

Town of Wellesley

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2010
In accordance with GASB Statements Number 43 and 45*

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October 20, 2010

*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, 2010 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 for Town of Wellesley June 30, 2010 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, 2010. 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, 2011, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about \$6,155,000. This amount is less than the annual “cost” under the new accounting rules of \$9,127,000.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are 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.

Because the Town of Wellesley is funding the ARC, we have used a 7.5% investment return assumption to discount the liability. This represents a decrease from the 8.0% funding assumption used in the prior valuation.

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. As of June 30, 2010, the OPEB trust accounts totaled \$11,133,000.

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.

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation.

KEY VALUATION RESULTS

The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2010 is \$114,449,000. 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 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, 2010 the ratio of assets to the AAL (the funded ratio) is 8.87%.

- The **Annual Required Contribution (ARC)** is \$9,127,000. 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.

Plan obligations of \$125,582,000 as of June 30, 2010 represent an increase of \$16,479,000 from \$109,103,000 as shown in the June 30, 2008 valuation.

Plan obligations had been expected to increase \$9,822,000 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 \$2,310,000. This was the net result of gains and losses due to demographic changes.

- **Valuation assumption and plan changes** increased obligations by \$4,347,000. This was the net result of an *increase* in obligations due to 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) and an *increase* in obligations due to a lowering of the discount rate from 8.0% to 7.5%, partially offset by a *decrease* in obligations due to valuation-year per capita health costs that did not increase as much as expected due to experience. The complete set of assumptions is shown in Exhibit II.

FUNDING SCHEDULES

Following the Summary of the Valuation Results is a Funding Schedule for the Town that projects the additional funding requirements needed over the next 27 years to fully fund these obligation. We have also included separate funding schedules for the Municipal Light Plant and the Water and Sewer Department which show the funding requirements over 27, 17, and 12 years.

SECTION 1: Introduction for Town of Wellesley June 30, 2010 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.

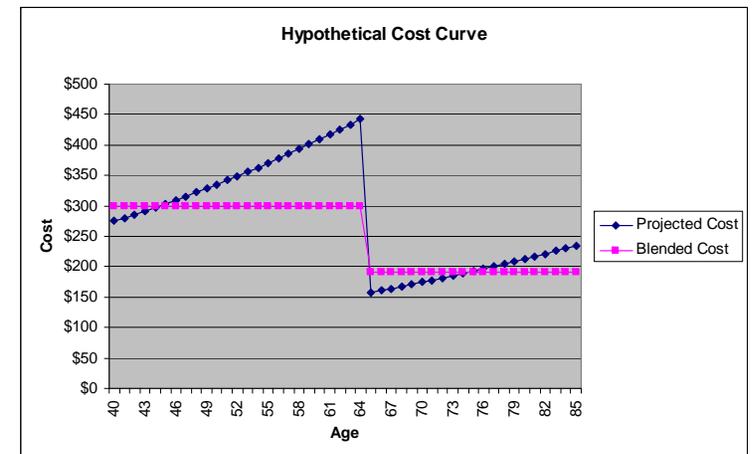
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

