

Town of Sharon
Other Postemployment Benefits Plan

GASB 74 & GASB 75 Actuarial Valuation

With a Valuation Date of July 1, 2022

As of the Measurement Date:
June 30, 2023

For the Reporting Date:
June 30, 2023

Delivered November 14, 2023



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November 14, 2023

Personal and Confidential

Mr. Krishan Gupta
Finance Director / Town Accountant
Town of Sharon
90 Main Street, PO Box 335
Sharon, MA 02067

Dear Mr. Gupta:

We have performed an actuarial valuation of the Town of Sharon Other Postemployment Benefits Plan for the Reporting Date & Fiscal Year Ending June 30, 2023 with a Measurement Date of June 30, 2023 and a Valuation Date of July 1, 2022. The figures presented in this report reflect the adoption, by the Town of Sharon, of Statement Nos. 74 and 75 of the Governmental Accounting Standards Board ("GASB 74/75").

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

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

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

Very truly yours,



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

November 14, 2023

ACTUARIAL CERTIFICATION

This is to certify that Odyssey Advisors has conducted an actuarial valuation of certain benefit obligations of the Town of Sharon other postemployment benefit programs with a Valuation Date of July 1, 2022 with a Measurement Date of June 30, 2023 for the Reporting Date & Fiscal Year Ending June 30, 2023 in accordance with Government Account Standards Board Statement No. 74 & 75 and Actuarial Standards of Practice as issued by the American Academy of Actuaries. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Numbers 74 & 75 for the determination of the liability for postemployment benefits other than pensions.

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

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

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



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



Andrew D. Taggart, ASA, EA, ACA, MAAA
Consulting Actuary

EXECUTIVE SUMMARY

How did plan liabilities change from FY 22 to FY 23?

Plan Experience

For the year ending on the Measurement Date of June 30, 2023, the Plan saw an experience loss of \$8,217,976 or 10.32% of the beginning Total OPEB Liability ("TOL"). This was mainly due to an unexpected increase in the number of active employees and covered retirees & their spouses.

Assumption Changes

Two key assumptions have changed since the prior valuation. The total impact of these assumption changes increased disclosed liabilities by approximately \$8.5 million, as detailed below.

- ✓ Due to the GASB 75 standards the discount rate has been changed from 6.05% to 5.75% increasing the disclosed liability by approximately \$3.7 million.
- ✓ Based on ongoing actuarial research, we have modified our assumption for future increases in healthcare costs using the Getzen model to reflect higher costs in the near-term increasing the disclosed liability by approximately \$4.7 million.

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

Investment Experience

- ✓ During the period investments earned approximately \$150 thousand more than expected.

Changes in Benefit Terms

- ✓ To the best of our knowledge there have been no material changes in benefit terms that would impact the figures shown in this report.

EXECUTIVE SUMMARY

Recognition Period

- ✓ Changes in assumptions & plan experience are amortized into the net OPEB expense over 5.96 years.
- ✓ Differences between projected & actual earnings on OPEB plan investments are amortized into the net OPEB expense over 5.00 years
- ✓ Changes in benefit terms are to be recognized in full immediately

Events Subsequent to the Measurement Date

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

Key Drivers of Plan Liabilities

Several key drivers of plan costs and liabilities are:

- ✓ Premiums for Post 65 (Medicare supplement) plans – represent 72.85% of the total plan liabilities
- ✓ Age at which plan participants retire
- ✓ Percentage of plan participants who elect coverage for themselves and/or a spouse
- ✓ Medical care cost inflation rate – We currently assume medical costs increase according to the Getzen Model of Long-Run Medical Cost Trends for Active and Medicare supplement plans, which includes an assumed 9.00% increase in fiscal year 2023 and an ultimate trend rate of 3.63% in fiscal year 2060.
- ✓ Discount Rate (5.75%) – Higher discount rates yield lower liabilities and vice versa
- ✓ Cost Sharing – Under Massachusetts law you may charge retirees up to 50% of premiums for health insurance

EXECUTIVE SUMMARY

Discount Rate Determinants

- ✓ Employer Current and Future Benefit Payments
- ✓ Municipal Bond Rate – The S&P 20-year high grade municipal bond index was 4.13% as of June 30, 2023.
- ✓ Current Asset Level – The Town had \$3,107,810 of OPEB assets as of June 30, 2023.
- ✓ Future Funding Policy – The Town is expected to contribute \$550,000 for Fiscal 2024, increasing by \$50,000 annually beyond pay-as-you-go costs until their pension system is fully funded, at which point the Town will reallocate the funds used to pay its pension amortization towards OPEB.
- ✓ Investment Policy – The Town is expected to earn 5.85% per year on assets based on its investment policy.

Low Default Risk Obligation Measure (LDRM)

For purposes of this LDRM, we have used a discount rate of 4.13% which represents the 20-year municipal bond index while keeping all other assumptions unchanged from the GASB 74/75 disclosures. Based on this, the LDRM Total OPEB Liability is \$126.1 million vs. the \$100.7 million under the GASB 74/75 measure - the reflection of the Town's funding and OPEB Trust Investment policy reduced disclosed liabilities by approximately \$25 million. Please note that the ultimate cost of the plan is the actual benefits paid plus expenses and any changes in assumptions, including discount rate, do not impact the actual cost of the plan.

EXECUTIVE SUMMARY

Medicare Buy-In

The Town currently has 13 retirees or covered spouses who are over the age of 65 and are enrolled in Active medical plans rather than Medicare Supplement (Senior) plans. Under Actuarial Standards of Practice for OPEB, we are required to reflect the projected higher healthcare costs that occur as retirees age.

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

EXECUTIVE SUMMARY

Key Plan Metrics

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

Representative Plan Statistics		
Valuation Date	July 1, 2022	July 1, 2020
Measurement Date & Period Ending	June 30, 2023	June 30, 2022
Reporting Date/Fiscal Year End	June 30, 2023	June 30, 2022
Total OPEB Liability	100,707,750	79,650,506
Per Eligible Active Plan Participant	68,703	63,080
Per Retiree/Spouse Plan Participant	81,227	72,741
Total Annual Service Cost (Annual Benefit Accrual)	1,884,144	1,546,645
Per Eligible Active Plan Participant	2,661	2,475
Expected Employer Share of Retiree Costs	2,392,641	1,626,388
Per Retiree/Spouse Plan Participant	3,733	2,941
Net OPEB Liability as a % of Covered Payroll	196.07%	167.17%

EXECUTIVE SUMMARY

Liabilities & Benefit Payments in Today's Dollars

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

For the Period Ending on the Measurement Date of:	Number of Retirees, Spouses, & Surviving Spouses	Total OPEB Liability	Present Value at 3.00% of Total OPEB Liability	Employer Share of Premiums/Claims Including "Implicit Cost"	Present Value at 3.00% of Employer Share of Premiums / Claims Including "Implicit Cost"
June 30, 2023	641	100,707,750	100,707,750	2,392,641	2,392,641
June 30, 2028	692	120,948,316	104,331,080	5,153,068	4,445,082
June 30, 2033	707	142,185,376	105,799,273	6,779,191	5,044,355
June 30, 2038	700	164,206,392	105,397,835	7,946,067	5,100,278
June 30, 2043	670	189,698,561	105,031,494	8,963,145	4,962,676
June 30, 2048	643	221,269,548	105,679,568	10,288,017	4,913,614
June 30, 2053	632	259,649,513	106,972,161	12,130,805	4,997,731

EXECUTIVE SUMMARY

Continuing OPEB Disclosures

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

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

<u>Fiscal Year Ending</u>		<u>Cost</u>
June 30, 2024	(Projected)	4,266,586
June 30, 2023		2,392,641
June 30, 2022		1,626,388
June 30, 2021		1,805,189
June 30, 2020		1,799,641
June 30, 2019		1,782,627

The Town performs actuarial valuations of its non-pension post-employment benefits liability in accordance with GASB reporting requirements. As of the June 30, 2023 Measurement Date the Net OPEB Liability ("NOL") was determined to be \$97,599,940 assuming a discount rate of 5.75%. The Town has established an OPEB Trust and plans to fund this liability. The Town is expected to contribute \$550,000 for Fiscal 2024, increasing by \$50,000 annually beyond pay-as-you-go costs until their pension system is fully funded, at which point the Town will reallocate the funds used to pay its pension amortization towards OPEB. The balance of this fund as of June 30, 2023 was \$3,107,810. See the Town's audit reports for additional information.

PRINCIPAL RESULTS OF THE VALUATION

Town of Sharon

Assuming Funding - 5.75% discount rate

Comparison of Plan Liabilities to Prior Valuation

Valuation Date	July 1, 2022	July 1, 2020
For the Measurement Period ending on the Measurement Date of:	June 30, 2023	June 30, 2022
For the Reporting Period & Fiscal Year ending on:	June 30, 2023	June 30, 2022
I. Total OPEB Liability		
A. Actives	48,641,385	39,424,819
B. Retirees/Disabled	<u>52,066,365</u>	<u>40,225,687</u>
C. Total	100,707,750	79,650,506
II. Fiduciary Net Position [Plan Assets]	3,107,810	2,296,483
III. Net OPEB Liability (Asset) [I. - II.]	97,599,940	77,354,023
IV. Funded Ratio [II. / I.]	3.09%	2.88%
V. Number of Eligible Participants		
A. Actives	708	625
B. Retirees/Disabled & Dependents	<u>641</u>	<u>553</u>
C. Total	1,349	1,178
VI. Service Cost	1,884,144	1,546,645
VII. Financial Statement Expense/(Income)	7,090,745	3,817,489
VIII. Employer OPEB Trust (Contribution)/Withdrawal	(500,000)	(400,000)
IX. Deferred Inflow of Resources	(13,887,393)	(19,719,592)
X. Deferred Outflow of Resources	19,188,054	8,972,440
XI. Money Weighted Rate of Return	11.31%	(6.96%)
XII. 20-year Municipal Bond Rate (SAPIHG)	4.13%	4.09%
XIII. Expected Long Term Rate of Return (Net of Expense)	5.85%	6.16%
XIV. Crossover Year	Immediate	2023
XV. Discount Rate	5.75%	6.05%

