

OTHER POSTEMPLOYMENT BENEFITS LIABILITY



PURPOSE

To provide the basis for a responsible plan for meeting the Town's obligation to provide other postemployment benefits (OPEBs) to eligible current and future retirees. This policy provides guidelines designed to ensure OPEB sustainability and achieve generational equity among those called upon to financially support OPEBs, thereby avoiding transferring costs into the future.

APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Select Board and Finance Committee in their budget decision-making responsibilities. The policy also applies to the OPEB-related duties of the Finance Director, Town Accountant and Trustees of the Town's OPEB Trust Fund.

BACKGROUND

In addition to salaries, the Town of Carlisle compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits or OPEBs.

OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially. As part of a long-range plan to fund this obligation, the Town established an OPEB Trust Fund, which allows for long-term asset investment at higher rates of return than those realized by general operating funds.

POLICY

The Town of Carlisle is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

A. Accounting, Reporting, and Investment

The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligations in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board.

As custodian, the Treasurer will be responsible for investing the fund's assets and for managing its associated bank account and any subaccounts. The Finance Director will manage the OPEB Trust Fund in conformance with the Town's Investment policy and the state's prudent investor laws. The

Trustees will maintain oversight of the fund by reviewing the banking and investment activity. On an annual basis, the Town will analyze its option to invest its OPEB trust with the State Retiree Benefits Trust Fund or other alternatives.

The Town Administrator shall ensure that the Town's independent audit firm reviews compliance with the accounting, reporting, and investment provisions of this policy as part of its annual audits and will report on these to the Select Board.

B. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Town Administrator or designee shall monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Finance Director shall regularly audit the group insurance and retiree rolls and drop any participants found to be ineligible based on work hours, active Medicare status, or other factors.

C. Funding

To address the OPEB liability, decision makers shall analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town shall derive funding to invest in the OPEB trust from taxation, free cash, and any other legal form. Achieving full funding of the liability requires a commit by town officials. The goal of this policy is to fully fund the liability by 2051.

REFERENCES

[M.G.L. c. 32B, §20](#)

[M.G.L. c. 44, §55](#)

[Chapter 218 of the Acts of 2016](#)

GASB Statement 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#), June 2015

GFOA Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

[Carlisle OPEB Trust Original Vote, Annual Town Meeting, Article 25 \(see below\) - April 13, 2017](#)

ARTICLE 25 – ESTABLISH OPEB TRUST (MGL CH. 32B, S.20): To see if the Town will vote to accept the provisions of Section 20 of Chapter 32B of the Massachusetts General Laws, as amended by Section 15 of Chapter 218 of the Acts of 2016, establishing an Other Post-Employment Benefits Liability Trust Fund; to authorize the Board of Selectmen and Treasurer to execute a declaration of trust creating an expendable trust for the purpose of holding monies appropriated to such fund; to designate the Treasurer as the trustee of such trust; to authorize the transfer of any and all monies currently held for the purpose of paying retiree health and life benefits to such trust; and to authorize the trustee to invest and reinvest the monies in such fund.

EFFECTIVE DATE

This policy was adopted in January 2023