



## Article 11: OPEB Trust Fund Appropriation

Ms. Escobedo moves: that the Town vote to raise and appropriate \$1,220,195; and transfer \$44,512 from Water Fund; \$10,949 from Sewer Fund; \$166,596 from Light Fund; \$23,752 from Broadband; and \$1,847 from Swim & Fitness Fund, for a total appropriation of \$1,467,851 to fund the Town's FY22 contribution to the Other Post-Employment Benefits Liability Trust Fund (OPEB Trust) established under Mass. Gen. Laws c. 32B, §20.



## OPEB Trust Fund Appropriation

- OPEB refers to retiree benefits other than pension; i.e. health insurance
- For many years, the Town, like all other municipalities, followed the “pay-as-you-go” methodology, only funding the current cost retiree health insurance, leaving the accrued benefit cost unfunded
- Realizing the need to address this unfunded liability, the Town sought special approval by the Legislature to establish a trust fund



## OPEB Trust Fund Appropriation

- In 2008, the Town's initial OPEB Trust Fund was established by a Special Act of the Legislature
- In 2020, the Town reauthorized its existing OPEB Trust Fund under M.G.L c. 32B, §20
- Each year since FY09, the Town has made an annual contribution to its OPEB Trust Fund equal to the Actuarially Determined Contribution (ADC)



## OPEB Trust Fund Appropriation

- OPEB Liability is valued by an actuary on an annual, as of June 30
- As of 06/30/20, the liability was \$59.9M, of which approx. 35.5% was funded
  - Unfunded = \$38.6M
  - Funded = \$21.3M
- The Town's funding schedule assumes a 6.75% discount rate, and fully amortizes the liability as of 2039, though there is no legal requirement to do so
- Because of the Town's strong funding status, beginning in FY22, the remaining unfunded liability will be amortized using a level payment methodology



## OPEB Trust Fund Appropriation

- While the Town has been making annual contributions to the trust fund, it has only been appropriating the General Fund share, and doing so through the Budget Article
- Both the Department of Revenue and the Town's external auditor have indicated that best practice is to appropriate the full annual contribution (General Fund + Enterprise Funds) in a stand-alone warrant article



# OPEB Trust Fund Appropriation

- FY22 Appropriation to OPEB Trust Fund:

<b>Fund</b>	<b>Amount</b>
General Fund	\$ 1,220,195
Water Enterprise	\$ 44,512
Sewer Enterprise	\$ 10,949
Light Enterprise	\$ 166,596
Broadband	\$ 23,752
Swim & Fitness Enterprise	\$ 1,847
<b>total appropriation:</b>	<b>\$ 1,467,851</b>



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