

Town of Wellesley

***Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2008
In accordance with GASB Statements Number 43 and 45***

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December 10, 2008

*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, 2008 under 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 current year and summarizes the actuarial data.

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 material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

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

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SECTION 1

INTRODUCTION

Purpose 1
 Highlights of the Valuation..... 1
 Accounting Requirements..... 3

SECTION 2

VALUATION RESULTS

Summary of Valuation Results 6
 Funding Schedule 7
 Department Results 8
 Actuarial Certification 9

SECTION 3

VALUATION DETAILS

CHART 1
 Required Supplementary Information – Schedule of Employer Contributions Pre-Funded Assumptions (8.0%) Amortization Payments Increasing at 4.0%..... 10

CHART 2
 Required Supplementary Information – Schedule of Funding Progress Pre-Funded Assumptions (8.0%)..... 11

CHART 3
 Required Supplementary Information – Net OPEB Obligation (NOO) Projected Unit Credit, Pre-Funded Assumptions (8.0%) Amortization Payments Increasing at 4.0%..... 12

CHART 4
 Required Supplementary Information 13

SECTION 4

SUPPORTING INFORMATION

EXHIBIT I
 Summary of Participant Data.. 14

EXHIBIT II
 Actuarial Assumptions and Actuarial Cost Method..... 15

EXHIBIT III
 Summary of Plan 24

SECTION 1: Introduction for Town of Wellesley June 30, 2008 Measurement under GASB

PURPOSE

This report presents the results of our actuarial valuation of Town of Wellesley (the "Employer") postemployment welfare benefit plan as of June 30, 2008. 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, 2009, we project the Town will pay premiums (net of retiree contributions) on behalf of retired employees of about \$5,634,000. Under prior accounting rules, this is the Town's "cost" of those benefit programs for retirees. Under current accounting rules, the annual "cost" is \$8,160,000 (pre-funded).

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are pre-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 on a pay-as-you-go basis, the discount rate should be based on the expected yield on the assets of the employer.

To be considered a prefunded plan, the "contribution in relation to the ARC" must equal the ARC. For example, if the ARC is \$8,160,000, and the employer pays premiums, claims, and expenses to retirees of \$5,634,000, then an additional contribution of the difference, or approximately \$2,526,000 will need to be added to an OPEB trust fund during the fiscal year ending June 30, 2009.

Because the Town of Wellesley is funding the ARC, we have used an 8% investment return assumption to discount the liability.

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due.

Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the Employer may be eligible to receive for plan years beginning in 2006.

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: Introduction for Town of Wellesley June 30, 2008 Measurement under GASB

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2008 is \$105,142,000 (pre-funded). 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 total actuarial accrued liability, less expected benefit payments and contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
 - As of June 30, 2008 the ratio of assets to the AAL (the funded ratio) is 3.63%.
 - The **Annual Required Contribution (ARC)** is \$8,160,000 (pre-funded). 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.
- Plan obligations of \$109,103,000 (pre-funded) as of June 30, 2008 represent an increase of \$13,046,000 from \$96,057,000 as shown in the December 31, 2005 valuation.
- Plan obligations had been expected to increase \$10,826,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The greater than expected increase was the net effect of changes in the assumptions:
- An **actuarial experience loss** increased obligations by \$1,342,000. This was the net result of gains and losses due to demographic changes.
 - **Valuation assumption and plan changes** increased obligations by \$878,000. This was the net result of a *decrease* in obligations due to valuation-year per capita health costs that did not increase as much as expected due to experience and plan changes, a *decrease* in obligations due to implementing the rate saver plans, a *decrease* in obligations due to lowering the percent married assumption, partially offset by an *increase* in obligations due to a change in the mortality assumption and a change in the future trend on per capita health care costs, based on our projections of what is likely to occur in the marketplace. The complete set of assumptions is shown in Exhibit II.

SECTION 1: Introduction for Town of Wellesley June 30, 2008 Measurement under GASB

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.

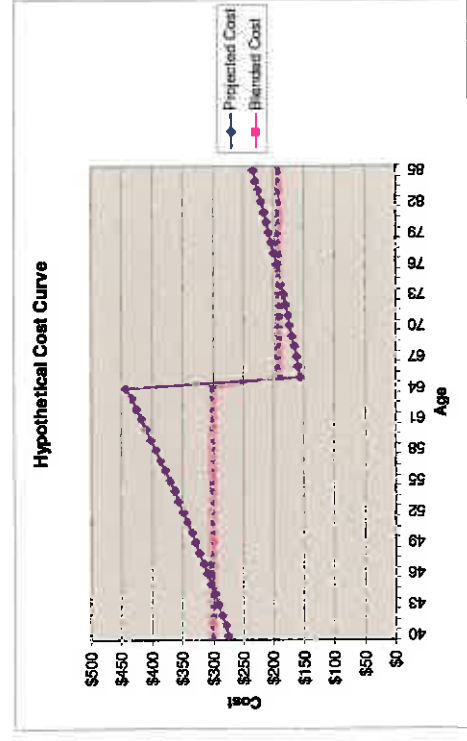
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, 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.

