCTR</u> 6.50% per year graded down by the Getzen model to an ultimate rate of 4.14% per year		<u>1% Increase</u> 7.50% per year graded down by the getzen model to an ultimate rate of 5.14% per year
Plan's Net OPEB Liability as of March 31, 2023:	3,672,699	5,511,217	7,824,799	

## VII. NET OPEB LIABILITY

### F. Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years

Fiscal Year Ending	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
<b>Total OPEB Liability (TOL)</b>										
Service Cost	\$ 382,152	\$ 470,857	\$ 360,361	\$ 414,797	\$ 384,761	\$ 275,269				
Interest on TOL	246,924	183,191	237,261	302,106	285,368	239,646				
Differences between exp. and actual experienc	(103,313)	(1,386,359)	(53,589)	(2,038,778)	(63,017)	(309,232)				
Changes of assumptions	(293,564)	(2,079,979)	1,493,563	253,557	591,414	(198,952)				
Other changes	0	0	0	0	0	563,508				
Changes in benefit terms	0	0	0	0	0	0				
Benefit payments	<u>(91,841)</u>	<u>(148,633)</u>	<u>(151,380)</u>	<u>(142,958)</u>	<u>(151,904)</u>	<u>(173,226)</u>				
Net Change in TOL	140,358	(2,960,924)	1,886,216	(1,211,275)	1,046,621	397,013				
Total OPEB Liability - beginning	6,891,129	9,852,053	7,965,837	9,177,112	8,130,491	7,733,478				
<b>Total OPEB Liability - end (a)</b>	<b>\$ 7,031,487</b>	<b>\$ 6,891,129</b>	<b>\$ 9,852,053</b>	<b>\$ 7,965,837</b>	<b>\$ 9,177,112</b>	<b>\$ 8,130,491</b>				
<b>Plan Fiduciary Net Position (FNP)</b>										
Contributions - Employer	\$ 191,841	\$ 248,633	\$ 251,380	\$ 242,958	\$ 251,904	\$ 273,226				
Contributions - Employee	65,000	60,644	67,642	65,096	75,125	54,967				
Net investment income	(111,555)	61,421	397,490	(76,393)	43,715	55,950				
Benefit payments	(156,841)	(209,277)	(219,022)	(208,054)	(227,029)	(228,193)				
Administrative expense	0	0	0	0	0	0				
Other changes	0	0	0	0	0	0				
Net Changes in FNP	(11,555)	161,421	497,490	23,607	143,715	155,950				
Fiduciary Net Position - beginning	1,531,825	1,370,404	872,914	849,307	705,592	549,642				
<b>Fiduciary Net Position - end (b)</b>	<b>\$ 1,520,270</b>	<b>\$ 1,531,825</b>	<b>\$ 1,370,404</b>	<b>\$ 872,914</b>	<b>\$ 849,307</b>	<b>\$ 705,592</b>				
<b>Net OPEB Liability - ending (a) - (b)</b>	<b>\$ 5,511,217</b>	<b>\$ 5,359,304</b>	<b>\$ 8,481,649</b>	<b>\$ 7,092,923</b>	<b>\$ 8,327,806</b>	<b>\$ 7,424,899</b>				
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	21.62%	22.23%	13.91%	10.96%	9.25%	8.68%				
Covered Employee Payroll	\$ 14,537,000	\$ 14,182,552	\$ 14,358,000	\$ 14,007,764	\$ 13,936,000	\$ 13,596,099				
	<u>(estimated)</u>		<u>(estimated)</u>		<u>(estimated)</u>					
Net OPEB Liability as a percentage of covered employee payroll	37.91%	37.79%	59.07%	50.64%	59.76%	54.61%				

Notes to Schedule: Covered Employee Payroll data was provided directly by Town of Scituate

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
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## VIII. SCHEDULE OF PLAN CONTRIBUTIONS

