

MVRHS OPEB Funding Plan

FY23 (1/25/2023)

(DRAFT #2)

BACKGROUND:

For the fiscal year ending 2018, the Governmental Accounting Standards Board (GASB) Statements #74 & #75 have required MVRHS/MVRSD to report on its Other Post Employment Benefits (OPEB) and include the liabilities on its balance sheet.

- GASB Statement No. 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB 74)
- GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)

As of the latest OPEB Actuarial Study conducted as of 6/30/2022 (FY22), the MVRSD has the following:

	<i>6/30/21</i>	<i>6/30/22</i>
Total OPEB Liability (TOL):	\$58,433,944	\$44,255,775
Fiduciary Net Position (FNP)	(\$6,035,062)	(\$6,296,011)
Net Liability (after OPEB Trust Assets):	\$52,398,882	\$37,959,764
FNP as % of TOL:	10.3%	14.2%
ADEC:	\$4,585,340	\$3,355,491
Budgeted \$ Towards OPEB*:	\$1,703,492	\$1,819,804
<i>Budget Shortfall*:</i>	<i>\$2,765,536</i>	<i>\$1,555,700</i>

- NOTE: this data is from the MVRSD FY23 Budget (see Appendix A & B)

GOAL:

As of September 2022, MVRSD has entered into the feasibility study phase of renovating/upgrading its facilities as a part of a Massachusetts School Business Authority (MSBA) process, and the MVRSD is in the process of requesting \$2,000,000 to fund this feasibility study during the spring, 2023 town meetings. While the final construction cost of this project is unknown at this time, it is expected the expenses and related debt service for this project, even after MSBA reimbursement, will put notable upward pressure on the operating budget and therefore the annual assessments to the member towns.

It is within this context the MVRSD seeks to continue to address and make progress towards addressing OPEB liabilities.

The District's goal will be to continue to take steps to reduce the OPEB liability and/or increase annual funding to address the OPEB liability such that the District is meeting the Actuarially Determined Employer Contribution (ADEC). See Appendix C for a five year look at the recent overall liability and funding trends.

The recommendations below are intended to decrease the gap between the ADEC and current funding for these liabilities by 37% (from \$1,555,700 to \$980,700) over the next 9 years, and during that time it is expected the MVRSD will identify additional measures to close the remaining gap between the liability and the ADEC (see Appendix D).

RECOMMENDATIONS:

- 1) **Funding for New Positions:** each net new position that will offer benefits to an active employee should have an annual contribution added to the base amount of funds the District contributes to the OPEB Trust. This has been estimated at \$8,000 per each net new position that offers health benefits. This amount should continue at a minimum on an annual basis, and should be adjusted from time-to-time at the recommendation of the District's auditors and/or actuary.
- 2) **Annual funding via the Operating Budget towards the Actuarially Determined Employer Contribution (ADEC)** should be maintained and increased where feasible in light of other budget considerations and input from member towns. As of FY23, the MVRSD ADEC is \$3,355,491 and the annual budgeted total funding to address OPEB liabilities (short term and long term) is \$1,799,791. In order to make consistent progress towards achieving the annual funding level as calculated in the ADEC, MVRSD shall increase the annual budgeted funding by \$150,000, until such time that the ADEC level of funding has been achieved. Net reduction in benefited positions would also count towards this effort (by reducing the annual increase) to fund to the ADEC.
- 3) The District shall project year-end operating expenses during the month of June, and shall consider appropriating a minimum of twenty five (25%) percent of any projected overall year-end operating budget expense savings and forwarding that to the Dukes County OPEB Trust as an additional annual contribution. This projection should take into account any projected revenue shortfalls, along with following year budget issues and any need for Excess & Deficiency funds.

Based upon actual expenditures in the five years prior to Covid (FY15-FY19) the average \$ amount of total expense budget savings was \$221,118 (per certified line item budgets in FY21 and FY24), and 25% of that average would have contributed an average of \$55,280/year of additional \$ towards the MVRSD long-term OPEB liability. For the most recent year of FY22, a policy of appropriating 25% of the total operating expense budget savings would have yielded an additional \$247,913 of additional funds going into the Dukes County Pooled OPEB Trust.

