

**Town of Wellesley Contributory
Retirement System**

**Actuarial Valuation and Review as of
January 1, 2012**

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June 26, 2012

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2012. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2013 and later years and analyzes the preceding two years' experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the Wellesley Retirement System. That assistance is gratefully acknowledged.

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

The actuarial calculations were directed 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. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

Sincerely,

THE SEGAL COMPANY

By: 

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

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SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the Town of Wellesley Contributory Retirement System as of January 1, 2012. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2012;
- The assets of the Plan as of December 31, 2011;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. The actuarial valuation report as of January 1, 2012 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. The provisions of Chapter 176 of the Acts of 2011 that affect employees hired after April 2, 2012 are not reflected in this valuation.
2. During the plan years ended 2010 and 2011, the market value rates of return were 12.88% and -0.14%, respectively. Because the actuarial value of assets gradually recognizes market value fluctuations, the actuarial rates of return for the plan years ended 2010 and 2011 were 3.36% and -0.56%, respectively. The actuarial value of assets as of December 31, 2011 was \$125.4 million, or 110.3% of the market value of assets of \$113.7 million (as reported in the Annual Statement). As of December 31, 2009, the actuarial value of assets was 120.0% of market value.
3. As indicated in Section 2, subsection B of this report, the total unrecognized investment loss as of December 31, 2011 is \$11.7 million. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return (net of investment expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. The funding

SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System

schedule shown in Section 3, Exhibit G reflects the deferred investment losses in accordance with the asset valuation method adopted by the Board.

4. The unfunded liability has increased by \$20.1 million from \$19.9 million as of January 1, 2010 to \$40.0 million as of January 1, 2012. Based on our prior valuation, the expected unfunded liability was \$21.5 million. The increase is due to an investment loss on an actuarial basis of \$16.9 million over the two-year period, and the assumption changes described below, partially offset by a \$3.0 million gain from salary increases less than expected.
5. The preliminary recommended contribution for fiscal 2013 of \$4,810,407 is based on an 18-year increasing amortization (4.5% per year) of the unfunded actuarial accrued liability. The System will be fully funded by June 30, 2030, if all assumptions are met. Because fiscal 2013 has already been budgeted at \$3,813,733, the increase will first be reflected in the fiscal 2014 appropriation of \$5,940,854.
6. The following actuarial assumptions were changed with this valuation:
 - The investment return assumption was decreased from 8.00% to 7.75% net of investment expenses.
 - The administrative expense assumption was increased from \$175,000 for calendar 2010 to \$250,000 for calendar 2012, based on the projected 2012 budget.
 - The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 10 years with Scale AA to the RP-2000 Employee Mortality Table projected 12 years with Scale AA.
 - The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$4,665,786 and a net increase in the employer normal cost of \$303,528.

7. As permitted by Section 66 of Chapter 188 of the Acts of 2010, the Municipal Light Department adopted the Municipal Early Retirement Incentive Program. This increased the unfunded actuarial accrued liability by \$111,914 as of January 1, 2012.
8. Because fiscal 2013 has already been budgeted at \$3,813,733, the results of this valuation will first be reflected in the fiscal 2014 appropriation of \$5,940,854. In projecting the unfunded actuarial accrued liability, for future fiscal years, the deferred investment losses have been reflected in accordance with the asset valuation method adopted by the Board. Exhibit G in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule.

SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System

Summary of Key Valuation Results

	2012	2010
Contributions for fiscal year beginning July 1:		
Recommended for fiscal 2013 and 2011	\$3,813,733	\$2,000,000
Recommended for fiscal 2014 and 2012	5,940,854	3,123,842
Funding elements for plan year beginning January 1:		
Normal cost, including administrative expenses	\$4,956,129	\$4,404,368
Market value of assets as reported in the Annual Statement	113,747,265	107,928,711
Actuarial value of assets	125,424,614	129,514,453
Actuarial accrued liability	165,408,231	149,447,086
Unfunded actuarial accrued liability	39,983,617	19,932,633
GASB 25/27 for fiscal year beginning July 1:		
Annual required contributions (ARC)	\$3,813,733	\$2,010,429
Actual contributions	--	2,010,429
Percentage of ARC contributed	--	100.00%
Funded ratio	75.83%	86.66%
Demographic data for plan year beginning January 1:		
Number of retired participants and beneficiaries	406	402
Number of inactive participants entitled to a return of their employee contributions	190	190
Number of inactive participants with a vested right to a deferred or immediate benefit	13	11
Number of active participants	669	663
Total payroll	\$32,221,501	\$30,407,955
Average payroll	48,164	45,864

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

A historical perspective of how the participant population has changed over the past six valuations can be seen in this chart.

CHART 1
Participant Population: 2002 – 2011

Year Ended December 31	Active Participants	Inactive Participants	Retired Participants and Beneficiaries
2002	600	179	419
2003	595	163	414
2005	636	144	415
2007	669	182	407
2009	663	201	402
2011	669	203	406

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 669 active participants with an average age of 45.4, average years of service of 10.8 years and average payroll of \$48,164. The 663 active participants in the prior valuation had an average age of 45.7, average service of 10.6 years and average payroll of \$45,864.

Among the active participants, there were none with unknown age and/or service information.

Inactive Participants

In this year's valuation, there were 13 participants with a vested right to a deferred or immediate vested benefit and 190 participants entitled to a return of their employee contributions.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of December 31, 2011

