

# Town of Wellesley

**Actuarial Valuation and Review of Other  
Postemployment Benefits (OPEB) as of  
June 30, 2016 in accordance with GASB  
Statements No. 43 and No. 45**





116 Huntington Avenue 8th Floor Boston, MA 02116-5744  
T 617.424.7300 www.segalco.com

*October 14, 2016*

*Mr. Marc V. Waldman  
Treasurer/Collector  
525 Washington Street  
Town Hall  
Wellesley, MA 02482*

*Dear Marc:*

*We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2016 under Governmental Accounting Standards Board (GASB) Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal years beginning July 1, 2016 and July 1, 2017 and summarizes the actuarial data.*

*The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential range of such future measurements.*

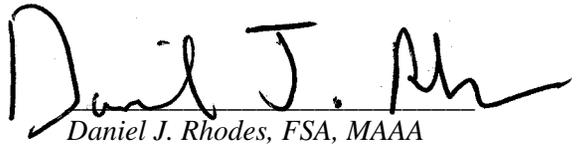
*This report is based on information received from the Town. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.*

*We look forward to discussing this with you at your convenience.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

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

  
Daniel J. Rhodes, FSA, MAAA  
Vice President and Consulting Actuary

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**IMPORTANT INFORMATION ABOUT ACTUARIAL VALUATIONS**

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

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinate with Medicare. If so, changes in the Medicare law or administration may change the plan’s costs without any change in the terms of the plan itself. It is important for the Town of Wellesley to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** Part of the cost of a plan will be paid from existing assets – the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, provided by the Finance Director. Some plans include assets, such as private equity holdings, real estate, or hedge funds, that are not subject to valuation by reference to transactions in the marketplace. A snapshot as of a single date may not be an appropriate value for determining a single year’s contribution requirement, especially in volatile markets.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premiums, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan’s benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved the plan’s assets, or if there are no assets, a rate of return on the assets of the employer. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important

## SECTION 1: Executive Summary for Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45

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for any user of an actuarial valuation to understand and accept this constraint. The actuarial model necessarily uses approximations and estimates that may lead to significant changes in our results but will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Given the above, the user of Segal's actuarial valuation (or other actuarial calculations) needs to keep the following in mind:

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

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

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**PURPOSE**

This report presents the results of our actuarial valuation of the Town of Wellesley (the “Employer”) postemployment welfare benefit plan as of June 30, 2016. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

**HIGHLIGHTS OF THE VALUATION**

During the fiscal year ending June 30, 2017, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about \$4,621,000. This amount is less than the annual “cost” (the “Annual Required Contribution,” or ARC) of approximately \$8,486,000.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are fully funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing is pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used.

Because the Town of Wellesley is funding the ARC, we have used a 6.75% investment return assumption to discount the liability. In the prior valuation, the discount rate was 7.00%.

For determination of the ARC, the Town and Water and Sewer Department are funding their unfunded actuarial accrued liability (UAAL) over a 30-year period with 21 years remaining as of June 30, 2016. The Municipal Light Plant (MLP) is funding its UAAL over a 15-year period with 6 years remaining. Amortization payments on the UAAL are calculated to increase 3.5% per year.

As of June 30, 2016, the Town of Wellesley has \$44,229,773 in assets which are in the State Retirees Benefits Trust Fund. The Town contributed \$3,464,969 in fiscal year 2015, \$3,464,969 in fiscal year 2016 and has budgeted \$3,464,969 for fiscal year 2017. Effective with the June 30, 2016 actuarial valuation, the asset valuation method was changed from a method that recognizes gains and losses over a five-year period to a market value. A reconciliation of the market value of assets from June 30, 2014 to June 30, 2016 is shown below:

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**Reconciliation of OPEB Trust Fund**

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	<b>Total</b>
<b>Balance as of June 30, 2014</b>	\$35,118,607
Fiscal year 2015 OPEB contributions	3,464,969
Net investment income	<u>1,293,174</u>
<b>Balance as of June 30, 2015</b>	\$39,876,750
Fiscal year 2016 OPEB contributions	3,464,969
Net investment income	<u>880,054</u>
<b>Balance as of June 30, 2016</b>	\$44,229,773

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The employer contributions shown in Charts 1 and 3 on pages 17 and 19 should reflect projected benefit payments and OPEB Trust contributions. The table below shows the breakdown of projected benefit payments and OPEB trust contributions for fiscal year 2017. Please note that these charts will need to be revised if actual OPEB contributions differ from the amounts shown in the table below.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2020 (reflected in this valuation) and those previously adopted as of the valuation date

**OPEB Contributions**

	Fiscal Year 2017		
	Projected Benefit Payments	OPEB Contributions	Total
All Other	\$4,245,516	\$3,005,870	\$7,251,386
Water and Sewer	107,782	157,582	265,364
Municipal Light Department	<u>267,372</u>	<u>301,517</u>	<u>568,889</u>
Total	\$4,620,670	\$3,464,969	\$8,085,639

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

## SECTION 1: Executive Summary for Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45

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### KEY VALUATION RESULTS

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2016 is \$75,927,000 based on an actuarial accrued liability of \$120,157,000 and an market value of assets of \$44,230,000. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less expected benefit payments paid by the Town and contributions made to the Trust. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.

- As of June 30, 2016 the ratio of assets to the AAL (the funded ratio) is 36.81%.

These funded percentages are not necessarily appropriate for assessing the sufficiency of OPEB assets to cover the estimated cost of settling the benefit obligations or the need for or the amount of future contributions.

- The **Annual Required Contribution (ARC)** for fiscal year 2017 is \$8,486,000. The ARC is expected to remain relatively level as a percentage of payroll, as long as the ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

The unfunded liability of \$75,927,000 as of June 30, 2016 represents a decrease of \$2,342,000 from \$78,269,000 as shown in the June 30, 2014 valuation.