### A. Schedule of Plan Contributions - Last 10 Fiscal Years

Fiscal Year Ending	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Valuation Date	4/1/2022	4/1/2022	4/1/2020	4/1/2020	4/1/2018	4/1/2018	4/1/2017	4/1/2016	4/1/2015	4/1/2014
<b>Actuarially Determined Contribution</b>	\$ 679,046	\$ 843,342	\$ 723,172	\$ 858,561	\$ 791,504	\$ 649,403				
<b>Contributions in relation to the actuarially determined contribution</b>	<u>\$ 191,841</u>	<u>\$ 248,633</u>	<u>\$ 251,380</u>	<u>\$ 242,958</u>	<u>\$ 251,904</u>	<u>\$ 273,226</u>				
<b>Contribution deficiency / (excess)</b>	<u>\$ 487,205</u>	<u>\$ 594,708</u>	<u>\$ 471,792</u>	<u>\$ 615,603</u>	<u>\$ 539,600</u>	<u>\$ 376,177</u>				
Covered Employee Payroll	\$ 14,537,000	\$ 14,182,552	\$ 14,358,000	\$ 14,007,764	\$ 13,936,000	\$ 13,596,099				
Contributions as a percentage of covered employee payroll	1.32%	1.75%	1.75%	1.73%	1.81%	2.01%				

## VIII. SCHEDULE OF PLAN CONTRIBUTIONS

### B. Actuarially Determined Contribution

Total OPEB Liability	6,891,129
Fiduciary Net Position	1,531,825
Net OPEB Liability	5,359,304
Service Cost	368,695
Expected Benefit Payments	192,721
Amortization Period	30
Discount Rate	3.65%
Amortization of Net OPEB Liability	296,894
Service Cost with Interest	382,152
Actuarially Determined Contribution	\$ 679,046

Note: The ADC would be \$764,375 for an amortization period 20 years for the Net OPEB Liability.

## IX. SCHEDULE OF INVESTMENT RETURNS

### A. Schedule of Investment Returns - Last 10 Fiscal Years

Fiscal Year Ending	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
<b>Annual money-weighted rate of return, net of investment expense</b>	-7.05%	4.32%	43.07%	-8.49%	5.79%	9.33%				

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

## X. OPEB EXPENSE

### A. OPEB Expense for the Fiscal Year Ending March 31, 2023

1.	Service Cost as of April 1, 2022	\$	368,695
2.	Interest on the Total OPEB Liability		
	a. Total OPEB Liability as of April 1, 2022		\$6,891,129
	b. Service Cost		368,695
	c. Expected benefit payments (time-weighted)		(104,391)
	d. Average expected Total OPEB Liability	\$	7,155,433
	e. Discount Rate		3.65%
	f. Interest on the Total OPEB Liability [(d) x (e)]	\$	261,173
3.	Projected earning on OPEB plan investments		
	a. Fiduciary Net Position as of April 1, 2022		\$1,531,825
	b. Plan Contributions (time-weighted)		166,388
	c. Expected benefit payments (time-weighted)		(104,391)
	d. Average expected Fiduciary Net Position	\$	1,593,822
	e. Long Term Rate of Return on Investments		7.50%
	f. Earnings on Fiduciary Net Position [(d) x (e)]	\$	119,537
4.	Recognition of Deferred Outflows and (Inflows) of Resources <sup>1</sup>		
	a. Difference between expected and actual experience	\$	(429,806)
	b. Changes of assumptions	\$	(160,509)
	c. Difference between projected and actual earnings on Plan investments	\$	<u>20,409</u>
	d. Total recognized deferred outflow and (inflows) of resources [(a) + (b) + (c)]	\$	(569,906)
5.	Employee Contributions	\$	0
6.	Administrative Expenses	\$	0
7.	Other changes	\$	0
8.	<b>Total OPEB Expense for the Fiscal Year Ending March 31, 2023</b>	<b>\$</b>	<b>(59,575)</b>
	[(1) + (2.f) - (3.f) + (4.d) + (5) + (6) + (7)]		

<sup>1</sup> Please refer to Section XII for details of the recognition of deferred outflows and inflows of resource.