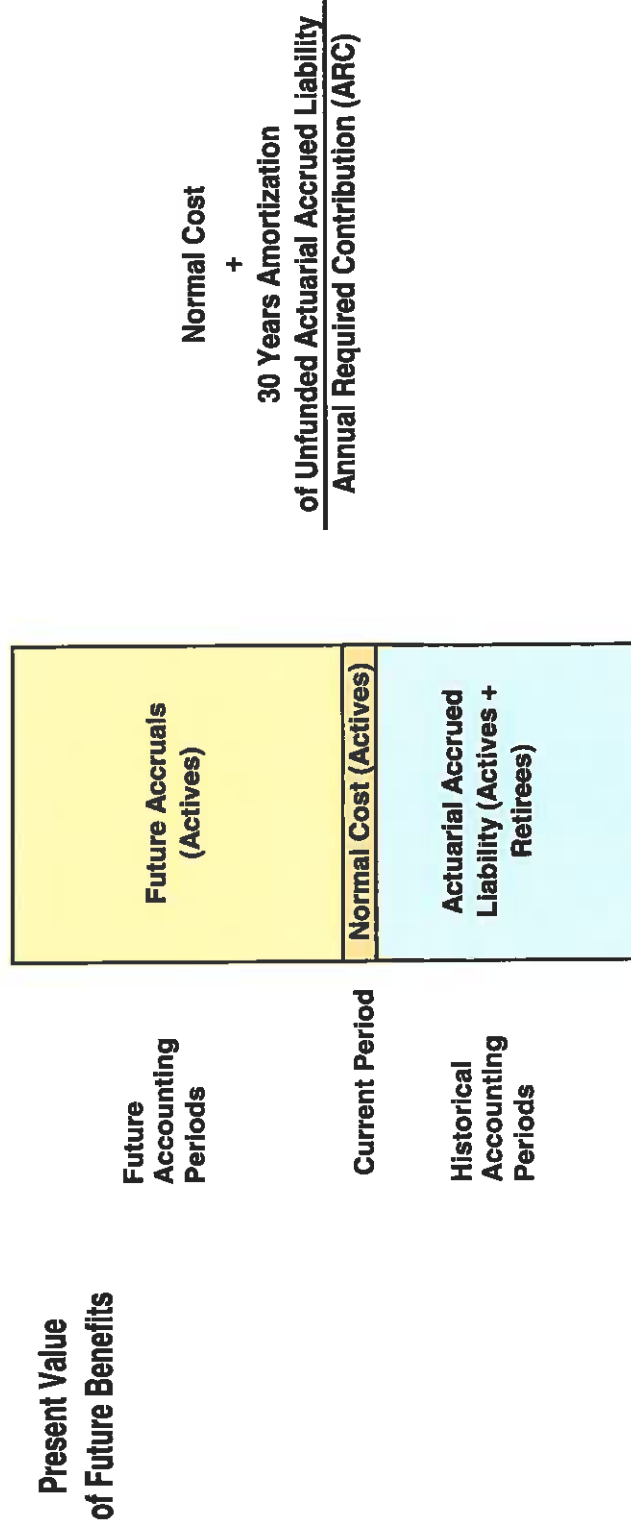
The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees.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



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: Introduction for Town of Wellesley June 30, 2008 Measurement under GASB

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, 2008 Measurement under GASB

SUMMARY OF VALUATION RESULTS

ALL DEPARTMENTS

The key results and significant assumptions for the current year are shown on a pre-funded basis and a pay-as-you-go basis.

