

GASB Statements No. 74 and 75
Report for Fiscal Year 2023

Town of Medfield



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September 27, 2023

Mr. Andrew Foster
Town Accountant
Town of Medfield
459 Main Street
Medfield, MA 02052

Dear Mr. Foster:

For the purpose of satisfying the requirements of the Government Accounting Standards Board (GASB) Statements No. 74 and No. 75, as amended by GASB Statement No 85, Stone Consulting, Inc. has prepared a set of illustrative tables and other Required Supplementary Information (RSI) based on the January 1, 2023 actuarial valuation of the Town of Medfield Other Post-employment Benefits (OPEB) plan performed by Stone Consulting, Inc. The valuation and this report were prepared using generally accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations and meet the parameters set by the Governmental Accounting Standards Board (GASB).

For GASB 74, the results are as of a valuation date of January 1, 2023, and an OPEB plan Fiscal Year-end of June 30, 2023. For GASB 75, the results are as of a valuation date of January 1, 2023, a measurement date of June 30, 2023, and a reporting date of June 30, 2023. To the best of our knowledge, this report is complete and accurate, and the assumptions used represent a reasonable estimate of anticipated experience of the system unless required by statute or by the GASB standard.

We are pleased to present these exhibits. If the Town of Medfield or the Town of Medfield OPEB Trust has any questions on the content of this report, we would be glad to respond. Please note that this report is meant to be used in its entirety. Use of excerpts of this report may result in a misleading or inaccurate understanding of the results.

Stone Consulting, Inc. is completely independent of the Town of Medfield or the Town of Medfield OPEB Trust, including any of their officers and key personnel. Neither we or anyone else closely associated with us has any relationship with the Town of Medfield or the Town of Medfield OPEB Trust which would impair our independence, other than this or related assignments, such as work for the Town of Medfield Retirement System.

The undersigned are consultants for Stone Consulting, Inc. and members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,
STONE CONSULTING, INC.



Joan H. Moreau, ASA
Member, American Academy of Actuaries



Kevin K. Gabriel, FSA
Member, American Academy of Actuaries

SECTION I – ACTUARIAL RESULTS

Summary of Results

The most recent actuarial OPEB valuation performed by Stone Consulting for the Town of Medfield was on January 1, 2023. Participant census data as of January 1, 2023 was supplied by the Town of Medfield and liabilities were first determined as of that date. Update procedures were used to roll the Total OPEB Liability from the valuation date to June 30, 2023, the OPEB plan's Fiscal Year-end (GASB 74) and the measurement date (GASB 75).

The key results as of June 30, 2023 were:

Total OPEB Liability	\$ 34,747,954
Plan Fiduciary Net Position	<u>6,758,942</u>
Net OPEB Liability	\$ 27,989,012

- "Total OPEB Liability" is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of plan member service as of the measurement date based on actuarial assumptions chosen by the Town of Medfield.
- "Plan Fiduciary Net Position" is the fair value of assets (as defined by GASB 72 and required by GASB 74) available, and in the OPEB trust, as of the end of the 2023 Fiscal Year, June 30, 2023.
- "Net OPEB Liability" is the difference between the above two figures and is the amount of the future liability not funded as of the measurement date.

Liabilities are calculated by using the "Entry Age Normal" actuarial cost method, the method required by GASB. These figures are intended for financial reporting and are not intended to be used to determine funding of the OPEB plan.

Service Cost

Service Cost for Plan Year 2023	\$ 982,546
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Service Cost is the cost of benefits accruing in each year. This figure is based on an interest rate of 7.00% and the Entry Age Normal Cost Method. Because the Service Cost used for Plan Year 2023 is a beginning-of-year number, it is calculated using the discount rate, assumptions, and participant data used in the prior GASB 74/75 report. Changes due to assumptions and experience are then calculated at the end of the measurement period.

Discount Rate at June 30, 2023

Results at June 30, 2023 use a discount rate of 7.00%. The 7.00% is based on an assessment of the Town of Medfield OPEB Trust's investment strategy and should be thought of as a blend of the expected long-term rate of return on Trust assets and the municipal bond rate. The rate is determined based on a projection of future cash flows and assumes that the Town of Medfield makes additional cash contributions of \$500,000 in Fiscal Year 2023, in monthly installments of \$41,667, increasing by 5% per year thereafter. Should the future contribution amount schedule change or the target asset allocation change, the valuation discount rate would likely change. A brief analysis of contribution sensitivity is included on page 6 of this report.

Funding

Valuations performed for GASB74/75 purposes are not intended to be funding valuations. Rather, they are intended for use by accountants in developing financial statements. The rules set forth by GASB are designed to ensure that all entities report on a comparable basis. Development of a funding schedule requires additional assumptions and a separate actuarial valuation. Should an entity such as the Town of Medfield wish to develop a plan to fund its liability on an actuarial basis in total or in part, it is free to choose:

- The actuarial cost method used in determining the liability
- The length and amortization of the funding schedule, including establishment of various bases
- Actuarial assumptions, such as the discount rate (this rate would not need to tie into a cash flow analysis such as in Statements 74 and 75)

In general, the funding amount is an amount to cover the Normal Cost (the cost of benefits accruing in each year) for the year plus an amount to amortize the unfunded liability over a period of time using a particular pattern (level, increasing, etc.). This would be done at a discount rate close to the expected net long-term rate of return of 7.00% .

Use of a different cost method, discount rate, or other assumptions would give a different number for the Normal Cost, the unfunded OPEB Liability, and amortization amount.

The Town of Medfield has not asked Stone Consulting to prepare a funding schedule.

GASB Statement No. 74 – Net OPEB Liability

The components of the Net OPEB Liability for the Town of Medfield OPEB Trust as of an OPEB plan Fiscal Year-end of June 30, 2023 were as follows:

	FY 2023	FY 2022
Total OPEB Liability		
Service Cost	\$ 982,546	\$ 932,630
Interest	2,434,438	2,304,616
Changes in Benefit Terms	0	0
Differences between expected and actual experience	(2,325,723)	0
Changes of assumptions	573,196	395,656
Benefit payments	(1,423,288)	(1,305,724)
Net change in Total OPEB liability	\$ 241,169	\$ 2,327,178
Total OPEB Liability – beginning (7.00%)	34,506,785	32,179,607
Total OPEB Liability – ending (7.00%) (a)	\$ 34,747,954	\$ 34,506,785
Plan Fiduciary Net Position		
Contributions – employer*	\$ 1,923,288	\$ 1,730,724
Net Investment Income	361,100	(201,217)
Benefit payments	(1,423,288)	(1,305,724)
Administrative expenses	0	0
Net change in Plan Fiduciary Net Position	\$ 861,100	\$ 223,783
Plan Fiduciary Net Position – beginning	5,897,842	5,674,059
Plan Fiduciary Net Position – ending (b)	\$ 6,758,942	\$ 5,897,842
Net OPEB Liability – ending (a) – (b)	\$ 27,989,012	\$ 28,608,943
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	19.5%	17.1%

*Employer contribution of \$1,423,288 of Pay-As-You-Go and a \$500,000 cash contribution for FY2023.