PRINCIPAL RESULTS OF THE VALUATION

Town of Sharon Plan Liabilities as of the June 30, 2023 Measurement Date

	Town Employees and Retirees	School Employees and Retirees	Public Safety Employees and Retirees	Treasurer Employees and Retirees	Highway Employees and Retirees	Water Enterprise Employees and Retirees	Total
I. Total OPEB Liability							
A. Actives	1,383,737	37,632,957	6,842,025	301,563	1,917,964	563,139	48,641,385
B. Retirees/Disabled	<u>15,694,794</u>	<u>33,429,159</u>	<u>1,710,346</u>	0	<u>1,037,170</u>	<u>194,896</u>	<u>52,066,365</u>
C. Total	17,078,531	71,062,116	8,552,371	301,563	2,955,134	758,035	100,707,750
II. Fiduciary Net Position [Plan Assets]	527,037	2,192,955	263,924	9,306	91,195	23,393	3,107,810
III. Net OPEB Liability (Asset) [I. - II.]	16,551,494	68,869,161	8,288,447	292,257	2,863,939	734,642	97,599,940
For the Reporting Date and Fiscal Year Ending June 30, 2023							
IV. Service Cost	85,438	1,380,379	295,445	19,967	84,868	18,047	1,884,144
V. Financial Statement Expense/(Income)	942,074	5,065,885	750,355	36,375	238,197	57,859	7,090,745
VI. Employer Share of Costs	(108,497)	(1,752,918)	(375,180)	(25,357)	(107,772)	(22,917)	(2,392,641)
VII. Employer OPEB Trust (Contribution)/Withdrawal	(84,792)	(352,814)	(42,461)	(1,497)	(14,672)	(3,764)	(500,000)
VIII. Total Employer Contribution [VI. + VII.]	(193,289)	(2,105,732)	(417,641)	(26,854)	(122,444)	(26,681)	(2,892,641)

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

Funding - 5.75% discount rate

For the Fiscal Year	Period Ending on the Measurement Date of:	I. Total OPEB Liability ("TOL") as of Measurement Date	II. Fiduciary Net Position as of Measurement Date with an expected 5.85% return		III. Net OPEB Liability (Asset) [I. - II.]	IV. Funded Ratio [II. / I.]	V. Service Cost	VI. Employer Share of Benefit Payments (With Implicit Cost)	VII. Trust Contributions Beyond Pay-as-you-go	VIII. Gross Trust Contributions [VI. + VII.]	IX. Benefit Payments Reimbursed from the Trust	X. Administrative & Investment Expenses Reimbursed from the Trust		XI. Total Employer Payments Less Reimbursements [VIII. - IX. - X.]
2023	June 30, 2023	100,707,750	3,107,810	97,599,940	3.09%	1,884,144	2,392,641	500,000	2,892,641	2,392,641	0	0	500,000	
2024	June 30, 2024	104,812,034	3,855,476	100,956,558	3.68%	2,554,255	4,266,586	550,000	4,816,586	4,266,586	0	0	550,000	
2025	June 30, 2025	108,703,618	4,698,322	104,005,296	4.32%	2,635,549	4,512,105	600,000	5,112,105	4,512,105	0	0	600,000	
2026	June 30, 2026	112,675,653	5,641,916	107,033,737	5.01%	2,712,603	4,723,987	650,000	5,373,987	4,723,987	0	0	650,000	
2027	June 30, 2027	116,778,745	6,692,152	110,086,593	5.73%	2,798,646	4,893,054	700,000	5,593,054	4,893,054	0	0	700,000	
2028	June 30, 2028	120,948,316	7,855,269	113,093,047	6.49%	2,889,113	5,153,068	750,000	5,903,068	5,153,068	0	0	750,000	
2029	June 30, 2029	125,161,457	9,137,870	116,023,587	7.30%	2,989,088	5,449,946	800,000	6,249,946	5,449,946	0	0	800,000	
2030	June 30, 2030	129,353,778	16,434,438	112,919,340	12.71%	3,080,076	5,805,411	6,572,490	12,377,901	5,805,411	0	0	6,572,490	
2031	June 30, 2031	133,636,274	24,157,856	109,478,418	18.08%	3,179,726	6,073,765	6,572,490	12,646,255	6,073,765	0	0	6,572,490	
2032	June 30, 2032	137,898,199	32,333,094	105,565,105	23.45%	3,282,193	6,431,586	6,572,490	13,004,076	6,431,586	0	0	6,572,490	
2033	June 30, 2033	142,185,376	40,986,583	101,198,793	28.83%	3,386,292	6,779,191	6,572,490	13,351,681	6,779,191	0	0	6,572,490	
2034	June 30, 2034	146,591,946	50,146,301	96,445,645	34.21%	3,490,816	6,915,883	6,572,490	13,488,373	6,915,883	0	0	6,572,490	
2035	June 30, 2035	150,934,744	59,841,863	91,092,881	39.65%	3,596,876	7,264,769	6,572,490	13,837,259	7,264,769	0	0	6,572,490	
2036	June 30, 2036	155,311,758	70,104,615	85,207,143	45.14%	3,715,850	7,504,969	6,572,490	14,077,459	7,504,969	0	0	6,572,490	
2037	June 30, 2037	159,868,676	80,967,738	78,900,938	50.65%	3,840,725	7,625,521	6,572,490	14,198,011	7,625,521	0	0	6,572,490	
2038	June 30, 2038	164,206,392	92,466,354	71,740,038	56.31%	3,959,850	7,946,067	6,572,490	14,518,557	7,946,067	0	0	6,572,490	
2039	June 30, 2039	168,931,484	104,637,639	64,293,845	61.94%	4,083,838	8,209,439	6,572,490	14,781,929	8,209,439	0	0	6,572,490	
2040	June 30, 2040	173,761,099	117,520,944	56,240,155	67.63%	4,225,781	8,452,273	6,572,490	15,024,763	8,452,273	0	0	6,572,490	
2041	June 30, 2041	178,742,881	131,157,922	47,584,959	73.38%	4,360,773	8,720,222	6,572,490	15,292,712	8,720,222	0	0	6,572,490	
2042	June 30, 2042	184,056,019	145,592,664	38,463,355	79.10%	4,506,722	8,871,125	6,572,490	15,443,615	8,871,125	0	0	6,572,490	
2043	June 30, 2043	189,698,561	160,871,838	28,826,723	84.80%	4,662,016	8,963,145	6,572,490	15,535,635	8,963,145	0	0	6,572,490	
2044	June 30, 2044	195,614,446	177,044,844	18,569,602	90.51%	4,811,813	9,257,109	6,572,490	15,829,599	9,257,109	0	0	6,572,490	
2045	June 30, 2045	201,486,967	194,163,970	7,322,997	96.37%	4,978,801	9,561,972	6,572,490	16,134,462	9,561,972	0	0	6,572,490	
2046	June 30, 2046	207,761,870	212,284,565	(4,522,695)	102.18%	5,149,274	9,713,711	6,572,490	16,286,201	9,713,711	0	0	6,572,490	
2047	June 30, 2047	214,164,887	219,848,437	(5,683,550)	102.65%	5,327,928	10,046,642	(4,718,714)	5,327,928	10,046,642	0	0	(4,718,714)	
2048	June 30, 2048	221,269,548	227,797,737	(6,528,189)	102.95%	5,513,843	10,288,017	(4,774,174)	5,513,843	10,288,017	0	0	(4,774,174)	
2049	June 30, 2049	228,449,048	236,064,811	(7,615,763)	103.33%	5,720,885	10,638,192	(4,917,307)	5,720,885	10,638,192	0	0	(4,917,307)	
2050	June 30, 2050	235,859,069	244,611,108	(8,752,039)	103.71%	5,921,793	11,037,772	(5,115,979)	5,921,793	11,037,772	0	0	(5,115,979)	
2051	June 30, 2051	243,493,828	253,494,647	(10,000,819)	104.11%	6,134,107	11,408,242	(5,274,135)	6,134,107	11,408,242	0	0	(5,274,135)	
2052	June 30, 2052	251,248,148	262,748,130	(11,499,982)	104.58%	6,364,400	11,784,081	(5,419,681)	6,364,400	11,784,081	0	0	(5,419,681)	
2053	June 30, 2053	259,649,513	272,428,959	(12,779,446)	104.92%	6,600,336	12,130,805	(5,530,469)	6,600,336	12,130,805	0	0	(5,530,469)	

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

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

1. OPEB Expense Development

Components of the Town's OPEB Expenses for the Fiscal Year Ending June 30, 2023	
Description	Amount
I. Service Cost	1,884,144
II. Interest on Total OPEB Liability (Asset), Service Cost, and Benefit Payments	4,861,532
III. Deferred (Inflows)/Outflows from Plan Experience*	(1,778,603)
IV. Deferred (Inflows)/Outflows from Changes of Assumptions*	2,305,503
V. Projected Earnings on OPEB Plan Investments	(156,693)
VI. Deferred (Inflows)/Outflows from Earnings on Plan Investments**	(25,138)
VII. OPEB Plan Administrative Expense	0
VIII. Other Changes in Fiduciary Net Position	0
IX. Financial Statement Expense/(Income) Prior to Plan Design Changes [I. + II.+ ... + VII. + VIII.]	7,090,745
X. Expense Related to Change in Benefit Terms***	0
XI. Financial Statement Expense/(Income) [IX. + X.]	7,090,745

* Amortized over 5.96 years

** Amortized over 5.00 years

*** Recognized Immediately

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2023 Measurement Date)

2. Changes in Net OPEB Liability

Changes in Net OPEB Liability				
		Increase (Decrease)		
		Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
I.	Balances for the June 30, 2022 Reporting Date	79,650,506	2,296,483	77,354,023
II.	Prior Period Adjustment	0	0	0
III.	Balances for the June 30, 2022 Reporting Date with Adjustment [I. + II.]	79,650,506	2,296,483	77,354,023
Changes for the year:				
IV.	Service Cost	1,884,144	0	1,884,144
V.	Interest on Total OPEB Liability, Service Cost, and Benefit Payments	4,861,532	0	4,861,532
VI.	Changes in Benefit Terms *	0	0	0
VII.	Change in Assumptions **	8,486,233	0	8,486,233
VIII.	Differences Between Actual and Expected Experience **	8,217,976	0	8,217,976
IX.	Net Investment Income	0	311,327	(311,327)
X.	Employer Contributions to Trust	0	2,892,641	(2,892,641)
XI.	Benefit Payments Withdrawn from Trust	0	(2,392,641)	2,392,641
XII.	Benefit Payments Excluding Implicit Cost	(2,392,641)	0	(2,392,641)
XIII.	Implicit Cost Amount	0	0	0
XIV.	Total Benefit Payments Including Implicit Cost [XII. + XIII.]	(2,392,641)	0	(2,392,641)
XV.	Administrative Expense	0	0	0
XVI.	Other Charges	0	0	0
XVII.	Net Changes [IV.+V.+VI.+VII.+VIII.+IX.+X.+XI.+XIV.+XV.+XVI.]	21,057,244	811,327	20,245,917
XVIII.	Balances for the June 30, 2023 Reporting Date [III.+XVII.]	100,707,750	3,107,810	97,599,940

* Recognized Immediately

** Amortized over 5.96 years

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES

(As of the June 30, 2023 Measurement Date)

