

Town of Wellesley – Municipal Light Department

**Governmental Accounting Standards Board Statements
No. 74 and No. 75 Actuarial Valuation of Other
Postemployment Benefits (OPEB) Measured as of June
30, 2025**

This valuation report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

© 2025 by The Segal Group, Inc.

Segal



116 Huntington Ave., Suite 901
Boston, MA 02116-5749
segalco.com
T 617.424.7300

August 15, 2025

Mr. David G. Wood
Director
Wellesley Municipal Light Plant
4 Municipal Way
Wellesley, MA 02481

Dear Mr. Wood:

We are pleased to submit this Governmental Accounting Standards Board Statements No. 74 and No. 75 (GASB 74/75) Actuarial Valuation of Other Postemployment Benefits (OPEB) Measured as of June 30, 2025 for the Town of Wellesley – Municipal Light Department. It contains the actuarial information that will need to be disclosed in order to comply with GASB 74 and 75. Except as otherwise noted, please refer to the Town of Wellesley Actuarial Valuation and Review of Other Postretirement Benefits (OPEB) as of December 31, 2024, for the data, assumptions and plan of benefits underlying these calculations.

The actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Town of Wellesley – Municipal Light Department. The actuarial valuation is based on the plan of benefits verified by the Town of Wellesley and reliance on participant, premium, claims and expense data provided by the Town or from vendors employed by the Town. Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

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: retiree group benefits program experience or rates of return on assets differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential change of such future measurements except where noted.

Mr. David G. Wood
August 15, 2025

The actuarial calculations were completed under my supervision. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Town of Wellesley – Municipal Light Department based upon our analysis and recommendations. In my opinion, the assumptions are reasonable and take into account the experience of the Town of Wellesley – Municipal Light Department and reasonable expectations. In addition, in my opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Town of Wellesley – Municipal Light Department is encouraged to discuss any issues raised in this report with their legal, tax and other advisors before taking, or refraining from taking, any action.

Sincerely,

Segal



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

Table of Contents

Section 1: Actuarial Valuation Summary	5
Purpose and basis	5
Highlights of the valuation	6
Important information about actuarial valuations	7
Section 2: GASB Information	10
General information about the OPEB plan	10
Exhibit A: Net OPEB Liability	11
Exhibit B: Determination of discount rate and investment rates of return	13
Exhibit C: Discount rate and trend sensitivity	14
Exhibit D: Schedule of changes in Net OPEB Liability	15
Exhibit E: Schedule of employer contributions	17
Exhibit F: OPEB expense	19
Exhibit G: Deferred outflows and inflows of resources	20
Exhibit H: Schedule of reconciliation of Net OPEB Liability	21

Section 1: Actuarial Valuation Summary

Purpose and basis

This report presents certain disclosure information for the Town of Wellesley – Municipal Light Department (the “Employer”) OPEB plan and the Town of Wellesley – Municipal Light Department OPEB Trust (the “Plan”) as of June 30, 2025, required by Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. This valuation is based on financial information as of June 30, 2025 provided by the Town of Wellesley and the Town of Wellesley Actuarial Valuation and Review as of December 31, 2024, which reflects:

- The benefit provisions of the OPEB plan;
- The characteristics of covered active members, and retired members and beneficiaries as of December 31, 2024;
- The assets of the Plan as of December 31, 2024;
- Economic assumptions regarding future salary increases and investment earnings;
- Health care assumptions regarding per capita costs, trend rates and participation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Section 1: Actuarial Valuation Summary

Highlights of the valuation

Accounting and financial reporting

- The Net OPEB Liability (NOL) is equal to the difference between the Total OPEB Liability (TOL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets. The NOL decreased from -\$2,279,305 as of June 30, 2024 to -\$3,564,853 as of June 30, 2025 and the Plan's Fiduciary Net Position as a percent of the TOL increased from 132.99% to 153.89%.
- The NOL measured as of June 30, 2025 and June 30, 2024 were determined based upon the results of an actuarial valuation as of December 31, 2024 and December 31, 2022, respectively.
- The discount rate used to measure the TOL and NOL as of June 30, 2025 and June 30, 2024 was 6.00%.
- The Annual OPEB Expense decreased from \$116,571 for the year ending June 30, 2024 to -\$170,291 for the year ending June 30, 2025.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a tool to measure future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