**Pre-funded
(8.0% interest rate)**

Actuarial Accrued Liability by Participant Category

1. Current retirees, beneficiaries and dependents	\$67,322,679
2. Current active members	<u>41,780,616</u>
3. Total as of July 1, 2008: (1) + (2)	\$109,103,295
4. Market value of assets as of July 1, 2008	3,961,548
5. Unfunded actuarial accrued liability (UAAL) as of July 1, 2008 (3) – (4)	\$105,141,747

Annual Required Contribution for Fiscal Year Ending June 30, 2009

6. Normal cost as of July 1, 2008	\$1,998,044
7. Adjustment for timing	<u>78,385</u>
8. Normal cost adjusted for timing: (6) + (7)	\$2,076,429
9. 29-year amortization (increasing at 4% per year) of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	\$5,853,358
10. Adjustment for timing	<u>229,631</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$6,082,989
12. Total Annual Required Contribution (ARC): (8) + (11)	\$8,159,418

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2008 Measurement under GASB

FUNDING SCHEDULE

**29 Years Closed (8.0% discount rate, payments increasing at 4.0%)
Projected Unit Credit cost method**

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Cost Amortization of UAAL	(4) Total Funding Requirement	(5) Additional Funding (4) - (1)	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) - (6)
2009	\$5,633,911	\$2,076,429	\$6,082,989	\$8,159,418	\$2,525,507	\$6,903,056	\$114,134,515	\$107,231,459
2010	6,188,161	2,180,250	6,326,309	8,506,559	2,318,398	9,864,650	119,100,133	109,235,483
2011	6,717,891	2,289,263	6,579,361	8,868,624	2,150,733	12,888,929	124,025,779	111,136,849
2012	7,234,706	2,403,726	6,842,535	9,246,261	2,011,555	16,010,513	128,927,339	112,916,826
2013	7,713,128	2,523,912	7,116,237	9,640,149	1,927,021	19,293,974	133,848,762	114,554,762
2014	8,110,695	2,650,108	7,400,886	10,050,994	1,940,299	22,853,910	138,881,826	116,027,916
2015	8,496,864	2,782,613	7,696,922	10,479,535	1,982,671	26,742,675	144,053,949	117,311,274
2016	8,810,362	2,921,744	8,004,799	10,926,543	2,116,181	31,081,288	149,458,633	118,377,345
2017	9,111,510	3,067,831	8,324,990	11,392,822	2,281,312	35,938,600	155,134,549	119,195,949
2018	9,472,473	3,221,223	8,657,990	11,879,213	2,406,740	41,314,845	161,048,823	119,733,978
2019	9,898,938	3,382,284	9,004,310	12,386,594	2,487,656	47,205,281	167,160,423	119,955,143
2020	10,393,885	3,551,398	9,364,482	12,915,880	2,521,995	53,602,638	173,422,337	119,819,699
2021	10,913,579	3,728,968	9,739,061	13,468,030	2,554,450	60,545,511	179,829,657	119,284,145
2022	11,459,258	3,915,417	10,128,624	14,044,040	2,584,782	68,075,337	186,376,239	118,300,902
2023	12,032,221	4,111,187	10,533,769	14,644,956	2,612,735	76,236,598	193,054,559	116,817,961
2024	12,633,832	4,316,747	10,955,120	15,271,866	2,638,034	85,077,051	199,855,555	114,778,504
2025	13,265,524	4,532,584	11,393,324	15,925,908	2,660,385	94,647,968	206,768,462	112,120,494
2026	13,928,800	4,759,213	11,849,057	16,608,271	2,679,471	105,004,394	213,780,625	108,776,232
2027	14,625,240	4,997,174	12,323,020	17,320,194	2,694,954	116,205,423	220,877,296	104,671,873
2028	15,356,502	5,247,033	12,815,940	18,062,973	2,706,471	128,314,504	228,041,411	99,726,907
2029	16,124,327	5,509,384	13,328,578	18,837,962	2,713,635	141,399,757	235,253,352	93,853,595
2030	16,930,543	5,784,854	13,861,721	19,646,575	2,716,031	155,534,320	242,490,680	86,956,359
2031	17,777,070	6,074,096	14,416,190	20,490,286	2,713,216	170,796,722	249,727,846	78,931,124
2032	18,665,924	6,377,801	14,992,838	21,370,639	2,704,715	187,271,282	256,935,882	69,664,600
2033	19,599,220	6,696,691	15,592,551	22,289,242	2,690,022	205,048,537	264,082,051	59,033,514
2034	20,579,181	7,031,526	16,216,253	23,247,779	2,668,598	224,225,708	271,129,478	46,903,770
2035	21,608,140	7,383,102	16,864,903	24,248,005	2,639,865	244,907,193	278,036,743	33,129,550
2036	22,688,547	7,752,257	17,539,499	25,291,756	2,603,209	267,205,103	284,757,435	17,552,332
2037	23,822,975	8,139,870	18,241,079	26,380,949	2,557,975	291,239,836	291,239,836	-

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2008 Measurement under GASB

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pre-Funded (8.0%)