3. Changes in Net OPEB Expense

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of the Effects of Differences Between Expected & Actual Experience									
Fiscal Year	Differences			2023	2024	2025	2026	2027	2028
	Between Actual & Expected Experience	Recognition Period (Years)	Remaining Balance						
2017									
2018	0	5.00	0						
2019	(7,875,438)	5.44	(636,988)	(1,447,690)	(636,988)				
2020	(42,634)	5.44	(11,282)	(7,837)	(7,837)	(3,445)			
2021	(10,177,549)	5.98	(5,071,756)	(1,701,931)	(1,701,931)	(1,701,931)	(1,667,894)		
2022	0	5.98	0	0	0	0	0	0	
2023	8,217,976	5.96	6,839,121	1,378,855	1,378,855	1,378,855	1,378,855	1,378,855	1,323,701
2024									
2025									
2026									
Total Remaining Balance			1,119,095						
Net increase (decrease) in OPEB Expense				(1,778,603)	(967,901)	(326,521)	(289,039)	1,378,855	1,323,701

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of the Effects of Changes in Assumptions									
Fiscal Year	Differences from Changes in			2023	2024	2025	2026	2027	2028
	Actuarial Assumptions	Recognition Period (years)	Remaining Balance						
2017									
2018	0	5.00	0						
2019	13,929,578	5.44	1,126,658	2,560,584	1,126,658				
2020	0	5.44	0	0	0	0			
2021	(16,290,402)	5.98	(8,117,961)	(2,724,147)	(2,724,147)	(2,724,147)	(2,669,667)		
2022	6,250,310	5.98	4,159,906	1,045,202	1,045,202	1,045,202	1,045,202	1,024,300	
2023	8,486,233	5.96	7,062,369	1,423,864	1,423,864	1,423,864	1,423,864	1,423,864	1,366,913
2024									
2025									
2026									
Total Remaining Balance			4,230,972						
Net increase (decrease) in OPEB Expense				2,305,503	871,577	(255,081)	(200,601)	2,448,164	1,366,913

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

3. Changes in Net OPEB Expense (Continued)

Deferred (Inflows)/Outflows in OPEB Expense Arising from the Recognition of Differences Between Projected & Actual Earnings on OPEB Plan Investments									
Fiscal Year	Differences			2023	2024	2025	2026	2027	2028
	Between Actual & Expected Earnings	Recognition Period (years)	Remaining Balance						
2017									
2018	675	5.00	0						
2019	(18,690)	5.00	0	(3,738)					
2020	45,793	5.00	9,157	9,159	9,157				
2021	(320,210)	5.00	(128,085)	(64,042)	(64,042)	(64,043)			
2022	322,048	5.00	193,230	64,409	64,409	64,409	64,412		
2023	(154,634)	5.00	(123,708)	(30,926)	(30,926)	(30,926)	(30,926)	(30,930)	
2024									
2025									
2026									
Total Remaining Balance			(49,406)						
Net increase (decrease) in OPEB Expense				(25,138)	(21,402)	(30,560)	33,486	(30,930)	0

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

3. Changes in Net OPEB Expense (Continued)

Statement of (Inflows) & Outflows Arising from Current & Prior Reporting Periods for the Measurement Period Ending on June 30, 2023 to be Reported for the Fiscal Year Ending June 30, 2023			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
I. Contributions Made Subsequent to the Measurement Date	0	0	0
II. Differences Between Actual & Expected Experience	6,839,121	(5,720,026)	1,119,095
III. Changes of Assumptions	12,348,933	(8,117,961)	4,230,972
IV. Net Difference Between Projected & Actual Earnings on OPEB Plan Investments	0	(49,406)	(49,406)
VI. Total [I. + II. + III. + IV.]	19,188,054	(13,887,393)	5,300,661

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

3. Changes in Net OPEB Expense (Continued)

Annual Amortization of Deferred (Inflows) & Outflows	
The balance of deferred (inflows) & outflows as of the Reporting Date of June 30, 2023 will be recognized in future years as shown below.	
Year ending June 30:	
2024	(117,726)
2025	(612,162)
2026	(456,154)
2027	3,796,089
2028	2,690,614
Thereafter	0

4. Discount Rate

The discount rate used to measure the Total OPEB liability was 5.75% as of June 30, 2023 and 6.05% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town’s funding policy. Based on these assumptions, the OPEB Plan’s Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20 – Year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

5. Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2023 Measurement Date, total Town premiums plus implicit costs for the retiree medical program were \$2,392,641. The Town also contributed \$500,000 to an OPEB Trust for a total contribution during the measurement period of \$2,892,641 to be reported on the financial statement for the fiscal year ending June 30, 2023.

6. Investment Policy

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

Investment Target Allocation & Expected Long-Term Real Rate of Return			
Asset Class	Target Allocation	Asset Class	Long-Term Expected Real Rate of Return*
Domestic Equity - Large Cap	48.25%	Domestic Equity - Large Cap	4.10%
Domestic Equity - Small/Mid Cap	5.75%	Domestic Equity - Small/Mid Cap	4.55%
International Equity - Developed Market	6.25%	International Equity - Developed Market	4.64%
International Equity - Emerging Market	2.75%	International Equity - Emerging Market	5.45%
Domestic Fixed Income	19.25%	Domestic Fixed Income	1.05%
International Fixed Income	3.25%	International Fixed Income	0.96%
Alternatives	9.25%	Alternatives	5.95%
Real Estate	2.25%	Real Estate	6.25%
Cash	3.00%	Cash	0.00%
Total	<u>100.00%</u>		
		I. Real Rate of Return	3.60%
		II. Inflation Assumption	2.50%
		III. Total Nominal Return [I. + II.]	6.10%
		IV. Investment Expense	0.25%
		V. Net Investment Return* [III.-IV.]	<u>5.85%</u>

* Mean Geometric Returns based on 2022 Horizon Survey of Capital Market Assumptions

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES

(As of the June 30, 2023 Measurement Date)

7. Schedule of The Town's Contributions

For the Fiscal Year Ending	Actuarial Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2023	6,529,490	(2,892,641)	3,636,849	49,777,624	5.81%
June 30, 2022	5,360,471	(2,026,388)	3,334,083	46,272,228	4.38%
June 30, 2021	6,406,098	(2,155,189)	4,250,909	44,924,493	4.80%
June 30, 2020	7,455,813	(2,082,627)	5,373,186	45,915,232	4.54%
June 30, 2019	7,455,813	(2,082,627)	5,373,186	44,577,895	4.67%
June 30, 2018	6,939,196	(2,996,860)	3,942,336	39,449,452	7.60%
June 30, 2017	6,602,184	(2,834,008)	3,768,176	38,300,439	7.40%

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

8. Effect of 1% Change in Healthcare Trend

<u>Impact of a 1% Change in the Healthcare Trend Rate on NOL as of the June 30, 2023 Measurement Date</u>			
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	84,547,743	97,599,940	113,911,609

9. Effect of 1% Change in Discount Rates

<u>Impact of a 1% Change in the Discount Rate on NOL as of the June 30, 2023 Measurement Date</u>			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability (Asset)	112,250,713	5.75% 97,599,940	85,798,632

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

10. Money Weighted Rate of Return

	Plan Investments / Net External Cash Flows	Periods Invested	Period Weight
I. Beginning value - June 30, 2022	2,296,483	12	1.0000
Monthly net external cash flows:			
July	500,000	11	0.9167
August	0	10	0.8333
September	0	9	0.7500
October	0	8	0.6667
November	0	7	0.5833
December	0	6	0.5000
January	0	5	0.4167
February	0	4	0.3333
March	0	3	0.2500
April	0	2	0.1667
May	0	1	0.0833
<u>June</u>	<u>0</u>	0	0.0000
II. Total net external cash flow	500,000		
III. Earnings and increase in fair value	311,327		
IV. Ending value - June 30, 2023 [I.+II.+III.]	3,107,810		
V. Receivable Contributions	0		
Plan Asset Value - June 30, 2023 [IV.+V.]	3,107,810		
Money Weighted Rate of Return	11.31%		

EXHIBIT A
FINANCIAL STATEMENT DISCLOSURES
(As of the June 30, 2023 Measurement Date)

11. OPEB Liability, OPEB Expense

	Fiscal Year Ending June 30, 2023						Total
	Town Employees and Retirees	School Employees and Retirees	Public Safety Employees and Retirees	Treasurer Employees and Retirees	Highway Employees and Retirees	Water Enterprise Employees and Retirees	
I. Total OPEB Liability as of June 30, 2023	17,078,531	71,062,116	8,552,371	301,563	2,955,134	758,035	100,707,750
II. Fiduciary Net Position as of June 30, 2023	527,037	2,192,955	263,924	9,306	91,195	23,393	3,107,810
III. Net OPEB Liability (Asset) as of June 30, 2023 [I. - II.]	16,551,494	68,869,161	8,288,447	292,257	2,863,939	734,642	97,599,940
IV. Service Cost	85,438	1,380,379	295,445	19,967	84,868	18,047	1,884,144
V. Interest on Total OPEB Liability (Asset), Service Cost, and Benefit Payments	798,015	3,442,065	425,652	15,378	143,204	37,218	4,861,532
VI. Projected Earnings on OPEB Plan Investments	(26,470)	(110,616)	(13,353)	(472)	(4,599)	(1,183)	(156,693)
VII. Net Recognition of Deferred (Inflows)/Outflows	85,091	354,057	42,611	1,502	14,724	3,777	501,762
VIII. OPEB Plan Administrative Expense	0	0	0	0	0	0	0
IX. Expense Related to Change in Benefit Terms	0	0	0	0	0	0	0
X. Financial Statement Expense/(Income) [IV. + V. + ... + VIII. + IX.]	942,074	5,065,885	750,355	36,375	238,197	57,859	7,090,745
XI. Employer Share of Costs	(108,497)	(1,752,918)	(375,180)	(25,357)	(107,772)	(22,917)	(2,392,641)
XII. Employer (Payments) Withdrawals to/from OPEB Trust	(84,792)	(352,814)	(42,461)	(1,497)	(14,672)	(3,764)	(500,000)
XIII. Total Employer Contribution [XI. + XII.]	(193,289)	(2,105,732)	(417,641)	(26,854)	(122,444)	(26,681)	(2,892,641)
XIV. Net OPEB Expense/(Income) [X. + XIII.]	748,785	2,960,153	332,714	9,521	115,753	31,178	4,198,104

EXHIBIT A

FINANCIAL STATEMENT DISCLOSURES (As of the June 30, 2023 Measurement Date)

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

Valuation Date	July 1, 2022
For the Measurement Period ending on the Measurement Date of:	June 30, 2023
For the Reporting Period & Fiscal Year ending on:	June 30, 2023

