

JUNE 30, 2009
ACTUARIAL VALUATION OF
THE POST RETIREMENT BENEFITS PLAN
OF
THE TOWN OF WESTWOOD

November 2009

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SECTION I - OVERVIEW

The Town of Westwood has engaged Buck Consultants to prepare an actuarial valuation of their post-retirement benefits program as of June 30, 2009. The Town provided employee data and premium information.

The purposes of the valuation are to analyze the current funded position of the Town'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 Government 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." Liabilities have been determined based on an 8.0% discount rate. According to GASB principles, if the benefits are not pre-funded, the rate earned by the General Asset Account must be used. To estimate that impact we have used an alternative discount rate of 3.5%.

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

Daniel Sherman is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

Respectfully Submitted,

BUCK CONSULTANTS, AN ACS COMPANY



December 14, 2009

Daniel Sherman, ASA, MAAA, EA

Date

Director and Consulting Actuary

SECTION II - REQUIRED INFORMATION

	Full prefunding 8%	Pay-as-you-go 3.5%	
a) Actuarial valuation date	June 30, 2009	June 30, 2009	Difference
b) Actuarial Value of Assets	\$ 0	\$ 0	\$ 0
c) Actuarial Accrued Liability			
Active participants	\$ 13,106,592	\$ 32,944,386	\$ 19,837,794
Retired participants	<u>10,769,085</u>	<u>16,390,113</u>	<u>5,621,028</u>
Total AAL	\$ 23,875,677	\$ 49,334,499	\$ 25,458,822
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 23,875,677	\$ 49,334,499	\$ 25,458,822
e) Funded ratio [b / c]	0.0%	0.0%	0.0%
f) Annual covered payroll	\$ 39,100,816	\$ 39,100,816	
g) UAL as percentage of covered payroll	61.1%	126.2%	
h) Normal Cost for fiscal year 2009	\$ 791,626	\$ 2,605,115	\$ 1,813,489
i) Amortization of UAL for fiscal year 2009*	1,232,476	1,425,526	193,050
j) Interest to end of fiscal year	0	0	0
k) Annual Required Contribution "ARC" for fiscal year 2009 [h + i + j]	\$ 2,024,102	\$ 4,030,641	\$ 2,006,539
l) Estimated benefit payments	\$ 980,833	\$ 980,833	\$ 0
m) Increase in annual cost to fund the Plan [k - l]	\$ 1,043,269	N/A	
n) Increase in Net OPEB Obligation (NOO)	N/A	\$ 3,049,808	

* 30-year amortization, increasing 4.5% per year

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Monthly Premiums effective July 1, 2009

Health benefits are available to employees and retirees through a number of plans. The following are monthly rates per subscriber:

Non-Medicare Plans:	Town	Member	Total
Harvard Pilgrim EPO			
Individual	\$363.00	\$242.00	\$605.00
Family	\$946.20	\$630.80	\$1,577.00
Tufts EPO			
Individual	\$372.00	\$248.00	\$620.00
Family	\$973.20	\$648.80	\$1,622.00
Network Blue New England			
Individual	\$390.60	\$260.40	\$651.00
Harvard Pilgrim PPO			
Individual	\$603.00	\$603.00	\$1,206.00
Family	\$1,340.00	\$1,340.00	\$2,680.00
Tufts POS			
Individual	\$603.00	\$603.00	\$1,206.00
Family	\$1,340.00	\$1,340.00	\$2,680.00
Medicare Plans:			
BCBS Medex Enhanced	\$216.00	\$216.00	\$432.00
BCBS Medicare PFFS	\$90.90	\$90.90	\$181.80
Harvard Pilgrim Medicare Enhanced	\$203.00	\$203.00	\$406.00
Tufts Medicare Compliment	\$169.50	\$169.50	\$339.00
Tufts Medicare Preferred	\$82.00	\$82.00	\$164.00
Managed Blue for Seniors	\$193.20	\$193.19	\$386.39
Medicare HMO Blue	\$111.75	\$111.75	\$223.50
Harvard First Seniority	\$122.50	\$122.50	\$245.00

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Number of Employees	Town	School	Total
Actives	172	451	623
Retirees and Beneficiaries	102	215	317
Total	274	666	940

Accrued Liability @ 8%

Active	4,886,409	8,220,183	13,106,592
Retirees and Beneficiaries	4,058,480	6,710,605	10,769,085
Total	8,944,889	14,930,788	23,875,677