Update procedures were used to roll the Total OPEB Liability from the valuation date (01/01/2023) to the OPEB plan's Fiscal Year-end (06/30/2023). [GASB Statement No. 74, Paragraph 35(c)]

Note: Charts in this report may not total due to rounding.

Changes from Prior Report

The change in assumptions is broken into

- \$708,237 due to an increase in the medical participation assumption from 65% to 67.5%.
- (135,041) due to a change in the mortality projection scale from MP-2020 to MP_2021.

Differences between expected and actual experience is broken into

- A 7% decrease due to lower-than-expected claims and trends experience. Commercial plan premiums increased 4.5% less than expected, while Medicare plan premiums increased 16% less than expected.
- A <1% increase due to other population changes.

Distribution of the Member Population

Town of Medfield OPEB Trust – Membership as of June 30, 2023

	2023	2022
Retired, Disabled, Survivors and Beneficiaries receiving benefits	264	261
Inactive plan members entitled to but not yet receiving benefit payments *	6	4
Active plan members	512	505
Total	782	770

These numbers are based on the data supplied by the Town of Medfield as of June 30, 2023. Note that these membership numbers count a retiree and a spouse as only one member, even if they have separate policies.

* The number of inactive plan members was not available from the MTRS as of June 30, 2023. The inactive count shown here represents inactives for the Town of Medfield only. MTRS inactive data is unavailable, but we believe it is immaterial.

Development of Exhibits

DISCOUNT RATE

Total OPEB Liability as of the plan's Fiscal Year-end (June 30, 2023) is calculated using a discount rate assumption of 7.00%. To calculate this rate, Stone Consulting has conducted a cash flow study of the Trust assets and liabilities. Using a rate consistent with the Trust's investment strategy (7.00%), we determine the length of time for which the assets would support OPEB benefit payments for current and projected new employees. For the Town of Medfield OPEB Trust, there is no depletion point. The present value of OPEB benefits is then calculated using a rate consistent with the Trust's investment strategy (7.00%) before the depletion point and a rate based on 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.65% as of June 30, 2023) after the depletion point. Finally, a single rate producing an equivalent present value of benefits is calculated. This is the 7.00% rate we have used for the Town of Medfield (GASB 75) and the Town of Medfield OPEB Trust (GASB 74). One of the objectives of the provisions introduced by GASB 74 and 75 is to examine how benefit payments and plan contributions and investment earnings interact on a cash flow basis. GASB 74 and 75 require that these amounts be calculated with the Fair Value of Assets and using the Entry Age Normal cost method.

Projected contributions for each year are the sum of cash payments and the pay-as-you-go funding of the retirees. Consistent with the requirements of GASB Statement No. 74 and 75, we have first assigned the contribution to the cost of projected new entrants prior to allocating the remainder to cover existing actives and inactive employees.

As of June 30, 2023, the Town of Medfield's Fiduciary Net Position was projected to be available to make all future benefit payments of current active and inactive employees per the methodology contained in GASB 75. Thus, the long-term expected rate of return on investments was applied for all benefit periods when calculating the Net OPEB Liability.

The long-term rate of return which was used to develop the discount rate of 7.00% includes the effect of inflation (not subtracted out as in the real rates of return). It is based on a combination of expected rates of return on the mix of current and expected investments over a long-term period. These expectations are based on current market conditions, historical experience and future expectations. It assumes a rebalancing of assets on an ongoing basis as well as a constant monitoring of asset allocation and manager performance.

GASB Statement No. 74, Paragraph 34(b)(3) requires that an annual money-weighted rate of return be developed using the market value of assets at the beginning of the Plan Year, along with monthly cash flows. This has been done for the 2023 Fiscal Year, and is shown below:

Fiscal Year	2023
Money-Weighted Rate of Return	5.86%

For detailed calculations of this amount, see the schedule on page 10.

Discount Sensitivity

The following presents Town of Medfield OPEB Trust's Net OPEB Liability calculated at the valuation discount rate of 7.00%, as well as at discount rates one percent higher (8.00%) and one percent lower (6.00%).

OPEB Plan Fiscal Year-End	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
06/30/2023	\$ 32,234,027	\$ 27,989,012	\$ 24,446,723

Sensitivity of Current Valuation to Funding Level

To give Town of Medfield and the OPEB Trust some idea of the sensitivity of the discount rate employed in the GASB valuation to the assumed funding level, Stone Consulting has performed depletion analysis assuming the Town of Medfield ceases making contributions to the OPEB trust. If contributions ceased, the discount rate employed would be lowered by 239 basis points from 7.00% to 4.61%.

Lower returns than 7.00% per annum will increase the number of years the Town of Medfield needs to contribute in order to use the fully funded discount rate for GASB 74 and 75. We have not calculated liabilities at the 4.61% rate; however, as required by GASB 74 and shown on page 6 of this report, a 6.00% discount rate increases the Net OPEB Liability from \$27,989,012 to \$32,234,027.

These sensitivity calculations assume the same assumptions and methods as used in the original valuation with only a change in the amount the Town of Medfield plans to contribute. They also assume no change in the Town of Medfield investment strategy. A change in such strategy would also impact the discount rate determined.

Trend Sensitivity

For postretirement medical plans in particular, the calculated actuarial values are highly sensitive to the assumed rate of health care cost trend. This is due to the compounding effect of the annual trend rates assumed for medical costs, as opposed to pension valuations where benefit levels typically remain fixed.

The following table illustrates the effect on our valuation results of a 1% increase or decrease in the assumed rates of health care cost trend in each year.

OPEB Plan Fiscal Year-End	1% Decrease	Base Trend *	1% Increase
06/30/2023	\$ 23,865,889	\$ 27,989,012	\$ 33,064,740

* Base trend rates are found in Actuarial Assumptions and Methods, page 28.

