Town of Wellesley Contributory Retirement System

Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68) Actuarial Valuation as of December 31, 2021

Segal

116 Huntington Ave., Suite 901
Boston, MA 02116-5749
segalco.com

July 15, 2022

Retirement Board
Town of Wellesley Contributory Retirement System
Town Hall
525 Washington Street
Wellesley, MA 02482

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statements 67 and 68 (GASB 67 and 68) Actuarial Valuation based on a December 31, 2021 measurement date for employer reporting as of June 30, 2022. It contains various information that will need to be disclosed in order to comply with GASB 67 and 68. Please refer to the Town of Wellesley Contributory Retirement System Actuarial Valuation Report as of January 1, 2021, dated May 26, 2021, for the data, methods, assumptions, and plan of benefits underlying these calculations.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist the Board and member units in preparing their financial reports for their liabilities associated with the Retirement System pension plan. The census and financial information on which our calculations were based were provided by the Retirement System. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of A. Donald Morgan, FSA, MAAA, EA who is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of his knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In his opinion, the assumptions are reasonable and take into account the experience of the Town of Wellesley Contributory Retirement System and reasonable expectations.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

A. Donald Morgan, FSA, MAAA, EA
Senior Vice President and Actuary

Table of Contents

Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statements No. 67 and 68 (GASB 67 and 68) as of December 31, 2021. This valuation is based on:

- The benefit provisions of Massachusetts General Law Chapter 32;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of December 31, 2020, provided by the staff of the Retirement System;
- The assets of the System as of December 31, 2021, provided by the staff of the Retirement System;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the January 1, 2021 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the January 1, 2021 valuation.

Highlights of the valuation

1. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.
2. The NPL was measured as of December 31, 2021 and December 31, 2020 and determined based upon the results of the actuarial valuation as of January 1, 2021.
3. The NPL decreased from $43.1 million as of December 31, 2020 to $6.7 million as of December 31, 2021 primarily as a result of favorable investment results in 2021. Changes in these values during the last two fiscal years ending December 31, 2020 and December 31, 2021 can be found in Section 2.
4. The discount rate used to measure the TPL and NPL as of December 31, 2021 and December 31, 2020 was 6.00%.

Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the Retirement System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the market value of assets as of the valuation date, as provided by the Retirement System
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets or, if there are no assets, a rate of return based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The valuation is prepared at the request of the Board to assist the Board and member units in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
If the Board is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of the Retirement System, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Retirement System.

GASB 68 Information

General information about the pension plan

Plan Description

Plan membership. At December 31, 2020, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	426
Inactive participants with a vested right to a deferred or immediate benefit	25
Inactive participants due a return of employee contributions	332
Active members	691
Total	1,474

Net pension liability

Reporting Date for Employer under GASB 68	June 30, 2022	June 30, 2021
Measurement Date	**December 31, 2021**	**December 31, 2020**
Components of the Net Pension Liability		
Total Pension Liability	$296,789,063	$286,078,693
Plan Fiduciary Net Position	290,053,389	242,973,730
Net Pension Liability	6,735,674	43,104,963
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.73%	84.93%

The Net Pension Liability (NPL) for the plan was measured as of December 31, 2021 and 2020. Plan Fiduciary Net Position (plan assets) was valued as of the measurement dates and the Total Pension Liability (TPL) was determined from the actuarial valuation as of January 1, 2021.

Actuarial assumptions. The TPL as of December 31, 2021 and 2020, that were measured by an actuarial valuations as of January 1, 2021, used the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	Based on years of service, ranging from 7.00% decreasing to 3.50% after 11 years of service for Group 1 and 2 employees, and ranging from 8.00% decreasing to 4.00% after 11 years for Group 4 employees
Wage inflation	2.75%
Net investment return	6.00%
Cost of living adjustment	2.75% of first $18,000
Mortality rates	*Pre-Retirement*: RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally with Scale MP-2016 *Healthy Retiree*: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally with Scale MP-2016 *Disabled Retiree*: RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2016 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB from 2015)