The unfunded liability had been expected to decrease \$282,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the

unfunded actuarial accrued liability, less contributions. The greater than expected decrease was the net effect of the following:

- An **actuarial experience gain** decreased obligations by \$1,333,000. This was the net result of gains due to demographic changes and the change in asset valuation method from actuarial value to market value, partially offset by an investment loss over the two-year period.
- **Valuation assumption and plan changes** decreased obligations by \$727,000 this was the net result of a decrease in obligations due to (1) the net impact of valuation year per capita health costs not increasing as much as projected and (2) updating the excise tax on high cost health plans beginning in 2020, partially offset by increases in obligations due to (3) lowering the discount rate from 7.00% to 6.75%, (4) changes in demographic assumptions as described in Exhibit II of Section 4 and (5) the net impact of revising the future trend on medical/prescription drug costs. The addition of the excise tax is in this valuation results in a 0.95% increase in the actuarial accrued liability and a 1.98% increase in the normal cost. The complete set of assumptions is shown in Exhibit II.

This valuation reflects the terms of the memorandum of agreement (MOA) effective July 1, 2015, concerning health insurance for Town employees and retirees. This includes changes to the employee/retiree premium contributions. No specific provision for employees or retirees currently opting out of health insurance under the terms of the MOA is included, and they are assumed to receive OPEB just as any other plan participant.

## **SECTION 1: Executive Summary for Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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### **FUNDING SCHEDULES**

Following the Summary of the Valuation Results are Funding Schedules for the Town, Municipal Light Plant and Water and Sewer Department that project the funding requirements needed to fully fund these obligations. The funding requirements are based on a 21-year amortization of the unfunded liability for the Town and Water and Sewer Department and a 6-year amortization for the Municipal Light Plant. The funding amount to the Trust is the level amount needed each year to fully fund the obligations by June 20, 2037 (June 30, 2022 for the Municipal Light Plant). Please note that while there is an unfunded liability, the funding contribution is paid by the Employer to the Trust and benefit payments are paid by the Employer. After the liability is fully funded, benefit payments are paid by the Trust and the Employer payment to the Trust will equal the Normal Cost (assuming there are no gains and losses).

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**ACCOUNTING REQUIREMENTS**

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

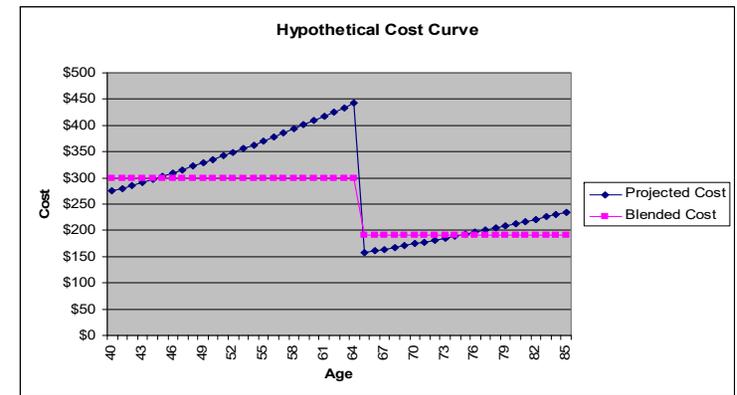
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee’s career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

The benefits valued in this report are limited to those described in Exhibit III of Section 4.

The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. The accounting standard requires the employer to identify and account for this implicit subsidy as well as any explicit subsidies the employer may provide.



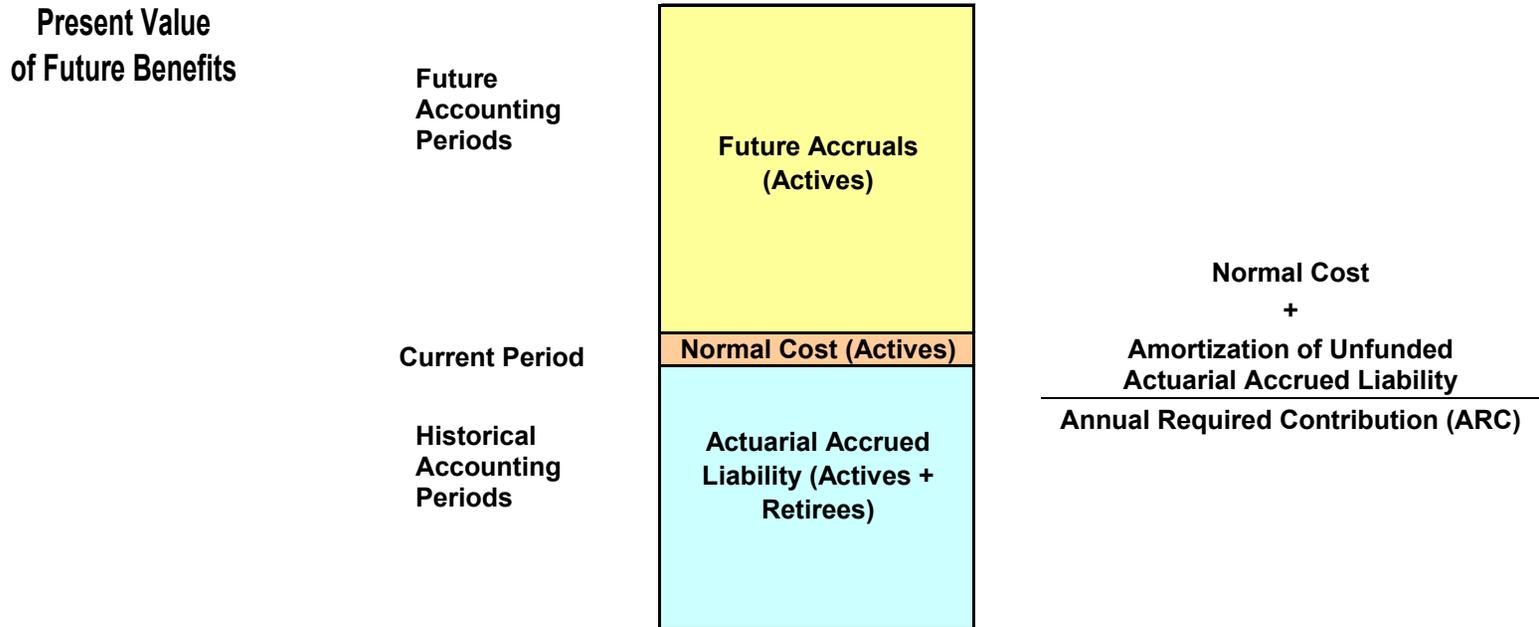
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This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