## X. OPEB EXPENSE

### B. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to the Plan

The Plan's deferred outflows of resources and deferred (inflows) of resources as of March 31, 2023 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
1. Difference between expected and actual experience	\$ 0	\$ (2,622,487)
2. Changes of assumptions	\$ 1,594,770	\$ (1,805,053)
3. Difference between projected and actual earnings on Plan investments	<u>\$ 240,183</u>	<u>\$ (131,561)</u>
4. Total Deferred Outflows / (Inflows)	<u><u>\$ 1,834,953</u></u>	<u><u>\$ (4,559,100)</u></u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

5. Fiscal Year Ending:	March 31, 2024	\$ (572,365)
	March 31, 2025	\$ (600,980)
	March 31, 2026	\$ (535,198)
	March 31, 2027	\$ (540,354)
	March 31, 2028	\$ (512,677)
	Thereafter	<u>\$ 37,426</u>
	Total	<u><u>\$ (2,724,148)</u></u>



## XI. DEFERRED OUTFLOWS AND INFLOWS

### A. Schedule of Differences Between Expected and Actual Plan Experience

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience											
				4/1/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028	3/31/2029	3/31/2030	3/31/2031	3/31/2032	3/31/2033
3/31/2018	(309,232)	9.9270	(153,479)	(31,151)	(31,151)	(31,151)	(31,151)	(28,875)	0	0	0	0	0	0	0
3/31/2019	(63,017)	11.777	(41,614)	(5,351)	(5,351)	(5,351)	(5,351)	(5,351)	(5,351)	(5,351)	(4,157)	0	0	0	0
3/31/2020	(2,038,778)	11.864	(1,523,241)	(171,846)	(171,846)	(171,846)	(171,846)	(171,846)	(171,846)	(171,846)	(171,846)	(148,473)	0	0	0
3/31/2021	(53,589)	11.004	(43,849)	(4,870)	(4,870)	(4,870)	(4,870)	(4,870)	(4,870)	(4,870)	(4,870)	(4,870)	(19)	0	0
3/31/2022	(1,386,359)	6.947	(1,186,797)	(199,562)	(199,562)	(199,562)	(199,562)	(199,562)	(199,562)	(188,987)	0	0	0	0	0
3/31/2023	(103,313)	6.068	(103,313)	(17,026)	(17,026)	(17,026)	(17,026)	(17,026)	(17,026)	(1,157)	0	0	0	0	0
				\$ (429,806)	\$ (429,806)	\$ (429,806)	\$ (429,806)	\$ (427,530)	\$ (388,080)	\$ (183,224)	\$ (180,873)	\$ (153,343)	\$ (19)	\$ -	\$ -

### B. Schedule of Changes in Plan Assumptions

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Plan Assumptions											
				4/1/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028	3/31/2029	3/31/2030	3/31/2031	3/31/2032	3/31/2033
3/31/2018	(198,952)	9.9270	(98,744)	(20,042)	(20,042)	(20,042)	(20,042)	(18,576)	0	0	0	0	0	0	0
3/31/2019	591,414	11.777	390,543	50,218	50,218	50,218	50,218	50,218	50,218	50,218	39,017	0	0	0	0
3/31/2020	253,557	11.864	189,441	21,372	21,372	21,372	21,372	21,372	21,372	21,372	21,372	18,465	0	0	0
3/31/2021	1,493,563	11.004	1,222,105	135,729	135,729	135,729	135,729	135,729	135,729	135,729	135,729	135,729	544	0	0
3/31/2022	(2,079,979)	6.947	(1,780,572)	(299,407)	(299,407)	(299,407)	(299,407)	(299,407)	(299,407)	(283,537)	0	0	0	0	0
3/31/2023	(293,564)	6.068	(293,564)	(48,379)	(48,379)	(48,379)	(48,379)	(48,379)	(48,379)	(3,290)	0	0	0	0	0
				\$ (160,509)	\$ (160,509)	\$ (160,509)	\$ (160,509)	\$ (159,043)	\$ (124,597)	\$ 204,029	\$ 196,118	\$ 154,194	\$ 544	\$ -	\$ -

