

Town of Wellesley

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB)

Measured at December 31, 2022



This report has been prepared at the request of the Town of Wellesley to assist in administering the Plan. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Town of Wellesley and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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Segal



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October 30, 2023

Ms. Maura O'Connor
Treasurer/Collector
525 Washington Street
Town Hall
Wellesley, MA 02482

Dear Ms. O'Connor:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 2022. The purpose of this report is to calculate an Actuarially Determined Contribution for the Town of Wellesley Other Postemployment Benefit (OPEB) Plan for the fiscal years ending June 30, 2023 and June 30, 2024. It summarizes the actuarial data used in the valuation and analyzes the experience and changes in assumptions since the prior valuation. The GASB Statements No. 74 and 75 disclosure information for the fiscal year ending June 30, 2023 will be provided in a separate report.

This report is based on information received from the Town of Wellesley and vendors employed by the Town of Wellesley. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan or determining short-term cash flow requirements.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience or rates of return on assets differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and

estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. The actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Town of Wellesley based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of the Town of Wellesley and reasonable expectations.

We look forward to discussing this with you at your convenience.

Sincerely,

Segal



Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Chief Actuary



Mark J. Noonan, ASA, MAAA
Vice President and Health Actuary

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents the results of our actuarial valuation of the Town of Wellesley other postemployment welfare benefit plan as of December 31, 2022. The purpose of this report is to calculate a recommended Actuarially Determined Contribution for the OPEB plan for the fiscal years ending June 30, 2023 and June 30, 2024. Determinations for purposes other than meeting funding requirements may be significantly different from the results reported here. This valuation is based on:

- The benefit provisions of the OPEB plan, as administered by the Town of Wellesley;
- The characteristics of covered active members, retired members and beneficiaries as of December 31, 2022, provided by the Town of Wellesley;
- The assets of the Plan as of December 31, 2022, provided by the Town of Wellesley;
- Economic assumptions regarding future salary increases and investment earnings;
- Health care assumptions regarding per capita costs, trend rates and participation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Highlights of the valuation

- The discount rate used to determine the liabilities that are the basis of the Actuarially Determined Contribution is the expected return on assets of 6.00%.
- The unfunded actuarial accrued liability (UAAL) as of December 31, 2022, is \$38,755,119 based on an actuarial accrued liability (AAL) of \$141,187,864 and an actuarial value of assets of \$102,432,745. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less employer contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
- As of December 31, 2022, the ratio of assets to the AAL (the funded ratio) is 72.6%, compared to 56.7% as of June 30, 2020 in the prior valuation. This funded percentage is not necessarily appropriate for assessing the sufficiency of OPEB assets to cover the estimated cost of settling the benefit obligations or the need for or the amount of future contributions.

Section 1: Actuarial Valuation Summary

- The following assumptions were revised with this valuation:
 - The per capita health costs and contributions were updated to reflect current premiums;
 - The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated;
 - The trend assumptions were revised;
 - The mortality projection scale for non-teachers was updated;
 - The Medicare enrollment assumption for future retirees hired prior to 1986 and current retirees under age 65 was lowered;
 - The percentage of active participants assumed to elect health coverage at retirement was lowered;
 - The percentage of participants assumed to have an eligible spouse who also opts for health coverage was lowered.
- The UAAL was expected to decrease by \$13,728,107 from \$57,289,387 as of June 30, 2020, to \$43,561,280 as of December 31, 2022. The actual unfunded liability of \$38,755,119 is \$4,806,161 less than expected. The difference between the actual and expected decrease was the net effect of the following:

(in Millions)	
June 30, 2020 unfunded actuarial liability	\$57.3
December 31, 2022 expected unfunded actuarial liability	\$43.6
Change due to:	
• Experience gain	-\$11.1
• Investment loss	5.4
• Updating future trends	14.6
• Updating per capita costs, contributions	-4.2
• Updating the mortality projection scale (non-teachers)	-1.8
• Updating Medicare enrollment assumption	-2.1
• Updating active enrollment assumption	-3.2
• Updating spouse coverage assumption	-2.4
Net decrease	-\$4.8
December 31, 2022 unfunded actuarial accrued liability	\$38.8

Section 1: Actuarial Valuation Summary

- The participant data received for the December 31, 2022 actuarial valuation included 839 active employees with health coverage and 940 retirees and beneficiaries receiving retiree health benefits compared to 913 active employees and 949 retirees and beneficiaries in the prior valuation.
- A summary of the valuation results and the development of the Actuarially Determined Contributions appears on page 12. The ADC for the Town for fiscal year 2023 is \$8,056,967. The ADC is calculated using a 15-year amortization of the UAAL, with payments increasing at 3% per year. Valuation results and development of the ADC by department is shown on page 13.
- Pages 14 through 17 show a projection of the ADC, the assets, the liabilities, and the unfunded liabilities by department. June 30, 2023 assets are known and are reflected in the projections. The funding policy for each department is as follows:
 - Town - \$3,450,000 in FY23, then \$3,300,000 in FY24, graded down by \$100,000 per year for 3 years to a level of \$3,000,000 per year for FY28 through FY32
 - Water department - \$38,500 in FY23, then \$30,000 per year through FY32
 - Sewer department - \$16,500 in FY23, then \$10,000 per year thereafter
 - Municipal Light Plant (MLP) - \$126,507 in FY23, then \$100,000 per year thereafter
- These projections assume that all assumptions will be met and there will be no changes in assumptions or the plan of benefits. Key observations are as follows:
 - The Town and Water department are projected to be fully funded in fiscal year 2033. The contribution to the Trust in fiscal year 2033 will be the amount needed to fund normal cost and the remaining unfunded liability and in fiscal year 2034 and later will be the amount needed to fund normal cost.
 - The Sewer department and MLP are overfunded and projected to remain overfunded.
 - For all departments, projected retiree benefits will be made from the OPEB Trust starting in fiscal year 2033.