**GASB 43/45 Measurement**



$$\text{Net OPEB Obligation} = \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots$$

## **SECTION 1: Executive Summary for Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**SUMMARY OF VALUATION RESULTS  
ALL DEPARTMENTS**

*The key results for the current and prior valuations are shown on a funded basis.*

Actuarial Accrued Liability by Participant Category	6.75% discount rate	7.00% discount rate
	June 30, 2016	June 30, 2014
1. Current retirees, beneficiaries and dependents	\$51,105,451	\$49,869,889
2. Current active members	<u>69,051,525</u>	<u>61,205,308</u>
3. Total: (1) + (2)	\$120,156,976	\$111,075,197
4. Market value of assets*	<u>44,229,773</u>	<u>32,806,387</u>
5. Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$75,927,203	\$78,268,810
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2017 and June 30, 2015</b>		
6. Normal cost	\$3,258,450	\$2,976,455
7. Adjustment for timing	<u>53,647</u>	<u>50,774</u>
8. Normal cost adjusted for timing: (6) + (7)	\$3,312,097	\$3,027,229
9. 21-year amortization (6-year for MLP) (increasing 3.5%) per year of the UAAL (23-year and 8-year, previously)	\$5,089,668	\$5,010,075
10. Adjustment for timing	<u>83,796</u>	<u>85,463</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$5,173,464	\$5,095,538
12. Total Annual Required Contribution (ARC): (8) + (11)	8,485,561	8,122,767
13. Projected benefit payments	4,620,670	4,768,760

*Note: Adjustment for timing assumes payment occurs at the end of the first quarter of the fiscal year.*

*\* June 30, 2014 assets were based on actuarial value.*

**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**FUNDING SCHEDULE – TOWN**

**21 Years Closed (6.75% discount rate)**

<b>Fiscal Year Ended June 30</b>	<b>(1) Projected Benefit Payments</b>	<b>(2) Normal Cost with Interest</b>	<b>(3) Amortization of UAAL</b>	<b>(4) Total Funding Requirement (3) + (2)</b>	<b>(5) Funding Contribution to Trust</b>	<b>(6) Assets at End of Year</b>	<b>(7) AAL at End of Year</b>	<b>(8) UAAL at End of Year (7) – (6)</b>
2017	\$4,245,516	\$3,153,898	\$4,633,761	\$7,787,659	\$3,005,870	\$44,740,443	\$116,846,958	\$72,106,514
2018	4,654,006	3,311,593	4,838,581	8,150,174	3,432,000	51,446,864	123,403,479	71,956,615
2019	5,151,098	3,477,173	5,012,420	8,489,593	3,432,000	58,614,740	130,062,864	71,448,124
2020	5,512,530	3,651,031	5,180,497	8,831,528	3,432,000	66,272,825	136,980,914	70,708,090
2021	5,910,750	3,833,583	5,352,566	9,186,149	3,432,000	74,454,857	144,146,211	69,691,354
2022	6,317,224	4,025,262	5,526,566	9,551,828	3,432,000	83,196,349	151,576,500	68,380,150
2023	6,701,151	4,226,525	5,702,374	9,928,899	3,432,000	92,534,666	159,323,028	66,788,362
2024	7,153,882	4,437,851	5,882,689	10,320,540	3,432,000	102,511,309	167,346,622	64,835,314
2025	7,459,367	4,659,744	6,062,103	10,721,847	3,432,000	113,166,765	175,829,217	62,662,452
2026	7,914,594	4,892,731	6,256,029	11,148,760	3,432,000	124,549,497	184,658,731	60,109,234
2027	8,414,224	5,137,368	6,452,149	11,589,517	3,432,000	136,709,380	193,824,940	57,115,560
2028	8,834,935	5,394,236	6,645,982	12,040,218	3,432,000	149,697,478	203,444,955	53,747,477
2029	9,276,682	5,663,948	6,847,543	12,511,491	3,432,000	163,570,068	213,541,163	49,971,095
2030	9,740,516	5,947,145	7,057,128	13,004,273	3,432,000	178,387,243	224,137,049	45,749,806
2031	10,227,542	6,244,502	7,275,047	13,519,549	3,432,000	194,213,170	235,257,250	41,044,080
2032	10,738,919	6,556,727	7,501,616	14,058,343	3,432,000	211,116,371	246,927,612	35,811,240
2033	11,275,865	6,884,564	7,737,156	14,621,720	3,432,000	229,170,013	259,175,248	30,005,235
2034	11,839,658	7,228,792	7,981,984	15,210,776	3,432,000	248,452,224	272,028,601	23,576,376
2035	12,431,641	7,590,232	8,236,391	15,826,623	3,432,000	269,046,430	285,517,506	16,471,075
2036	13,053,223	7,969,743	8,500,526	16,470,269	3,432,000	291,041,714	299,673,261	8,631,547
2037	13,705,884	8,368,230	8,773,656	17,141,886	3,432,000	314,533,195	314,533,195	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.*

*2017 additional funding amount is the budgeted contribution from the prior valuation.*

*Normal cost is projected to increase 5.0% per year and does not reflect the impact of pension reform for new hires.*

