Town of Wayland

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2012 in accordance with GASB Statements No. 43 and No. 45

SEGAL

SEGAL

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March 15, 2013

Mr. John Senchyshyn
Assistant Town Administrator/HR Director
Town of Wayland, MA
41 Cochituate Road
Wayland, MA 01778

Dear Mr. Senchyshyn:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 2012 under Governmental Accounting Standards Board Statements (GASB) Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2012 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 with you at your convenience.

Sincerely,

THE SEGAL COMPANY

By: Kathleen A. Riley

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

Daniel J. Rhodes

Daniel J. Rhodes, ASA, FCA, MAAA
Consulting Actuary

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SECTION 1

EXECUTIVE SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Town of Wayland (the "Employer") postemployment welfare benefit plan as of December 31, 2012. 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, 2013, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about $1,978,000. This amount is less than the annual "cost" (the "Annual Required Contribution," or ARC) of approximately $2,699,000.

Because the Town of Wayland is funding the ARC, we have used a 7.0% investment return assumption to discount the liability based estimated long-term yield on the investments expected to be used to finance the payment of benefits.

The Town of Wayland has established in OPEB trust, 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.

Chapter 68 of the Acts of 2011 permits municipalities, authorities and certain other government entities of the Commonwealth to establish a liability trust fund for funding retiree benefits (other than pension), also known as Other Post-Employment Benefits (OPEB). The legislation also ensures that these entities have access to the state's investment trust, the State Retiree Benefits Trust Fund (SRBTF) for purposes of investment OPEB funds.

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.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than those previously adopted as of the valuation date.

KEY VALUATION RESULTS

- The **unfunded actuarial accrued liability (UAAL)** as of December 31, 2012 is $28,313,000 (actuarial accrued lailbity of $38,538,000 less assets of $10,225,000). 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 December 31, 2012 the ratio of assets to the AAL (the funded ratio) is 26.53%.
- The **Annual Required Contribution (ARC)** for fiscal year 2013 is $2,699,000. 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.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 26-year amortization of the UAAL for fiscal 2013 (remainder of 30-year period) with payments increasing at 3.5% per year.

The unfunded liability of $28,313,000 as of December 31, 2012 represents a decrease of $17,401,000 from $45,714,000 as shown in the December 31, 2010 valuation.

The unfunded liability had been expected to decrease $1,654,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest less expected employer contributions. The greater than expected decrease was the net effect of the following:

- An **actuarial experience loss** increased obligations by $1,954,000. This was the net result of gains and losses due to demographic changes, as well as investment experience less than assumed, partially offset by employer contributions more than expected.
- **Valuation assumption changes** decreased obligations by $17,701,000. This was the net result of a *decrease* in obligations due to 1) valuation year per capita health costs not increasing as much as projected, 2) savings due to future enrollment changes and 3) new eligibility requirements for members hired on or after April 2, 2012 (under M.G.L. Chapter 32), partially offset by increases in obligations due to 4) a change in the future trend on per capita health care costs based on what is likely to occur in the marketplace and 5) changes in the mortality assumptions. The complete set of assumptions is shown in Exhibit II.

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.

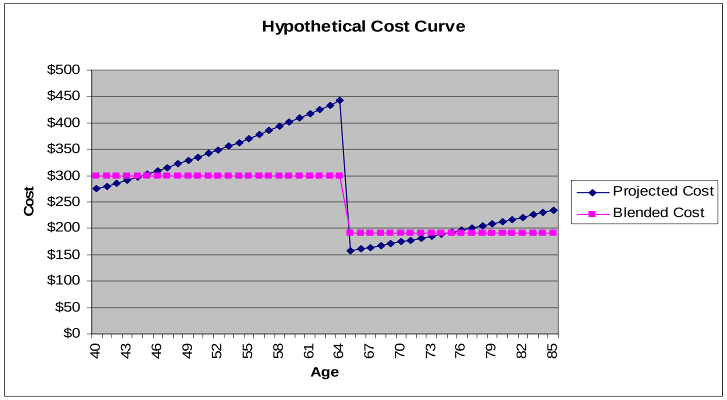
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

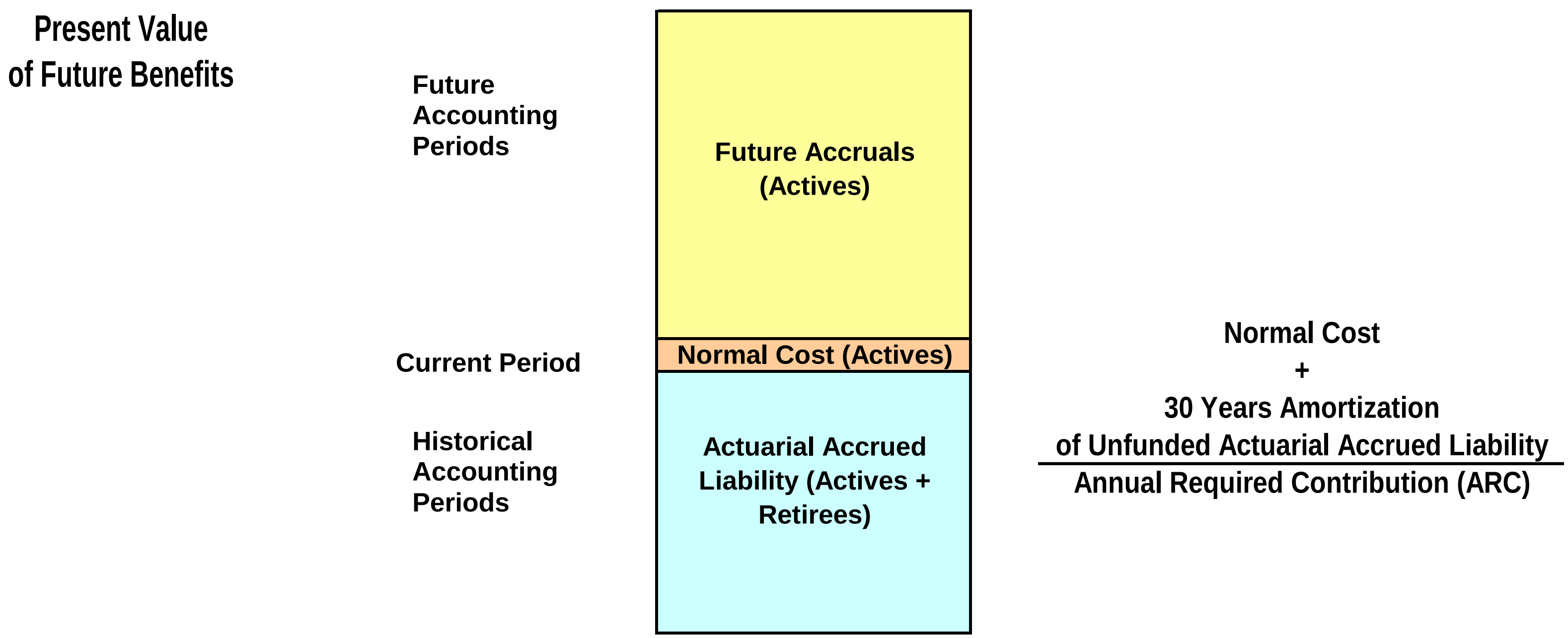
The benefits valued in this report are limited to those described in Exhibit III of Section 4.

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



Net OPEB Obligation = $ARC_1 + ARC_2 + ARC_3 + \ldots\ldots$

$- \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \ldots\ldots$

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.

The key results for the current year are shown on a funded basis.

SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS

		Funded (7.0% interest rate)
Actuarial Accrued Liability by Participant Category		
1.	Current retirees, beneficiaries and dependents	$23,628,214
2.	Current active members	14,909,744
3.	Total as of December 31, 2012: (1) + (2)	$38,537,958
4.	Actuarial value of assets as of December 31, 2012	10,224,733
5.	Unfunded actuarial accrued liability (UAAL) as of December 31, 2012: (3) – (4)	$28,313,225
Annual Required Contribution for Fiscal Year Ending June 30, 2013		
6.	Normal cost as of December 31, 2012	$1,098,973
7.	26-year increasing (3.5% per year) amortization of the UAAL as of December 31, 2012	1,600,046
8.	Total Annual Required Contribution (ARC): (6) + (7)	$2,699,019
9.	Projected benefit payments	1,978,306

Note: Assumes payment in the middle of the fiscal year.

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution

	All Other	School	Water	Total
Actuarial Accrued Liability by Participant Category				
1. Current retirees, beneficiaries and dependents	$7,632,394	$15,610,755	$385,065	$23,628,214
2. Current active members	4,831,984	10,031,826	45,934	14,909,744
3. Total as of December 31, 2012: (1) + (2)	$12,464,378	$25,642,581	$430,999	$38,537,958
4. Actuarial value of assets as of December 31, 2012	3,306,998	6,803,384	114,351	10,224,733
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2012: (3) – (4)	$9,157,380	$18,839,197	$316,648	$28,313,225
Annual Required Contribution for Fiscal Year Ending June 30, 2013				
6. Normal cost as of December 31, 2012	$326,991	$765,305	$6,677	$1,098,973
7. 26-year increasing (3.5% per year) amortization of the UAAL as of December 31, 2012	517,505	1,064,646	17,895	1,600,046
8. Total Annual Required Contribution (ARC): (6) + (7)	$844,496	$1,829,951	$24,572	$2,699,019
9. Projected benefit payments	569,030	1,374,506	34,770	1,978,306

Note: Assumes payment in the middle of the fiscal year.

FUNDING SCHEDULES

26 Years Closed (7.00% discount rate), payments increasing at 3.5%

Fiscal Year Basis						Calendar Year Basis			
Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Addition/ (Reduction) to Trust (4) - (1)	Funded Status as of December 31	(6) Assets at December 31	(7) AAL at December 31	(8) UAAL at December 31 (7) – (6)
2013	$1,978,306	$1,098,973	$1,600,046	$2,699,019	$0	2012	$10,224,733	$38,537,958	$28,313,225
2014	2,110,447	1,153,922	1,700,727	2,854,649	744,202	2013	10,940,464	40,294,729	29,354,265
2015	2,253,489	1,211,618	1,760,252	2,971,870	718,381	2014	12,502,593	42,091,878	29,589,285
2016	2,427,240	1,272,199	1,821,861	3,094,060	666,820	2015	14,146,442	43,923,507	29,777,065
2017	2,610,762	1,335,809	1,885,626	3,221,435	610,673	2016	15,850,190	45,762,259	29,912,069
2018	2,789,911	1,402,599	1,951,623	3,354,222	564,311	2017	17,613,123	47,601,417	29,988,294
2019	2,924,211	1,472,729	2,019,930	3,492,659	568,448	2018	19,449,854	49,449,092	29,999,238
2020	3,064,593	1,546,365	2,090,628	3,636,993	572,400	2019	21,419,583	51,357,443	29,937,860
2021	3,238,411	1,623,683	2,163,800	3,787,483	549,072	2020	23,531,422	53,327,960	29,796,538
2022	3,324,077	1,704,867	2,239,533	3,944,400	620,323	2021	25,766,129	55,333,158	29,567,029
2023	3,407,506	1,790,110	2,317,917	4,108,027	700,521	2022	28,233,504	57,473,924	29,240,420
2024	3,577,882	1,879,616	2,399,044	4,278,660	700,778	2023	30,959,407	59,766,485	28,807,078
2025	3,756,776	1,973,597	2,483,011	4,456,608	699,832	2024	33,876,398	62,132,994	28,256,596
2026	3,944,614	2,072,277	2,569,916	4,642,193	697,579	2025	36,996,566	64,574,302	27,577,736
2027	4,141,845	2,175,891	2,659,863	4,835,754	693,909	2026	40,332,735	67,091,103	26,758,368
2028	4,348,937	2,284,686	2,752,958	5,037,644	688,707	2027	43,898,509	69,683,909	25,785,400
2029	4,566,383	2,398,920	2,849,312	5,248,232	681,849	2028	47,708,321	72,353,034	24,644,713
2030	4,794,702	2,518,866	2,949,038	5,467,904	673,202	2029	51,777,482	75,098,561	23,321,079
2031	5,034,437	2,644,809	3,052,254	5,697,063	662,626	2030	56,122,232	77,920,316	21,798,084
2032	5,286,159	2,777,049	3,159,083	5,936,132	649,973	2031	60,759,798	80,817,836	20,058,038
2033	5,550,466	2,915,901	3,269,651	6,185,552	635,086	2032	65,708,455	83,790,337	18,081,882
2034	5,827,989	3,061,696	3,384,089	6,445,785	617,796	2033	70,987,589	86,836,676	15,849,087
2035	6,119,389	3,214,781	3,502,532	6,717,313	597,924	2034	76,617,762	89,955,310	13,337,548
2036	6,425,358	3,375,520	3,625,121	7,000,641	575,283	2035	82,620,784	93,144,251	10,523,467
2037	6,746,626	3,544,296	3,752,000	7,296,296	549,670	2036	89,019,792	96,401,022	7,381,230
2038	6,911,178	3,721,511	3,883,276	7,604,787	693,609	2037	95,839,324	99,722,600	3,883,276
2039	7,256,737	3,907,587	0	3,907,587	(3,349,150)	2038	103,290,238	103,290,238	-

Note: Assumes additional funding payments made on January 1.

March 15, 2013

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Wayland other postemployment benefit programs as of December 31, 2012, 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, premium and expense 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. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience and expectations of the postemployment benefit programs.

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

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

CHART 1
Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Costs	Actual Contributions	Percentage Contributed
2009	$3,020,926	$3,034,164	100.4%
2010	3,138,586	3,994,270	127.3%
2011	3,560,074	5,235,998	147.1%
2012	3,614,689	5,093,966	140.9%
2013	2,643,910	1,978,306	74.8%
2014	2,813,283	--	--

Note: 2014 information assumes there will be no plan changes that need to be reflected and that no OPEB trust contribution will be made in fiscal year 2013.

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)]
12/31/2008	$764,076	$40,852,026	$40,087,950	1.87%	$35,600,000	112.61%
12/31/2010	3,762,543	49,476,106	45,713,563	7.60%	38,000,000	120.30%
12/31/2012	10,224,733	38,537,958	28,313,225	26.53%	39,339,000	71.97%

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)
2008	N/A	N/A	N/A	N/A	N/A	N/A	$(750,000)
2009	$3,033,020	$(56,250)	$44,156	$3,020,926	$3,034,164	$(13,238)	(763,238)
2010	3,151,684	(57,243)	44,145	3,138,586	3,994,270	(855,684)	(1,618,922)
2011	3,582,995	(113,325)	90,404	3,560,074	5,235,998	(1,675,924)	(3,294,846)
2012	3,657,200	(230,639)	188,128	3,614,689	5,093,966	(1,479,277)	(4,774,123)
2013	2,699,019	($334,189)	279,080	2,643,910	1,978,306	665,604	(4,108,519)
2014	2,854,649	($287,596)	246,230	2,813,283	--	--	--

Note: 2014 information assumes there will be no plan changes that need to be reflected and that no OPEB trust contribution will be made in fiscal year 2013.

CHART 4
Summary of Required Supplementary Information

Valuation date	December 31, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 3.5%
Remaining amortization period	26 years as of July 1, 2012
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Inflation rate	3.5%
Medical/drug cost trend rate	8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.0% per year
Part B premium	6.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	457
Current active participants	436
Total	893

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

EXHIBIT I
Summary of Participant Data

	January 1, 2013	January 1, 2011
Active employees covered for medical benefits		
Number of employees	174	166
Male	<u>262</u>	<u>258</u>
Female	436	424
Total	46.4	46.4
Average age	10.7	10.6
Average service		
Retired employees, spouses and beneficiaries covered for medical benefits	457	424
Number of individuals	71.6	70.8
Average age	39	41
Retired employees with life insurance coverage		
Number of individuals	300	286
Average age	72.8	67.9
Number with life insurance only	53	54

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 Wayland.
Actuarial Cost Method:	Projected Unit Credit
Per Capita Cost Development:	Per capita costs were based on the fully-insured premium rates effective July 1, 2012 for non-Medicare plans and January 1, 2013 for all Medicare plans. Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the weighted premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	December 31, 2012
Discount Rate:	7.0%
Mortality Rates:	
Pre-Retirement (Non-Teachers)	RP-2000 Employee Mortality Table projected 13 years with Scale AA (gender distinct) (previously, RP-2000 Employee Mortality Table projected 10 years with Scale AA)
Healthy (Non-Teachers)	RP-2000 Healthy Annuitant Mortality Table projected 13 years with Scale AA (previously, RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA)
Disabled (Non-Teachers)	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

Accrued liability and service cost were increased by 1.25% for Teachers to account for future mortality improvement (to be consistent with the assumptions in the January 1, 2012 Massachusetts Teachers' Retirement System Actuarial Valuation Report).

The mortality tables were determined to contain provisions appropriate to reflect future mortality improvements.

Termination Rates before Retirement:

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

	Mortality				
	Current		Previous		
Age	Male	Female	Male	Female	Disability
20	0.03	0.02	0.03	0.02	0.02
25	0.03	0.02	0.03	0.02	0.02
30	0.04	0.02	0.04	0.02	0.03
35	0.07	0.04	0.07	0.04	0.06
40	0.10	0.06	0.10	0.06	0.10
45	0.13	0.09	0.13	0.10	0.15
50	0.17	0.13	0.18	0.14	0.19
55	0.24	0.23	0.25	0.23	0.24
60	0.40	0.37	0.42	0.37	0.28

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

Group 4 - Rate per year (%)

	Mortality				
	Current		Previous		
Age	Male	Female	Male	Female	Disability
20	0.03	0.02	0.03	0.02	0.20
25	0.03	0.02	0.03	0.02	0.20
30	0.04	0.02	0.04	0.02	0.30
35	0.07	0.04	0.07	0.04	0.30
40	0.10	0.06	0.10	0.06	0.30
45	0.13	0.09	0.13	0.10	1.00
50	0.17	0.13	0.18	0.14	1.25
55	0.24	0.23	0.25	0.23	1.20
60	0.40	0.37	0.42	0.37	0.85

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

Teachers - Rate per year (%)

	Mortality		
Age	Male	Female	Disability
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 rates shown represent accidental disability.
55% of the death rates shown represent accidental death.

Withdrawal Rates:

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

Withdrawal Rates:

	Teachers - Rate per year (%)					
	0 - 4 Years of Service		5 - 9 Years of Service		10+ Years of Service	
Age	**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:

	Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		
Age	**Male**	**Female**	**Group 4**
45 – 49	- -	- -	1.0
50 – 54	- -	- -	2.0
55 – 59	2.0	5.5	15.0
60 – 61	12.0	5.0	20.0
62 – 64	30.0	15.0	25.0
65 – 68	40.0	15.0	100.0
69	50.0	20.0	- -
70	100.0	100.0	- -

Teachers - Rate per year (%)

	Years of Service					
	Less than 20		20 – 29		30 or more	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50 – 53	0.0	0.0	1.0	1.5	2.0	2.0
54	0.0	0.0	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
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	35.0
64	40.0	20.0	30.0	30.0	40.0	35.0
65	40.0	30.0	40.0	30.0	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

Dependents: Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives and 55% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs: Calendar 2013 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.

	Non-Medicare Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	$6,985	$8,762	$4,332	$6,540	N/A	N/A	N/A	N/A
50	8,290	9,442	5,790	7,582	N/A	N/A	N/A	N/A
55	9,845	10,165	7,748	8,776	N/A	N/A	N/A	N/A
60	11,692	10,956	10,373	10,178	N/A	N/A	N/A	N/A
65	13,886	11,803	13,886	11,803	$4,202	$3,572	$4,202	$3,572
70	16,094	12,720	16,094	12,720	4,870	3,849	4,870	3,849
75	17,344	13,692	17,344	13,692	5,248	4,143	5,248	4,143
80	18,677	14,761	18,677	14,761	5,652	4,467	5,652	4,467

Medicare Advantage Plans: $2,901

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

Year Ending December 31	Medical/Drug	Medicare Part B Premium
2013	8.0%	6.0%
2014	7.5%	6.0%
2015	7.0%	6.0%
2016	6.5%	6.0%
2017	6.0%	6.0%
2018	5.5%	6.0%
2019 & later	5.0%	6.0%

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 with their current medical plan for life. For future retirees hired before 1986 and current retirees under age 65, 70% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 20% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan (Previously, 75%, 15% and 10%, respectively.) For future retirees hired after 1986 or later, 80% are to enroll in a Medicare Supplement Plan upon reaching age 65 and 20% are assumed to enroll in a Medicare Advantage plan. 80% of future retirees with medical coverage are assumed to have life insurance coverage.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses for insured plans were 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.

Health Care Reform Assumption:	This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010, including the excise tax on high-cost health plans beginning in 2018, other than those previously adopted as of the valuation date.
Assumption Changes since Prior Valuation:	The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 10 years with Scale AA to the RP-2000 Employee Mortality Table projected 13 years with Scale AA. The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 13 years with Scale AA. Accrued liability and service cost for Teachers were increased by 1.25% to include a margin for future mortality improvement consistent with the assumptions used in the January 1, 2012 Massachusetts Teachers' Retirement System Actuarial Valuation Report dated October 19, 2012. Per capita costs were based on the fully-insured premium rates effective July 1, 2012 for under-65 non-Medicare plans and January 1, 2013 for Medicare Supplement and Medicare Advantage plans. The medical and prescription drug trends have been revised to 8.0% for the year beginning January 1, 2013, decreasing by 0.5% per year to an ultimate level of 5.0%. The coverage elections for future retirees hired prior to 1986 and current retires under age 65 were updated to reflect more retirees enrolling in Medicare Advantage Plans. This year, 70% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 20% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to remain enrolled in a non-Medicare plan. (Previously, 75%, 15%, and 10%, respectively)

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 Middlesex Regional Retirement System or Massachusetts State Teachers Retirement System.

Members hired before April 2, 2012

Group 1 and Group 2 (including Teachers):
- Retirees with at least 10 years of creditable service are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

Group 4
- Retirees are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

Members hired on or after April 2, 2012

Group 1 (including Teachers):
- Retirees with at least 10 years of creditable service are eligible at age 60.

Group 2
- Retirees with at least 10 years of creditable service are eligible at age 55.

Group 4
- Retirees are eligible at age 55;
- Retirees with at least 10 years of creditable service are eligible at age 50.

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

	Pre-Retirement Death: Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age. Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service. **Post-Retirement Death:** Surviving spouse is eligible.
Benefit Types:	The Town of Wayland 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, Fallon Community Health Plan and Tufts Health Plan. The Town of Wayland also pays 50% of the retiree life insurance premium and reimburses the Medicare Part B penalty for 39 retirees and spouses. (Dental coverage is offered but it is 100% retiree paid and therefore has no impact on this valuation.)
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.
MGL Chapter 32B, Section 18:	Adopted.
Retiree Contributions:	Premium rates and retiree contributions as of January 1, 2013 and July 1, 2012 are summarized on the following pages

	Subscribers						
	Active	Retiree	Total	*Retirees 65 and over**	Monthly Premium (eff. 7/1/2012)	Town cost	Retiree cost
Non-Medicare Actives and Retirees							
Harvard Pilgrim HMO RSP							
Individual	77	31	108	*10*	$586.00	$451.22	$134.78
Family	159	19	178	*1*	$1,529.00	$1,024.43	$504.57
BCBS Blue Choice RSP							
Individual	28	5	33	*1*	$603.00	$464.31	$138.69
Family	19	7	26	*1*	$1,620.00	$1,085.40	$534.60
Tufts Navigator RSP							
Individual	41	13	54	*3*	$620.00	$477.40	$142.60
Family	44	7	51	*3*	$1,623.00	$1,087.41	$535.59
Fallon Select RSP							
Individual	22	1	23	*0*	$521.00	$401.17	$119.83
Family	27	0	27	*0*	$1,404.00	$940.68	$463.32
Fallon Direct RSP							
Individual	11	0	11	*0*	$485.00	$373.45	$111.55
Family	6	0	6	*0*	$1,305.00	$874.35	$430.65
Tufts POS							
Individual	0	1	1	*1*	$1,562.00	$781.00	$781.00
Family	0	0	0	*0*	$3,469.00	$1,734.50	$1,734.50
Harvard Pilgrim PPO							
Individual	2	5	7	*3*	$1,562.00	$781.00	$781.00
Family	0	1	1	*0*	$3,469.00	$1,734.50	$1,734.50
Non-Medicare Total	436	90	526	*23*			

	Subscribers			Monthly Premium		
	Active	Retiree	Total	(eff. 1/1/2013)	Town cost	Retiree cost
Medicare Supplement Plans						
Medex 3	N/A	50	50	$424.00	$212.00	$212.00
Managed Blue for Seniors	N/A	23	23	$402.00	$277.78	$124.22
Harvard Pilgrim Medicare Enhance	N/A	43	43	$378.00	$189.00	$189.00
Tufts Medicare Plus	N/A	44	44	$332.00	$166.00	$166.00
Medicare Advantage plans						
Fallon Senior	N/A	3	3	$279.00	$192.79	$86.21
Tufts Medicare Preferred	N/A	41	41	$240.00	$166.80	$73.20
Medicare Total		204	204			
Retiree Total**		294				

* 23 of 227 over-65 retirees are in a non-Medicare plan
** In addition, there are 163 spouses of retirees covered under an individual or family policy.

