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
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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

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

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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.

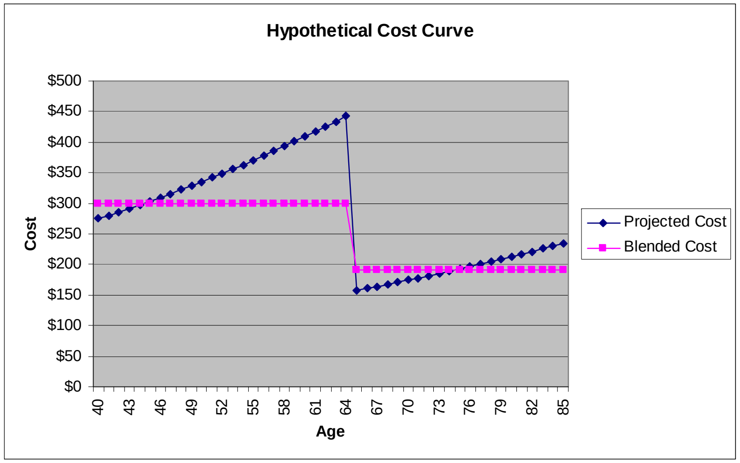
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

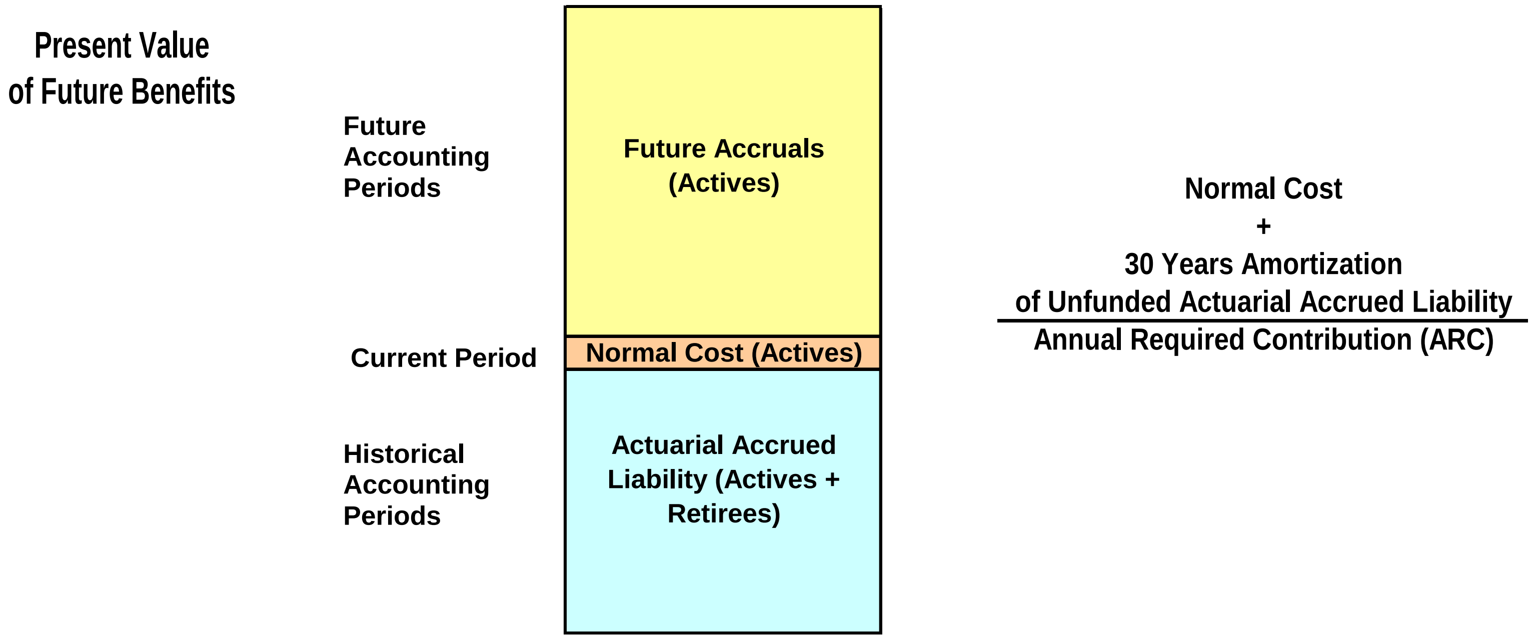
The following graph illustrates why a significant accounting obligation may exist even though the retiree contributes most or all of the blended premium cost of the plan. The average cost for retirees is likely to exceed the average cost for the whole group, leading to an implicit subsidy for these retirees.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



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, 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.