Source of Deferred Inflow/Outflow	
I. Deferred (Inflow)/Outflow from Actual vs. Expected Experience	1,119,095
II. Deferred (Inflow)/Outflow from Investment Experience	(49,406)
III. Deferred (Inflow)/Outflow from Changes in Assumptions	4,230,972

Change in Deferred Inflow/Outflow	
I. Deferred Outflow at the beginning of the period	9,168,305
II. Deferred Outflow created during the period	16,704,209
III. Deferred Outflow recognized during the period	6,482,073
IV. Change in Deferred Outflow (II. - III.)	10,222,136
V. Deferred Outflow at end of the period (I. + IV.)	19,390,441
VI. Deferred Inflow at the beginning of the period	(19,915,457)
VII. Deferred Inflow created during the period	(154,634)
VIII. Deferred Inflow recognized during the period	(5,980,311)
IX. Change in Deferred Inflow (VII. - VIII.)	5,825,677
X. Deferred Inflow at end of the period (VI. + IX.)	(14,089,780)

Net OPEB Liability	
I. Net OPEB Liability at beginning of period	77,354,023
II. Service Cost	1,884,144
III. Interest on Total OPEB Liability, Service Cost, and Payments	4,861,532
IV. Projected Investment Income	(156,693)
V. OPEB Plan Administrative Expense	0
VI. Total Employer Contributions	(2,892,641)
VII. Expense Related to Change in Benefit Terms	0
VIII. Net OPEB Expense/(Income) - Before Recognition of Deferred (Inflow)/Outflow (II. + III. + ... + VI. + VII.)	3,696,342
IX. Deferred Outflow created during the period	16,704,209
X. Deferred Inflow created during the period	(154,634)
XI. Net OPEB Liability at end of period (I. + VIII. + IX. + X.)	97,599,940

Net OPEB Expense	
I. Service Cost	1,884,144
II. Interest on Total OPEB Liability, Service Cost, and Payments	4,861,532
III. Projected Investment Income	(156,693)
IV. Recognition of Deferred (Inflow)/Outflow	501,762
V. OPEB Plan Administrative Expense	0
VI. Expense Related to Change in Benefit Terms	0
VII. Financial Statement Expense/(Income) (I. + II. + III. + IV. + V. + VI.)	7,090,745
VIII. Benefit Payments	(2,392,641)
IX. Contributions to Trust	(500,000)
X. Total Employer Payments (VIII. + IX.)	(2,892,641)
XI. Total Net OPEB Expense/(Income) under GASB 75 (IX. + X.)	4,198,104

EXHIBIT A
REQUIRED SUPPLEMENTARY INFORMATION
(As of the June 30, 2023 Measurement Date)

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios					
Valuation Date	July 1, 2022	July 1, 2020	July 1, 2020	July 1, 2018	July 1, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
For the Reporting Period & Fiscal Year Ending on:	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total OPEB Liability	100,707,750	79,650,506	68,786,449	90,295,302	85,683,647
I. Service Cost	1,884,144	1,546,645	2,843,835	2,734,023	2,609,939
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	4,861,532	4,693,490	3,920,452	3,719,907	3,467,826
III. Changes in Benefit Terms	0	0	0	0	0
IV. Difference Between Expected & Actual Plan Experience	8,217,976	0	(10,177,549)	(42,634)	(7,875,438)
V. Changes of Assumptions	8,486,233	6,250,310	(16,290,402)	0	13,929,578
VI. Benefit Payments Excluding Implicit Cost	(2,392,641)	(1,626,388)	(1,805,189)	(1,799,641)	(1,782,627)
VII. Implicit Cost Amount	0	0	0	0	0
VIII. Total Benefit Payments	(2,392,641)	(1,626,388)	(1,805,189)	(1,799,641)	(1,782,627)
IX. Other	0	0	0	0	0
X. Net Change in OPEB Liability [I.+II.+III.+IV.+V.+VIII.+IX.]	21,057,244	10,864,057	(21,508,853)	4,611,655	10,349,278
XI. Total OPEB Liability - Beginning of Period	79,650,506	68,786,449	90,295,302	85,683,647	75,334,369
XII. Prior Period Adjustment	0	0	0	0	0
XIII. Total OPEB Liability - Beginning of Period with Adjustment [XI.+XII.]	79,650,506	68,786,449	90,295,302	85,683,647	75,334,369
XIV. Total OPEB Liability - End of Period [XIII.+XIV.]	100,707,750	79,650,506	68,786,449	90,295,302	85,683,647
Plan Fiduciary Net Position	3,107,810	2,296,483	2,065,781	1,296,442	919,017
XV. Earnings from Plan Investments	311,327	(169,298)	419,339	27,425	65,783
XVI. Employer Contribution to Trust	2,892,641	2,026,388	2,155,189	2,149,641	2,082,627
XVII. Benefit Payments from Trust, Including Refunds of Member Contributions	(2,392,641)	(1,626,388)	(1,805,189)	(1,799,641)	(1,782,627)
XVIII. Administrative Expense	0	0	0	0	0
XIX. Other	0	0	0	0	0
XX. Net Change in Plan Fiduciary Net Position [XV.+XVI.+XVII.+XVIII.+XIX.]	811,327	230,702	769,339	377,425	365,783
XXI. Plan Fiduciary Net Position - Beginning of Period	2,296,483	2,065,781	1,296,442	919,017	553,234
XXII. Prior Period Adjustment	0	0	0	0	0
XXIII. Plan Fiduciary Net Position - Beginning of Period with Adjustment [XXI.+XXII.]	2,296,483	2,065,781	1,296,442	919,017	553,234
XXIV. Plan Fiduciary Net Position - End of Period [XXIII.+XXIV.]	3,107,810	2,296,483	2,065,781	1,296,442	919,017
XXV. Net OPEB Liability [XIV.-XXIV.]	97,599,940	77,354,023	66,720,668	88,998,860	84,764,630
XXVI. Plan Fiduciary Net Position as % of Total OPEB Liability [XXIV./XIV.]	3.09%	2.88%	3.00%	1.44%	1.07%
XXVII. Covered Employee Payroll	49,777,624	46,272,228	44,924,493	45,915,232	44,577,895
XXVIII. Plan NOL as % of Covered Employee Payroll [XXV./XXVII.]	196.07%	167.17%	148.52%	193.83%	190.15%
Single Discount Rate to Calculate Plan Liabilities	5.75%	6.05%	6.75%	4.25%	4.25%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION (As of the June 30, 2023 Measurement Date)

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios		
Valuation Date	July 1, 2016	July 1, 2016
Measurement Date	June 30, 2018	June 30, 2017
For the Reporting Period & Fiscal Year Ending on:	June 30, 2018	June 30, 2017
Total OPEB Liability	75,334,369	77,192,252
I. Service Cost	2,423,454	2,475,181
II. Interest on Total OPEB Liability, Service Cost, and Benefit Payments	3,520,469	3,021,054
III. Changes in Benefit Terms	0	0
IV. Difference Between Expected & Actual Plan Experience	0	0
V. Changes of Assumptions	(5,004,946)	0
VI. Benefit Payments Excluding Implicit Cost	(2,421,556)	(2,311,517)
VII. Implicit Cost Amount	(375,304)	(372,491)
VIII. Total Benefit Payments	(2,796,860)	(2,684,008)
IX. Other	0	0
X. Net Change in OPEB Liability [I.+II.+III.+IV.+V.+VIII.+IX.]	(1,857,883)	2,812,227
XI. Total OPEB Liability - Beginning of Period	77,192,252	74,380,025
XII. Prior Period Adjustment	0	0
XIII. Total OPEB Liability - Beginning of Period with Adjustment [XI.+XII.]	77,192,252	74,380,025
XIV. Total OPEB Liability - End of Period [XII.+XIII.]	75,334,369	77,192,252
Plan Fiduciary Net Position	553,234	325,798
XV. Earnings from Plan Investments	27,436	14,623
XVI. Employer Contribution to Trust	2,996,860	2,834,008
XVII. Benefit Payments from Trust, Including Refunds of Member Contributions	(2,796,860)	(2,684,008)
XVIII. Administrative Expense	0	0
XIX. Other	0	0
XX. Net Change in Plan Fiduciary Net Position [XV.+XVI.+XVII.+XVIII.+XIX.]	227,436	164,623
XXI. Plan Fiduciary Net Position - Beginning of Period	325,798	161,175
XXII. Prior Period Adjustment	0	0
XXIII. Plan Fiduciary Net Position - Beginning of Period with Adjustment [XXI.+XXII.]	325,798	161,175
XXIV. Plan Fiduciary Net Position - End of Period [XXII.+XXIII.]	553,234	325,798
XXV. Net OPEB Liability [XIV.-XXIV.]	74,781,135	76,866,454
XXVI. Plan Fiduciary Net Position as % of Total OPEB Liability [XXIV./XIV.]	0.73%	0.42%
XXVII. Covered Employee Payroll	39,449,452	38,300,439
XXVIII. Plan NOL as % of Covered Employee Payroll [XXV./XXVII.]	189.56%	200.69%
Single Discount Rate to Calculate Plan Liabilities	4.50%	4.00%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

The Town's Actuarially Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which is composed of the service cost and an amortization of the unfunded liability. For FY 2023 and future years we have used a 30-year amortization increasing by 3.00% per year of the Town's unfunded liability for the purpose of calculating ADC. The following table shows the components of the Town's annual ADC and the amount actually contributed to the plan:

Actuarially Determined Contribution - Deficiency / (Excess)					
For the Fiscal Year Ending:	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
I. Service Cost	1,884,144	1,546,645	2,843,835	2,734,023	2,609,939
II. 30 Year Amortization of NOL Increasing by 3.00% per year	<u>4,645,346</u>	<u>3,813,826</u>	<u>3,562,263</u>	<u>4,721,790</u>	<u>4,845,874</u>
III. Actuarial Determined Contribution [I. + II.]	6,529,490	5,360,471	6,406,098	7,455,813	7,455,813
IV. Contributions in Relation to the Actuarially Determined Contribution	<u>(2,892,641)</u>	<u>(2,026,388)</u>	<u>(2,155,189)</u>	<u>(2,082,627)</u>	<u>(2,082,627)</u>
V. Contribution Deficiency / (Excess) [III. + IV.]	<u>3,636,849</u>	<u>3,334,083</u>	<u>4,250,909</u>	<u>5,373,186</u>	<u>5,373,186</u>
Covered Employee Payroll	49,777,624	46,272,228	44,924,493	45,915,232	44,577,895
Contributions as a % of Covered Employee Payroll	5.81%	4.38%	4.80%	4.54%	4.67%
Discount Rate	5.75%	6.05%	6.75%	4.25%	4.25%
Money Weighted Rate of Return	11.31%	(6.96%)	27.58%	2.21%	7.95%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Actuarially Determined Contribution - Deficiency / (Excess) (Continued)		
<u>For the Fiscal Year Ending:</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
I. Service Cost	2,423,454	2,475,181
II. 30 Year Amortization of NOL Increasing by 3.00% per year	<u>4,515,742</u>	<u>4,127,003</u>
III. Actuarial Determined Contribution [I. + II.]	6,939,196	6,602,184
IV. Contributions in Relation to the Actuarially Determined Contribution	<u>(2,996,860)</u>	<u>(2,834,008)</u>
V. Contribution Deficiency / (Excess) [III. + IV.]	<u>3,942,336</u>	<u>3,768,176</u>
Covered Employee Payroll	39,449,452	38,300,439
Contributions as a % of Covered Employee Payroll	7.60%	7.40%
Discount Rate	4.50%	4.00%
Money Weighted Rate of Return	6.47%	6.51%