### C. Schedule of Difference Between Projected and Actual Earnings on Plan Investments

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of	Increase/(Decrease) in OPEB Expense Arising from the Recognition of Difference Between Projected and Actual Earnings on Plan Investments						
				4/1/2022	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	3/31/2028
3/31/2019	12,295	5.000	2,459	2,459	0	0	0	0	0	0
3/31/2020	143,079	5.000	57,232	28,616	28,616	0	0	0	0	0
3/31/2021	(328,903)	5.000	(197,342)	(65,781)	(65,781)	(65,780)	0	0	0	0
3/31/2022	44,487	5.000	35,590	8,897	8,897	8,897	8,897	0	0	0
3/31/2023	231,092	5.000	231,092	46,218	46,218	46,218	46,218	46,220	0	0
				\$ 20,409	\$ 17,950	\$ (10,665)	\$ 55,117	\$ 46,220	\$ -	\$ -

## XI. DEFERRED OUTFLOWS AND INFLOWS

### D. Plan Demographics at March 31, 2023

Status	<u>Count</u>	<u>Avg. Future Service</u>
Active	195	6.770
Retirees and Beneficiaries	<u>27</u>	<u>1.000</u>
Total	222	6.068

## XII. BREAKOUT OF LIABILITY BY GROUP

As of March 31, 2023 at 4.20%

A. Headcounts	DPW	Non Union	Police	Certified	Total
1. Actives	13	21	17	144	195
2. Retirees	6	11	7	3	27
3. Total	19	32	24	147	222
4. Payroll for Actives	\$ 781,386	\$ 1,149,686	\$ 1,484,760	\$ 11,121,168	\$ 14,537,000
<b>B. Total OPEB Liability (TOL)</b>					
1. Actives' TOL	\$ 563,351	\$ 1,062,938	\$ 2,057,888	\$ 1,117,285	\$ 4,801,462
2. Retirees' TOL	\$ 219,718	\$ 481,552	\$ 1,470,172	\$ 58,583	\$ 2,230,025
3. Total TOL	\$ 783,069	\$ 1,544,490	\$ 3,528,060	\$ 1,175,868	\$ 7,031,487
4. Assets	\$ 169,306	\$ 333,932	\$ 762,798	\$ 254,233	\$ 1,520,269
5. Total NOL	\$ 613,763	\$ 1,210,558	\$ 2,765,262	\$ 921,635	\$ 5,511,218
6. Normal Cost	\$ 36,742	\$ 37,251	\$ 181,329	\$ 57,085	\$ 312,407
<b>C. Exp. Benefit Payments</b>	<b>\$ 27,454</b>	<b>\$ 50,525</b>	<b>\$ 139,125</b>	<b>\$ 17,268</b>	<b>\$ 234,372</b>
<b>D. TOL as a Percent of Payroll</b>	<b>100.2%</b>	<b>134.3%</b>	<b>237.6%</b>	<b>10.6%</b>	<b>48.4%</b>

### XIII. PER CAPITA MEDICAL COSTS

**A. Under Age 65 Per Capita Costs, April 1, 2022**

	<u>Town/ Police</u>	<u>School</u>
1. Average annual medical premium, per person:		
a. Average annual premium for individual coverage:	\$ 9,074.64	\$ 7,408.92
b. Average annual premium for family coverage:	24,140.04	19,684.08
c. Average annual premium for spouse:	15,065.40	12,275.16
d. Marriage Assumption:	75.00%	75.00%
e. Average annual premium, per person: [100.00% x (a) + 75.00% x (c)] / 175.00%	\$ 11,642.11	\$ 9,494.45
2. Estimate fiscal 2022 per person medical claims costs adjusted to age 65 basis:		
a. Average age of covered participants under 65:	46.96	49.12
b. Factor to adjust to age 65 per assumptions [1.03 ^ (65.00 - (3))]	170.44%	159.90%
c. Estimate per person medical claims costs [(1.e) x (b)]	\$ 19,843.36	\$ 15,181.86
3. Average annual dental premium, per person:		
a. Average annual premium for individual coverage:	\$ 363.05	\$ 416.52
b. Average annual premium for family coverage:	1,117.99	1,274.88
c. Average annual premium for spouse:	754.94	858.36
d. Marriage Assumption:	75.00%	75.00%
e. Average annual premium, per person: [100.00% x (a) + 75.00% x (c)] / 175.00%	531.00	605.88
4. Estimate fiscal 2022 per person dental claims costs adjusted to age 65 basis:		
a. Average age of covered participants under 65:	49.26	49.56
b. Factor to adjust to age 65 per assumptions [1.03 ^ (65.00 - (3))]	159.24%	157.84%
c. Estimate per person medical claims costs [(3.e) x (b)]	\$ 845.58	\$ 956.30

