

Valuation Results for the Town of Wellesley – Municipal Light Plant June 30, 2017 Measurement Under GASB 74

EXHIBIT 1

Plan Membership

Plan membership: At June 30, 2016, The Town of Wellesley – Municipal Light Plant plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	40
Active members	<u>27</u>
Total	67

*Notes: We have assumed other general information about the Plan will be provided by the Town's auditors.
Includes 2 retirees and 5 active participants with partial liabilities allocated to the Municipal Light Plant.*

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**EXHIBIT 2
Net OPEB Liability**

The components of the Net OPEB Liability of the Town of Wellesley – Municipal Light Plant are as follows:

	June 30, 2017
Total OPEB liability	\$5,489,001
Plan fiduciary net position	4,756,375
Net OPEB Liability	732,626
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability*	86.7%

* *These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.*

Actuarial assumptions. The total OPEB liability was measured by an actuarial valuation as of June 30, 2016 used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:

Inflation	3.50%
Salary increases	Based on years of service, ranging from 7.00% decreasing to 3.50% after 10 years of service for Group 1 and 2 employees and ranging from 8.00% decreasing to 4.00% after 10 years for Group 4 employees.
Discount rate	6.75%
Investment rate of return	6.75%
Health care trend rates	
<i>Medical and Prescription Drug</i>	7.00% decreasing by 0.5% for 4 years to an ultimate level of 5.00%
<i>Medicare Part B Premium</i>	5.00%

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Mortality Rates

<i>Pre-Retirement</i>	RP-2014 Blue Collar Healthy Employee Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.
<i>Healthy</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.
<i>Disabled</i>	RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections based out to a base year of 2006 projected generationally with Scale BB2D set forward 3 years for males.

Detailed information regarding all actuarial assumptions can be found in Section 3, Exhibit I of our Accounting Valuation report as of June 30, 2017, dated October 23, 2017, for the Town of Wellesley.

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EXHIBIT 3

Determination of Discount Rate and Investment Rate of Return

DEVELOPMENT OF LONG-TERM RATE

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	18.00%	6.44%
International developed markets equity	16.00%	7.40%
International emerging markets equity	6.00%	9.42%
Core fixed income	12.00%	2.02%
High-yield fixed income	10.00%	4.43%
Real estate	10.00%	5.00%
Commodities	4.00%	4.43%
Hedge fund, GTAA, Risk parity	13.00%	3.75%
Private equity	<u>11.00%</u>	10.47%
Total	100.00%	

Note: Some asset classes in the target allocation have been combined.

Nature of Assets: The assets are in an irrevocable OPEB Trust and are invested in the State Retiree Benefits Trust Fund.

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EXHIBIT 4
Sensitivity

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the NOL of the Town of Wellesley – Municipal Light Plant as well as what the Town of Wellesley– Municipal Light Plant’s NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town of Wellesley– Municipal Light Plant’s net OPEB liability as of June 30, 2017	\$1,415,254	\$732,626	\$165,720

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town of Wellesley– Municipal Light Plant, as well as what the Town of Wellesley– Municipal Light Plant’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Town of Wellesley– Municipal Light Plant’s net OPEB liability as of June 30, 2017	\$68,156	\$732,626	\$1,553,904

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EXHIBIT 5

Schedule of Changes in Net OPEB Liability – Last Ten Fiscal Years

	Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability										
Service cost	\$150,131									
Interest	355,671									
Differences between expected and actual experience	0									
Changes of assumptions	0									
Benefit payments, including refunds of member contributions	<u>-267,372</u>									
					(Historical information prior to implementation of GASB 74/75 is not required)					
Net change in Total OPEB Liability	\$238,430									
Total OPEB Liability - beginning	<u>5,250,571</u>									
Total OPEB Liability - ending (a)	\$5,489,001									
Plan Fiduciary Net Position										
Contributions - employer	\$568,889									
Contributions - employee	0									
Net investment income	529,951									
Benefit payments, including refunds of member contributions	<u>-267,372</u>									
					(Historical information prior to implementation of GASB 74/75 is not required)					
Administrative expenses	0									
Net change in Fiduciary Net Position	\$831,468									
Plan Fiduciary Net Position - beginning	<u>3,924,907</u>									
Plan Fiduciary Net Position - ending (b)	\$4,756,375									
Net OPEB liability – ending: (a)-(b)	\$732,626									
Plan's fiduciary net position as a percentage of the total OPEB liability	86.7%									
					(Historical information prior to implementation of GASB 74/75 is not required)					
Covered-employee payroll	N/A									
Net OPEB liability as a percentage of covered-employee payroll	N/A									

Note: Please enter covered payroll for fiscal 2017.

Notes to Schedule:

Changes in Assumptions: None.

Changes in Plan Provisions: None.

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EXHIBIT 6

Schedule of Contributions – Last Ten Fiscal Years

	Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$478,266									
Contributions in relation to the actuarially determined contribution	<u>568,889</u>									
Contribution deficiency (excess)	-\$90,623									
Covered-employee payroll	N/A									
Contributions as a percentage of covered-employee payroll	N/A									

(Historical information prior to implementation of GASB 74/75 is not required)

Note: Please enter covered payroll for fiscal 2017.

Notes to Schedule:

Methods and assumptions used to establish “actuarially determined contribution”:

- Valuation date:* Actuarially determined contribution for fiscal year ending June 30, 2017 was determined with the June 30, 2016 actuarial valuation.
- Actuarial cost method:* Projected Unit Credit Method
- Amortization method:* Payments increase at 3.5%
- Remaining amortization period:* 6 years as of July 1, 2016.
- Asset valuation method:* Market value
- Investment rate of return:* 6.75%
- Inflation:* 3.50%
- Health Care Cost Trend Rates:*
 - Medical and Prescription Drug* 7.00% decreasing by 0.50% for 4 years to an ultimate level of 5.00%
 - Medicare Part B Premium* 5.00%
- Mortality Rates*
 - Pre-Retirement* RP-2014 Blue Collar Healthy Employee Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.
 - Healthy* RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally with Scale BB2D.
 - Disabled* RP-2014 Blue Collar Healthy Annuitant Mortality Table with MP-2014 improvement projections based out to a base year of 2006 projected generationally with Scale BB2D set forward 3 years for males.