	Municipal			Water and Sewer	Total
	All Other	Department	School		
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	\$24,698,992	\$3,578,997	\$38,290,938	\$753,752	\$67,322,679
2. Current active members	<u>16,583,269</u>	<u>2,767,690</u>	<u>20,781,365</u>	<u>1,648,292</u>	<u>41,780,616</u>
3. Total as of July 1, 2008: (1) + (2)	\$41,282,261	\$6,346,687	\$59,072,303	\$2,402,044	\$109,103,295
4. Market value of assets as of July 1, 2008	<u>1,392,670</u>	<u>483,790</u>	<u>1,992,825</u>	<u>92,263</u>	<u>3,961,548</u>
5. Unfunded actuarial accrued liability (UAAL) as of July 1, 2008 (3) – (4)	\$39,889,591	\$5,862,897	\$57,079,478	\$2,309,781	\$105,141,747
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
6. Normal cost as of July 1, 2008	\$606,792	\$85,486	\$1,266,019	\$39,747	\$1,998,044
7. Adjustment for timing	<u>23,805</u>	<u>3,354</u>	<u>49,667</u>	<u>1,559</u>	<u>78,385</u>
8. Normal cost adjusted for timing: (6) + (7)	\$630,597	\$88,840	\$1,315,686	\$41,306	\$2,076,429
9. 29-year amortization (increasing at 4% per year) of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	\$2,220,698	\$326,394	\$3,177,678	\$128,588	\$5,853,358
10. Adjustment for timing	<u>87,119</u>	<u>12,805</u>	<u>124,662</u>	<u>5,045</u>	<u>229,631</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$2,307,817	\$339,199	\$3,302,340	\$133,633	\$6,082,989
12. Total Annual Required Contribution (ARC): (8) + (11)	\$2,938,414	\$428,039	\$4,618,026	\$174,939	\$8,159,418

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2008 Measurement under GASB

December 10, 2008

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Wellesley other postemployment benefit programs as of June 30, 2008, 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 and on participant and premium data provided by the Town or from vendors employed by the Town.

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.

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. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein.



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



Howard Atkinson, Jr., ASA, MAAA, FCA
Vice President and Health Actuary

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2008 Measurement under GASB

CHART 1

**Required Supplementary Information – Schedule of Employer Contributions
Pre-Funded Assumptions (8.0%)
Amortization Payments Increasing at 4.0%**

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$7,794,493	\$9,049,999	116.11%
2009	8,159,418	--	--

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2008 Measurement under GASB

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
Pre-Funded Assumptions (8.0%)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/2005	\$0	\$96,056,671	\$96,056,671	0%	--	--
6/30/2008	3,961,548	109,103,295	105,141,747	3.63%	--	--

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2008 Measurement under GASB

CHART 3

**Required Supplementary Information – Net OPEB Obligation (NOO)
Projected Unit Credit, Pre-Funded Assumptions (8.0%)
Amortization Payments Increasing at 4.0%**

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2007	N/A	N/A	N/A	N/A	N/A	N/A	\$(848,562)
2008	\$7,794,493	\$(67,885)	\$50,086	\$7,776,694	\$9,049,999	\$(1,273,305)	\$(2,121,867)
2009	8,159,418	(169,749)	127,577	8,117,246	--	--	--

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2008 Measurement under GASB

CHART 4

Required Supplementary Information

Valuation date	June 30, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 4%
Remaining amortization period	29 years as of July 1, 2008, closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Inflation rate	4.00%
Medical/drug cost trend rate	10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.0% per year
Plan membership:	
Current retirees, beneficiaries, and dependents	871
Current active members	889
Total	1,760

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

This exhibit summarizes the participant data used for the current valuation.

EXHIBIT I

Summary of Participant Data

Active employees covered for medical benefits as of July 1, 2008

Number of employees	
Male	363
Female	<u>526</u>
Total	889
Average age	44.2
Average service	9.8

Retired employees, spouses and beneficiaries covered for medical benefits as of July 1, 2008

Number of individuals	871
Average age	72.4

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Wellesley.

Actuarial Cost Method: Projected Unit Credit

Per Capita Cost Development: Per capita costs were based on the fully-insured premium rates effective July 1, 2008 (January 1, 2008 for certain Medicare Advantage 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.

