



# Actuarial Valuation Report

Old Bridge Municipal Utility Authority

Postretirement Health and Life Insurance Plan

GASB 74

For the Fiscal Year Ending May 31, 2024

Measurement Date May 31, 2024

## Introduction

This report documents the results of the actuarial valuation for the fiscal year ending May 31, 2024 of the Postretirement Health and Life Insurance Plan ("Plan") for the Old Bridge Municipal Utility Authority ("Old Bridge"). The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of May 31, 2024. The information provided in this report is intended strictly for documenting information relating to company and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 74 (GASB 74) including any guidance or interpretations provided by the Company and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the Old Bridge Municipal Utility Authority's auditors. Additional disclosures may be required under GASB 75.

A valuation model was used to develop the liabilities for this valuation. The valuation model relies on ProVal software, which was developed by Winklevoss Technologies, LLC. Experts within Aon selected this software and determined it is appropriate for performing valuations. We coded and reviewed the software for the provisions, assumptions, methods, and data of the plan.

The valuation model outputs various cost scenarios. The "1% increase" and "1% decrease" interest rate scenarios vary only the discount rate assumption, in order to illustrate the impact of a change in that assumption in isolation. In practice, certain other assumptions, such as the expected or realized asset returns, would also be expected to vary when the discount rate changes. Therefore, the output from these scenarios should be used solely for assessing the impact of the discount rate in isolation and may not represent a realistic set of results for other purposes.

Models are used to estimate underlying per capita medical and prescription drug claims costs, subsequently utilized as assumption inputs for valuation models used to develop the liabilities for the 2024 and future valuations. The Aon consulting team leveraged expertise of Health experts within Aon as it relates to reviewing the models used for development of the per capita claims costs and future trend rates.

The "1% increase" and "1% decrease" healthcare cost trend scenarios vary only the healthcare cost trend assumption, in order to illustrate the impact of a change in that assumption in isolation. Therefore, the output from these scenarios should be used solely for assessing the impact of the healthcare cost trend in isolation and may not represent a realistic set of results for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to (but not limited to) such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or in economic or demographic 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 plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations, and funded status measurements for Old Bridge and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by Old Bridge as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Old Bridge selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 74. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

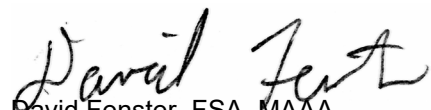
To our knowledge, no colleague of Aon providing services to Old Bridge has any material direct or indirect financial interest in Old Bridge. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Old Bridge.



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# Accounting Requirements

## GASB 74 Net OPEB Liability

### Calculation Details

The following table illustrates the Net OPEB Liability under GASB 75.

|                                                                                | <b>Fiscal Year<br/>Ending<br/>5/31/2023</b> | <b>Fiscal Year<br/>Ending<br/>5/31/2024</b> |
|--------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| (1) OPEB Liability                                                             |                                             |                                             |
| (a) Retired Participants and Beneficiaries<br>Receiving Payment                | \$ 16,076,364                               | \$ 16,133,360                               |
| (b) Active Participants                                                        | <u>17,872,803</u>                           | <u>13,884,748</u>                           |
| (c) Total                                                                      | \$ 33,949,167                               | \$ 30,018,108                               |
| (2) Plan Fiduciary Net Position                                                | <u>8,974,767</u>                            | <u>9,949,682</u>                            |
| (3) Net OPEB Liability                                                         | \$ 24,974,400                               | \$ 20,068,426                               |
| (4) Plan Fiduciary Net Position as a Percentage of the<br>Total OPEB Liability | 26.44%                                      | 33.15%                                      |

The results displayed above were calculated based upon plan provisions and census data provided by the Authority, along with certain demographic and other actuarial assumptions as recommended by Aon, in conjunction with the Authority and guidance from the GASB statement.

The GASB 74 valuation results were determined using the Entry Age Normal (Level Percentage of Payroll) actuarial cost method. The Fiscal Year Ending May 31, 2023 discount rate has been updated from 3.74% to 4.13% as of May 31, 2024.

The balance of this report provides greater detail regarding the above results.

## Statement of Changes in Fiduciary Net Position

|                                                                                    | Fiscal Year<br>Ending<br>5/31/2023 | Fiscal Year<br>Ending<br>5/31/2024 |
|------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| <b>Additions</b>                                                                   |                                    |                                    |
| Employer contributions                                                             | \$ 199,989                         | \$ 806,036                         |
| Investment income:                                                                 |                                    |                                    |
| Net increase in fair value of investments                                          | \$ 67,072                          | \$ 168,879                         |
| Interest and dividends                                                             | 0                                  | 0                                  |
| Less investment expense                                                            | <u>0</u>                           | <u>0</u>                           |
| Net investment income                                                              | \$ <u>67,072</u>                   | \$ <u>168,879</u>                  |
| Total additions                                                                    | 267,061                            | 974,915                            |
| <br><b>Deductions</b>                                                              |                                    |                                    |
| Benefit payments                                                                   | \$ 0                               | \$ 0                               |
| Administrative expense                                                             | <u>0</u>                           | <u>0</u>                           |
| Total deductions                                                                   | \$ <u>0</u>                        | \$ <u>0</u>                        |
| Net increase in net position                                                       | \$ 267,061                         | \$ 974,915                         |
| <br><b>Net position restricted for postemployment benefits other than pensions</b> |                                    |                                    |
| Beginning of year                                                                  | \$ <u>8,707,706</u>                | \$ <u>8,974,767</u>                |
| End of year                                                                        | \$ <u>8,974,767</u>                | \$ <u>9,949,682</u>                |



## Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending May 31, 2023:

|                                 | <b>1% Decrease<br/>(2.74%)</b> | <b>Current Rate<br/>(3.74%)</b> | <b>1% Increase<br/>(4.74%)</b> |
|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| (1) Total OPEB Liability        | \$ 39,722,696                  | \$ 33,949,167                   | \$ 29,341,749                  |
| (2) Plan Fiduciary Net Position | <u>8,974,767</u>               | <u>8,974,767</u>                | <u>8,974,767</u>               |
| (3) Net OPEB Liability (Asset)  | \$ 30,747,929                  | \$ 24,974,400                   | \$ 20,366,982                  |

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending May 31, 2024:

|                                 | <b>1% Decrease<br/>(3.13%)</b> | <b>Current Rate<br/>(4.13%)</b> | <b>1% Increase<br/>(5.13%)</b> |
|---------------------------------|--------------------------------|---------------------------------|--------------------------------|
| (1) Total OPEB Liability        | \$ 34,942,385                  | \$ 30,018,108                   | \$ 26,068,447                  |
| (2) Plan Fiduciary Net Position | <u>9,949,682</u>               | <u>9,949,682</u>                | <u>9,949,682</u>               |
| (3) Net OPEB Liability (Asset)  | \$ 24,992,703                  | \$ 20,068,426                   | \$ 16,118,765                  |

## Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending May 31, 2023:

|                                 | <b>1% Decrease</b> | <b>Trend Rate</b> | <b>1% Increase</b> |
|---------------------------------|--------------------|-------------------|--------------------|
| (1) Total OPEB Liability        | \$ 28,402,552      | \$ 33,949,167     | \$ 41,141,697      |
| (2) Plan Fiduciary Net Position | <u>8,974,767</u>   | <u>8,974,767</u>  | <u>8,974,767</u>   |
| (3) Net OPEB Liability (Asset)  | \$ 19,427,785      | \$ 24,974,400     | \$ 32,166,930      |

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending May 31, 2024:

|                                 | <b>1% Decrease</b> | <b>Trend Rate</b> | <b>1% Increase</b> |
|---------------------------------|--------------------|-------------------|--------------------|
| (1) Total OPEB Liability        | \$ 25,473,590      | \$ 30,018,108     | \$ 35,856,805      |
| (2) Plan Fiduciary Net Position | <u>9,949,682</u>   | <u>9,949,682</u>  | <u>9,949,682</u>   |
| (3) Net OPEB Liability (Asset)  | \$ 15,523,908      | \$ 20,068,426     | \$ 25,907,123      |