Plan Changes
Since the Prior Valuation: None

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A Looming Liability

While many people know about shortfalls in public pension funding, there's another, often larger, cost for cities and towns to consider with their retired workers: health insurance. The expense comprises the largest component of "other post-employment benefits" in municipal budgets, prompting the Daily News and its sister papers to survey communities about the burden and then fill in the gaps with publicly available financial statements. The findings? Local cities and towns have only saved a combined $20.5 million, just 1.5 percent of their $1.3 billion long-term liability.

Town/city	1. What will they owe? (millions)	2) How much have they saved?	3) What should they pay each year to get on track? (millions)	4) What are they actually paying? (millions)	5) How much does town contribute toward premiums?
Framingham	$371.5	$1,500,000	$25.30	$10.40	75-84%
Marlborough	$133.8	$2,000,000	$8.71	$2.63	60-70%
Natick	$126.0	$221,608	$11.69	$3.40	50% for Medicare supplements, 80-90% for younger retirees
Shrewsbury	$89.9	$1,006,020	$7.61	$2.04	50-80%
Franklin	$84.7	$169,000	$7.19	$1.66	50-68%
Weston	$69.8	$4,959,133	$6.15	$3.38	67-87%
Milford	$53.6	$205,855	$4.60	$2.10	50-70%
Hudson	$51.9	$0	$4.68	$2.63	50%
Westborough	$51.8	$0	$4.70	$2.00	75%
Holliston	$46.3	$500,000	$3.82	$1.47	60%
Wayland	$45.7	$9,800,000	$3.70	$5.24	50-66%
Sudbury	$36.4	$0	$3.52	$0.88	50%
Bellingham	$32.7	$0	$2.93	$1.00	50%
Southborough	$31.6	$0	$3.27	$1.14	50-75%
Medway	$29.6	$24,954	$3.30	$0.89	50%
Ashland	$29.3	$0	$3.80	$0.90	50%
Northborough	$28.1	$0	$3.60	$0.93	70% for Medicare supplements, 51-68% for younger retirees
Hopkinton	$25.9	$150,000	$2.40	$0.47	50%
TOTALS	**$1,338.6**	**$20,536,570**			

1) ACCRUED LIABILITY: Can change slightly each year, and measures how much towns will have to pay to cover current, eligible workers and retirees through the rest of their lives (regular coverage until age 65, then supplemental Medicare plans). Accrued liability is not formally computed each year, though, and data submitted to the Daily News ranges from 2009-2012. The liability is also likely to be a little smaller for towns that have been saving. But the forecast might also prove low if towns overestimate the interest they will get on savings and low-ball annual rises in health care costs.
2) SAVINGS TOWARD LIABILITY: This is the cumulative amount towns have set aside for the future liability, plus any money they have committed from the coming budget to do so. Towns can earn more interest if they put the money in a trust they can't later raid for other purposes. Framingham, Hopkinton, Medway, Milford, Natick, Shrewsbury, Wayland, Weston, Northborough and Sudbury have established such accounts, though the latter two have not yet put anything in them. Sudbury is trying to rectify that.
3) ANNUAL REQUIRED CONTRIBUTION (ARC): Towns are not required to save for future liability, though accounting standards encourage them to calculate this number to show how much they should be setting aside annually to have the full liability funded in 30 years. The Daily News' numbers range from fiscal 2010 to fiscal 2013.
4) ACTUAL CONTRIBUTION: This is the amount towns paid in a recent year for their current retirees' health insurance, plus any money set aside that year for the larger liability. A town might save more money one year than the next, making some numbers appear higher. (Most Daily News data is from fiscal 2011, with fiscal 2010 for Hudson and Shrewsbury and fiscal 2012 for Westborough and Weston.)
5) PREMIUM SPLITS: Towns contribute a negotiated portion of premiums for regular plans until age 65, then chip in for coverage that supplements Medicare.

WICKED LOCAL WAYLAND
WITH NEWS FROM THE WAYLAND TOWN CRIER

Wayland and Weston dealing with possible budget breaker

By David Riley
GateHouse News Service
Posted Jun 29, 2012 @ 01:14 PM
Last update Jul 01, 2012 @ 11:11 AM

WESTON/WAYLAND — Most town and city employees who work at least 20 hours a week for 10 years take home much more than a steady paycheck and benefits.

They also earn a promise from their employers to help bear the cost of health care for the rest of their lives.

When such workers retire, most Bay State communities still provide and pay for at least half the cost of their health benefits, including primary insurance for employees who can leave before age 65 and supplemental coverage for others eligible for Medicare.

As the cost of medical care has soared, benefits promised in cheaper times have become an increasingly expensive pledge for taxpayers.

If costs continue to rise, some municipal leaders and analysts predict municipalities will be forced to cut local services to fund future retiree medical bills, or that the cost eventually may prove unaffordable altogether.

"Over time, it will take more and more of the budget," said Michael Widmer, president of the business-backed Massachusetts Taxpayers Foundation, which issued two recent reports critical of retiree health care costs. "There's no dodging it."

Many towns and cities just recently began to understand the likely costs of health care benefits their current and future retirees have earned over time.

"Focusing on this is a major long-term priority," said Geoff Beckwith, executive director of the Massachusetts Municipal Association, which represents town and city managers.

In a survey of towns and cities throughout eastern Massachusetts about the projected long-term cost of retirement health care benefits already earned by current and future retirees, the 116 communities that responded said they face an estimated cost of at least $12.9 billion combined over the course of their employees' retirement.

Some communities are saving money toward paying for these obligations – about $99 million altogether among the towns and cities surveyed, or about 0.7 percent of the estimated liability.

Many are not saving at all, including Fall River, Malden, Westborough, Norwood and Stoughton. While some local officials note it is not required, Widmer argued these towns are forgoing interest earnings they could start to accrue by saving now – a more cost-effective option.

State policymakers also are grappling with this issue.

A state commission this spring began trying to gauge the long-term cost of public retiree health care statewide, as well as life insurance, dental coverage and other post-employment benefits (or OPEB for short) besides pensions.

The liability to towns and cities over time may be as much as $30 billion and another $16.2 billion for state government, more than for public pensions, said Henry Dormitzer, a former Department of Revenue commissioner and the OPEB commission's chairman.

He said the group will ask: "Is this causing a cost problem, and if so, should we do something about it?"

The commission plans to deliver recommendations in November. Major public employee unions, which hold two commission seats, are arguing for a wait-and-see approach.

Some estimates of retiree health care liabilities are dated and have yet to reflect changes expected to yield major savings, said Shawn Duhamel, legislative liaison for the Retired State, County and Municipal Employees Association of Massachusetts.

"We do challenge the premise that this is unaffordable," said Duhamel, a commission member.

For example, a 2011 law that gave towns and cities more power over employee health plans is already saving money and requires eligible retirees to enroll in Medicare if they have not already done so, he said.

"Let's take a step back. Let's see the result of these varying reforms," Duhamel said.

The Taxpayers Foundation predicts these changes will trim retiree health care liabilities only about 10 percent, with many eligible retirees already on Medicare, Widmer said.

"This is still a mammoth and unaffordable obligation," he said.

Until recently, few state or municipal leaders viewed these costs in such terms. Most governments simply paid for post-employment benefits when the bills came due.

That began to change when a board that sets financial reporting standards for state and local governments said public employers by 2008 should determine and report the projected long-term cost of retiree benefits as employees earn them.

“The cost of these future benefits is a part of the cost of providing public services today,” the Government Accounting Standards Board said in a summary of the new rules.

Now most towns and cities have estimated what such benefits will cost over time, as well as how much they would need to save each year to fully fund this liability in 30 years.

Even smaller communities face multi-million-dollar long-term liabilities. Larger towns and cities, such as Cambridge, Newton and Brockton, face estimated costs of well over $500 million.

In Fall River, the city’s liability is close to $1 billion.

In many cases, the amounts that towns would have to set aside to fund their liabilities are double their current bills for retiree health care.

Yet local officials caution these estimates are based in part on assumptions about shifting factors, such as the rate of health care cost growth, and are subject to change.

Regardless, a growing number of communities have begun setting aside money for retiree benefits, with some placing the money in special trust funds.

Wayland and Weston

Wayland Town Administrator Fred Turkington said his town, which has saved about $9.8 million toward its retiree health care liability, is taking the issue seriously.

“Frankly, it’s probably a bigger challenge for towns than pensions will be,” he said.

The unfunded liability for pensions should drop over time, but health care costs will likely remain just as high or continue to rise, Turkington said.

The number of retirees also is growing, and people are living longer, Turkington said.

“It’s a demographic problem that we’re all confronting, no different than the Social Security and Medicare problem at the national level,” he said.

One option might be retraining employees who otherwise might retire at younger ages from physical jobs, such as public safety workers, so they can do other tasks and keep working for longer, Turkington said.

“I think the days of a police officer retiring at 55 and expecting to do nothing until they pass on, the economics don’t work for that,” he said.

In Weston, Town Manager Donna VanderClock said the town of Weston has begun funding its OPEB liability and so far has set aside nearly $5 million, which includes the appropriation made for fiscal 2013.

The money originally was in a Stabilization Fund created in 2005, and then was transferred to an OPEB Trust in 2009.

If towns set side money for retiree benefits, it could prove to be to their benefit in the near term, too. Bond rating agencies recently told the OPEB commission they view retiree health care liabilities with the same weight as debt and pension costs when considering a state’s financial health, Dormitzer said.

“I don’t think it’s a broad stretch to think that they would adopt a similar mechanism at the local level,” he said, a decision that could affect local bond ratings.

Even towns saving could find it impossible to keep up with costs, and changes to benefits for future retirees may be necessary, Widmer said.

Possibilities might include changing the ages when workers can retire with health care or basing a community’s contribution to workers’ retirement health care on their years of service, he said.

Another option may be requiring public employers and workers to set aside money for future health benefits today, similar to the pension system, Beckwith said.

“There are going to be a wide range of solutions,” he said. “Some will be very controversial and some won’t be very controversial.”

The state should focus on the underlying problem – the rising cost of health care, said Andrew Powell, the AFL-CIO of Massachusetts’ representative on the state commission.

While unions are willing to consider reasonable ways to cut costs, “retirees can’t afford any additional cost shifting,” Powell said.

Whatever the answer, towns should start saving whatever they can now, said Hingham Town Administrator Ted Alexiades, who has spoken frequently to colleagues about retiree benefits. Those that fail to do so risk “draconian austerity measures” to balance budgets in the future, he said.

“We cannot ethically and morally as public administrators avoid this issue,” he said.

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Most towns poorly prepared to pay for retirement benefits

By David Riley and Michael Morton and Laura Krantz, Daily News staff
MetroWest Daily News
Posted Jul 01, 2012 @ 12:00 AM

On the Web

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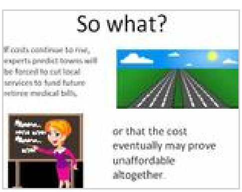

VIDEO: What is OPEB?

The question drew nervous laughs, the answer a few gasps: longtime Hopkinton volunteer Ken Weismantel shuffling to the Town Meeting microphone to ask about the future cost of municipal retirees, beyond pensions.

The next voter then broached the technical name: What are "other post-employment benefits" anyway? she asked.

Answer: an expense known as OPEB, driven mainly by health care costs. And thanks to recently changed accounting standards, towns — and in some cases their residents — are starting to take notice.

A survey by the Daily News and its sister newspapers shows that 18 cities and towns in MetroWest and around Milford have a projected $1.3 billion they will need to spend in coming years — a sum watchdogs believe will overwhelm budgets and taxpayers, unless changes are made and savings set aside now.

The burden — or pledge, depending on the point of view — is often larger than pension forecasts, a more widely understood challenge.

"The employee benefit side of things is a monster," said Joe Delano of Marlborough's City Council, which just earmarked another $1 million for the expense. "It took a while to get city officials revved up to go, but it is a major liability that's going to be hung around the necks of taxpayers in the next generation if we don't start building it up and try to take care of this."

For pensions, payments are based on years served and earnings, accounting for hours on the job.

But state law says any municipal worker who worked at least 20 hours per week for 10 years can get the maximum retiree health benefit.

Most cities and towns also pay at least 50 percent of premiums, both for normal plans when workers choose to retire as early as 55 and then for supplemental coverage when they reach Medicare eligibility. Some chip in more, driving expenses higher.

While health care was once an affordable tradeoff in union negotiations, some municipal leaders and analysts predict rising costs could eventually force cuts to local services to fund retiree medical coverage. Even then, the existing model may prove too expensive, they argue.

"Over time, it will take more and more of the budget," said Michael Widmer, president of the business-backed Massachusetts Taxpayers Foundation, which issued two recent reports criticizing the benefits. "There's no dodging it."

A town's future liability ebbs and flows a little each year, adjusted for how much it will cost to cover each existing and future retiree for a lifetime.

Individual municipal numbers might also prove low if number-crunchers low-ball the likely growth in health costs, or overestimate the interest towns can earn on savings.

In MetroWest and Milford, the projected burden ranges from $25.9 million in Hopkinton to up to $371.5 million in Framingham — though local leaders like Natick Selectman Josh Ostroff caution the numbers are based on shifting assumptions subject to change. Natick's latest liability stands at $126 million.

An accounting oversight board encourages towns not only to pay health insurance for current retirees, but also to set aside money for the future, so the liability is fully funded in 30 years.

Those that do so can earn interest, lessening the future taxpayer burden — especially if they protect it in an untouchable trust providing a better investment return.

Those that don't are likely to soon draw scrutiny from bond agencies that award credit ratings, which can drive up borrowing costs for municipal projects.

Many towns don't sock away money at all, though. And those that do typically don't set aside enough to fully fund the long-term costs any time soon. In MetroWest, the combined savings is $20.5 million — just 1.5 percent of the liability.

"I think that's going to be a difficult hurdle to clear," said Executive Assistant Paul Blazar of Hudson, which has a long-term estimated liability of $51.9 million but no savings. "We're living barely within our means to stay within Proposition 2 1/2 (tax limits)."

But in Framingham, new Town Manager Robert Halpin said the town has a roadmap for tucking savings away and that the liability shouldn't cause panic.

"It can't be an excuse for not doing other things we need to do," he said. "It's a matter of balance, and having a plan."

Besides Hudson, towns without savings include Ashland, Northborough, Southborough, Sudbury, Westborough and

Bellingham.

But Wayland has $9.8 million saved and Weston $5 million — 21 percent and 7 percent of their respective liabilities.

In many cases, the annual amounts towns should set aside is double what they are actually paying.

Despite Marlborough's recent earmark, for example, consultants recommend the city set aside $8.7 million each year — far more than the $2.63 million it does today.

Even towns with savings accounts could find it impossible to keep up with costs — potentially making changes to benefits a necessity, Widmer said.

A state commission studying long-term costs is expected to make recommendations this fall. The group includes Shrewsbury Town Manager Daniel Morgado, labor representatives and others.

Unions are already saying the real issue is larger state health care costs — a burden the Legislature and Gov. Deval Patrick are trying to tackle.

The unions also challenge the premise that the benefits will prove too expensive. They argue for a wait-and-see approach, since a law only recently took effect giving towns more control to target low co-pays and deductibles that have contributed to expensive premiums. Towns must also enroll eligible retirees in Medicare, rather than chipping in for their full care until death as some were before.

In Northborough, the Medicare switch and so-called "plan redesign" helped the town reduce its long-term liability from $90 million to $34 million. It now stands at $28.1 million.

But the taxpayers foundation still predicts these changes will only trim retiree health care liabilities about 10 percent, with many eligible retirees already on Medicare, Widmer said.

"This is still a mammoth and unaffordable obligation," he said.

Suggestions from the foundation include ending spousal coverage, contributing a set dollar amount toward premiums instead of a percentage, and basing coverage amount on years and hours worked.

The foundation has also proposed raising the eligibility age.

"I think the days of a police officer retiring at 55 and expecting to do nothing until they pass on, the economics don't work for that," said Wayland Town Administrator Fred Turkington, suggesting retraining for less physically demanding public jobs at that point.

Another option may be requiring public employers and workers to set aside money for future health benefits, similar to the pension system, said Geoff Beckwith, executive director of the Massachusetts Municipal Association.

"There are going to be a wide range of solutions," he said. "Some will be very controversial and some won't be."

The questions are whether changing benefits just for future retirees will provide enough relief — and whether there's political will to include those currently receiving benefits.

While unions are willing to consider reasonable ways to ease the burden, "retirees can't afford any additional cost-shifting," said Andrew Powell, who represents the Massachusetts AFL-CIO on the state commission.

Larry Marsell, 77, retired from the Holliston Police Department in 1990.

"Are retirees worried about the liability of the municipalities to contribute?" he said. "Obviously."

But in Ashland, 86-year-old Ginny Smith thinks it's out of her control. She worked for Ashland schools and Town Hall for 15 years and has had a knee and a hip replaced.

"I don't worry about that a whole lot because I know there's not a lot I can do about it," Smith said.

Daily News staff contributed to this report.

(David Riley can be reached at 508-626-4424 or driley@wickedlocal.com.)

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Knight owl
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B

Town of Wayland
OPEB Trust Investment Policy Statement

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town of Wayland (Client) and Bartholomew & Company (Investment Manager/Advisor) regarding the objectives, goals, risk tolerance, and investment guidelines established for the OPEB (Other Post-Employment Benefits) Trust. The secondary purpose is to describe for the Office of Treasurer & Collector of Taxes, the public, and staff the underlying logic and philosophy supporting this Statement.

I. The Investment of OPEB Trust Funds

A. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional contributions to the account will be maintained in the same manner.

B. Authority

Massachusetts General Law Chapter 32B, section 20 allows a city, town, district, county or municipal lighting plant to set up a special trust fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund. The governmental unit's treasurer is the custodian of the fund or in the case of a light plant, an officer designated by the board. Investment of fund monies by the custodian must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

C. Introduction

Creating an investment policy is the most critical phase of the entire investment process. The effects from a properly drafted vs. ineffective investment policy statement can be more important than the effects of good or poor investment management. To be successful, an investment policy needs to be appropriate for its setting and intended purpose. The policy needs to match the needs of the anticipated requests or periodic disbursements to the financial assets most likely to meet those cash flow needs. The best way to minimize investment risk is to match, as closely as possible, the timing of future liabilities with the timing of future cash flows from the portfolio assets. Furthermore, with regards to OPEB liabilities, the policy needs to stipulate those permitted investments most likely able, over the long term, to approximate the rate of return, or discount rate, targeted by the Town's/City's actuarial study. Under GASB 45, the discount rate should be the long term expected yield on the investments that are expected to be used to pay benefits as they come due. These would be plan investments for a funded plan or a weighted average of expected plan and employer investments for a plan that is partially funded. Investments within an OPEB Trust will closely approximate pension fund-type investments securities.

The policy statement is also designed to withstand "trustee risk" — the possibility that, at some stress point (most frequently an extreme decline in the stock or bond markets), those who oversee the funds may react in a manner detrimental to the long-term health of the Trust Funds.

D. Objective

OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables the Town of Wayland to purchase long-term assets, such as equities, which tend to have high returns over many years but whose price volatility precludes their use by those with shorter time horizons. By keeping our long-term focus in mind at all times, we hope to weather the periodic bad times.

We expect this long term view to provide us with better results than will be earned by those who pick short term investments or who abandon ship during turbulent times. We also expect that equities will serve as a hedge against eroding trust fund values due to long term inflationary trends.

We expect the stock market to provide greater total returns than the bond market does. We make this statement in a long-term sense, knowing that both economies and markets suffer periodic (but normally brief) declines, and knowing that there have been periods when cash and bonds outperform stocks.

We expect the relationship between the economy, the stock market, and inflation that has been in existence for the past 70 years to continue. We expect the American economy to show modest real growth over full business cycles, after allowance for occasional recessions. We expect stock prices to grow slightly faster than inflation, although the naturally volatile nature of the stock market will make such growth invisible except when observed over longer periods of time. We expect cash dividends from stocks also to grow slightly faster than inflation, and to fluctuate much less than stock prices do.

We expect continued inflation. Its timing and severity we cannot predict, but we believe it will be of sufficient magnitude that to ignore it would threaten our ability to meet our long-term objectives.

Our definition of risk is not always the common one. Most investors define investment risk in terms of the volatility of short-term total returns. This definition is appropriate for funds with a very short-term time horizon, but inappropriate for quasi-perpetual funds such as this OPEB Trust Fund. Our managed funds bear three potential kinds of risk. One comes from any mismatch between the natural cash flows out of the Trust (the amount requisitioned from the Trust) and the cash flows coming in (from contributions, dividends and interest). A second source of risk is the possibility that the assets in the funds do not perform the way the investment manager(s) or we expect them to. The third form of risk is that of reacting inappropriately at a volatile period, most likely after a severe market decline. We hope to minimize these risks to as great a degree as is possible without harming the Trust Fund's long-term objectives. Market value fluctuations are of secondary importance unless individual assets have permanently impaired values and must be liquidated to preserve remaining value.

E. Strategy

The contracted Investment Manager(s) will utilize the following investment guidelines in terms of asset allocation. This policy is subject to review and amendment at any time.

0 – 10% Cash and cash equivalents – normalized at 5%. Cash will be maintained to provide periodic cash distributions. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

0 – 20% Alternative Investments – normalized at 10%. Alternative Investment strategies include, but are not limited to, investment vehicles with the following objectives: market-neutral, absolute return, global macro, long/short, commodities, managed futures and arbitrage.

30 – 50% Fixed Income - normalized at 40%. To ensure appropriate diversification and to minimize default risk, the Trust Fund will invest primarily in high-quality taxable bonds, notes, and other credits through mutual funds, exchange-traded funds (ETFs) or individual bonds. Lower-quality bonds may be held through mutual fund or ETF ownership. The overall goal of the fixed-income portion of the portfolio is to provide returns competitive with, and price volatility similar to, the Barclays (Lehman Brothers) Aggregate Bond Index. The fixed income allocation exists to provide income and to dampen the volatility from the fund's equity holdings.

30 – 70% Equities – normalized at 50%. The sub-categories and their respective allocation ranges are as follows:

1) 40-60% - normalized at 50% (of the equity allocation) in U.S. Large Cap;
2) 15-25% - normalized at 20% - in International Developed Countries (all markets caps);
3) 10-15% - normalized at 12.5% - in U.S. Mid Cap;
4) 5-15% - normalized at 10% - in U.S. Small Cap;
5) 5-10% - normalized at 7.5% - in International Emerging Markets.

Adequate diversification and risk controls must be maintained within each sub-category. An appropriate benchmark for the overall asset class of equities, as well as each sub-strategy, will be determined and agreed upon between the Town of Wayland and the Investment Manager(s).

F. Investment Instruments

M.G.L. Chapter 203C: section 1 known as the Massachusetts Prudent Investor Act, states that a trustee shall invest and manage trust assets as a prudent investor would, considering the purposes, terms, and other circumstances of the trust, including those set forth in subsection c. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries: 1) general economic conditions; 2) the possible effect of inflation or deflation; 3) the role that each investment or course of action plays within the overall portfolio; 4) the expected total return from income and appreciation of capital: 5) other resources of the beneficiaries; 6) needs for liquidity, regularity of income, and preservation or appreciation of capital.

A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets. A trustee may invest in any kind of property or type of investment consistent with the standards of this chapter. A trustee who has special skills or expertise, shall have a duty to use such special skills or expertise.

Section 4: A trustee shall reasonably diversify the investments of the trust unless, under the circumstances, it is prudent not to do so.