Section 1: Actuarial Valuation Summary

OPEB Trust information

As of December 31, 2022 the Town of Wellesley had \$102,432,745 in assets. The table below shows the increase in assets from June 30, 2020 to December 31, 2022.

Reconciliation of OPEB Balance from June 30, 2020 through December 31, 2022		Total
Balance as of June 30, 2020		\$75,024,303
• Contributions		3,493,371
• Net investment income		<u>22,763,565</u>
Balance as of June 30, 2021		\$101,281,240
• Contributions		3,616,009
• Net investment income		<u>-4,077,957</u>
Balance as of June 30, 2022		\$100,819,292
• Contributions		2,421,004
• Net investment income		<u>-807,551</u>
Balance as of December 31, 2022		\$102,432,745

The OPEB trust totaled \$110,391,739 as of June 30, 2023. This amount is reflected in the projections of the ADC on pages 14 through 17.

Section 1: Actuarial Valuation Summary

Other considerations

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to defining future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Town of Wellesley to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a "perfect" result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the asset values as of the valuation date, provided by the Town of Wellesley.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared for use by the Town of Wellesley. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- If the Town of Wellesley is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care cost trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Town of Wellesley should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Town of Wellesley upon delivery and review. The Town of Wellesley should notify Segal immediately of any questions or concerns about the final content.

As Segal has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

Section 2: Valuation Results

Summary of valuation results

	December 31, 2022 6.00% Discount Rate	December 31, 2020 6.00% Discount Rate
Actuarial Accrued Liability		
1. Current retirees, beneficiaries and dependents	\$66,706,724	\$67,238,253
2. Current active employees	<u>74,481,140</u>	<u>68,727,441</u>
3. Total as of December 31, 2022, and December 31, 2020: (1) + (2)	\$141,187,864	\$135,965,694
4. Total as of June 30, 2020	N/A	132,313,690
5. Actuarial value of assets as of December 31, 2022 and June 30, 2020	<u>102,432,745</u>	<u>75,024,303</u>
6. Unfunded actuarial accrued liability (UAAL) as of December 31, 2022 and June 30, 2020	\$38,755,119	\$57,289,387
7. Funded ratio as of December 31, 2022 and June 30, 2020	72.6%	56.7%
Actuarially Determined Contribution for Fiscal Year Ending:		
8. Normal cost	\$4,922,366	\$4,913,151
9. Amortization payment (15-year and 17-year increasing 3.0% per year)	<u>3,134,601</u>	<u>4,260,041</u>
10. Total Actuarially Determined Contribution (ADC): (8) + (9)	\$8,056,967	\$9,173,192
11. Projected benefit payments	5,518,162	5,468,869
Actuarially Determined Contribution for Fiscal Year Ending:		
12. Normal cost	\$5,077,643	\$5,068,136
13. Amortization payment (14-year and 16-year increasing 3.0% per year)	<u>3,055,283</u>	<u>3,585,602</u>
14. Total Actuarially Determined Contribution (ADC): (12) + (13)	\$8,132,926	\$8,653,738
15. Projected benefit payments	5,928,384	5,936,215

Notes:

Figures for fiscal 2021 and fiscal 2022 include an adjustment for timing assuming payment on September 30th.

Figures for fiscal 2023 and fiscal 2024 assume payment on December 31st.

Section 2: Valuation Results

Department results

	Town	Water	Sewer	MLP	Total
Actuarial Accrued Liability					
1. Current retirees, beneficiaries and dependents	\$61,650,397	\$857,949	\$386,295	\$3,812,084	\$66,706,724
2. Current active employees	<u>69,952,400</u>	<u>1,723,473</u>	<u>498,886</u>	<u>2,306,381</u>	<u>74,481,140</u>
3. Total: (1) + (2)	\$131,602,797	\$2,581,422	\$885,181	\$6,118,465	\$141,187,864
4. Actuarial value of assets as of December 31, 2022	<u>91,832,436</u>	<u>1,981,189</u>	<u>881,728</u>	<u>7,737,393</u>	<u>102,432,745</u>
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2022	\$39,770,361	\$600,233	\$3,453	-\$1,618,928	\$38,755,119
6. Funded ratio: (4) / (3)	69.8%	76.7%	99.6%	126.5%	72.6%
Actuarially Determined Contribution for Fiscal Year Ending June 30, 2023:					
7. Normal cost	\$4,606,626	\$80,405	\$20,708	\$214,627	\$4,922,366
8. Amortization payment (15-year increasing 3.0% per year)	<u>3,216,717</u>	<u>48,548</u>	<u>279</u>	<u>-130,943</u>	<u>3,134,601</u>
9. Total Actuarially Determined Contribution (ADC): (7) + (8)	\$7,823,343	\$128,953	\$20,987	\$83,684	\$8,056,967
10. Projected benefit payments	5,112,452	85,518	39,273	280,919	5,518,162
Actuarially Determined Contribution for Fiscal Year Ending June 30, 2024:					
11. Normal cost	\$4,751,942	\$82,941	\$21,362	\$221,397	\$5,077,643
12. Amortization payment (14-year increasing 3.0% per year)	<u>3,190,205</u>	<u>46,786</u>	<u>-3,796</u>	<u>-177,912</u>	<u>3,055,283</u>
13. Total Actuarially Determined Contribution (ADC): (11) + (12)	\$7,942,147	\$129,727	\$17,566	\$43,485	\$8,132,926
14. Projected benefit payments	5,498,025	86,575	46,990	296,793	5,928,384