Measurement Date:

June 30, 2008

Discount Rate:

8.0% prefunding

Mortality Rates:

Pre-Retirement (Non-Teachers)

RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA (previously, RP-2000 Healthy Employee Mortality Table)

Healthy (Non-Teachers)

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

Disabled (Non-Teachers)

RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA set forward 3 years (Previously, RP-2000 Healthy Annuitant Mortality Table set forward 2 years)

Pre-Retirement (Teachers)

RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA

Healthy (Teachers)

RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA

Disabled (Teachers)

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Termination Rates before Retirement:

Groups 1 and 2 (Excluding Teachers) – Rate per year (%)

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	0.10	0.15
50	0.18	0.14	0.19
55	0.25	0.23	0.24
60	0.42	0.37	0.28

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

Group 4 – Rate per year (%)

Age	Mortality		Disability
	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	0.10	1.00
50	0.18	0.14	1.25
55	0.25	0.23	1.20
60	0.42	0.37	0.85

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Teachers - Rate per year (%)				
Age	Mortality		Disability	
	Male	Female	Male	Female
20	0.03	0.02	0.00	0.00
25	0.03	0.02	0.01	0.01
30	0.04	0.02	0.01	0.01
35	0.07	0.04	0.01	0.01
40	0.10	0.06	0.01	0.01
45	0.13	0.10	0.03	0.03
50	0.18	0.14	0.05	0.05
55	0.25	0.23	0.08	0.08
60	0.42	0.37	0.10	0.10

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

Withdrawal Rates:

Years of Service	Rate per year (%)			
	Groups 1 and 2	Years of Service 0-10	Years of Service 11+	Group 4
0	15.0			1.5
1	12.0			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			
12	4.6			

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Years of Service	Groups 1 and 2
13	4.1
14	3.7
15	3.3
16-20	2.0
21-29	1.0
30+	0.0

Teachers – Rate per year (%)

Age	0 Years of Service		5 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	12.0	10.0	4.5	9.0	1.0	5.0
30	11.4	12.0	4.5	9.0	1.0	5.0
40	9.7	11.0	5.4	6.5	1.7	2.9
50	10.0	8.2	4.8	4.2	2.2	2.1

Retirement Rates:

Age	Rate (%)			
	Groups 1 and 2		Group 4	
	Male	Female	Male	Female
50	1.0	1.5	2.0	2.0
51	1.0	1.5	2.0	2.0
52	1.0	2.0	2.0	2.0
53	1.0	2.5	2.5	5.0
54	2.0	2.5	2.5	7.5
55	2.0	5.5	5.5	15.0
56	2.5	6.5	6.5	10.0
57	2.5	6.5	6.5	10.0
58	5.0	6.5	6.5	10.0
59	6.5	6.5	6.5	15.0

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Age	Rate (%)			
	Groups 1 and 2		Group 4	
	Male	Female	Male	Female
60	12.0	5.0	20.0	20.0
61	20.0	13.0	20.0	20.0
62	30.0	15.0	25.0	25.0
63	25.0	12.5	25.0	25.0
64	22.0	18.0	30.0	30.0
65	40.0	15.0	100.0	100.0
66	25.0	20.0	100.0	100.0
67	25.0	20.0	100.0	100.0
68	30.0	25.0	100.0	100.0
69	30.0	20.0	100.0	100.0
70	100.0	100.0	100.0	100.0

Teachers

Rate per year (%)

Years of Service

Age	Years of Service					
	Less than 20		20 - 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 - 53	--	1.0	1.0	1.0	1.0	1.0
54	--	2.0	1.0	3.5	3.5	3.5
55	2.0	3.0	4.0	6.0	6.0	6.0
56	4.0	3.0	4.0	18.0	18.0	18.0
57	7.0	5.0	5.0	30.0	30.0	30.0
58	8.0	7.0	7.0	40.0	40.0	40.0
59	9.0	10.0	11.0	40.0	40.0	40.0
60	12.0	20.0	16.0	35.0	35.0	35.0

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

61	15.0	30.0	20.0	35.0	35.0
62	18.0	35.0	25.0	40.0	40.0
63	15.0	35.0	25.0	35.0	25.0
64	25.0	30.0	30.0	30.0	30.0
65	40.0	50.0	40.0	50.0	40.0
66	40.0	30.0	30.0	30.0	30.0
67	40.0	30.0	25.0	30.0	25.0
68	40.0	30.0	35.0	30.0	35.0
69	40.0	40.0	35.0	40.0	35.0
70	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% (previously, 75%) 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, 2008 Measurement under GASB