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Actuarially Determined Contribution – by Function:

	Fiscal Year Ending June 30, 2023						Total
	Town Employees and Retirees	School Employees and Retirees	Public Safety Employees and Retirees	Treasurer Employees and Retirees	Highway Employees and Retirees	Water Enterprise Employees and Retirees	
I. Service Cost	85,438	1,380,379	295,445	19,967	84,868	18,047	1,884,144
II. 30 Year Amortization of NOL Increasing by 3.00% per year	787,782	3,277,882	394,495	13,910	136,311	34,966	4,645,346
III. Actuarial Determined Contribution [I. + II.]	873,220	4,658,261	689,940	33,877	221,179	53,013	6,529,490
IV. Employer Share of Costs (Including Implicit Cost)	(108,497)	(1,752,918)	(375,180)	(25,357)	(107,772)	(22,917)	(2,392,641)
V. Employer OPEB Trust (Contribution)/Withdrawal	(84,792)	(352,814)	(42,461)	(1,497)	(14,672)	(3,764)	(500,000)
VI. Total Employer Contribution [IV. + V.]	(193,289)	(2,105,732)	(417,641)	(26,854)	(122,444)	(26,681)	(2,892,641)
VII. Contribution Deficiency / (Excess) [III. + VI.]	679,931	2,552,529	272,299	7,023	98,735	26,332	3,636,849

EXHIBIT BREQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution was calculated as of July 1, 2022.

Actuarial Cost Method: Individual Entry Age Normal

Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2023.

Actuarial Assumptions:

Investment Rate of Return: 5.85%, net of OPEB plan investment expense, including inflation.

Municipal Bond Rate 4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)

Single Equivalent Discount Rate: 5.75%, net of OPEB plan investment expense, including inflation

Inflation: 2.50% as of June 30, 2023 and for future periods

Salary Increases: 3.00% annually as of June 30, 2023 and for future periods

Cost of Living Adjustment: Not Applicable

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Plan Membership

At July 1, 2022, OPEB plan membership consisted of the following:

Retirees & Beneficiaries:	641
Actives:	<u>708</u>
Total:	1,349

Events Subsequent to the Measurement Date

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

Changes in Assumptions: From June 30, 2022 to June 30, 2023

- ✓ Due to the GASB 75 standards the discount rate has been changed from 6.05% to 5.75%.
- ✓ Based on ongoing actuarial research, we have modified our assumption for future increases in healthcare costs using the Getzen model to reflect higher costs in the near-term.

Contributions/Withdrawals:

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The Town contributed \$500,000 beyond the pay-as-you-go cost for the period ending on the June 30, 2023 Measurement Date. For the year ending on the June 30, 2023 Measurement Date total Town premiums plus implicit costs for the retiree medical program were \$2,392,641.

EXHIBIT B

REQUIRED SUPPLEMENTARY INFORMATION

(As of the June 30, 2023 Measurement Date)

Census Data Manipulation:

In the absence of data, the following was assumed:

Spouse Sex:	Male participants had female spouses and vice versa.
Spouse Age:	Male spouses were three years older than female spouses and same sex spouses were the same age.
Hire Age:	Participants who were not on the previous valuation were hired halfway between last valuation and the current valuation. If we did not have census data related to the last valuation, the participants were assumed to have been hired at age forty.
Retiree Age:	Retirees had the same birth date as they had the prior valuation. If we did not have census data related to the last valuation, retirees who were enrolled in Active plans were assumed to be age sixty-two and retirees who were enrolled in Medicare Supplement plans were assumed to be age seventy-two. Those not enrolled in a medical plan were assumed to be sixty-seven.
School Demographics:	Two thirds of school participants were teachers.
Other Material Changes:	No other data changes were deemed to be material.

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

CONTRIBUTION PROJECTION DISCLOSURES

Table 1: Projection of Contributions using a July 1, 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Payroll for current employees	II. Payroll for future employees	III. Total Payroll [I.+II.]	IV. Contributions from current employees	V. Employer Payments for current plan members	VI. Employer Payments for future employees	VII. Total Payments [IV.+V.+VI.]
June 30, 2023	49,777,624	0	49,777,624	0	2,392,641	0	2,392,641
June 30, 2024	46,480,567	4,790,386	51,270,953	0	4,266,586	0	4,266,586
June 30, 2025	43,896,366	8,912,716	52,809,082	0	4,512,105	0	4,512,105
June 30, 2026	41,704,843	12,688,511	54,393,354	0	4,723,987	0	4,723,987
June 30, 2027	39,750,397	16,274,758	56,025,155	0	4,893,054	0	4,893,054
June 30, 2028	37,944,784	19,761,126	57,705,910	0	5,153,068	0	5,153,068
June 30, 2029	36,379,252	23,057,835	59,437,087	0	5,449,946	0	5,449,946
June 30, 2030	34,783,140	26,437,060	61,220,200	0	5,805,411	0	5,805,411
June 30, 2031	33,147,549	29,909,257	63,056,806	0	6,073,765	0	6,073,765
June 30, 2032	31,499,867	33,448,643	64,948,510	0	6,431,586	0	6,431,586
June 30, 2033	29,941,991	36,954,974	66,896,965	0	6,779,191	0	6,779,191
June 30, 2034	28,461,332	40,442,542	68,903,874	0	6,886,888	28,995	6,915,883
June 30, 2035	26,929,331	44,041,659	70,970,990	0	7,191,862	72,907	7,264,769
June 30, 2036	25,556,904	47,543,216	73,100,120	0	7,372,165	132,804	7,504,969
June 30, 2037	24,379,224	50,913,900	75,293,124	0	7,407,408	218,113	7,625,521
June 30, 2038	23,169,056	54,382,862	77,551,918	0	7,621,177	324,890	7,946,067
June 30, 2039	21,908,776	57,969,700	79,878,476	0	7,817,330	392,109	8,209,439
June 30, 2040	20,844,634	61,430,196	82,274,830	0	7,977,083	475,190	8,452,273
June 30, 2041	19,745,027	64,998,048	84,743,075	0	8,145,648	574,574	8,720,222
June 30, 2042	18,716,558	68,568,809	87,285,367	0	8,225,706	645,419	8,871,125
June 30, 2043	17,774,304	72,129,624	89,903,928	0	8,235,838	727,307	8,963,145
June 30, 2044	16,842,727	75,758,319	92,601,046	0	8,393,089	864,020	9,257,109
June 30, 2045	15,967,869	79,411,208	95,379,077	0	8,517,235	1,044,737	9,561,972
June 30, 2046	15,078,150	83,162,299	98,240,449	0	8,449,378	1,264,333	9,713,711
June 30, 2047	14,181,717	87,005,945	101,187,662	0	8,504,499	1,542,143	10,046,642
June 30, 2048	13,272,350	90,950,942	104,223,292	0	8,419,554	1,868,463	10,288,017
June 30, 2049	12,587,497	94,762,494	107,349,991	0	8,520,174	2,118,018	10,638,192
June 30, 2050	11,823,779	98,746,712	110,570,491	0	8,633,379	2,404,393	11,037,772
June 30, 2051	10,932,281	102,955,325	113,887,606	0	8,680,703	2,727,539	11,408,242
June 30, 2052	10,096,038	107,208,196	117,304,234	0	8,788,942	2,995,139	11,784,081
June 30, 2053	9,252,011	111,571,350	120,823,361	0	8,842,647	3,288,158	12,130,805
June 30, 2054	8,412,469	116,035,593	124,448,062	0	8,790,180	3,655,138	12,445,318
June 30, 2055	7,604,914	120,576,590	128,181,504	0	8,528,569	4,062,740	12,591,309
June 30, 2056	6,804,016	125,222,933	132,026,949	0	8,433,084	4,509,330	12,942,414
June 30, 2057	6,018,401	129,969,356	135,987,757	0	8,420,609	5,008,161	13,428,770
June 30, 2058	5,242,220	134,825,170	140,067,390	0	8,379,349	5,547,576	13,926,925
June 30, 2059	4,440,778	139,828,634	144,269,412	0	8,245,471	6,054,552	14,300,023
June 30, 2060	3,635,852	144,961,642	148,597,494	0	8,134,257	6,587,327	14,721,584
June 30, 2061	2,970,167	150,085,252	153,055,419	0	8,025,333	7,153,831	15,179,164
June 30, 2062	2,373,857	155,273,225	157,647,082	0	7,750,580	7,714,858	15,465,438

