JULY 1, 2013
ACTUARIAL VALUATION OF
THE POST RETIREMENT BENEFITS PLAN
OF
MANCHESTER-ESSEX REGIONAL SCHOOL DISTRICT

November 2013

Sherman
Actuarial
Services

TABLE OF CONTENTS

SECTION I - OVERVIEW

Manchester-Essex Regional School District has engaged Sherman Actuarial Services, LLC (SAS) to prepare an actuarial valuation of their post-retirement benefits program as of July 1, 2013. This valuation was performed using employee census data, enrollment data, claims, premiums, participant contributions and plan provision information provided by personnel of Manchester-Essex Regional School District. SAS did not audit these data, although they were reviewed for reasonability. The results of the valuation are dependent on the accuracy of the data.

The purposes of the valuation are to analyze the current funded position of the MERSD's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Governmental Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

According to GASB principles, if the benefits are not prefunded, the rate earned by the General Asset Account must be used to select the discount rate used to measure the plan. To measure on that basis we have used a discount rate of 4.0%. The 4.0% scenario figures should be reflected in the MERSD's financial statements based on the MERSD's current Pay-as-You-Go funding approach. If the MERSD were to commence funding the Annual Required Contribution instead of just paying benefits when due as it has in the past, the measurement would be based on an 8.0% discount rate.

Section II provides a summary of the principal valuation results. Section VI provides a projection of funding amounts.

While the actuary believes that the assumptions are reasonable for financial reporting purposes, it should be understood that there is a range of assumptions that could be deemed reasonable that would yield different results. Moreover, while the actuary considers the assumption set to be reasonable based on prior plan experience, it should be understood that future plan experience may differ considerably from what has been assumed.

The report was prepared under the supervision of Daniel Sherman, an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, who takes responsibility for the overall appropriateness of the analysis, assumptions and results. Daniel Sherman is deemed to meet the General Qualification Standard and the basic education and experience requirement in the pension area. Based on over twenty years of performing FAS 106 valuations of similar complexity, Mr. Sherman is qualified by experience in retiree medical valuation. Daniel Sherman has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The costs and actuarial exhibits presented in this report have been prepared in accordance with Generally Accepted Accounting Practices and the requirements of GASB 45. I am available to answer questions about this report.

Respectfully Submitted,

SHERMAN ACTUARIAL SERVICES, LLC

Daniel W. Sherman

November 24, 2013

Daniel Sherman, ASA, MAAA, EA — Date

SECTION II - REQUIRED INFORMATION

		Pay-as-You-Go 4%	Full Prefunding 8%	
a)	Actuarial valuation date	July 1, 2013	July 1, 2013	Difference
b)	Actuarial Value of Assets	$ 0	$ 0	$ 0
c)	Actuarial Accrued Liability			
	Active participants	$ 14,733,073	$ 7,818,079	$ 6,914,994
	Retired participants	10,277,004	6,697,582	3,579,422
	Total AAL	$ 25,010,077	$ 14,515,661	$ 10,494,416
d)	Unfunded Actuarial Liability "UAL" [c - b]	$ 25,010,077	$ 14,515,661	$ 10,494,416
e)	Funded ratio [b / c]	0.0%	0.0%	
f)	Annual covered payroll	$ 13,920,467	$ 13,920,467	
g)	UAL as percentage of covered payroll	179.7%	104.3%	
h)	Normal Cost for fiscal year 2013	$ 1,425,453	$ 565,412	$ 860,041
i)	Amortization of UAL for fiscal year 2013*	$ 893,232	$ 838,782	$ 54,450
j)	Interest to the end of the fiscal year	0	0	0
k)	Annual Required Contribution "ARC" for fiscal year 2013 [h + i + j]	$ 2,318,685	$ 1,404,194	$ 914,491
l)	Estimated premium payments	$ 535,124	$ 535,124	$ 0

* 30-year amortization, increasing 3.5% per year

SECTION III - MEDICAL PREMIUMS

Monthly Premiums effective July 1, 2013

Health and dental benefits are available to employees and retirees through a number of plans. The following are gross monthly rates per subscriber for plans in which current MERSD employees and/or retirees are enrolled:

HMO Network Blue (individual)	$619.54
HMO Network Blue (family)	$1,672.82
Blue Care Elect PPO (individual)	$773.80
Blue Care Elect PPO (family)	$2,088.98
Medex (individual)	$331.10

Participants contribute towards their coverage in the amount of 20% of the stated premiums for the MEDEX and HMO plans. Those electing the PPO pay the difference between the PPO cost and the portion the MERSD pays for the HMO plan. As of July 1, 2013 this represents 35.9%.