The Treasurer may invest in the following instruments:

- U. S. Treasuries that may be sold prior to maturity: **Unlimited amounts** **(With no limit to the length of maturity from date of purchase)**
- U.S. Agency obligations that may be sold prior to maturity: **Unlimited amounts** **(With no limit to the length of maturity from date of purchase)**
- Bank accounts or Certificates of Deposit ("CDs"): **Unlimited amounts** **(With no limit to the length of maturity from date of purchase)**, which is fully collateralized through a third party agreement.
- Bank accounts and CDs: **(With no limit to the length of maturity from date of purchase)** fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.
- Money market mutual funds.
- Fixed-income mutual funds and exchange-traded funds (ETFs).

- Preferred stock: securities must be investment grade at the time of purchase.
- Common stock.
- Equity mutual funds and exchange-traded funds (ETFs).
- Alternative investment-oriented mutual funds. Leveraged (i.e. 2x or 3x) investment strategies are not permitted.

G. Specific Risks

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Town will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations, as they carry an AAA rating.

In regards to fixed-income investments, the Town will only purchase investment grade securities with a high concentration in securities rated A or better. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation. The Town may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

- **Custodial Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Town will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security:

- **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The town will minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As stated above, securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

- **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The town will manage interest rate risk by managing duration in the account.

H. Standards of Care

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

I. Diversification

- **Equity**

The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation. Individual equity holdings in any one company should not exceed 5% of the market value of the portfolio.

Equity holdings may be selected from the New York and American Stock Exchange or the NASDAQ markets. Securities may be in U.S. companies, or foreign companies purchased as American Depository Receipts (ADR's). Funds may be invested in securities convertible into equities or preferred stock.

No funds may be invested in real estate, private placements or letter stock, the Investment Advisor shall not engage in margin transactions, short sales or any other such specialized investment vehicles. The manager of a specific mutual fund and exchange-traded fund, however, may engage in short sales as part of an overall investment strategy. The selection of individual equities will be at the discretion of the Investment Advisor.

- **Fixed Income**

Investments in fixed income securities will be made principally for income and capital preservation. Selection should be made from liquid, investment grade corporate debt, convertible debt and obligations of the United States Government and its agencies. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds.

Securities of a single corporate issuer (excluding the United States Government and its Agencies) will not exceed 5% of the portfolio market value. Investments in U.S. Govemment debt will not include agencies that are not permitted under Massachusetts General Laws (i.e. Sallie Mae (SLMA) or Ginnie Mae (GNMA) obligations).

No more than 20% of the portfolio's total market value will be invested in convertible securities.

Individual corporate debt and preferred stock issues must be rated BBB or better, as defined by Moody's and/or Standard & Poor's Rating Agency.

There shall be no direct investments in real estate, mortgages, collateral or non-collateral loans, private placements, fixed income or interest rate futures, and no engagement in any other specialized fixed income ventures. The manager of a specific mutual fund and exchange-traded fund, however, may engage in fixed income and interest rate futures as part of an overall investment strategy. The selection of individual fixed income securities shall be at the discretion of the Investment Advisor.

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

- **Alternative Investments**

Alternative investment strategies may only be utilized via open-end mutual funds (see Investment Company Act of 1940). Alternative investments are intended to provide return characteristics separate and distinct from both equity and fixed income securities. Historically, alternative investments have shown low to moderate correlation to equity and fixed income investment returns. Consequently, alternative investments would be utilized in an effort to reduce the overall volatility of returns within the portfolio without increasing overall portfolio risk. Only the following strategies are permitted: market-neutral, absolute return, global macro, long/short, commodity, managed futures and arbitrage.

J. Ethics

The Treasurer and Assistant Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. The Treasurer shall disclose to the Town Manager any material financial interest in financial institutions that do business with the town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

K. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. Brokers should be recognized, reputable dealers. All cash and securities shall be held in either a bank that is allowable for the deposit of public funds, provided funds on deposit are insured by the Federal Deposit Insurance Corporation (FDIC), or in an Investment Brokerage Account that is insured by the Securities Investor Protection Corporation (SIPC). If a banking institution is selected as manager, The Town will subscribe to Veribanc©, a recognized bank rating service.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the Town, to supply the following information to the Treasurer:

- Audited financial statements
- If acting as a Registered Investment Adviser, Form ADV Part II report
- Proof of FINRA membership
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the Trust Funds Portfolio.
- A statement that the Advisor has read the municipality's IPS and will comply with it on an annual basis

L. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer and distributed to the Town Manager, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The Treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the Town's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

M. Performance Measurement and Evaluation

- The Funds performance will be measured by comparison with their stated objectives in comparison to their respective benchmarks.

- To monitor the intermediate term performance of the Funds, the Treasurer will compare the investment manager's results to a blended benchmark, to be determined in conjunction with the Investment Manager(s).

- Rebalancing of the portfolios should happen at least annually or more frequently if appropriate and approved by the Treasurer.

- It is expected that the performance figures of the Trust Fund, and any sub-strategy, will outperform their respective benchmarks, net of fees, on a long term (business cycle) basis.

N. Supervision

- The Treasurer will meet with the investment manager(s) as frequently as semi-annually to monitor the performance of the funds and the investment manager(s) compliance with these guidelines. The Treasurer will receive and review portfolio management reports quarterly.

- The Treasurer will review this Investment Policy Statement at least once a year to ensure that it remains appropriate and complete.

- The Treasurer has the option to put the management of funds out for bid periodically, and shall consider such option not less frequently than every five years, through a request for information, request for proposal, or similar process as required by law or town policy.

O. Legal References

- Massachusetts General Law Chapter 32B, Section 20
- Massachusetts General Law Chapter 203C, Section 1 through 11

Statement for the Period December 1, 2012 to December 31, 2012

TOWN OF WAYLAND OPEB TRUST - Unincorporated Assn
Account Number: B37-464929

COMMONWEALTH financial network

Account Overview

CHANGE IN ACCOUNT VALUE	Current Period	Year-to-Date
BEGINNING VALUE	$5,066,477.40	$0.00
Additions and Withdrawals	$0.00	$4,920,907.48
Income	$76,635.15	$112,754.65
Taxes, Fees and Expenses	$0.00	($9,975.39)
Change in Investment Value	($25,488.04)	$93,937.77
ENDING VALUE (AS OF 12/31/12)	$5,117,624.51	$5,117,624.51
Total Accrued Interest	$67.13	
Ending Value with Accrued Interest	$5,117,691.64	

Refer to Miscellaneous Footnotes for more information on Change in Investment Value.

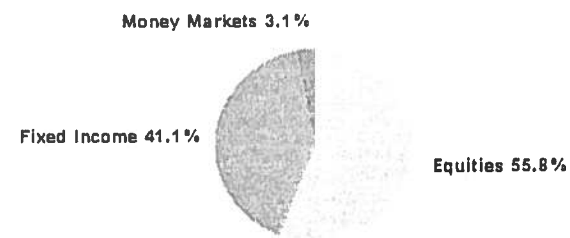
INCOME

TAXABLE	Current Period	Year-to-Date
Taxable Dividends	$37,349.00	$70,471.91
Taxable Interest	$587.01	$2,040.18
Long-Term Capital Gain	$26,681.52	$28,221.65
Short-Term Capital Gain	$12,017.62	$12,020.91
TOTAL TAXABLE	$76,635.15	$112,754.65
TOTAL INCOME	**$76,635.15**	**$112,754.65**

Taxable income is determined based on information available to NFS at the time the statement was prepared, and is subject to change. Final information on taxation of interest and dividends is available on Form 1099-Div, which is mailed in February of the subsequent year.

TAXES, FEES AND EXPENSES	Current Period	Year-to-Date
Account Fees	$0.00	($9,975.39)
TOTAL TAXES, FEES AND EXPENSES	**$0.00**	**($9,975.39)**

ACCOUNT ALLOCATION



	Percent	Prior Period	Current Period
Money Markets	3.1 %	$30,445.41	$156,480.28
Equities	55.8	$2,820,689.02	$2,859,990.82
Fixed Income	41.1	$2,215,342.97	$2,101,153.41
TOTAL	**100.0 %**	**$5,066,477.40**	**$5,117,624.51**

Account Allocation *shows the percentage that each asset class represents of your total account value. Account Allocation for equities, fixed income, and other categories may include mutual funds and may be net of short positions. NFS has made assumptions concerning how certain mutual funds are allocated. Closed-end mutual funds and Exchange Traded Funds (ETFs) listed on an exchange may be included in the equity allocation. The chart may not reflect your actual portfolio allocation. Consult your broker/dealer prior to making investment decisions.*

R

TOWN OF WAYLAND
OPEB Liability Trust
Investment Policy Statement

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town of Wayland, (Client) and Rockland Trust Company (Investment Manager) regarding the objectives, goals, risk tolerance, and investment guidelines established for the OPEB (Other Post-Employment Benefits) Liability Trust Fund. The secondary purpose is to describe the underlying logic and philosophy supporting this Statement.

I. The Investment of OPEB Trust funds

A. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional contributions to the account will be maintained in the same manner.

B. Authority

Massachusetts General Law Chapter 32B, section 20 allows a city, municipal lighting, district, county or municipal lighting plant to set up a special trust fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund. The governmental unit's treasurer is the custodian of the fund or in the case of a light plant, an officer designated by the board. Investment of fund monies by the custodian must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

C. Introduction

Creating an investment policy is the most critical phase of the entire investment process. The effects of a properly drafted vs. ineffective investment policy statement can be more important than the effects of good or poor investment management. To be successful, an investment policy needs to be appropriate for its setting and intended purpose. The policy needs to match the needs of the anticipated requests or periodic disbursements from the financial assets most likely to meet those cash flow needs.

The best way to minimize investment risk is to match, as closely as possible, the timing of future liabilities with the timing of future cash flows from the portfolio assets. Furthermore, with regards to OPEB liabilities, the policy needs to stipulate those permitted investments most likely able, over the long-term, to approximate the rate of return, or discount rate, targeted by the Town's/City's actuarial study.

Under GASB 45, the discount rate should be the long-term expected yield on the investments to be used to pay benefits as they come due. These would be plan investments for a funded plan or a weighted average of expected plan and employer investments for a plan that is partially funded. Investments within an OPEB Trust will closely approximate pension fund-type investment securities.

The policy statement is also designed to withstand "trustee risk" - the possibility that, at some stress point (most frequently an extreme decline in the stock or bond markets), those who oversee the funds may react in a manner detrimental to the long-term health of the Trust Fund.

D. Objective

OPEB funds are long-term investments. Given a stated discount rate target, this long-term approach enables the Town of Wayland to purchase long-term assets, such as equities, which tend to have high returns over many years but whose price volatility precludes their use by those with shorter time horizons. By keeping a long-term focus in mind at all times, we hope to weather the periodic bad times.

We expect this long-term view to provide better results than will be earned by those who pick short- term investments or who liquidate securities during turbulent times. We also expect that equities will serve as a hedge against eroding trust fund values due to long-term inflationary trends.

We expect the stock market to provide greater total returns than the bond market. We make this statement in a long-term sense, knowing that both economies and markets suffer periodic (but normally brief) declines, and knowing that there have been periods when cash and bonds outperform stocks.

We expect the relationship between the economy, the stock market, and inflation to continue. We expect the American economy to show modest real growth over full business cycles after allowance for occasional recessions. We expect stock prices to grow slightly faster than inflation, although the naturally volatile nature of the stock market will make such growth invisible except when observed over longer periods of time. We expect cash dividends from stocks to also grow slightly faster than inflation and to fluctuate much less than stock prices do.

We expect continued inflation. Its timing and severity we cannot predict, but we believe it will be of sufficient magnitude that to ignore it would threaten our ability to meet our long-term objectives.

Our definition of risk is not always the common one. Most investors define investment risk in terms of the volatility of short-term total returns. This definition is appropriate for funds with a very short-term time horizon, but inappropriate for quasi-perpetual funds such as this OPEB Liability Trust Fund. Our managed funds bear three potential kinds of risk. One comes from any mismatch between the natural cash flows out of the Trust (the amount requisitioned from the Trust) and the cash flows coming in (from contributions, dividends and interest). A second source of risk is the possibility that the assets in the funds do not perform the way the investment manager(s) or we expect. The third form of risk is that of reacting inappropriately during a volatile period - most likely after a severe market decline. We hope to minimize these risks to as great a degree as possible without harming the trust fund's long-term objectives. Market value fluctuations are of secondary importance unless individual assets have permanently impaired values and must be liquidated to preserve any remaining value.

E. Strategy

The Investment Manager(s) will utilize the following investment guidelines in terms of asset allocation. This policy is subject to review and amendment at any time.

0 - 10%

Cash and cash equivalents - normalized at 2%. Cash will be maintained to provide periodic cash distributions. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

0 - 20%
Alternative Investments - normalized at 6%. Alternative Investment strategies include, but are not limited to, investment vehicles with the following objectives: market-neutral, absolute return, global macro, long/short, commodities, managed futures and arbitrage.

30% - 50%
Fixed Income - normalized at 43%. To ensure appropriate diversification and to minimize default risk, the trust fund will be invested primarily in high-quality taxable bonds, notes, and other credits through mutual funds, exchange-traded funds (ETFs) or individual bonds. Lower-quality bonds may be held through mutual fund or ETF ownership. The overall goal of the fixed-income portion of the portfolio is to provide returns competitive with, and price volatility similar to, the Barclays Aggregate Bond Index. The fixed income allocation exists to provide income and to dampen the volatility from the fund's equity holdings.

30 - 70% Equities normalized at 49%. The sub-categories and their respective allocation ranges are as follows:

1) 50-70% - normalized at 60% (of the equity allocation) in U.S. Large Cap;
2) 10-25% - normalized at 16% - in International Developed Countries (all markets caps);
3) 5-15% - normalized at 12% - in U.S. Mid Cap;
4) 5-15% - normalized at 6% - in U.S. Small Cap;
5) 5-15% - normalized at 6% - in International Emerging Markets.

Adequate diversification and risk controls must be maintained within each sub-category. An appropriate benchmark for the overall asset class of equities, as well as each sub-strategy, will be determined and agreed upon between the Town of Wayland and the Investment Manager(s).

F. Investment Instruments

M.G.L. Chapter 203C: Section 1 known as the Massachusetts Prudent Investor Act, states that a trustee shall invest and manage trust assets as a prudent investor would, considering the purposes, terms, and other circumstances of the trust, including those set forth in subsection c. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution. A trustee's investment and management decisions respecting individual assets shall be considered in the context of the trust portfolio as a part of an overall investment strategy reasonably suited to the trust.

Section 3:
Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries: 1) general economic conditions; 2) the possible effect of inflation or deflation; 3)the expected tax consequences of investment decisions or strategies; 4) the role that each investment or course of action plays within the overall trust portfolio; 5) the expected total return from income and appreciation of capital; 6) other resources of the beneficiaries; 7) needs for liquidity, regularity of income, and preservation or appreciation of capital; and 8) an asset's special relationship or special value, if any, to the purposes of the trust or to one of the beneficiaries.

A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets. A trustee may invest in any kind of property or type of investment consistent with the standards of this chapter. A trustee, who has special skills or expertise, shall have a duty to use such special skills or expertise.

Section 4:
A trustee shall reasonably diversify the investments of the trust unless, under the circumstances, it is prudent not to do so.

The Treasurer/Custodian may invest in the following instruments:

- U. S. Treasuries that may be sold prior to maturity: **Unlimited amounts** **(With no limit to the length of maturity from date of purchase)**

- U.S. Agency obligations that may be sold prior to maturity: **Unlimited amounts** **(With no limit to the length of maturity from date of purchase)**

- Bank accounts or Certificates of Deposit ("CDs"): **Unlimited amounts** **(With no limit to the length of maturity from date of purchase),** which is fully collateralized through a third party agreement.

- Bank accounts and CDs: **(With no limit to the length of maturity from date of purchase)** fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.

- Money market mutual funds.

- Fixed-income mutual funds and exchange-traded funds (ETFs).

- Preferred stock: securities must be investment grade at the time of purchase.

- Common stock
- Equity mutual funds and exchange-traded funds (ETFs).
- Alternative investment-oriented mutual funds. Leveraged (i.e. 2x or 3x) investment strategies are not permitted.

G. Specific Risks

- **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Treasurer/Custodian will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations, as they carry a AAA rating.

In regards to fixed-income investments, the Treasurer/Custodian will only purchase investment grade securities with a high concentration in securities rated A or better. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation. The Treasurer/Custodian may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

- **Custodial Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Treasurer/Custodian will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the Fund's exposure to only those institutions with a proven financial strength, capital adequacy, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the Treasurer/Custodian, will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer/Custodian and evidenced by statements showing individual CUSIP numbers for each security.

- **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Treasurer/Custodian will minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As stated above, securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

- **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Treasurer/Custodian will manage interest rate risk by managing duration in the account.

H. Standards of Care

The standard of prudence to be used by the Treasurer/Custodian shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer/Custodian acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchase and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition, this section would also apply to M.G.L, Chapter 44 Section 55A which refers to the liability of the Treasurer/Custodian for losses due to bankruptcy.

I. Diversification

Equity

The equity portion of the portfolio should consist of a diversified mix of investments (individual equities, mutual funds and exchange-traded funds) suitable to achieve the objective of capital appreciation. Individual equity holdings in any one company should not exceed 5% of the market value of the portfolio.

Equity holdings may be selected from the New York and American Stock Exchange or the NASDAQ markets. Securities may be in U.S. companies or foreign companies purchased as American Depository Receipts (ADR's). Funds may be invested in securities convertible into equities or preferred stock.

No funds may be invested in real estate, private placements or letter stock. The Investment Manager shall not engage in margin transactions, short sales or any other such specialized investment vehicles. The manager of a specific mutual fund and exchange-traded fund, however, may engage in short sales as part of an overall investment strategy.

The selection of individual equities will be at the discretion of the Investment Manager.

Fixed Income

Investments in fixed income securities will be made principally for income and capital preservation. Selection should be made from liquid, investment grade corporate debt, convertible debt and obligations of the United States Government and its agencies. Lower-quality investments may only be held through diversified vehicles such as mutual funds or exchange-traded funds.

Securities of a single corporate issuer (excluding the United States Government and its Agencies) will not exceed 5% of the portfolio market value. Investments in U.S. Government debt will not include agencies that are not permitted under Massachusetts General Laws (i.e. Sallie Mae (SLMA) or Ginnie Mae (GNMA) obligations).

No more than 20% of the portfolio's total market value will be invested in convertible securities.

Individual corporate debt and preferred stock issues must be rated BBB or better, as defined by Moody's and/or Standard & Poor's Rating Agency.

There shall be no investments in real estate, mortgages, collateral or non-collateral loans, private placements, fixed income or interest rate futures, and no engagement in any other specialized fixed income ventures. The manager of a specific mutual fund and exchange-traded fund, however, may engage in fixed income and interest rate futures as part of an overall investment strategy.

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

The selection of individual fixed income securities shall be at the discretion of the Investment Manager.

J. Ethics

The Treasurer/Custodian shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. The Treasurer/Custodian shall disclose to the Town Manager/Council any material financial interest in financial institutions that do business with the town. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the trust funds.

K. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. Brokers should be recognized, reputable dealers. All cash and securities shall be held in either a bank that is allowable for the deposit of public funds, provided funds on deposit are insured by the Federal Deposit Insurance Corporation (FDIC), or in an Investment Brokerage Account that is insured by the Securities Investor Protection Corporation (SIPC).

The Treasurer/Custodian shall require any brokerage houses and broker/dealers, wishing to do business with the Town, to supply the following information to the Treasurer:

- Audited financial statements
- If acting as a Registered Investment Adviser, Form ADV Part II report
- Proof of FINRA membership
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the trust fund's portfolio.
- A statement that the Investment Manager has read the municipality's IPS and will comply with it on an annual basis

L. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer/Custodian distributed to the Finance Director and/or his/her designee as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The Treasurer/Custodian shall include in the report a brief statement of general market and economic conditions and other factors that may affect the trust fund's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

M. Performance Measurement and Evaluation

- The Fund's performance will be measured by comparison with the stated objectives in comparison to the respective benchmarks.
- To monitor the intermediate term performance of the Fund, the Treasurer/Custodian will compare the Investment Manager's results to a blended benchmark, to be determined in conjunction with the Investment Manager(s).

- Rebalancing of the portfolios should happen at least annually or more frequently if appropriate.
- It is expected that the performance figures of the trust fund, and any sub-strategy, will outperform the respective benchmarks, net of fees, on a long-term (business cycle) basis.

N. Supervision

- The Treasurer/Custodian will meet with the Investment Manager(s) as frequently as semi-annually to monitor the performance of the Fund and the investment manager(s) compliance with these guidelines. The Treasurer/Custodian will receive and review portfolio management reports quarterly.
- The Treasurer/Custodian will review this Investment Policy Statement at least once a year to ensure that it remains appropriate and complete
- The Treasurer/Custodian has the option to put the management of funds out for bid periodically, and shall consider such option not less frequently than every five years, through a request for information, request for proposal, or similar process as required by law or Town policy.

O. Legal References

- Massachusetts General Law Chapter 32B, Section 20
- Massachusetts General Law Chapter 203C, Section 1 through 11

ROC LAND TRUST

2036 Washington Street
Hanover, MA 02339

Account Summary Section

Statement of Value and Activity

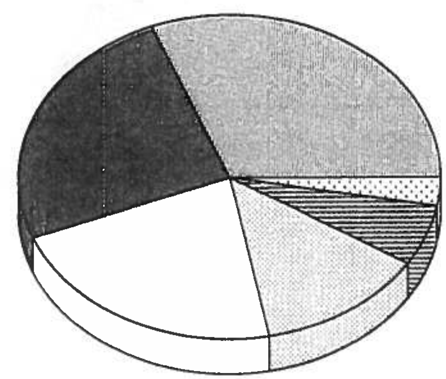
December 1, 2012 - December 31, 2012

Market Value Reconciliation

	This Period	*1/1/12 to 12/31/12*
Beginning Market Value	**$5,049,646.73**	**$0.00**
Additions	$0.00	$4,920,907.48
Withdrawals	$0.00	$0.00
Income	$21,173.86	$53,677.13
Fees	-$1,683.22	-$10,002.52
Security Transfers	$0.00	$0.00
Other	$0.00	$0.00
Change in Market Value	$25,339.46	$129,894.74
Ending Market Value	**$5,094,476.83**	**$5,094,476.83**
Realized Gains/Losses (Included in Total Above)	$7,443.53	$27,058.88

Asset Allocation Summary

	Asset Class	*Balance*
31%	Equities	$1,559,156.93
25%	Equity Mutual Funds	$1,297,888.35
22%	U.S. Governments & Agencies	$1,146,863.70
13%	Fixed Income Mutual Funds	$650,450.55
6%	Corporate Bonds	$312,034.10
3%	Cash & Equivalents	$131,937.43
100%	**Total Assets Value**	**$5,098,331.06**
	Total Liabilities Value	**-$3,854.23**
	Total Portfolio Value	**$5,094,476.83**



Investment Objective: Balanced

0027949 - 0502729

Town of Wayland, Massachusetts

OPEB PRESENTATION TO BOARD OF SELECTMEN AND FINANCE COMMITTEE

Daniel J. Rhodes, ASA, MAAA, FCA, Consulting Actuary

December 3, 2012

SEGAL

❶ Introduction to OPEB and GASB 45

- Definition of Key Terms

❷ Review of December 31, 2010 Valuation Results

❸ Potential Changes to OPEB Plans for Massachusetts Municipalities

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What is OPEB?