# Disclosure—Changes in the Net OPEB Liability and Related Ratios

## Changes in the Net OPEB Liability and Related Ratios<sup>1</sup>

|                                                       | Fiscal Year Ending |                   |                   |                   |                   |                   |
|-------------------------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                       | 2019               | 2020              | 2021              | 2022              | 2023              | 2024              |
| <b>Total OPEB Liability</b>                           |                    |                   |                   |                   |                   |                   |
| Service Cost                                          | \$ 705,600         | \$ 774,600        | \$ 871,965        | \$ 1,199,590      | \$ 808,458        | \$ 789,766        |
| Interest Cost                                         | 1,058,700          | 1,081,500         | 995,868           | 842,416           | 955,590           | 1,260,452         |
| Changes of Benefit Terms                              | 0                  | 0                 | 0                 | 0                 | 0                 | 0                 |
| Differences Between Expected and Actual Experiences   | 0                  | 925,000           | 0                 | (2,601,594)       | 865,852           | (2,904,242)       |
| Changes of Assumptions                                | 670,200            | 1,367,100         | 5,176,584         | (5,542,875)       | 2,772,716         | (1,789,872)       |
| Benefit Payments                                      | (894,700)          | (863,100)         | (1,052,354)       | (1,365,214)       | (1,756,735)       | (1,287,163)       |
| <b>Net Change in Total OPEB Liability</b>             | \$ 1,539,800       | \$ 3,285,100      | \$ 5,992,063      | \$ (7,467,677)    | \$ 3,645,881      | \$ (3,931,059)    |
| <b>Total OPEB Liability (Beginning)</b>               | <u>26,954,000</u>  | <u>28,493,800</u> | <u>31,778,900</u> | <u>37,770,963</u> | <u>30,303,286</u> | <u>33,949,167</u> |
| <b>Total OPEB Liability (Ending)</b>                  | \$ 28,493,800      | \$ 31,778,900     | \$ 37,770,963     | \$ 30,303,286     | \$ 33,949,167     | \$ 30,018,108     |
| <b>Plan Fiduciary Net Position</b>                    |                    |                   |                   |                   |                   |                   |
| Contributions—Employer                                | \$ 661,700         | \$ 693,300        | \$ 505,371        | \$ 311,456        | \$ 1,956,724      | \$ 2,093,199      |
| Contributions—Member                                  | 0                  | 0                 | 0                 | 0                 | 0                 | 0                 |
| Net Investment Income                                 | 41,900             | 123,500           | 47,268            | 15,311            | 67,072            | 168,879           |
| Benefit Payments                                      | (894,700)          | (863,100)         | (1,052,354)       | (1,365,214)       | (1,756,735)       | (1,287,163)       |
| Administrative Expense                                | 0                  | 0                 | 0                 | 0                 | 0                 | 0                 |
| Other                                                 | 0                  | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Net Change in Plan Fiduciary Net Position</b>      | \$ 703,600         | \$ 816,800        | \$ 552,639        | \$ 326,767        | \$ 267,061        | \$ 974,915        |
| <b>Plan Fiduciary Net Position (Beginning)</b>        | <u>6,307,900</u>   | <u>7,011,500</u>  | <u>7,828,300</u>  | <u>8,380,939</u>  | <u>8,707,706</u>  | <u>8,974,767</u>  |
| <b>Plan Fiduciary Net Position (Ending)</b>           | \$ 7,011,500       | \$ 7,828,300      | \$ 8,380,939      | \$ 8,707,706      | \$ 8,974,767      | \$ 9,949,682      |
| <b>Net OPEB Liability (Ending)</b>                    | \$ 21,482,300      | \$ 23,950,600     | \$ 29,390,024     | \$ 21,595,580     | \$ 24,974,400     | \$ 20,068,426     |
| <b>Net Position as a Percentage of OPEB Liability</b> | 24.61%             | 24.63%            | 22.19%            | 28.74%            | 26.44%            | 33.15%            |
| <b>Covered-Employee Payroll</b>                       | \$ 5,622,000       | \$ 5,246,300      | \$ 5,762,138      | \$ 5,844,459      | \$ 6,149,616      | \$ 6,390,948      |
| <b>Net OPEB Liability as a Percentage of Payroll</b>  | 382.11%            | 456.52%           | 510.05%           | 369.51%           | 406.11%           | 314.01%           |

<sup>1</sup> GASB 75 was effective first for employer fiscal years beginning after June 15, 2017. GASB 74 was effective for effective for fiscal years beginning after June 15, 2016.

## Disclosure—Contribution Schedule

### Contributions

|                                                                           | Fiscal Year Ending |              |              |              |              |              |
|---------------------------------------------------------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|
|                                                                           | 2019               | 2020         | 2021         | 2022         | 2023         | 2024         |
| Actuarially Determined Contribution                                       | N/A                | N/A          | N/A          | N/A          | N/A          | N/A          |
| Contributions Made in Relation to the Actuarially Determined Contribution | 661,700            | 693,300      | 505,371      | 311,456      | 199,989      | 806,036      |
| Contribution Deficiency (Excess)                                          | N/A                | N/A          | N/A          | N/A          | N/A          | N/A          |
| Covered-Employee Payroll                                                  | \$ 5,622,000       | \$ 5,246,300 | \$ 5,762,138 | \$ 5,844,459 | \$ 6,149,616 | \$ 6,390,948 |
| Contributions as a Percentage of Payroll                                  | 11.8%              | 13.2%        | 8.8%         | 5.3%         | 3.3%         | 12.6%        |

#### Notes to Schedule:

Valuation Date: June 1, 2023

#### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal – Level % of Salary

Asset Valuation Method Market Value of Assets

Salary Increases See “Actuarial Assumptions and Methods” section of this report

Mortality PUB-2010 headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021

# Appendix

## Payout Projection

Annual payments expected based on assumptions and contributions detailed in the Methods and Assumptions Section.

| <b>Fiscal Year<br/>Ending</b> | <b>Total</b> |
|-------------------------------|--------------|
| 5/31/2025                     | 1,200,523    |
| 5/31/2026                     | 1,254,703    |
| 5/31/2027                     | 1,296,511    |
| 5/31/2028                     | 1,294,208    |
| 5/31/2029                     | 1,320,369    |
| 5/31/2030                     | 1,309,633    |
| 5/31/2031                     | 1,336,462    |
| 5/31/2032                     | 1,323,497    |
| 5/31/2033                     | 1,304,336    |
| 5/31/2034                     | 1,358,723    |

Projected benefit payments include payments expected to be made during the fiscal year for both current retirees and those participants assumed to retire during the year.