SECTION IV - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress on a Pay-as-You-Go Basis – 4.0%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAL as Percentage of Covered Payroll
July 1, 2008	0	19,340,378	19,340,378	0.00%	10,526,801	183.73%
July 1, 2010	0	18,148,331	18,148,331	0.00%	12,198,757	148.77%
July 1, 2013	0	25,010,077	25,010,077	0.00%	13,920,467	179.66%

SECTION V - NET OPEB OBLIGATION

GASB Statement No. 45 requires the development of Annual OPEB Cost and Net OPEB Obligation (NOO). This development is shown in the following table.

Development of OPEB Cost and Net OPEB Obligation (NOO)

Year Ending June 30	(a) Annual Required Contribution	(b) Interest on NOO	(c) Amortization of NOO	(d) Annual OPEB Cost (a)+(b)-(c)	(e) Contribution	(f) Change in NOO (d)-(e)	(g) NOO Balance
2010							3,754,223
2011	2,103,399	150,169	168,995	2,084,573	410,917	1,673,656	5,427,880
2012	2,227,041	217,115	249,884	2,194,272	461,382	1,732,890	7,160,770
2013	2,318,685	286,431	238,692	2,366,423	535,124	1,831,299	8,992,069
2014	2,453,708	359,683	321,151	2,492,240			

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases. There is no requirement to actually fund the Annual Required Contribution, however.

In the amortization schedules shown on the following pages, the amortization of the unfunded accrued liability is increasing at 3.5% for 30 years. The normal cost is expected to increase at the same rate as the assumed ultimate health care trend rate. The contributions were computed assuming that the contribution is paid at the end of the fiscal year. Projected benefit payments/employer contributions reflect only the benefit for those individuals now employed or retired, not any future entrants.

Paragraph 12 of GASB 45 stipulates that valuations must be performed at least biennially. The following projections are intended only to illustrate long-term implications of Prefunding versus Pay-as-You-Go.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go Basis – 4.0%

Fiscal Year Ending In	Normal Cost	Amortization of UAL	ARC*	Estimated Premium Cost
2013	1,425,453	893,232	2,318,685	535,124
2014	1,489,598	964,110	2,453,708	554,069
2015	1,556,630	1,037,639	2,594,269	627,468
2016	1,626,678	1,114,243	2,740,921	695,248
2017	1,699,879	1,193,429	2,893,308	783,108
2018	1,776,374	1,275,059	3,051,433	881,000
2019	1,856,311	1,358,751	3,215,062	995,559
2020	1,939,845	1,445,240	3,385,085	1,095,875
2021	2,027,138	1,534,919	3,562,057	1,192,264
2022	2,118,359	1,627,894	3,746,253	1,293,319
2023	2,213,685	1,724,903	3,938,588	1,381,875
2024	2,313,301	1,825,721	4,139,022	1,485,415
2025	2,417,400	1,930,988	4,348,388	1,580,159
2026	2,526,183	2,040,764	4,566,947	1,682,889
2027	2,639,861	2,155,595	4,795,456	1,780,598
2028	2,758,655	2,275,986	5,034,641	1,875,178
2029	2,882,794	2,402,541	5,285,335	1,964,792
2030	3,012,520	2,535,958	5,548,478	2,047,657
2031	3,148,083	2,676,496	5,824,579	2,136,918
2032	3,289,747	2,824,730	6,114,477	2,224,424
2033	3,437,786	2,980,730	6,418,516	2,324,970
2034	3,592,486	3,144,888	6,737,374	2,430,061
2035	3,754,148	3,317,617	7,071,765	2,539,902
2036	3,923,085	3,499,349	7,422,434	2,654,708
2037	4,099,624	3,690,536	7,790,160	2,774,703
2038	4,284,107	3,891,656	8,175,763	2,900,123
2039	4,476,892	4,103,206	8,580,098	3,031,211
2040	4,678,352	4,325,711	9,004,063	3,168,224
2041	4,888,878	4,559,720	9,448,598	3,311,431
2042	5,108,878	4,805,809	9,914,687	3,461,111
2043	5,338,778	5,064,583	10,403,361	3,617,556

* Assumes payment is made at the end of the fiscal year.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding Basis - 8%