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.00%	6.11%
International developed markets equity	11.50%	6.49%
International emerging markets equity	4.50%	8.12%
Core fixed income	15.00%	0.38%
High-yield fixed income	8.00%	2.48%
Real estate	10.00%	3.72%
Timber	4.00%	3.44%
Hedge fund, GTAA, Risk parity	10.00%	2.63%
Private equity	15.00%	9.93%
Total	100.00%	

Discount rate. The discount rate used to measure the Total Pension Liability (TPL) was 6.00% as of December 31, 2021 and December 31, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2021 and December 31, 2020.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability (NPL) of the Retirement System as of December 31, 2021, which is allocated to all employers, calculated using the discount rate of 6.00%, as well as what the Retirement System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate. The determination of the NPL by employer is shown in Section 3.

Net Pension Liability	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Housing	$371,625	$56,907	-$205,253
Water	1,642,307	251,486	-907,066
Light	4,131,091	632,593	-2,281,651
School	7,739,829	1,185,199	-4,274,801
Town of Wellesley	30,101,833	4,609,489	-16,625,607
Total for all Employers	**$43,986,685**	**$6,735,674**	**-$24,294,378**

Schedule of changes in Net Pension Liability – Last two fiscal years

Reporting Date for Employer under GASB 68	June 30, 2022	June 30, 2021
Measurement Date	**December 31, 2021**	**December 31, 2020**
Total Pension Liability		
Service cost	$7,620,841	$6,653,787
Interest	17,198,697	17,178,584
Change of benefit terms	0	0
Differences between expected and actual experience	0	-4,805,590
Changes of assumptions	0	20,784,416
Benefit payments, including refunds of member contributions	-14,109,168	-12,756,204
Net change in Total Pension Liability	$10,710,370	$27,054,993
Total Pension Liability – beginning	286,078,693	259,023,700
Total Pension Liability – ending	$296,789,063	$286,078,693
Plan Fiduciary Net Position		
Contributions – employer	$9,782,457	$9,454,478
Contributions – employee	4,209,989	4,014,796
Net investment income	47,481,121	25,665,658
Benefit payments, including refunds of member contributions	-14,109,168	-12,756,204
Administrative expense	-284,740	-234,335
Net change in Plan Fiduciary Net Position	$47,079,659	$26,144,393
Plan Fiduciary Net Position – beginning	242,973,730	216,829,337
Plan Fiduciary Net Position – ending	$290,053,389	$242,973,730
Net Pension Liability – ending	6,735,674	43,104,963
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.73%	84.93%
Covered payroll[1]	$42,492,899	$40,939,192
Plan Net Pension Liability as percentage of covered payroll	15.85%	105.29%

[1] Covered payroll for 2021 and 2020 as estimated in the January 1, 2021 actuarial valuation.

Section 2: GASB 68 Information

Notes to Schedule:

Changes in Actuarial Assumptions:	January 1, 2021: • The discount rate was lowered from 6.625% to 6.00%. • The mortality assumption for disabled pensioners was changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2016. • The retirement assumption for members hired on or after April 2, 2012 was adjusted to reflect a 50% increase to retirement rates at age 60 for members of Group 1 and 2. January 1, 2022: None
Changes in Plan Provisions:	None

Deferred outflows of resources and deferred inflows of resources – Total for all employers

Reporting Date for Employer under GASB 68	June 30, 2022	June 30, 2021
Measurement Date	**December 31, 2021**	**December 31, 2020**
Deferred Outflows of Resources		
Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$1,198,472	$1,528,063
Changes of assumptions	13,856,276	17,672,512
Net difference between projected and actual earnings on pension plan investments	0	0
Difference between expected and actual experience in the Total Pension Liability	1,042,328	1,548,142
Total Deferred Outflows of Resources	$16,097,076	$20,748,717
Deferred Inflows of Resources		
Changes in proportion and differences between employer's contributions and proportionate share of contributions[7]	$1,198,472	$1,528,063
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	36,688,144	16,078,101
Difference between expected and actual experience in the Total Pension Liability	3,203,728	4,592,328
Total Deferred Inflows of Resources	$41,090,344	$22,198,492
Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:		
Reporting Date for Employer under GASB 68 Year Ended June 30:		
2022	N/A	-$2,788,299
2023	-$5,737,373	845,575
2024	-9,190,002	-2,607,054
2025	-6,146,082	436,866
2026	-3,919,811	2,663,137
2027	0	0
Thereafter	0	0