Notes:

Market value of assets for the Town includes WSVD total of \$86,240 as of December 31, 2022.

Figures for fiscal 2023 and fiscal 2024 assume payment on December 31st.

Section 2: Valuation Results

Projection of actuarially determined contribution – Town

ADC amortization – 15-year closed, payments increasing 3.0% per year

Contributions to OPEB Trust are \$3,450,000 in FY23, then \$3,300,000 in FY24, graded down by \$100,000 per year for 3 years to a level of \$3,000,000 per year through FY 2032

Fiscal Year Ending June 30	(1) Normal Cost	(2) Amortization of UAAL	(3) Actuarially Determined Contribution (1) + (2)	(4) Projected Benefits Paid by the Town	(5) Projected Benefits Paid by the Trust	(6) Contribution to OPEB Trust	(7) Total Contribution from Town (4) + (6)	(8) AAL at End of Year	(9) Assets at End of Year	(10) UAAL at End of Year (8) – (9)
2023	\$4,606,626	\$3,216,717	\$7,823,343	\$5,112,452	\$0	\$3,450,000	\$8,562,452	\$135,271,043	\$99,034,048	\$36,236,995
2024	4,751,942	3,190,205	7,942,147	5,498,025	0	3,300,000	8,798,025	142,619,166	108,373,648	34,245,518
2025	4,901,842	3,203,482	8,105,324	6,007,234	0	3,200,000	9,207,234	150,038,246	118,170,669	31,867,577
2026	5,056,471	3,186,159	8,242,630	6,585,242	0	3,100,000	9,685,242	157,466,574	128,452,554	29,014,020
2027	5,215,977	3,121,929	8,337,906	7,136,157	0	3,000,000	10,136,157	164,937,623	139,248,397	25,689,226
2028	5,380,515	2,999,419	8,379,934	7,577,066	0	3,000,000	10,577,066	172,572,393	150,691,990	21,880,403
2029	5,550,244	2,799,934	8,350,178	8,074,232	0	3,000,000	11,074,232	180,328,131	162,822,198	17,505,933
2030	5,725,326	2,485,703	8,211,029	8,665,224	0	3,000,000	11,665,224	188,121,009	175,680,219	12,440,790
2031	5,905,932	1,991,100	7,897,032	9,258,356	0	3,000,000	12,258,356	195,956,738	189,309,721	6,647,017
2032	6,092,234	1,223,991	7,316,225	9,880,601	0	3,000,000	12,880,601	203,813,780	203,756,993	56,787
2033	6,284,414	12,374	6,296,788	0	10,478,902	6,342,880	6,342,880	211,724,117	211,724,117	0
2034	6,482,656	0	6,482,656	0	10,963,650	6,482,656	6,482,656	219,814,098	219,814,098	0
2035	6,687,151	0	6,687,151	0	11,457,015	6,687,151	6,687,151	228,092,068	228,092,068	0
2036	6,898,097	0	6,898,097	0	11,972,580	6,898,097	6,898,097	236,553,092	236,553,092	0

Notes:

Adjustment for timing assumes payment occurs on December 31st.

Normal cost is projected to increase 3.00% per year for inflation and 0.15% for future mortality improvement and does not reflect the future impact of pension reform for new hires.

Assets as of June 30, 2023 are known.

Beginning in fiscal 2033 projected benefits are paid from the Trust.

Section 2: Valuation Results

Projection of actuarially determined contribution – Water

ADC amortization – 15-year closed, payments increasing 3.0% per year

Contributions to OPEB Trust are \$38,500 in FY23, then \$30,000 per year though FY 2032