## Participant Data

The actuarial valuation was based on personnel information from Old Bridge Municipal Utility Authority records as of June 1, 2023. Following are some of the pertinent characteristics from the personnel data as of that date. Prior valuation characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

**June 1, 2023**

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### Health Care Participants

#### Active Participants

|                 |      |
|-----------------|------|
| Number          | 58   |
| Average Age     | 48.7 |
| Average Service | 14.9 |

#### Inactive Participants

|                                |      |
|--------------------------------|------|
| Retirees and Surviving Spouses | 51   |
| Average Age                    | 71.9 |
| Covered Spouses                | 25   |
| Average Age                    | 66.9 |

#### Total Participants

|        |     |
|--------|-----|
| Number | 134 |
|--------|-----|

### Life Insurance Participants

#### Active Participants

|                 |      |
|-----------------|------|
| Number          | 1    |
| Average Age     | 65.7 |
| Average Service | 36.0 |

#### Inactive Participants

|             |      |
|-------------|------|
| Number      | 8    |
| Average Age | 77.2 |

## Age / Service Scatter

The following table summarizes the distribution of the active employee population by age and service as of June 1, 2023:

|          | Years of Service |     |      |       |       |       |       |       |       |     |       |
|----------|------------------|-----|------|-------|-------|-------|-------|-------|-------|-----|-------|
| Age      | Under 1          | 1-5 | 6-10 | 11-15 | 16-20 | 21-25 | 26-30 | 31-35 | 36-40 | 40+ | Total |
| Under 25 | 2                | 0   | 0    | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 2     |
| 25-29    | 0                | 1   | 1    | 1     | 0     | 0     | 0     | 0     | 0     | 0   | 3     |
| 30-34    | 0                | 2   | 4    | 2     | 0     | 0     | 0     | 0     | 0     | 0   | 8     |
| 35-39    | 1                | 0   | 3    | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 4     |
| 40-44    | 0                | 0   | 2    | 0     | 1     | 3     | 0     | 0     | 0     | 0   | 6     |
| 45-49    | 1                | 1   | 1    | 2     | 1     | 1     | 1     | 0     | 0     | 0   | 8     |
| 50-54    | 0                | 0   | 0    | 3     | 1     | 0     | 0     | 1     | 0     | 0   | 5     |
| 55-59    | 0                | 2   | 1    | 1     | 0     | 1     | 0     | 1     | 0     | 0   | 6     |
| 60-64    | 0                | 0   | 1    | 1     | 0     | 0     | 0     | 5     | 1     | 1   | 9     |
| 65-69    | 0                | 0   | 1    | 1     | 0     | 0     | 1     | 0     | 1     | 0   | 4     |
| 70+      | 0                | 0   | 1    | 1     | 0     | 0     | 0     | 0     | 1     | 0   | 3     |
| Total    | 4                | 6   | 15   | 12    | 3     | 5     | 2     | 7     | 3     | 1   | 58    |

## Health Care Claims Development

The sample per capita claims cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for Old Bridge Municipal Utilities Authority's sponsored postretirement benefits and costs. These rates are used in the expense calculation for the period 6/1/2023–5/31/2024.

| Age | Medical  | Rx      | Admin   | RDS/EGWP | Total    |
|-----|----------|---------|---------|----------|----------|
| 50  | \$9,635  | \$1,835 | \$5,154 | N/A      | \$16,624 |
| 55  | \$11,836 | \$2,309 | \$5,154 | N/A      | \$19,299 |
| 60  | \$14,681 | \$2,891 | \$5,154 | N/A      | \$22,726 |
| 65  | \$1,847  | \$1,593 | \$4,988 | -\$529   | \$7,899  |
| 70  | \$2,110  | \$1,920 | \$4,988 | -\$637   | \$8,381  |
| 75  | \$2,307  | \$2,172 | \$4,988 | -\$721   | \$8,746  |
| 80  | \$2,572  | \$2,261 | \$4,988 | -\$751   | \$9,070  |
| 85  | \$2,952  | \$2,286 | \$4,988 | -\$761   | \$9,465  |
| 90+ | \$3,164  | \$2,296 | \$4,988 | -\$766   | \$9,682  |

Dental: \$750 per annum at all ages

Vision: \$230 per annum at all ages

Pre-65 & post-65 medical and Rx per capita claims costs were blended with 50% manual rate and 50% premium rate basis.

Premium rate basis - The average pre-65 & post-65 medical, Rx, dental and vision per capita claims costs were developed from 2023 calendar year fully insured premium rates of the plan. Premium rates were provided by Old Bridge Municipal Utilities Authority. The expected medical and Rx per capita "adult-equivalent" claims costs were based on the respective pre65 and post65 enrollment weighted average of the 2023 two-tier rate structure including the cost of dependent children as provided by Old Bridge Municipal Utilities Authority, and trended to be centered at the mid-point of the annual period following the valuation date. Average medical and Rx per capita claims costs were then age-adjusted based on the demographics of the population, and the assumed health care aging factors shown in the table below. Average dental or vision per capita claims costs were not adjusted for aging.