Fiscal Year Ending In	Normal Cost	Amortization of UAL	ARC*	Estimated Premium Cost
2013	565,412	838,782	1,404,194	535,124
2014	590,856	868,139	1,458,995	554,069
2015	617,445	898,524	1,515,969	627,468
2016	645,230	929,973	1,575,203	695,248
2017	674,265	962,522	1,636,787	783,108
2018	704,607	996,210	1,700,817	881,000
2019	736,314	1,031,077	1,767,391	995,559
2020	769,448	1,067,165	1,836,613	1,095,875
2021	804,073	1,104,516	1,908,589	1,192,264
2022	840,256	1,143,174	1,983,430	1,293,319
2023	878,068	1,183,185	2,061,253	1,381,875
2024	917,581	1,224,596	2,142,177	1,485,415
2025	958,872	1,267,457	2,226,329	1,580,159
2026	1,002,021	1,311,818	2,313,839	1,682,889
2027	1,047,112	1,357,732	2,404,844	1,780,598
2028	1,094,232	1,405,252	2,499,484	1,875,178
2029	1,143,472	1,454,436	2,597,908	1,964,792
2030	1,194,928	1,505,342	2,700,270	2,047,657
2031	1,248,700	1,558,029	2,806,729	2,136,918
2032	1,304,892	1,612,559	2,917,451	2,224,424
2033	1,363,612	1,668,999	3,032,611	2,324,970
2034	1,424,975	1,727,414	3,152,389	2,430,061
2035	1,489,099	1,787,874	3,276,973	2,539,902
2036	1,556,108	1,850,449	3,406,557	2,654,708
2037	1,626,133	1,915,215	3,541,348	2,774,703
2038	1,699,309	1,982,247	3,681,556	2,900,123
2039	1,775,778	2,051,626	3,827,404	3,031,211
2040	1,855,688	2,123,433	3,979,121	3,168,224
2041	1,939,194	2,197,753	4,136,947	3,311,431
2042	2,026,458	2,274,674	4,301,132	3,461,111
2043	2,117,649	-	2,117,649	3,617,556

* Assumes payment is made at the end of the fiscal year.

SECTION VII – PARTICIPANT DATA

Actives	227
Average Age	45.5
Average Service	8.4
Number of Teachers	147

Retirees and Beneficiaries	113
Average Age	65.6

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

MANCHESTER-ESSEX REGIONAL SCHOOL DISTRICT, ALL GROUPS

Interest: Pay-as-You-Go: 4.0% per year, net of investment expenses
Full Prefunding: 8.0% per year, net of investment expenses

Actuarial Cost Method: Entry Age Normal.

Healthcare Cost Trend Rate:

Year	Inflation Rate
2014	7.5%
2015	7.0%
2016	6.5%
2017	6.0%
2018	5.5%
2019	5.0%
2020 & after	4,5%

Amortization Period: 30-year level percent of pay assuming 3.5% aggregate annual payroll growth, open basis for Pay-as-You-Go. The amortization period is 30 years for all future valuations. Under Full Prefunding, a 30-year closed basis was used for the amortization. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.

Participation: 85% of future retirees are assumed to participate in the retiree medical plan and 75% of future retirees are expected to elect life insurance.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

MANCHESTER-ESSEX REGIONAL SCHOOL DISTRICT, ALL GROUPS

Marital Status:

80% of male employees and 60% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

Pre-Age 65 Retirees:

Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.

Post-Age 65 Retirees:

Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that future retirees are Medicare eligible. It is furthermore assumed that all current retirees under 65 will participate in the Medex plan in the same proportion as current retirees over 65. Per capita costs were developed from the MERSD developed monthly costs. Amounts to be received in the future for the Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.

Termination Benefit:

85% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.

Medical Plan Costs:

The MERSD participants in three Blue Cross Blue Shield plans, and is considered fully insured. The estimated gross per capita incurred claim costs for all retirees and beneficiaries for 2013-14 at age 64 and 65 are $8,118 and $4,595, respectively. Medicare eligible retirees' per capita claims costs at age 65 is $4,595. It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

MANCHESTER-ESSEX REGIONAL SCHOOL DISTRICT, NON-TEACHERS

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability	Service Retirement	
		Male	Female
25	0.0002		
30	0.0003		
35	0.0006		
40	0.0010		
45	0.0015		
50	0.0019	0.010	0.015
55	0.0024	0.020	0.055
60	0.0028	0.120	0.050
62	0.0030	0.300	0.150
65	0.0030	0.400	0.150
69		0.300	0.200