Fiscal Year Ending June 30	(1) Normal Cost	(2) Amortization of UAAL	(3) Actuarially Determined Contribution (1) + (2)	(4) Projected Benefits Paid by the Town	(5) Projected Benefits Paid by the Trust	(6) Contribution to OPEB Trust	(7) Total Contribution from Town (4) + (6)	(8) AAL at End of Year	(9) Assets at End of Year	(10) UAAL at End of Year (8) - (9)
2023	\$80,405	\$48,548	\$128,953	\$85,518	\$0	\$38,500	\$124,018	\$2,655,741	\$2,124,303	\$531,438
2024	82,941	46,786	129,727	86,575	0	30,000	116,575	2,811,345	2,282,648	528,697
2025	85,558	49,457	135,015	92,459	0	30,000	122,459	2,972,920	2,450,494	522,426
2026	88,257	52,233	140,490	110,116	0	30,000	140,116	3,128,790	2,628,410	500,380
2027	91,041	53,841	144,882	120,711	0	30,000	150,711	3,285,969	2,817,002	468,967
2028	93,913	54,756	148,669	133,010	0	30,000	163,010	3,442,874	3,016,909	425,965
2029	96,875	54,509	151,384	160,375	0	30,000	190,375	3,584,069	3,228,810	355,259
2030	99,931	50,444	150,375	173,605	0	30,000	203,605	3,723,261	3,453,426	269,835
2031	103,083	43,186	146,269	176,558	0	30,000	206,558	3,871,010	3,691,518	179,492
2032	106,335	33,052	139,387	174,810	0	30,000	204,810	4,032,771	3,943,896	88,875
2033	109,689	19,366	129,055	0	180,908	201,192	201,192	4,201,413	4,201,413	0
2034	113,150	0	113,150	0	197,539	113,150	113,150	4,366,614	4,366,614	0
2035	116,719	0	116,719	0	206,428	116,719	116,719	4,536,249	4,536,249	0
2036	120,401	0	120,401	0	215,717	120,401	120,401	4,710,290	4,710,290	0

Notes:

Adjustment for timing assumes payment occurs on December 31st.

Normal cost is projected to increase 3.00% per year for inflation and 0.15% for future mortality improvement and does not reflect the future impact of pension reform for new hires.

Assets as of June 30, 2023 are known.

Beginning in fiscal 2033 projected benefits are paid from the Trust.

Section 2: Valuation Results

Projection of actuarially determined contribution – Sewer

ADC amortization – 15-year closed, payments increasing 3.0% per year
 Contributions to OPEB Trust are \$16,500 in FY23, then \$10,000 per year thereafter

Fiscal Year Ending June 30	(1) Normal Cost	(2) Amortization of UAAL	(3) Actuarially Determined Contribution (1) + (2)	(4) Projected Benefits Paid by the Town	(5) Projected Benefits Paid by the Trust	(6) Contribution to OPEB Trust	(7) Total Contribution from Town (4) + (6)	(8) AAL at End of Year	(9) Assets at End of Year	(10) UAAL at End of Year (8) - (9)
2023	\$20,708	\$279	\$20,987	\$39,273	\$0	\$16,500	\$55,773	\$902,085	\$945,205	-\$43,120
2024	21,362	-3,796	17,566	46,990	0	10,000	56,990	929,824	1,012,213	-82,389
2025	22,035	-7,707	14,328	56,513	0	10,000	66,513	950,117	1,083,241	-133,124
2026	22,731	-13,310	9,421	53,307	0	10,000	63,307	975,643	1,158,531	-182,888
2027	23,448	-19,679	3,769	50,580	0	10,000	60,580	1,006,247	1,238,339	-232,092
2028	24,187	-27,099	-2,912	57,405	0	10,000	67,405	1,032,422	1,322,935	-290,513
2029	24,950	-37,176	-12,226	49,986	0	10,000	59,986	1,068,591	1,412,606	-344,015
2030	25,737	-48,847	-23,110	41,614	0	10,000	51,614	1,116,360	1,507,658	-391,298
2031	26,549	-62,626	-36,077	45,841	0	10,000	55,841	1,163,479	1,608,413	-444,934
2032	27,387	-81,931	-54,544	48,985	0	10,000	58,985	1,211,051	1,715,214	-504,163
2033	28,251	-109,858	-81,607	0	53,419	10,000	10,000	1,257,802	1,773,424	-515,622
2034	29,142	-138,485	-109,343	0	57,477	10,000	10,000	1,304,097	1,830,948	-526,851
2035	30,061	-186,024	-155,963	0	60,064	10,000	10,000	1,351,453	1,889,261	-537,808
2036	31,009	-280,828	-249,819	0	62,767	10,000	10,000	1,399,844	1,948,290	-548,446

Notes:

Adjustment for timing assumes payment occurs on December 31st.

Normal cost is projected to increase 3.00% per year for inflation and 0.15% for future mortality improvement and does not reflect the future impact of pension reform for new hires.

Assets as of June 30, 2023 are known.

Beginning in fiscal 2033 projected benefits are paid from the Trust.

Section 2: Valuation Results

Projection of actuarially determined contribution – Municipal Light Plant

ADC amortization – 15-year closed, payments increasing 3.0% per year
 Contributions to OPEB Trust are \$126,507 in FY23, then \$100,000 per year thereafter