**B. Post Age 65 Per Capita Costs, April 1, 2022**

	<u>Town/ Police</u>	<u>School</u>
1. Average annual medical premium, per person	\$ 2,297.16	N/A
2. Factor to adjust to age 65 per assumptions	78.13%	N/A
3. Estimate per person post 65 medical claims costs	1,794.75	N/A

### XIII. PER CAPITA MEDICAL COSTS (cont'd)

**C. Projected Per Capita Medical and Dental Costs**

Age	Aging Assumption	Town/Police Per Person Medical	Town/Police Per Person Dental	School Per Person Medical	School Per Person Dental
40	3.00%	\$ 9,477.30	\$ 403.85	\$ 7,250.94	\$ 456.73
45	3.00%	10,986.79	468.18	8,405.83	529.48
50	3.00%	12,736.70	542.75	9,744.66	613.81
55	3.00%	14,765.32	629.19	11,296.73	711.58
60	3.00%	17,117.06	729.40	13,096.01	824.91
65	3.00%	1,794.75	845.58	N/A	N/A
70	2.00%	2,080.61	980.26	N/A	N/A
75	1.00%	2,297.16	1,082.29	N/A	N/A
80+	0.00%	2,414.36	1,137.49	N/A	N/A

The projected costs as of the 4/1/2022 valuation date are based on the 7/1/2022 medical and dental rates since when these rates are combined with the Health Care Cost Trend Rates they produce our best estimate of future medical and dental claims costs.

**D. Historical Medical Premiums - Monthly**

	<u>7/1/2018</u>	<u>7/1/2020</u>	<u>7/1/2022</u>
1. Healthmate Coast to Coast - Town/Police			
a. Single Coverage	\$ 696.52	\$ 731.35	\$ 756.22
b. Family Coverage	\$ 1,849.71	\$ 1,945.52	\$ 2,011.67
2. Classic Blue Cross - Town/Police			
a. Single Coverage	\$ 725.12	N/A	N/A
b. Family Coverage	\$ 1,880.91	N/A	N/A
3. Healthmate Coast to Coast - School			
a. Single Coverage	\$ 524.79	\$ 517.97	\$ 617.41
b. Family Coverage	\$ 1,393.45	\$ 1,375.34	\$ 1,640.34
4. Classic Blue Cross - School			
a. Single Coverage	\$ 583.03	N/A	N/A
b. Family Coverage	\$ 1,548.06	N/A	N/A
5. Plan 65 - Town/Police	\$ 174.53	\$ 185.93	\$ 191.43
6. Dental - Police			
a. Single Coverage	\$ 28.84	\$ 30.86	\$ 30.86
b. Family Coverage	\$ 87.70	\$ 97.84	\$ 97.84
7. Dental - School			
a. Single Coverage	\$ 34.71	\$ 34.71	\$ 34.71
b. Family Coverage	\$ 106.24	\$ 106.24	\$ 106.24

## XIV. PARTICIPANT DATA

### A. Reconciliation of Participant Data

	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Total as of April 1, 2020	188	30	218
New Entrants	34	n/a	34
Terminations	(24)	n/a	(24)
Active deaths	-	n/a	0
New retirees	(3)	3	0
New beneficiaries	n/a	-	0
Retiree/beneficiary deaths	n/a	-	0
Dropped coverage	n/a	(6)	(6)
Data adjustments	0	0	0
Total as of March 31, 2022	195	27	222

Note: 20 were reported in the Retiree data who did not elect coverage and are not included in the retiree count.