Years of Service	Rates of Withdrawal
0	0.150
1	0.120
2	0.100
3	0.090
4	0.080
5	0.076
10	0.054
15	0.033
20	0.020
25	0.010
30+	0.000

Mortality: 2011 IRS Static Mortality. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

MANCHESTER-ESSEX REGIONAL SCHOOL DISTRICT, TEACHERS

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Disability
25	0.0002
30	0.0003
35	0.0006
40	0.0010
45	0.0015
50	0.0019
55	0.0024
60	0.0028
62	0.0030
65	0.0030
69	

Years of Service	Rates of Withdrawal
0	0.150
1	0.120
2	0.100
3	0.090
4	0.080
5	0.076
10	0.054
15	0.033
20	0.020
25	0.010
30+	0.000

	Male Service Retirement		Female Service Retirement	
Age	<20	20+	<20	20+
50	0.00	0.01	0.00	0.01
55	0.02	0.03	0.02	0.04
60	0.12	0.20	0.12	0.16
61	0.15	0.30	0.15	0.20
62	0.18	0.35	0.18	0.25
63	0.15	0.35	0.15	0.25
64	0.25	0.30	0.25	0.30
65	0.40	0.50	0.40	0.40
66	0.40	0.30	0.40	0.30
67	0.40	0.30	0.40	0.25
68	0.40	0.30	0.40	0.35
69	0.40	0.40	0.40	0.35
70	1.00	1.00	1.00	1.00

Teachers electing the increased benefit under Chapter 114 of the Acts of 2000 were assumed to have higher rates of retirement from ages 54 to 62 if their service was greater than 30 years. These rates are the same for males and females. The rate at age 54 is 0.035. The rate increases to 0.06 at age 55, 0.18 at age 56 and 0.30 at age 57. The rate for ages 58, 59 and 62 is 0.40. The rate for ages 60 and 61 is 0.35.

Mortality: 2011 IRS Static Mortality. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance:	All retirees and beneficiaries pay a 20% share of their post-retirement medical costs for MEDEX and HMO plans. Participants electing the PPO plan pay the difference between 80% of the HMO plan and the full cost of the PPO plan.
Life Insurance:	Manchester-Essex Regional School District provides $5,000 of basic life insurance.
Spousal Coverage:	Current and future retirees may elect to include their spouses as part of their post-retirement benefits. Spousal coverage for medical insurance continues until the earlier of the death of the spouse, or the retiree.
Administrative Costs:	The MERSD pays administrative costs for each member of the plan as part of the monthly premium.
Section 18 Coverage:	The MERSD has elected to adopt Section 18 under Chapter 32B of the General Laws of Massachusetts, which requires that an employee or retiree must participate in the Medicare program as the primary payer once one reaches age 65 and is Medicare eligible.
Retirement Eligibility:	Age 55 with 10 years of service, or 20 years of service.
Ordinary Disability Eligibility:	10 years of service and under age 55.
Termination Eligibility:	10 years of service.

SCHEDULE C - CONSIDERATIONS OF HEALTH CARE REFORM

Early Retiree Reinsurance Program ("ERRP") - Effective June 1, 2011: Due to the short-term nature of the payments expected to be received under this program, we do not reflect this program in long-term GASB 45 liabilities.

Removal of Lifetime Maximum: The elimination of the lifetime maximums would have no impact on the retiree health plan obligations since, as far as we are aware, the plan has no lifetime maximums.

Medicare Advantage Plans - Effective January 1, 2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. Since the MERSD does not offer these plans, the reductions would have no impact.

Expansion of Child Coverage to Age 26: Since few retirees cover children on retiree health plans, this provision will likely have a relatively small effect on the gross benefit cost. We have reflected an estimate of the amount of additional cost by assuming a higher healthcare trend rate.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug "Donut Hole"- Starting January 1, 2011: RDS payments are not reflected as on ongoing offsetting item in GASB 45 valuations, and so no direct impact is reflected. RDS actuarial equivalence testing does not reflect the new donut hole shrinking Part D benefits. Thus, the changes to Medicare Part D have no impact on the calculations.

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective January 1, 2018: There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. We have estimated the impact and included it in the liabilities.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

SCHEDULE D - GLOSSARY OF TERMS

Actuarial Accrued Liability
That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions
Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method
A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss
A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)
That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost
An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)
The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)
A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll
Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan
An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio
The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

SCHEDULE D - GLOSSARY OF TERMS

Funding policy
The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method
The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB Obligation
The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost
That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt
All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits
Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-You-Go
A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)
Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.