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

Table 1: Projection of Contributions using a July 1, 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Payroll for current employees	II. Payroll for future employees	III. Total Payroll [I.+II.]	IV. Contributions from current employees	V. Employer Payments for current plan members	VI. Employer Payments for future employees	VII. Total Payments [IV.+V.+VI.]
June 30, 2063	1,853,656	160,522,838	162,376,494	0	7,575,179	8,302,511	15,877,690
June 30, 2064	1,368,942	165,878,847	167,247,789	0	7,341,453	8,965,997	16,307,450
June 30, 2065	996,931	171,268,292	172,265,223	0	7,108,757	9,673,854	16,782,611
June 30, 2066	692,023	176,741,157	177,433,180	0	6,977,349	10,437,284	17,414,633
June 30, 2067	381,152	182,375,023	182,756,175	0	6,810,257	11,259,944	18,070,201
June 30, 2068	207,552	188,031,308	188,238,860	0	6,653,185	12,131,563	18,784,748
June 30, 2069	113,989	193,772,037	193,886,026	0	6,492,944	13,008,916	19,501,860
June 30, 2070	18,540	199,684,067	199,702,607	0	6,359,947	13,921,192	20,281,139
June 30, 2071	0	205,693,685	205,693,685	0	6,199,607	14,880,731	21,080,338
June 30, 2072	0	211,864,496	211,864,496	0	6,027,948	15,832,130	21,860,078
June 30, 2073	0	218,220,431	218,220,431	0	5,838,860	16,816,766	22,655,626
June 30, 2074	0	224,767,044	224,767,044	0	5,657,159	17,858,513	23,515,672
June 30, 2075	0	231,510,055	231,510,055	0	5,482,806	18,934,585	24,417,391
June 30, 2076	0	238,455,357	238,455,357	0	5,274,389	20,050,295	25,324,684
June 30, 2077	0	245,609,018	245,609,018	0	5,063,668	21,202,812	26,266,480
June 30, 2078	0	252,977,289	252,977,289	0	4,838,242	22,394,853	27,233,095
June 30, 2079	0	260,566,608	260,566,608	0	4,617,891	23,647,914	28,265,805
June 30, 2080	0	268,383,606	268,383,606	0	4,389,435	24,925,608	29,315,043
June 30, 2081	0	276,435,114	276,435,114	0	4,145,139	26,245,655	30,390,794
June 30, 2082	0	284,728,167	284,728,167	0	3,912,837	27,615,140	31,527,977
June 30, 2083	0	293,270,012	293,270,012	0	3,666,407	29,016,025	32,682,432
June 30, 2084	0	302,068,112	302,068,112	0	3,420,906	30,465,039	33,885,945
June 30, 2085	0	311,130,155	311,130,155	0	3,178,010	31,957,829	35,135,839
June 30, 2086	0	320,464,060	320,464,060	0	2,928,802	33,496,126	36,424,928
June 30, 2087	0	330,077,982	330,077,982	0	2,684,047	35,086,182	37,770,229
June 30, 2088	0	339,980,321	339,980,321	0	2,444,070	36,727,078	39,171,148
June 30, 2089	0	350,179,731	350,179,731	0	2,211,137	38,435,571	40,646,708
June 30, 2090	0	360,685,123	360,685,123	0	1,985,428	40,190,179	42,175,607
June 30, 2091	0	371,505,677	371,505,677	0	1,769,788	42,004,628	43,774,416
June 30, 2092	0	382,650,847	382,650,847	0	1,565,311	43,887,009	45,452,320
June 30, 2093	0	394,130,372	394,130,372	0	1,372,843	45,820,973	47,193,816
June 30, 2094	0	405,954,283	405,954,283	0	1,193,220	47,819,635	49,012,855
June 30, 2095	0	418,132,911	418,132,911	0	1,027,074	49,889,462	50,916,536
June 30, 2096	0	430,676,898	430,676,898	0	874,819	52,024,065	52,898,884
June 30, 2097	0	443,597,205	443,597,205	0	736,714	54,234,245	54,970,959

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

FIDUCIARY NET POSITION PROJECTION DISCLOSURES

Table 2: Projection of OPEB Plan's Fiduciary Net Position using a July 1 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Employer Share of Benefit Payments for Current Plan Members	III. Contributions to Trust for Current Plan Members beyond Pay-as-you-go	IV. Gross Contributions to Trust for Current Plan Members [II. + III.]	V. Administrative Expenses Withdrawn from the Trust for Current Plan Members	VI. Benefit Payments Withdrawn from the Trust	VII. Trust Withdrawals [V. +VI.]	VIII. Investment Earnings	IX. Ending Fiduciary Net Position for Current Plan Members
June 30, 2023	2,296,483	2,392,641	500,000	2,892,641	0	2,392,641	2,392,641	311,327	3,107,810
June 30, 2024	3,107,810	4,266,586	498,612	4,765,198	0	4,266,586	4,266,586	179,198	3,785,620
June 30, 2025	3,785,620	4,512,105	498,737	5,010,842	0	4,512,105	4,512,105	235,839	4,520,196
June 30, 2026	4,520,196	4,723,987	498,372	5,222,359	0	4,723,987	4,723,987	278,802	5,297,370
June 30, 2027	5,297,370	4,893,054	496,657	5,389,711	0	4,893,054	4,893,054	324,217	6,118,244
June 30, 2028	6,118,244	5,153,068	493,166	5,646,234	0	5,153,068	5,153,068	372,137	6,983,547
June 30, 2029	6,983,547	5,449,946	489,651	5,939,597	0	5,449,946	5,449,946	422,656	7,895,854
June 30, 2030	7,895,854	5,805,411	3,734,255	9,539,666	0	5,805,411	5,805,411	569,582	12,199,691
June 30, 2031	12,199,691	6,073,765	3,455,011	9,528,776	0	6,073,765	6,073,765	813,305	16,468,007
June 30, 2032	16,468,007	6,431,586	3,187,641	9,619,227	0	6,431,586	6,431,586	1,055,292	20,710,940
June 30, 2033	20,710,940	6,779,191	2,941,739	9,720,930	0	6,779,191	6,779,191	1,296,413	24,949,092
June 30, 2034	24,949,092	6,886,888	2,714,823	9,601,711	0	6,915,883	6,915,883	1,537,802	29,172,722
June 30, 2035	29,172,722	7,191,862	2,493,875	9,685,737	0	7,264,769	7,264,769	1,778,513	33,372,203
June 30, 2036	33,372,203	7,372,165	2,297,842	9,670,007	0	7,504,969	7,504,969	2,018,531	37,555,772
June 30, 2037	37,555,772	7,407,408	2,128,112	9,535,520	0	7,625,521	7,625,521	2,258,375	41,724,146
June 30, 2038	41,724,146	7,621,177	1,963,567	9,584,744	0	7,946,067	7,946,067	2,497,481	45,860,304
June 30, 2039	45,860,304	7,817,330	1,802,678	9,620,008	0	8,209,439	8,209,439	2,734,807	50,005,680
June 30, 2040	50,005,680	7,977,083	1,665,165	9,642,248	0	8,452,273	8,452,273	2,973,346	54,169,001
June 30, 2041	54,169,001	8,145,648	1,531,382	9,677,030	0	8,720,222	8,720,222	3,213,043	58,338,852
June 30, 2042	58,338,852	8,225,706	1,409,336	9,635,042	0	8,871,125	8,871,125	3,453,460	62,556,229
June 30, 2043	62,556,229	8,235,838	1,299,403	9,535,241	0	8,963,145	8,963,145	3,697,007	66,825,332
June 30, 2044	66,825,332	8,393,089	1,195,436	9,588,525	0	9,257,109	9,257,109	3,943,751	71,100,499
June 30, 2045	71,100,499	8,517,235	1,100,332	9,617,567	0	9,561,972	9,561,972	4,191,106	75,347,200
June 30, 2046	75,347,200	8,449,378	1,008,760	9,458,138	0	9,713,711	9,713,711	4,436,898	79,528,525
June 30, 2047	79,528,525	8,504,499	921,152	9,425,651	0	10,046,642	10,046,642	4,678,979	83,586,513
June 30, 2048	83,586,513	8,419,554	836,976	9,256,530	0	10,288,017	10,288,017	4,913,945	87,468,971
June 30, 2049	87,468,971	8,520,174	770,668	9,290,842	0	10,638,192	10,638,192	5,139,156	91,260,777
June 30, 2050	91,260,777	8,633,379	702,825	9,336,204	0	11,037,772	11,037,772	5,359,021	94,918,230
June 30, 2051	94,918,230	8,680,703	630,905	9,311,608	0	11,408,242	11,408,242	5,570,908	98,392,504
June 30, 2052	98,392,504	8,788,942	565,675	9,354,617	0	11,784,081	11,784,081	5,772,272	101,735,312
June 30, 2053	101,735,312	8,842,647	503,286	9,345,933	0	12,130,805	12,130,805	5,966,028	104,916,468
June 30, 2054	104,916,468	8,790,180	444,289	9,234,469	0	12,445,318	12,445,318	6,150,424	107,856,043
June 30, 2055	107,856,043	8,528,569	389,941	8,918,510	0	12,591,309	12,591,309	6,320,822	110,504,066
June 30, 2056	110,504,066	8,433,084	338,714	8,771,798	0	12,942,414	12,942,414	6,474,254	112,807,704
June 30, 2057	112,807,704	8,420,609	290,878	8,711,487	0	13,428,770	13,428,770	6,607,638	114,698,059
June 30, 2058	114,698,059	8,379,349	245,985	8,625,334	0	13,926,925	13,926,925	6,716,929	116,113,397
June 30, 2059	116,113,397	8,245,471	202,309	8,447,780	0	14,300,023	14,300,023	6,798,467	117,059,621
June 30, 2060	117,059,621	8,134,257	160,814	8,295,071	0	14,721,584	14,721,584	6,852,625	117,485,733
June 30, 2061	117,485,733	8,025,333	127,545	8,152,878	0	15,179,164	15,179,164	6,876,593	117,336,040
June 30, 2062	117,336,040	7,750,580	98,969	7,849,549	0	15,465,438	15,465,438	6,867,012	116,587,163

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

FIDUCIARY POSITION PROJECTION DISCLOSURES (CONTINUED)