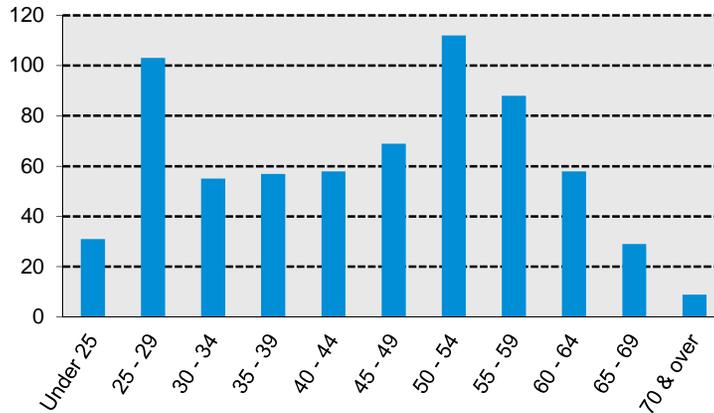
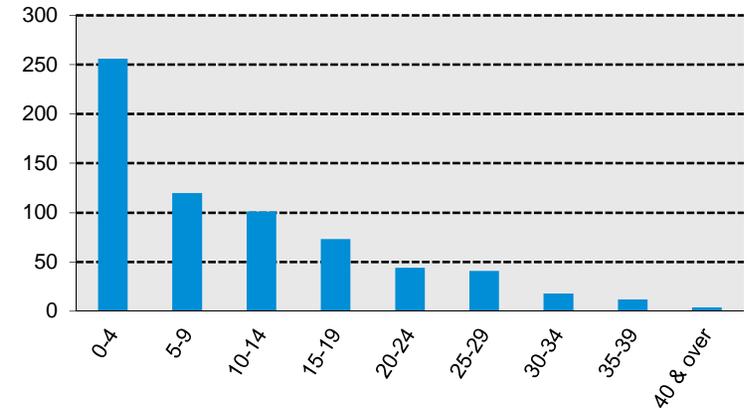


CHART 3
Distribution of Active Participants by Years of Service as of December 31, 2011



SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Retired Participants and Beneficiaries

As of December 31, 2011, 338 retired participants and 68 beneficiaries were receiving total monthly benefits of \$765,889. For comparison, in the previous valuation, there were 333 retired participants and 69 beneficiaries receiving monthly benefits of \$713,973.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

- Beneficiaries
- Accidental Disability
- Ordinary Disability
- Superannuation

CHART 4
Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2011

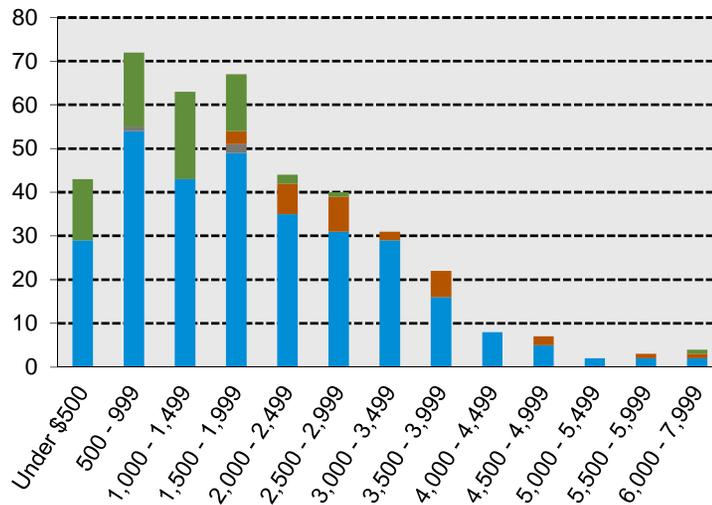
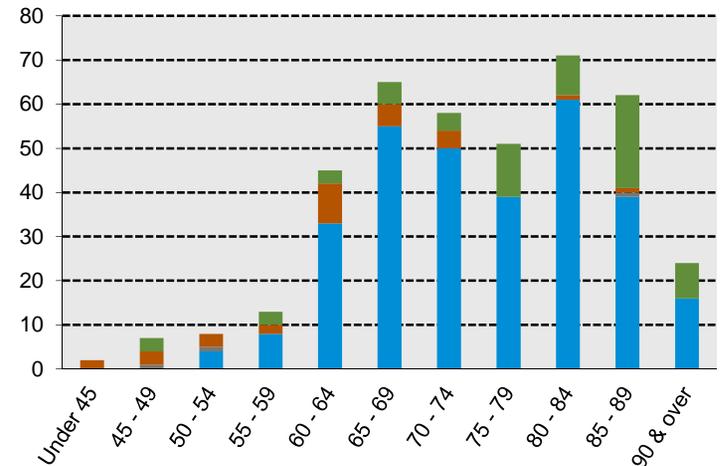


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2011



SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

B. FINANCIAL INFORMATION

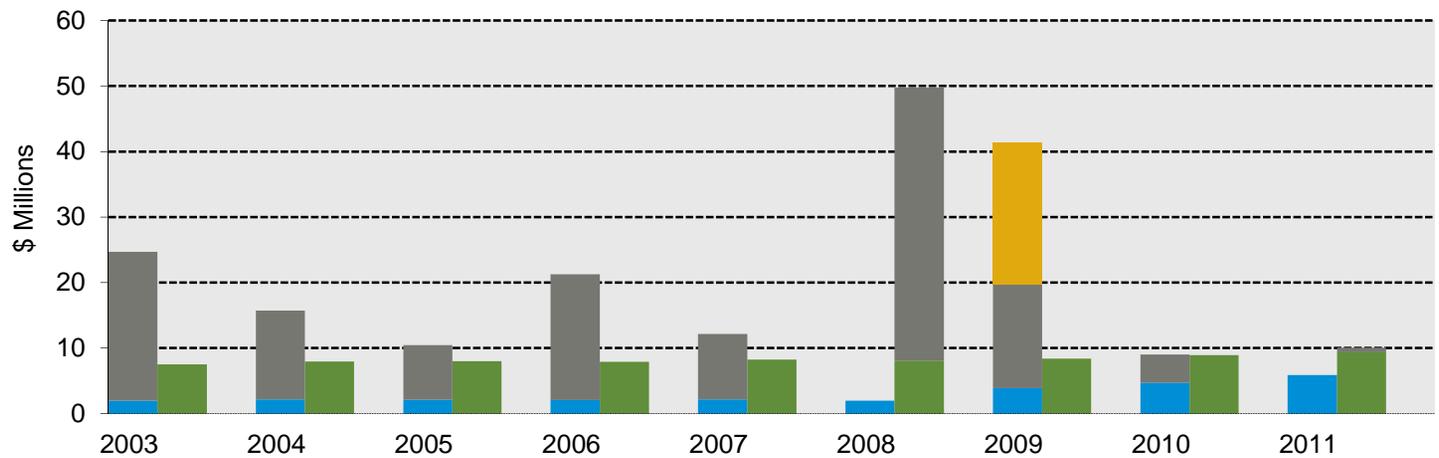
Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

The chart depicts the components of changes in the actuarial value of assets over the last nine years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2003 – 2011

- Change in asset method
- Net investment income
- Benefits paid
- Net contributions



SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7 Determination of Actuarial Value of Assets

	Year Ended	
	December 31, 2011	December 31, 2010
1. Market value of assets	\$113,747,265	\$117,384,582
	Original	Unrecognized
2. Calculation of unrecognized return*	Amount	Return
(a) Year ended December 31, 2011	-\$9,411,810	-\$7,529,448
(b) Year ended December 31, 2010	5,162,783	3,097,670
(c) Year ended December 31, 2009	8,371,626	3,348,650
(d) Year ended December 31, 2008	-52,971,107	-10,594,221
(e) Year ended December 31, 2007	-1,019,102	0
(f) Year ended December 31, 2006	9,297,725	N/A
(g) Total unrecognized return		-11,677,349
3. Preliminary actuarial value: (1) - (2f)	125,424,614	129,623,644
4. Adjustment to be within 20% corridor	0	0
5. Final actuarial value of assets: (3) + (4)	<u>125,424,614</u>	<u>\$129,623,644</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)	110.3%	110.4%

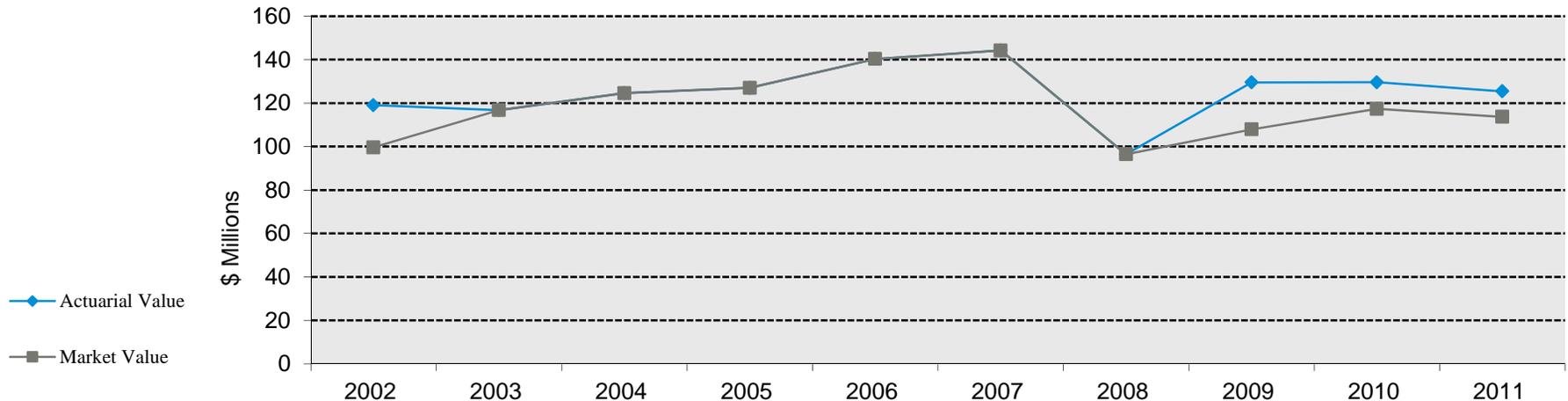
* Unrecognized return is the difference between the total return and expected return on a market value basis and is recognized over a five-year period.

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Wellesley Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Wellesley Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 8
Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2002 – 2011



SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The net experience loss for the two-year period ended December 31, 2011 is \$13,786,083. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience over the past two years.

CHART 9

Actuarial Experience for Two-Year Period Ended December 31, 2011

1. Net loss from investments*	-\$16,863,404
2. Net loss from administrative expenses	-82,638
3. Net gain from other experience**	<u>3,159,959</u>
4. Net experience loss: (1) + (2) + (3)	-\$13,786,083

* Details in Chart 10.

** Details in Chart 13.

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Wellesley Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets was 8.0% for 2011 and 2010. The actual rates of return on an actuarial basis for 2011 and 2010 were -0.56% and 3.36%, respectively.

Over the two-year period ending December 31, 2011, the Wellesley Retirement System experienced an actuarial loss with regard to its investments of \$16,863,404.

This chart shows the gain/(loss) due to investment experience.

**CHART 10
Actuarial Value Investment Experience**

	Year Ended	
	December 31, 2011	December 31, 2010
1. Actual return	-\$721,843	\$4,283,430
2. Average value of assets	127,885,050	127,427,334
3. Actual rate of return: (1) ÷ (2)	-0.56%	3.36%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$10,230,804	\$10,194,187
6. Actuarial gain/(loss): (1) – (5)	<u>-\$10,952,647</u>	<u>-\$5,910,757</u>

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last nine years, including five-year and nine-year averages.

Based upon this experience and future expectations, we have lowered the assumed rate of return to 7.75%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2003 - 2011

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2003	\$22,732,561	23.47%	\$22,732,561	23.47%
2004	13,546,176	11.89	13,546,176	11.89
2005	8,365,527	6.88	8,365,527	6.88
2006	19,224,208	15.49	19,224,208	15.49
2007	9,969,052	7.26	9,969,052	7.26
2008	-41,672,425	-29.51	-41,672,424	-29.51
2009	37,497,893	39.78	15,912,151	16.88
2010	4,283,430	3.36	13,630,109	12.88
2011	<u>-721,843</u>	-0.56	<u>-160,131</u>	-0.14
Total	\$73,224,579		\$61,547,229	
	Five-year average return	1.49%		-0.39%
	Nine-year average return	6.75%		5.86%

Note: Each year's yield is weighted by the average asset value in that year. The 2009 actuarial value investment return includes a change in the asset method.