*Amortization payments calculated to increase 3.5% per year.*

**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**FUNDING SCHEDULE – WATER AND SEWER**

**21 Years Closed (6.75% discount rate)**

<b>Fiscal Year Ended June 30</b>	<b>(1) Projected Benefit Payments</b>	<b>(2) Normal Cost with Interest</b>	<b>(3) Amortization of UAAL</b>	<b>(4) Total Funding Requirement (3) + (2)</b>	<b>(5) Funding Contribution to Trust</b>	<b>(6) Assets at End of Year</b>	<b>(7) AAL at End of Year</b>	<b>(8) UAAL at End of Year (7) – (6)</b>
2017	\$107,782	\$72,691	\$146,945	\$219,636	\$157,582	\$1,604,834	\$3,825,121	\$2,220,287
2018	124,834	76,326	148,988	225,314	55,000	1,773,125	4,034,497	2,261,372
2019	136,570	80,142	157,525	237,667	55,000	1,952,982	4,249,888	2,296,905
2020	150,855	84,149	166,542	250,691	55,000	2,145,232	4,469,266	2,324,034
2021	172,719	88,357	175,928	264,285	55,000	2,350,844	4,685,282	2,334,437
2022	211,758	92,775	185,122	277,897	55,000	2,571,025	4,880,182	2,309,158
2023	245,470	97,413	192,566	289,979	55,000	2,806,662	5,058,279	2,251,617
2024	238,381	102,284	198,321	300,605	55,000	3,058,079	5,260,837	2,202,758
2025	267,333	107,398	205,958	313,356	55,000	3,326,978	5,452,526	2,125,548
2026	275,335	112,768	212,208	324,976	55,000	3,614,169	5,654,525	2,040,356
2027	280,006	118,406	219,013	337,419	55,000	3,920,828	5,871,255	1,950,427
2028	294,007	124,327	226,952	351,279	55,000	4,248,433	6,094,367	1,845,933
2029	308,707	130,543	235,176	365,719	55,000	4,598,411	6,323,878	1,725,467
2030	324,142	137,070	243,678	380,748	55,000	4,972,285	6,559,789	1,587,504
2031	340,349	143,924	252,442	396,366	55,000	5,371,682	6,802,077	1,430,395
2032	357,367	151,120	261,433	412,553	55,000	5,798,338	7,050,693	1,252,356
2033	375,235	158,676	270,576	429,252	55,000	6,254,108	7,305,566	1,051,457
2034	393,997	166,610	279,708	446,318	55,000	6,740,974	7,566,589	825,615
2035	413,697	174,940	288,428	463,368	55,000	7,261,052	7,833,627	572,575
2036	434,382	183,687	295,499	479,186	55,000	7,816,599	8,106,504	289,905
2037	456,101	192,872	294,678	487,550	55,000	8,410,029	8,410,029	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.  
 2017 additional funding amount is the budgeted contribution from the prior valuation.  
 Normal cost is projected to increase 5.0% per year and does not reflect the impact of pension reform for new hires.  
 Amortization payments calculated to increase 3.5% per year.*

**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**FUNDING SCHEDULE – MUNICIPAL LIGHT PLANT**

**8 Years Closed (6.75% discount)**

<b>Fiscal Year Ended June 30</b>	<b>(1) Projected Benefit Payments</b>	<b>(2) Normal Cost with Interest</b>	<b>(3) Amortization of UAAL</b>	<b>(4) Total Funding Requirement (3) + (2)</b>	<b>(5) Funding Contribution to Trust</b>	<b>(6) Assets at End of Year</b>	<b>(7) AAL at End of Year</b>	<b>(8) UAAL at End of Year (7) – (6)</b>
2017	\$267,372	\$85,508	\$392,758	\$478,266	\$301,517	\$4,508,948	\$6,299,817	\$1,790,869
2018	299,308	89,783	284,781	374,564	153,000	4,979,265	6,510,101	1,530,836
2019	331,639	94,272	279,790	374,062	153,000	5,481,900	6,705,889	1,223,989
2020	361,100	98,986	264,448	363,434	153,000	6,018,982	6,889,404	870,422
2021	404,970	103,935	231,550	335,485	153,000	6,593,091	7,045,177	452,087
2022	417,970	109,132	157,936	267,068	153,000	7,206,182	7,206,182	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.*

*2017 additional funding amount is the budgeted contribution from the prior valuation.*

*Normal cost is projected to increase 5.0% per year and does not reflect the impact of pension reform for new hires.*

*Amortization payments calculated to increase 3.5% per year.*

**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**DEPARTMENT RESULTS**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – 6.75% Discount Rate**

	All Other	School Non- Teacher	Teacher	Town	Water and Sewer	Municipal Light Plant	Total
<b>Actuarial Accrued Liability by Participant Category</b>							
1. Current retirees, beneficiaries and dependents	\$17,571,603	\$4,389,181	\$25,576,355	\$47,537,139	\$750,432	\$2,817,880	\$51,105,451
2. Current active members	<u>25,847,657</u>	<u>8,590,760</u>	<u>28,489,237</u>	<u>62,927,654</u>	<u>2,865,624</u>	<u>3,258,246</u>	<u>69,051,525</u>
3. Total: (1) + (2)	\$43,419,260	\$12,979,941	\$54,065,592	\$110,464,793	\$3,616,056	\$6,076,126	\$120,156,976
4. Market value of assets	<u>15,325,441</u>	<u>4,574,697</u>	<u>19,054,100</u>	<u>38,954,239</u>	<u>1,348,328</u>	<u>3,927,206</u>	<u>44,229,773</u>
5. Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$28,093,818	\$8,405,244	\$35,011,492	\$71,510,554	\$2,267,728	\$2,148,921	\$75,927,203
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2017</b>							
6. Normal cost	\$794,532	\$519,330	\$1,788,952	\$3,102,814	\$71,514	\$84,123	\$3,258,450
7. Adjustment for timing	<u>13,081</u>	<u>8,550</u>	<u>29,453</u>	<u>51,084</u>	<u>1,177</u>	<u>1,385</u>	<u>53,647</u>
8. Normal cost adjusted for timing: (6) + (7)	\$807,613	\$527,880	\$1,818,405	\$3,153,898	\$72,691	\$85,508	\$3,312,097
9. 21-year amortization (6-year for MLP) (increasing 3.5% per year) of the UAAL	\$1,790,945	\$535,824	\$2,231,938	\$4,558,707	\$144,565	\$386,396	\$5,089,668
10. Adjustment for timing	<u>29,486</u>	<u>8,822</u>	<u>36,746</u>	<u>75,054</u>	<u>2,380</u>	<u>6,362</u>	<u>83,796</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$1,820,431	\$544,646	\$2,268,684	\$4,633,761	\$146,945	\$392,758	\$5,173,464
12. Total Annual Required Contribution (ARC): (8) + (11)	2,628,044	1,072,526	4,087,089	7,787,659	219,636	478,266	8,485,561
13. Projected benefit payments	1,653,798	514,943	2,076,775	4,245,516	107,782	267,372	4,620,670