- 4) At the end of FY2031 the District expects to see a reduction in its annual pension assessment from the Dukes County Retirement system. In light of this, the District shall commit to reallocating the amount of the budget reduction and redirecting those resources to the annual expense line that funds the Dukes County Pooled OPEB Trust Fund. It is projected in the year 2031 the District will have an annual pension assessment of \$1,021,000, and in the following year is expected to see the assessment reduced to approximately \$596,000/year, for an estimated annual reduction of \$425,000.

MVRSD

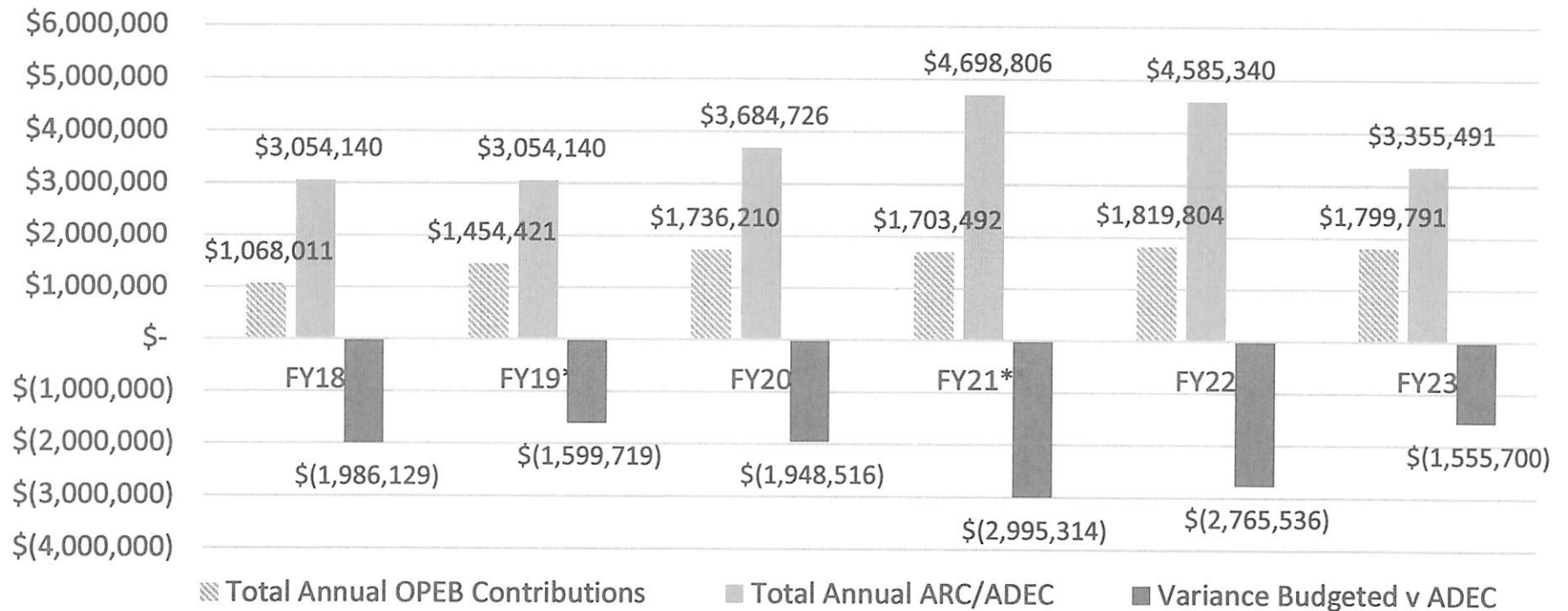
OPEB Contributions, ARC/ADEC Funding, Variance FY18-FY23

	Total Annual		Variance Budgeted v	
	<u>OPEB Contributions</u>	<u>ARC/ADEC</u>	<u>ADEC</u>	
FY18	\$ 1,068,011	\$ 3,054,140	\$ (1,986,129)	
FY19*	\$ 1,454,421	\$ 3,054,140	\$ (1,599,719)	
FY20	\$ 1,736,210	\$ 3,684,726	\$ (1,948,516)	
FY21**	\$ 1,703,492	\$ 4,698,806	\$ (2,995,314)	
FY22	\$ 1,819,804	\$ 4,585,340	\$ (2,765,536)	
FY23	\$ 1,799,791	\$ 3,355,491	\$ (1,555,700)	