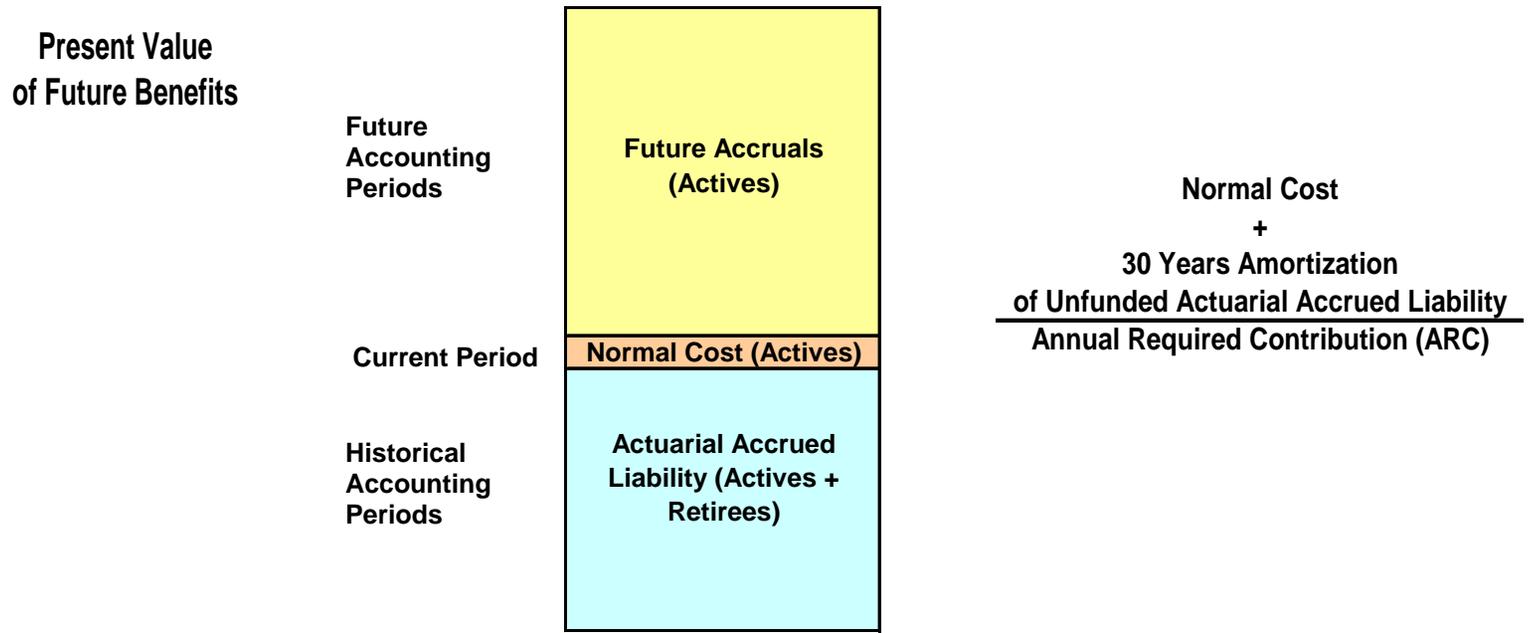
The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees. 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



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

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, 2010 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.

	7.5% interest rate
Actuarial Accrued Liability by Participant Category	
1. Current retirees, beneficiaries and dependents	\$71,852,627
2. Current active members	<u>53,729,716</u>
3. Total as of July 1, 2010: (1) + (2)	\$125,582,343
4. Market value of assets as of July 1, 2010	<u>11,133,131</u>
5. Unfunded actuarial accrued liability (UAAL) as of July 1, 2010 (3) – (4)	\$114,449,212
Annual Required Contribution for Fiscal Year Ending June 30, 2011	
6. Normal cost as of July 1, 2010	\$2,496,725
7. Adjustment for timing	<u>91,934</u>
8. Normal cost adjusted for timing: (6) + (7)	\$2,588,659
9. 27-year amortization (increasing at 4% per year) of the unfunded actuarial accrued liability (UAAL) as of July 1, 2010	\$6,306,488
10. Adjustment for timing	<u>232,219</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$6,538,707
12. Total Annual Required Contribution (ARC): (8) + (11)	\$9,127,366
13. Projected benefit payments	\$6,155,285