Annual Required Contribution @ 8%

Normal Cost with interest	243,307	548,319	791,626
Amortization of UAL with interest	461,740	770,736	1,232,476
Total	705,047	1,319,055	2,024,102

Expected Benefit Payments	343,981	636,852	980,833
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Increase in Annual Cost	361,066	682,203	1,043,269
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Accrued Liability @ 3.5%

Active	12,089,679	20,854,707	32,944,386
Retirees and Beneficiaries	6,427,976	9,962,137	16,390,113
Total	18,517,655	30,816,844	49,334,499

Annual Required Contribution @ 3.5%

Normal Cost with interest	793,777	1,811,338	2,605,115
Amortization of UAL with interest	535,070	890,456	1,425,526
Total	1,328,847	2,701,794	4,030,641

Expected Benefit Payments	343,981	636,852	980,833
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Increase in NOO	984,866	2,064,942	3,049,808
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SECTION IV - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress on a Full Prefunded Basis - 8%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
June 30, 2009	0	23,875,677	23,875,677	0.00%	39,100,816	61.1%

Schedule of Funding Progress on a Pay-As-You-Go Basis - 3.5%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
June 30, 2009	0	49,334,499	49,334,499	0.00%	39,100,816	126.2%

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	Annual Required Contribution	Interest on NOO	Amortization of NOO	Annual OPEB Cost (1) + (2) - (3)	Actual Contribution	Change in NOO (4) - (5)	NOO Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2009	5,973,531	0	0	5,973,531	1,302,000	4,671,531	4,671,531
2010	4,260,901	163,504	134,984	4,289,421			

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.

In the amortization schedule shown on the following pages, the amortization of the unfunded accrued liability is assumed to increase annually by 4.5%. The normal cost is expected to increase at the same rate as the assumed health care trend rate. The contributions were computed assuming that the contribution is paid on June 30th.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding 8%

Fiscal Year		Amortization		
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC*</u>	<u>Pay-as-You-Go</u>
2009	791,626	1,232,476	2,024,102	980,833
2010	831,207	1,287,937	2,119,144	1,078,212
2011	872,767	1,345,894	2,218,661	1,156,674
2012	916,405	1,406,459	2,322,864	1,226,617
2013	962,225	1,469,750	2,431,975	1,313,509
2014	1,010,336	1,535,889	2,546,225	1,429,727
2015	1,060,853	1,605,004	2,665,857	1,511,745
2016	1,113,896	1,677,229	2,791,125	1,650,768
2017	1,169,591	1,752,704	2,922,295	1,781,924
2018	1,228,071	1,831,576	3,059,647	1,866,271
2019	1,289,475	1,913,997	3,203,472	1,978,121
2020	1,353,949	2,000,127	3,354,076	2,074,534
2021	1,421,646	2,090,133	3,511,779	2,189,867
2022	1,492,728	2,184,189	3,676,917	2,279,859
2023	1,567,364	2,282,478	3,849,842	2,400,284
2024	1,645,732	2,385,190	4,030,922	2,519,860
2025	1,728,019	2,492,524	4,220,543	2,645,393
2026	1,814,420	2,604,688	4,419,108	2,777,180
2027	1,905,141	2,721,899	4,627,040	2,915,532
2028	2,000,398	2,844,384	4,844,782	3,060,777
2029	2,100,418	2,972,381	5,072,799	3,213,257
2030	2,205,439	3,106,138	5,311,577	3,373,334
2031	2,315,711	3,245,914	5,561,625	3,541,385
2032	2,431,497	3,391,980	5,823,477	3,717,808
2033	2,553,072	3,544,619	6,097,691	3,903,020
2034	2,680,726	3,704,127	6,384,853	4,097,459
2035	2,814,762	3,870,813	6,685,575	4,301,584
2036	2,955,500	4,045,000	7,000,500	4,515,878
2037	3,103,275	4,227,025	7,330,300	4,740,848
2038	3,258,439	4,417,241	7,675,680	4,977,025
2039	3,421,361	-	3,421,361	5,224,968
2040	3,592,429	-	3,592,429	5,485,263