Per Capita Health Costs: Fiscal 2008 – 2009 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 Legacy Plans				Non-Medicare Rate Saver Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
45	\$6,744	\$8,460	\$4,183	\$6,315	\$5,733	\$7,192	\$3,556	\$5,368	N/A	N/A	N/A	N/A
50	8,005	9,117	5,591	7,321	6,804	7,750	4,753	6,223	N/A	N/A	N/A	N/A
55	9,506	9,815	7,482	8,474	8,080	8,343	6,360	7,203	N/A	N/A	N/A	N/A
60	11,290	10,579	10,016	9,828	9,596	8,992	8,514	8,354	N/A	N/A	N/A	N/A
65	13,408	11,397	13,408	11,397	11,397	9,687	11,397	9,687	\$4,362	\$3,708	\$4,362	\$3,708
70	15,540	12,282	15,540	12,282	13,209	10,440	13,209	10,440	5,056	3,996	5,056	3,996
75	16,747	13,220	16,747	13,220	14,235	11,237	14,235	11,237	5,448	4,301	5,448	4,301
80	18,034	14,253	18,034	14,253	15,329	12,115	15,329	12,115	5,867	4,637	5,867	4,637

Medicare Advantage Plans: \$2,000
Annual Medicare Part B Reimbursement: \$578 (Portion paid by Town)

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

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 must be applied to that year’s cost to yield the next year’s projected cost.

Year Ending June 30	Medical/Drug	Medicare Part B Premium
2009	10.00%	6.00%
2010	9.25%	6.00%
2011	8.50%	6.00%
2012	7.75%	6.00%
2013	7.00%	6.00%
2014	6.25%	6.00%
2015	5.50%	6.00%
2016 & later	5.00%	6.00%

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

Participation and Coverage Election: 100% of active employees with coverage are assumed to elect retiree coverage.

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

For future retirees hired prior to 1986 and current retirees under age 65, 55% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 25% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 20% are assumed to remain enrolled in a non-Medicare plan.

For future retirees hired in 1986 or later, 70% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 30% are assumed to enroll in a Medicare Advantage plan upon reaching age 65.

100% of current retirees who have life benefit coverage and 100% of future retirees with medical coverage are assumed to have life insurance coverage.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

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 are assumed to be included in the fully insured premium rates.

Annual Maximum Benefits:

No increase in the annual maximum benefit levels was assumed.

Lifetime Maximum Benefits:

No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.

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.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

EXHIBIT III

Summary of Plan

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.

Eligibility:

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

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 with at least 10 years of creditable service are eligible at age 45;
- Retirees with at least 20 years of creditable service are eligible at any age.

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.

Benefit Types:

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.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Duration of Coverage:	Lifetime.
Dependent Benefits:	Medical and Prescription Drugs.
Dependent Coverage:	Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.
M.G.L. Chapter 32B, Section 18:	Adopted.
Retiree Contributions:	Premium rates and retiree contributions as of July 1, 2008 are summarized on the following page:

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

	Subscribers		Retirees 65 and over*	Monthly Premium (eff. 7/1/2008)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree						
<u>Non-Medicare Actives and Retirees</u>								
HPHC HMO								
Individual	191	43	234	\$563.00	\$463.35	\$99.65	17.7%	50.0%
Family	254	55	309	\$1,467.00	\$1,163.33	\$303.67	20.7%	50.0%
Tufts HMO								
Individual	56	50	106	\$579.00	\$462.04	\$116.96	20.2%	50.0%
Family	112	22	134	\$1,516.00	\$1,164.29	\$351.71	23.2%	50.0%
Tufts HMO Rate Saver								
Individual	0	0	0	\$492.00	\$392.62	\$99.38	20.2%	50.0%
Family	1	0	1	\$1,289.00	\$989.95	\$299.05	23.2%	50.0%
BCBS Network Blue of NE								
Individual	159	36	195	\$608.00	\$505.86	\$102.14	16.8%	50.0%
Family	100	22	122	\$1,633.00	\$1,259.04	\$373.96	22.9%	50.0%
Fallon Direct Care								
Individual	2	0	2	\$464.00	\$376.77	\$87.23	18.8%	50.0%
Family	1	0	1	\$1,253.00	\$969.82	\$283.18	22.6%	50.0%
Fallon Select Care								
Individual	6	2	8	\$500.00	\$406.00	\$94.00	18.8%	50.0%
Family	3	0	3	\$1,348.00	\$1,043.35	\$304.65	22.6%	50.0%
HPHC PPO								
Individual	2	11	13	\$1,122.00	\$561.00	\$561.00	50.0%	50.0%
Family	0	3	3	\$2,493.00	\$1,246.50	\$1,246.50	50.0%	50.0%
HPHC HMO Rate Saver								
Individual	1	0	1	\$478.00	\$393.39	\$84.61	17.7%	50.0%
Family	1	0	1	\$1,247.00	\$988.87	\$258.13	20.7%	50.0%
Non-Medicare Total	889	244	1133					

