

OTHER POSTEMPLOYMENT BENEFITS LIABILITY

PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits (OPEB) for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

APPLICABILITY AND SCOPE

Applies to:	<ul style="list-style-type: none">▪ Board of Selectmen, Town Administrator, and Financial Advisory Committee in their budget decision-making duties▪ Treasurer job duties▪ Financial Management Team analytical coordination
Scope	<ul style="list-style-type: none">▪ Budget decisions related to the Town's OPEB liability▪ Management of the Town's relationship to the Dukes County Pooled OPEB Trust▪ Liability mitigation

BACKGROUND

In addition to salaries, the Town compensates employees with benefits earned during years of service to be received upon retirement. One such benefit is a pension, and another is a set of retirement insurance plans for health, dental, and life, which 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.

By a special act in 2010, the Town joined with the 14 other municipal employers that compose the membership of the Dukes County Retirement System to create a pooled OPEB trust fund. Under the terms of the trust joinder agreement, the fund's Board of Trustees is responsible for:

- Obtaining annual actuary reports for each member that include its calculated liability and actuarially determined contribution;
- Investing the members' funds;
- Preparing annual financial statements and monthly financial reports of trust activity; and
- Contracting with an accounting firm to conduct audits annually.

POLICY

To represent the Town on the Dukes County Pooled OPEB Trust's Board of Trustees, the Board of Selectmen has appointed the Town Accountant as the primary board member and the Treasurer as an alternate member, who will attend Board meetings when the Town Administrator is unavailable.

The Town's Financial Management Team will monitor proposed laws affecting OPEBs and Medicare, analyze their impacts, and periodically assess strategies to mitigate the OPEB liability. The Team will annually evaluate the structure of offered benefits and their cost drivers and consider any potential benefit changes while also ensuring that the Town can remain a competitive employer. The Town Administrator will advise the Board of Selectmen and Financial Advisory Committee about the Team's analysis.

To fulfill its commitment to provide the benefits promised its employees, the Town will endeavor to ensure that every annual budget includes an appropriation to be invested in the Dukes County Pooled OPEB Trust Fund with the goal of working towards full funding of the OPEB obligation. To accomplish this, budget decision makers will consider employing the following strategies:

- Appropriate no less than 2% of the current year's salary & wages within the Financial Advisory Committee's recommended operating budget.
- Once the pension system's accrued liability has been fully funded, on a subsequent annual basis, appropriate to the OPEB Trust Fund an amount equivalent to the former unfunded liability expense (i.e., separate from the normal cost).

REFERENCES

[M.G.L. c. 32B, § 20A](#)

[Chapter 149 of the Acts of 2010](#)

Dukes County [webpage for the Pooled OPEB Trust Fund](#)

Edgartown's policies on Annual Budget and Financial Management Team

GASB Statements 75: [Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#) and 74: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practice: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#)

EFFECTIVE DATE

This policy was adopted on [October 25, 2021].