[1] Calculated in accordance with Paragraphs 54 and 55 of GASB 68

Section 2: GASB 68 Information

There are changes in each employer's proportionate share of the total Net Pension Liability (NPL) during the measurement period ended December 31, 2021. The net effect of the change on the employer's proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through Town of Wellesley Contributory Retirement System which is 6 years determined as of December 31, 2020 (the beginning of the measurement period ending December 31, 2021). This is described in Paragraph 33a. of GASB 68.

In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended December 31, 2021 is recognized over the same period.

The average of the expected service lives of all employees is determined by:

- Calculating each active employee's expected remaining service life as the present value of $1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employees, inactive and retired members.

Pension expense – Total for all employers

Reporting Date for Employer under GASB 68	June 30, 2022	June 30, 2021
Measurement Date	**December 31, 2021**	**December 31, 2020**
Components of Pension Expense		
Service cost	$7,620,841	$6,653,787
Interest on the Total Pension Liability	17,198,697	17,178,584
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	0	-800,930
Expensed portion of current-period changes of assumptions	0	3,464,071
Member contributions	-4,209,989	-4,014,796
Projected earnings on plan investments	-14,566,380	-14,380,802
Expensed portion of current-period differences between actual and projected earnings on plan investments	-6,582,949	-2,256,972
Administrative expense	284,740	234,335
Recognition of beginning of year deferred outflows of resources as pension expense	7,774,679	4,310,609
Recognition of beginning of year deferred inflows of resources as pension expense	-10,562,978	-7,693,783
Pension Expense	**-$3,043,339**	**$2,694,103**

Schedule of reconciliation of Net Pension Liability –Total for all employers

Reporting Date for Employer under GASB 68	June 30, 2022	June 30, 2021
Measurement Date	**December 31, 2021**	**December 31, 2020**
Beginning Net Pension Liability	$43,104,963	$42,194,363
Pension expense	-3,043,339	2,694,103
Employer contributions	-9,782,457	-9,454,478
New net deferred inflows/outflows	-26,331,792	4,287,801
Change in allocation of prior deferred inflows/outflows	0	0
New net deferred inflows/outflows due to change in proportion	0	0
Recognition of prior deferred inflows/outflows	2,788,299	3,383,174
Recognition of prior deferred inflows/outflows due to change in proportion	0	0
Ending Net Pension Liability	$6,735,674	$43,104,963

Schedule of contributions – Last eight fiscal years

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$7,040,036	$7,070,467	-$30,431	$35,228,283	20.07%
2015	7,285,897	7,304,832	-18,935	35,959,727	20.31%
2016	7,562,273	7,562,273	0	36,836,364	20.53%
2017	7,835,775	7,874,297	-38,522	38,226,711	20.60%
2018	8,349,999	8,371,229	-21,230	39,169,350	21.37%
2019	8,851,507	8,868,984	-17,477	40,682,134	21.80%
2020	9,438,070	9,454,478	-16,408	40,939,192	23.09%
2021	9,756,209	9,782,457	-26,248	42,492,899	23.02%

See accompanying notes to this schedule on next page.

Section 2: GASB 68 Information

Notes to Schedule:

Valuation date	Actuarially determined contribution for year ended December 31, 2021 was determined with the January 1, 2019 actuarial valuation
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level payments on the 2010 ERI liability and 3.5% increasing payments on the remaining unfunded liability
Remaining amortization period	As of July 1, 2020, 2 years for the 2010 ERI liability and 10 years for the remaining unfunded liability
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period with a fresh start as of January 1, 2015. Asset value is adjusted as necessary to be within 20% of the market value
Actuarial assumptions:	
Investment rate of return	6.625%
Wage inflation	2.75%
Projected salary increase	Based on years of service, ranging from 7.00% decreasing to 3.50% after 11 years of service for Group 1 and 2 employees, and ranging from 8.00% decreasing to 4.00% after 11 years for Group 4 employees.
Cost of living adjustments	2.75% of first $18,000 of retirement allowance
Other assumptions	Same as those used in the January 1, 2019 funding actuarial valuation.