* FY18 and FY19 ARCs are assumed to be the same for this analysis

** Actuaries switched from ARC to ADEC

MVRSD OPEB Contributions, ARC/ADEC Funding, Variance in Funding FY18-FY23



* FY19 ARC assumed to be same as FY18 ARC

** FY21 = Actuaries switched from ARC to ADEC

**MVRSD
OPEB Data
FY17-FY22**

Fiscal Year	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
Valuation Date	7/1/2016	7/1/2016	7/1/2018	7/1/2018	7/1/2020	7/1/2020
Total OPEB Liability	\$ 33,813,914	\$ 33,995,751	\$ 42,429,661	\$ 42,429,661	\$ 58,433,944	\$ 44,255,775
Fiduciary Net Position*	\$ (1,126,724)	\$ (1,682,366)	\$ (2,642,505)	\$ (2,642,505)	\$ (6,035,062)	\$ (6,296,011)
Net OPEB Liability**	\$ 32,687,190	\$ 32,313,385	\$ 39,787,156	\$ 39,787,156	\$ 52,398,882	\$ 37,959,764
% Funded***	3.3%	4.9%	6.2%	6.2%	10.3%	14.2%

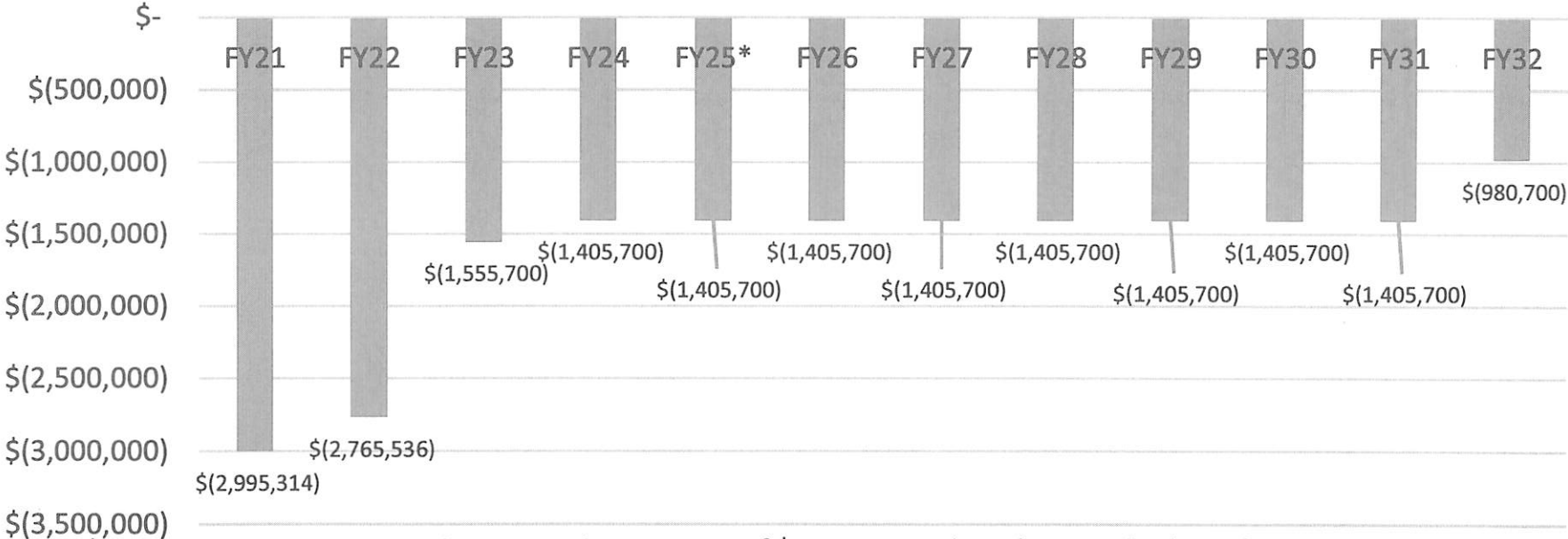
* Fiduciary Net Position (FNP) is the market value of the Trust assets

** Net OPEB Liability is the Total OPEB Liability minus the FNP

*** % Funded is the FNP in proportion to the Total OPEB Liability

MVRSD

Projected Gap Between ADEC and OPEB Funding Based on Recommendations on 1/24/2023



* FY24 -FY32 assumes MVRSD appropriates an avg of \$150K more than the FY24 budgeted OPEB amounts through year-end transfers