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

Input Item	Description
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. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinates with Medicare. If so, changes in the Medicare law or administration may change the plan's costs without any change in the terms of the plan itself. It is important for the Town of Wellesley – Municipal Light Department to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our 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 plan. 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 not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, 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 fair value of assets as of the valuation date, as provided by the Town of Wellesley – Municipal Light Department.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost trend rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan's benefits for each of those events. 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). All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a

Section 1: Actuarial Valuation Summary

Input Item	Description
	significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Models	<p>Segal valuation results are based on proprietary actuarial modeling software. The valuation models generate a comprehensive set of liability and cost calculations that are presented to meet accounting standards and client requirements. Our Actuarial Technology and Systems unit, comprising 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.</p> <p>The results are also based on models for cost projections developed by Segal actuaries and programmers. The client team customizes and validates the models, and reviews the results, under the supervision of the responsible actuary.</p> <p>Our claims costs assumptions are based on proprietary modeling software as well as models that were developed by others. These models generate per capita claims cost calculations that are used in our valuation software. Our Health Technical Services Unit, comprised of actuaries and programmers, is responsible for the initial development and maintenance of our health models. They are also responsible for testing models that we purchase from other vendors for reasonableness. The client team inputs the paid claims, enrollments, plan provisions and assumptions into these models and reviews the results for reasonableness, under the supervision of the responsible actuary.</p>

Section 1: Actuarial Valuation Summary

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

- The actuarial valuation is prepared for use by the Town of Wellesley - Municipal Light Department. It includes information for compliance with accounting standards and for the plan's auditor. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted. 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.
- Sections of this report may include actuarial results that are shown to the nearest dollar, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Town of Wellesley – Municipal Light Department should look to their other advisors for expertise in these areas.
- If the Town of Wellesley – Municipal Light Department 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.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Town of Wellesley – Municipal Light Department upon delivery and review. The Town of Wellesley – Municipal Light Department should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB Information

General information about the OPEB plan

Plan membership. At December 31, 2024, the Town of Wellesley – Municipal Light Department's plan membership consisted of the following:

Category of Membership	Number as of December 31, 2024
Retired members or beneficiaries currently receiving benefits	40
Active members	23
Total	63

We have assumed other general information about the Plan will be provided by the Town of Wellesley – Municipal Light Department's auditors.

Section 2: GASB Information

Exhibit A: Net OPEB Liability

Components of the Net OPEB Liability	Current	Prior
Reporting date for employer under GASB 75	June 30, 2025	June 30, 2024
Measurement date and reporting date for the Plan under GASB 74	June 30, 2025	June 30, 2024
Total OPEB Liability	\$6,614,473	\$6,909,604
Plan Fiduciary Net Position	10,179,326	9,188,909
Net OPEB Liability	-3,564,853	-2,279,305
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability ¹	153.89%	132.99%

Actuarial assumptions. The Total OPEB Liability as of June 30, 2025 was measured by an actuarial valuation as of December 31, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Assumption Type	Assumption
Wage inflation	3.00%
Salary increases	Service-related increases for Group 1 and 2 members: 7.0% decreasing over 11 years to an ultimate level of 3.5% Service-related increases for Group 4 members: 8.0% decreasing over 11 years to an ultimate level of 4.0%
Discount rate	6.00%
Health care cost trend rates	<ul style="list-style-type: none"> Medical and Prescription Drug Medicare Part B Contributions 8.00% graded by 0.25% for 14 years to an ultimate level of 4.50% 4.50% Retiree contributions are expected to increase with medical trend

¹ These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

#10177751v5/02701.038

Town of Wellesley – Municipal Light Department - June 30, 2025 GASB Statements No. 74 and 75 Actuarial Valuation Report

Section 2: GASB Information

Assumption Type	Assumption
Mortality rates	
• Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally using Scale MP-2021
• Healthy Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally using Scale MP-2021
• Disabled Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

Detailed information regarding all actuarial assumptions can be found in the Town of Wellesley Actuarial Valuation and Review of Other Postretirement Benefits (OPEB) as of December 31, 2024..