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

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE

27 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$6,155,285	\$2,588,659	\$6,538,707	\$9,127,366	\$2,972,081	\$15,049,635	\$131,303,062	\$116,253,427
2012	6,723,178	2,718,092	6,800,255	9,518,347	2,795,169	19,076,451	136,998,230	117,921,779
2013	7,315,318	2,853,997	7,072,265	9,926,262	2,610,944	23,214,269	142,647,501	119,433,232
2014	7,752,756	2,996,696	7,355,156	10,351,852	2,599,096	27,650,140	148,414,876	120,764,736
2015	8,257,187	3,146,531	7,649,362	10,795,894	2,538,707	32,356,087	154,247,151	121,891,064
2016	8,713,493	3,303,858	7,955,337	11,259,195	2,545,702	37,422,234	160,206,858	122,784,625
2017	9,166,458	3,469,051	8,273,550	11,742,601	2,576,143	42,899,903	166,315,175	123,415,272
2018	9,568,836	3,642,503	8,604,492	12,246,996	2,678,160	48,894,171	172,644,260	123,750,090
2019	10,011,545	3,824,628	8,948,672	12,773,300	2,761,755	55,424,682	179,177,848	123,753,166
2020	10,317,958	4,015,860	9,306,619	13,322,479	3,004,521	62,696,687	186,082,032	123,385,345
2021	10,710,674	4,216,653	9,678,884	13,895,536	3,184,862	70,701,074	193,305,040	122,603,966
2022	11,246,208	4,427,485	10,066,039	14,493,524	3,247,317	79,370,544	200,733,116	121,362,572
2023	11,808,518	4,648,860	10,468,681	15,117,540	3,309,022	88,754,202	208,364,808	119,610,606
2024	12,398,944	4,881,303	10,887,428	15,768,730	3,369,786	98,904,636	216,197,712	117,293,076
2025	13,018,891	5,125,368	11,322,925	16,448,293	3,429,401	109,878,163	224,228,361	114,350,198
2026	13,669,836	5,381,636	11,775,842	17,157,478	3,487,642	121,735,090	232,452,100	110,717,010
2027	14,353,328	5,650,718	12,246,876	17,897,594	3,544,266	134,539,995	240,862,950	106,322,955
2028	15,070,994	5,933,254	12,736,751	18,670,004	3,599,011	148,362,028	249,453,461	101,091,433
2029	15,824,544	6,229,917	13,246,221	19,476,137	3,651,594	163,275,233	258,214,549	94,939,317
2030	16,615,771	6,541,412	13,776,069	20,317,482	3,701,711	179,358,891	267,135,323	87,776,432
2031	17,446,559	6,868,483	14,327,112	21,195,595	3,749,036	196,697,891	276,202,889	79,504,999
2032	18,318,887	7,211,907	14,900,197	22,112,104	3,793,217	215,383,123	285,402,144	70,019,021
2033	19,234,832	7,572,502	15,496,205	23,068,707	3,833,875	235,511,904	294,715,544	59,203,641
2034	20,196,573	7,951,128	16,116,053	24,067,180	3,870,607	257,188,428	304,122,862	46,934,434
2035	21,206,402	8,348,684	16,760,695	25,109,379	3,902,977	280,524,252	313,600,911	33,076,659
2036	22,266,722	8,766,118	17,431,123	26,197,241	3,930,519	305,638,820	323,123,255	17,484,435
2037	23,380,058	9,204,424	18,128,368	27,332,792	3,952,734	332,660,013	332,660,013	-

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

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – MUNICIPAL LIGHT PLANT

27 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$320,081	\$70,827	\$346,192	\$417,019	\$96,938	\$1,182,558	\$7,337,604	\$6,155,045
2012	350,697	74,368	360,040	434,408	83,711	1,358,044	7,601,421	6,243,377
2013	402,600	78,087	374,441	452,528	49,928	1,511,664	7,835,065	6,323,401
2014	429,308	81,991	389,419	471,410	42,102	1,668,691	8,062,589	6,393,898
2015	463,814	86,091	404,996	491,086	27,272	1,822,119	8,275,651	6,453,532
2016	489,947	90,395	421,196	511,591	21,644	1,981,219	8,482,061	6,500,842
2017	518,351	94,915	438,043	532,958	14,607	2,144,955	8,679,187	6,534,232
2018	557,883	99,661	455,565	555,226	(2,657)	2,303,072	8,855,031	6,551,960
2019	568,706	104,644	473,788	578,431	9,725	2,485,886	9,038,009	6,552,123
2020	574,473	109,876	492,739	602,615	28,142	2,701,505	9,234,155	6,532,650
2021	611,005	115,370	512,449	627,818	16,813	2,921,551	9,412,831	6,491,280
2022	641,555	121,138	532,947	654,085	12,530	3,153,658	9,579,213	6,425,555
2023	673,633	127,195	554,265	681,460	7,827	3,398,297	9,731,096	6,332,798
2024	707,315	133,555	576,435	709,990	2,675	3,655,943	9,866,041	6,210,097
2025	742,680	140,233	599,493	739,725	(2,955)	3,927,075	9,981,363	6,054,288
2026	779,814	147,244	623,472	770,716	(9,098)	4,212,173	10,074,102	5,861,929
2027	818,805	154,606	648,411	803,018	(15,788)	4,511,717	10,141,004	5,629,287
2028	859,745	162,337	674,348	836,684	(23,061)	4,826,186	10,178,491	5,352,305
2029	902,733	170,454	701,321	871,775	(30,958)	5,156,052	10,182,635	5,026,583
2030	947,869	178,976	729,374	908,351	(39,519)	5,501,782	10,149,127	4,647,345
2031	995,263	187,925	758,549	946,474	(48,788)	5,863,831	10,073,246	4,209,415
2032	1,045,026	197,321	788,891	986,213	(58,813)	6,242,639	9,949,821	3,707,181
2033	1,097,277	207,187	820,447	1,027,634	(69,643)	6,638,630	9,773,192	3,134,563
2034	1,152,141	217,547	853,265	1,070,812	(81,329)	7,052,203	9,537,174	2,484,971
2035	1,209,748	228,424	887,395	1,115,820	(93,929)	7,483,731	9,235,004	1,751,273
2036	1,270,236	239,845	922,891	1,162,737	(107,499)	7,933,554	8,859,298	925,744
2037	1,333,747	251,838	959,807	1,211,644	(122,103)	8,401,971	8,401,971	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – MUNICIPAL LIGHT PLANT