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

	Subscribers		Monthly Premium (eff. 7/1/2008)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree					
<u>Medicare Supplement Plans</u>							
BCBS Medex	N/A	164	164	\$254.70	\$158.30	38.3%	38.3%
HPHC Medicare Enhance	N/A	15	15	\$248.20	\$151.80	38.0%	38.0%
BCBS Managed Blue for Seniors	N/A	5	5	\$234.66	\$138.25	37.1%	37.1%
Tufts Medicare Complement	N/A	32	32	\$209.70	\$113.30	35.1%	35.1%
<u>Medicare Advantage Plans</u>							
HPHC First Seniority Freedom**	N/A	7	7	\$159.70	\$63.30	28.4%	28.4%
Medicare HMO Blue**	N/A	8	8	\$156.30	\$59.90	27.7%	27.7%
Tufts Medicare Preferred	N/A	70	70	\$124.70	\$28.30	18.5%	18.5%
Fallon Senior**	N/A	1	1	\$151.70	\$55.30	26.7%	26.7%
Medicare Total		302	302				
Retiree Total***			546				

* 104 of 406 retirees are in a non-Medicare plan.

** Premiums effective January 1, 2008.

*** In addition, there are 325 spouses of retirees covered under an individual or family policy.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Benefit Descriptions:

Harvard Pilgrim HMO (legacy)	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$5
<i>Emergency Room Copay</i>	\$30 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand
<i>Mail Copay</i>	\$10 generic/\$20 formulary brand/\$75 non-formulary brand
Harvard Pilgrim HMO (rate saver)	
Medical	
<i>Annual deductible</i>	None
<i>Hospital Inpatient</i>	\$250
<i>Physicians Office Visit Copay</i>	\$20 (\$40 for specialists)
<i>Emergency Room Copay</i>	\$75 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	\$2,000 individual/\$4,000 family
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 formulary brand/\$45 non-formulary brand
<i>Mail Copay</i>	\$20 generic/\$50 formulary brand/\$90 non-formulary brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Tufts HMO (legacy)	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$5
<i>Emergency Room Copay</i>	\$25 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand
<i>Mail Copay</i>	\$10 generic/\$20 formulary brand/\$50 non-formulary brand
Tufts HMO (rate saver)	
Medical	
<i>Annual deductible</i>	None
<i>Hospital Inpatient Copay</i>	\$150 Tier 1/\$250 Tier 2
<i>Physicians Office Visit Copay</i>	\$20 (\$40 for specialists)
<i>Emergency Room Copay</i>	\$75 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 formulary brand/\$45 non-formulary brand
<i>Mail Copay</i>	\$20 generic/\$50 formulary brand/\$90 non-formulary brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

BCBS Network Blue of NE (legacy)	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$5
<i>Emergency Room Copay</i>	\$25 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand
<i>Mail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand
BCBS Network Blue of NE (rate saver)	
Medical	
<i>Annual deductible</i>	None
<i>Hospital Inpatient Copay</i>	\$250 Tier 1, \$500 Tier 2, \$1,000 Tier 3
<i>Physicians Office Visit Copay</i>	\$15 Tier 1, \$25 Tier 2, \$45 Tier 3 and specialists
<i>Emergency Room Copay</i>	\$100 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$15 generic/\$30 formulary brand/\$50 non-formulary brand
<i>Mail Copay</i>	\$30 generic/\$60 formulary brand/\$100 non-formulary brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Fallon Direct Care/Fallon Select Care (legacy)	
Medical	
<i>Annual deductible</i>	None
<i>Coinsurance</i>	100%
<i>Physicians Office Visit Copay</i>	\$5
<i>Emergency Room Copay</i>	\$25 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	None
Prescription Drugs	
<i>Retail Copay</i>	\$5 Tier 1/\$15 Tier 2/\$35 Tier 3
<i>Mail Copay</i>	\$10 Tier 1/\$30 Tier 2/\$70 Tier 3

Fallon Direct Care/Fallon Select Care (rate saver)	
Medical	
<i>Annual deductible</i>	None
<i>Hospital Inpatient</i>	\$250
<i>Physicians Office Visit Copay</i>	\$20 (\$40 for specialists)
<i>Emergency Room Copay</i>	\$75 (waived if admitted)
<i>Maximum Out-Of-Pocket Expense</i>	\$1,000 hospital copay maximum
Prescription Drugs	
<i>Retail Copay</i>	\$10 Tier 1/\$25 Tier 2/\$45 Tier 3
<i>Mail Copay</i>	\$20 Tier 1/\$50 Tier 2/\$90 Tier 3