Other (than Pension) Post Employment Benefits

- Medical (including Prescription Drugs)
  - Pre-65 coverage usually same as active employee plans
- Medicare Supplement/Medicare Advantage plans
- Medicare Part B Reimbursements
- Dental
- Life Insurance

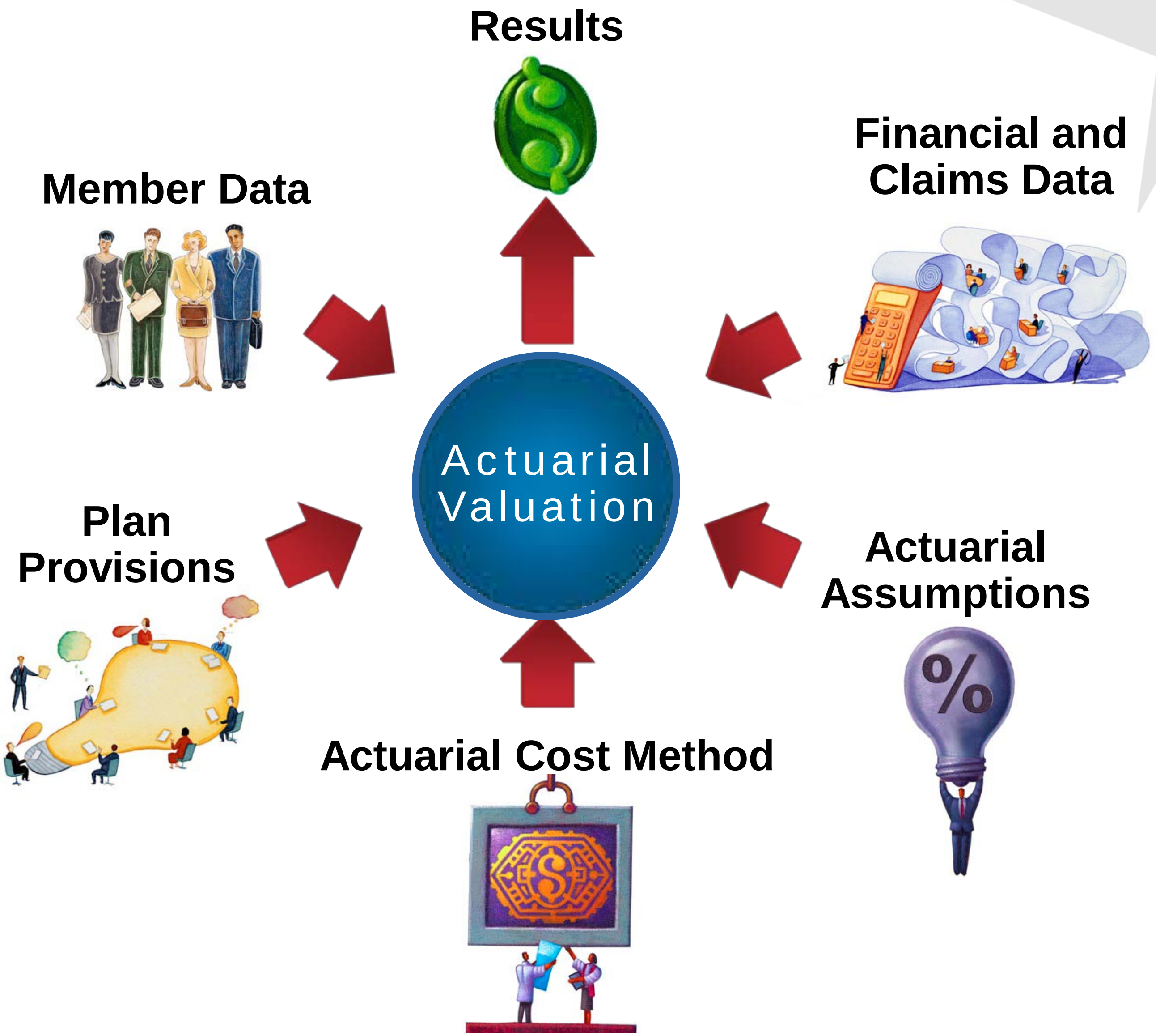
➢ The Governmental Accounting Standards Board (GASB) has issued two statements of accounting principles for OPEB.

- Statement 45 for Employers
- Statement 43 for Plan Disclosure

Rationale for GASB OPEB Standards

- To require financial reporting that provides more complete information of the financial implications of OPEB
  - GASB discovered most governments did not report information needed to assess the long-term financial implications of OPEB.
  - The old “pay as you go” approach to OPEB does not represent the substance of OPEB.
- Provide standards for measurement and disclosure of accrued OPEB obligations and employer’s cost of OPEB
  - Most plans financed pay as you go and had no actuarial valuation.
  - OPEB was only reported as footnotes, if at all, without any consistency.
  - Statement attempted to provide consistency in approach in reporting OPEB.
- Funding is not required
  - GASB can only mandate accounting standards, not funding policies.
  - However, funding in an irrevocable trust results in lower liabilities.

Review of Valuation Process



Retiree Health Valuations

- Similarities with pension valuations
  - Based on retirees currently receiving retiree health benefits and current employees who are expected to retire in the future and be eligible for retiree health benefits
  - Apply assumptions to project who will retire, when, and for how long benefits will be paid
  - Valuations typically performed every other year
- Differences with pension valuations
  - Benefits are not defined for each retiree – determine average claim costs
  - Must take into account medical inflation
  - Interest assumption is selected based on level of funding
  - Pension benefits are typically funded on an actuarial basis – GASB 43 and 45 do not require funding of OPEB

A *requirement* to fund OPEB liabilities would require a change to Mass. General Laws.

Definition of Key Terms

- **Actuarial Accrued Liability (AAL)**

  The AAL is the portion of the actuarial present value of total projected benefits allocated to years of employment prior to the measurement date.

- **Unfunded Actuarial Accrued Liability (UAAL)**

  The UAAL is the difference between the AAL and Plan assets.

- **Normal Cost**

  The Normal Cost is the portion of the actuarial present value of total projected benefits allocated to the year following the measurement date.

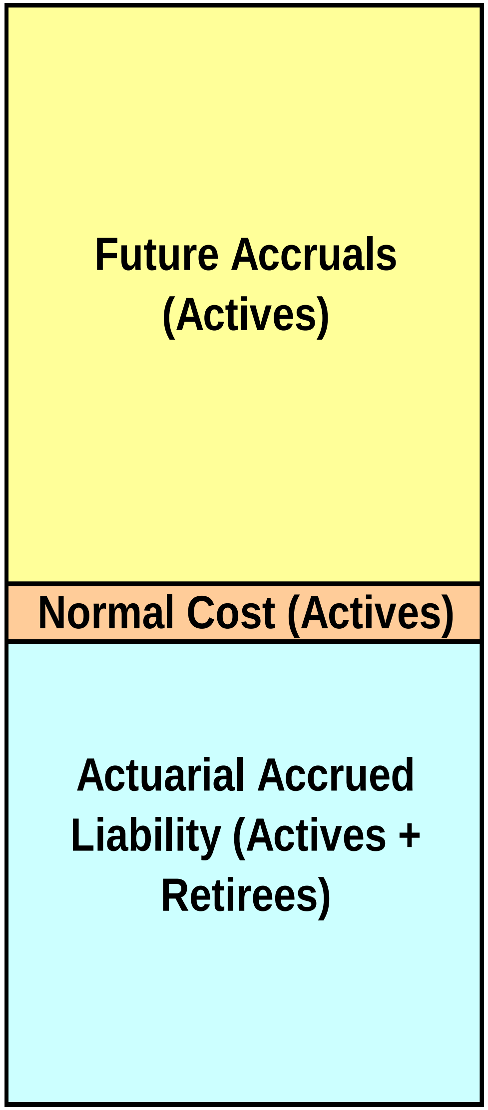
- **Annual Required Contribution (ARC)**

  The ARC is a component of the annual accounting expense equal to the normal cost and the amortization of the unfunded accrued actuarial liability.

- **Net OPEB Obligation/Asset (NOO/NOA)**

  The NOO/NOA is the cumulative difference between each year's ARC and actual OPEB-related contributions made (including benefit payments).

GASB 45 - Accrual Accounting



Normal Cost
\+
<u>Amortization of UAAL</u>
Annual Required Contribution (ARC)

Net OPEB Obligation/Asset = $ARC_1 + ARC_2 + ARC_3 + \ldots - Contribution_1 – Contribution_2 – Contribution_3 - \ldots$

Definition of Key Terms (cont.)

- **Annual OPEB Cost (AOC)**

  The OPEB expense for a given fiscal year, consisting of the ARC, interest on the NOO/NOA, and an ARC adjustment.

- **Interest on NOO/NOA**

  Equal to the NOO/NOA as of the beginning of the fiscal year times the discount rate.

- **ARC Adjustment**

  The amortization of the NOO/NOA as of the beginning of the fiscal year, calculated in the same way as the amortization of the UAAL in the ARC. Used to avoid "double-counting" the expense of the UAAL already recognized in the NOO/NOA.

- **Contribution in Relation to the ARC**

  The OPEB contribution reported on the financial statements, consisting of 1) employer benefit payments made on behalf of retirees and 2) employer contributions to an OPEB trust, if applicable.

❶ Introduction to OPEB and GASB 45

❷ **Review of December 31, 2010 Valuation Results**

- Review of Historical CAFR Entries

❸ Potential Changes to OPEB Plans for Massachusetts Municipalities

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Review of December 31, 2010 Valuation Results

Key Financial Measures

- AAL of $49,476,106
- Assets of $3,762,543
  - Funded ratio of 7.60%
- UAAL of $45,713,563
- FY 2011 ARC of $3,582,995
- FY 2012 ARC of $3,657,200

Key Assumptions

- **Discount Rate:** 7.0%
- **Medical Trend:** 10.0% graded to 5.0% over 7 years
- **Amortization of UAAL:** 28 years, with payments increasing at 3.5% per year
- Demographic assumptions for various groups mostly mirror those used in respective retirement system (Middlesex and Mass Teachers).

Review of Historical CAFR Entries

FYE	ARC	Interest on NOA	ARC Adjust.	AOC	Contri-bution	Increase in NOA	NOA at End of Yr.
6/30/2009	$3,033,020	$(56,250)	$44,156	$3,020,926	$3,034,164	$(13,238)	$(763,238)
6/30/2010	3,151,684	(57,243)	44,145	3,138,586	3,994,270	(855,684)	(1,618,922)
6/30/2011	3,582,995	(113,325)	90,404	3,560,074	5,235,998	(1,675,924)	(3,294,846)
6/30/2012	3,657,200	(230,639)	188,128	3,614,689			

1 Introduction to OPEB and GASB 45

2 Review of December 31, 2010 Valuation Results

3 **Potential Changes to OPEB Plans for Massachusetts Municipalities**

- Review of Recent Legislation
- State OPEB Commission

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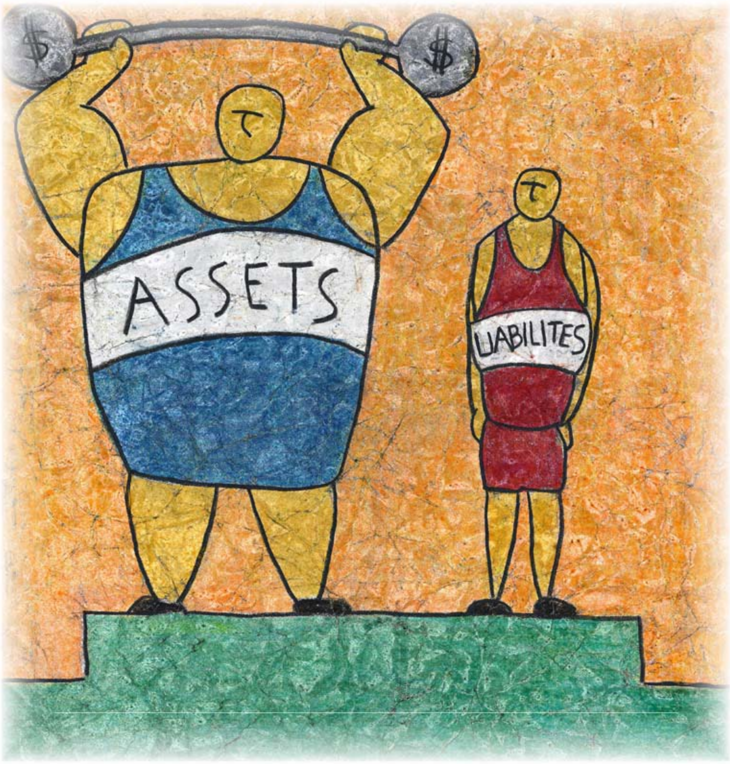
Program Design Strategies to Manage Liabilities

1. Redefine Eligibility Requirements

2. Restructure Benefits

3. Rethink Cost Sharing



Massachusetts Municipalities
OPEB Program Design and GASB 45 Liability

- Eligibility for OPEB
  - Set forth in M.G.L. Chapter 32 and 32B
  - Tied to eligibility for a pension
  - 2011 Pension Reform changes for new employees will eventually affect OPEB liabilities
- Benefit design
  - Traditional HMO/PPOs vs. higher cost sharing plans (e.g., “rate-savers”)
  - Municipal Health Reform (Chapter 32B Sections 21-23)
    - GIC “look-alike” plans
    - Joining the GIC
  - Medicare Advantage plans vs. Medicare supplements (e.g., Medex)
  - Retiree Drug Subsidy (RDS) vs. Employer-provided Part D plan (EGWP)
- Retiree premium contribution levels
  - Typically set at a percentage of premium
  - Employer pays at least 50% of the premium
  - Often same percentage for active employees and retirees in same plan

Summary of Recent Legislation

- Municipal Pension Reform (Chapter 176 of the Acts of 2011)
  - Changes apply to workers hired on or after April 2, 2012
    - Raises the minimum retirement age for Group 1 from 55 to 60
    - Changes full retirement age for all Groups
    - Reduces benefits for those retiring prior to full retirement age by changing actuarial age reduction formulas
- Municipal Health Care Reform (Chapter 69 of the Acts of 2011)
  - Added new sections to MGL Chapter 32B allowing for expedited process to make benefit changes up to GIC “Benchmark Plans” outside of collective bargaining process
  - Allows a new process for communities to join the GIC by demonstrating 5% savings compared to plan changes described above
  - Requires mandatory transfer of eligible retirees to Medicare, replacing local options under Chapter 32B Sections 18 and 18A
- Statewide Health Care Cost Containment Legislation (Chapter 224 of the Acts of 2012)
  - Attempts to contain health care cost trend in the Commonwealth
  - Establishes targets for overall health cost growth tied to increases in State economy (GSP)
  - Other items include payment reform, price transparency, electronic health records, etc.

Massachusetts State OPEB Commission

- Established under Chapter 176 of the Acts of 2011 to “investigate and study retiree healthcare and other non-pension benefits” offered to state and municipal employees
  - Consider the range of benefits that are or should be provided as well as the current and anticipated future cost of providing them
  - Consider and may make recommendations on how best to divide the costs between the commonwealth and employees
  - Study the operation and structure of the group insurance commission or any other aspects of employee healthcare the commission deems appropriate
  - Upon appropriation of sufficient funds, engage professional advisors as needed to accomplish its purposes
- 11 members, including appointed chairman and representatives from ANF, Treasury, GIC, Senate (2), House (2), AFL-CIO, MMA, RSCMEA
- Commission considering several possible strategies for managing OPEB liabilities
  - Benefit Design
  - Cost Containment
  - Active Employee Prefunding for OPEB
  - Best Practices (part time workers, health plan procurements, etc.)

OPEB Commission website:
http://www.mass.gov/anf/opeb-commission.html

OPEB Commission – Actuarial Analysis

- The Commission proposed several possible plan design changes for state and municipal OPEB, and procured actuarial assistance in evaluating cost impact of each.
  - The Segal Company was retained to analyze effect of proposals on several of our municipal GASB 45 clients.
  - AonHewitt (current OPEB actuary for the Commonwealth) did the same for the State.
- "Phase 1" plan design changes in the following categories:
  - Increase minimum age requirements for OPEB (beyond pension retirement ages)
  - Increase minimum service requirements for OPEB (beyond 10 year pension vesting)
  - Pro-rate premium subsidy depending on years of service, up to current levels
  - Limit growth in employer premium subsidy to some inflation-related target
- "Phase 2" changes include various combination of Phase 1 proposals.
- Final actuarial analyses were presented to Commission on November 27.
- Commission is now drafting final report (including actuarial analyses), which is scheduled to be adopted at December 17 meeting.

Questions

SEGAL

Daniel J. Rhodes, ASA, MAAA, FCA
Consulting Actuary
617-424-7348
drhodes@segalco.com

Town of Wayland

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2007
In Accordance with GASB Statements Number 43 and 45

THE SEGAL COMPANY
116 Huntington Ave., 8th Floor Boston, MA 02116
T 617.424.7300 F 617.424.7390 www.segalco.com

May 9, 2008

Mr. Michael DiPietro
Finance Director
41 Cochituate Road
Town Hall
Wayland, MA 01778

Dear Mr. DiPietro:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 2007 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 fiscal year beginning July 1, 2008 and summarizes the actuarial data.

This report is based on information received from the Town of Wayland. 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

6177645v4/10569.001

SECTION 1

INTRODUCTION

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Town of Wayland postemployment welfare benefit program as of December 31, 2007. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of postemployment welfare benefits 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).

Actuarial computations under GASB are for purposes of fulfilling certain accounting requirements. The calculations reported 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.

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 Town 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.

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 government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statements include 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) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

HIGHLIGHTS OF THE VALUATION

The results of the valuation show a significant increase in expense for OPEB compared to the current accounting method.

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. A pre-funded discount rate is used when the Town's funding policy is to contribute consistently an amount at least equal to the ARC. If financing continues to be pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. For the purpose of this valuation, we have used 8.25% and 4.5%, respectively, for pre-funded and pay-as-you-go.

Because pay-as-you-go accounting assumes a lower interest rate to discount the liabilities, the liabilities appear larger and the expense allocated to the current fiscal year is higher. The lower expense shown for the pre-funded approach is based on the assumption of a higher rate of investment return, which ultimately means more benefits are provided by investment earnings and fewer benefits are provided by Town contributions.

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. For this report, we are calculating the ARC using the projected unit credit cost method (which is the cost method required under Financial Accounting Standards Board Statement No. 106).

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year amortization of the UAAL (the maximum permitted by the GASB statements).

The GASB statements permit either level dollar or level percentage of payroll amortization. We have calculated two options – level dollar amortization payments and payments increasing at 3.5% per year.

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.

During the fiscal year ending June 30, 2009, we project the Town of Wayland will pay claims and expenses (net of retiree contributions) on behalf of all retired employees of about $2,062,000. Under current accounting rules, this is the Town's "cost" of those benefit programs for retirees. Under the new accounting rules, the annual "cost" is projected to increase significantly, depending on the funding method and the discount rate. On page 5 we show the calculation of four alternative ARCs which range from $3,155,000 to $5,783,000.

GASB requires that governments with total annual revenues of $100 million or more comply with GASB 45 for fiscal years beginning after December 15, 2006. Governments with total annual revenues of more than $10 million but less than $100 million comply with GASB 45 for fiscal years beginning after December 15, 2007. Governments with total annual revenues of less than $10 million comply with GASB 45 for fiscal years beginning after December 15, 2008. For government plans that must also comply with GASB 43, the effective dates for GASB 43 are one year earlier.

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

SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS

	Pre-funded (8.25% interest rate)	Pay-as-you-go (4.5% interest rate)
Actuarial Accrued Liability by Participant Category		
1. Current retirees, beneficiaries and dependents	$21,696,730	$31,281,838
2. Current active employees	15,375,441	30,657,678
3. Total as of January 1, 2008: (1) + (2)	$37,072,171	$61,939,516
4. Total as of July 1, 2008:	$37,971,025	$63,297,541
Annual Required Contribution for Fiscal Year Ending June 30, 2009		
5. Normal Cost as of January 1, 2008	$761,252	$1,892,031
6. Normal Cost as of July 1, 2008	780,051	1,938,754
7. Adjustment for timing	31,539	43,143
8. Normal Cost adjusted for timing: (6) + (7)	$811,590	$1,981,897
Level amortization payments		
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$3,189,598	$3,718,596
10. Adjustment for timing	128,964	82,748
11. Amortization payment adjusted for timing: (9) + (10)	$3,318,562	$3,801,344
12. Total Annual Required Contribution (ARC): (8) + (11)	$4,130,152	$5,783,241
Amortization payments increasing at 3.5%		
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$2,252,303	$2,417,207
14. Adjustment for timing	91,066	53,789
15. Amortization payment adjusted for timing: (13) + (14)	$2,343,369	$2,470,996
16. Total Annual Required Contribution (ARC): (8) + (15)	$3,154,959	$4,452,893

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

FUNDING SCHEDULES

30 Years (8.25% discount rate), payments increasing at 3.5%
Projected Unit Credit cost method

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost with Interest	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$2,061,881	$811,590	$2,343,369	$3,154,959	$1,093,079	$1,137,275	$39,802,792	$38,665,517
2010	2,265,440	852,170	2,425,387	3,277,556	1,012,116	2,284,139	41,616,109	39,331,971
2011	2,450,392	894,778	2,510,275	3,405,053	954,662	3,465,841	43,430,927	39,965,086
2012	2,623,604	939,517	2,598,135	3,537,652	914,048	4,702,779	45,261,800	40,559,021
2013	2,775,950	986,493	2,689,070	3,675,563	899,613	6,026,745	47,134,089	41,107,344
2014	2,886,973	1,035,817	2,783,187	3,819,005	932,032	7,493,667	49,096,648	41,602,981
2015	3,009,736	1,087,608	2,880,599	3,968,207	958,472	9,109,120	51,147,278	42,038,158
2016	3,173,266	1,141,989	2,981,420	4,123,408	950,143	10,849,182	53,253,522	42,404,340
2017	3,358,525	1,199,088	3,085,769	4,284,858	926,333	12,708,026	55,400,189	42,692,163
2018	3,546,066	1,259,042	3,193,771	4,452,814	906,748	14,699,849	57,591,211	42,891,362
2019	3,721,584	1,321,995	3,305,553	4,627,548	905,964	16,855,180	59,845,875	42,990,694
2020	3,907,664	1,388,094	3,421,248	4,809,342	901,679	19,183,868	62,161,717	42,977,849
2021	4,103,047	1,457,499	3,540,991	4,998,490	895,444	21,698,186	64,537,545	42,839,358
2022	4,308,199	1,530,374	3,664,926	5,195,300	887,101	24,411,256	66,971,752	42,560,497
2023	4,523,609	1,606,893	3,793,199	5,400,091	876,482	27,337,105	69,462,275	42,125,170
2024	4,749,789	1,687,237	3,925,961	5,613,198	863,408	30,490,734	72,006,534	41,515,800
2025	4,987,279	1,771,599	4,063,369	5,834,968	847,689	33,888,183	74,601,375	40,713,191
2026	5,236,643	1,860,179	4,205,587	6,065,766	829,123	37,546,605	77,243,005	39,696,400
2027	5,498,475	1,953,188	4,352,783	6,305,971	807,496	41,484,345	79,926,921	38,442,576
2028	5,773,399	2,050,848	4,505,130	6,555,977	782,579	45,721,024	82,647,828	36,926,804
2029	6,062,069	2,153,390	4,662,810	6,816,199	754,131	50,277,631	85,399,557	35,121,927
2030	6,365,172	2,261,059	4,826,008	7,087,067	721,895	55,176,618	88,174,968	32,998,350
2031	6,683,431	2,374,112	4,994,918	7,369,030	685,600	60,442,010	90,965,847	30,523,838
2032	7,017,602	2,492,818	5,169,740	7,662,558	644,956	66,099,509	93,762,797	27,663,288
2033	7,368,482	2,617,459	5,350,681	7,968,140	599,658	72,176,621	96,555,107	24,378,486
2034	7,736,907	2,748,332	5,537,955	8,286,287	549,380	78,702,786	99,330,628	20,627,842
2035	8,123,752	2,885,748	5,731,783	8,617,532	493,780	85,709,510	102,075,615	16,366,105
2036	8,529,940	3,030,036	5,932,396	8,962,432	432,492	93,230,524	104,774,574	11,544,050
2037	8,956,436	3,181,538	6,140,030	9,321,567	365,131	101,301,936	107,410,084	6,108,147
2038	9,404,258	3,340,614	6,354,931	9,695,545	291,287	109,962,410	109,962,410	-

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

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pre-Funded (8.25%)

	All Other	School	Septage	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$7,122,555	$14,138,169	$74,987	$361,019	$21,696,730
2. Current active employees	4,908,273	10,390,606	0	76,562	15,375,441
3. Total as of January 1, 2008: (1) + (2)	$12,030,828	$24,528,775	$74,987	$437,581	$37,072,171
4. Total as of July 1, 2008:	$12,326,205	$25,128,987	$75,392	$440,440	$37,971,025
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
5. Normal Cost as of January 1, 2008	$219,626	$539,311	$0	$2,315	$761,252
6. Normal Cost as of July 1, 2008	225,050	552,629	0	2,372	780,051
7. Adjustment for timing	9,099	22,344	0	96	31,539
8. Normal Cost adjusted for timing: (6) + (7)	$234,149	$574,973	$0	$2,468	$811,590
Level amortization payments					
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$1,035,412	$2,110,856	$6,333	$36,997	$3,189,598
10. Adjustment for timing	41,865	85,347	256	1,496	128,964
11. Amortization payment adjusted for timing: (9) + (10)	$1,077,277	$2,196,203	$6,589	$38,493	$3,318,562
12. Total Annual Required Contribution (ARC): (8) + (11)	$1,311,426	$2,771,176	$6,589	$40,961	$4,130,152
Amortization payments increasing at 3.5%					
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$731,146	$1,490,560	$4,472	$26,125	$2,252,303
14. Adjustment for timing	29,562	60,267	181	1,056	91,066
15. Amortization payment adjusted for timing: (13) + (14)	$760,708	$1,550,827	$4,653	$27,181	$2,343,369
16. Total Annual Required Contribution (ARC): (8) + (15)	$994,857	$2,125,800	$4,653	$29,649	$3,154,959