Long-Term Expected Real Rate of Return

The long-term expected real rate of return reflects the expected rate of return on plan assets adjusted for the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a reasonable estimate of future experience, based on the expected asset allocation.

Allocation percentages are based on information provided by the Town of Medfield and the Massachusetts Pension Reserves Investment Trust (PRIT) asset consultant, NEPC. Real rates of return are based on 30-year return estimates provided by NEPC through the Pension Reserve Investment Trust, adjusted using NEPC's 2.60% inflation assumption.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Average)
Global Equity	32-42%	
US Equity		4.39%
International Equities		4.19%
Emerging Equities		6.82%
Hedged Equity		NA
Core Fixed Income	12-18%	
Core Bonds		2.05%
Short-Term Fixed Income		1.17%
Treasury STRIPS		1.66%
TIPS/ILBs		1.46%
Value-Added Fixed Income	5-11%	5.07%
Private Equity	13-19%	7.41%
Real Estate	7-13%	3.02%
Timberland	1-7%	4.39%
Portfolio Completion (PCS)	7-13%	3.80%

Schedule of Changes in OPEB Trust Net OPEB Liability and Related Ratios – GASB 74

(Amounts in Thousands)

Plan Year-End of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL OPEB LIABILITY										
Service cost	983	933	1,058	1,467	1,574	1,592	1,532			
Interest	2,434	2,305	2,686	2,358	2,456	2,143	2,034			
Change of benefit terms	0	0	0	0	0	0	0			
Differences between expected and actual experience	(2,326)	0	(7,384)	0	(5,361)	0	0			
Change of assumptions	573	396	506	(4,702)	(2,381)	(248)	0			
Benefit payments	(1,423)	(1,306)	(1,350)	(1,385)	(1,394)	(1,466)	(1,408)			
Net change in Total OPEB Liability	241	2,237	(4,485)	(2,262)	(5,105)	2,021	2,159			
Total OPEB Liability - beginning	34,507	32,180	36,664	38,926	44,031	42,010	39,851			
Total OPEB Liability - ending	34,748	34,507	32,180	36,664	38,926	44,031	42,010			
PLAN FIDUCIARY NET POSITION										
Contributions – employer	1,923	1,731	1,775	1,810	1,794	1,866	1,853			
Contributions – employee	0	0	0	0	0	0	0			
Net Investment Income	361	(201)	1,277	76	181	251	253			
Benefit payments	(1,423)	(1,306)	(1,350)	(1,385)	(1,394)	(1,466)	(1,408)			
Administrative expense	0	0	0	0	0	0	0			
Other	0	0	0	0	0	0	0			
Net change in Plan Fiduciary Net Position	861	224	501	501	581	651	699			
Plan Fiduciary Net Position - beginning	5,898	5,674	3,972	3,471	2,889	2,238	1,539			
Plan Fiduciary Net Position - end	6,759	5,898	5,674	3,972	3,471	2,889	2,238			
Town of Medfield Net OPEB Liability – ending	27,989	28,609	26,506	32,692	34,455	41,142	39,772			
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	19.5%	17.1%	17.6%	10.8%	8.9%	6.6%	5.3%			
Money-Weighted Rate of Return	5.86%	-4.12%	29.29%	1.99%	5.57%	11.15%	12.77%			

Schedule of Plan Contributions - GASB 74

Plan Year-End of June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	N/A	N/A	N/A	N/A	N/A	N/A	4,108			
Contributions in relation to the Actuarially Determined Contribution	N/A	N/A	N/A	N/A	N/A	N/A	(1,853)			
Contribution deficiency / (excess)	N/A	N/A	N/A	N/A	N/A	N/A	2,255			

Town of Medfield's plan to fund OPEB is to contribute \$500,000 per year to the OPEB Trust during Fiscal Year 2023, increasing by 5% thereafter.

There is no requirement that an actuarially determined contribution (ADC) be calculated. There is no statutory ADC, and the Town of Medfield is currently not funding the OPEB liability on an actuarial basis. Therefore, Stone Consulting, Inc. has not calculated an ADC for Fiscal 2023.

GASB Statement No. 74, Paragraph 34 b. (3) - Money-Weighted Rate of Return

NET EXTERNAL CASH FLOW				
	Beginning of month	Middle of Month	End of Month	Periods Invested**
Starting Value* (7/1/2022)	\$5,897,842.00			12
Cash Flows:				
July	41,666.66			11
August	41,666.66			10
September	41,666.66			9
October	41,666.66			8
November	41,666.66			7
December				6
January	83,333.32			5
February	41,666.66			4
March	41,666.66			3
April	41,666.66			2
May	41,666.66			1
June	41,666.74			0
Ending Value* (6/30/2023)	\$6,758,942.19			Sum:
				\$ 6,758,942.19

* Value shown does not include any payables or receivables, except those related to investments.

** Middle of period cash flows are given an additional half period of investment return, and beginning of period cash flows are given an additional full period.

Return Rate: 5.86%

Changes in the Net OPEB Liability [GASB 75, Paragraph 55]

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at beginning of Measurement Period (07/01/2022)	\$ 34,506,785	\$ 5,897,842	\$ 28,608,943
<u>Changes for the Year:</u>			
Service Cost	982,546		982,546
Interest	2,434,438		2,434,438
Change in benefit terms	0		0
Differences between expected and actual experience	(2,325,723)		(2,325,723)
Change in assumptions	573,196		573,196
Contributions - employer		1,923,288	(1,923,288)
Contributions - employee		0	0
Net investment income		361,100	(361,100)
Benefit payments	(1,423,288)	(1,423,288)	0
Administrative expense		0	0
Other changes		0	0
Net Changes	<u>241,169</u>	<u>861,100</u>	<u>(619,931)</u>
Balances at end of Measurement Period (06/30/2023)	\$ 34,747,954	\$ 6,758,942	\$ 27,989,012

NOTE: Amounts shown in this report may not total due to rounding

Update procedures were used to roll the Total OPEB Liability from the valuation date (01/01/2023) to the measurement date (06/30/2023). [GASB Statement No. 75, Paragraph 28]

Plan Fiduciary Net Position as a percentage of Total OPEB Liability	19.5%
Covered Employee Payroll *	\$41,559,025
Net OPEB Liability as a percentage of payroll	67.3%

* Fiscal Year 2023 pensionable payroll.