Section 2: GASB Information

Exhibit B: Determination of discount rate and investment rates of return

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which future 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 by adding expected inflation. The target allocation 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	23.50%	5.82%
International developed markets equity	9.00%	5.91%
International emerging markets equity	3.50%	7.06%
Core fixed income	15.00%	1.81%
High-yield fixed income	9.00%	3.34%
Real estate	10.00%	3.34%
Timber	4.00%	3.82%
Hedge fund, GTAA, Risk parity	10.00%	2.77%
Private equity	16.00	9.20%
Total	100.00%	

Note: Some asset classes included in the plan's target asset allocation have been combined.

Nature of Assets: The assets are in an irrevocable OPEB Trust and are invested in the State Retiree Benefits Trust Fund.

Discount rate. The discount rate used to measure the Total OPEB Liability (TOL) was 6.00% as of June 30, 2025 and June 30, 2024. 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2025 and June 30, 2024.

Section 2: GASB Information

Exhibit C: Discount rate and trend sensitivity

The following presents the NOL of the Town of Wellesley – Municipal Light Department as well as what the Town of Wellesley – Municipal Light Department's NOL 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. Also, shown is the NOL as if it were calculated using health care cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates.

Item	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability (Asset)	-\$2,767,560	-\$3,564,853	-\$4,234,977

Item	1% Decrease in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Increase in Health Care Cost Trend Rates
Net OPEB Liability (Asset)	-\$4,344,779	-\$3,564,853	-\$2,613,367

Section 2: GASB Information

Exhibit D: Schedule of changes in Net OPEB Liability

Components of the Net OPEB Liability	Current	Prior
Reporting date for employer under GASB 75	June 30, 2025	June 30, 2024
Measurement date and reporting date for the Plan under GASB 74	June 30, 2025	June 30, 2024
Total OPEB Liability		
Service cost	\$221,822	\$215,039
Interest	418,631	380,167
Change of benefit terms	0	0
Differences between expected and actual experience	-430,500	0
Changes of assumptions	-192,041	343,880
Benefit payments, including refunds of member contributions	-313,043	-296,793
Net change in Total OPEB Liability	-\$295,131	\$642,293
Total OPEB Liability – beginning	6,909,604	6,267,311
Total OPEB Liability – ending	\$6,614,473	\$6,909,604
Plan Fiduciary Net Position		
Contributions – employer	\$413,043	\$396,793
Contributions – employee	0	0
Net investment income	890,417	800,725
Benefit payments, including refunds of member contributions	-313,043	-296,793
Administrative expense	0	0
Net change in Plan Fiduciary Net Position	\$990,417	\$900,725
Plan Fiduciary Net Position – beginning	9,188,909	8,288,184
Plan Fiduciary Net Position – ending	\$10,179,326	\$9,188,909

#10177751v5/02701.038

Town of Wellesley – Municipal Light Department - June 30, 2025 GASB Statements No. 74 and 75 Actuarial Valuation Report

Section 2: GASB Information

Components of the Net OPEB Liability	Current	Prior
Net OPEB Liability		
Net OPEB Liability – ending	-\$3,564,853	-\$2,279,305
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	153.89%	132.99%
Covered payroll	N/A	N/A
Plan Net OPEB Liability as percentage of covered payroll	N/A	N/A

Notes to Schedule:

- **Benefit changes:**

- Effective June 30, 2025:
None
 - Effective June 30, 2024:
None

- **Changes of assumptions:**

- Effective June 30, 2025:
 - The per capita health costs and contributions were updated.
 - The trend assumptions were revised.
 - Effective June 30, 2024:
 - The medical and prescription drug trend assumption was revised to reflect known increases and the estimated impact of the Inflation Reduction Act of 2022.

Section 2: GASB Information

Exhibit E: Schedule of employer contributions

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$478,266	\$568,889	-\$90,623	N/A	N/A
2018	374,564	452,308	-77,744	N/A	N/A
2019	130,344	468,763	-338,419	N/A	N/A
2020	134,456	434,910	-300,454	N/A	N/A
2021	194,432	304,145	-109,713	N/A	N/A
2022	126,369	439,761	-313,392	N/A	N/A
2023	83,684	407,426	-323,742	N/A	N/A
2024	43,485	396,793	-353,308	N/A	N/A
2025	-45,480	413,043	-458,523	N/A	N/A

See accompanying notes to this schedule on next page.