17 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$320,081	\$70,827	\$475,335	\$546,162	\$226,081	\$1,316,457	\$7,337,604	\$6,021,147
2012	350,697	74,368	494,348	568,717	218,020	1,641,239	7,601,421	5,960,182
2013	402,600	78,087	514,122	592,209	189,609	1,960,923	7,835,065	5,874,142
2014	429,308	81,991	534,687	616,678	187,370	2,302,261	8,062,589	5,760,327
2015	463,814	86,091	556,075	642,165	178,351	2,659,850	8,275,651	5,615,801
2016	489,947	90,395	578,318	668,713	178,766	3,044,687	8,482,061	5,437,374
2017	518,351	94,915	601,450	696,365	178,014	3,457,608	8,679,187	5,221,580
2018	557,883	99,661	625,508	725,169	167,286	3,890,374	8,855,031	4,964,657
2019	568,706	104,644	650,529	755,173	186,467	4,375,485	9,038,009	4,662,524
2020	574,473	109,876	676,550	786,426	211,953	4,923,404	9,234,155	4,310,751
2021	611,005	115,370	703,612	818,982	207,977	5,508,294	9,412,831	3,904,537
2022	641,555	121,138	731,756	852,895	211,339	6,140,537	9,579,213	3,438,677
2023	673,633	127,195	761,027	888,222	214,589	6,823,567	9,731,096	2,907,528
2024	707,315	133,555	791,468	925,023	217,708	7,561,059	9,866,041	2,304,981
2025	742,680	140,233	823,126	963,359	220,679	8,356,943	9,981,363	1,624,419
2026	779,814	147,244	856,051	1,003,296	223,481	9,215,424	10,074,102	858,678
2027	818,805	154,606	890,294	1,044,900	226,095	10,141,001	10,141,001	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – MUNICIPAL LIGHT PLANT

12 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$320,081	\$70,827	\$624,012	\$694,839	\$374,758	\$1,470,608	\$7,337,604	\$5,866,996
2012	350,697	74,368	648,972	723,341	372,644	1,967,269	7,601,421	5,634,151
2013	402,600	78,087	674,931	753,018	350,418	2,478,136	7,835,065	5,356,929
2014	429,308	81,991	701,929	783,920	354,612	3,031,665	8,062,589	5,030,923
2015	463,814	86,091	730,006	816,096	352,282	3,624,294	8,275,651	4,651,357
2016	489,947	90,395	759,206	849,601	359,654	4,269,014	8,482,061	4,213,047
2017	518,351	94,915	789,574	884,489	366,138	4,968,810	8,679,187	3,710,377
2018	557,883	99,661	821,157	920,818	362,935	5,717,770	8,855,031	3,137,262
2019	568,706	104,644	854,004	958,647	389,941	6,550,902	9,038,009	2,487,107
2020	574,473	109,876	888,164	998,040	423,567	7,481,383	9,234,155	1,752,772
2021	611,005	115,370	923,690	1,039,060	428,055	8,486,304	9,412,831	926,527
2022	641,555	121,138	960,638	1,081,776	440,221	9,579,207	9,579,207	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – WATER AND SEWER