Projection of the Net OPEB Liability

TOTAL OPEB LIABILITY (TOL)

The Total OPEB Liability at the beginning of the measurement period (07/01/2022) is equal to the Actuarial Accrued Liability (AAL) rolled from 01/01/2021. Any differences between the projected amount and the actual value that are not the result of changes in assumptions or plan provisions are recognized as "Differences between expected and actual experience." GASB Statement No. 75, Paragraph 42 requires that the AAL be calculated under the Entry Age Normal Cost Method. The components of the AAL (calculated as of 01/01/2023 at a discount rate of 7.00%) are as follows:

Actives	\$ 17,717,237
Retirees, Disabled, Beneficiaries, and Vested Terminated	<u>16,029,868</u>
Total	\$ 33,747,105

The TOL is projected to the end of the measurement period (06/30/2023) by adding the changes resulting from experience, assumption changes, and changes to plan provisions. Interest is given to the TOL, Service Cost, and paid benefits, and added to the total, less the projected benefit payments for the year. Changes due to expected and actual gains on plan assets will be recognized over a five-year period [GASB Statement No. 75, Paragraph 43b], and liabilities arising from changes in plan structure or assumptions will be spread over the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) [GASB Statement No. 75, Paragraph 43a]. Changes in plan provisions are recognized immediately.

PLAN FIDUCIARY NET POSITION (FNP)

GASB Statement No. 75 requires that the Fair Value of Assets be used for the Fiduciary Net Position. We have used the Market Value of Assets, adjusted for payables and receivables. Net investment income is the portion of the change in assets during the measurement period that is not attributed to employee/employer contributions, benefits payments, administrative expense, or other changes.

The projected Net OPEB Liability (NOL) for the end of the year is the portion of the TOL not covered by the FNP.

OPEB Expense Components

Components of Town of Medfield's OPEB Expense for the Fiscal Year ended June 30, 2023 [GASB 75, Paragraph 43] are shown below.

NOTE*	Description	Fiscal 2023	Fiscal 2022
A	Service Cost	\$ 982,546	\$ 932,630
A, B	Interest	2,434,438	2,304,616
C	Differences between Expected and Actual Experience	(2,003,272)	(1,662,256)
D	Changes of Assumptions	(896,294)	(980,340)
D	Changes to Benefit Provisions	0	0
E	Projected Earnings on Plan Investments	(430,349)	(417,946)
F	Differences between Projected and Actual Earnings on Plan Investments	(30,990)	(70,722)
A	Administrative Expense	0	0
A	Other Changes in Fiduciary Net Position	<u>0</u>	<u>0</u>
	Total OPEB Expense	\$ 56,079	\$ 105,981

* Notes shown on page 14. Amounts are based on the following dates:

- **Valuation date:** January 1, 2023
- **Measurement date:** June 30, 2023
- **Reporting date:** June 30, 2023

CHANGES IN METHODS, ASSUMPTIONS, AND PLAN PROVISIONS

The mortality projection scale was changed from MP-2020 to MP-2021. Medical participation was changed from 65% to 67.5%.

NOTES

- A. See the RSI schedule of changes to the Net OPEB Liability, on page 11.
- B. Events that impact the Total OPEB Liability are assumed to happen evenly throughout the period. In addition, the amount of interest is calculated using an interest rate equal to the discount rate that was used to determine the service cost. The amount is determined as follows:

Description	Amount for Period (a)	Portion of Period (b)	Interest Rate (c)	Interest on the Total OPEB Liability (a) x (b) x (c)
Beginning Total OPEB Liability	\$ 34,506,785	100%	7.00%	\$ 2,415,475
Service cost	982,546	100%	7.00%	68,778
Benefit payments	\$ (1,423,288)	50%	7.00%	(49,815)
Interest				\$ 2,434,438

- C. Differences between expected and actual experience recognized in the current period in accordance with paragraph 43a of Statement 75. For the detailed calculation of this amount, see the schedule on page 16.
- D. Assumption and plan provision changes recognized in OPEB Expense in the current period in accordance with paragraph 43a of Statement 75. For detailed calculations of these amounts, see the schedule on page 16.
- E. Changes in the amounts invested are assumed to occur evenly throughout the period. In addition, the amount of projected earnings on plan investments is calculated using the assumed rate of return on plan investments as of the beginning of the period. The amount is determined as follows:

Description	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) x (b) x (c)
Beginning plan Fiduciary Net Position	\$ 5,897,842	100%	7.00%	\$ 412,849
Employer contributions	1,923,288	50%	7.00%	67,315
Employee contributions	0	50%	7.00%	0
Benefit payments	(1,423,288)	50%	7.00%	(49,815)
Administrative expense	0	50%	7.00%	0
Total projected earnings				\$ 430,349
Actual earnings				361,100
Difference between projected and actual earnings				\$ 69,249

- F. Differences between projected and actual earnings recognized in the current period in accordance with paragraph 43b of Statement 75. For detailed calculation of this amount, see the schedule on page 16.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB [GASB 75, ¶56.h.]

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 0	\$ (8,134,823)
Changes of assumptions	1,101,580	(2,526,480)
Net difference between projected and actual earnings on plan investments	<u>66,083</u>	<u>0</u>
Total	\$ 1,167,664	\$ (10,661,303)

Year Ending June 30, *	Recognition
2024	\$ (2,928,060)
2025	(2,554,811)
2026	(1,335,189)
2027	(986,698)
2028	(1,000,548)
Thereafter	(688,334)

*The years are based on measurement date of June 30, 2023. For GASB 75, the reporting date is the same as the measurement date.