Section 2: GASB Information

Notes to Schedule:

Methods and assumptions used to establish “actuarially determined contribution” rates:

Method or Assumption	Description
Valuation date	Actuarially determined contribution for fiscal year ending June 30, 2025 was determined with the December 31, 2024 actuarial valuation.
Actuarial cost method	Entry age normal – level percentage of payroll
Amortization method	Payments increase 3.0% per year.
Remaining amortization period	13 years from July 1, 2025
Asset valuation method	Market value
Investment rate of return	6.00%
Wage inflation	3.00%
Healthcare cost trend rates	
• Medical and Prescription Drug	8.00% graded by 0.25% for 14 years to an ultimate level of 4.50%
• Medicare Part B	4.50%
• Contributions	Retiree contributions are expected to increase with medical trend
Mortality	
• Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for females projected generationally using Scale MP-2021
• Healthy Retiree:	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females projected generationally using Scale MP-2021
• Disabled Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

Section 2: GASB Information

Exhibit F: OPEB expense

Components of OPEB expense	Current	Prior
Reporting date for employer under GASB 75	June 30, 2025	June 30, 2024
Measurement date and reporting date for the Plan under GASB 74	June 30, 2025	June 30, 2024
Service cost	\$221,822	\$215,039
Interest	418,631	380,167
Current-period benefit changes	0	0
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	-107,625	0
Expensed portion of current-period changes of assumptions	-48,011	85,970
Member contributions	0	0
Projected earnings on OPEB plan investments	-554,335	-500,291
Expensed portion of current-period differences between actual and projected earnings on OPEB plan investments	-67,218	-60,086
Administrative expense	0	0
Recognition of beginning of year deferred outflows of resources as OPEB expense	428,690	397,930
Recognition of beginning of year deferred inflows of resources as OPEB expense	-462,245	-402,158
OPEB expense	-\$170,291	\$116,571

Section 2: GASB Information

Exhibit G: Deferred outflows and inflows of resources

Deferred Outflows and Inflows	Current	Prior
Reporting date for employer under GASB 75	June 30, 2025	June 30, 2024
Measurement date and reporting date for the Plan under GASB 74	June 30, 2025	June 30, 2024
Deferred outflows of resources		
Changes of assumptions	\$317,383	\$524,716
Net difference between projected and actual earnings on OPEB plan investments	0	0
Difference between expected and actual experience in the Total OPEB Liability	60,624	121,248
Total deferred outflows of resources	\$378,007	\$645,964
Deferred inflows of resources		
Changes of assumptions	\$144,030	\$15,014
Net difference between projected and actual earnings on OPEB plan investments	284,604	193,150
Difference between expected and actual experience in the Total OPEB Liability	541,051	327,264
Total deferred inflows of resources	\$969,685	\$535,428
Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:		
Reporting date for employer under GASB 75 year ended June 30:		
2025	N/A	-\$33,555
2026	\$36,664	259,515
2027	-278,188	-55,337
2028	-282,938	-60,087
2029	-67,216	0
2030	0	0
Thereafter	0	0

Note: Average expected remaining service is 4 years.

#10177751v5/02701.038

Town of Wellesley – Municipal Light Department - June 30, 2025 GASB Statements No. 74 and 75 Actuarial Valuation Report

Section 2: GASB Information

Exhibit H: Schedule of reconciliation of Net OPEB Liability

Item	Current	Prior
Reporting date for employer under GASB 75	June 30, 2025	June 30, 2024
Measurement date and reporting date for the Plan under GASB 74	June 30, 2025	June 30, 2024
Net OPEB Liability		
Beginning Net OPEB Liability	-\$2,279,305	-\$2,020,873
OPEB expense	-170,291	116,571
Employer contributions	-413,043	-396,793
New net deferred inflows/outflows	-735,769	17,562
Recognition of prior deferred inflows/outflows	33,555	4,228
Ending Net OPEB Liability	-\$3,564,853	-\$2,279,305