The 2023 calendar year premium rates used in the per capita claims cost development are shown below:

| <b>Experience Population</b> | <b>Benefit</b> | <b>Rating Tier</b> | <b>Monthly Premium Rate</b> | <b>Annual Premium Rate</b> |
|------------------------------|----------------|--------------------|-----------------------------|----------------------------|
| Pre-65                       | Medical/Rx     | Retiree Only       | \$ 2,118                    | \$25,416                   |
| Pre-65                       | Medical/Rx     | Retiree + Spouse   | \$ 4,619                    | \$55,428                   |
| Post-65                      | Medical/Rx     | Retiree Only       | \$ 820                      | \$ 9,840                   |
| Post-65                      | Medical/Rx     | Retiree + Spouse   | \$ 1,641                    | \$19,692                   |

Manual Rate basis—The average medical and Rx per capita claims costs were developed from 2023 manual rates, due to insufficient credibility of plan-specific experience. Manual rates for adults and for children were separately based on 2018 national average charges trended to the mid-point of the annual period following the valuation date, and adjusted by the actuarial value of the plan-specific benefit design. Sample age 62 and age 67 average “adult-equivalent” medical or Rx per capita claims costs were then developed including the cost of dependent children and age-adjusted based on the assumed health care aging factors shown in the table below.

The 2023 manual rates used in the per capita claims cost development for sample ages 62 and 67 are shown below:

| <b>Rating Group</b> | <b>Experience Population</b> | <b>Benefit</b> | <b>Sample Age</b> | <b>Monthly Premium Rate</b> | <b>Annual Premium Rate</b> |
|---------------------|------------------------------|----------------|-------------------|-----------------------------|----------------------------|
| Salaried            | Pre-65                       | Medical        | 62                | \$6,040                     | \$72,480                   |
| Salaried            | Pre-65                       | Rx             | 62                | \$1,210                     | \$ 14,520                  |
| Salaried            | Post-65                      | Medical        | 67                | \$1,680                     | \$ 20,160                  |
| Salaried            | Post-65                      | Rx             | 67                | \$1,480                     | \$ 17,760                  |

## Value of Medicare Part D RDS/EGWP Benefits

The OPEB valuation also incorporates the company's expected government subsidies related to eligible drug claims under the Medicare Part D program. Projected subsidies reduce the company's OPEB liability because it lowers the cash flow required to fund retiree medical benefits.

Medicare Part D subsidies were based on historical RDS receipts for the period June 1, 2020 through May 31, 2023.

### Inflation Reduction Act – RDS

The Inflation Reduction Act has provisions, particularly in 2025, that could reduce, or even eliminate the Medicare Part D Retiree Drug Subsidy for some plan sponsors. We have reviewed Old Bridge's plan provisions and based on the prescription drug plan design of Old Bridge, we believe the plan will continue to remain actuarially equivalent to Medicare Part D through 2025 and in future years. However, we expect CMS guidance in the future to help make this determination in future years and understand the full impact of the new legislation. We recommend that Old Bridge continue to review this assumption annually as further information becomes available.

## Health Care Aging (Morbidity) Factors:

Since health care costs increase with age, and an OPEB valuation is by its nature an analysis of a closed group that will age throughout the measurement, the effect that this aging of the population will have on claims costs must be reflected in the valuation. The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

| Age Band | Medical | Rx    | Composite |
|----------|---------|-------|-----------|
| 40-44    | 3.00%   | 4.80% | 3.3%      |
| 45-49    | 3.70%   | 4.70% | 3.8%      |
| 50-54    | 4.20%   | 4.70% | 4.3%      |
| 55-59    | 4.40%   | 4.60% | 4.4%      |
| 60-64    | 3.70%   | 4.60% | 3.8%      |
| 65-69    | 2.70%   | 3.80% | 3.1%      |
| 70-74    | 1.80%   | 2.50% | 2.1%      |
| 75-79    | 2.20%   | 0.80% | 1.4%      |
| 80-84    | 2.80%   | 0.20% | 1.3%      |
| 85-89    | 1.40%   | 0.10% | 0.6%      |
| 90+      | 0.00%   | 0.00% | 0.0%      |

The aging factor assumptions shown above were based on normative data analyses, along with consideration of the results from the 2013 Society of Actuaries sponsored study "Health Care Costs—From Birth to Death" prepared by Dale H. Yamamoto, reporting on the effect of age on claims costs. In addition to age, this study shows the effect of service type (medical vs. pharmacy) and gender on claims costs. We believe they are reasonable, and representative of future cost differences due to age.

## Health Care Cost Trend Rates:

The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, National Health Expenditure data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by Old Bridge Municipal Utilities Authority. We believe they are reasonable, and representative of future costs increases.

### June 1, 2023 Trend Rates

#### Pre-65

| Year       | Medical | Rx    | Composite<br>Med/Rx/Admin |
|------------|---------|-------|---------------------------|
| 2023–2024  | 7.00%   | 9.00% | 7.24%                     |
| 2024–2025  | 7.00%   | 8.00% | 7.03%                     |
| 2025–2026  | 6.69%   | 7.56% | 6.71%                     |
| 2026–2027  | 6.38%   | 7.13% | 6.39%                     |
| 2027–2028  | 6.06%   | 6.69% | 6.07%                     |
| 2028–2029  | 5.75%   | 6.25% | 5.75%                     |
| 2029–2030  | 5.44%   | 5.81% | 5.42%                     |
| 2030–2031  | 5.13%   | 5.38% | 5.10%                     |
| 2031–2032  | 4.81%   | 4.94% | 4.77%                     |
| 2032–2033+ | 4.50%   | 4.50% | 4.44%                     |