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

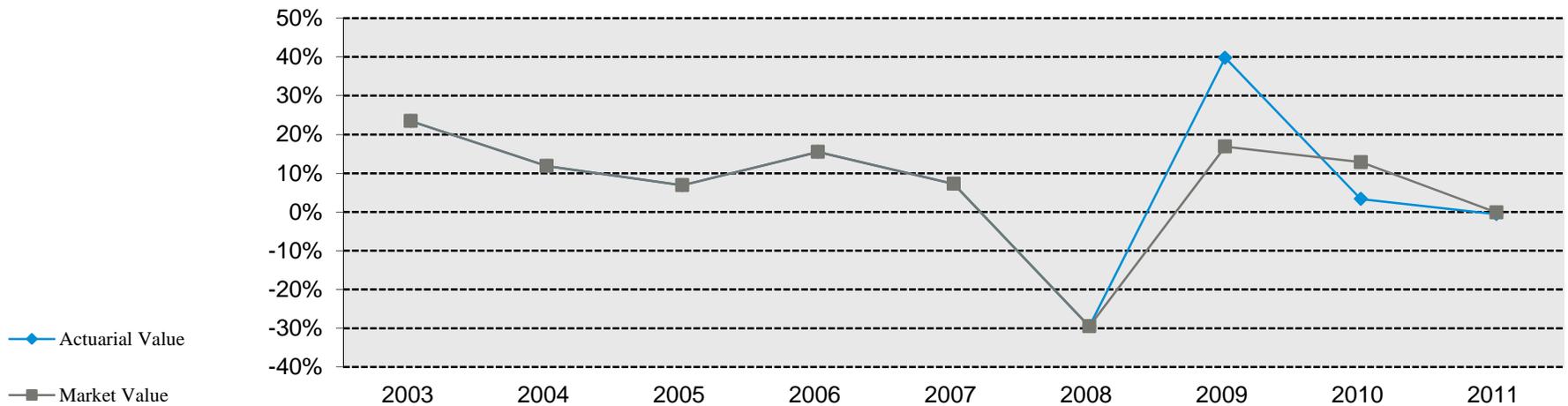
Administrative Expenses

Administrative expenses for the years ended December 31, 2010 and 2011 were \$192,808 and \$241,583, respectively compared to the assumption of \$175,000 for 2010 and \$182,875 for 2011. This resulted in a loss of \$82,638 for the two-year period, including an adjustment for interest.

We have increased the administrative expense assumption to \$250,000 for calendar year 2012.

This chart illustrates how this leveling effect has actually worked over the years 2003 - 2011.

CHART 12
Market and Actuarial Rates of Return for Years Ended December 31, 2003 - 2011



SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the two-year period ending December 31, 2011 amounted to \$3,159,959, which is 1.9% of the actuarial accrued liability.

A brief summary of the demographic experience of the Wellesley Retirement System for the two-year period ending December 31, 2011 is shown in the chart below.

With this valuation, we recommend the following changes:

- The investment return assumption was decreased from 8.00% to 7.75% net of investment expenses.
- The administrative expense assumption was increased from \$175,000 for calendar 2010 to \$250,000 for calendar 2012, based on the projected 2012 budget.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 10 years with Scale AA to the RP-2000 Employee Mortality Table projected 12 years with Scale AA.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$4,665,786 and a net increase in the employer normal cost of \$303,528.

As permitted by Section 66 of Chapter 188 of the Acts of 2010, the Municipal Light Department adopted the Municipal Early Retirement Incentive Program.

The chart shows elements of the experience gain/(loss) for the most recent years.

CHART 13

Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2011

1. Deaths among retired members and beneficiaries	\$436,898
2. Salary increase for continuing actives less than expected	3,027,952
3. Miscellaneous experience loss	<u>304,891</u>
4. Total	\$3,159,959

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. The preliminary recommended contribution for fiscal year 2013 is \$4,810,407 based on a 10-year level amortization of the 2010 ERI and an 18-year increasing (4.5% per year) amortization of the remaining unfunded liability.

In projecting the unfunded actuarial accrued liability, for future fiscal years, the deferred investment losses have been reflected in accordance with the asset valuation method adopted by the Board.

Exhibit G in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule.

Because fiscal 2013 has already been budgeted at \$3,813,733, the results of this valuation will first be reflected in the fiscal 2014 appropriation of \$5,940,854.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14

Employer Normal Cost and Projected Unfunded Actuarial Accrued Liability

	Year Beginning January 1			
	2012		2010	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$4,706,129	13.87%	\$4,229,368	13.19%
2. Administrative expenses	250,000	0.74%	175,000	0.55%
3. Expected employee contributions	<u>-3,147,569</u>	<u>-9.28%</u>	<u>-2,905,932</u>	<u>-9.07%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,808,560	5.33%	\$1,498,436	4.67%
5. Actuarial accrued liability	165,408,231		149,447,086	
6. Actuarial value of assets	<u>125,424,614</u>		<u>129,514,453</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$39,983,617		\$19,932,633	
8. Employer normal cost projected to July 1, 2012 and 2010	1,848,805	5.33%	1,531,780	4.67%
9. Projected unfunded actuarial accrued liability	41,504,073		20,714,600	
10. Payment on projected unfunded actuarial accrued liability	2,961,602	8.54%	1,381,104	4.25%
11. Preliminary recommended contribution: (8) + (10)	<u>\$4,810,407</u>	<u>13.87%</u>	<u>\$2,922,884</u>	<u>8.92%</u>
12. Budgeted appropriation	<u>\$3,813,733</u>	<u>11.00%</u>	<u>\$2,000,000</u>	<u>6.10%</u>
13. Projected payroll as of July 1	\$34,674,449		\$32,766,593	

Note: Recommended contributions are assumed to be paid on July 1.

SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 15 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets (75.83%) and the market value of assets (68.77%).

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 15
Required Versus Actual Contributions

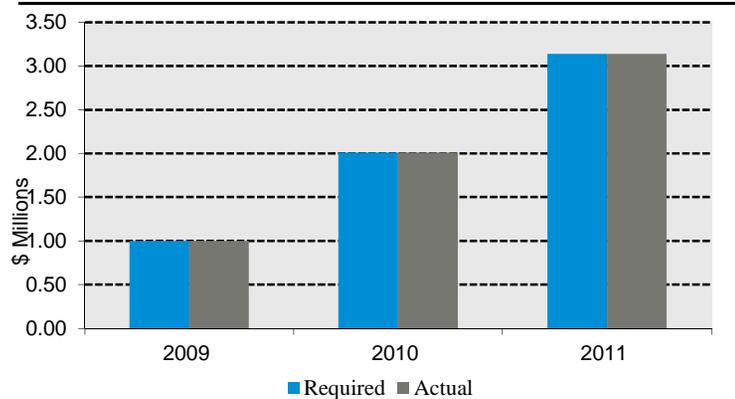
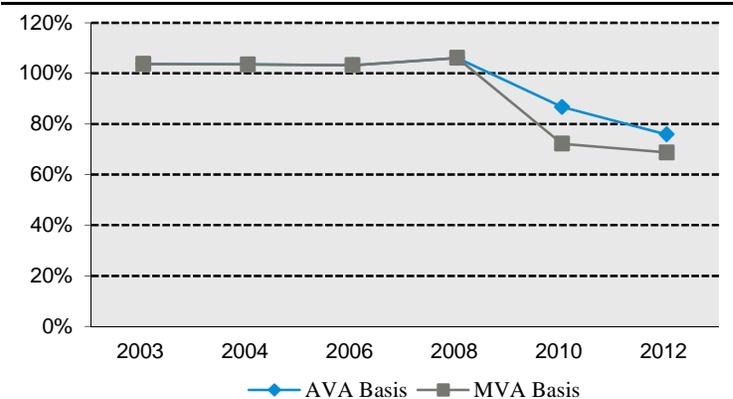