Fiscal Year Ending June 30	(1) Normal Cost	(2) Amortization of UAAL	(3) Actuarially Determined Contribution (1) + (2)	(4) Projected Benefits Paid by the Town	(5) Projected Benefits Paid by the Trust	(6) Contribution to OPEB Trust	(7) Total Contribution from Town (4) + (6)	(8) AAL at End of Year	(9) Assets at End of Year	(10) UAAL at End of Year (8) - (9)
2023	\$214,627	-\$130,943	\$83,684	\$280,919	\$0	\$126,507	\$407,426	\$6,267,311	\$8,288,184	-\$2,020,873
2024	221,397	-177,912	43,485	296,793	0	100,000	396,793	6,565,724	8,888,431	-2,322,707
2025	228,381	-217,277	11,104	320,808	0	100,000	420,808	6,864,508	9,524,693	-2,660,185
2026	235,585	-265,969	-30,384	343,923	0	100,000	443,923	7,164,838	10,199,131	-3,034,293
2027	243,017	-326,492	-83,475	355,775	0	100,000	455,775	7,478,636	10,914,035	-3,435,399
2028	250,683	-401,110	-150,427	371,742	0	100,000	471,742	7,802,716	11,671,834	-3,869,118
2029	258,591	-495,113	-236,522	381,408	0	100,000	481,408	8,144,430	12,475,100	-4,330,670
2030	266,748	-614,921	-348,173	392,833	0	100,000	492,833	8,503,283	13,326,562	-4,823,279
2031	275,163	-771,947	-496,784	421,498	0	100,000	521,498	8,862,819	14,229,112	-5,366,293
2032	283,843	-988,157	-704,314	438,446	0	100,000	538,446	9,235,413	15,185,815	-5,950,402
2033	292,796	-1,296,608	-1,003,812	0	457,682	100,000	100,000	9,619,778	15,728,708	-6,108,930
2034	302,033	-1,640,731	-1,338,698	0	484,632	100,000	100,000	10,008,967	16,276,428	-6,267,461
2035	311,560	-2,212,955	-1,901,395	0	506,440	100,000	100,000	10,408,864	16,834,558	-6,425,694
2036	321,388	-3,355,309	-3,033,921	0	529,230	100,000	100,000	10,819,409	17,402,712	-6,583,303

Notes:

Adjustment for timing assumes payment occurs on December 31st.

Normal cost is projected to increase 3.00% per year for inflation and 0.15% for future mortality improvement and does not reflect the future impact of pension reform for new hires.

Assets as of June 30, 2023 are known.

Beginning in fiscal 2033 projected benefits are paid from the Trust.

Section 3: Supporting Information

Exhibit 1: Summary of participant data

	December 31, 2022	December 31, 2020
Retirees, Beneficiaries and Dependents Covered for Medical Benefits		
• Number	940	949
• Average age	75.5	77.3
Retired employees eligible for life insurance ¹		
• Number	153	282
• Average age	78.0	77.7
Active Employees Covered for Medical Benefits		
• Number of employees		
– Male	349	360
– Female	<u>490</u>	<u>553</u>
– Total	839	913
• Average age	46.5	45.4
• Average service	11.1	10.6

¹ December 31, 2022 and December 31, 2020 counts excludes 21 and 29 retirees with life insurance only, respectively

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December 31, 2022 Actuarial Valuation and Review of Other Postemployment Benefits – Town of Wellesley

Section 3: Supporting Information

Exhibit 2: Statements of actuarial assumptions, methods and models

Data

Detailed census data, premium rates and summary plan descriptions for postemployment welfare benefits were provided by the Town of Wellesley.

Actuarial cost method

Entry Age Normal – Level percentage of payroll

Per capita cost development

Non-Medicare per capita costs were based on the average of fully-insured premium rates effective July 1, 2022 and July 1, 2023. Medicare per capita costs were based on the fully-insured premium rates effective January 1, 2023. Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. Actuarial factors were applied to the weighted average premium to estimate individual retiree and spouse costs by age and by gender.

The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated. The new factors are based on a review of historical claims experience by age, gender, and status (active vs retired) from Segal's claims data warehouse.

Valuation date

December 31, 2022

Roll-forward technique

The results of the December 31, 2022, actuarial valuation were used to determine the Actuarially Determined Contribution for fiscal year 2023.

To project the Actuarially Determined Contribution for fiscal year 2024 and later, liabilities were rolled forward from December 31, 2022 using standard actuarial techniques.

Section 3: Supporting Information

Expected Return on Assets

6.00%

Long-term rate of return on investments expected to be used to finance the benefits. The expected return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce a long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate

6.00%

The discount rate is equal to the expected return on assets.

Asset valuation method

Market value

Salary Increases

Years of Service	Groups 1 and 2	Group 4	Teachers
0	7.00%	8.00%	7.50%
1	6.50%	7.50%	7.10%
2	6.00%	7.00%	7.00%
3	5.50%	6.50%	6.90%
4	5.25%	6.00%	6.80%
5	5.00%	5.50%	6.70%
6	4.75%	5.25%	6.60%
7	4.50%	5.00%	6.50%
8	4.25%	4.75%	6.30%
9	4.00%	4.50%	6.10%
10	3.75%	4.25%	5.90%
11	3.50%	4.00%	5.70%
12	3.50%	4.00%	5.20%

Section 3: Supporting Information

Years of Service	Groups 1 and 2	Group 4	Teachers
13	3.50%	4.00%	4.70%
14	3.50%	4.00%	4.35%
15 – 16	3.50%	4.00%	4.20%
17 – 19	3.50%	4.00%	4.10%
20+	3.50%	4.00%	4.00%

Note:

Total payroll is assumed to increase 3.0% per year.

Mortality rates

Pre-Retirement: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021 set forward one year for females (previously, projected generationally with Scale MP-2016).

Healthy Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021 set forward one year for females (previously, projected generationally with Scale MP-2016).

Disabled Retiree: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021 set forward one year (previously, projected generationally with Scale MP-2016).

Pre-Retirement (Teachers): Pub-2010 Teacher Employee Mortality Table (headcount weighted) projected generationally with Scale MP-2020.

Healthy (Teachers): Pub-2010 Teacher Retiree Mortality Table (headcount weighted) projected generationally with Scale MP-2020.