#### Post-65

| Year       | Medical | Rx    | Composite<br>Med/Rx/Admin | RDS   |
|------------|---------|-------|---------------------------|-------|
| 2023–2024  | 6.00%   | 9.00% | 7.76%                     | 9.00% |
| 2024–2025  | 5.50%   | 8.00% | 6.99%                     | 8.00% |
| 2025–2026  | 5.38%   | 7.56% | 6.69%                     | 7.56% |
| 2026–2027  | 5.25%   | 7.13% | 6.38%                     | 7.13% |
| 2027–2028  | 5.13%   | 6.69% | 6.06%                     | 6.69% |
| 2028–2029  | 5.00%   | 6.25% | 5.75%                     | 6.25% |
| 2029–2030  | 4.88%   | 5.81% | 5.42%                     | 5.81% |
| 2030–2031  | 4.75%   | 5.38% | 5.10%                     | 5.38% |
| 2031–2032  | 4.63%   | 4.94% | 4.77%                     | 4.94% |
| 2032–2033+ | 4.50%   | 4.50% | 4.44%                     | 4.50% |

Dental Trend 4.50%

Vision Trend 4.50%

Admin Trend 3.00%

### Inflation Reduction Act – Trend

Prescription drug costs and trends have not been adjusted for the manufacturer rebate for certain drugs with prices increasing faster than inflation introduced in the Inflation Reduction Act (IRA). There is significant uncertainty about how manufacturers will react to this provision in drug pricing policy and any Part D rebates generated by the policy will be paid to Medicare rather than to plan sponsors.

### Health Care Reform Excise Tax Adjustment:

The “*Further Consolidated Appropriations Act, 2020*” signed into law on December 20, 2019, included a permanent repeal of the excise tax on high-cost plans (a.k.a. “the Cadillac tax”) originally imposed by the Affordable Care Act in 2010. As a result, there is no impact from the excise tax in the valuation.

### ASOP 27/35 Disclosure

#### Claims

Based on the actuary’s experience and professional expertise, the claims development methodology followed generally accepted actuarial practices and is consistent with applicable ASOPs. Based on comparison of the historical actual claims costs, we believe the assumed per capita claims costs are reasonable and representative of future costs.

### ASOP 56 Disclosure

Models are used to estimate underlying per capita medical, prescription drug, and dental claims costs, plan design actuarial values and Medicare Part D retiree drug subsidies (RDS) components, subsequently utilized as assumption inputs for valuation models used to develop the liabilities for the 2020 and future valuations. The model used for the development of plan design actuarial value components was developed by experts outside of Aon, specifically Optum. The Aon consulting team leveraged expertise of Health experts within Aon as it relates to reviewing the models developed by experts outside of Aon, and those used for development of the per capita claims costs and future trend rates.

## Actuarial Assumptions and Methods

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Method                            | Entry Age Normal – Level % of Salary Method                                                                                                                                                                                                                                                                                                                                                        |
| Valuation Date                              | June 1, 2023                                                                                                                                                                                                                                                                                                                                                                                       |
| Service Cost                                | The Actuarial Present Value of benefits is allocated as a level percentage over the earnings of an individual between entry age (i.e. – age at hire) and assumed retirement age(s).                                                                                                                                                                                                                |
| Discount Rates                              | <p>Blended Rate</p> <p>May 31, 2024 – 4.13%</p> <p>May 31, 2023 – 3.74%</p> <p>May 31, 2022 – 3.16%</p> <p>Non-Fully Funded Rate</p> <p>May 31, 2024 – 4.13%</p> <p>May 31, 2023 – 3.74%</p> <p>May 31, 2022 – 3.16%</p> <p>Non-Fully Funded Rates are based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate reported on the last Friday prior to the measurement date.</p> |
| CPI                                         | 2.20%                                                                                                                                                                                                                                                                                                                                                                                              |
| Spouse Age Difference & Marriage Percentage | <p>Spouses are assumed to continue coverage upon the death of the former employee</p> <p>Upon retirement, 90% of eligible future retirees are assumed to be married and enroll an eligible spouse. Males are assumed to be 3 years older than females. Married actives are assumed to choose two-person coverage at retirement</p>                                                                 |

## Actuarial Assumptions and Methods (continued)

|                           |                                                                                                                                                                          |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-Retirement Mortality  | PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 |
| Post-Retirement Mortality | PUB-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 |
| Retirement Rates          | See Table                                                                                                                                                                |
| Disability Rates          | See Table                                                                                                                                                                |
| Withdrawal Rates          | See Table                                                                                                                                                                |