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

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Projected Unit Credit, Pay-As-You-Go (4.5%)

	All Other	School	Septage	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$10,382,513	$20,274,557	$106,725	$518,043	$31,281,838
2. Current active employees	10,129,828	20,369,213	0	158,637	30,657,678
3. Total as of January 1, 2008: (1) + (2)	$20,512,341	$40,643,770	$106,725	$676,680	$61,939,516
4. Total as of July 1, 2008:	$20,938,748	$41,572,538	$106,496	$679,759	$63,297,541
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
5. Normal Cost as of January 1, 2008	$533,316	$1,351,049	$0	$7,666	$1,892,031
6. Normal Cost as of July 1, 2008	546,486	1,384,413	0	7,855	1,938,754
7. Adjustment for timing	12,161	30,807	0	175	43,143
8. Normal Cost adjusted for timing: (6) + (7)	$558,647	$1,415,220	$0	$8,030	$1,981,897
Level amortization payments					
9. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$1,230,107	$2,442,299	$6,256	$39,934	$3,718,596
10. Adjustment for timing	27,373	54,347	139	889	82,748
11. Amortization payment adjusted for timing: (9) + (10)	$1,257,480	$2,496,646	$6,395	$40,823	$3,801,344
12. Total Annual Required Contribution (ARC): (8) + (11)	$1,816,127	$3,911,866	$6,395	$48,853	$5,783,241
Amortization payments increasing at 3.5%					
13. 30-year amortization of the unfunded actuarial accrued liability (UAAL) as of July 1, 2008	$799,609	$1,587,572	$4,067	$25,959	$2,417,207
14. Adjustment for timing	17,793	35,327	91	578	53,789
15. Amortization payment adjusted for timing: (13) + (14)	$817,402	$1,622,899	$4,158	$26,537	$2,470,996
16. Total Annual Required Contribution (ARC): (8) + (15)	$1,376,049	$3,038,119	$4,158	$34,567	$4,452,893

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

May, 2008

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Wayland other postemployment benefit programs as of December 31, 2007, 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, claims and expense 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 Opinions" 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

CHART 1

Required Supplementary Information – Schedule of Employer Contributions
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)
Amortization Payments Increasing at 3.5%

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	$4,452,893	$--	--%

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
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)

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)]
12/31/2007	$0	$61,939,516	$61,939,516	0%	N/A	N/A

CHART 3

Required Supplementary Information – Net OPEB Obligation (NOO)
Projected Unit Credit, Pay-As-You-Go Assumptions (4.5%)
Amortization Payments Increasing at 3.5%

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)
2009	$4,452,893	$0	$0	$4,452,893	--	--	--

CHART 4

Required Supplementary Information

Valuation date	December 31, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 3.5%
Remaining amortization period	30 years as of July 1, 2008
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.5%, pay-as-you-go scenario
Inflation rate	3.5%
Medical/drug cost trend rate	10.0% graded to 5.0% over 5 years
Part B premium	6.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	441
Current active members	428
Total	869

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 January 1, 2008	
Number of employees	
Male	173
Female	255
Total	428
Average age	44.6
Average service	9.7
Retired employees, spouses and beneficiaries covered for medical benefits as of January 1, 2008	
Number of individuals*	394
Average age	70.3
Retired employees with life insurance coverage as of January 1, 2008	
Number of individuals**	267
Average age	71.0

* *43 retirees and spouses receive a reimbursement for the Medicare Part B. penalty.*

** *47 retirees have life insurance only.*

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data:	Detailed census data, claims experience, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Wayland.
Actuarial Cost Method:	Projected Unit Credit
Per Capita Cost Development:	Per capita costs were based on the fully-insured premium rates effective July 1, 2007 (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 weighted premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	December 31, 2007
Discount Rate:	8.25% prefunding and 4.5% pay-as-you-go
Mortality Rates:	
Pre-Retirement (Non-Teachers)	RP-2000 Healthy Employee Mortality Table
Healthy (Non-Teachers)	RP-2000 Healthy Annuitant Mortality Table
Disabled (Non-Teachers)	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

Termination Rates before Retirement:

Groups 1 and 2 (excluding Teachers) - Rate (%)

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.02
25	0.04	0.02	0.02
30	0.04	0.03	0.03
35	0.08	0.05	0.06
40	0.11	0.07	0.10
45	0.15	0.11	0.15
50	0.21	0.17	0.19
55	0.30	0.25	0.24
60	0.49	0.39	0.28

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

Group 4 – Rate (%)

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.20
25	0.04	0.02	0.20
30	0.04	0.03	0.30
35	0.08	0.05	0.30
40	0.11	0.07	0.30
45	0.15	0.11	1.00
50	0.21	0.17	1.25
55	0.30	0.25	1.20
60	0.49	0.39	0.85

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

	Teachers - Rate (%)		
	Mortality		Disability
Age	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:

	Rate per year (%)		
Years of Service	Groups 1 and 2 (excluding Teachers)	Years of Service	Group 4
0	15.0	0	1.5
1	12.0	1	1.5
2	10.0	2	1.5
3	9.0	3	1.5
4	8.0	4	1.5
5 – 9	7.6	5	1.5
10 – 14	5.4	6	1.5
15 – 19	3.3	7	1.5
20 – 24	2.0	8	1.5
25 – 29	1.0	9	1.5
30+	0.0	10	1.5
		11+	0.0

Teachers – Rate (%)

Age	0 – 4 Years of Service Male	0 – 4 Years of Service Female	5 – 9 Years of Service Male	5 – 9 Years of Service Female	10+ Years of Service Male	10+ Years of Service Female
20	9.0	6.0	4.0	9.0	1.0	4.0
30	10.8	11.6	4.3	9.0	1.0	4.0
40	9.3	11.4	4.9	7.0	1.5	3.1
50	5.9	6.8	4.2	4.5	1.9	1.9

Retirement Rates:

Rate per year (%)

Age	Groups 1 and 2 (excluding Teachers) Male	Groups 1 and 2 (excluding Teachers) Female	Group 4
45 – 49	- -	- -	1.0
50 – 54	1.0	1.5	2.0
55 – 59	2.0	5.5	15.0
60 – 61	12.0	5.0	20.0
62 – 64	30.0	15.0	25.0
65 – 68	40.0	15.0	100.0
69	50.0	20.0	- -
70	100.0	100.0	- -

	Teachers - Rate (%)				
	Years of Service				
	Less than 20	20 – 29		30 or more	
Age		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
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 and 55% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs: Fiscal 2007 - 2008 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.

	Non-Medicare Plans				Medicare Supplement			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	$6,703	$8,409	$4,158	$6,277	N/A	N/A	N/A	N/A
50	7,956	9,062	5,557	7,277	N/A	N/A	N/A	N/A
55	9,449	9,755	7,436	8,423	N/A	N/A	N/A	N/A
60	11,221	10,515	9,955	9,769	N/A	N/A	N/A	N/A
65	13,327	11,328	13,327	11,328	$4,306	$3,660	$4,306	$3,660
70	15,446	12,208	15,446	12,208	4,991	3,944	4,991	3,944
75	16,645	13,140	16,645	13,140	5,378	4,246	5,378	4,246
80	17,925	14,167	17,925	14,167	5,792	4,577	5,792	4,577

Medicare Advantage Plans: $2,239

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 December 31	Medical/Drug	Medicare Part B Premium
2008	10%	6%
2009	9%	6%
2010	8%	6%
2011	7%	6%
2012	6%	6%
2013 & later	5%	6%

Retiree Contribution Increase Rate: Retiree contributions 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 retires under age 65, 68% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 22% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan.

For future retirees hired in 1986 or later, 75% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 25% are assumed to enroll in a Medicare Advantage plan.

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

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses for self-insured plans were based on current vendor contractual rates and fees. Administrative expenses for insured plans were 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.

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 Middlesex County Retirement System or the Massachusetts Teachers Retirement System.

Group 1 (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 Disability requires 10 years of creditable service.

Pre-Retirement Death: Surviving spouse is eligible.

Post-Retirement Death: Surviving spouse is eligible.

Benefit Types:

The Town 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, Fallon Community Health Plan and Tufts Health Plan. The Town of Wayland also pays 50% of the retiree life insurance premium and reimburses the Medicare Part B penalty for 43 retirees and spouses. (Dental coverage is offered but it is 100% retiree paid and therefore has no impact on this valuation.)

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.

MGL Chapter 32B, Section 18: Adopted.

Retiree Contributions: Premium rates and retiree contributions as of July 1, 2007 are summarized below:

	Subscribers						
	Active	Retiree	Total	*Retirees 65 and over**	Monthly Premium (eff. 7/1/2007)	Town cost	Retiree cost
Non-Medicare Actives and Retirees							
Harvard Pilgrim HMO							
Individual	85	28	113	*5*	$521.00	$390.75	$130.25
Family	141	18	159	*0*	$1,358.00	$943.81	$414.19
Harvard Pilgrim PPO							
Individual	2	4	6	*2*	$1,069.00	$534.50	$534.50
Family	2	2	4	*0*	$2,374.00	$1,187.00	$1,187.00
BCBS Network Blue of NE							
Individual	43	9	52	*5*	$555.00	$402.93	$152.07
Family	40	11	51	*1*	$1,491.00	$991.52	$499.49
Fallon Select							
Individual	25	0	25	*0*	$462.00	$335.41	$126.59
Family	15	0	15	*0*	$1,246.00	$828.59	$417.41
Fallon Direct							
Individual	4	0	4	*0*	$429.00	$311.45	$117.55
Family	3	0	3	*0*	$1,158.00	$770.07	$387.93
Tufts EPO							
Individual	33	9	42	*0*	$551.00	$402.19	$148.81
Family	35	6	41	*1*	$1,444.00	$936.65	$507.35
Tufts POS							
Individual	0	4	4	*2*	$1,069.00	$534.50	$534.50
Family	0	0	0	*0*	$2,374.00	$1,187.00	$1,187.00
Non-Medicare Total	428	91	519	*16*			

	Subscribers			Monthly Premium (eff. 7/1/2007)	Town cost	Retiree cost
	Active	Retiree	Total			
Medicare Supplement Plans						
Medex 3	N/A	57	57	$382.00	$191.00	$191.00
BCBS Managed Blue for Seniors	N/A	17	17	$360.93	$262.04	$98.89
Harvard Pilgrim Medicare Enhance	N/A	21	21	$414.00	$207.00	$207.00
Tufts Medicare Complement (Formerly SR)	N/A	23	23	$323.00	$235.77	$87.23
Medicare Advantage plans						
Fallon Senior**	N/A	1	1	$207.00	$150.28	$56.72
Harvard Pilgrim First Seniority Freedom (FS)**	N/A	14	14	$223.00	$111.50	$111.50
Medicare HMO Blue (Formerly Blue Care 65)**	N/A	3	3	$216.20	$156.96	$59.24
Tufts Medicare Preferred (Formerly Secure Horizon)	N/A	27	27	$153.00	$111.68	$41.32
Medicare Total		163	163			
Retiree Total* **		254				

* 16 of 179 over-65 retirees are in a non-Medicare plan
** Premiums effective January 1, 2008
*** In addition, there are 140 spouses of retirees covered under an individual or family policy.

Benefit Descriptions:

Harvard Pilgrim HMO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit	$5
Emergency Room	$30 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Harvard Pilgrim PPO	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	None	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$40 (waived if admitted)	$40 (waived if admitted)
Out-of-pocket Maximum (including deductible)	None	$1,600 individual/$3,200 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand	

BCBS Network Blue of NE	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand

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

Tufts EPO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand

Tufts POS	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	None	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$25 (waived if admitted)	$25 (waived if admitted)
Out-of-pocket Maximum (including deductible)	None	$1,500 individual/$3,000 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand	

Medex 3	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	Covered in full
Emergency Room	Covered in full
Prescription Drugs	
Retail Copay	After $50 deductible, 0% generic/20% brand
Mail Copay	$2 generic/$15 brand

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

Harvard Pilgrim Medicare Enhance	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$5 copay per visit
Emergency Room	$30 copay per visit (waived if admitted)
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Tufts Medicare Complement	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$10 copay per visit
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$8 generic/$20 formulary brand/$35 non-formulary brand
Mail Copay	$16 generic/$40 formulary brand/$70 non-formulary brand

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

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

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

Tufts Medicare Preferred	
Medical	
Hospital Inpatient	Annual deductible of $200
Outpatient and Physician Services	$10 copay per visit ($15 for specialists)
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$10 generic/$25 formulary brand/$50 non-formulary brand
Mail Copay	$20 generic/$50 formulary brand/$100 non-formulary brand

Retiree Life: $5,000

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Town of Wayland

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2008
In Accordance with GASB Statements Number 43 and 45

SEGAL

THE SEGAL COMPANY
116 Huntington Ave., 8th Floor Boston, MA 02116
T 617.424.7300 F 617.424.7390 www.segalco.com

May 26, 2009

Mr. Michael DiPietro
Finance Director
41 Cochituate Road
Town Hall
Wayland, MA 01778

Dear Mr. DiPietro:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 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 fiscal year beginning July 1, 2008 and summarizes the actuarial data.

This report is based on information received from the Town of Wayland. 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

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Town of Wayland (the "Employer") postemployment welfare benefit plan as of December 31, 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 benefits (net of retiree contributions) on behalf of retired employees of about $1,924,000. This amount is less than the annual "cost" under the new accounting rules of $3,033,000.

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.

Because the Town of Wayland is funding the ARC, we have used a 7.5% investment return assumption to discount the liability.

To be considered a prefunded plan, the "contribution in relation to the ARC" must equal the ARC. Based on an ARC of $3,033,000 and projected employee benefit payments of $1,924,000, an additional contribution of the difference, or approximately $1,109,000 will need to be added to an OPEB trust fund during the fiscal year ending June 30, 2009.

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 subsides 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 **unfunded actuarial accrued liability (UAAL)** as of December 31, 2008 is $40,088,000. 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 December 31, 2008 the ratio of assets to the AAL (the funded ratio) is 1.87%.
- The **Annual Required Contribution (ARC)** for fiscal year 2009 is $3,033,000. 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 $40,852,000 as of December 31, 2008 represent an increase of $3,780,000 from $37,072,000 as shown in the December 31, 2007 valuation.

Plan obligations had been expected to increase $1,851,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The smaller than expected increase was the net effect of changes in the assumptions:

- An **actuarial experience loss** increased obligations by $1,165,000. This was the net result of gains and losses due to demographic changes.
- **Valuation assumption changes** increased obligations by $3,964,000. This was the net result of *increases* in obligations due to 1) lowering the discount rate, 2) changes in the retirement assumptions for non-Teacher employees, and the disability and turnover assumptions for Teacher employees consistent with the pension valuation, and 3) a change in the future trend on per capita health care costs, partially offset by 4) a change in the post-65 coverage election assumption. The complete set of assumptions is shown in Exhibit II.
- **Plan changes** decreased obligations by $3,200,000. This was the results of implementing lower-cost Rate Saver Plan options for non-Medicare participants. The current plan of benefits is summarized in Exhibit III.

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.

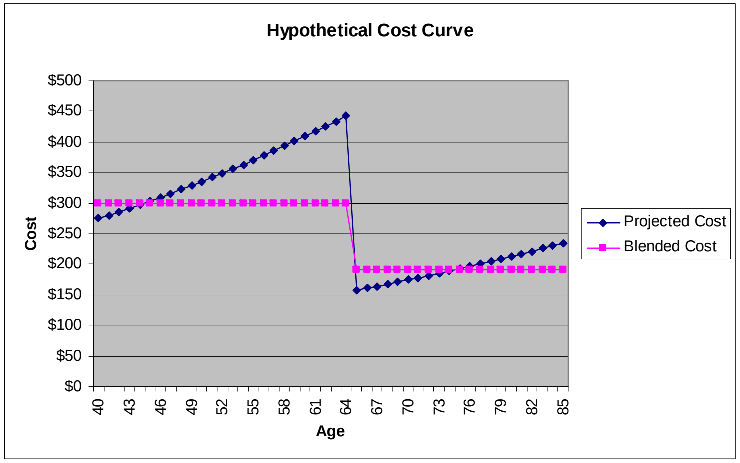
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

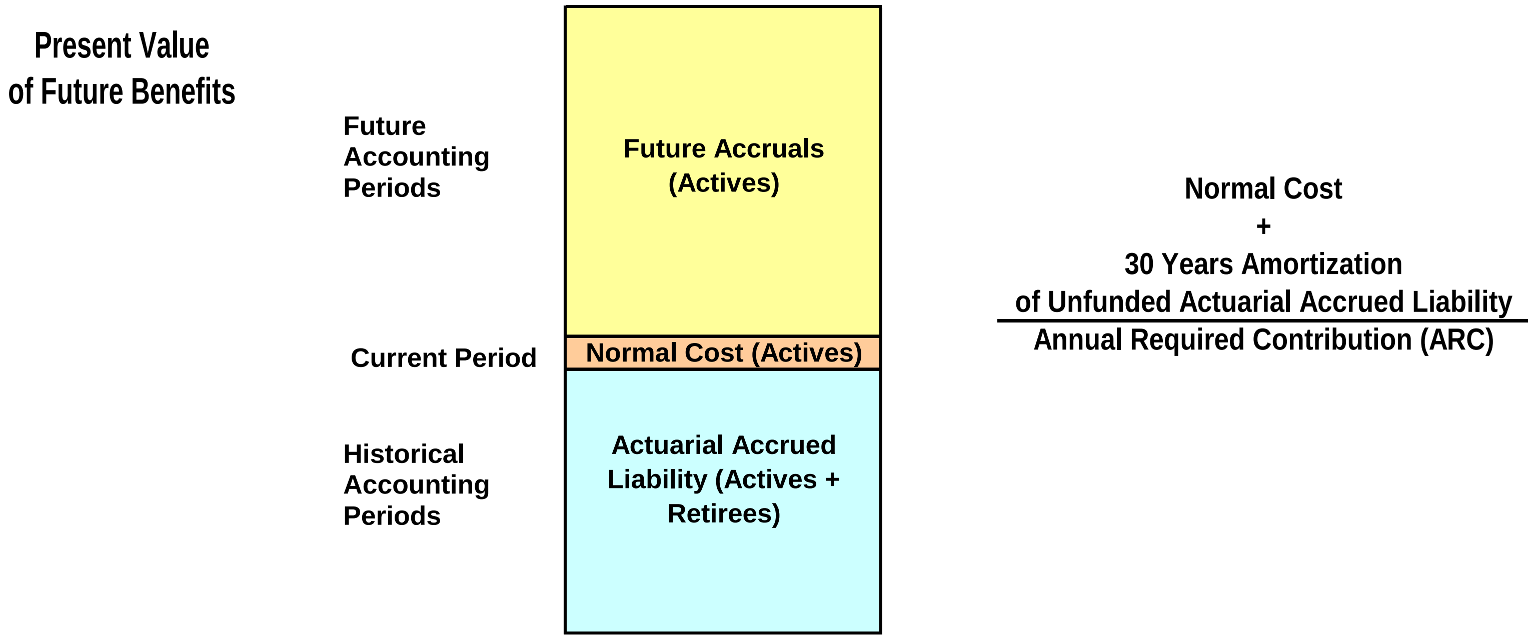


SEGAL

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



Net OPEB Obligation = $ARC_1 + ARC_2 + ARC_3 + \ldots\ldots$

$- \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \ldots\ldots$

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.

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

SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS

	Pre-funded (8.0% interest rate)
Actuarial Accrued Liability by Participant Category	
1. Current retirees, beneficiaries and dependents	$23,335,728
2. Current active employees	17,516,298
3. Total as of December 31, 2008: (1) + (2)	$40,852,026
4. Actuarial value of assets as of December 31, 2008	764,076
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2008: (3) – (4)	$40,087,950
Annual Required Contribution for Fiscal Year Ending June 30, 2009	
6. Normal Cost as of December 31, 2008	$837,503
7. 30-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2008	2,195,517
8. Total Annual Required Contribution (ARC): (6) + (7)	$3,033,020

Note: Assumes payment in the middle of the fiscal year.

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution

	All Other	School	Septage	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$6,853,250	$16,044,471	$76,354	$361,653	$23,335,728
2. Current active employees	5,850,003	11,577,689	0	88,606	17,516,298
3. Total as of December 31, 2008: (1) + (2)	$12,703,253	$27,622,160	$76,354	$450,259	$40,852,026
4. Actuarial value of assets as of December 31, 2008	240,698	523,378	0	0	764,076
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2008: (3) – (4)	$12,462,555	$27,098,782	$76,354	$450,259	$40,087,950
Annual Required Contribution for Fiscal Year Ending June 30, 2009					
6. Normal Cost as of December 31, 2008	$219,626	$611,719	$0	$6,158	$837,503
7. 30-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2008	682,543	1,484,132	4,182	24,660	2,195,517
8. Total Annual Required Contribution (ARC): (6) + (7)	$902,169	$2,095,851	$4,182	$30,818	$3,033,020

Note: Assumes payment in the middle of the fiscal year.

FUNDING SCHEDULES

Total

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$1,923,845	$837,503	$2,195,517	$3,033,020	$1,110,319	$1,943,414	$41,810,980	$39,867,567
2010	2,133,951	879,378	2,272,306	3,151,684	1,021,345	3,148,123	43,646,036	40,497,913
2011	2,342,937	923,347	2,351,775	3,275,122	938,495	4,357,284	45,447,626	41,090,342
2012	2,523,755	969,514	2,434,005	3,403,520	884,071	5,600,705	47,244,728	41,644,023
2013	2,699,896	1,017,990	2,519,092	3,537,082	839,331	6,890,994	49,044,245	42,153,251
2014	2,833,170	1,068,890	2,607,136	3,676,025	845,255	8,284,198	50,893,319	42,609,121
2015	2,953,719	1,122,334	2,698,241	3,820,575	869,465	9,806,993	52,811,498	43,004,505
2016	3,115,988	1,178,451	2,792,518	3,970,969	857,787	11,431,890	54,763,479	43,331,590
2017	3,298,450	1,237,373	2,890,077	4,127,450	831,998	13,151,915	56,733,771	43,581,856
2018	3,461,750	1,299,242	2,991,030	4,290,272	831,659	15,000,591	58,746,668	43,746,077
2019	3,567,230	1,364,204	3,095,500	4,459,705	895,690	17,054,306	60,868,523	43,814,217
2020	3,695,108	1,432,414	3,203,614	4,636,028	944,191	19,312,338	63,087,652	43,775,315
2021	3,879,863	1,504,035	3,315,498	4,819,533	942,967	21,738,452	65,355,915	43,617,463
2022	4,073,856	1,579,237	3,431,285	5,010,521	939,958	24,343,405	67,671,133	43,327,727
2023	4,277,549	1,658,199	3,551,113	5,209,312	935,014	27,138,604	70,030,667	42,892,064
2024	4,491,426	1,741,109	3,675,127	5,416,235	927,979	30,136,148	72,431,377	42,295,229
2025	4,715,998	1,828,164	3,803,472	5,631,636	918,685	33,348,872	74,869,561	41,520,689
2026	4,951,798	1,919,572	3,936,305	5,855,878	906,957	36,790,390	77,340,900	40,550,510
2027	5,199,387	2,015,551	4,073,786	6,089,337	892,613	40,475,150	79,840,395	39,365,245
2028	5,459,357	2,116,328	4,216,081	6,332,410	875,460	44,418,483	82,362,299	37,943,817
2029	5,732,325	2,222,145	4,363,365	6,585,510	855,295	48,636,658	84,900,040	36,263,382
2030	6,018,941	2,333,252	4,515,816	6,849,068	831,907	53,146,946	87,446,139	34,299,193
2031	6,319,888	2,449,915	4,673,623	7,123,538	805,072	57,967,684	89,992,126	32,024,442
2032	6,635,882	2,572,410	4,836,982	7,409,392	774,553	63,118,334	92,528,438	29,410,104
2033	6,967,676	2,701,031	5,006,097	7,707,128	740,095	68,619,555	95,044,319	26,424,763
2034	7,316,060	2,836,082	5,181,187	8,017,270	701,426	74,493,275	97,527,703	23,034,427
2035	7,681,863	2,977,887	5,362,495	8,340,381	658,518	80,763,037	99,965,093	19,202,056
2036	8,065,956	3,126,781	5,550,217	8,676,997	611,041	87,453,806	102,341,429	14,887,624
2037	8,469,254	3,283,120	5,744,527	9,027,646	558,392	94,591,794	104,639,938	10,048,143
2038	8,892,717	3,447,276	5,945,694	9,392,970	500,253	102,204,852	102,204,852	-

Notes: Assumes payment in the middle of the fiscal year.
If benefit payments are greater than the ARC for a given year, additional funding will be $0.