**B. Age and Service Distribution of Members**

1. Eligible Active Members:

Complete Years of Service as of April 1, 2022

<i>Attained</i>								
<u>Age</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+</u>	<u>Total</u>
Under 25	3	1	-	-	-	-	-	4
25-29	18	4	-	-	-	-	-	22
30-34	13	7	-	-	-	-	-	20
35-39	5	5	7	-	-	-	-	17
40-44	3	1	6	10	4	-	-	24
45-49	3	1	1	11	9	3	-	28
50-54	8	0	-	3	10	8	3	32
55-59	4	0	1	3	6	2	7	23
60-64	1	1	1	-	8	3	3	17
65-69	1	0	-	1	1	1	1	5
70+	2	0	-	-	-	1	-	3
Total	61	20	16	28	38	18	14	195

2. Retired Members:

<u>Attained Age</u>	<u>Total</u>
Under 50	1
50-54	1
55-59	2
60-64	3
65-69	5
70-74	4
75+	11
Total	27

## XIV. PARTICIPANT DATA (cont'd)

### C. Participant Statistics

1. Eligible Active Members:

	<b>DPW</b>	<b>Non Union</b>	<b>Police</b>	<b>Certified</b>	<b>Total</b>
Count:	13	21	17	144	195
Average age:	45.5	53.6	37.5	46.0	46.0
Average past service:	12.3	17.1	9.1	14.9	14.5
Average future service until retirement:	14.5	8.8	10.9	10.4	10.5
Average age of retirement:	60.0	62.4	48.5	56.4	56.6

2. Retired Members and Spouses:

	<b>DPW</b>	<b>Non Union</b>	<b>Police</b>	<b>Certified</b>	<b>Total</b>
Count:	6	11	7	3	27
Average age under 65:	0.0	0.0	55.8	64.7	57.0
Average age over 65:	81.5	78.6	66.0	81.6	74.8
Average age all retirees:	81.5	78.6	57.2	75.9	73.4
Expected future lifetime:	9.7	13.1	30.2	17.5	17.3

3. All Covered Members on Health Insurance (Active and Retirees under age 65)

	<u>Medical</u>	<u>Dental</u>
Town/Police - Average age:	46.96	49.26
School - Average age:	49.12	49.56



## XV. ACTUARIAL DISCLOSURE

### A. Low-Default-Risk Obligation Measure as of March 31, 2023

This measure is determined using the Entry Age Normal cost method described in Section III and assumptions used are described in Section IV.

	<b>Obligation</b>
1. Active Employees	\$ 4,801,462
2. Retired Employees	\$ 2,230,025
3. Total Obligation	\$ 7,031,487
4. Plan Assets	\$ 1,520,270
5. Unfunded Obligation	\$ 5,511,217
6. Funded Percentage	21.6%

### B. Low-Default-Risk Contribution Measure

	<b>Contribution</b>
1. Entry Age Normal Cost	\$ 312,407
2. 10 year Amortization of A(5)	\$ 658,604
3. Interest on (1) and (2) at 4.20%	\$ 40,782
4. Contribution Measure (1) + (2) + (3)	\$ 1,011,793

### C. Analysis

Section A shows funded status of the plan under the Low-Default-Risk measure. This measure is based on a discount rate or rates from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future. Annuity rates from Insurance Companies were approximately 4.0% to 5.5%. We determined that 4.20% is a reasonable proxy. Section B shows the amount of annual contribution needed to fund the obligation using an amortization period of ten years which is approximately the average future service of active employees in the plan.

## **XVI. GLOSSARY FOR OPEB AND GASB 75**

Actuarial Accrued Liability (AAL) – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value (APV) of plan benefits and expenses allocated to all periods prior to the valuation date. This is the amount of the APV not provided by future Normal Costs.

- a) 100% of the actuarial present value of benefits expected to be paid (APV) to:
  - i) Retirees and their dependents
  - ii) Active employees who have attained their expected retirement date and their dependents
- b) Proportionate amount, based on employee service recognized up to the valuation date, of the actuarial present value of benefits expected to be paid (AAL) for active employees who have not yet attained their expected retirement date.

The AAL is the benefit obligation disclosed in the financial statements representing current plan liability.

Active Plan Participant – Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered spouses.