## Actuarial Assumptions and Methods (continued)

**Public Employees' Retirement System of New Jersey**

|     | Ordinary Disability |           | Accidental |
|-----|---------------------|-----------|------------|
|     | Years of Service    |           |            |
| Age | Less than 10        | 10 and Up | All        |
| 30  | 0.000%              | 0.205%    | 0.030%     |
| 35  | 0.000%              | 0.230%    | 0.030%     |
| 40  | 0.000%              | 0.260%    | 0.030%     |
| 45  | 0.000%              | 0.315%    | 0.030%     |
| 50  | 0.000%              | 0.390%    | 0.030%     |
| 55  | 0.000%              | 0.460%    | 0.030%     |
| 60  | 0.000%              | 0.510%    | 0.030%     |
| 65  | 0.000%              | 0.560%    | 0.030%     |
| 69  | 0.000%              | 0.600%    | 0.030%     |

**Public Employees' Retirement System of New Jersey**

|     | Select Withdrawal       |                    |                     |                     |                     | Ultimate Withdrawal       |
|-----|-------------------------|--------------------|---------------------|---------------------|---------------------|---------------------------|
|     | 0 to 1 Years of Service | 5 Years of Service | 10 Years of Service | 15 Years of Service | 20 Years of Service |                           |
| Age |                         |                    |                     |                     |                     | After 24 Years of Service |
| 25  | 21.00%                  | 12.00%             | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 30  | 21.00%                  | 12.00%             | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 35  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 40  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 45  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 50  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 55  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 60  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |
| 65  | 12.00%                  | 7.00%              | 3.50%               | 2.30%               | 1.50%               | 1.00%                     |

**Public Employees' Retirement System of New Jersey**

|     | Retirement                    |                     |                             |
|-----|-------------------------------|---------------------|-----------------------------|
|     | Tiers 1, 2, 3 and 4           |                     |                             |
|     | Less than 25 Years of Service | 25 Years of Service | 26 or More Years of Service |
| Age |                               |                     |                             |
| 40  | 0.00%                         | 3.00%               | 2.25%                       |
| 45  | 0.00%                         | 3.00%               | 2.25%                       |
| 50  | 0.00%                         | 3.50%               | 3.50%                       |
| 55  | 0.00%                         | 15.00%              | 15.00%                      |
| 60  | 4.50%                         | 18.00%              | 14.00%                      |
| 65  | 11.00%                        | 35.00%              | 20.00%                      |
| 70  | 13.00%                        | 37.00%              | 24.00%                      |
| 75  | 100.00%                       | 100.00%             | 100.00%                     |

## Actuarial Assumptions and Methods (continued)

| Public Employees' Retirement System of New Jersey |                                  |                        |                              |                        |                                |
|---------------------------------------------------|----------------------------------|------------------------|------------------------------|------------------------|--------------------------------|
| Retirement                                        |                                  |                        |                              |                        |                                |
| Tier 5                                            |                                  |                        |                              |                        |                                |
| Age                                               | Less than 25<br>Years of Service | 25 Years of<br>Service | 26 to 29 Years<br>of Service | 30 Years of<br>Service | 31 or More<br>Years of Service |
| 40                                                | 0.00%                            | 0.00%                  | 0.00%                        | 3.00%                  | 2.25%                          |
| 45                                                | 0.00%                            | 0.00%                  | 0.00%                        | 3.00%                  | 2.25%                          |
| 50                                                | 0.00%                            | 0.00%                  | 0.00%                        | 3.50%                  | 3.50%                          |
| 55                                                | 0.00%                            | 0.00%                  | 0.00%                        | 15.00%                 | 15.00%                         |
| 60                                                | 0.00%                            | 0.00%                  | 0.00%                        | 18.00%                 | 14.00%                         |
| 65                                                | 11.00%                           | 35.00%                 | 35.00%                       | 35.00%                 | 20.00%                         |
| 70                                                | 13.00%                           | 37.00%                 | 24.00%                       | 24.00%                 | 24.00%                         |
| 75                                                | 100.00%                          | 100.00%                | 100.00%                      | 100.00%                | 100.00%                        |

### Tier Classifications

| Tier   | Criteria                                                          |
|--------|-------------------------------------------------------------------|
| Tier 1 | Enrollment prior to July 1, 2007                                  |
| Tier 2 | Enrollment on or after July 1, 2007 and prior to November 2, 2008 |
| Tier 3 | Enrollment on or after November 2, 2008 and prior to May 22, 2010 |
| Tier 4 | Enrollment on or after May 22, 2010 and prior to June 28, 2011    |
| Tier 5 | Enrollment on or after June 28, 2011                              |



## Actuarial Assumptions and Methods

### Discussion of Actuarial Assumptions and Methods

Old Bridge Municipal Utility Authority selected the economic, demographic and health care claim cost assumptions and prescribed them for use for purposes of compliance with GASB 75. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

### Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and accumulated postretirement benefit obligation for determining OPEB expense is the entry age normal cost method. Under this cost method, the actuarial accrued liability is based on a prorated portion of the present value of all benefits earned to date over expected future working lifetime as defined by GASB. The proration is determined so that the cost with respect to service accrued from date of hire is recognized as a level percentage of pay each year. The Normal Cost is equal to the prorated cost for the year of the valuation.

### Accounting Information Under GASB 75

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75.

The total OPEB liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date. The service cost represents the actuarial present value of benefits that are attributed to the 2024 fiscal year, reflecting the effect of assumed future health care claim cost and/or pay increases.