*Note: Adjustment for timing assumes payment occurs at the end of the first quarter of the fiscal year.*

October 14, 2016

**ACTUARIAL CERTIFICATION**

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the Town of Wellesley other postemployment benefit programs as of June 30, 2016, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Town of Wellesley and on participant, premium data and claims experience provided by the Town of Wellesley or from vendors employed by the Town of Wellesley. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

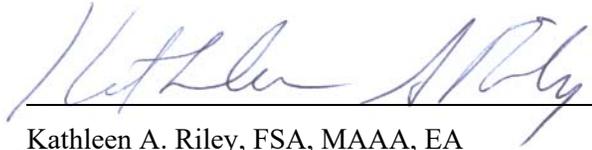
The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. The scope of the assignment did not include performing an analysis of the potential range of such future measurements.

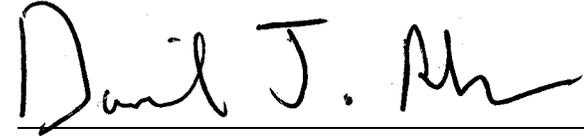
**SECTION 2: Valuation Results for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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The signing actuaries are members of the American Academy of Actuaries and collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. Further, in our opinion, the assumptions are reasonably related to the experience and expectations of the postemployment benefit programs.



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



Daniel J. Rhodes, FSA, MAAA  
Vice President and Consulting Actuary

**SECTION 3: Valuation Details for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**CHART 1**  
**Required Supplementary Information – Schedule of Employer Contributions**

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Costs</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2007	--	\$848,562	N/A
2008	\$7,794,493	7,524,218	96.53%
2009	8,159,418	10,491,432	128.58%
2010	8,506,559	9,519,441	111.91%
2011	9,127,366	9,478,438	103.85%
2012	9,636,485	10,162,826	105.46%
2013	9,246,224	10,191,192	110.22%
2014	9,580,885	10,643,920	111.10%
2015	8,074,103	8,227,860	101.90%
2016	8,294,694	8,601,496	103.70%
2017	8,466,877	8,085,639	95.50%
2018	8,746,177	--	--

*Notes: 2017 and 2018 information assumes there will be no plan changes that need to be reflected.  
2017 actual contributions reflect budgeted amounts.*

**SECTION 3: Valuation Details for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CHART 2**  
**Required Supplementary Information – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]</b>
6/30/2008	\$3,961,548	\$109,103,295	\$105,141,747	3.63%	\$61,221,013	171.74%
6/30/2010	11,133,131	125,242,206	114,109,075	8.89%	65,958,262	173.00%
6/30/2012	21,313,571	127,611,942	106,298,371	16.70%	80,220,910	132.51%
6/30/2014	32,806,387	111,075,197	78,268,810	29.54%	87,164,071	89.79%
6/30/2016	44,229,773	120,156,976	75,927,203	36.81%	94,239,092	80.57%

*Note: Covered payroll for fiscal year 2016 is covered payroll for fiscal year 2015 trended by 3%.*

**SECTION 3: Valuation Details for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**CHART 3  
Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contribution (a)</b>	<b>Interest on Existing NOO (b)</b>	<b>ARC Adjustment (c)</b>	<b>Annual OPEB Cost (a) + (b) + (c) (d)</b>	<b>Actual Contribution Amount (e)</b>	<b>Net Increase in NOO (d) - (e) (f)</b>	<b>NOO as of Following Date (g)</b>
2007	N/A	N/A	N/A	N/A	N/A	N/A	\$0
2008	\$7,794,493	\$0	\$0	\$7,794,493	\$7,524,218	\$270,275	270,275
2009	8,159,418	0	0	8,159,418	10,491,432	(2,332,014)	(2,061,739)
2010	8,506,559	0	0	8,506,559	9,519,441	(1,012,882)	(3,074,621)
2011	9,182,304	(230,597)	175,659	9,127,366	9,478,438	(351,072)	(3,425,693)
2012	9,764,460	(256,927)	128,952	9,636,485	10,162,826	(526,341)	(3,952,034)
2013	9,305,607	(296,403)	237,020	9,246,224	10,191,192	(944,968)	(4,897,002)
2014	9,646,584	(367,275)	301,576	9,580,885	10,643,920	(1,063,035)	(5,960,037)
2015	8,120,478	(417,394)	371,046	8,074,130	8,227,860	(153,730)	(6,113,767)
2016	8,440,019	(427,964)	282,639	8,294,694	8,601,496	(306,802)	(6,420,569)
2017	8,484,223	(433,388)	416,042	8,466,877	8,085,639	381,238	(6,039,331)
2018	8,748,573	(407,655)	405,259	8,746,177	--	--	--

*Notes: 2017 and 2018 information assumes there will be no plan changes that need to be reflected.  
2017 actual contributions reflect budgeted amounts.*

**SECTION 3: Valuation Details for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**CHART 4  
Summary of Required Supplementary Information**

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<b>Valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Projected Unit Credit
<b>Amortization method</b>	Payments increasing at 3.5%
<b>Remaining amortization period</b>	21 years as of July 1, 2016, closed (6 years as of July 1, 2016, closed for the Municipal Light Plant)
<b>Asset valuation method</b>	Market value (previously, actuarial value of assets)
<b>Actuarial assumptions:</b>	
Investment rate of return	6.75% (previously, 7.00%)
Inflation rate	3.50%
Medical/drug cost trend rate	7.0% decreasing by 0.5% for 4 years to an ultimate level of 5.0% per year
<b>Plan membership:</b>	
Current retirees, beneficiaries, and dependents	922
Current active participants	<u>937</u>
Total*	1,859