Actuarial Cost Method or Funding Method – A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarial equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial determined contribution (ADC) – A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Present Value of Total Projected Benefits (APV) – The actuarial present value of the cost to finance, as of a specified date, all future benefit costs or a series of benefit costs, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (for example, by means of decrements for events such as death, disability, withdrawal or retirement) between the specified date and the expected date of payment. This includes benefits to current active members, terminated employees entitled to benefits but not yet receiving them, if any, retirees, their beneficiaries and any covered dependents pursuant to the terms of the OPEB plan. Expressed another way, 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.

Amortization Payment – That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability (UAAL).

Attribution Period – The period of an employee's service to which the actuarial present value of total projected benefits for that employee is assigned. The beginning of that period is generally the employee's date of hire and the end of the attribution period is the full eligibility date.

## XV. GLOSSARY FOR OPEB AND GASB 75

Discount Rate – The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that 35 period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on **OPEB** plan investments
- b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Entry Age Actuarial Cost Method – A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service 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 (AAL).

Full Eligibility Date – The date at which an employee has rendered all service necessary to receive full benefits under the plan.

Gains and Losses – Changes in the Unfunded Actuarial Accrued Liability (UAAL) that is the result of actual experience of the plan being different than what was expected.

Health Care Cost Trend Rate (HCCTR) – An assumption about the annual rate(s) of change in the cost of health care benefits which are currently provided by the Postemployment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants.

Differing types of service, such as hospital care and dental care, may have different trend rates as may service for different portions of the plan population, such as Medicare eligible and non-Medicare eligible members.

## XV. GLOSSARY FOR OPEB AND GASB 75

Implicit Rate Subsidy – It is a common practice to permit retired employees to continue in the plan sponsor's group health insurance plan at their own cost once eligibility for plan sponsor paid benefits is exhausted. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Therefore, unless the premium rate for retirees is set to fully recover their health costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. This is called implicit rate subsidy. This rate subsidy is considered a benefit subject to OPEB valuation, included in GASB75.

The OPEB liability normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the insurance costs for continued coverage. When the retiree is eligible for Medicare, the cost of coverage is generally much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100% of the premium.

Interest on Total OPEB Liability – The accrual of interest on the TOL for the year of the valuation. It is calculated by applying the beginning of year Discount Rate to the sum of the Expected Benefit Payments and TOL as of the beginning of year.

Market Value (or Fair Value) of Plan Assets – The amount that a plan could reasonable expect to receive for an investment in a current sale between a willing buyer and a willing seller.

Market-Related Value of Plan Assets – A balance used to calculate the Expected Return of Plan Assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Normal Cost – The portion of the Actuarial Present Value of Total Projected Benefits (APV) attributed to employee service during a valuation year by the Actuarial Cost Method.

Net OPEB Liability – The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of GASB 74.

OPEB Assets – The amount recognized by an employer for contributions to an OPEB plan greater than the OPEB expense.

OPEB Expenditures – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities – The amount recognized by an employer in each accounting period for contributions to an OPEB plan less than OPEB expense/expenditures.

## XV. GLOSSARY FOR OPEB AND GASB 75

Open Group/Closed Group – Terms used to distinguish between two classes of Actuarial Cost Methods. Under an Open Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are considered; under a Closed Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are not considered.

Pay-As-You-Go (PAYGO) – A method of expensing retiree medical benefits recognizing as an expense the cash currently paid as benefits to retirees, spouses and covered dependents. The minimum method of financing a plan, having no pre-funding until benefits actually become payable.

Per Capita Benefit Cost by Age – The current cost of providing OPEB health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Plan Fiduciary Net Position – Assets which have been irrevocably dedicated to the payment of benefits under the plan.

Postemployment – The period between termination of employment and retirement as well as the period after retirement.

Postemployment Benefits – All forms of benefits, other than retirement income (pensions), provided by the employer to the retiree, including, but not limited to, health care, life insurance and legal assistance.

Substantive Plan – The terms of a postemployment benefit plan as understood by an employer and plan members that provides postemployment benefits to the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for this transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the existing written plan.

Total OPEB Liability – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 74. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 3 of GASB 74.

Unfunded Actuarial Accrued Liability (UAAL) -- The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date – The date as of which the plan assets and OPEB obligations are measured.