CHART 16
Funded Ratio



SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2011	2009	
Active participants in valuation:			
Number	669	663	0.9%
Average age	45.4	45.7	N/A
Average years of service	10.8	10.6	N/A
Total payroll	\$32,221,501	\$30,407,955	6.0%
Average payroll	48,164	45,864	5.0%
Member contributions	28,695,270	26,021,998	10.3%
Inactive participants entitled to a return of employee contributions	190	190	0.0%
Inactive participants with a vested right to a deferred or immediate benefit	13	11	18.2%
Retired participants:			
Number in pay status	305	304	0.3%
Average age	75.1	74.9	N/A
Average monthly benefit	\$1,912	\$1,847	3.5%
Disabled participants:			
Number in pay status	33	29	13.8%
Average age	61.6	63.1	N/A
Average monthly benefit	\$2,924	\$2,718	7.6%
Beneficiaries in pay status	68	69	-1.4%

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT B

**Participants in Active Service as of December 31, 2011
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	31	31	--	--	--	--	--	--	--	--
	\$28,351	\$28,351	--	--	--	--	--	--	--	--
25 - 29	103	95	7	1	--	--	--	--	--	--
	\$32,383	\$30,192	\$58,865	\$55,115	--	--	--	--	--	--
30 - 34	55	32	17	6	--	--	--	--	--	--
	\$47,100	\$37,985	\$59,850	\$59,589	--	--	--	--	--	--
35 - 39	57	16	18	17	6	--	--	--	--	--
	\$57,508	\$42,885	\$53,162	\$69,623	\$75,220	--	--	--	--	--
40 - 44	58	12	13	17	9	5	2	--	--	--
	\$53,883	\$41,328	\$45,007	\$64,960	\$63,599	\$51,030	\$56,163	--	--	--
45 - 49	69	16	16	12	10	10	5	--	--	--
	\$49,006	\$34,335	\$40,793	\$54,674	\$56,975	\$62,967	\$64,772	--	--	--
50 - 54	112	25	17	17	17	13	15	7	1	--
	\$54,914	\$37,985	\$34,071	\$55,220	\$64,869	\$67,308	\$74,556	\$73,750	\$70,437	--
55 - 59	88	15	15	14	13	8	12	6	5	--
	\$55,090	\$32,661	\$50,751	\$50,961	\$54,612	\$54,810	\$70,409	\$84,624	\$76,449	--
60 - 64	58	8	8	11	9	6	4	4	5	3
	\$53,093	\$31,948	\$38,561	\$45,711	\$57,727	\$54,188	\$62,717	\$77,571	\$81,674	\$66,097
65 - 69	29	6	4	4	9	2	2	--	1	1
	\$44,399	\$32,109	\$34,429	\$43,311	\$41,639	\$64,060	\$58,520	--	\$64,640	\$99,406
70 & over	9	--	5	2	--	--	1	1	--	--
	\$29,645	--	\$18,219	\$44,174	--	--	\$42,441	\$44,923	--	--
Total	669	256	120	101	73	44	41	18	12	4
	\$48,164	\$33,523	\$45,850	\$57,161	\$58,911	\$60,263	\$68,531	\$76,622	\$77,141	\$74,424

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended December 31, 2011	Year Ended December 31, 2010
Net assets at actuarial value at the beginning of the year:	\$129,623,644	\$129,514,453
Contribution income:		
Employer contributions	\$3,138,566	\$2,010,429
Employee contributions	2,920,656	2,867,996
Other contributions	34,125	47,213
Less administrative expenses	<u>-241,583</u>	<u>-192,808</u>
Net contribution income	\$5,851,764	\$4,732,830
Net investment income	<u>-721,844</u>	<u>4,283,429</u>
Total income available for benefits	\$5,129,920	\$9,016,259
Less benefit payments:		
Pensions	-\$7,810,821	-\$7,440,376
Net 3(8)(c) reimbursements	-10,821	-120,345
Refunds, annuities, & Option B refunds	-1,695,772	-1,545,783
State reimbursements	<u>188,464</u>	<u>199,436</u>
Net benefit payments	-\$9,328,950	-\$8,907,068
Change in reserve for future benefits	-\$4,199,030	\$109,191
Net assets at actuarial value at the end of the year:	\$125,424,614	\$129,623,644

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT D

Development of the Fund Through December 31, 2011

Year Ended December 31	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2003	\$0	\$2,023,601	\$33,946	\$22,732,561	\$87,022	\$7,532,091	\$116,792,365
2004	0	2,206,622	45,743	13,546,176	92,127	7,931,652	124,567,127
2005	0	2,159,914	36,251	8,365,528	100,450	8,016,877	127,011,492
2006	0	2,130,208	36,028	19,224,208	124,122	7,903,043	140,374,772
2007	0	2,287,845	35,939	9,969,052	142,789	8,226,694	144,298,124
2008	0	2,051,512	39,623	-41,672,425	139,646	8,080,623	96,496,566
2009	1,000,000	3,012,679	46,230	37,497,893	154,822	8,384,093	129,514,453
2010	2,010,429	2,867,996	47,213	4,283,429	192,808	8,907,068	129,623,644
2011	3,138,566	2,920,656	34,125	-721,844	241,583	9,328,950	125,424,614

* Net of investment expenses. Reflects changes in asset method in 2009.