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Harvard Pilgrim PPO	In-Network	Out-of-Network
Medical		
<i>Annual deductible</i>	None	\$100 individual/\$200 family
<i>Coinsurance</i>	100%	80%
<i>Physicians Office Visit Copay</i>	\$5	Coinsurance & deductible
<i>Emergency Room Copay</i>	\$40 (waived if admitted)	\$40 (waived if admitted)
<i>Out-of-pocket Maximum (including deductible)</i>	None	\$1,600 individual/\$3,200 family
Prescription Drugs		
<i>Retail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand	
<i>Mail Copay</i>	\$10 generic/\$20 formulary brand/\$75 non-formulary brand	
Medex 3		
Medical		
<i>Hospital Inpatient</i>		Covered in full
<i>Outpatient and Physician Services</i>		Covered in full
<i>Emergency Room</i>		Covered in full
Prescription Drugs		
<i>Retail Copay</i>	After \$50 deductible, 0% generic/20% brand	
<i>Mail Copay</i>		\$2 generic/\$15 brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Harvard Pilgrim Medicare Enhance	
Medical	
<i>Hospital Inpatient Outpatient and Physician Services Emergency Room</i>	Covered in full \$5 copay per visit \$30 copay per visit (waived if admitted)
Prescription Drugs	
<i>Retail Copay Mail Copay</i>	\$5 generic/\$10 formulary brand/\$25 non-formulary brand \$10 generic/\$20 formulary brand/\$75 non-formulary brand
BCBS Managed Blue for Seniors	
Medical	
<i>Hospital Inpatient Outpatient and Physician Services Emergency Room</i>	Covered in full \$10 copay per visit \$50 copay per visit (waived if admitted)
Prescription Drugs	
<i>Retail Copay Mail Copay</i>	25% generic/50% formulary brand/75% non-formulary brand \$5 generic/\$30 formulary brand/\$50 non-formulary brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

<p>Tufts Medicare Complement</p>	<p>Medical <i>Hospital Inpatient</i> <i>Outpatient and Physician Services</i> <i>Emergency Room</i></p> <p>Prescription Drugs <i>Retail Copay</i> <i>Mail Copay</i></p>	<p>Covered in full \$10 copay per visit \$50 copay per visit</p> <p>\$8 generic/\$20 formulary brand/\$35 non-formulary brand \$16 generic/\$40 formulary brand/\$70 non-formulary brand</p>
<p>Harvard Pilgrim First Seniority Freedom (FS)</p>	<p>Medical <i>Hospital Inpatient</i> <i>Outpatient and Physician Services</i> <i>Emergency Room</i></p> <p>Prescription Drugs <i>Retail Copay</i> <i>Mail Copay</i></p>	<p>Covered in full \$15 copay per visit \$50 copay per visit (waived if admitted)</p> <p>\$10 generic/\$20 formulary brand/\$35 non-formulary brand \$20 generic/\$40 formulary brand/\$105 non-formulary brand</p>

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Medicare HMO Blue	
Medical	
<i>Hospital Inpatient</i>	\$100 copay per day (up to \$500 per calendar year)
<i>Outpatient and Physician Services</i>	\$10 copay per visit (\$20 for specialists)
<i>Emergency Room</i>	\$50 copay per visit
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 formulary brand/\$45 non-formulary brand
<i>Mail Copay</i>	\$20 generic/\$50 formulary brand/\$90 non-formulary brand
Tufts Medicare Preferred	
Medical	
<i>Hospital Inpatient</i>	Annual deductible of \$200
<i>Outpatient and Physician Services</i>	\$10 copay per visit (\$15 for specialists)
<i>Emergency Room</i>	\$50 copay per visit
Prescription Drugs	
<i>Retail Copay</i>	\$10 generic/\$25 formulary brand/\$50 non-formulary brand
<i>Mail Copay</i>	\$20 generic/\$50 formulary brand/\$100 non-formulary brand

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2008 Measurement under GASB

Fallon Senior	
Medical <i>Hospital Inpatient</i> <i>Outpatient and Physician Services</i> <i>Emergency Room</i>	Covered in full \$10 copay per visit (\$20 for specialists) \$50 copay per visit (waived if admitted)
Prescription Drugs <i>Retail Copay</i> <i>Mail Copay</i>	\$5 Tier 1/\$20 Tier 2/\$40 Tier 3 \$10 Tier 1/\$40 Tier 2/\$80 Tier 3

Retiree Life: \$5,000

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