All Other

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$537,451	$219,626	$682,543	$902,169	$364,718	$627,709	$13,011,241	$12,383,532
2010	602,615	230,607	706,432	937,039	334,424	1,021,526	13,601,379	12,579,853
2011	654,227	242,138	731,157	973,295	319,068	1,428,957	14,194,219	12,765,262
2012	696,372	254,245	756,748	1,010,992	314,621	1,862,334	14,800,378	12,938,044
2013	744,568	266,957	783,234	1,050,191	305,623	2,318,885	15,415,209	13,096,323
2014	795,972	280,305	810,647	1,090,952	294,980	2,798,644	16,036,695	13,238,051
2015	865,110	294,320	839,020	1,133,339	268,229	3,286,648	16,647,639	13,360,991
2016	930,136	309,036	868,385	1,177,421	247,286	3,789,538	17,252,242	13,462,704
2017	983,609	324,488	898,779	1,223,266	239,657	4,322,236	17,862,769	13,540,533
2018	1,053,708	340,712	930,236	1,270,948	217,240	4,871,643	18,463,226	13,591,584
2019	1,116,778	357,748	962,794	1,320,542	203,764	5,448,283	19,060,989	13,612,706
2020	1,163,678	375,635	996,492	1,372,127	208,449	6,073,029	19,673,503	13,600,474
2021	1,222,714	394,417	1,031,369	1,425,786	203,072	6,739,056	20,290,219	13,551,163
2022	1,290,797	414,138	1,067,467	1,481,605	190,808	7,442,319	20,903,046	13,460,727
2023	1,361,788	434,844	1,104,829	1,539,673	177,885	8,184,928	21,509,699	13,324,771
2024	1,429,556	456,587	1,143,498	1,600,084	170,529	8,975,606	22,114,131	13,138,525
2025	1,501,171	479,416	1,183,520	1,662,936	161,765	9,816,498	22,713,312	12,896,815
2026	1,579,952	503,387	1,224,943	1,728,330	148,378	10,706,577	23,300,604	12,594,027
2027	1,663,259	528,556	1,267,816	1,796,372	133,114	11,647,586	23,871,665	12,224,080
2028	1,747,287	554,984	1,312,190	1,867,174	119,886	12,645,455	24,425,833	11,780,378
2029	1,837,058	582,733	1,358,116	1,940,850	103,792	13,701,478	24,957,260	11,255,782
2030	1,930,252	611,870	1,405,651	2,017,520	87,268	14,819,571	25,462,127	10,642,556
2031	2,025,148	642,463	1,454,848	2,097,312	72,164	16,005,860	25,938,189	9,932,328
2032	2,125,437	674,586	1,505,768	2,180,354	54,918	17,263,239	26,379,279	9,116,040
2033	2,237,697	708,316	1,558,470	2,266,786	29,089	18,588,142	26,772,029	8,183,887
2034	2,356,464	743,732	1,613,016	2,356,748	284	19,982,547	27,107,814	7,125,267
2035	2,475,506	780,918	1,669,472	2,450,390	(25,116)	21,455,197	27,383,914	5,928,717
2036	2,603,713	819,964	1,727,903	2,547,867	(55,846)	23,006,434	27,588,277	4,581,842
2037	2,737,500	860,962	1,788,380	2,649,342	(88,158)	24,640,513	27,711,761	3,071,249
2038	2,872,360	904,010	1,850,973	2,754,984	(117,376)	26,366,853	26,366,853	-

Notes: Assumes payment in the middle of the fiscal year.
If benefit payments are greater than the ARC for a given year, additional funding will be $0.

School

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$1,350,251	$611,719	$1,484,132	$2,095,851	$745,600	$1,315,704	$28,268,944	$26,953,240
2010	1,491,461	642,305	1,536,077	2,178,382	686,921	2,126,597	29,508,691	27,382,094
2011	1,644,832	674,420	1,589,839	2,264,259	619,427	2,928,328	30,715,699	27,787,371
2012	1,784,175	708,141	1,645,484	2,353,625	569,450	3,738,370	31,903,720	28,165,350
2013	1,913,208	743,548	1,703,076	2,446,624	533,416	4,571,805	33,083,771	28,511,965
2014	1,994,932	780,726	1,762,683	2,543,409	548,477	5,483,364	34,306,138	28,822,774
2015	2,047,159	819,762	1,824,377	2,644,139	596,980	6,513,579	35,606,506	29,092,927
2016	2,143,136	860,750	1,888,230	2,748,980	605,844	7,630,250	36,947,388	29,317,138
2017	2,270,914	903,788	1,954,318	2,858,106	587,192	8,811,333	38,300,975	29,489,642
2018	2,362,964	948,977	2,022,720	2,971,697	608,733	10,103,330	39,707,496	29,604,165
2019	2,403,661	996,426	2,093,515	3,089,941	686,280	11,572,630	41,226,505	29,653,875
2020	2,482,928	1,046,247	2,166,788	3,213,035	730,107	13,197,568	42,828,911	29,631,343
2021	2,607,075	1,098,559	2,242,625	3,341,185	734,110	14,948,527	44,477,017	29,528,490
2022	2,737,428	1,153,487	2,321,117	3,474,605	737,176	16,833,987	46,170,528	29,336,541
2023	2,874,300	1,211,162	2,402,356	3,613,518	739,218	18,862,974	47,908,940	29,045,966
2024	3,018,015	1,271,720	2,486,439	3,758,159	740,144	21,045,095	49,691,513	28,646,419
2025	3,168,916	1,335,306	2,573,464	3,908,770	739,855	23,390,574	51,517,250	28,126,675
2026	3,327,361	1,402,071	2,663,535	4,065,607	738,245	25,910,296	53,384,860	27,474,564
2027	3,493,729	1,472,175	2,756,759	4,228,934	735,205	28,615,845	55,292,732	26,676,887
2028	3,668,416	1,545,783	2,853,246	4,399,029	730,613	31,519,549	57,238,895	25,719,346
2029	3,851,837	1,623,073	2,953,109	4,576,182	724,345	34,634,533	59,220,980	24,586,448
2030	4,044,428	1,704,226	3,056,468	4,760,694	716,266	37,974,763	61,236,181	23,261,418
2031	4,246,650	1,789,438	3,163,445	4,952,882	706,232	41,555,107	63,281,202	21,726,095
2032	4,458,982	1,878,909	3,274,165	5,153,075	694,092	45,391,390	65,352,216	19,960,826
2033	4,681,931	1,972,855	3,388,761	5,361,616	679,684	49,500,456	67,444,802	17,944,345
2034	4,916,028	2,071,498	3,507,368	5,578,865	662,837	53,900,235	69,553,890	15,653,655
2035	5,161,829	2,175,073	3,630,125	5,805,198	643,368	58,609,811	71,673,696	13,063,885
2036	5,419,921	2,283,826	3,757,180	6,041,006	621,085	63,649,501	73,797,651	10,148,150
2037	5,690,917	2,398,017	3,888,681	6,286,699	595,782	69,040,933	75,918,324	6,877,391
2038	5,975,463	2,517,918	4,024,785	6,542,703	567,240	74,807,131	74,807,131	-

Notes: Assumes payment in the middle of the fiscal year.

If benefit payments are greater than the ARC for a given year, additional funding will be $0.

Septage

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$5,009	$0	$4,182	$4,182	$0	$0	$76,616	$76,616
2010	5,468	0	4,274	4,274	0	0	76,693	76,693
2011	5,885	0	4,362	4,362	0	0	76,343	76,343
2012	6,275	0	4,433	4,433	0	0	75,563	75,563
2013	6,630	0	4,485	4,485	0	0	74,357	74,357
2014	6,917	0	4,517	4,517	0	0	72,763	72,763
2015	7,139	0	4,531	4,531	0	0	70,818	70,818
2016	7,334	0	4,528	4,528	0	0	68,526	68,526
2017	7,504	0	4,507	4,507	0	0	65,885	65,885
2018	7,602	0	4,465	4,465	0	0	62,944	62,944
2019	7,621	0	4,406	4,406	0	0	59,763	59,763
2020	7,602	0	4,331	4,331	0	0	56,364	56,364
2021	7,538	0	4,240	4,240	0	0	52,777	52,777
2022	7,426	0	4,133	4,133	0	0	49,036	49,036
2023	7,263	0	4,011	4,011	0	0	45,184	45,184
2024	7,046	0	3,876	3,876	0	0	41,267	41,267
2025	6,774	0	3,728	3,728	0	0	37,339	37,339
2026	6,447	0	3,570	3,570	0	0	33,455	33,455
2027	6,069	0	3,405	3,405	0	0	29,672	29,672
2028	5,644	0	3,237	3,237	0	0	26,045	26,045
2029	5,181	0	3,071	3,071	0	0	22,627	22,627
2030	4,692	0	2,912	2,912	0	0	19,460	19,460
2031	4,190	0	2,767	2,767	0	0	16,575	16,575
2032	3,689	0	2,646	2,646	0	0	13,994	13,994
2033	3,203	0	2,559	2,559	0	0	11,723	11,723
2034	2,742	0	2,526	2,526	0	0	9,759	9,759
2035	2,317	0	2,580	2,580	263	273	8,089	7,816
2036	1,933	0	2,705	2,705	773	1,094	6,692	5,598
2037	1,593	0	2,852	2,852	1,259	2,481	5,542	3,061
2038	1,300	0	3,061	3,061	1,762	4,494	4,494	-

Notes: Assumes payment in the middle of the fiscal year.
If benefit payments are greater than the ARC for a given year, additional funding will be $0.

Water

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2009	$31,135	$6,158	$24,660	$30,818	$0	$0	$454,179	$454,179
2010	34,407	6,466	25,523	31,989	0	0	459,273	459,273
2011	37,993	6,789	26,416	33,206	0	0	461,365	461,365
2012	36,934	7,129	27,341	34,470	0	0	465,065	465,065
2013	35,491	7,485	28,298	35,783	293	303	470,909	470,605
2014	35,351	7,859	29,288	37,148	1,797	2,189	477,723	475,534
2015	34,311	8,252	30,313	38,566	4,255	6,766	486,535	479,769
2016	35,383	8,665	31,374	40,039	4,657	12,101	495,324	483,222
2017	36,423	9,098	32,473	41,571	5,148	18,347	504,142	485,796
2018	37,476	9,553	33,609	43,162	5,686	25,618	513,002	487,384
2019	39,170	10,031	34,785	44,816	5,647	33,394	521,265	487,872
2020	40,900	10,532	36,003	46,535	5,635	41,741	528,874	487,133
2021	42,537	11,059	37,263	48,322	5,785	50,870	535,903	485,033
2022	38,206	11,612	38,567	50,179	11,973	67,099	548,523	481,424
2023	34,199	12,192	39,917	52,109	17,910	90,701	566,845	476,143
2024	36,810	12,802	41,314	54,116	17,306	115,447	584,466	469,019
2025	39,137	13,442	42,760	56,202	17,065	141,800	601,660	459,861
2026	38,038	14,114	44,257	58,371	20,333	173,517	621,981	448,464
2027	36,331	14,820	45,806	60,626	24,295	211,720	646,326	434,606
2028	38,010	15,561	47,409	62,970	24,960	253,478	671,525	418,047
2029	38,250	16,339	49,068	65,407	27,158	300,647	699,173	398,526
2030	39,569	17,156	50,786	67,942	28,373	352,613	728,372	375,760
2031	43,901	18,014	52,563	70,577	26,676	406,717	756,160	349,443
2032	47,774	18,914	54,403	73,317	25,543	463,704	782,949	319,245
2033	44,846	19,860	56,307	76,167	31,322	530,957	815,765	284,808
2034	40,826	20,853	58,278	79,131	38,305	610,494	856,239	245,745
2035	42,211	21,896	60,317	82,213	40,003	697,757	899,395	201,638
2036	40,390	22,991	62,428	85,419	45,030	796,776	948,810	152,034
2037	39,244	24,140	64,613	88,754	49,510	907,867	1,004,310	96,444
2038	43,595	25,347	66,875	92,222	48,627	1,026,374	1,026,374	-

Notes: Assumes payment in the middle of the fiscal year.

If benefit payments are greater than the ARC for a given year, additional funding will be $0.

May, 2009

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Wayland other postemployment benefit programs as of December 31, 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, premium and expense 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
Kathleen A. Riley, FSA, MAAA
Senior Vice President and Actuary

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

CHART 1

Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	$3,033,020	$--	--%

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)]
12/31/2008	$764,076	$40,852,026	$40,087,950	1.87%	N/A	N/A

Note: Enter covered payroll for fiscal 2009.

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)
2008	N/A	N/A	N/A	N/A	N/A	N/A	$(750,000)
2009	$3,033,020	$(56,250)	$44,156	$3,020,926	--	--	--

CHART 4

Required Supplementary Information

Valuation date	December 31, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 3.5%
Remaining amortization period	30 years as of July 1, 2008
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Inflation rate	3.5%
Medical/drug cost trend rate	9.00% decreasing by 0.75% for 5 years and by 0.25% for 1 year to an ultimate level of 5.00% per year.
Part B premium	6.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	449
Current active members	418
Total	867

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

The December 31, 2008 and December 31, 2007 valuations were based on census data as of January 1, 2009 and January 1, 2008 respectively.

EXHIBIT I

Summary of Participant Data

	January 1, 2009	January 1, 2008
Active employees covered for medical benefits		
Number of employees		
Male	170	173
Female	248	255
Total	418	428
Average age	45.4	44.6
Average service	10.2	9.7
Retired employees, spouses and beneficiaries covered for medical benefits		
Number of individuals	402	394
Average age	70.5	70.3
Number receiving a reimbursement for Medicare Part B Penalty	43	43
Retired employees with life insurance coverage		
Number of individuals	272	267
Average age	71.4	71.0
Number with life insurance only	47	47

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 Wayland.
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, 2009 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 weighted premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	December 31, 2008
Discount Rate:	7.5%
Mortality Rates:	
Pre-Retirement (Non-Teachers)	RP-2000 Healthy Employee Mortality Table
Healthy (Non-Teachers)	RP-2000 Healthy Annuitant Mortality Table
Disabled (Non-Teachers)	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

Termination Rates before Retirement:

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

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.02
25	0.04	0.02	0.02
30	0.04	0.03	0.03
35	0.08	0.05	0.06
40	0.11	0.07	0.10
45	0.15	0.11	0.15
50	0.21	0.17	0.19
55	0.30	0.25	0.24
60	0.49	0.39	0.28

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

Group 4 – Rate per year (%)

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.20
25	0.04	0.02	0.20
30	0.04	0.03	0.30
35	0.08	0.05	0.30
40	0.11	0.07	0.30
45	0.15	0.11	1.00
50	0.21	0.17	1.25
55	0.30	0.25	1.20
60	0.49	0.39	0.85

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

Teachers - Rate per year (%)

Age	Mortality Male	Mortality Female	Disability
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:

Rate per year (%)

Years of Service	Groups 1 and 2 (excluding Teachers)	Years of Service	Group 4
0	15.0	0	1.5
1	12.0	1	1.5
2	10.0	2	1.5
3	9.0	3	1.5
4	8.0	4	1.5
5 – 9	7.6	5	1.5
10 – 14	5.4	6	1.5
15 – 19	3.3	7	1.5
20 – 24	2.0	8	1.5
25 – 29	1.0	9	1.5
30+	0.0	10	1.5
		11+	0.0

	Teachers - Rate per year (%)					
	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
Age	Male	Female	Male	Female	Male	Female
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
60	7.5	8.0	5.5	5.5	5.0	5.0

Retirement Rates:

	Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		
Age	Male	Female	Group 4
45 – 49	- -	- -	1.0
50 – 54	- -	- -	2.0
55 – 59	2.0	5.5	15.0
60 – 61	12.0	5.0	20.0
62 – 64	30.0	15.0	25.0
65 – 68	40.0	15.0	100.0
69	50.0	20.0	- -
70	100.0	100.0	- -

Teachers - Rate per year (%)

	Years of Service					
	Less than 20		20 – 29		30 or more	
Age	**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
61	30.0	20.0	25.0	20.0	50.0	35.0
62	20.0	25.0	30.0	30.0	40.0	35.0
63	30.0	24.0	30.0	30.0	40.0	40.0
64	40.0	20.0	30.0	30.0	50.0	30.0
65	40.0	30.0	40.0	30.0	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	35.0
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

Dependents: Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives and 55% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs: Calendar year 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.

	Non-Medicare Plans				Medicare Supplement			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	$6,954	$8,724	$4,314	$6,512	N/A	N/A	N/A	N/A
50	8,254	9,402	5,765	7,550	N/A	N/A	N/A	N/A
55	9,804	10,121	7,715	8,739	N/A	N/A	N/A	N/A
60	11,642	10,909	10,328	10,136	N/A	N/A	N/A	N/A
65	13,827	11,753	13,827	11,753	$4,427	$3,763	$4,427	$3,763
70	16,026	12,666	16,026	12,666	5,131	4,055	5,131	4,055
75	17,269	13,633	17,269	13,633	5,529	4,365	5,529	4,365
80	18,598	14,699	18,598	14,699	5,955	4,706	5,955	4,706

Medicare Advantage Plans: $2,323

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 December 31	Medical/Drug	Medicare Part B Premium
2009	9.00%	6.0%
2010	8.25%	6.0%
2011	7.50%	6.0%
2012	6.75%	6.0%
2013	6.00%	6.0%
2014	5.25%	6.0%
2015 & later	5.00%	6.0%

Retiree Contribution Increase Rate: Retiree contributions 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 retires under age 65, 65% 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 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan.

For future retirees hired in 1986 or later, 72% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 28% are assumed to enroll in a Medicare Advantage plan.

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

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses for self-insured plans were based on current vendor contractual rates and fees. Administrative expenses for insured plans were 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:	The discount rate was decreased from 8.5% to 7.5% Medical/dug trend was changed from 10.00% in 2008 decreasing by 1.00% per year to 5.00% by 2013 to 9.00% in 2009 decreasing by 0.75% per year to 5.25% in 2014 and by 0.25% to 5.0% by 2015. The retirement assumption for non-Teacher employees, and the disability and turnover assumptions for Teacher employees, were changed, consistent with the most recent valuations of the Middlesex County Retirement System or the Massachusetts Teachers Retirement System, respectively. The plan election assumption upon reaching age 65 for future retirees hired prior to 1986 and current retires under age 65 was changed from 68% in a Medicare Supplement plan, 22% in a Medicare Advantage plan, and 10% in a non-Medicare plan, to 65%, 25%, and 10%, respectively. For employees hired in 1986 or later, the percentages changed from 75% in a Medicare Supplement plan and 25% in a Medicare Advantage plan to 72% and 28%, respectively.

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 Middlesex County Retirement System or the Massachusetts Teachers Retirement System. **Group 1 (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 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, Fallon Community Health Plan and Tufts Health Plan. The Town of Wayland also pays 50% of the retiree life insurance premium and reimburses the Medicare Part B penalty for 43 retirees and spouses. (Dental coverage is offered but it is 100% retiree paid and therefore has no impact on this valuation.)
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.
MGL Chapter 32B, Section 18:	Adopted.

Retiree Contributions: Premium rates and retiree contributions as of July 1, 2008 are summarized on the following pages:

	Subscribers						
	Active	Retiree	Total	*Retirees 65 and over**	Monthly Premium (eff. 7/1/2008)	Town cost	Retiree cost
Non-Medicare Actives and Retirees							
Harvard Pilgrim HMO							
Individual	65	31	96	*7*	$563.00	$413.80	$149.20
Family	118	16	134	*0*	$1,467.00	$997.56	$469.44
Harvard Pilgrim PPO							
Individual	0	4	4	*2*	$1,122.00	$561.00	$561.00
Family	2	2	4	*0*	$2,493.00	$1,246.50	$1,246.50
Harvard Pilgrim HMO (Rate Saver Plan)							
Individual	16	0	16	*0*	$478.00	$382.40	$95.60
Family	15	1	16	*0*	$1,247.00	$872.90	$374.10
BCBS Network Blue of NE							
Individual	31	8	39	*5*	$608.00	$432.29	$175.71
Family	37	10	47	*1*	$1,633.00	$1,061.45	$571.55
BCBS Blue Choice (Rate Saver Plan)							
Individual	6	0	6	*0*	$517.00	$413.60	$103.40
Family	4	0	4	*0*	$1,388.00	$971.60	$416.40
Fallon Select							
Individual	19	0	19	*0*	$500.00	$355.50	$144.50
Family	11	0	11	*0*	$1,348.00	$876.20	$471.80
Fallon Select Care (Rate Saver Plan)							
Individual	12	0	12	*0*	$425.00	$340.00	$85.00
Family	9	0	9	*0*	$1,146.00	$802.20	$343.80
Fallon Direct							
Individual	2	0	2	*0*	$464.00	$329.90	$134.10
Family	4	0	4	*0*	$1,253.00	$814.45	$438.55
Tufts EPO							
Individual	28	10	38	*1*	$579.00	$413.98	$165.02
Family	29	6	35	*1*	$1,516.00	$959.63	$556.37
Tufts POS							
Individual	0	2	2	*2*	$1,122.00	$561.00	$561.00
Family	0	0	0	*0*	$2,493.00	$1,246.50	$1,246.50
Tufts Navigator (Rate Saver Plan)							
Individual	9	1	10	*0*	$492.00	$393.60	$98.40
Family	1	0	1	*0*	$1,289.00	$902.30	$386.70
Non-Medicare Total	418	91	509	*19*			

	Subscribers			Monthly Premium (eff. 7/1/2008)	Town cost	Retiree cost
	Active	Retiree	Total			
Medicare Supplement Plans						
Medex 3	N/A	56	56	$413.00	$206.50	$206.50
BCBS Managed Blue for Seniors	N/A	20	20	$372.91	$265.14	$107.77
Harvard Pilgrim Medicare Enhance	N/A	23	23	$400.00	$200.00	$200.00
Tufts Medicare Complement	N/A	25	25	$323.00	$230.94	$92.06
Medicare Advantage plans						
Fallon Senior**	N/A	1	1	$213.00	$151.44	$61.56
Harvard Pilgrim First Seniority Freedom**	N/A	15	15	$245.00	$122.50	$122.50
Medicare HMO Blue**	N/A	3	3	$223.50	$158.91	$64.59
Tufts Medicare Preferred	N/A	28	28	$153.00	$109.39	$43.61
Medicare Total		171	171			
Retiree Total* **		262				

* 19 of 190 over-65 retirees are in a non-Medicare plan
** Premiums effective January 1, 2009
*** In addition, there are 140 spouses of retirees covered under an individual or family policy.