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss

	Year Ended	
	December 31, 2011	December 31, 2010
1. Unfunded actuarial accrued liability at beginning of year	\$21,180,226	\$19,932,633
2. Normal cost at beginning of year	4,602,565	4,404,368
3. Total contributions	-6,093,347	-4,925,638
4. Interest		
(a) For whole year on (1) + (2)	\$2,062,623	\$1,946,960
(b) For half year on (3)	<u>-220,319</u>	<u>-178,097</u>
(c) Total interest	<u>1,842,304</u>	<u>1,768,863</u>
5. Expected unfunded actuarial accrued liability	\$21,531,748	\$21,180,226
6. Changes due to:		
(a) Experience loss (including 2010 ERI)	\$13,786,083	
(b) Assumption changes	<u>4,665,786</u>	
(c) Total changes	<u>18,451,869</u>	
7. Unfunded actuarial accrued liability at end of year	<u>\$39,983,617</u>	

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT F

Table of Amortization Bases as of July 1, 2012

Type	Annual Payment	Years Remaining	Outstanding Balance
2010 ERI liability	\$15,887	10.00	\$116,170
Remaining unfunded liability	<u>2,945,715</u>	18.00	<u>41,387,903</u>
Total	\$2,961,602		\$41,504,073

Notes: Payments assumed to be made on July 1.

Remaining unfunded liability amortization payments increasing 4.5% per year.

Does not reflect adjustment to set fiscal 2013 appropriation to budgeted amount.

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT G

Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2010 ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Total Plan Cost: (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in Total Cost
2013	\$1,848,805	\$15,887	\$1,949,041	\$3,813,733	\$41,504,073	--
2014	1,932,001	15,887	3,992,966	5,940,854	53,837,700	55.78%
2015	2,018,941	15,887	4,130,531	6,165,359	53,149,636	3.78%
2016	2,109,793	15,887	4,420,638	6,546,318	54,073,837	6.18%
2017	2,204,734	15,887	4,817,317	7,037,938	55,770,299	7.51%
2018	2,303,947	15,887	5,034,096	7,353,930	54,884,720	4.49%
2019	2,407,625	15,887	5,260,631	7,684,143	53,696,929	4.49%
2020	2,515,968	15,887	5,497,359	8,029,214	52,172,994	4.49%
2021	2,629,187	15,887	5,744,740	8,389,814	50,275,878	4.49%
2022	2,747,500	15,887	6,003,253	8,766,640	47,965,183	4.49%
2023	2,871,138	-	6,273,400	9,144,538	45,196,861	4.31%
2024	3,000,339	-	6,555,703	9,556,042	41,940,029	4.50%
2025	3,135,354	-	6,850,709	9,986,063	38,126,612	4.50%
2026	3,276,445	-	7,158,991	10,435,436	33,699,785	4.50%
2027	3,423,885	-	7,481,146	10,905,031	28,597,705	4.50%
2028	3,577,960	-	7,817,797	11,395,757	22,753,092	4.50%
2029	3,738,968	-	8,169,598	11,908,566	16,092,780	4.50%
2030	3,907,222	-	8,537,230	12,444,452	8,537,228	4.50%
2031	4,083,047	-	-	4,083,047	-	-67.19%
2032	4,266,784	-	-	4,266,784	-	4.50%
2033	4,458,789	-	-	4,458,789	-	4.50%
2034	4,659,435	-	-	4,659,435	-	4.50%
2035	4,869,110	-	-	4,869,110	-	4.50%

*Notes: Recommended contributions are assumed to be paid on July 1.
 Items (2) and (4) are assumed to increase at 4.50% per year.
 Assumes contribution of budgeted amount for fiscal year 2013.
 Schedule reflects deferred investment losses.*

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT H

Group Results as of January 1, 2012

Category	Group 1	Percent of Pay	Group 4	Percent of Pay	Total	Percent of Pay
1. Participant counts						
a) Active employees	553		116		669	
b) Inactive members entitled to a return of their employee contributions	188		2		190	
c) Inactive members with a vested right to a deferred or immediate benefit	12		1		13	
d) Retired members	<u>282</u>		<u>124</u>		<u>406</u>	
e) Total members: (a) + (b) + (c) + (d)	1,035		243		1,278	
2. Projected Payroll for calendar year 2012	\$25,077,454		\$8,842,201		\$33,919,655	
3. Normal cost						
a) Total normal cost	3,078,804	12.28%	1,627,325	18.40%	4,706,129	13.87%
b) Expense allowance	163,553	0.65%	86,447	0.98%	250,000	0.74%
c) Employee contributions	<u>(2,328,117)</u>	-9.28%	<u>(819,452)</u>	-9.27%	<u>(3,147,569)</u>	-9.28%
d) Employer normal cost: (a) + (b) + (c)	\$914,240	3.65%	\$894,320	10.11%	\$1,808,560	5.33%
4. Total actuarial accrued liability	97,049,419		68,358,812		165,408,231	
5. Actuarial value of assets	<u>73,589,965</u>		<u>51,834,649</u>		<u>125,424,614</u>	
6. Unfunded actuarial accrued liability: (4) - (5)	\$23,459,454		\$16,524,163		\$39,983,617	