Disabled (Teachers): Pub-2010 Teacher Retiree Mortality Table (headcount weighted) projected generationally with Scale-2020.

The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the plan as of the measurement date. The mortality tables were then adjusted to future years using generational projection to reflect future mortality improvement between the measurement date and those years.

Section 3: Supporting Information

Non-teacher annuitant mortality rates

Age	Rate per year (%)			
	Healthy Male	Healthy Female	Disabled Male	Disabled Female
60	0.85	0.62	0.91	0.62
70	1.97	1.54	2.16	1.54
80	5.19	4.24	5.74	4.24
90	14.64	12.43	16.18	12.43

Note:

Rates shown are before generational projection.

Teacher annuitant mortality rates

Age	Rate per year (%)			
	Healthy Male	Healthy Female	Disabled Male	Disabled Female
60	0.42	0.32	0.42	0.32
70	1.16	0.80	1.16	0.80
80	4.09	2.88	4.09	2.88
90	13.75	10.40	13.75	10.40

Note:

Rates shown are before generational projection.

Termination rates before retirement

Groups 1 and 2 (excluding Teachers) - Rate per year (%)

Age	Mortality Male	Mortality Female	Disability
20	0.05	0.02	0.01

Section 3: Supporting Information

Age	Mortality Male	Mortality Female	Disability
25	0.06	0.02	0.02
30	0.06	0.03	0.03
35	0.07	0.03	0.06
40	0.08	0.05	0.10
45	0.13	0.08	0.15
50	0.22	0.14	0.19
55	0.36	0.20	0.24
60	0.61	0.30	0.28

Notes:

55% of the disability rates shown represent accidental disability and death.
Rates shown are before generational projection.

Group 4 - Rate per year (%)

Age	Mortality Male	Mortality Female	Disability
20	0.05	0.02	0.10
25	0.06	0.02	0.20
30	0.06	0.03	0.30
35	0.07	0.03	0.30
40	0.08	0.05	0.30
45	0.13	0.08	1.00
50	0.22	0.14	1.25
55	0.36	0.20	1.20
60	0.61	0.30	0.85

Notes:

90% of the disability rates shown represent accidental disability and death.
Rates shown are before generational projection.

Section 3: Supporting Information

Teachers – Rate per year (%)

Age	Mortality Male	Mortality Female	Disability
20	0.04	0.01	0.00
25	0.02	0.01	0.01
30	0.03	0.02	0.01
35	0.04	0.02	0.01
40	0.05	0.03	0.01
45	0.08	0.05	0.03
50	0.13	0.08	0.05
55	0.19	0.12	0.07
60	0.29	0.18	0.07

Notes:

75% of the death rates shown represent accidental death.

35% of the disability rates shown represent accidental disability.

Rates shown are before generational projection.

Withdrawal rates

Groups 1 and 2 (excluding Teachers)

Years of Service	Rate per year (%)
0	15.0
1	12.0
2	10.0
3	9.0
4	8.0
5	7.6
6	7.5
7	6.7

Section 3: Supporting Information

Years of Service	Rate per year (%)
8	6.3
9	5.9
10	5.4
11	5.0
12	4.6
13	4.1
14	3.7
15	3.3
16 – 20	2.0
21 – 29	1.0
30+	0.0

Group 4

Years of Service	Rate per year (%)
0 – 10	1.5
11+	0.0

Teachers – Rate per year (%)

Age	0 – 4 Years of Service Male	0 – 4 Years of Service Female	5 – 9 Years of Service Male	5 – 9 Years of Service Female	10+ Years of Service Male	10+ Years of Service Female
20	13.0	10.0	5.5	7.0	1.5	5.0
30	15.0	15.0	5.4	8.8	1.5	4.5
40	13.3	10.5	5.2	5.0	1.7	2.2
50	16.2	9.8	7.0	5.0	2.3	2.0

Section 3: Supporting Information

Retirement rates

Groups 1 and 2 (excluding Teachers) – Rate per year (%)

Age	Male	Female
50	--	--
51	--	--
52	--	--
53	--	--
54	--	--
55	1.00	2.750
56	1.25	3.250
57	1.25	3.250
58	2.50	3.250
59	3.25	3.250
60	9.00 ¹	3.750 ²
61	15.00	9.750
62	22.50	11.250
63	18.75	9.375
64	16.50	13.500
65	40.00	15.000
66	25.00	20.000
67	25.00	20.000
68	30.00	25.000
69	30.00	20.000
70	100.00	100.000

Note:

Rates are 0.0% if a participant is not eligible to retire.