■ Town of Medfield

GASB Statements No. 74 and No. 75

Increase / (Decrease) in OPEB Expense Arising from the Recognition of Gains and Losses – GASB 75

Increase / (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Fiscal Year	Differences between actual and expected experience	Recognition period (years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2019	\$ (5,360,645)	6.67	\$ (803,695)	\$ (803,695)	\$ (803,695)	\$ (803,695)	\$ (803,695)	\$ (538,476)	\$ -	\$ -	\$ -	\$ -
2020	\$ -	6.67	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ (7,383,628)	8.6		\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (858,561)	\$ (515,137)
2022	\$ -	7.04			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ (2,325,723)	6.82				\$ (341,015)	\$ (341,015)	\$ (341,015)	\$ (341,015)	\$ (341,015)	\$ (341,015)	\$ (279,632)
Net increase (decrease) in OPEB expense			\$ (803,695)	\$ (1,662,256)	\$ (1,662,256)	\$ (2,003,272)	\$ (2,003,272)	\$ (1,738,052)	\$ (1,199,577)	\$ (1,199,577)	\$ (1,199,577)	\$ (794,769)

Increase / (Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Assumptions

Fiscal Year	Change of assumptions	Recognition period (years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2018	\$ (248,102)	7.44	\$ (33,347)	\$ (33,347)	\$ (33,347)	\$ (33,347)	\$ (33,347)	\$ (14,673)	\$ -	\$ -	\$ -	\$ -
2019	\$ (2,381,294)	6.67	\$ (357,016)	\$ (357,016)	\$ (357,016)	\$ (357,016)	\$ (357,016)	\$ (239,200)	\$ -	\$ -	\$ -	\$ -
2020	\$ (4,702,087)	6.67	\$ (704,961)	\$ (704,961)	\$ (704,961)	\$ (704,961)	\$ (704,961)	\$ (704,961)	\$ (472,324)	\$ -	\$ -	\$ -
2021	\$ 505,522	8.6		\$ 58,782	\$ 58,782	\$ 58,782	\$ 58,782	\$ 58,782	\$ 58,782	\$ 58,782	\$ 58,782	\$ 35,269
2022	\$ 395,656	7.04			\$ 56,201	\$ 56,201	\$ 56,201	\$ 56,201	\$ 56,201	\$ 56,201	\$ 56,201	\$ 2,248
2023	\$ 573,196	6.82				\$ 84,046	\$ 84,046	\$ 84,046	\$ 84,046	\$ 84,046	\$ 84,046	\$ 68,918
Net increase (decrease) in OPEB expense			\$ (1,095,323)	\$ (1,036,542)	\$ (980,340)	\$ (896,294)	\$ (896,294)	\$ (759,805)	\$ (273,294)	\$ 199,029	\$ 199,029	\$ 106,435

Increase/(Decrease) in OPEB Expense Arising from the Recognition of Differences between Expected and Actual Earnings on OPEB Plan Investments

Fiscal Year	Differences between projected and actual earnings on OPEB plan investments	Recognition period (years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2018	\$ (129,411)	5	\$ (25,882)	\$ (25,882)	\$ (25,882)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ (12,480)	5	\$ (2,496)	\$ (2,496)	\$ (2,496)	\$ (2,496)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 142,298	5	\$ 28,460	\$ 28,460	\$ 28,460	\$ 28,460	\$ 28,460	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ (973,182)	5		\$ (194,636)	\$ (194,636)	\$ (194,636)	\$ (194,636)	\$ (194,636)	\$ -	\$ -	\$ -	\$ -
2022	\$ 619,162	5			\$ 123,832	\$ 123,832	\$ 123,832	\$ 123,832	\$ 123,832	\$ -	\$ -	\$ -
2023	\$ 69,249	5				\$ 13,850	\$ 13,850	\$ 13,850	\$ 13,850	\$ 13,850	\$ -	\$ -
Net increase (decrease) in OPEB expense			\$ 82	\$ (194,555)	\$ (70,722)	\$ (30,990)	\$ (28,494)	\$ (56,954)	\$ 137,682	\$ 13,850	\$ -	\$ -

Deferred Outflows and Deferred Inflows of Resources Arising from Gains and Losses

Deferred Outflows and Deferred Inflows of Resources Arising from Differences between Expected and Actual Experience

				BALANCES AT JUNE 30, 2023	
Fiscal Year	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in OPEB Expense through June 30, 2023 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2019	\$ -	\$ (5,360,645)	\$ (4,018,475)	\$ -	\$ (1,342,171)
2020	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ -	\$ (7,383,628)	\$ (2,575,684)	\$ -	\$ (4,807,944)
2022	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ -	\$ (2,325,723)	\$ (341,015)	\$ -	\$ (1,984,708)
TOTAL				\$ -	\$ (8,134,823)

Deferred Outflows and Deferred Inflows of Resources Arising from Changes of Assumptions

				BALANCES AT JUNE 30, 2023	
Fiscal Year	Increases in the Total OPEB Liability (a)	Decreases in the Total OPEB Liability (b)	Amounts Recognized in OPEB Expense through June 30, 2023 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2018	\$ -	\$ (248,102)	\$ (200,082)	\$ -	\$ (48,020)
2019	\$ -	\$ (2,381,294)	\$ (1,785,078)	\$ -	\$ (596,216)
2020	\$ -	\$ (4,702,087)	\$ (2,819,842)	\$ -	\$ (1,882,245)
2021	\$ 505,522	\$ -	\$ 176,345	\$ 329,177	\$ -
2022	\$ 395,656	\$ -	\$ 112,402	\$ 283,254	\$ -
2023	\$ 573,196	\$ -	\$ 84,046	\$ 489,150	\$ -
TOTAL				\$ 1,101,580	\$ (2,526,480)

Deferred Outflows and Deferred Inflows of Resources Arising from Differences between Expected and Actual Earnings on OPEB Plan Investments

				BALANCES AT JUNE 30, 2023	
Fiscal Year	Investment Earnings Less than Projected (a)	Investment Earnings More than Projected (b)	Amounts Recognized in OPEB Expense through June 30, 2023 (c)	Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2019	\$ -	\$ (12,480)	\$ (12,480)	\$ -	\$ -
2020	\$ 142,298	\$ -	\$ 113,839	\$ 28,460	\$ -
2021	\$ -	\$ (973,182)	\$ (583,909)	\$ -	\$ (389,273)
2022	\$ 619,162	\$ -	\$ 247,665	\$ 371,497	\$ -
2023	\$ 69,249	\$ -	\$ 13,850	\$ 55,399	\$ -
TOTAL				\$ 455,356	\$ (389,273)
NET TOTAL				\$ 66,083	

SECTION II - ACTUARIAL VALUATION DETAILS

Population Data

A. DISTRIBUTION BY AGE: RETIREES, BENEFICIARIES, AND SURVIVORS (Includes retirees with life only)

Age	Total
0-19	0
20-24	0
25-29	0
30-34	0
35-39	0
40-44	0
45-49	0
50-54	1
55-59	7
60-64	10
65-69	55
70-74	107
75-79	91
80-84	59
85-89	16
90-94	12
95-99	4
100+	0
TOTAL	362

Includes retirees who are eligible for medical or with life coverage in addition to terminated vesteds, beneficiaries, and survivors with medical coverage.

