



Town of Lexington

Annual Town Meeting 2022

Article 17: Appropriate to Post Employment Insurance Liability Fund

The Town of Lexington provides post-employment healthcare benefits to eligible retirees through the Town's healthcare plan, which are referred to as "OPEB" or Other Post-Employment Benefits. In 2002 the Town established an OPEB Trust Fund for the purpose of addressing retiree healthcare obligations, and the Town began to make annual appropriations into the OPEB Trust Fund beginning in 2008.

The Governmental Accounting Standards Board requires state and local governments to establish consistent measurement and annual reporting of OPEB plan assets, liabilities and net position, and to assure the public and bondholders that the plan is sufficiently funded to pay these benefits when they are due. A commitment to funding this obligation is of particular importance to bond rating agencies when evaluating the Town's financial position and future outlook.

The Town's OPEB financial statements are updated and reported annually, and a full OPEB actuarial valuation including review of assumptions is completed every other year. As of June 30, 2020 (the most recent available valuation), the Net Liability of the Town's OPEB plan was \$127 million, and the value of the OPEB Trust fund, including investment income was approximately \$18.5 million dollars. As of June 30, 2021, the value of the fund increased to \$24.1 million which reflects contributions from the Town of \$750,000 and \$4.8 million of investment income.

The current request for this annual article is an appropriation of \$1,935,486, which will continue to fund this liability in FY2023. \$750,000 dollars of this appropriation will be raised in the tax levy; however, an equal amount will be appropriated from the Health Claims Trust Fund to the general fund under article 4 to offset the impact of this appropriation. Town's Health Claims Trust Fund had a balance of \$1.7 million as of June 30, 2021.

The Select Board supports passage of this article by a vote of 4 to 0 with Ms. Barry recusing herself as her husband is an employee of the Town.