¹ 13.50% for those hired on or after April 2, 2012

² 5.625% for those hired on or after April 2, 2012

Section 3: Supporting Information

Group 4

Age	Rate per year (%)
50	2.0
51	2.0
52	2.0
53	2.0
54	2.0
55	10.0
56	5.0
57	5.0
58	5.0
59	15.0
60	20.0
61	20.0
62	25.0
63	25.0
64	30.0
65	100.0
66	100.0
67	100.0
68	100.0
69	100.0
70	100.0

Section 3: Supporting Information

Teachers – Rate per year (%)

Age	Less than 20 Years of Service Male	Less than 20 Years of Service Female	20 – 29 Years of Service Male	20 – 29 Years of Service Female	30 or more Years of Service Male	30 or more Years of Service Female
50 – 52	--	--	1.0	1.0	2.0	1.5
53	--	--	1.5	1.0	2.0	1.5
54	--	--	2.5	1.0	2.0	2.0
55	5.0	3.0	3.0	3.0	6.0	5.0
56	5.0	3.0	6.0	5.0	20.0	15.0
57	5.0	4.0	10.0	8.0	40.0	35.0
58	5.0	8.0	15.0	10.0	50.0	35.0
59	10.0	8.0	20.0	15.0	50.0	35.0
60	10.0	10.0	25.0	20.0	40.0	35.0
61	20.0	12.0	30.0	25.0	40.0	35.0
62	20.0	12.0	35.0	30.0	35.0	35.0
63	25.0	15.0	40.0	30.0	35.0	35.0
64	25.0	20.0	40.0	30.0	35.0	35.0
65	25.0	25.0	40.0	40.0	35.0	35.0
66	30.0	25.0	30.0	30.0	40.0	35.0
67	30.0	30.0	30.0	30.0	40.0	30.0
68	30.0	30.0	30.0	30.0	40.0	30.0
69	30.0	30.0	30.0	30.0	40.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

Section 3: Supporting Information

Dependents

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 60% (previously, 65%) were assumed to have an eligible spouse who also opts for health coverage at that time.

Per capita health costs

Calendar year 2023 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Non-Medicare Plans

Age	Male	Female
45	\$11,569	\$12,698
50	13,054	13,784
55	14,731	14,963
60	16,961	16,221
65	21,642	17,975
70	24,307	20,109
75	26,852	21,141
80	28,116	22,565

Section 3: Supporting Information

Medicare Plans

Age	Male	Female
45	N/A	N/A
50	N/A	N/A
55	N/A	N/A
60	N/A	N/A
65	\$4,354	\$3,616
70	4,890	4,046
75	5,402	4,253
80	5,656	4,540

Annual Medicare Part B reimbursement

\$989

Health Savings Account and Health Reimbursement Account costs

- Individual \$447
- Family \$1,033

These costs are assumed to remain level.

Weighted average annual retiree contribution amount

	Non-Medicare	Medicare
Retiree	\$3,263	\$2,372
Surviving Spouse	5,450	

Health care cost trend rates

Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year’s cost to yield the next year’s projected cost.

Section 3: Supporting Information

Year Ending December 31	Medical/Prescription Drug	Medicare Part B Premium
2023	8.00%	4.50%
2024	7.75%	4.50%
2025	7.50%	4.50%
2026	7.25%	4.50%
2027	7.00%	4.50%
2028	6.75%	4.50%
2029	6.50%	4.50%
2030	6.25%	4.50%
2031	6.00%	4.50%
2032	5.75%	4.50%
2033	5.50%	4.50%
2034	5.25%	4.50%
2035	5.00%	4.50%
2036	4.75%	4.50%
2037 & later	4.50%	4.50%

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2023 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

Retiree contribution increase rate

Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

Administrative expenses

Administrative expenses are assumed to be included in the fully insured premium rates.

Participation and coverage election

120% (previously, 125%) of active employees with coverage are assumed to elect retiree coverage.

Section 3: Supporting Information

100% of retirees over age 65 are assumed to remain with their current medical plan for life.

For future retirees hired prior to 1986 and current retirees under age 65, 95% (previously, 90%) are assumed to be eligible for Medicare and are assumed to enroll in a Medicare plan upon reaching age 65 and 5% (previously, 10%) are assumed to remain enrolled in a non-Medicare plan.

For future retirees hired in 1986 or later, 100% are assumed to enroll in a Medicare plan upon reaching age 65.

75% of future retirees with medical coverage are assumed to have life insurance coverage.

Plan design

Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

Missing participant data

A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

Health Care Reform assumption

The valuation does not reflect the potential impact of any future changes due to prior or pending legislation.

Demographic and salary increase assumptions

Many of the demographic assumptions used in this valuation for non-teachers (including mortality, disability, turnover, and retirement) and the salary increase assumptions are the same as used in the Town of Wellesley Contributory Retirement System Actuarial Valuation and Review as of January 1, 2023, dated August 25, 2023, completed by Segal and the Massachusetts Teachers' Retirement System Actuarial Valuation Report as of January 1, 2022, dated December 1, 2022, completed by PERAC. A review of these demographic assumptions is beyond the scope of this assignment, however, we have no reason to doubt the reasonableness of these assumptions.

The remaining demographic assumptions, such as percent married, relative ages of spouses, and enrollment elections, were based on the experience of the Plan and the experience of similar plans.

Actuarial models

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems Unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of

Section 3: Supporting Information

accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the model and reviews the test lives and results, under the supervision of the responsible actuary.

Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.

Justification for assumption changes since prior valuation

Based on past experience and future expectations, the following actuarial assumptions were changed:

- The per capita health costs and contributions were updated.
- The actuarial factors used to estimate individual retiree and spouse costs by age and by gender were updated.
- The trend assumptions were revised.
- The mortality projection scale for non-teachers was updated.
- The Medicare enrollment assumption for future retirees hired prior to 1986 and current retirees under age 65 was lowered.
- The percentage of active participants assumed to elect health coverage at retirement was lowered.
- The percentage of participants assumed to have an eligible spouse who also opts for health coverage was lowered.