27 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$95,303	\$56,814	\$148,313	\$205,127	\$109,824	\$398,526	\$3,035,423	\$2,636,896
2012	108,210	59,655	154,246	213,900	105,690	537,998	3,212,736	2,674,738
2013	118,918	62,637	160,415	223,053	104,135	686,317	3,395,338	2,709,021
2014	128,504	65,769	166,832	232,601	104,097	845,721	3,584,944	2,739,223
2015	139,114	69,058	173,505	242,563	103,449	1,016,408	3,781,179	2,764,771
2016	149,521	72,511	180,445	252,956	103,435	1,199,883	3,984,921	2,785,039
2017	162,356	76,136	187,663	263,799	101,443	1,395,053	4,194,396	2,799,343
2018	170,813	79,943	195,170	275,113	104,300	1,607,822	4,414,760	2,806,937
2019	192,495	83,940	202,977	286,917	94,422	1,826,307	4,633,314	2,807,007
2020	213,967	88,137	211,096	299,233	85,266	2,051,686	4,850,350	2,798,664
2021	247,944	92,544	219,539	312,083	64,139	2,272,063	5,053,004	2,780,940
2022	260,341	97,171	228,321	325,492	65,151	2,510,018	5,262,801	2,752,783
2023	273,358	102,030	237,454	339,484	66,125	2,766,830	5,479,874	2,713,044
2024	287,026	107,131	246,952	354,083	67,057	3,043,869	5,704,346	2,660,477
2025	301,377	112,488	256,830	369,318	67,940	3,342,601	5,936,326	2,593,726
2026	316,446	118,112	267,103	385,216	68,769	3,664,597	6,175,914	2,511,316
2027	332,269	124,018	277,787	401,805	69,537	4,011,539	6,423,188	2,411,649
2028	348,882	130,219	288,899	419,118	70,236	4,385,227	6,678,212	2,292,986
2029	366,326	136,730	300,455	437,185	70,858	4,787,586	6,941,027	2,153,441
2030	384,643	143,566	312,473	456,039	71,397	5,220,681	7,211,651	1,990,971
2031	403,875	150,744	324,972	475,717	71,842	5,686,719	7,490,074	1,803,355
2032	424,068	158,282	337,971	496,253	72,184	6,188,065	7,776,256	1,588,191
2033	445,272	166,196	351,490	517,686	72,414	6,727,250	8,070,123	1,342,873
2034	467,535	174,506	365,549	540,055	72,520	7,306,984	8,371,563	1,064,579
2035	490,912	183,231	380,171	563,402	72,490	7,930,167	8,680,419	750,252
2036	515,458	192,392	395,378	587,771	72,313	8,599,905	8,996,489	396,584
2037	541,231	202,012	411,193	613,205	71,975	9,319,523	9,319,523	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – WATER AND SEWER

17 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$95,303	\$56,814	\$203,639	\$260,453	\$165,150	\$455,890	\$3,035,423	\$2,579,533
2012	108,210	59,655	211,785	271,439	163,229	659,321	3,212,736	2,553,415
2013	118,918	62,637	220,256	282,893	163,975	878,783	3,395,338	2,516,555
2014	128,504	65,769	229,066	294,835	166,331	1,117,148	3,584,944	2,467,796
2015	139,114	69,058	238,229	307,287	168,173	1,375,300	3,781,179	2,405,879
2016	149,521	72,511	247,758	320,269	170,748	1,655,482	3,984,921	2,329,439
2017	162,356	76,136	257,668	333,804	171,448	1,957,405	4,194,396	2,236,991
2018	170,813	79,943	267,975	347,918	177,105	2,287,836	4,414,760	2,126,923
2019	192,495	83,940	278,694	362,634	170,139	2,635,828	4,633,314	1,997,486
2020	213,967	88,137	289,842	377,979	164,012	3,003,567	4,850,350	1,846,783
2021	247,944	92,544	301,435	393,979	146,035	3,380,247	5,053,004	1,672,757
2022	260,341	97,171	313,493	410,664	150,323	3,789,624	5,262,801	1,473,178
2023	273,358	102,030	326,033	428,062	154,704	4,234,246	5,479,874	1,245,628
2024	287,026	107,131	339,074	446,205	159,179	4,716,855	5,704,346	987,491
2025	301,377	112,488	352,637	465,125	163,747	5,240,395	5,936,326	695,931
2026	316,446	118,112	366,742	484,855	168,408	5,808,034	6,175,914	367,879
2027	332,269	124,018	381,412	505,430	173,161	6,423,174	6,423,174	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

FUNDING SCHEDULE – WATER AND SEWER

12 Years Closed (7.5% interest rate, payments increasing at 4.0%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) 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)
2011	\$95,303	\$56,814	\$267,334	\$324,148	\$228,845	\$521,930	\$3,035,423	\$2,513,493
2012	108,210	59,655	278,027	337,682	229,472	798,997	3,212,736	2,413,740
2013	118,918	62,637	289,148	351,786	232,868	1,100,364	3,395,338	2,294,975
2014	128,504	65,769	300,714	366,484	237,980	1,429,634	3,584,944	2,155,310
2015	139,114	69,058	312,743	381,801	242,687	1,788,479	3,781,179	1,992,700
2016	149,521	72,511	325,253	397,763	248,242	2,179,998	3,984,921	1,804,923
2017	162,356	76,136	338,263	414,399	252,043	2,604,822	4,194,396	1,589,574
2018	170,813	79,943	351,793	431,736	260,923	3,070,715	4,414,760	1,344,045
2019	192,495	83,940	365,865	449,805	257,310	3,567,803	4,633,314	1,065,511
2020	213,967	88,137	380,500	468,637	254,670	4,099,436	4,850,350	750,914
2021	247,944	92,544	395,720	488,264	240,320	4,656,062	5,053,004	396,942
2022	260,341	97,171	411,548	508,720	248,378	5,262,791	5,262,791	-

