



Town of Lexington

Annual Town Meeting 2023

Article 17: Appropriate to Post Employment Insurance Liability Fund

Presenter: Joe Pato

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, 2021 (the most recent available valuation), the Net Liability of the Town's OPEB plan was \$242 million, and the value of the OPEB Trust fund, including investment income was approximately \$24 million dollars.

The current request for this annual article is an appropriation of \$1,979,721, which will continue to fund this liability in FY2024. \$240,000 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 for current employee health benefits under budget line 2130 to offset the impact of this appropriation. \$2,761 will be appropriated from Water Fund receipts, \$3,004 be appropriated from Wastewater Fund receipts. The remaining funding to support this article is requested from Free Cash. The appropriation of \$240,000 approximates the remaining balance of the Town's Health Claims Trust Fund.

The Select Board unanimously 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.