Results by Employer

Exhibit A: Determination of Proportionate Share

Employer	Share of NPL as of January 1, 2021	Percentage of NPL as of January 1, 2021	Share of NPL as of January 1, 2022	Percentage of NPL as of January 1, 2022
Housing	$366,959	0.851315%	$56,907	0.844858%
Water	1,740,637	4.038136%	251,486	3.733646%
Light	4,034,946	9.360746%	632,593	9.391685%
School	7,530,688	17.470582%	1,185,199	17.595845%
Town of Wellesley	29,431,733	68.279921%	4,609,489	68.433966%
Total for all Employers	**$43,104,963**	**100.000000%**	**$6,735,674**	**100.000000%**

Note: NPL allocations for January 1, 2022 and January 1, 2021 are based on the allocation of the unfunded liability by employer as determined by the January 1, 2021 valuation.

Exhibit B: Determination of Proportionate Share Amounts by Employer

Employer Name	2022 Share of Cost Allocation (1)	Net Pension Liability (2)	Covered Employee Payroll (3)	Discount Rate Sensitivity: 1% Decrease (5.00%) (4)	Discount Rate Sensitivity: Current Discount Rate (6.00%) (5)	Discount Rate Sensitivity: 1% Increase (7.00%) (6)
Housing	0.844858%	$56,907	$434,266	$371,625	$56,907	-$205,253
Water	3.733646%	251,486	1,866,827	1,642,307	251,486	-907,066
Light	9.391685%	632,593	2,784,802	4,131,091	632,593	-2,281,651
School	17.595845%	1,185,199	11,659,407	7,739,829	1,185,199	-4,274,801
Town of Wellesley	68.433966%	4,609,489	25,747,597	30,101,833	4,609,489	-16,625,607
Grand Totals	**100.000000%**	**$6,735,674**	**$42,492,899**	**$43,986,685**	**$6,735,674**	**-$24,294,378**

Employer Name	Schedule of Contributions: Statutory Required Contribution (7)	Schedule of Contributions: Contributions In Relation to the Statutory Required Contribution (8)	Schedule of Contributions: Contribution Deficiency/ (Excess) (9)	Schedule of Contributions: Contributions as a Percentage of Covered Employee Payroll (10)	Pension Expense: Proportionate Share of Plan Pension Expense (11)	Pension Expense: Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions (12)	Pension Expense: Total Employer Pension Expense (13)
Housing	$71,780	$71,780	$0	16.53%	-$25,712	$6,812	-$18,900
Water	488,062	488,062	0	26.14%	-113,628	-173,626	-287,254
Light	951,741	951,741	0	34.18%	-285,821	67,722	-218,099
School	1,728,416	1,748,653	-20,237	15.00%	-535,501	-123,848	-659,349
Town of Wellesley	6,516,210	6,522,221	-6,011	25.33%	-2,082,677	222,940	-1,859,737
Grand Totals	**$9,756,209**	**$9,782,457**	**-$26,248**	**23.02%**	**-$3,043,339**	**$0**	**-$3,043,339**

