



TOWN OF BOXFORD
Office of the Town Administrator
7A Spofford Road
Boxford, MA 01921

DATE: March 14, 2023
TO: Finance Committee
FROM: Brendan Sweeney, Assistant Town Administrator
RE: Other Post-Employment Benefits (OPEB) Summary Report

In addition to pensions, the Commonwealth of Massachusetts and its municipalities also provide their retirees with other post-employment benefits (OPEB), mostly in the form of retiree healthcare and life insurance. Unlike pensions, municipalities are not obligated by law to begin making payments towards this unfunded liability. However, in 2004, the Government Accountability Standards Board (GASB) directed all cities and towns to begin the process of calculating the size of their OPEB funding gaps. Many municipalities, including Boxford, have established OPEB trust funds to address these unfunded liabilities.

The Commonwealth's Public Employee Retirement Administration Commission (PERAC) tracks this data across municipalities and other public entities. PERAC's most recent OPEB summary report was completed in December 2021. Across the entities surveyed (primarily municipalities) the cumulative total OPEB liability was approximately \$56.1 billion. The net positions of the collective OPEB trust funds for these entities was \$3.3 billion, resulting in a funded ratio of 5.9%. For the Commonwealth (state government) the total OPEB liability was approximately \$22.1 billion with a net position of \$1.4 billion in the OPEB trust fund, a funded ratio of 6.4%

The Town of Boxford recently commissioned Odyssey Advisors to perform an actuarial valuation of Boxford's OPEB plan as of the end of Fiscal Year (FY) 2022; that report was completed in October 2022. The summary result of the valuation is included on page 3 of this memo. Per that valuation, the Town's total OPEB liability was **\$18,704,813** as of the end of FY22. The Town's OPEB trust fund's net position at the end of FY22 was **\$4,417,840**, a funded ratio of **23.62%**.

When compared to 15 of our peer communities, as well as the collective 351 Massachusetts municipalities and the Commonwealth, Boxford is in relatively good shape regarding the Town's unfunded OPEB liability. The Town's 23.62% funded ratio is higher than all but 2 of our 15 peer communities, as is demonstrated on the table on the next page.

In recent years, the Town has contributed \$300,000 annually to the OPEB trust fund. As recently as FY19, that contribution figure was \$350,000. While doing so is certainly a best practice, contributing \$300,000 annually to the OPEB trust fund is not an established financial policy of the Town. However, it is worth noting that Odyssey Advisors states in the executive summary of the valuation report that “the Town is expected to contribute \$300,000 annually beyond pay-as-you-go costs”. The assumed discount rate shown on page 3 is based on this assumption. In addition, if the amount of the \$300,000 annual contribution to the OPEB trust fund is lowered, the Town increases the potential likelihood of a bond rating downgrade. In October 2021, S&P Global Ratings assigned a rating of “AAA” to the Town, the highest rating attainable.

OPEB Trust Fund Summary Data - Peer Communities

Municipality	Total OPEB Liability (\$ Thousands)	Net Funding Position (\$ Thousands)	Funded Ratio
Manchester-by-the Sea	\$8,094	\$3,259	40.3%
Rowley	\$5,188	\$1,267	24.4%
Boxford	\$18,705	\$4,418	23.6%
Hamilton	\$4,893	\$1,022	20.9%
Ipswich	\$30,262	\$5,617	18.6%
Topsfield	\$13,170	\$2,126	16.1%
Middleton	\$19,307	\$1,369	7.1%
Newbury	\$6,319	\$369	5.8%
Wenham	\$4,762	\$203	4.3%
Salisbury	\$6,690	\$272	4.1%
Swampscott	\$129,488	\$2,396	1.9%
Rockport	\$45,006	\$715	1.6%
Lynnfield	\$103,681	\$1,452	1.4%
Tyngsborough	\$32,798	\$301	0.9%
Georgetown	\$55,782	\$353	0.1%
Carlisle	\$20,321	\$0	0.0%

As of December 2021