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

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go 3.5%

Fiscal Year	Amortization			
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC*</u>	<u>Pay-as-You-Go</u>
2009	2,605,115	1,425,526	4,030,641	980,833
2010	2,735,371	1,525,530	4,260,901	1,078,212
2011	2,872,140	1,630,816	4,502,956	1,156,674
2012	3,015,747	1,742,027	4,757,774	1,226,617
2013	3,166,534	1,859,085	5,025,619	1,313,509
2014	3,324,861	1,981,559	5,306,420	1,429,727
2015	3,491,104	2,110,881	5,601,985	1,511,745
2016	3,665,659	2,245,862	5,911,521	1,650,768
2017	3,848,942	2,387,193	6,236,135	1,781,924
2018	4,041,389	2,536,746	6,578,135	1,866,271
2019	4,243,458	2,694,290	6,937,748	1,978,121
2020	4,455,631	2,860,858	7,316,489	2,074,534
2021	4,678,413	3,036,528	7,714,941	2,189,867
2022	4,912,334	3,222,698	8,135,032	2,279,859
2023	5,157,951	3,419,188	8,577,139	2,400,284
2024	5,415,849	3,626,754	9,042,603	2,519,860
2025	5,686,641	3,845,992	9,532,633	2,645,393
2026	5,970,973	4,077,533	10,048,506	2,777,180
2027	6,269,522	4,322,040	10,591,562	2,915,532
2028	6,582,998	4,580,209	11,163,207	3,060,777
2029	6,912,148	4,852,776	11,764,924	3,213,257
2030	7,257,755	5,140,513	12,398,268	3,373,334
2031	7,620,643	5,444,233	13,064,876	3,541,385
2032	8,001,675	5,764,793	13,766,468	3,717,808
2033	8,401,759	6,103,093	14,504,852	3,903,020
2034	8,821,847	6,460,080	15,281,927	4,097,459
2035	9,262,939	6,836,754	16,099,693	4,301,584
2036	9,726,086	7,234,162	16,960,248	4,515,878
2037	10,212,390	7,653,410	17,865,800	4,740,848
2038	10,723,010	8,095,660	18,818,670	4,977,025
2039	11,259,161	8,562,134	19,821,295	5,224,968
2040	11,822,119	9,054,119	20,876,238	5,485,263

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

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF WESTWOOD, ALL GROUPS

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. At age 65, all participants are assumed to participate in post 65 plans in the same proportions as current retirees over age 65.

Age-Based Morbidity: Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

Post-Age 65 Retirees: Current retirees over age 65 remain in their current medical plan until death. It is assumed that future retirees are Medicare eligible. Per capita costs were developed from the Town developed monthly costs.

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: It is assumed that future retirees participate in the same manner as current retirees. The Town is self-insured. Per capita costs were developed from the monthly costs. 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

GROUPS 1 AND 2 (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		Years of Service	Rates of Withdrawal
		Male	Female		
25	.02%			0	15.0%
30	.03			1	12.0
35	.06			2	10.0
40	.10			3	9.0
45	.15			4	8.0
50	.19	1.0%	1.5%	5	7.6
55	.24	2.0	5.5	10	5.4
60	.28	12.0	5.0	15	3.3
62	.30	30.0	15.0	20	2.0
65	.30	40.0	15.0	25	1.0
69		30.0	20.0	30+	0.0

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

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GROUPS 1 AND 2 (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	Years of Service	Rates of Withdrawal
25	.02%	0	15.0%
30	.03	1	12.0
35	.06	2	10.0
40	.10	3	9.0
45	.15	4	8.0
50	.19	5	7.6
55	.24	10	5.4
60	.28	15	3.3
62	.30	20	2.0
65	.30	25	1.0
69		30+	0.0

Age	Male Service Retirement		Female Service Retirement	
	<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: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

GROUP 4 (POLICE AND FIRE)

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

Age	Disability	Service Retirements	Years of Service	Rates of Withdrawal
25	0.20%		0	15.0%
30	0.30		1	15.0
35	0.30		2	15.0
40	0.30		3	15.0
45	1.00	1.0%	4	15.0
50	1.25	2.0	5	15.0
55	1.20	15.0	6	15.0
60	0.85	20.0	7	15.0
62	0.75	25.0	8	15.0
65	0.00	100.0	9	15.0
69			10	15.0
			11+	0.0

Mortality: The RP-2000 Combined Healthy Table. 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: Retired employees pay a variable portion of their post-retirement medical costs, which varies by plan.

Spousal Coverage: Current and future retirees may elect to include their spouses as part of their post-retirement benefits.

Section 18 Coverage: The Town 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 - 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 C - 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.