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\* Includes 33 retirees with life insurance only, 45 active and 1 retiree opt-out participants.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**EXHIBIT I  
Summary of Participant Data**

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*This exhibit summarizes the participant data used for the current and prior valuations.*

	<b>June 30, 2016</b>	<b>June 30, 2014</b>
<b>Active employees covered for medical benefits</b>		
Number of employees		
Male	392	388
Female	<u>545</u>	<u>532</u>
Total	937	920
Average age	45.9	45.3
Average service	11.2	10.8
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>		
Number of individuals	889	895
Average age	74.1	73.5
<b>Retired employees with life insurance coverage</b>		
Number of individuals*	317	321
Average age	77.0	76.5

*\* Includes 33 and 31 retirees as of June 30, 2016 and June 30, 2014, respectively, with life insurance only. Participant counts as of June 30, 2016 also include 45 active and 1 retiree opt-out participants.*

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**EXHIBIT II  
Actuarial Assumptions and Actuarial Cost Method**

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<b>Data:</b>	Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Wellesley.
<b>Actuarial Cost Method:</b>	Projected Unit Credit - For active employees, benefits are allocated from date of hire to assumed retirement age.
<b>Per Capita Cost Development:</b>	Per capita costs were based on the fully-insured premium rates effective July 1, 2016 (January 1, 2016 for Medicare plans). Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the premium to estimate individual retiree and spouse costs by age and by gender.
<b>Measurement Date:</b>	June 30, 2016  The results of the June 30, 2016 actuarial valuation were used to determine the Annual Required Contribution for the fiscal years ending June 30, 2017 and 2018. Assets and liabilities were rolled forward from June 30, 2016 to June 30, 2017 using standard actuarial techniques.
<b>Expected Return on Assets:</b>	6.75% (previously, 7.00%)  The long-term expected rate of return on OPEB investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce a long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
<b>Discount Rate:</b>	6.75% (previously, 7.00%). Discount rate is equal to expected return on assets.
<b>Asset Valuation Method:</b>	Market value (previously, actuarial value of assets)

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**Mortality Rates:**

<i>Pre-Retirement (Non-Teachers)</i>	RP-2014 Blue Collar Healthy Employee Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D (previously, RP-2000 Employee Mortality Table projected 20 years with Scale AA)
<i>Post-Retirement (Non-Teachers)</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D (previously, RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA)
<i>Disabled (Non-Teachers)</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections based out to a base year of 2006 projected generationally with Scale BB2D set forward 3 years for males (previously, RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males)
<i>Pre-Retirement (Teachers)</i>	RP-2014 Employee Mortality Table projected generationally with Scale BB2D from 2014 (previously, RP-2000 Combined Healthy White Collar Table projected 20 years with Scale AA)
<i>Post-Retirement (Teachers)</i>	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2014 (previously, RP-2000 Healthy Annuitant with Large Benefit Amount Adjustment Mortality Table projected 15 years with Scale AA)
<i>Disabled (Teachers)</i>	RP-2014 Healthy Annuitant Mortality Table set forward 4 years projected generationally with Scale BB2D from 2014 (previously, RP-2000 Healthy Annuitant with Large Benefit Amount Adjustment Mortality Table projected 15 years with Scale AA)

The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the plan as of the measurement date. The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**Termination Rates before Retirement:**

**Groups 1 and 2 (excluding Teachers) - Rate per year (%)**

Age	Mortality				Disability
	Current		Previously		
	Male	Female	Male	Female	
20	0.07	0.02	0.02	0.01	0.01
25	0.07	0.02	0.03	0.01	0.02
30	0.06	0.02	0.04	0.02	0.03
35	0.07	0.03	0.07	0.04	0.05
40	0.10	0.05	0.09	0.05	0.10
45	0.16	0.09	0.12	0.08	0.15
50	0.26	0.13	0.15	0.12	0.19
55	0.38	0.19	0.21	0.22	0.24
60	0.64	0.31	0.35	0.36	0.28

*Note: 55% of the rates shown represent accidental disability and death.*

**Group 4 - Rate per year (%)**

Age	Mortality				Disability
	Current		Previously		
	Male	Female	Male	Female	
20	0.07	0.02	0.02	0.01	0.10
25	0.07	0.02	0.03	0.01	0.20
30	0.06	0.02	0.04	0.02	0.30
35	0.07	0.03	0.07	0.04	0.30
40	0.10	0.05	0.09	0.05	0.30
45	0.16	0.09	0.12	0.08	1.00
50	0.26	0.13	0.15	0.12	1.25
55	0.38	0.19	0.21	0.22	1.20
60	0.64	0.31	0.35	0.36	0.85

*Note: 90% of the rates shown represent accidental disability and death.*

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**Teachers - Rate per year (%)**

**Mortality**

<b>Age</b>	<b>Current</b>		<b>Previously</b>		<b>Disability</b>
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	
20	0.04	0.02	0.02	0.01	0.00
25	0.05	0.02	0.03	0.02	0.01
30	0.05	0.02	0.03	0.02	0.01
35	0.05	0.03	0.05	0.04	0.01
40	0.06	0.04	0.08	0.05	0.01
45	0.10	0.07	0.10	0.07	0.03
50	0.17	0.11	0.14	0.11	0.05
55	0.28	0.17	0.23	0.22	0.07
60	0.47	0.24	0.40	0.42	0.07

*Notes: 35% of the rates shown represent accidental disability.  
55% of the death rates shown represent accidental death.*

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**Withdrawal Rates:**

Years of Service	Rate per year (%)	
	Groups 1 and 2	Years of Service
0	15.0	0 – 10
1	12.0	11+
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	
12	4.6	
13	4.1	
14	3.7	
15	3.3	
16 – 20	2.0	
21 – 29	1.0	
30+	0.0	