B. ACTIVE PARTICIPANTS

OF PARTICIPANTS*

Current Plan	Mandatory Medicare Eligible	Pre-Mandatory Medicare Eligible	Total
No Medical/ Unknown	276	0	276
Indemnity	0	0	0
Managed Care	245	4	249
TOTAL	521	4	525

* "Pre-Mandatory Medicare eligible" means hired March 31, 1986 or before. "Mandatory Medicare eligible" means hired after March 31, 1986. Employees hired March 31, 1986 or before do not contribute to Medicare.

C. PLAN DEFINITION TABLE⁽¹⁾

Name of Plan	Type of Plan	Ind Rate	Retirees Enrolled	Fam Rate	Retirees Enrolled	EE Cont %
HMO Blue	Commercial Managed Care	\$885.77	7	\$2,304.24	3	50.00%
Blue Care Elect	Commercial Managed Care	\$894.85	9	\$2,328.72	6	50.00%
Medex 2	Medicare Indemnity	\$339.88	301	\$339.88	NA	50.00%
Life Insurance	Life Insurance	\$6.50	144	NA	NA	50.00%

⁽¹⁾ Rates at 01/01/2023. Only plans with retiree enrollment shown.

C. DISTRIBUTION BY AGE AND SERVICE: ACTIVE PARTICIPANTS

Age Group	0-4	5-9	10-15	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	0	0	0	0	0	0	0	0	0	0
20-24	12	0	0	0	0	0	0	0	0	12
25-29	25	12	1	0	0	0	0	0	0	38
30-34	30	16	4	0	0	0	0	0	0	50
35-39	14	21	14	8	0	0	0	0	0	57
40-44	23	19	6	13	3	0	0	0	0	64
45-49	10	10	13	11	17	1	0	0	0	62
50-54	22	26	17	12	6	11	3	0	0	97
55-59	19	15	8	14	8	3	5	1	0	73
60-64	9	7	6	12	10	4	1	3	2	54
65-69	2	2	2	1	3	1	0	0	0	11
70-74	0	1	0	1	0	0	1	0	1	4
75-79	0	0	1	1	1	0	0	0	0	3
80-84	0	0	0	0	0	0	0	0	0	0
85-89	0	0	0	0	0	0	0	0	0	0
90-94	0	0	0	0	0	0	0	0	0	0
95-99	0	0	0	0	0	0	0	0	0	0
100+	0	0	0	0	0	0	0	0	0	0
TOTAL	166	129	72	73	48	20	10	4	3	525

SECTION III – APPENDICES

Actuarial methods and assumptions were selected by the Town of Medfield, other than those required by statute or by GASB statements, with guidance from Stone Consulting, Inc. This report was prepared using our proprietary valuation model and OPEVS version 5.26. In our professional judgment, this software has the capability to provide results which are consistent with the purposes of the valuation. Output from the software is tested to ensure that the model reasonably represents that which is intended to be modeled. The valuation output is prepared and analyzed using proprietary spreadsheets followed by a final review by a qualified actuary.

Actuarial Methods

Actuarial Cost Method

Costs are attributed between past and future service using the Entry Age Normal cost method. For attribution purposes, benefits are assumed to accrue over all employee service until decrement.

Asset Valuation Method

Market value of assets with payables and receivables.

Actuarial Assumptions

Valuation Date

January 1, 2023

Interest Rate / Discount Rate

- 7.00% per year net of investment expenses as of 06/30/2023. In the calculation of the discount rate, the 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.65%) was used. Long-term rate of return of 7.00%.
- 7.00% per year as of 07/01/2022. Long-term rate of return of 7.00%.

Mortality

- **Actives:** The Pub-2010 Headcount-weighted Mortality Tables, sex-distinct, for Employees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.
- **Retirees:** The Pub-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers.

Actuarial Assumptions (Continued)

- **Disabled:** The Pub-2010 Headcount-weighted Mortality Tables, sex-distinct, for Healthy Retirees projected using generational mortality and scale MP-2021; General (Groups 1&2 and Spouses), Safety (Group 4), and Teachers. Set forward 2 years.

The prior valuation used mortality projection scale MP-2020.

No additional mortality projection is assumed other than as described above.

Salary Scale

- **Groups 1, 2, 4** – increases by years of service: 5.50%, 5.50%, 5.00%, 4.50%, 4.50%, 4.00%, and 3.50% thereafter
- **Teachers** – Increases are based on service as shown below.

Service	Teachers
0	7.50%
1	7.10%
2	7.00%
3	6.90%
4	6.80%
5	6.70%
6	6.60%
7	6.50%
8	6.30%
9	6.10%
10	5.90%
11	5.70%
12	5.20%
13	4.70%
14	4.35%
15-16	4.20%
17-19	4.10%
20+	4.00%

Overall payroll increase rate of 3.00% per year.

Inflation

- CPI-U of 2.50% per year.

Actuarial Assumptions (Continued)

Eligibility for Vested Post-Retirement Medical Benefits upon Withdrawal

10 years of Service; assumed that individuals who withdraw prior to age 40 will elect a return of pension contributions and therefore be ineligible for retiree medical coverage.

Withdrawal Prior to Retirement, Non-Teachers

Based on years of service. Same for both pre- and post-April 1, 2012 (Tier 1 and Tier 2) hires.

Years of Service	Groups 1,2	Group 4
0	15.00%	1.50%
1	12.00%	1.50%
2	10.00%	1.50%
3	9.00%	1.50%
4	8.00%	1.50%
5	7.60%	1.50%
6	7.50%	1.50%
7	6.70%	1.50%
8	6.30%	1.50%
9	5.90%	1.50%
10	5.40%	1.50%
11	5.00%	0.00%
12	4.60%	0.00%
13	4.10%	0.00%
14	3.70%	0.00%
15	3.30%	0.00%
16	2.00%	0.00%
17	2.00%	0.00%
18	2.00%	0.00%
19	2.00%	0.00%
20	2.00%	0.00%
21	1.00%	0.00%
22	1.00%	0.00%
23	1.00%	0.00%
24	1.00%	0.00%
25	1.00%	0.00%
26	1.00%	0.00%
27	1.00%	0.00%
28	1.00%	0.00%
29	1.00%	0.00%
30+	0.00%	0.00%

Actuarial Assumptions (Continued)

Withdrawal Prior to Retirement, Teachers

Same for both pre and post-April 1, 2012 hires.