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

**EXHIBIT I
Department Results as of January 1, 2012**

Category	Housing	Water	Light	School	All Other	Total
1. Participant counts						
a) Active employees*	7	29	29	292	312	669
b) Inactive members entitled to a return of their employee contributions	0	0	1	173	16	190
c) Inactive members with a vested right to a deferred or immediate benefit	0	0	0	6	7	13
d) Retired members	<u>4</u>	<u>10</u>	<u>37</u>	<u>117</u>	<u>238</u>	<u>406</u>
e) Total members: (a) + (b) + (c) + (d)	11	39	67	588	573	1,278
2. Projected payroll for calendar year 2012	\$316,530	\$1,750,341	\$2,293,507	\$10,512,188	\$19,047,089	\$33,919,655
3. Normal cost						
a) Total normal cost	\$37,441	190,776	421,464	1,312,649	\$2,743,799	\$4,706,129
b) Expense allowance	1,989	10,134	22,389	69,731	145,757	250,000
c) Employee contributions	<u>(29,590)</u>	<u>(156,984)</u>	<u>(209,844)</u>	<u>(964,040)</u>	<u>(1,787,111)</u>	<u>(3,147,569)</u>
d) Employer normal cost: (a) + (b) + (c)	\$9,840	\$43,926	\$234,009	\$418,340	\$1,102,445	\$1,808,560
4. Total actuarial accrued liability	1,159,151	7,761,993	16,415,733	31,617,549	108,453,805	165,408,231
5. Actuarial value of assets	<u>878,953</u>	<u>5,885,711</u>	<u>12,447,609</u>	<u>23,974,737</u>	<u>82,237,604</u>	<u>125,424,614</u>
6. Unfunded actuarial accrued liability: (4) - (5)	\$280,198	\$1,876,282	\$3,968,124	\$7,642,812	\$26,216,201	\$39,983,617
7. Projected employer normal cost	10,059	44,904	239,216	427,649	1,126,977	\$1,848,805
8. Projected unfunded actuarial accrued liability	290,853	1,947,632	4,119,020	7,933,445	27,213,124	41,504,073
9. 2010 ERI payment	0	0	15,887	0	0	15,887
10. Payment on projected remaining unfunded actuarial accrued liability	<u>20,657</u>	<u>138,325</u>	<u>290,547</u>	<u>563,450</u>	<u>1,932,736</u>	<u>2,945,715</u>
11. Recommended contribution for fiscal 2013: (7) + (9) + (10)	\$30,716	\$183,229	\$545,650	\$991,099	\$3,059,713	\$4,810,407
12. Budgeted contribution for fiscal 2013**	19,887	97,696	486,465	785,304	2,424,381	3,813,733
13. Recommended contribution for fiscal 2014	38,513	234,427	659,709	1,210,660	3,797,545	5,940,854

* Certain employees have benefit accruals allocated to multiple departments.

** Budgeted prior to 2010 ERI.

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or actuarial assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial accrued liability for actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial accrued liability for pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded actuarial accrued liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System

**Amortization of the unfunded
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

1. Retired participants as of the valuation date (including 68 beneficiaries in pay status)	406
2. Participants active during the year ended December 31, 2011 with total accumulated contributions of \$28,695,270 and projected payroll of \$33,919,655	669
3. Inactive participants with a right to a return of their employee contributions as of December 31, 2011	190
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2011	13

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses	\$4,956,129
2. Expected employee contributions	-3,147,569
3. Employer normal cost: (1) + (2)	1,808,560
4. Actuarial accrued liability	165,408,231
Retired participants and beneficiaries	\$80,480,531
Active participants	82,832,589
Inactive participants	2,095,111
5. Actuarial value of assets (\$113,747,265 at market value as reported in the Annual Statement)	125,424,614
6. Unfunded actuarial accrued liability: (4) – (5)	39,983,617

The actuarial factors projected to July 1, 2012 are as follows:

1. Employer normal cost projected to July 1, 2012	\$1,848,805
2. Projected unfunded actuarial accrued liability	41,504,073
3. Payment on projected unfunded actuarial accrued liability	2,961,602
4. Total recommended contribution: (1) + (3)	<u>\$4,810,407</u>
5. Budgeted appropriation	<u>\$3,813,733</u>
6. Projected payroll	\$34,674,449
7. Total budgeted appropriation as a percentage of projected payroll	11.00%

Note: Recommended contributions are assumed to be paid on July 1.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2003	\$0	\$0	N/A
2004	0	0	N/A
2005	0	0	N/A
2006	0	0	N/A
2007	0	0	N/A
2008	0	0	N/A
2009	0	1,000,000	N/A
2010	2,010,429	2,010,429	100.0%
2011	3,138,566	3,138,566	100.0%

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
01/01/1995	\$62,744,371	\$62,680,623	-\$63,748	100.10%	\$16,138,898	-0.39%
01/01/1997	78,665,972	69,141,005	-9,524,967	113.78%	17,800,326	-53.51%
01/01/1999	106,295,893	81,975,372	-24,320,521	129.67%	17,694,603	-137.45%
01/01/2001	123,291,025	92,278,891	-31,012,134	133.61%	21,561,329	-143.83%
01/01/2003	119,033,662	114,811,026	-4,222,636	103.68%	22,572,703	-18.71%
01/01/2004	116,792,365	112,846,159	-3,946,206	103.50%	23,172,848	-17.03%
01/01/2006	127,011,492	123,086,217	-3,925,275	103.19%	26,392,253	-14.87%
01/01/2008	144,298,124	136,021,926	-8,276,198	106.08%	30,256,013	-27.35%
01/01/2010	129,514,453	149,447,086	19,932,633	86.66%	32,053,329	62.19%
01/01/2012	125,424,614	165,408,231	39,983,617	75.83%	33,919,655	117.88%

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar for 2010 ERI liability and 4.5% increasing payments for the remaining unfunded liability
Remaining amortization period	10 years from July 1, 2012 for 2010 ERI and 28 years from July 1, 2012 for remaining unfunded liability.
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the expected return and the actuarial investment return on a market value and is recognized over a five-year period. The actuarial value of assets is adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	7.75% (previously, 8.00%)
Projected salary increases	Based on years of service, ranging from 8.00% decreasing to 4.50% after 19 years of service for Group 1 and 2 employees, and ranging from 10.00% decreasing to 5.00% after 19 years for Group 4 employees
Cost of living adjustments	3.00% of first \$12,000 of retirement income
Plan membership:	
Retired participants and beneficiaries receiving benefits	406
Inactive participants entitled to a return of their employee contributions	190
Inactive participants with a vested right to a deferred or immediate benefit	13
Active participants	<u>669</u>
Total	1,278

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT V

Supplementary Information Required by the GASB – Department Results

	Housing	Water	Light	School	All Other	Total
1. Total actuarial accrued liability	\$1,159,151	\$7,761,993	\$16,415,733	\$31,617,549	\$108,453,805	\$165,408,231
2. Actuarial value of assets	<u>878,953</u>	<u>5,885,711</u>	<u>12,447,609</u>	<u>23,974,737</u>	<u>82,237,604</u>	<u>125,424,614</u>
3. Unfunded actuarial accrued liability (UAAL): (1) - (2)	\$280,198	\$1,876,282	\$3,968,124	\$7,642,812	\$26,216,201	\$39,983,617
4. Funded ratio: (2) / (1)	75.83%	75.83%	75.83%	75.83%	75.83%	75.83%
5. 2012 Projected payroll	\$316,530	\$1,750,341	\$2,293,507	\$10,512,188	\$19,047,089	\$33,919,655
6. UAAL as a percentage of covered payroll: [(1) - (2)] / (5)	88.52%	107.20%	173.02%	72.70%	137.64%	117.88%

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy:

Pre-Retirement:

RP-2000 Employees Mortality Table projected 12 years with Scale AA (Previously, RP-2000 Employees Mortality Table projected 10 years with Scale AA)

Post-Retirement:

RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA (Previously, RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA)

Disabled:

RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

The above mortality assumptions were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience of the plan.