**Withdrawal Rates:**

Age	Teachers - Rate per year (%)					
	0 Years of Service		5 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	13.0	10.0	5.5	7.0	1.5	5.0
30	15.0	15.0	5.4	8.8	1.5	4.5
40	13.3	10.5	5.2	5.0	1.7	2.2
50	16.2	9.8	7.0	5.0	2.3	2.0

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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Retirement Rates:	Current			
	Rate (%)			Group 4
	Groups 1 and 2			
Age	Male	Female		
50	--	--	2.0	
51	--	--	2.0	
52	--	--	2.0	
53	--	--	2.0	
54	--	--	2.0	
55	1.00	2.750	10.0	
56	1.25	3.250	5.0	
57	1.25	3.250	5.0	
58	2.50	3.250	5.0	
59	3.25	3.250	15.0	
60	9.00	3.750	20.0	
61	15.00	9.750	20.0	
62	22.50	11.250	25.0	
63	18.75	9.375	25.0	
64	16.50	13.500	30.0	
65	40.00	15.000	100.0	
66	25.00	20.000	100.0	
67	25.00	20.000	100.0	
68	30.00	25.000	100.0	
69	30.00	20.000	100.0	
70	100.00	100.000	100.0	

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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Previously,

**Retirement Rates:**

Age	Rate per year (%)		
	Groups 1 and 2		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

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

Age	Teachers - Rate per year (%)					
	Years of Service					
	Less than 20		20 – 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 - 52	--	--	1.0	1.0	2.0	1.5
53	--	--	1.5	1.0	2.0	1.5
54	--	--	2.5	1.0	2.0	2.0
55	5.0	3.0	3.0	3.0	6.0	5.0
56	5.0	3.0	6.0	5.0	20.0	15.0
57	5.0	4.0	10.0	8.0	40.0	35.0
58	5.0	8.0	15.0	10.0	50.0	35.0
59	10.0	8.0	20.0	15.0	50.0	35.0
60	10.0	10.0	25.0	20.0	40.0	35.0
61	20.0	12.0	30.0	25.0	40.0	35.0
62	20.0	12.0	35.0	30.0	35.0	35.0
63	25.0	15.0	40.0	30.0	35.0	35.0
64	25.0	20.0	40.0	30.0	35.0	35.0
65	25.0	25.0	40.0	40.0	35.0	35.0
66	30.0	25.0	30.0	30.0	40.0	35.0
67	30.0	30.0	30.0	30.0	40.0	30.0
68	30.0	30.0	30.0	30.0	40.0	30.0
69	30.0	30.0	30.0	30.0	40.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

**Dependents:** Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 65% were assumed to have an eligible spouse who also opts for health coverage at that time.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**Per Capita Health Costs:**

Fiscal 2016 - 2017 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Non-Medicare Rate Saver Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$8,656	\$10,858	\$5,369	\$8,105	N/A	N/A	N/A	N/A
50	10,273	11,701	7,176	9,396	N/A	N/A	N/A	N/A
55	12,200	12,596	9,602	10,875	N/A	N/A	N/A	N/A
60	14,489	13,577	12,854	12,613	N/A	N/A	N/A	N/A
65	17,208	14,627	17,208	14,627	\$3,965	\$3,370	\$3,965	\$3,370
70	19,944	15,763	19,944	15,763	4,595	3,632	4,595	3,632
75	21,493	16,967	21,493	16,967	4,952	3,909	4,952	3,909
80	23,145	18,292	23,145	18,292	5,333	4,215	5,333	4,215

**Medicare Advantage Plan:** \$3,352

**Annual Medicare Part B Reimbursement:** \$629

**Weighted Average Annual Retiree Contribution Amount:**

*Non-Medicare Plans:*

Retiree Contribution: \$2,431

Surviving Spouse Contribution: \$2,761

*Medicare Supplement Plans:* \$2,151

*Medicare Advantage Plans:* \$1,676

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

**Health Care Cost Trend Rates:** Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are “net” and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year’s cost to yield the next year’s projected cost.

Year Ending June 30	Medical/Drug	Medicare Part B Premium
2017	7.0%	5.0%
2018	6.5%	5.0%
2019	6.0%	5.0%
2020	5.5%	5.0%
2021 & later	5.0%	5.0%

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using data sources such as the 2017 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

**Retiree Contribution Increase Rate:** Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

**Participation and Coverage Election:** 115% of active employees with coverage are assumed to elect retiree coverage.

Includes participants who are currently receiving an opt-out payment in lieu of medical coverage.

100% of retirees over age 65 are assumed to remain with their current medical plan for life.

For future retirees hired prior to 1986 and current retirees under age 65, 75% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 15% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to remain enrolled in a non-Medicare plan.

#### **SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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For future retirees hired in 1986 or later, 80% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 20% are assumed to enroll in a Medicare Advantage plan upon reaching age 65.

75% of future retirees with medical coverage are assumed to have life insurance coverage.

**Plan Design:** Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.

**Administrative Expenses:** Administrative expenses for self-insured plans were based on current vendor contractual rates and fees.

**Missing Participant Data:** A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.

**Health Care Reform Assumption:** This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2020 (reflected with this valuation) and those previously adopted as of the valuation date. The addition of the excise tax in this valuation increased the actuarial accrued liability by 0.95% and normal cost by 1.98%.

**Demographic Assumptions:** The demographic assumptions used in this valuation are the same as used in the Town of Wellesley Contributory Retirement System's pension valuation as of January 1, 2015, dated September 9, 2015 completed by Segal Consulting, with the exception of the mortality assumption projection and the January 1, 2015 Actuarial Valuation Report for the Massachusetts State Teachers Retirement System dated September 18, 2015. A review of the demographic assumptions is beyond the scope of this assignment, however, we have no reason to doubt the reasonableness of the assumptions.

The remaining demographic assumptions, such as relative ages of spouses, and enrollment elections, were based on the experience of the Plan and the experience of similar plans.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**Justification for Assumption and  
Method Changes  
since Prior Valuation:**

The following assumptions were changed to reflect recent experience and future expectations:

The discount rate was lowered from 7.0% to 6.75%.