Table 2: Projection of OPEB Plan's Fiduciary Net Position using a July 1 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Employer Share of Benefit Payments for Current Plan Members	III. Contributions to Trust for Current Plan Members beyond Pay-as-you-go	IV. Gross Contributions to Trust for Current Plan Members [III. + III.]	V. Administrative Expenses Withdrawn from the Trust for Current Plan Members	VI. Benefit Payments Withdrawn from the Trust	VII. Trust Withdrawals [V. +VI.]	VIII. Investment Earnings	IX. Ending Fiduciary Net Position for Current Plan Members
June 30, 2063	116,587,163	7,575,179	75,030	7,650,209	0	15,877,690	15,877,690	6,822,512	115,182,194
June 30, 2064	115,182,194	7,341,453	53,797	7,395,250	0	16,307,450	16,307,450	6,739,710	113,009,704
June 30, 2065	113,009,704	7,108,757	38,036	7,146,793	0	16,782,611	16,782,611	6,612,164	109,986,050
June 30, 2066	109,986,050	6,977,349	25,634	7,002,983	0	17,414,633	17,414,633	6,434,923	106,009,323
June 30, 2067	106,009,323	6,810,257	13,707	6,823,964	0	18,070,201	18,070,201	6,201,941	100,965,027
June 30, 2068	100,965,027	6,653,185	7,247	6,660,432	0	18,784,748	18,784,748	5,906,663	94,747,374
June 30, 2069	94,747,374	6,492,944	3,864	6,496,808	0	19,501,860	19,501,860	5,542,833	87,285,155
June 30, 2070	87,285,155	6,359,947	610	6,360,557	0	20,281,139	20,281,139	5,106,199	78,470,772
June 30, 2071	78,470,772	6,199,607	0	6,199,607	0	21,080,338	21,080,338	4,590,540	68,180,581
June 30, 2072	68,180,581	6,027,948	0	6,027,948	0	21,860,078	21,860,078	3,988,564	56,337,015
June 30, 2073	56,337,015	5,838,860	0	5,838,860	0	22,655,626	22,655,626	3,295,715	42,815,964
June 30, 2074	42,815,964	5,657,159	0	5,657,159	0	23,515,672	23,515,672	2,504,734	27,462,185
June 30, 2075	27,462,185	5,482,806	0	5,482,806	0	24,417,391	24,417,391	1,606,538	10,134,138
June 30, 2076	10,134,138	5,274,389	0	5,274,389	0	25,324,684	25,324,684	592,847	0
June 30, 2077	0	5,063,668	0	5,063,668	0	26,266,480	26,266,480	0	0
June 30, 2078	0	4,838,242	0	4,838,242	0	27,233,095	27,233,095	0	0
June 30, 2079	0	4,617,891	0	4,617,891	0	28,265,805	28,265,805	0	0
June 30, 2080	0	4,389,435	0	4,389,435	0	29,315,043	29,315,043	0	0
June 30, 2081	0	4,145,139	0	4,145,139	0	30,390,794	30,390,794	0	0
June 30, 2082	0	3,912,837	0	3,912,837	0	31,527,977	31,527,977	0	0
June 30, 2083	0	3,666,407	0	3,666,407	0	32,682,432	32,682,432	0	0
June 30, 2084	0	3,420,906	0	3,420,906	0	33,885,945	33,885,945	0	0
June 30, 2085	0	3,178,010	0	3,178,010	0	35,135,839	35,135,839	0	0
June 30, 2086	0	2,928,802	0	2,928,802	0	36,424,928	36,424,928	0	0
June 30, 2087	0	2,684,047	0	2,684,047	0	37,770,229	37,770,229	0	0
June 30, 2088	0	2,444,070	0	2,444,070	0	39,171,148	39,171,148	0	0
June 30, 2089	0	2,211,137	0	2,211,137	0	40,646,708	40,646,708	0	0
June 30, 2090	0	1,985,428	0	1,985,428	0	42,175,607	42,175,607	0	0
June 30, 2091	0	1,769,788	0	1,769,788	0	43,774,416	43,774,416	0	0
June 30, 2092	0	1,565,311	0	1,565,311	0	45,452,320	45,452,320	0	0
June 30, 2093	0	1,372,843	0	1,372,843	0	47,193,816	47,193,816	0	0
June 30, 2094	0	1,193,220	0	1,193,220	0	49,012,855	49,012,855	0	0
June 30, 2095	0	1,027,074	0	1,027,074	0	50,916,536	50,916,536	0	0
June 30, 2096	0	874,819	0	874,819	0	52,898,884	52,898,884	0	0
June 30, 2097	0	736,714	0	736,714	0	54,970,959	54,970,959	0	0

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

BENEFIT PAYMENT PROJECTION DISCLOSURES

Table 3: Actuarial Present Values of Projected Benefit Payments using a July 1, 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Benefit Payments for Current Plan Members	III. Funded Portion of Benefit Payments	IV. Unfunded Portion of Benefit Payments [II. - III.]	V. Present Value of Funded Benefit Payments using the Long-Term Rate of Return [5.85%]	VI. Present Value of Unfunded Benefit Payments using the Municipal Bond Rate [4.13%]	VII. Present Value of Benefit Payments using the Single Equivalent Discount Rate [5.75%]	
June 30, 2023	2,296,483	2,392,641	2,296,483	96,158	2,296,483	96,158	2,392,641	Sum of Column V.
June 30, 2024	3,107,810	4,266,586	3,107,810	1,158,776	2,936,051	1,112,863	4,037,268	108,922,096
June 30, 2025	3,785,620	4,512,105	3,785,620	726,485	3,378,744	670,056	4,040,112	
June 30, 2026	4,520,196	4,723,987	4,520,196	203,791	3,811,401	180,514	4,002,488	Sum of Column VI.
June 30, 2027	5,297,370	4,893,054	4,893,054	0	3,897,773	0	3,922,911	7,188,837
June 30, 2028	6,118,244	5,153,068	5,153,068	0	3,878,034	0	3,909,322	
June 30, 2029	6,983,547	5,449,946	5,449,946	0	3,874,780	0	3,912,325	Sum of Column VII.
June 30, 2030	7,895,854	5,805,411	5,805,411	0	3,899,392	0	3,943,509	[V. + VI.]
June 30, 2031	12,199,691	6,073,765	6,073,765	0	3,854,172	0	3,904,046	116,110,933
June 30, 2032	16,468,007	6,431,586	6,431,586	0	3,855,674	0	3,911,850	
June 30, 2033	20,710,940	6,779,191	6,779,191	0	3,839,452	0	3,901,657	
June 30, 2034	24,949,092	6,886,888	6,886,888	0	3,684,882	0	3,750,606	
June 30, 2035	29,172,722	7,191,862	7,191,862	0	3,635,390	0	3,706,183	
June 30, 2036	33,372,203	7,372,165	7,372,165	0	3,520,577	0	3,594,907	
June 30, 2037	37,555,772	7,407,408	7,407,408	0	3,341,906	0	3,417,952	
June 30, 2038	41,724,146	7,621,177	7,621,177	0	3,248,322	0	3,327,583	
June 30, 2039	45,860,304	7,817,330	7,817,330	0	3,147,782	0	3,229,776	
June 30, 2040	50,005,680	7,977,083	7,977,083	0	3,034,586	0	3,118,640	
June 30, 2041	54,169,001	8,145,648	8,145,648	0	2,927,454	0	3,013,380	
June 30, 2042	58,338,852	8,225,706	8,225,706	0	2,792,845	0	2,879,443	
June 30, 2043	62,556,229	8,235,838	8,235,838	0	2,641,743	0	2,728,037	
June 30, 2044	66,825,332	8,393,089	8,393,089	0	2,543,394	0	2,630,701	
June 30, 2045	71,100,499	8,517,235	8,517,235	0	2,438,370	0	2,526,128	
June 30, 2046	75,347,200	8,449,378	8,449,378	0	2,285,256	0	2,371,311	
June 30, 2047	79,528,525	8,504,499	8,504,499	0	2,173,042	0	2,258,498	
June 30, 2048	83,586,513	8,419,554	8,419,554	0	2,032,439	0	2,115,764	
June 30, 2049	87,468,971	8,520,174	8,520,174	0	1,943,059	0	2,025,973	
June 30, 2050	91,260,777	8,633,379	8,633,379	0	1,860,062	0	1,942,554	
June 30, 2051	94,918,230	8,680,703	8,680,703	0	1,766,895	0	1,848,223	
June 30, 2052	98,392,504	8,788,942	8,788,942	0	1,690,058	0	1,770,693	
June 30, 2053	101,735,312	8,842,647	8,842,647	0	1,606,410	0	1,685,761	
June 30, 2054	104,916,468	8,790,180	8,790,180	0	1,508,624	0	1,585,691	
June 30, 2055	107,856,043	8,528,569	8,528,569	0	1,382,829	0	1,455,808	
June 30, 2056	110,504,066	8,433,084	8,433,084	0	1,291,778	0	1,362,139	
June 30, 2057	112,807,704	8,420,609	8,420,609	0	1,218,580	0	1,287,021	
June 30, 2058	114,698,059	8,379,349	8,379,349	0	1,145,592	0	1,211,880	
June 30, 2059	116,113,397	8,245,471	8,245,471	0	1,064,987	0	1,128,423	
June 30, 2060	117,059,621	8,134,257	8,134,257	0	992,558	0	1,053,371	
June 30, 2061	117,485,733	8,025,333	8,025,333	0	925,146	0	983,408	
June 30, 2062	117,336,040	7,750,580	7,750,580	0	844,094	0	898,694	

APPENDIX I – LIABILITIES, ASSETS, & CASH FLOWS

BENEFIT PAYMENT PROJECTION DISCLOSURES (CONTINUED)

Table 3: Actuarial Present Values of Projected Benefit Payments using a July 1, 2022 Valuation Date

For the Period Ending on the Measurement Date	I. Beginning Fiduciary Net Position for Current Plan Members	II. Benefit Payments for Current Plan Members	III. Funded Portion of Benefit Payments	IV. Unfunded Portion of Benefit Payments [III. - III.]	V. Present Value of Funded Benefit Payments using the Long-Term Rate of Return [5.85%]	VI. Present Value of Unfunded Benefit Payments using the Municipal Bond Rate [4.13%]	VII. Present Value of Benefit Payments using the Single Equivalent Discount Rate [5.75%]
June 30, 2063	116,587,163	7,575,179	7,575,179	0	779,396	0	831,147
June 30, 2064	115,182,194	7,341,453	7,341,453	0	713,603	0	762,209
June 30, 2065	113,009,704	7,108,757	7,108,757	0	652,796	0	698,382
June 30, 2066	109,986,050	6,977,349	6,977,349	0	605,318	0	648,630
June 30, 2067	106,009,323	6,810,257	6,810,257	0	558,169	0	599,069
June 30, 2068	100,965,027	6,653,185	6,653,185	0	515,158	0	553,797
June 30, 2069	94,747,374	6,492,944	6,492,944	0	474,965	0	511,410
June 30, 2070	87,285,155	6,359,947	6,359,947	0	439,524	0	474,011
June 30, 2071	78,470,772	6,199,607	6,199,607	0	404,765	0	437,226
June 30, 2072	68,180,581	6,027,948	6,027,948	0	371,807	0	402,271
June 30, 2073	56,337,015	5,838,860	5,838,860	0	340,240	0	368,709
June 30, 2074	42,815,964	5,657,159	5,657,159	0	311,433	0	338,035
June 30, 2075	27,462,185	5,482,806	5,482,806	0	285,153	0	310,008
June 30, 2076	10,134,138	5,274,389	5,274,389	0	259,153	0	282,195
June 30, 2077	0	5,063,668	0	5,063,668	0	570,618	256,360
June 30, 2078	0	4,838,242	0	4,838,242	0	523,613	231,782
June 30, 2079	0	4,617,891	0	4,617,891	0	479,964	209,335
June 30, 2080	0	4,389,435	0	4,389,435	0	438,143	188,285
June 30, 2081	0	4,145,139	0	4,145,139	0	397,364	168,249
June 30, 2082	0	3,912,837	0	3,912,837	0	360,233	150,284
June 30, 2083	0	3,666,407	0	3,666,407	0	324,171	133,250
June 30, 2084	0	3,420,906	0	3,420,906	0	290,481	117,646
June 30, 2085	0	3,178,010	0	3,178,010	0	259,163	103,418
June 30, 2086	0	2,928,802	0	2,928,802	0	229,377	90,186
June 30, 2087	0	2,684,047	0	2,684,047	0	201,880	78,207
June 30, 2088	0	2,444,070	0	2,444,070	0	176,546	67,387
June 30, 2089	0	2,211,137	0	2,211,137	0	153,392	57,688
June 30, 2090	0	1,985,428	0	1,985,428	0	132,277	49,015
June 30, 2091	0	1,769,788	0	1,769,788	0	113,238	41,343
June 30, 2092	0	1,565,311	0	1,565,311	0	96,187	34,601
June 30, 2093	0	1,372,843	0	1,372,843	0	81,017	28,716
June 30, 2094	0	1,193,220	0	1,193,220	0	67,627	23,617
June 30, 2095	0	1,027,074	0	1,027,074	0	55,904	19,236
June 30, 2096	0	874,819	0	874,819	0	45,730	15,504
June 30, 2097	0	736,714	0	736,714	0	36,985	12,355