Benefit Descriptions:

Harvard Pilgrim HMO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit	$5
Emergency Room	$30 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Harvard Pilgrim PPO	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	None	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$40 (waived if admitted)	$40 (waived if admitted)
Out-of-pocket Maximum (including deductible)	None	$1,600 individual/$3,200 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand	

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

BCBS Network Blue of NE	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand

BCBS Choice (RSP)	
Medical	
Annual deductible	None
Hospital Insurance Copay	$250 Tier 1, $500 Tier 2, $1,000 Tier 3
Physicians Office Visit Copay	$15 Tier 1, $25 Tier 2, $45 Tier 3 and specialists
Emergency Room Copay	$100 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$15 generic/$30 formulary brand/$50 non-formulary brand
Mail Copay	$30 generic/$60 formulary brand/$100 non-formulary brand

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

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

Tufts EPO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand

Tufts POS	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	None	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$25 (waived if admitted)	$25 (waived if admitted)
Out-of-pocket Maximum (including deductible)	None	$1,500 individual/$3,000 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand	

Tufts Navigator (RSP)	
Medical	
Annual deductible	None
Hospital Insurance Copay	$150 Tier 1/$250 Tier 2
Physicians Office Visit Copay	$20 ($40 for specialists)
Emergency Room Copay	$75 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$10 generic/$25 formulary brand/$45 non-formulary brand
Mail Copay	$20 generic/$50 formulary brand/$90 non-formulary brand

Medex 3	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	Covered in full
Emergency Room	Covered in full
Prescription Drugs	
Retail Copay	After $50 deductible, 0% generic/20% brand
Mail Copay	$2 generic/$15 brand

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

Harvard Pilgrim Medicare Enhance	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$5 copay per visit
Emergency Room	$30 copay per visit (waived if admitted)
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Tufts Medicare Complement	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$10 copay per visit
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$8 generic/$20 formulary brand/$35 non-formulary brand
Mail Copay	$16 generic/$40 formulary brand/$70 non-formulary brand

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

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

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

Tufts Medicare Preferred	
Medical	
Hospital Inpatient	Annual deductible of $200
Outpatient and Physician Services	$10 copay per visit ($15 for specialists)
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$10 generic/$25 formulary brand/$50 non-formulary brand
Mail Copay	$20 generic/$50 formulary brand/$100 non-formulary brand

Retiree Life: $5,000

Town of Wayland

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2010
In Accordance with GASB Statements Number 43 and 45

SEGAL

THE SEGAL COMPANY
116 Huntington Ave., 8th Floor Boston, MA 02116
T 617.424.7300 F 617.424.7390 www.segalco.com

May 17, 2011

Mr. Michael DiPietro
Finance Director
41 Cochituate Road
Town Hall
Wayland, MA 01778

Dear Mr. DiPietro:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of December 31, 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 fiscal year beginning July 1, 2010 and summarizes the actuarial data.

This report is based on information received from the Town of Wayland. 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, EA
Senior Vice President and Actuary

____
Daniel J. Rhodes, ASA, FCA, MAAA
Consulting Actuary

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SECTION 1

INTRODUCTION

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Town of Wayland (the "Employer") postemployment welfare benefit plan as of December 31, 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 $2,086,000. This amount is less than the annual "cost" (the "Annual Required Contribution", or ARC) under the new accounting rules of $3,583,000.

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.

Because the Town of Wayland is funding the ARC and based on the asset allocation of the portfolio, we have used a 7.0% investment return assumption to discount the liability.

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. We have used the projected unit credit cost method, the same method used in the prior valuation.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 28-year amortization of the UAAL for fiscal 2011(remainder of 30-year period) with payments increasing at 3.5%.

To be considered a prefunded plan, the "contribution in relation to the ARC" must equal the ARC. A contribution of $3,150,000 has been made for fiscal 2011. This amount, plus projected benefit payments of $2,086,000, exceed the ARC of $3,583,000.

The Town of Wayland has established an OPEB trust, 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. Assets as of December 31, 2010, excluding contributions of $2,150,000 made between July 1 and December 31, 2010, are $3,763,000.

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 subsides 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 December 31, 2010 is $45,714,000. 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 December 31, 2010 the ratio of assets to the AAL (the funded ratio) is 7.60%.
- The **Annual Required Contribution (ARC)** for fiscal year 2011 is $3,583,000. 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 $49,476,000 as of December 31, 2010 represent an increase of $8,624,000 from $40,852,000 as shown in the December 31, 2008 valuation.

Plan obligations had been expected to increase $3,657,000 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 the following:

- An **actuarial experience loss** increased obligations by $319,000. This was the net result of gains and losses due to demographic changes.
- **Valuation assumption changes** increased obligations by $4,648,000. This was the net result of *increases* in obligations due to 1) lowering the discount rate, 2) a change in the mortality assumption for non-teachers, 3) changes in the turnover assumptions for teachers, 4) a change in the future trend on per capita health care costs, and 5) a change in the over-65 Medicare enrollment due to the elimination of two Medicare Advantage plans, partially offset by 6) a *decrease* in obligations due to the valuation year per capita health costs not increasing as much as projected and 7) an increase in retiree contribution percentages for certain plans effective July 1, 2009. The complete set of assumptions is shown in Exhibit II.

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.

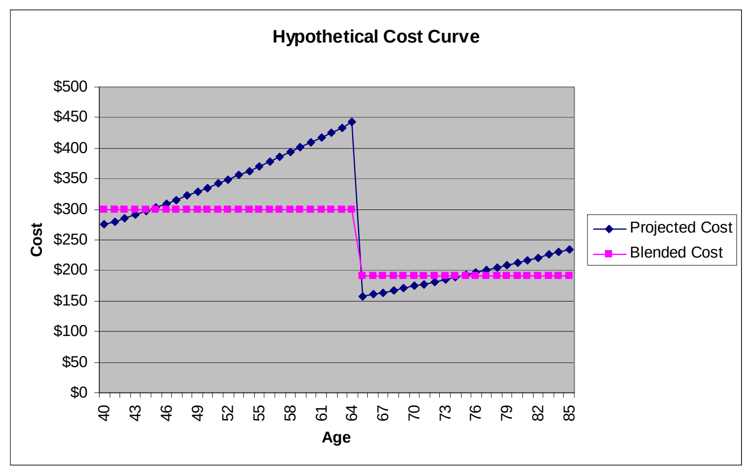
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

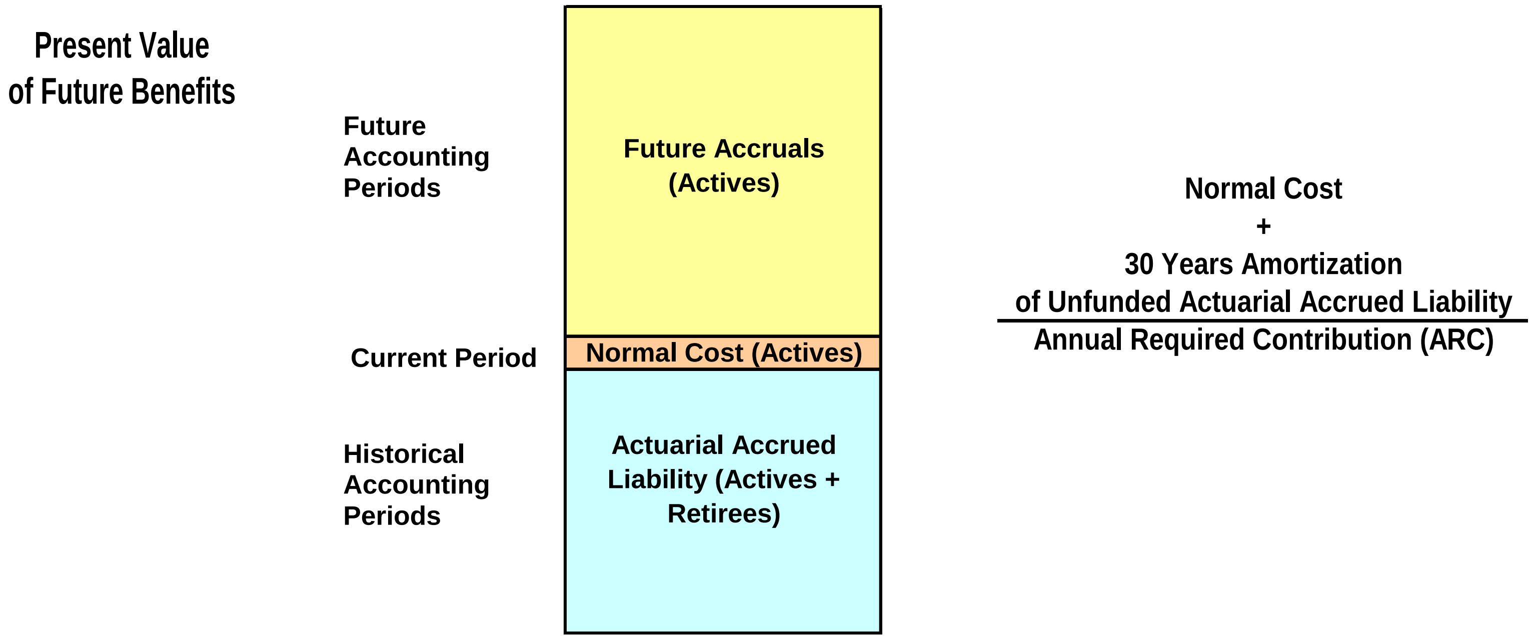


SEGAL

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



Net OPEB Obligation = $ARC_1 + ARC_2 + ARC_3 + \ldots\ldots$

$- \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \ldots\ldots$

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.

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

SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS

	Pre-funded (7.0% interest rate)
Actuarial Accrued Liability by Participant Category	
1. Current retirees, beneficiaries and dependents	$26,367,783
2. Current active employees	23,108,323
3. Total as of December 31, 2010: (1) + (2)	$49,476,106
4. Actuarial value of assets as of December 31, 2010	3,762,543
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2010: (3) – (4)	$45,713,563
Annual Required Contribution for Fiscal Year Ending June 30, 2011	
6. Normal Cost as of December 31, 2010	$1,115,173
7. 28-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2010	2,467,822
8. Total Annual Required Contribution (ARC): (6) + (7)	$3,582,995
9. Total projected benefit payments	2,085,998
Annual Required Contribution for Fiscal Year Ending June 30, 2012	
10. Normal Cost as of December 31, 2011	$1,170,932
11. 27-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2011	2,486,268
12. Total Annual Required Contribution (ARC): (10) + (11)	$3,657,200
13. Total projected benefit payments	2,293,966

Notes: Assets as of December 31, 2010 exclude contributions of $2,150,000 made between July 1 and December 31, 2010.
Assumes payment in the middle of the fiscal year.

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution

	All Other	School	Septage	Water	Total
Actuarial Accrued Liability by Participant Category					
1. Current retirees, beneficiaries and dependents	$7,558,680	$18,293,088	$130,884	$385,131	$26,367,783
2. Current active employees	7,708,249	15,288,081	0	111,993	23,108,323
3. Total as of December 31, 2010: (1) + (2)	$15,266,929	$33,581,169	$130,884	$497,124	$49,476,106
4. Actuarial value of assets as of December 31, 2010	$1,175,941	$2,586,602	0	0	$3,762,543
5. Unfunded actuarial accrued liability (UAAL) as of December 31, 2010: (3) – (4)	$14,090,988	$30,994,567	$130,884	$497,124	$45,713,563
Annual Required Contribution for Fiscal Year Ending June 30, 2011					
6. Normal Cost as of December 31, 2010	$277,617	$833,770	$0	$3,786	$1,115,173
7. 28-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2010	760,694	1,673,225	7,066	26,837	2,467,822
8. Total Annual Required Contribution (ARC): (6) + (7)	$1,038,311	$2,506,995	$7,066	$30,623	$3,582,995
9. Total projected benefit payments	549,302	1,493,945	7,883	34,868	2,085,998
Annual Required Contribution for Fiscal Year Ending June 30, 2012					
10. Normal Cost as of December 31, 2011	$291,498	$875,459	$0	$3,975	$1,170,932
11. 27-year increasing amortization (3.5% per year) of the UAAL as of December 31, 2011	766,349	1,683,957	7,501	28,461	2,486,268
12. Total Annual Required Contribution (ARC): (10) + (11)	$1,057,847	$2,559,416	$7,501	$32,436	$3,657,200
13. Total projected benefit payments	610,480	1,640,360	8,675	34,451	2,293,966

Notes: Assets as of December 31, 2010 exclude contributions of $2,150,000 made between July 1 and December 31, 2010.
Assets are distributed between All Other and School in proportion to liability.
Assumes payment in the middle of the fiscal year.

FUNDING SCHEDULE

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2011	$2,085,998	$1,115,173	$2,467,822	$3,582,995	$3,150,000	$7,150,390	$50,694,463	$43,544,073
2012	2,293,966	1,170,932	2,486,268	3,657,200	1,363,234	9,061,058	53,081,400	44,020,342
2013	2,489,843	1,229,479	2,573,287	3,802,766	1,312,923	11,053,430	55,493,367	44,439,937
2014	2,674,558	1,290,953	2,663,352	3,954,305	1,279,747	13,150,951	57,946,691	44,795,740
2015	2,884,187	1,355,501	2,756,569	4,112,070	1,227,883	15,341,650	60,421,674	45,080,024
2016	3,127,609	1,423,276	2,853,049	4,276,325	1,148,716	17,603,807	62,888,215	45,284,408
2017	3,391,115	1,494,440	2,952,906	4,447,346	1,056,231	19,928,647	65,328,454	45,399,807
2018	3,605,694	1,569,162	3,056,258	4,625,420	1,019,726	22,378,465	67,794,841	45,416,376
2019	3,742,990	1,647,620	3,163,227	4,810,847	1,067,857	25,049,557	70,373,012	45,323,455
2020	3,901,386	1,730,001	3,273,940	5,003,941	1,102,555	27,943,518	73,053,025	45,109,507
2021	4,104,945	1,816,501	3,388,528	5,205,029	1,100,084	31,037,500	75,799,552	44,762,052
2022	4,310,192	1,907,326	3,507,126	5,414,452	1,104,260	34,352,380	78,619,977	44,267,597
2023	4,525,701	2,002,692	3,629,875	5,632,567	1,106,866	37,901,998	81,513,555	43,611,557
2024	4,751,986	2,102,827	3,756,921	5,859,748	1,107,762	41,701,016	84,479,192	42,778,176
2025	4,989,585	2,207,968	3,888,413	6,096,381	1,106,796	45,764,966	87,515,408	41,750,442
2026	5,239,064	2,318,366	4,024,507	6,342,873	1,103,809	50,110,303	90,620,293	40,509,990
2027	5,501,017	2,434,284	4,165,365	6,599,649	1,098,632	54,754,458	93,791,460	39,037,002
2028	5,776,068	2,555,998	4,311,153	6,867,151	1,091,083	59,715,895	97,025,996	37,310,101
2029	6,064,871	2,683,798	4,462,043	7,145,841	1,080,970	65,014,172	100,320,407	35,306,235
2030	6,368,114	2,817,988	4,618,215	7,436,203	1,068,089	70,670,004	103,670,557	33,000,553
2031	6,686,520	2,958,887	4,779,853	7,738,740	1,052,220	76,705,329	107,071,602	30,366,273
2032	7,020,846	3,106,831	4,947,148	8,053,979	1,033,133	83,143,383	110,517,926	27,374,543
2033	7,371,888	3,262,173	5,120,298	8,382,471	1,010,583	90,008,775	114,003,059	23,994,284
2034	7,740,483	3,425,282	5,299,508	8,724,790	984,307	97,327,564	117,519,595	20,192,031
2035	8,127,507	3,596,546	5,484,991	9,081,537	954,030	105,127,350	121,059,104	15,931,754
2036	8,533,883	3,776,373	5,676,966	9,453,339	919,456	113,437,357	124,612,035	11,174,678
2037	8,960,577	3,965,192	5,875,660	9,840,852	880,275	122,288,536	128,167,611	5,879,075
2038	9,179,127	4,163,452	6,081,308	10,244,760	1,065,633	131,951,033	131,951,033	-

Notes: Assumes payment in the middle of the fiscal year.

Additional funding for 2011 reflects contributions made or expected to be made to the Trust Fund in fiscal year 2011.

May 17, 2011

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Wayland other postemployment benefit programs as of December 31, 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, premium and expense 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
Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

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

CHART 1

Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2009	$3,020,926	$3,034,164	100.4%
2010	3,138,586	3,994,270	127.3%
2011	3,560,074	5,235,998	147.1%
2012	3,614,689	-	-

Note: 2012 information assumes there will be no plan changes that need to be reflected.

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)]
12/31/2008	$764,076	$40,852,026	$40,087,950	1.87%	$35,600,000	112.61%
12/31/2010	3,762,543	49,476,106	45,713,563	7.60%	38,000,000	120.30%

Note: Assets as of December 31, 2010 exclude contributions of $2,150,000 made between July 1 and December 31, 2010.

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)
2008	N/A	N/A	N/A	N/A	N/A	N/A	($750,000)
2009	$3,033,020	$(56,250)	$44,156	$3,020,926	$3,034,164	$(13,238)	(763,238)
2010	3,151,684	(57,243)	44,145	3,138,586	3,994,270	(855,684)	(1,618,922)
2011	3,582,995	(113,325)	90,404	3,560,074	5,235,998	(1,675,924)	(3,294,846)
2012	3,657,200	(230,639)	188,128	3,614,689	-	-	-

Note: 2012 information assumes there will be no plan changes that need to be reflected.

CHART 4

Required Supplementary Information

Valuation date	December 31, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 3.5%
Remaining amortization period	28 years as of July 1, 2010
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Inflation rate	3.5%
Medical/drug cost trend rate	10.00% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year.
Part B premium	6.0%
Plan membership:	
Current retirees, beneficiaries, and dependents	424
Current active members	424
Total	848

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

The December 31, 2010 and December 31, 2008 valuations were based on census data as of January 1, 2011 and January 1, 2009 respectively.

EXHIBIT I

Summary of Participant Data

	January 1, 2011	January 1, 2009
Active employees covered for medical benefits		
Number of employees		
Male	166	170
Female	258	248
Total	424	418
Average age	46.4	45.4
Average service	10.6	10.2
Retired employees, spouses and beneficiaries covered for medical benefits		
Number of individuals	424	402
Average age	70.8	70.5
Number receiving a reimbursement for Medicare Part B Penalty	41	43
Retired employees with life insurance coverage		
Number of individuals	286	272
Average age	67.9	71.4
Number with life insurance only	54	47

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 Wayland.
Actuarial Cost Method:	Projected Unit Credit
Per Capita Cost Development:	Per capita costs were based on the fully-insured premium rates effective July 1, 2011 for non-Medicare plans and January 1, 2011 for all Medicare plans. Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the weighted premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	December 31, 2010
Discount Rate:	7.0% (previously, 7.5%)
Mortality Rates:	
Pre-Retirement (Non-Teachers)	RP-2000 Employee Mortality Table projected with Scale AA (gender distinct) (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 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

Termination Rates before Retirement:

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

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.02
25	0.03	0.02	0.02
30	0.04	0.02	0.03
35	0.07	0.04	0.06
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

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

Group 4 – Rate per year (%)

	Mortality		Disability
Age	**Male**	**Female**	
20	0.03	0.02	0.20
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

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

Teachers - Rate per year (%)

	Mortality		Disability
Age	**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:

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

Teachers – Withdrawal Rate (%)

	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
Age	**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

Previous assumption:

Teachers – Withdrawal Rate (%)

	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
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
60	7.5	8.0	5.5	5.5	5.0	5.0

Retirement Rates:

	Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		
Age	Male	Female	Group 4
45 – 49	- -	- -	1.0
50 – 54	- -	- -	2.0
55 – 59	2.0	5.5	15.0
60 – 61	12.0	5.0	20.0
62 – 64	30.0	15.0	25.0
65 – 68	40.0	15.0	100.0
69	50.0	20.0	- -
70	100.0	100.0	- -

Teachers - Rate per year (%)

	Years of Service					
	Less than 20		20 – 29		30 or more	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50 – 53	0.0	0.0	1.0	1.5	2.0	2.0
54	0.0	0.0	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
61	30.0	20.0	25.0	20.0	50.0	35.0
62	20.0	25.0	30.0	30.0	40.0	35.0
63	30.0	24.0	30.0	30.0	40.0	40.0
64	40.0	20.0	30.0	30.0	50.0	30.0
65	40.0	30.0	40.0	30.0	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	35.0
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

Dependents: Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives and 55% were assumed to have an eligible spouse who also opts for health coverage at that time.

Per Capita Health Costs: Calendar year 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.

	Non-Medicare Plans				Medicare Supplement			
	Retiree		Spouse		Retiree		Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
45	$7,371	$9,247	$4,572	$6,902	N/A	N/A	N/A	N/A
50	8,748	9,965	6,111	8,001	N/A	N/A	N/A	N/A
55	10,390	10,727	8,177	9,261	N/A	N/A	N/A	N/A
60	12,339	11,562	10,947	10,741	N/A	N/A	N/A	N/A
65	14,654	12,456	14,654	12,456	$4,555	$3,872	$4,555	$3,872
70	16,984	13,423	16,984	13,423	5,279	4,172	5,279	4,172
75	18,303	14,449	18,303	14,449	5,689	4,491	5,689	4,491
80	19,710	15,577	19,710	15,577	6,126	4,842	6,126	4,842

Medicare Advantage Plans: $2,915

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 December 31	Medical/Drug	Medicare Part B Premium
2011	10.00%	6.0%
2012	9.25%	6.0%
2013	8.50%	6.0%
2014	7.75%	6.0%
2015	7.00%	6.0%
2016	6.25%	6.0%
2017	5.50%	6.0%
2018 & later	5.00%	6.0%

Retiree Contribution Increase Rate: Retiree contributions 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 retires under age 65, 75% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 15% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan. (Previously, 65%, 25% and 10%, respectively.)

For future retirees hired in 1986 or later, 80% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 20% are assumed to enroll in a Medicare Advantage plan. (Previously, 72% and 28%, respectively.)

80% of current and future retirees with medical coverage are assumed to have life insurance coverage. (Previously, 75%.)

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

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

Health Care Reform Assumption: 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.

Assumption Changes since Prior Valuation: The discount rate was decreased from 7.5% to 7.0%

Per capita costs were updated to reflect current experience.

Medical/drug trend assumption was changed from 9.00% in 2009 decreasing by 0.75% per year to 5.00% by 2015 to 10.00% in 2011 decreasing by 0.75% per year to 5.50% in 2017 and by 0.50% to 5.0% by 2018.

The plan election assumption upon reaching age 65 for future retirees hired prior to 1986 and current retires under age 65 was changed from 65% in a Medicare

Supplement plan, 25% in a Medicare Advantage plan, and 10% in a non-Medicare plan, to 75%, 15%, and 10%, respectively. For employees hired in 1986 or later, the percentages changed from 72% in a Medicare Supplement plan and 28% in a Medicare Advantage plan to 80% and 20%, respectively.

The life insurance coverage for future retirees with medical coverage was increased from 75% to 80%.

The mortality table for healthy lives (non-teachers) was changed from the RP-2000 Employee Mortality Table to the RP-2000 Employee Mortality Table projected 10 years with Scale AA (gender distinct) for pre-retirement mortality and from the RP-2000 Healthy Annuitant Mortality Table to the RP-2000 Health Annuitant Mortality Table projected 10 years with Scale AA (gender distinct) for post-retirement mortality.

The turnover assumption for teachers was revised to match the rates used in the Massachusetts State Retirement System Actuarial Valuation as of January 1, 2010.