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2010 Measurement under GASB

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – 7.5% Interest Rate

	All Other	Municipal Light Department	School Non- Teacher	School Teacher	Water and Sewer	Total
Actuarial Accrued Liability by Participant Category						
1. Current retirees, beneficiaries and dependents	\$26,832,235	\$3,542,659	\$8,298,199	\$32,456,970	\$722,564	\$71,852,627
2. Current active members	<u>20,953,897</u>	<u>3,523,421</u>	<u>11,148,791</u>	<u>15,965,400</u>	<u>2,138,207</u>	<u>53,729,716</u>
3. Total as of July 1, 2010: (1) + (2)	\$47,786,132	\$7,066,080	\$19,446,990	\$48,422,370	\$2,860,771	\$125,582,343
4. Market value of assets as of July 1, 2010	<u>4,074,653</u>	<u>1,006,559</u>	<u>1,658,216</u>	<u>4,128,904</u>	<u>264,799</u>	<u>11,133,131</u>
5. Unfunded actuarial accrued liability (UAAL) as of July 1, 2010 (3) – (4)	\$43,711,479	\$6,059,521	\$17,788,774	\$44,293,466	\$2,595,972	\$114,449,212
Annual Required Contribution for Fiscal Year Ending June 30, 2011						
6. Normal cost as of July 1, 2010	\$687,663	\$68,312	\$639,600	\$1,046,354	\$54,796	\$2,496,725
7. Adjustment for timing	<u>25,321</u>	<u>2,515</u>	<u>23,551</u>	<u>38,529</u>	<u>2,018</u>	<u>91,934</u>
8. Normal cost adjusted for timing: (6) + (7)	\$712,984	\$70,827	\$663,151	\$1,084,883	\$56,814	\$2,588,659
9. 27-year amortization (increasing at 4% per year) of the unfunded actuarial accrued liability (UAAL) as of July 1, 2010	\$2,408,631	\$333,897	\$980,214	\$2,440,700	\$143,046	\$6,306,488
10. Adjustment for timing	<u>88,691</u>	<u>12,295</u>	<u>36,094</u>	<u>89,872</u>	<u>5,267</u>	<u>232,219</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$2,497,322	\$346,192	\$1,016,308	\$2,530,572	\$148,313	\$6,538,707
12. Total Annual Required Contribution (ARC): (8) + (11)	\$3,210,306	\$417,019	\$1,679,459	\$3,615,455	\$205,127	\$9,127,366
13. Projected benefit payments	\$2,190,552	\$320,081	\$825,362	\$2,723,987	\$95,303	\$6,155,285

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

October 20, 2010

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, 2010, 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, 2010 Measurement under GASB

CHART 1

Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
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	9,072,428	N/A	N/A

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2010 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

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	0.00%	--	--
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	125,582,343	114,449,212	8.87	--	--

Note: Enter covered payroll for fiscal year 2010.

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2010 Measurement under GASB

CHART 3

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

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO/(NOA) (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO/(NOA) (d) - (e) (f)	NOO/(NOA) as of Following Date (g)
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	9,127,366	(230,597)	175,659	9,072,428	--	--	--

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2010 Measurement under GASB

CHART 4

Required Supplementary Information

Valuation date	June 30, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 4%
Remaining amortization period	27 years as of July 1, 2010, closed
Asset valuation method	Market value
<hr/>	
Actuarial assumptions:	
Investment rate of return	7.5%
Inflation rate	4.00%
Medical/drug cost trend rate	9.0% decreasing by 0.50% for 8 years to an ultimate level of 5.0% per year
<hr/>	
Plan membership:	
Current retirees, beneficiaries, and dependents*	903
Current active members	<u>923</u>
Total	1,826

* Includes 37 retirees with life insurance only.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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, 2010

Number of employees	
Male	370
Female	<u>553</u>
Total	923
Average age	44.7
Average service	10.3

Retired employees, spouses and beneficiaries covered for medical benefits as of July 1, 2010

Number of individuals	866
Average age	73.1

Retired employees with life insurance coverage as of July 1, 2010

Number of individuals*	361
Average age	75.9

** Includes 37 retirees with life insurance only.*

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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, 2010 (January 1, 2010 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, 2010

Discount Rate: 7.5%

Mortality Rates:

<i>Pre-Retirement (Non-Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
<i>Healthy (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA set forward 3 years for males
<i>Pre-Retirement (Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
<i>Healthy (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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, 2010 Measurement under GASB