Termination Rates before Retirement:

Groups 1 and 2 - Rate (%)

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.01
25	0.03	0.02	0.02
30	0.04	0.02	0.03
35	0.07	0.04	0.05
40	0.10	0.06	0.10
45	0.13	0.09	0.15
50	0.17	0.14	0.19
55	0.24	0.23	0.24
60	0.40	0.37	0.28

*Notes: 55% of the disability rates shown represent accidental disability.
 40% of the accidental disabilities will die from the same cause as the disability.
 55% of the death rates shown represent accidental death.*

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Age	Group 4 - Rate (%)		Disability
	Mortality		
	Male	Female	
20	0.03	0.02	0.10
25	0.03	0.02	0.20
30	0.04	0.02	0.30
35	0.07	0.04	0.30
40	0.10	0.06	0.30
45	0.13	0.09	1.00
50	0.17	0.14	1.25
55	0.24	0.23	1.20
60	0.40	0.37	0.85

*Notes: 90% of the disability rates shown represent accidental disability.
 40% of the accidental disabilities will die from the same cause as the disability.
 90% of the death rates shown represent accidental death.*

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Withdrawal Rates:

Years of Service	Rate per year (%)	
	Groups 1 and 2	Years of Service Group 4
0	15.0	0 – 10 1.5
1	12.0	11+ 0.0
2	10.0	
3	9.0	
4	8.0	
5	7.6	
6	7.5	
7	6.7	
8	6.3	
9	5.9	
10	5.4	
11	5.0	
Years of Service	Groups 1 and 2	
12	4.6	
13	4.1	
14	3.7	
15	3.3	
16 – 20	2.0	
21 – 29	1.0	
30+	0.0	

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Retirement Rates:

Age	Rate (%)		Group 4
	Male	Female	
50	1.0	1.5	2.0
51	1.0	1.5	2.0
52	1.0	2.0	2.0
53	1.0	2.5	5.0
54	2.0	2.5	7.5
55	2.0	5.5	15.0
56	2.5	6.5	10.0
57	2.5	6.5	10.0
58	5.0	6.5	10.0
59	6.5	6.5	15.0
60	12.0	5.0	20.0
61	20.0	13.0	20.0
62	30.0	15.0	25.0
63	25.0	12.5	25.0
64	22.0	18.0	30.0
65	40.0	15.0	100.0
66	25.0	20.0	100.0
67	25.0	20.0	100.0
68	30.0	25.0	100.0
69	30.0	20.0	100.0
70	100.0	100.0	100.0

- Retirement Age for Inactive Vested Participants:** Age 55 for Groups 1 and 2 and age 45 for group 4.
- Unknown Data for Participants:** Same as those exhibited by participants with similar known characteristics.
- Age of Spouse:** Females are three years younger than their spouses.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Percent Married: 80%

Benefit Election: All participants are assumed to elect Option A.

Net Investment Return: 7.75% (Previously, 8.00%)

Interest on Employee Contributions: 3.50%

Salary Increases:

Years of Service	Groups 1 and 2	Group 4
0	8.00%	10.00%
1	7.50%	9.00%
2	7.00%	8.50%
3	6.50%	8.00%
4	6.25%	7.50%
5	6.00%	7.00%
6	5.75%	6.50%
7	5.50%	6.00%
8	5.50%	5.50%
9	5.50%	5.50%
10	5.25%	5.25%
11	5.25%	5.25%
12	5.25%	5.25%
13 – 15	5.00%	5.25%
16 – 19	4.75%	5.25%
20+	4.50%	5.00%

Administrative Expenses: \$250,000 for calendar 2012 increasing 4.5% per year (previously, \$175,000 for calendar 2010).

Total Service Total creditable service reported in the data, plus additional anticipated buy-back service.

2011 Salary: 2011 salaries are equal to salaries provided in the data.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Actuarial Value of Assets: Market value of assets (as reported in the System's Annual Statement) less unrecognized return in each of the last five years (without phase-in). Unrecognized return is equal to the difference between the actual market value return and the expected market value return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the attained age of the participant minus total creditable service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

Changes in Assumptions: The following actuarial assumptions were changed with this valuation:

- The investment return assumption was decreased from 8.00% to 7.75% net of investment expenses.
- The administrative expense assumption was increased from \$175,000 for calendar 2010 to \$250,000 for calendar 2012, based on the projected 2012 budget.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 10 years with Scale AA to the RP-2000 Employee Mortality Table projected 12 years with Scale AA.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

EXHIBIT VII

Summary of Plan Provisions

This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

Plan Year: January 1 – December 31

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

Age Last Birthday at Date of Retirement			
Percent	Group 1	Group 2	Group 4
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

The maximum annual amount of the retirement allowance is 80 percent of the member's final three-year average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Employee Contributions

<u>Date of Hire</u>	<u>Contribution Rate</u>
Prior to January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 onward	9%

In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions, and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

Retirement Benefits (Superannuation)

Members of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Ordinary Disability Benefits

A member who is unable to perform his/her job due to a non-occupational disability will receive a retirement allowance if he/she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55, based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his/her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his/her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$250 per month, and there are additional amounts for surviving children. If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death.

SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$6,000 per year in the member dies for a reason unrelated to cause of disability.

"Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman, permanent member of a police department, or certain employees of a county correctional facility is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

Options

Members may elect to receive a full retirement allowance payable for life under Option A. Under Option B a member may elect to receive a lower monthly allowance in exchange for a guarantee that at the time of death any contributions not expended for annuity payments will be refunded to the beneficiary. Option C allows the member to take a lesser retirement allowance in exchange for providing a survivor with two-thirds of the lesser amount. Option C pensioners will have benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

Post-Retirement Benefits

The Board has adopted the provisions of Section 51 of Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.

Changes in Plan Provisions

As permitted by Section 66 of Chapter 188 of the Acts of 2010, the Municipal Light Department adopted the Municipal Early Retirement Incentive Program.