The asset valuation method was changed from a method that recognizes gains and losses from the assumed investment return over a five-year period to market value.

The per capita health costs were updated to reflect current experience.

The mortality assumptions were updated to reflect mortality improvement.

The retirement assumption for non-teachers was updated to reflect current experience and future expectations.

The excise tax was updated to reflect the additional liability for high cost health plans beginning in 2020.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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**EXHIBIT III**

**Summary of Plan**

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This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

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**Eligibility:**

Retired and receiving a pension from the Town of Wellesley Contributory Retirement System or Massachusetts State Teachers Retirement System.

*Members hired before  
April 2, 2012*

**Group 1 and Group 2 (including Teachers):**

- Retirees with at least 10 years of creditable service are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

**Group 4**

- Retirees are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

*Members hired on or  
after April 2, 2012*

**Group 1 (including Teachers):**

- Retirees with at least 10 years of creditable service are eligible at age 60.

**Group 2**

- Retirees with at least 10 years of creditable service are eligible at age 55.

**Group 4**

- Retirees are eligible at age 55;
- Retirees with at least 10 years of creditable service are eligible at age 50.

**Disability:** Accidental (job-related) Disability has no age or service requirement. Ordinary (non-job related) Disability has no age requirement but requires 10 years of creditable service.

**Pre-Retirement Death:** Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age. Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service.

**Post-Retirement Death:** Surviving spouse is eligible.

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

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<b>Benefit Types:</b>	The Town of Wellesley participates in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan. The Town of Wellesley also pays 50% of the retiree life insurance premium and 50% of the Medicare Part B premium.
<b>Duration of Coverage:</b>	Lifetime.
<b>Dependent Benefits:</b>	Medical and Prescription Drugs.
<b>Dependent Coverage:</b>	Benefits are payable to a spouse for their lifetime, regardless of when the retirees dies.
<b>MGL Chapter 32B, Section 18A:</b>	Effective July 1, 2011.
<b>Retiree Contributions:</b>	Premium rates and retiree contributions as of January 1, 2016 and July 1, 2016 are summarized on the following pages:

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

	Subscribers				Monthly Premium (eff. 7/1/2016)	Retiree cost		Retiree Cost %		Surviving Spouse Cost %
	Active	Retiree	Total	Retirees 65 and over*		Hired		Hired		
						Before 7/1/2015	After 7/1/2015	Before 7/1/2015	After 7/1/2015	
<b><u>Non-Medicare Actives and Retirees</u></b>										
HPHC HMO Rate Saver										
Individual	46	16	62	6	\$799.00	\$231.71	\$319.60	29.0%	40.0%	50.0%
Family	63	9	72	4	\$2,081.00	\$603.49	\$832.40	29.0%	40.0%	50.0%
Tufts HMO Navigator Rate Saver										
Individual	36	23	59	20	\$841.00	\$243.89	\$336.40	29.0%	40.0%	50.0%
Family	44	2	46	0	\$2,203.00	\$638.87	\$881.20	29.0%	40.0%	50.0%
BCBS Network Blue NE Rate Saver										
Individual	14	5	19	3	\$885.00	\$256.65	\$354.00	29.0%	40.0%	50.0%
Family	10	5	15	1	\$2,374.00	\$688.46	\$949.60	29.0%	40.0%	50.0%
Fallon Select Care Rate Saver										
Individual	232	18	250	4	\$639.00	\$127.80	\$127.80	20.0%	20.0%	50.0%
Family	407	22	429	6	\$1,721.00	\$344.20	\$344.20	20.0%	20.0%	50.0%
Fallon Direct Care Rate Saver										
Individual	32	2	34	1	\$596.00	\$119.20	\$119.20	20.0%	20.0%	50.0%
Family	8	1	9	0	\$1,600.00	\$320.00	\$320.00	20.0%	20.0%	50.0%
HPHC PPO										
Individual	0	3	3	0	\$2,336.00	\$1,168.00	\$1,168.00	50.0%	50.0%	50.0%
Family	0	0	0	0	\$5,187.00	\$2,593.50	\$2,593.50	50.0%	50.0%	50.0%
<b><u>Non-Medicare Total ***</u></b>										
	892	106	998	45						

**SECTION 4: Supporting Information for the Town of Wellesley June 30, 2016 Measurement Under GASB 43 and 45**

	Subscribers			Monthly Premium (eff. 1/1/2016)	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree	Total				
<b><u>Medicare Supplement Plans</u></b>							
BCBS Medex	N/A	164	164	\$360.00	\$180.00	50.0%	50.0%
HPHC Medicare Enhance	N/A	127	127	\$342.00	\$171.00	50.0%	50.0%
BCBS Managed Blue for Seniors	N/A	9	9	\$313.20	\$156.60	50.0%	50.0%
Tufts Medicare Plus	N/A	79	79	\$321.00	\$160.50	50.0%	50.0%
<b><u>Medicare Advantage Plans</u></b>							
Tufts Medicare Preferred	N/A	72	72	\$267.00	\$133.50	50.0%	50.0%
Fallon Senior	N/A	3	3	\$310.00	\$155.00	50.0%	50.0%
<b><u>Medicare Total</u></b>		454	454				
<b><u>Retiree Total**</u></b>		560					

\* 45 of 499 over-65 retirees are in a non-Medicare plan.  
 \*\* In addition, there are 328 spouses of retirees covered under an individual or family policy.  
 \*\*\* Counts exclude 45 active participants and 1 retiree who elected the opt-out provision.

**Retiree Life:** \$5,000

**Plan Changes**

**Since the Prior Valuation:**

This valuation reflects the terms of the memorandum of agreement (MOA) effective July 1, 2015, concerning health insurance for Town employees and retirees. This includes changes to the employee/retiree premium contributions, as illustrated above. As noted in Exhibit II, no specific provision for employees or retirees currently opting out of health insurance under the terms of the MOA is included, and they are assumed to receive OPEB just as any other plan participant.

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