Section 3: Supporting Information

Exhibit 3: Summary of plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility

Retired and receiving a pension from the Town of Wellesley Contributory Retirement System or the Massachusetts Teachers' Retirement System.

- Members hired before April 2, 2012
 - Group 1 and Group 2 (including Teachers):
 - Retirees with at least 10 years of creditable service are eligible at age 55;
 - Retirees with at least 20 years of creditable service are eligible at any age.
 - Group 4
 - Retirees are eligible at age 55;
 - Retirees with at least 20 years of creditable service are eligible at any age.
- Members hired on or after April 2, 2012
 - Group 1 (including Teachers):
 - Retirees with at least 10 years of creditable service are eligible at age 60.
 - Group 2
 - Retirees with at least 10 years of creditable service are eligible at age 55.
 - Group 4
 - Retirees are eligible at age 55;
 - Retirees with at least 10 years of creditable service are eligible at age 50.

Disability

Accidental (job-related) Disability has no age or service requirement.

Ordinary (non-job related) Disability has no age requirement but requires 10 years of creditable service.

Section 3: Supporting Information

Pre-retirement death

Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age.

Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service.

Post-retirement death

Surviving spouse is eligible.

Benefit types

The Town of Wellesley participates in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan. Retirees enrolled in a high deductible plan are eligible for a Health Savings Account (HSA) and non-Medicare retirees are eligible for a Health Reimbursement Account (HRA). The Town of Wellesley also pays 50% of the retiree life insurance premium and 50% of the Medicare Part B premium.

Duration of coverage

Lifetime.

Dependent benefits

Medical and Prescription Drugs.

Dependent coverage

Benefits are payable to a spouse for their lifetime, regardless of when the retirees dies.

MGL Chapter 32B, Section 18A:

Effective July 1, 2011.

Section 3: Supporting Information

Retiree contributions

Premium rates and retiree contributions are summarized below:

Non-Medicare Actives and Retirees					
	Active Subscribers	Retirees Subscribers	Total Subscribers	Premium as of July 1, 2023	Retiree Cost as of July 1, 2023
Harvard Pilgrim HMO Benchmark					
• Individual	17	1	18	\$1,219.00	\$487.60
• Family	10	0	10	\$3,177.00	\$1,270.80
Tufts Health Plan Benchmark					
• Individual	9	11	20	\$1,290.00	\$516.00
• Family	5	1	6	\$3,377.00	\$1,350.80
Blue Cross Blue Shield Benchmark					
• Individual	224	27	251	\$977.00	\$214.94
• Family	296	33	329	\$2,630.00	\$578.60
Harvard Pilgrim High Deductible					
• Individual	9	1	10	\$944.00	\$377.60
• Family	13	0	13	\$2,463.00	\$985.20
Tufts Health Plan High Deductible					
• Individual	6	3	9	\$999.00	\$399.60
• Family	3	1	4	\$2,615.00	\$1,046.00
Blue Cross Blue Shield High Deductible					
• Individual	121	5	126	\$823.00	\$181.06
• Family	126	2	128	\$2,218.00	\$487.96
Non-Medicare Total					
	839	85	924		

Section 3: Supporting Information

Medicare Supplement Plans

	Active Subscribers	Retirees Subscribers	Premium as of January 1, 2023	Retiree Cost as of January 1, 2023
BC Medex	N/A	183	\$405.00	\$120.05
Harvard Pilgrim Medicare Enhance	N/A	130	\$401.00	\$118.05
BC Managed Blue for Seniors	N/A	9	\$387.00	\$111.05
Tufts Medicare Plus	N/A	117	\$387.00	\$111.05
Tufts Medicare Preferred	N/A	48	\$371.00	\$103.05
Fallon Senior Plan (Premier)	N/A	3	\$328.00	\$81.55
Fallon Senior Plan (Central Premier)	N/A	2	\$243.00	\$39.05
Medicare Total	N/A	492		
Total	839	577		

Notes:

32 of 522 over-65 retirees are in a non-Medicare plan

In addition, there are 363 spouses of retirees covered under an individual or family policy

Counts exclude 369 active participants who elected the opt-out provisions.

Surviving Spouse cost is 50% of the premium.

Retiree costs for Medicare plans are net of the Town's Part B cost sharing of \$82.45.

Plan changes since the prior valuation

None.

Section 3: Supporting Information

Exhibit 4: Definition of terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions

The estimates on which the cost of the Plan is calculated including:

1. Investment return — the rate of investment yield that the Plan will earn over the long-term future;
2. Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
3. Retirement rates — the rate or probability of retirement at a given age;
4. Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Actuarial Accrued Liability (AAL)

Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

Unfunded Actuarial Accrued Liability (UAAL)

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Normal Cost

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarially Determined Contribution (ADC)

A target or recommended contribution to an OPEB plan for the reporting period based on the most recent measurement available.

Section 3: Supporting Information

Valuation Date

The date at which the actuarial valuation is performed.

Covered Employee Payroll

The payroll of the employees that are provided OPEB benefits.

Entry Age Actuarial Cost Method

An actuarial cost method where the present value of the projected benefits for an individual is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age.

Health Care Cost Trend Rates

The rate of change in per capita health costs over time.

Discount Rate

The interest rate used to determine the actuarial present value of projected benefit payments.

Expected Return on Assets

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.