Teachers - Rate per year (%)

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.00
25	0.03	0.02	0.01
30	0.04	0.02	0.01
35	0.07	0.04	0.01
40	0.10	0.06	0.01
45	0.13	0.10	0.03
50	0.18	0.14	0.05
55	0.25	0.23	0.08
60	0.42	0.37	0.10

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

Withdrawal Rates:

Years of Service	Rate per year (%)		Group 4
	Groups 1 and 2	Years of Service	
0	15.0	0 – 10	1.5
1	12.0	11+	0.0
2	10.0		
3	9.0		
4	8.0		
5	7.6		
6	7.5		
7	6.7		
8	6.3		
9	5.9		
10	5.4		
11	5.0		
12	4.6		

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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

Age	Teachers – Rate per year (%)					
	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	
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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 Measurement under GASB

Age	Rate (%)		
	Groups 1 and 2		
	Male	Female	Group 4
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

Age	Teachers					
	Rate per year (%)					
	Years of Service					
	Less than 20		20 - 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 – 53	--	--	1.0	1.5	2.0	2.0
54	--	--	1.0	1.5	2.0	2.0
55	3.0	2.0	3.0	3.0	6.0	6.0
56	8.0	2.0	5.0	3.0	20.0	15.0
57	15.0	8.0	8.0	7.0	35.0	30.0
58	15.0	10.0	10.0	7.0	50.0	35.0
59	20.0	15.0	20.0	11.0	50.0	35.0
60	15.0	20.0	20.0	16.0	50.0	35.0

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 Measurement under GASB

61	30.0	20.0	25.0	20.0	50.0	35.0
62	20.0	25.0	30.0	30.0	40.0	40.0
63	30.0	24.0	30.0	30.0	40.0	30.0
64	40.0	20.0	30.0	30.0	40.0	35.0
65	40.0	30.0	40.0	40.0	50.0	35.0
66	40.0	30.0	30.0	30.0	50.0	35.0
67	40.0	30.0	30.0	30.0	50.0	30.0
68	40.0	30.0	30.0	30.0	50.0	30.0
69	40.0	30.0	30.0	30.0	50.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

Previous assumption

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 Measurement under GASB

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% 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, 2010 Measurement under GASB

Per Capita Health Costs:

Fiscal 2010 - 2011 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				Non-Medicare Legacy Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
45	\$6,357	\$7,975	\$3,943	\$5,953	\$7,498	\$9,406	\$4,651	\$7,021	N/A	N/A	N/A	N/A
50	7,545	8,595	5,270	6,901	8,899	10,136	6,216	8,139	N/A	N/A	N/A	N/A
55	8,961	9,252	7,053	7,988	10,568	10,911	8,318	9,421	N/A	N/A	N/A	N/A
60	10,642	9,972	9,441	9,264	12,551	11,761	11,135	10,926	N/A	N/A	N/A	N/A
65	12,639	10,743	12,639	10,743	14,906	12,670	14,906	12,670	\$4,643	\$3,947	\$4,643	\$3,947
70	14,649	11,577	14,649	11,577	17,276	13,654	17,276	13,654	5,381	4,253	5,381	4,253
75	15,786	12,462	15,786	12,462	18,618	14,697	18,618	14,697	5,799	4,578	5,799	4,578
80	16,999	13,435	16,999	13,435	20,049	15,845	20,049	15,845	6,245	4,936	6,245	4,936

Medicare Advantage Plans: \$2,715

Annual Medicare Part B Reimbursement:

\$578 (Portion paid by Town for those who retired before January 1, 2010)
 \$633 (Portion paid by Town for those who retired after January 1, 2010)

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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
2011	9.00%	6.00%
2012	8.50%	6.00%
2013	8.00%	6.00%
2014	7.50%	6.00%
2015	7.00%	6.00%
2016	6.50%	6.00%
2017	6.00%	6.00%
2018	5.50%	6.00%
2019 & 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.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 Measurement under GASB

	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 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.
Assumption Changes Since Prior Valuation:	<p>Per capita health care costs were updated to reflect current experience.</p> <p>The retirement rates for teachers was revised to match the rates used in the Massachusetts State Teachers Retirement System.</p> <p>The medical trend assumption was revised.</p> <p>The discount rate was decreased from 8.00% to 7.5%.</p>

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.