	Deferred Outflows of Resources				Deferred Inflows of Resources				
Employer Name	**Differences Between Expected and Actual Experience (14)**	**Changes of Assumptions (15)**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions (16)**	**Total Deferred Outflows of Resources (17)**	**Differences Between Expected and Actual Experience (18)**	**Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments (19)**	**Changes of Assumptions (20)**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions (21)**	**Total Deferred Inflows of Resources (22)**
Housing	$8,806	$117,066	$19,756	$145,628	$27,067	$309,963	$0	$27,746	$364,776
Water	38,917	517,344	0	556,261	119,616	1,369,805	0	612,946	2,102,367
Light	97,892	1,301,338	168,898	1,568,128	300,884	3,445,635	0	0	3,746,519
School	183,406	2,438,129	424,495	3,046,030	563,723	6,455,589	0	441,371	7,460,683
Town of Wellesley	713,307	9,482,399	585,323	10,781,029	2,192,438	25,107,152	0	116,409	27,415,999
Grand Totals	**$1,042,328**	**$13,856,276**	**$1,198,472**	**$16,097,076**	**$3,203,728**	**$36,688,144**	**$0**	**$1,198,472**	**$41,090,344**

	Deferred Inflows/(Outflows) Recognized In Future Pension Expense (Year Ended June 30)					
Employer Name	**2023 (23)**	**2024 (24)**	**2025 (25)**	**2026 (26)**	**2027 (27)**	**Thereafter (28)**
Housing	-$54,209	-$82,359	-$49,818	-$30,470	-$2,292	$0
Water	-379,993	-498,631	-380,202	-285,139	-2,141	0
Light	-491,717	-820,590	-537,957	-335,926	7,799	0
School	-1,116,746	-1,733,843	-977,551	-600,373	13,860	0
Town of Wellesley	-3,694,708	-6,054,549	-4,200,554	-2,667,903	-17,226	0
Grand Totals	**-$5,737,373**	**-9,190,002**	**-6,146,082**	**-3,919,811**	**$0**	**$0**

Appendix: Definition of Terms

Definitions of certain terms as they are used in Statement 68. The terms may have different meanings in other contexts.

Active Employees:	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual Contributions:	Cash contributions recognized as additions to a pension Plan Fiduciary Net Position.
Actuarial Present Value of Projected Benefit Payments:	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation:	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial Valuation Date:	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution:	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad Hoc Postemployment Benefit Changes:	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent Employer:	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent Multiple-Employer Defined Benefit Pension Plan (Agent Pension Plan):	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Allocated Insurance Contract:	A contract with an insurance company under which related payments to the insurance company are currently used to purchase immediate or deferred annuities for individual employees. Also may be referred to as an annuity contract.
Automatic Cost-of-Living Adjustments	Cost-of-living adjustments that occur without a requirement for a decision to grant by a

(Automatic COLAs):	responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic Postemployment Benefit Changes:	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Closed Period:	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:	Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective Net Pension Liability.
Collective Net Pension Liability:	The Net Pension Liability for benefits provided through (1) a cost-sharing pension plan or (2) a single-employer or agent pension plan in circumstances in which there is a special funding situation.
Collective Pension Expense:	Pension expense arising from certain changes in the collective Net Pension Liability.
Contributions:	Additions to a pension Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-Living Adjustments:	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Employer:	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered Payroll:	The payroll of employees that are provided with pensions through the pension plan.
Deferred Retirement Option Program (DROP):	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee

	(if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined Benefit Pension Plans:	Pension plans that are used to provide defined benefit pensions.
Defined Benefit Pensions:	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 68.)
Defined Contribution Pension Plans:	Pension plans that are used to provide defined contribution pensions.
Defined Contribution Pensions:	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount Rate:	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan Fiduciary Net Position is projected (under the requirements of Statement 68) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.
Entry Age Actuarial Cost Method:	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive Employees:	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

Measurement Period:	The period between the prior and the current measurement dates.
Multiple-Employer Defined Benefit Pension Plan:	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL):	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-Employer Contributing Entities:	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of Statement 68, employees are not considered non-employer contributing entities.
Other Postemployment Benefits:	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension Plans:	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions:	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan Members:	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment:	The period after employment.
Postemployment Benefit Changes:	Adjustments to the pension of an inactive employee.
Postemployment Healthcare Benefits:	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected Benefit Payments:	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public Employee Retirement System:	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real Rate of Return:	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs:	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

Single Employer:	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):	A defined benefit pension plan that is used to provide pensions to employees of only one employer.
Special Funding Situations:	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination Benefits:	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL):	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 68.