		Service			
		Age	0	5	10
Male Teachers	25	13.00%	5.50%	1.50%	
	35	13.30	5.30	1.50	
	45	14.00	7.00	2.20	
	55	24.60	6.50	2.50	
Female Teachers	25	10.00%	7.00%	5.00%	
	35	11.00	7.00	3.00	
	45	9.80	4.00	2.10	
	55	13.80	6.00	2.00	

Disability Prior to Retirement

The rates shown at the following sample ages illustrate the assumption regarding the incidence of disability. Disability is assumed to be 50% ordinary and 50% accidental for Groups 1 and 2, 10% ordinary and 90% accidental for Group 4, and 55% ordinary and 45% accidental for Teachers.

Rate of Disability			
Age	Groups 1 and 2	Group 4	Teachers
20	0.01%	0.10%	0.004%
25	0.02%	0.20%	0.005%
30	0.03%	0.30%	0.006%
35	0.06%	0.30%	0.006%
40	0.10%	0.30%	0.010%
45	0.15%	1.00%	0.030%
50	0.19%	1.25%	0.050%
55	0.24%	1.20%	0.080%
60	0.28%	0.85%	0.100%

Medicare Eligibility

- **Employees:** 100% if hired March 31, 1986 or after; 85% if hired pre-March 31, 1986.
- **Spouses:** 100%

Actuarial Assumptions (Continued)

Rates of Retirement, Non-Teachers

Based on gender, group, and hire date.

	Hired Pre-April 2, 2012			Hired Post-April 1, 2012		
Age	Groups 1 and 2 Male	Groups 1 and 2 Female	Group 4	Groups 1 and 2 Male	Groups 1 and 2 Female	Group 4
50	1.00%	1.50%	2.00%	-	-	-
51	1.00%	1.50%	2.00%	-	-	-
52	1.00%	2.00%	2.00%	-	-	-
53	1.00%	2.50%	5.00%	-	-	-
54	2.00%	2.50%	7.50%	-	-	-
55	2.00%	5.50%	15.00%	-	-	10.00%
56	2.50%	6.50%	10.00%	-	-	7.00%
57	2.50%	6.50%	10.00%	-	-	20.00%
58	5.00%	6.50%	10.00%	-	-	10.00%
59	6.50%	6.50%	15.00%	-	-	15.00%
60	12.00%	5.00%	20.00%	25.00%	30.00%	20.00%
61	20.00%	13.00%	20.00%	20.00%	13.00%	20.00%
62	30.00%	15.00%	25.00%	30.00%	15.00%	25.00%
63	25.00%	12.50%	25.00%	25.00%	12.50%	25.00%
64	22.00%	18.00%	30.00%	22.00%	18.00%	30.00%
65	40.00%	15.00%	100.00%	40.00%	15.00%	100.00%
66	25.00%	20.00%	NA	25.00%	20.00%	NA
67	25.00%	20.00%	NA	25.00%	20.00%	NA
68	30.00%	25.00%	NA	30.00%	25.00%	NA
69	30.00%	20.00%	NA	30.00%	20.00%	NA
70	100.00%	100.00%	NA	100.00%	100.00%	NA

Actuarial Assumptions (Continued)

Rates of Retirement, Teachers

Based on gender, years of service, and hire date.

Age	Hired Pre-April 2, 2102						Hired Post-April 1, 2012					
	<20 years Service		20-29 years service		>29 years service		<20 years service		20-29 years service		>29 years service	
	M	F	M	F	M	F	M	F	M	F	M	F
50	N/A	N/A	1%	1%	2%	1.5%	N/A	N/A	N/A	N/A	N/A	N/A
51	N/A	N/A	1	1	2	1.5	N/A	N/A	N/A	N/A	N/A	N/A
52	N/A	N/A	1	1	2	1.5	N/A	N/A	N/A	N/A	N/A	N/A
53	N/A	N/A	1.5	1	2	1.5	N/A	N/A	N/A	N/A	N/A	N/A
54	N/A	N/A	2.5	1	2	2	N/A	N/A	N/A	N/A	N/A	N/A
55	5%	3%	3	3	6	5	N/A	N/A	N/A	N/A	N/A	N/A
56	5	3	6	3	20	15	N/A	N/A	N/A	N/A	N/A	N/A
57	5	4	10	8	40	35	N/A	N/A	N/A	N/A	N/A	N/A
58	5	8	15	10	50	35	N/A	N/A	N/A	N/A	N/A	N/A
59	10	8	20	15	50	35	N/A	N/A	N/A	N/A	N/A	N/A
60	10	10	25	20	40	35	10%	10%	25%	20%	40%	35%
61	20	12	30	25	40	35	20	12	30	25	40	35
62	20	12	35	30	35	35	20	12	35	30	35	35
63	25	15	40	30	35	35	25	15	40	30	35	35
64	25	20	40	30	35	35	25	20	40	30	35	35
65	25	25	40	40	35	35	25	25	40	40	35	35
66	30	25	30	30	40	35	30	25	30	30	40	35
67	30	30	30	30	40	30	30	30	30	30	40	30
68	30	30	30	30	40	30	30	30	30	30	40	30
69	30	30	30	30	40	30	30	30	30	30	40	30
70	100	100	100	100	100	100	100	100	100	100	100	100

Actuarial Assumptions (Continued)

Plan Enrollment Rates

These are the rates which retirees select medical plans, given that they enroll in a medical plan. The selection patterns follow the table below.

Participant Behavior at Key Ages

Status	Age	Pre-65 Retirement	65+ Retirement
Active	Under 65	Commercial Managed Care: 100% Commercial Indemnity: 0%	Medicare Managed Care: 0% Medicare Indemnity: 100% Commercial Managed Care: <1%
Active	65+	NA	Medicare Managed Care: 0% Medicare Indemnity: 100% Commercial Managed Care: <1%
Retired	Under 65	Current Plan	Medicare Managed Care: 0% Medicare Indemnity: 100% Commercial Managed Care: <1% Or Actual Plan if already in Medicare
Retired	65+	NA	Current Plan

Sample Claim Costs

Age-graded claim rates are derived using valuation demographics and aging curves from Health Care Costs – From Birth to Death, published by the Society of Actuaries in June, 2013.