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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, 2010 are summarized on the following page:

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	Subscribers			Retirees 65 and over*	Monthly Premium (eff. 7/1/2010)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree	Total						
<u>Non-Medicare Actives and Retirees</u>									
HPHC HMO Rate Saver									
Individual	259	5	264	0	\$548.00	\$451.00	\$97.00	17.7%	50.0%
Family	332	7	339	0	\$1,429.00	\$1,133.19	\$295.81	20.7%	50.0%
Tufts HMO Rate Saver									
Individual	78	1	79	0	\$579.00	\$462.04	\$116.96	20.2%	50.0%
Family	142	0	142	0	\$1,517.00	\$1,165.05	\$351.95	23.2%	50.0%
Network Blue NE Rate Saver									
Individual	52	0	52	0	\$564.00	\$469.24	\$94.76	16.8%	50.0%
Family	37	1	38	0	\$1,514.00	\$1,167.29	\$346.71	22.9%	50.0%
Fallon Select Care Rate Saver									
Individual	9	0	9	0	\$487.00	\$395.44	\$91.56	18.8%	50.0%
Family	6	0	6	0	\$1,312.00	\$1,015.48	\$296.52	22.6%	50.0%
Fallon Direct Care Rate Saver									
Individual	5	0	5	0	\$453.00	\$367.83	\$85.17	18.8%	50.0%
Family	3	0	3	0	\$1,220.00	\$944.28	\$275.72	22.6%	50.0%
HPHC PPO									
Individual	0	11	11	7	\$1,327.00	\$663.50	\$663.50	50.0%	50.0%
Family	0	1	1	0	\$2,948.00	\$1,474.00	\$1,474.00	50.0%	50.0%
HPHC HMO Legacy									
Individual	0	44	44	21	\$645.00	\$530.83	\$114.17	17.7%	50.0%
Family	0	42	42	17	\$1,680.00	\$1,332.24	\$347.76	20.7%	50.0%
Tufts HMO Legacy									
Individual	0	45	45	28	\$682.00	\$544.23	\$137.77	20.2%	50.0%
Family	0	22	22	9	\$1,785.00	\$1,370.88	\$414.12	23.2%	50.0%
Network Blue NE Legacy									
Individual	0	32	32	17	\$684.00	\$569.08	\$114.92	16.8%	50.0%
Family	0	18	18	10	\$1,835.00	\$1,414.78	\$420.22	22.9%	50.0%
Fallon Select Care Legacy									
Individual	0	1	1	0	\$573.00	\$465.27	\$107.73	18.8%	50.0%
Family	0	0	0	0	\$1,543.00	\$1,194.28	\$348.72	22.6%	50.0%
Fallon Direct Care Legacy									
Individual	0	0	0	0	\$531.00	\$431.17	\$99.83	18.8%	50.0%
Family	0	0	0	0	\$1,435.00	\$1,110.69	\$324.31	22.6%	50.0%
<u>Non-Medicare Total</u>	923	230	1153	109					

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 Measurement under GASB

	Subscribers			Monthly Premium (eff. 7/1/2010)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree	Total					
<u>Medicare Supplement Plans</u>								
BCBS Medex	N/A	154	154	\$432.00	\$264.20	\$167.80	38.8%	38.8%
HPHC Medicare Enhance	N/A	27	27	\$406.00	\$251.20	\$154.80	38.1%	38.1%
BCBS Managed Blue for Seniors	N/A	6	6	\$413.23	\$254.81	\$158.42	38.3%	38.3%
Tufts Medicare Complement	N/A	30	30	\$372.00	\$234.20	\$137.80	37.0%	37.0%
<u>Medicare Advantage Plans</u>								
HPHC First Seniority Freedom**	N/A	10	10	\$293.00	\$194.70	\$98.30	33.5%	33.5%
Medicare HMO Blue**	N/A	6	6	\$345.33	\$220.86	\$124.47	36.0%	36.0%
Tufts Medicare Preferred	N/A	78	78	\$207.00	\$151.70	\$55.30	26.7%	26.7%
Fallon Senior**	N/A	2	2	\$238.00	\$167.20	\$70.80	29.7%	29.7%
<u>Medicare Total</u>		313	313					
<u>Retiree Total***</u>		543						

* 109 of 422 over-65 retirees are in a non-Medicare plan.

** Premiums effective January 1, 2010.

*** In addition, there are 323 spouses of retirees covered under an individual or family policy.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2010 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

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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

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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

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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

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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	

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Harvard Pilgrim Medicare Enhance	
Medical	
<i>Hospital Inpatient</i>	Covered in full
<i>Outpatient and Physician Services</i>	\$5 copay per visit
<i>Emergency Room</i>	\$30 copay per visit (waived if admitted)
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

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

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

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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

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

Retiree Life: \$5,000

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