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 Middlesex County Retirement System or the Massachusetts Teachers Retirement System. **Group 1 (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 Wayland 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, Fallon Community Health Plan and Tufts Health Plan. The Town of Wayland also pays 50% of the retiree life insurance premium and reimburses the Medicare Part B penalty for 41 retirees and spouses. (Dental coverage is offered but it is 100% retiree paid and therefore has no impact on this valuation.)
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.
MGL Chapter 32B, Section 18:	Adopted.
Retiree Contributions:	Premium rates and retiree contributions as of January 1, 2011 and July 1, 2011 are summarized on the following pages:

	Subscribers Active	Retiree	Total	*Retirees 65 and over**	Monthly Premium (eff. 7/1/2011)	Town cost	Retiree cost
Non-Medicare Actives and Retirees							
Harvard Pilgrim HMO							
Individual	45	29	74	*8*	$690.00	$493.35	$196.65
Family	109	14	123	*1*	$1,798.00	$1,186.68	$611.32
Harvard Pilgrim PPO							
Individual	0	4	4	*2*	$1,420.00	$710.00	$710.00
Family	2	2	4	*0*	$3,154.00	$1,577.00	$1,577.00
Harvard Pilgrim HMO RSP							
Individual	35	2	37	*0*	$586.00	$468.80	$117.20
Family	34	4	38	*0*	$1,529.00	$1,070.30	$458.70
BCBS Network Blue of NE							
Individual	25	13	38	*5*	$732.00	$505.81	$226.19
Family	35	7	42	*1*	$1,963.00	$1,236.69	$726.31
Blue Choice RSP							
Individual	7	0	7	*0*	$603.00	$482.40	$120.60
Family	7	0	7	*0*	$1,620.00	$1,134.00	$486.00
Fallon Direct							
Individual	0	0	0	*0*	$568.00	$392.49	$175.51
Family	3	0	3	*0*	$1,535.00	$967.05	$567.95
Fallon Select							
Individual	16	2	18	*0*	$613.00	$423.58	$189.42
Family	9	0	9	*0*	$1,651.00	$1,040.13	$610.87
Fallon Direct RSP							
Individual	4	0	4	*0*	$485.00	$388.00	$97.00
Family	1	0	1	*0*	$1,305.00	$913.50	$391.50
Fallon Select RSP							
Individual	13	1	14	*0*	$521.00	$416.80	$104.20
Family	12	0	12	*0*	$1,404.00	$982.80	$421.20
Tufts EPO							
Individual	20	10	30	*1*	$730.00	$507.35	$222.65
Family	26	7	33	*1*	$1,910.00	$1,170.83	$739.17
Tufts POS							
Individual	0	2	2	*2*	$1,420.00	$710.00	$710.00
Family	0	0	0	*0*	$3,154.00	$1,577.00	$1,577.00
Tufts Navigator RSP							
Individual	15	1	16	*0*	$620.00	$496.00	$124.00
Family	6	0	6	*0*	$1,623.00	$1,136.10	$486.90
Non-Medicare Total	424	98	522	*21*			

	Subscribers			Monthly Premium (eff. 1/1/2011)	Town cost	Retiree cost
	Active	Retiree	Total			
Medicare Supplement Plans						
Medex 3	N/A	52	52	$432.00	$216.00	$216.00
Managed Blue for Seniors	N/A	21	21	$428.11	$295.82	$132.29
Harvard Pilgrim Medicare Enhance	N/A	33	33	$406.00	$203.00	$203.00
Tufts Medicare Complement (Formerly SR)	N/A	41	41	$390.00	$271.05	$118.95
Medicare Advantage plans						
Fallon Senior	N/A	2	2	$267.00	$184.50	$82.50
Tufts Medicare Preferred (Formerly Secure Horizon)	N/A	33	33	$242.00	$168.19	$73.81
Medicare Total		182	182			
Retiree Total**		280				

* 21 of 203 over-65 retirees are in a non-Medicare plan
** In addition, there are 144 spouses of retirees covered under an individual or family policy.

Benefit Descriptions:

Harvard Pilgrim HMO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit	$5
Emergency Room	$30 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Harvard Pilgrim PPO	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	None	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$40 (waived if admitted)	$40 (waived if admitted)
Out-of-pocket Maximum (including deductible)	$1,600 individual/$3,200 family	$1,600 individual/$3,200 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand	

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

BCBS Network Blue of NE	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand

BCBS Choice (RSP)	
Medical	
Annual deductible	None
Hospital Insurance Copay	$250 Tier 1, $500 Tier 2, $1,000 Tier 3
Physicians Office Visit Copay	$15 Tier 1, $25 Tier 2, $45 Tier 3 and specialists
Emergency Room Copay	$100 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$15 generic/$30 formulary brand/$50 non-formulary brand
Mail Copay	$30 generic/$60 formulary brand/$100 non-formulary brand

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

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

Tufts EPO	
Medical	
Annual deductible	None
Coinsurance	100%
Physicians Office Visit Copay	$5
Emergency Room Copay	$25 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand

Tufts POS	**In-Network**	**Out-of-Network**
Medical		
Annual deductible	$100 individual/$200 family	$100 individual/$200 family
Coinsurance	100%	80%
Physicians Office Visit Copay	$5	Coinsurance & deductible
Emergency Room Copay	$25 (waived if admitted)	$25 (waived if admitted)
Out-of-pocket Maximum (including deductible)	$1,500 individual/$3,000 family	$1,500 individual/$3,000 family
Prescription Drugs		
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand	
Mail Copay	$10 generic/$20 formulary brand/$50 non-formulary brand	

Tufts Navigator (RSP)	
Medical	
Annual deductible	None
Hospital Insurance Copay	$150 Tier 1/$250 Tier 2
Physicians Office Visit Copay	$20 ($40 for specialists)
Emergency Room Copay	$75 (waived if admitted)
Maximum Out-Of-Pocket Expense	None
Prescription Drugs	
Retail Copay	$10 generic/$25 formulary brand/$45 non-formulary brand
Mail Copay	$20 generic/$50 formulary brand/$90 non-formulary brand

Medex 3	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	Covered in full
Emergency Room	Covered in full
Prescription Drugs	
Retail Copay	After $50 deductible, 0% generic/20% brand
Mail Copay	$2 generic/$15 brand

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

Harvard Pilgrim Medicare Enhance	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$5 copay per visit
Emergency Room	$30 copay per visit (waived if admitted)
Prescription Drugs	
Retail Copay	$5 generic/$10 formulary brand/$25 non-formulary brand
Mail Copay	$10 generic/$20 formulary brand/$75 non-formulary brand

Tufts Medicare Complement	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$10 copay per visit
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$8 generic/$20 formulary brand/$35 non-formulary brand
Mail Copay	$16 generic/$40 formulary brand/$70 non-formulary brand

Fallon Senior Plan	
Medical	
Hospital Inpatient	Covered in full
Outpatient and Physician Services	$10 copay per visit ($20 for specialists)
Emergency Room	$50 copay per visit (waived if admitted)
Prescription Drugs	
Retail Copay	$10 Tier 1/$25 Tier 2/$45 Tier 3
Mail Copay	$25 Tier 1/$50 Tier 2/$90 Tier 3

Tufts Medicare Preferred	
Medical	
Hospital Inpatient	Annual deductible of $300
Outpatient and Physician Services	$10 copay per visit ($15 for specialists)
Emergency Room	$50 copay per visit
Prescription Drugs	
Retail Copay	$10 generic/$25 formulary brand/$50 non-formulary brand
Mail Copay	$20 generic/$50 formulary brand/$100 non-formulary brand

Retiree Life: $5,000

Plan Changes since Prior Valuation: This valuation reflects an increase in retiree contributions effective July 1, 2009 for certain plans.

OPEB Liabilities and Funding Practices Since FY2008

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for OPEB on an accrual basis. Wayland adopted GASB Statement 45 in Fiscal Year 2009. Since the pronouncement of the OPEB reporting requirement in 2008, the Town has been diligent in preparing and funding for this long-term liability.

Article 10 of the November 2008 Special Town Meeting authorized the Board of Selectmen to file a home rule petition for a special act to establish an OPEB trust fund under the provisions of Chapter 32B of Massachusetts General Laws. Chapter 372 of the Acts of 2010 was signed by the Governor on November 17, 2010. It authorized the Town to establish the trust fund under the supervision and management of the Town Administrator and the Finance Director, with the Town Treasurer serving as custodian of the fund. The Town Treasurer must invest the funds prudently in certificates of deposit, stock and bond mutual funds, or state funds established for this purpose. The trust fund is to be credited with funds appropriated or otherwise made available by the town, including earnings or interest accrued from investment to offset the anticipated cost of health insurance expenses for retired employees, their spouses and eligible dependents, and the surviving spouses and eligible dependents of deceased retired employees.

The Commonwealth's Department of Revenue defines OPEB as "post-employment benefits other than pensions [which] generally take the form of health insurance and dental, vision, prescription, or other healthcare benefits provided to eligible retirees, including in some cases their beneficiaries. They may also include some type of life insurance."

The Town obtained actuarial valuation reports from The Segal Group as of December 31, 2008 and December 31, 2010 to determine the Town's Annual Required Contribution (ARC) for OPEB purposes. The ARC represents a level of funding that, if paid on an ongoing basis, is projected (i) to cover the normal cost per year (current expenses) and (ii) amortize the actuarial accrued liability (future expenses) over a period of thirty years to 2038 and 2040, respectively. As of the last actuarial report as of December 31, 2010, 424 retirees and 421 active employees met the eligibility requirement to obtain OPEB.

The Commonwealth has not mandated that communities with OPEB trusts make their ARC each year. Nevertheless, the Finance Committee believes it is prudent to fund the OPEB trust and started annual payments in FY2008. This appropriation is reported to Town Meeting as part of the "Insurance 32B" line item within the Unclassified budget line. The Insurance 32B line item includes health insurance benefits and life insurance premiums for active employees, health insurance benefits for retired employees as well as the OPEB contribution.

The most recent valuation of the Town's unfunded OPEB liability is $45,713,563 as of December 31, 2010. This amount is an increase from the 2008 valuation of $40,087,950. The next valuation will be completed as of December 31, 2012 and will be received in the spring of 2013.

Due to significant changes in the Town's healthcare offerings in the last year that reduced expenses for employees, retirees and the Town, one would anticipate a reduction in the OPEB liability with the next revaluation as of December 31, 2012. However, any reduction resulting from plan design changes is likely to be more than offset by the rate of growth of healthcare costs and lower rates of return on investment.

Additional background information on the OPEB obligation is available in the FY2011 Financial Statements by Melanson & Heath here. Copies of the actuarial valuations are available at the following links, prepared by The Segal Company as of December 31, 2007, December 31, 2008, and December 31, 2010.

The initial OPEB contribution in FY2008 was based on an estimate made in anticipation of receipt of the first actuarial valuation that provided the recommended annual contribution. The funds were set aside pending establishment of the OPEB trust approved by Article 10 of the November 2008 Special Town Meeting and authorized by special legislation. Since FY2009, the Finance Committee planned for the Town to allocate to OPEB approximately $1,000,000 per year, an amount roughly equivalent to the normal cost (current liabilities), and these funds were included within the 32B insurance line-item. Under the supervision and management by the Town Administrator and Finance Director, the OPEB trust fund is comprised of “amounts appropriated or otherwise made available”. Because the OPEB contribution is one component of the 32B insurance line-item, no Town Meeting vote is required to move additional funds into the OPEB trust from this line-item.

Since FY2009, the recommended annual contribution reflected in the actuarial valuation has been included within the 32B insurance line-item and made to the trust. In FY2010 and FY2011, unexpended funds in the 32B insurance account were deposited to the OPEB account in anticipation of growing liabilities and unfavorable returns consistent with the special legislation. After citizens during FY2012 questioned the process by which additional funds were allocated to the OPEB trust, the Town Administrator and Finance Director requested the Finance Committee to authorize a transfer of $985,000 from available unexpended 32B insurance funds to the OPEB trust. On June 25, 2012, the Finance Committee declined to vote any additional contribution, so the unexpended available funds became part of the undesignated fund balance or free cash as of June 30, 2012.

The 2012 Annual Town Meeting voted to eliminate the Finance Committee’s recommended annual contribution to OPEB trust from the FY2013 budget, in part based on representations by citizens that the account was overfunded. The Finance Committee has not yet considered the amount of the OPEB contribution to be included in the 32B insurance line-item for FY2014, but based on the December 31, 2010 actuarial valuation, an additional $3,291,411 in some combination of contributions and investment income must be deposited in the OPEB trust fund by June 30, 2014 to put the fund into balance with actuarial projections for full funding by 2038.

The chart below shows the history of OPEB funding compared to liabilities since inception in FY2008:

Fiscal Year Ending	Amount Budgeted within Insurance 32B Budget	Amount Deposited into OPEB Trust	Normal Cost	Annual Required Contribution
June 30, 2008	$ 750,000	$ 750,000	$ 780,051	$3,154,959
June 30, 2009	$ 1,110,319	$ 1,110,319	$1,110,319	$3,033,020
June 30, 2010	$ 1,110,319	$ 1,860,000	$1,110,319	$3,151,684
June 30, 2011	$ 1,900,000	$ 3,150,000	$1,115,173	$3,582,995
June 30, 2012	$ 2,800,000	$ 2,800,000	$1,170,932	$3,657,200
June 30, 2013	$ 0	$ 0	$1,229,479	$3,802,766

In the fiscal year ending June 30, 2010, savings from the Insurance 32B account in the amount of $750,000 was deposited into the OPEB fund. In the fiscal year ending June 30, 2011, savings from the Insurance 32B account in the amount of $1,250,000 was deposited into the OPEB fund.

The value of the OPEB account as of June 30, 2012 is $9,859,540 including accumulated interest. This amount is measured against the unfunded OPEB liability of $45,713,563 as of December 31, 2010. The OPEB fund should have $11,053,430 as of June 30, 2013 and $13,150,951 to remain on schedule to achieve full funding by 2038. Even if the Finance Committee had approved the recommendation to transfer an additional $985,000 to the OPEB trust fund in June 2012, the fund would be $208,890 short of the level needed to meet the goal of full funding.

Wayland's early leadership on this issue is evident in the level of funding that has been allocated since FY2008. According to research compiled for an article on OPEB obligations and funding in more than 100 communities in eastern Massachusetts surveyed by the Gatehouse Media Service network of weekly local newspapers that includes *The Wayland Town Crier*, Wayland, Dover, Wellesley and Needham are the only communities currently funding more than 10% of the current estimated liability among the surveyed communities. Not coincidently, all four towns have Aaa municipal bond ratings. The article is posted here with the permission of Gateway Media, parent of the *Metrowest Daily News* and *The Wayland Town Crier*.

Fred Turkington
Town Administrator

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March 1, 2013

Mr. John Senchyshyn
Assistant Town Administrator/HR Director
Town of Wayland, MA
41 Cochituate Road
Wayland, MA 01778

Re: Town of Wayland OPEB – Funding Schedules

Dear Mr. Senchyshyn:

We have completed the Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of December 31, 2012 for the Town of Wayland. The report is being drafted.

The assumptions used in the valuation are the same as used in the December 31, 2010 Actuarial Valuation and Review of Other Postemployment Benefits for the Town of Wayland dated May 17, 2011 with the following exceptions:

1. The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 10 years with Scale AA to the RP-2000 Employee Mortality Table projected 13 years with Scale AA.

2. The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 13 years with Scale AA.

3. Accrued liability and service cost for Teachers were increased by 1.25% to to include a margin for future mortality improvement consistent with the assumptions used in the January 1, 2012 Massachusetts Teachers' Retirement System Actuarial Valuation Report dated October 19, 2012.

4. Per capita costs were based on the fully-insured premium rates effective July 1, 2012 for under-65 non-Medicare plans and January 1, 2013 for Medicare Supplement and Medicare Advantage plans.

5. The medical and prescription drug trends have been revised to 8.0% for the year beginning January 1, 2013, decreasing by 0.5% per year to an ultimate level of 5.0%.

6. The coverage elections for future retirees hired prior to 1986 and current retires under age 65 were updated to reflect more retirees enrolling in Medicare Advantage Plans. This year, 70% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 20% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to remain enrolled in a non-Medicare plan. (Previously, 75%, 15%, and 10%, respectively)

7. A load of 0.25% to projected medical benefits was applied beginning in 2014 to account for taxes on medical devices and brand name prescriptions under the Patient Protection and Affordable Care Act of 2010. No other impact of the Affordable Care Act, other than for changes already adopted, is reflected in the valuation. This includes the excise tax on high-cost health plans beginning in 2018.

In addition, we have determined liabilities based on the 7.0% discount rate used in the prior valuation and also on 6.50%.

We have reflected the new eligibility requirements for a superannuation allowance under M.G.L. Chapter 32 for members hired on or after April 2, 2012.

This valuation is based on participant data as of January 1, 2013. In this year's valuation there were 436 active participants with an average age of 46.4 and average service of 10.7. This compares to 46.4 and 10.6, respectively, for the 424 active participants in the prior valuation. In addition, there were 457 retirees, beneficiaries, and dependents with an average age of 71.6, compared to 424 and 70.8, respectively, in the prior valuation.

This valuation is based on an OPEB Trust Fund balance received from the Town of Wayland as of December 31, 2012, totaling $10,224,733.

The Annual Required Contribution for fiscal year 2013 is based on a 26-year amortization of the unfunded actuarial accrued liability with payments that increase 3.5% per year. The following table summarizes the results on the 7.0% discount rate used in the prior valuation, and also based on a 6.5% discount rate.

	7.0% discount rate	**6.5% discount rate**
1. Current retirees, beneficiaries and dependents	$23,628,214	$24,759,950
2. Current active employees	14,909,744	16,185,794
3. Total actuarial accrued liability (AAL) as of December 31, 2012: (1) + (2)	$38,537,958	$40,945,744
4. Actuarial Value of Assets as of December 31, 2012	10,224,733	10,224,733
5. Unfunded AAL (UAAL) as of December 31, 2012: (3) – (4)	$28,313,225	$30,721,011
6. Normal Cost as of December 31, 2012	1,098,973	1,210,909
7. 26-year increasing (3.5% per year) amortization of UAAL	1,600,046	1,650,634
8. Total ARC for fiscal year 2013: (6) + (7)	$2,699,019	$2,861,543

This report was prepared in accordance with generally accepted actuarial principles and practices for the internal use of Town of Wayland. This report may not otherwise be copied or reproduced in any form without the consent of the Town and may only be provided to other parties in its entirety.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial valuation is based on the plan of benefits verified by the Town and on participant and premium rates 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. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience and expectations of the postemployment benefit programs.

Please let us know if you have any questions.

Sincerely,

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

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

KCR/jpb

Enclosure

cc: Daniel J. Rhodes, ASA, MAAA, FCA w/encl.

FUNDING SCHEDULES

26 Years Closed (7.00% discount rate), payments increasing at 3.5%

Fiscal Year Basis						Calendar Year Basis			
Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Addition/ (Reduction) to Trust (4) - (1)	Funded Status as of December 31	(6) Assets at December 31	(7) AAL at December 31	(8) UAAL at December 31 (7) – (6)
2013	$1,978,306	$1,098,973	$1,600,046	$2,699,019	$0	2012	$10,224,733	$38,537,958	$28,313,225
2014	2,110,447	1,153,922	1,700,727	2,854,649	744,202	2013	10,940,464	40,294,729	29,354,265
2015	2,253,489	1,211,618	1,760,252	2,971,870	718,381	2014	12,502,593	42,091,878	29,589,285
2016	2,427,240	1,272,199	1,821,861	3,094,060	666,820	2015	14,146,442	43,923,507	29,777,065
2017	2,610,762	1,335,809	1,885,626	3,221,435	610,673	2016	15,850,190	45,762,259	29,912,069
2018	2,789,911	1,402,599	1,951,623	3,354,222	564,311	2017	17,613,123	47,601,417	29,988,294
2019	2,924,211	1,472,729	2,019,930	3,492,659	568,448	2018	19,449,854	49,449,092	29,999,238
2020	3,064,593	1,546,365	2,090,628	3,636,993	572,400	2019	21,419,583	51,357,443	29,937,860
2021	3,238,411	1,623,683	2,163,800	3,787,483	549,072	2020	23,531,422	53,327,960	29,796,538
2022	3,324,077	1,704,867	2,239,533	3,944,400	620,323	2021	25,766,129	55,333,158	29,567,029
2023	3,407,506	1,790,110	2,317,917	4,108,027	700,521	2022	28,233,504	57,473,924	29,240,420
2024	3,577,882	1,879,616	2,399,044	4,278,660	700,778	2023	30,959,407	59,766,485	28,807,078
2025	3,756,776	1,973,597	2,483,011	4,456,608	699,832	2024	33,876,398	62,132,994	28,256,596
2026	3,944,614	2,072,277	2,569,916	4,642,193	697,579	2025	36,996,566	64,574,302	27,577,736
2027	4,141,845	2,175,891	2,659,863	4,835,754	693,909	2026	40,332,735	67,091,103	26,758,368
2028	4,348,937	2,284,686	2,752,958	5,037,644	688,707	2027	43,898,509	69,683,909	25,785,400
2029	4,566,383	2,398,920	2,849,312	5,248,232	681,849	2028	47,708,321	72,353,034	24,644,713
2030	4,794,702	2,518,866	2,949,038	5,467,904	673,202	2029	51,777,482	75,098,561	23,321,079
2031	5,034,437	2,644,809	3,052,254	5,697,063	662,626	2030	56,122,232	77,920,316	21,798,084
2032	5,286,159	2,777,049	3,159,083	5,936,132	649,973	2031	60,759,798	80,817,836	20,058,038
2033	5,550,466	2,915,901	3,269,651	6,185,552	635,086	2032	65,708,455	83,790,337	18,081,882
2034	5,827,989	3,061,696	3,384,089	6,445,785	617,796	2033	70,987,589	86,836,676	15,849,087
2035	6,119,389	3,214,781	3,502,532	6,717,313	597,924	2034	76,617,762	89,955,310	13,337,548
2036	6,425,358	3,375,520	3,625,121	7,000,641	575,283	2035	82,620,784	93,144,251	10,523,467
2037	6,746,626	3,544,296	3,752,000	7,296,296	549,670	2036	89,019,792	96,401,022	7,381,230
2038	6,911,178	3,721,511	3,883,276	7,604,787	693,609	2037	95,839,324	99,722,600	3,883,276
2039	7,256,737	3,907,587	0	3,907,587	(3,349,150)	2038	103,290,238	103,290,238	-

Note: Assumes additional funding payments made on January 1.

26 Years Closed (6.50% discount rate), payments increasing at 3.5%

Fiscal Year Basis						Calendar Year Basis			
Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Addition/ (Reduction) to Trust (4) - (1)	Funded Status as of December 31	(6) Assets at December 31	(7) AAL at December 31	(8) UAAL at December 31 (7) – (6)
2013	$1,978,306	$1,210,909	$1,650,634	$2,861,543	$0	2012	$10,224,733	$40,945,744	$30,721,011
2014	2,110,447	1,271,454	1,760,313	3,031,767	921,320	2013	10,889,341	42,789,940	31,900,599
2015	2,253,489	1,335,027	1,821,924	3,156,951	903,462	2014	12,578,354	44,677,759	32,099,405
2016	2,427,240	1,401,778	1,885,691	3,287,469	860,229	2015	14,358,134	46,603,651	32,245,517
2017	2,610,762	1,471,867	1,951,690	3,423,557	812,795	2016	16,207,557	48,540,771	32,333,214
2018	2,789,911	1,545,460	2,019,999	3,565,459	775,548	2017	18,126,675	50,482,998	32,356,323
2019	2,924,211	1,622,733	2,090,699	3,713,432	789,221	2018	20,130,867	52,439,053	32,308,186
2020	3,064,593	1,703,870	2,163,873	3,867,743	803,150	2019	22,279,894	54,461,517	32,181,623
2021	3,238,411	1,789,064	2,239,609	4,028,673	790,262	2020	24,583,442	56,552,346	31,968,904
2022	3,324,077	1,878,517	2,317,995	4,196,512	872,435	2021	27,022,995	58,684,694	31,661,699
2023	3,407,506	1,972,443	2,399,125	4,371,568	964,062	2022	29,708,633	60,959,678	31,251,045
2024	3,577,882	2,071,065	2,483,094	4,554,159	976,277	2023	32,666,420	63,393,715	30,727,295
2025	3,756,776	2,174,618	2,570,002	4,744,620	987,844	2024	35,829,472	65,909,546	30,080,074
2026	3,944,614	2,283,349	2,659,952	4,943,301	998,687	2025	39,210,442	68,508,668	29,298,226
2027	4,141,845	2,397,516	2,753,050	5,150,566	1,008,721	2026	42,822,722	71,192,484	28,369,762
2028	4,348,937	2,517,392	2,849,407	5,366,799	1,017,862	2027	46,680,487	73,962,285	27,281,798
2029	4,566,383	2,643,262	2,949,136	5,592,398	1,026,015	2028	50,798,742	76,819,238	26,020,496
2030	4,794,702	2,775,425	3,052,356	5,827,781	1,033,079	2029	55,193,366	79,764,365	24,570,999
2031	5,034,437	2,914,196	3,159,188	6,073,384	1,038,947	2030	59,881,164	82,798,519	22,917,355
2032	5,286,159	3,059,906	3,269,760	6,329,666	1,043,507	2031	64,879,918	85,922,366	21,042,448
2033	5,550,466	3,212,901	3,384,202	6,597,103	1,046,637	2032	70,208,448	89,136,360	18,927,912
2034	5,827,989	3,373,546	3,502,649	6,876,195	1,048,206	2033	75,886,666	92,440,717	16,554,051
2035	6,119,389	3,542,223	3,625,242	7,167,465	1,048,076	2034	81,935,639	95,835,382	13,899,743
2036	6,425,358	3,719,334	3,752,125	7,471,459	1,046,101	2035	88,377,656	99,320,000	10,942,344
2037	6,746,626	3,905,301	3,883,449	7,788,750	1,042,124	2036	95,236,301	102,893,884	7,657,583
2038	6,911,178	4,100,566	4,019,452	8,120,018	1,208,840	2037	102,536,523	106,555,975	4,019,452
2039	7,256,737	4,305,594	-	4,305,594	(2,951,143)	2038	110,488,812	110,488,812	-

Note: Assumes additional funding payments made on January 1.