Age	Commercial Managed Care Individual	Commercial Managed Care Blended ⁽¹⁾	Commercial Indemnity Individual	Commercial Indemnity Blended ⁽¹⁾	Medicare Managed Care	Medicare Indemnity
55	\$11,448.30	\$21,150.45	NA	NA	NA	\$3,440.50
60	\$14,014.77	\$25,917.37	NA	NA	NA	\$3,440.50
65	\$17,545.29	\$19,783.70	NA	NA	NA	\$3,440.50
70	\$21,183.12	\$23,885.67	NA	NA	NA	\$3,818.74
75	\$25,313.12	\$28,542.69	NA	NA	NA	\$4,129.89
80	\$30,135.21	\$33,979.97	NA	NA	NA	\$4,355.13
85	\$30,135.21	N/A	NA	NA	NA	\$4,487.80

⁽¹⁾ Blended rates below 65 are 50% Family and 50% Individual. Blended rates 65 and higher are 7.5% Family and 92.5% Individual. Individual rates are used for all participants 81 and higher.

Actuarial Assumptions (Continued)

Trend Rates by Plan

Year	Commercial Managed Care	Medicare Indemnity
2023	8.70%	6.80%
2024	8.30%	6.80%
2025	8.30%	6.80%
2026	7.50%	6.50%
2027	7.20%	6.20%
2028	6.60%	6.00%
2029	6.30%	5.70%
2030	5.70%	5.50%
2031	5.40%	5.20%
2032	5.00%	5.00%
2033	5.00%	5.00%
2034	5.00%	5.00%
2035	5.00%	5.00%
2036	5.00%	5.00%
2037	5.00%	5.00%
2038	5.00%	5.00%
2039	5.00%	5.00%
2040	5.00%	5.00%
2041	5.00%	5.00%
2042+	5.00%	5.00%

Trend assumptions are based on the Society of Actuaries' Getzen model of medical inflation but have been modified by Stone Consulting to account for the cost-shifting which happens from Medicare to commercial plans and from managed care to indemnity plans.

Expenses

Administrative expenses are assumed to increase at 5% per annum.

Actuarial Assumptions (Continued)

Participation Rates

Current retirees and spouses are assumed to continue the same coverage they have as of the valuation date. No future election of coverage is assumed for those retirees and spouses who currently have not elected coverage.

Medical All Retirees: 67.5% (was 65%) of the active Town of Medfield employees eligible for post-employment medical benefits are assumed to elect Medical Coverage immediately upon retirement. 50% of pre-65 retirees and 7.5% of post-65 retirees are assumed to elect family plans.

Life All Retirees: 50% of active Town of Medfield employees eligible for post-employment medical benefits are assumed to elect Life Insurance coverage immediately upon retirement.

For all Retirees: For the Town of Medfield, 55% of spouses are assumed to participate in pre-65 plans (including family plans) and 60% of spouses are assumed to participate in post-65 plans.

Participants with no or unknown current coverage (e.g. active employees who do not currently participate in Town of Medfield's medical plans) are assumed to elect retiree coverage at the same rates as currently covered active employees. Medicare-eligible retirees currently under age 65 are assumed to elect a Medicare plan option at age 65.

Principal Plan Provisions Recognized in Valuation

ELIGIBILITY FOR BENEFITS

Current retirees, beneficiaries and spouses of Town of Medfield are eligible for medical benefits, as are current employees or spouses who retire with a benefit from the Town of Medfield. Survivors of Town of Medfield employees and retirees are also eligible for medical benefits.

MEDICAL BENEFITS

Various medical plans offered by Town of Medfield to its own employees.

LIFE INSURANCE

Town of Medfield retirees are eligible for a \$5,000 life insurance benefit offered by Town of Medfield. Retirees pay 50% of the \$6.50 cost.

RETIREE CONTRIBUTIONS

Based on data provided by Town of Medfield.

Glossary

- **Actuarial Assumptions:** Assumptions as to the occurrence of future events affecting Other Post-employment Benefits such as: mortality rates, disability rates, withdrawal rates, and retirement rates, the discount assumption, and the trend rates.
- **Actuarial Cost Method:** A procedure for determining the Actuarial Present Value of Total Projected benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal and an Actuarial Accrued Liability.
- **Amortization Payment:** The portion of the OPEB contribution designed to pay interest and to amortize the Unfunded Actuarial Accrued Liability.
- **Actuarially Determined Contribution (ADC):** The employer's periodic contributions to a defined benefit OPEB plan, calculated in accordance with the Actuarial Standards of Practice.
- **Cadillac Tax:** Under the Affordable Care Act and starting in 2022, a 40% excise tax on the value of employer-sponsored health benefits exceeding specified thresholds. This has been repealed.
- **Commercial Plans:** Plans designed to cover the medical expenses of those not otherwise covered by Medicare.

■ Town of Medfield

GASB Statements No. 74 and No. 75

- **GASB:** The Governmental Accounting Standards Board is the organization that establishes financial reporting standards for state and local governments.
- **Implicit Subsidy:** The difference between retirees' actual incurred costs for medical coverage and the total premiums charged for such coverage. In group insurance, premiums for younger active employees are implicitly overstated to subsidize the higher utilization by retirees, and this overstatement is considered a contribution to the Plan.
- **Investment return Assumptions (Discount Rate):** The rate used to adjust a series of future benefit payments to reflect the time value of money.
- **Healthcare Cost Trend Rate:** The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, the intensity of the delivery of services, technological developments, and cost-shifting.
- **Medicare Plans:** Medical plans sold to those over 65 who are also covered by Medicare. These plans are supplemental to the Medicare plan, which is considered primary.
- **Net OPEB Liability:** The portion of the Total OPEB Liability that is not covered by plan assets. For a plan that is completely unfunded, this amount is equivalent to the Total OPEB Liability.
- **Normal Cost:** The portion of the Actuarial Present value of plan benefits that is allocated to a valuation year by the Actuarial Cost Method. Referred to as Service Cost in GASB valuations.
- **OPEB:** Other Post-Employment Benefits, other than pensions. This does not include plans such as severance plans or sick-time buyouts.
- **Pay-As-You-Go:** The value of benefits (claims) paid out to plan participants during the year. This is estimated using premium amounts and age-related claim costs from *Health Care Costs – From Birth to Death*, published by the Society of Actuaries in June 2013.
- **Per Capita Claims Cost:** The current average annual cost of providing postretirement health care benefits per individual.
- **Service Cost:** The portion of the Actuarial Present value of plan benefits that is allocated to a valuation year by the Actuarial Cost Method. Referred to as Normal Cost in funding valuations.
- **Total OPEB Liability:** The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Service Costs.
- **Valuation Date:** The point from which all future plan experience is projected and as of which all present values are calculated.