## Plan Provisions

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Service Retirement - Eligibility</b>  | <p>An employee is eligible to receive postretirement health benefits through the Authority health plan by meeting either of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ Retires after 25 years or more of service credit in a New Jersey State retirement system and with at least 5 years of service with the Old Bridge Municipal Utilities Authority, or</li> <li>▪ Retires at age 62 or older with at least 15 years of service with the Old Bridge Municipal Utilities Authority.</li> </ul> |
| <b>Disabled Retirement - Eligibility</b> | An employee is eligible if the employee retires with a disability pension from a state administered retirement system.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Surviving Spouse - Eligibility</b>    | Eligible for lifetime subsidized coverage if retiree was eligible.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Spouse Coverage</b>                   | Spouses may enroll as dependents of retirees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Retiree Contributions</b>             | For PERS members who had 20 years of service credit in the PERS system as of June 28, 2011, the Authority subsidizes 100% of the cost of coverage for retirees and their dependent spouses meeting the requirements outlined above                                                                                                                                                                                                                                                                                         |
| <b>Retirement Allowance</b>              | <p>Retirement Allowance is assumed to be the annual annuity from the State of New Jersey pension plan:</p> <ul style="list-style-type: none"> <li>▪ <i>Public Employees' Retirement System (PERS)</i>: Final Compensation times service at retirement divided by 55</li> </ul>                                                                                                                                                                                                                                             |

**New Pension and  
Benefits Law  
(Chapter 78)**

*Medical and Prescription Drug Benefit Contributions for Non-Grandfathered  
Future Retirees*

Future retirees who do not have at least 20 years of service as of July 1, 2011 are expected to pay an amount equal to their Contribution Rate times the Plan's gross premiums. In no event shall the contribution be less than 1.50% of the Retirement Allowance. All future disabled retirees are assumed to contribute 1.50% of the Retirement Allowance.

The Contribution Rate is based on type of coverage (single or family) and the Retirement Allowance.

**Contribution Rate Per \$1,000 of Retirement Allowance**

| <b>Retirement<br/>Allowance</b> | <b>Single<br/>Coverage</b> | <b>Family<br/>Coverage</b> |
|---------------------------------|----------------------------|----------------------------|
| Under \$20                      | 4.50%                      | 3.43%                      |
| \$20 - \$25                     | 5.50%                      | 3.43%                      |
| \$25 - \$30                     | 7.50%                      | 4.43%                      |
| \$30 - \$35                     | 10.00%                     | 5.85%                      |
| \$35 - \$40                     | 11.00%                     | 6.85%                      |
| \$40 - \$45                     | 12.00%                     | 7.85%                      |
| \$45 - \$50                     | 14.00%                     | 9.85%                      |
| \$50 - \$55                     | 20.00%                     | 14.55%                     |
| \$55 - \$60                     | 23.00%                     | 16.55%                     |
| \$60 - \$65                     | 27.00%                     | 20.40%                     |
| \$65 - \$70                     | 29.00%                     | 22.40%                     |
| \$70 - \$75                     | 32.00%                     | 25.40%                     |
| \$75 - \$80                     | 33.00%                     | 26.40%                     |
| \$80 - \$85                     | 34.00%                     | 27.40%                     |
| \$85 - \$90                     | 34.00%                     | 29.40%                     |
| \$90 - \$95                     | 34.00%                     | 29.70%                     |
| \$95 - \$100                    | 35.00%                     | 29.85%                     |
| \$100 - \$110                   | 35.00%                     | 34.55%                     |
| At Least \$110                  | 35.00%                     | 35.00%                     |

Family coverage is defined as 85% of the "Family + One" schedule and 15% of the "Family" schedule.

**Medical / Rx Plans**

| <b>Qualcare PPO</b>           |                |                       |
|-------------------------------|----------------|-----------------------|
|                               | <b>NETWORK</b> | <b>OUT OF NETWORK</b> |
| <b>MEDICAL</b>                |                |                       |
| <b>Deductible</b>             | \$0            | \$250                 |
| <b>OOP Max</b>                | \$0            | \$1,000               |
| <b>OV</b>                     | 100%           | 100%                  |
| <b>Vision Exam</b>            | N/A            | N/A                   |
| <b>ER</b>                     | \$25 copay     | \$25 copay            |
| <b>Coinsurance</b>            | 100%           | 80%                   |
| <b>Prescription Drugs</b>     |                |                       |
| <b>Retail - 30 Day Supply</b> |                |                       |
| Generic                       | \$8 copay      | Not covered           |
| Brand                         | \$14 copay     | Not covered           |
| <b>Mail - 90 Day Supply</b>   |                |                       |
| Generic                       | \$8 copay      | Not covered           |
| Brand                         | \$14 copay     | Not covered           |

For retirees over 65, the plans are secondary to Medicare and coordinate under a COB/Traditional arrangement.

**Dental and Vision Coverage**

Old Bridge Municipal Utilities Authority provides dental and vision coverage to retirees.

**Life Insurance**

Certain Grandfathered employees, as indicated by the Authority in the census data, are eligible for a \$3,750 life insurance benefit.