APPENDIX II – PLAN PROVISIONS

<u>Plan Year</u>	July 1 through June 30.
<u>Premium Effective Date</u>	Medicare Supplement Plans: effective January 1, 2023 Active Plans: effective July 1, 2023 Dental Plans: effective July 1, 2023
<u>Creditable Service</u>	Elapsed time from date of hire to termination of service date.
<u>Benefits Offered</u>	Comprehensive Medical & Dental Insurance & \$2,000 Group Term Life Insurance.
<u>Medicare Part A</u>	To the best of our knowledge the Town does not pay any Medicare Part A premiums or penalties.
<u>Medicare Part B</u>	Medicare Part B Premium reimbursements by the Town were not reflected in this valuation. Medicare Part B Penalty reimbursements by the Town were not reflected in this valuation.
<u>Surviving Spouse Coverage</u>	Spousal benefits do not change after the death of a plan participant.

APPENDIX II – PLAN PROVISIONS

Eligibility

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

Participant Contributions

Group	Individual	Two-Person / Family
Medical	<ul style="list-style-type: none"> - 10% for Managed Blue for Seniors - 40% for Blue Care Elect and Medex II - 25% for Teachers for Network Blue - 20% for Non-Teachers hired on or before 7/1/2006 for Network Blue - 30% for Non-Teachers hired after 7/1/2006 for Network Blue 	<ul style="list-style-type: none"> - 10% for Managed Blue for Seniors - 40% for Blue Care Elect and Medex II - 25% for Teachers for Network Blue - 20% for Non-Teachers hired on or before 7/1/2006 for Network Blue - 30% for Non-Teachers hired after 7/1/2006 for Network Blue
Dental	100%	100%
Life	50%	N/A

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

<u>Pre-Retirement Mortality</u>	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
<u>Post-Retirement Mortality</u>	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
<u>Disabled Mortality</u>	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
<u>Assumption Experience Study</u>	The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.
<u>Discount Rate</u>	5.75% per annum (previously 6.05%)
<u>Net Long Term Rate of Return</u>	5.85% (based on investment policy)
<u>Municipal Bond Rate</u>	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index – SAPIHG)
<u>Actuarial Cost Method</u>	Individual Entry Age Normal
<u>Asset-Valuation Method</u>	Market Value of Assets as of the Measurement Date, June 30, 2023

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Employee Termination

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

Non-Public Safety Employees

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

Public Safety Employees

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

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Retirement Rates for Eligible Employees

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

Permanent Disability Rates

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

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Trend Rate

Medicare Part A & B Premiums & Penalties: N/A

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

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

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

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

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Participation Rate

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

Spouse Participation Rate

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

Medicare Eligibility

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

Compensation Increases

3.00% per year.

Inflation Rate

2.50% per year.

COVID-19

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

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Implicit Subsidy

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

Impact of Implicit Subsidy		
	As of the Measurement Date	
Impact on Liability	<u>June 30, 2023</u>	<u>June 30, 2022</u>
I. Total OPEB Liability	100,707,750	79,650,506

	For the Measurement Period Ending	
Impact on Payments	<u>June 30, 2023</u>	<u>June 30, 2022</u>
II. Employer Payments (Including Implicit Subsidy)	2,392,641	1,626,388
III. Actual Employer Payments	<u>2,392,641</u>	<u>1,626,388</u>
IV. Implicit Subsidy [II. - III.]	0	0

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

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

ANNUAL PER CAPITA CLAIMS*

ACTIVE EMPLOYEES			RETIREE - NOT MEDICARE ELIGIBLE			RETIREE - MEDICARE ELIGIBLE		
Age Bracket	Female	Male	Age Bracket	Female	Male	Age Bracket	Female	Male
24 & Under	5,180	3,266	44 & Under	10,181	6,672	65 to 69	3,127	3,211
25 to 29	7,643	3,398	45 to 49	11,183	8,424	70 to 74	3,689	3,849
30 to 34	9,657	4,265	50 to 54	13,156	11,094	75 to 79	4,280	4,545
35 to 39	9,948	5,355	55 to 59	15,209	14,423	80 to 84	4,909	5,224
40 to 44	10,181	6,672	60 to 64	18,098	18,508	85 to 89	5,488	5,820
45 to 49	11,183	8,424	65 to 69	21,695	23,087	90 & Over	5,488	5,820
50 to 54	13,156	11,094	70 to 74	25,584	27,667			
55 to 59	15,209	14,423	75 to 79	29,712	32,677			
60 to 64	18,098	18,508	80 to 84	34,067	37,559			
65 to 69	21,695	23,087	85 to 89	38,886	42,992			
70 & Over	25,584	27,667	90 & Over	38,886	42,992			

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

APPENDIX III – ACTUARIAL METHODS & ASSUMPTIONS

Open Group Forecast

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

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

Additional Comments

The liabilities being reported as of the Measurement Date of June 30, 2023 reflect a closed group and do not reflect any new entrants after the valuation date.

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

APPENDIX IV – PLAN DEMOGRAPHICS

Active Employees

Valuation Date	July 1, 2022	July 1, 2020
A. Average Age at Hire	35.56	35.10
B. Average Service	<u>9.54</u>	<u>9.84</u>
C. Average Current Age	45.10	44.94

Retired Employees & Spouses

Valuation Date	July 1, 2022	July 1, 2020
A. Under Age 65	123	70
B. Age 65 & Over	<u>518</u>	<u>483</u>
C. Total	641	553

Average Service Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-24	17	1								18
25-29	66	6								72
30-34	56	24	5							85
35-39	32	22	19	3						76
40-44	42	14	13	21	3					93
45-49	30	11	17	11	24	4				97
50-54	30	23	13	6	22	16	3			113
55-59	22	15	12	7	9	7	3	2		77
60-64	10	11	6	10	6	6	4	1		54
65-69		1		5	1		3			10
70+	1	3	1	1	3	2	2			13
Total	306	131	86	64	68	35	15	3		708

APPENDIX IV – PLAN DEMOGRAPHICS

Plan Offerings

Number of Contracts

	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>	<u>Total</u>
Network Blue	237		364	601
Blue Care Elect	7		2	9
Managed Blue for Seniors	256			256
Medex II	241			241
Total	741	0	366	1,107

Per Contract Costs (monthly)

	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>
Network Blue	998.16		2,304.04
Blue Care Elect	1,927.15		3,820.20
Managed Blue for Seniors	349.50	699.00	
Medex II	383.70	767.40	
DMS with CIGNA	29.60	52.00	87.60
Delta Dental	48.61	97.24	140.90

APPENDIX IV – PLAN DEMOGRAPHICS

	Active Plan Average Premium Calculation					
	Single	Two-Person	Family	Number of Participants	Total Premiums Paid	Claims Without Children
Network Blue	237		364	965	12,902,813.76	11,558,692.80
Blue Care Elect	7		2	11	253,565.40	253,565.40
Total	244	0	366	976	13,156,379.16	11,812,258.20
Blended Average Monthly Rate:						\$ 1,008.56

	Medicare Supplement Plan Average Premium Calculation					
	Single	Two-Person	Family	Number of Participants	Total Premiums Paid	Claims Without Children
Managed Blue for Seniors	256			256	1,073,664.00	1,073,664.00
Medex II	241			241	1,109,660.40	1,109,660.40
Total	497	0	0	497	2,183,324.40	2,183,324.40
Blended Average Monthly Rate:						\$ 366.08

APPENDIX V – OVERVIEW OF GASB 74 & 75

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

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

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

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

APPENDIX V – OVERVIEW OF GASB 74 & 75

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

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

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

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

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

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

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

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

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

APPENDIX VI – ASOP 41 DISCLOSURES

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

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

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

Identification of the Responsible Actuary

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

Identification of Actuarial Documents

The date of this document is November 14, 2023 and its subject is the Town of Sharon's GASB 75 OPEB liabilities.

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

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

APPENDIX VI – ASOP 41 DISCLOSURES

Disclosures in Actuarial Reports

- ✓ The contents of this report are intended for the use of the officers, employees, and elected officials of the Town and the Town's appointed auditor. The Town may distribute this report to those parties that have a legal right to require the Town to provide it, in which case it will be provided in its entirety including all assumptions, caveats, and limitations. In addition, we request that the Town notify Odyssey Advisors to whom it was distributed.
- ✓ The purpose of this engagement was to provide the Town with analysis of the GASB 75 OPEB liabilities.
- ✓ The responsible actuary identified above is qualified as specified in the Qualification Standards of the American Academy of Actuaries.
- ✓ Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.
- ✓ Actuarial computations under GASB 75 are for purposes of fulfilling financial accounting requirements of the Town. Determinations for purposes other than meeting these financial accounting requirements may be significantly different from the results contained in this report. These communications should not be relied upon for any other purpose.
- ✓ The Town of Sharon has agreed to pay Odyssey Advisors a fee for preparing this report. Other than with regard to that contract, we are financially and organizationally independent from the Town and any entity or individual related to the Town. There is nothing in our relationship with the Town that would impair or seem to impair the objectivity of our work.
- ✓ The Town provided the employee/retiree data, premium rates and other information used to prepare our report. We have reviewed the data for reasonableness but have not audited it. To the extent that there are material inaccuracies in the data, our results may be accordingly affected.
- ✓ The date through which data or other information has been considered in developing the findings included in this report is June 30, 2023.
- ✓ The various documents comprising the actuarial report are contained within the document to which these disclosures are attached.

APPENDIX VI – ASOP 41 DISCLOSURES

Events Subsequent to the Measurement Date

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

Actuarial Findings

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

Methods, Procedures, Assumptions, and Data

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

Assumptions or Methods Prescribed by Law

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

Responsibility for Assumptions and Methods

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

Deviation from the Guidance of an ASOP

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

Rounding

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

GLOSSARY

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

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

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

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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