

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**

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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.

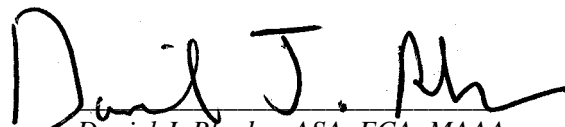
Sincerely,

THE SEGAL COMPANY

By: 

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

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

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SECTION 1: Executive Summary for Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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 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.

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.

SECTION 1: Executive Summary for Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

KEY VALUATION RESULTS

- The **unfunded actuarial accrued liability (UAAL)** as of December 31, 2012 is \$28,313,000 (actuarial accrued liability 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.

SECTION 1: Executive Summary for Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

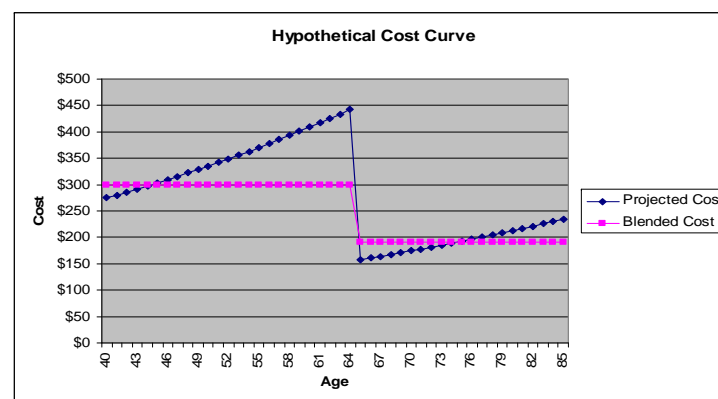
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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



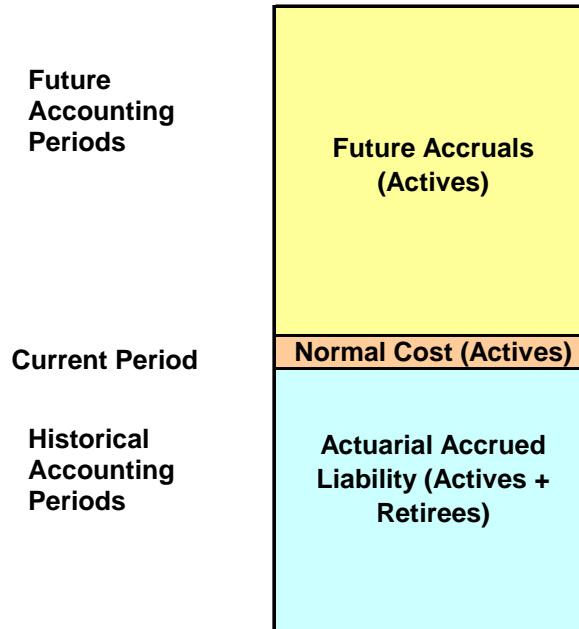
SECTION 1: Executive Summary for Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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

**Present Value
of Future Benefits**



**Normal Cost
+
30 Years Amortization
of Unfunded Actuarial Accrued Liability
Annual Required Contribution (ARC)**

$$\begin{aligned} \text{Net OPEB Obligation} &= \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots \\ &\quad - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots \end{aligned}$$

SECTION 1: Executive Summary for Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Actuarial computations under GASB statements are for purposes of fulfilling certain welfare plan accounting requirements. The calculations shown in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

SECTION 2: Valuation Results for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

SUMMARY OF VALUATION RESULTS ALL DEPARTMENTS

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

	Funded (7.0% interest rate)
Actuarial Accrued Liability by Participant Category	
1. Current retirees, beneficiaries and dependents	\$23,628,214
2. Current active members	<u>14,909,744</u>
3. Total as of December 31, 2012: (1) + (2)	\$38,537,958
4. Actuarial value of assets as of December 31, 2012	<u>10,224,733</u>
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	<u>1,600,046</u>
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.

SECTION 2: Valuation Results for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45**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	<u>4,831,984</u>	<u>10,031,826</u>	<u>45,934</u>	<u>14,909,744</u>
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	<u>3,306,998</u>	<u>6,803,384</u>	<u>114,351</u>	<u>10,224,733</u>
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	<u>517,505</u>	<u>1,064,646</u>	<u>17,895</u>	<u>1,600,046</u>
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.

SECTION 2: Valuation Results for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

SECTION 2: Valuation Results for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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

SECTION 3: Valuation Details for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

SECTION 3: Valuation Details for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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%

SECTION 3: Valuation Details for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

SECTION 3: Valuation Details for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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
<hr/>	
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%
<hr/>	
Plan membership:	
Current retirees, beneficiaries, and dependents	457
Current active participants	<u>436</u>
Total	893

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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:	
<i>Pre-Retirement (Non-Teachers)</i>	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)
<i>Healthy (Non-Teachers)</i>	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)
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 2 years
<i>Pre-Retirement (Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
<i>Healthy (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Group 4 - Rate per year (%)

Mortality

Age	Current		Previous		Disability
	Male	Female	Male	Female	
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.*

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Withdrawal Rates:

Years of Service	Rate per year (%)		Years of Service	Group 4
	Groups 1 and 2			
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			

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Withdrawal Rates:

Age	Teachers - Rate per year (%)					
	0 - 4 Years of Service		5 - 9 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	12.0	10.0	4.5	9.0	1.0	5.0
30	11.4	12.0	4.5	9.0	1.0	5.0
40	9.7	11.0	5.4	6.5	1.7	2.9
50	10.0	8.2	4.8	4.2	2.2	2.1

Retirement Rates:

Age	Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		Group 4
	Male	Female	
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	--

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Teachers - Rate per year (%)						
Years of Service						
Age	Less than 20		20 – 29		30 or more	
	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.

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.

Age	Non-Medicare Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse	
	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%

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

Retiree Contribution Increase Rate:	Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.
Participation and Coverage Election:	<p>100% of active employees with coverage are assumed to elect retiree coverage.</p> <p>100% of retirees over age 65 are assumed to remain with their current medical plan for life.</p> <p>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.)</p> <p>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.</p> <p>80% of future retirees with medical coverage are assumed to have life insurance coverage.</p>
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.

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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 retirees 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)

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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.
<i>Members hired before April 2, 2012</i>	Group 1 and Group 2 (including Teachers): <ul style="list-style-type: none">➤ 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 <ul style="list-style-type: none">➤ Retirees are eligible at age 55;➤ Retirees with at least 20 years of creditable service are eligible at any age.
<i>Members hired on or after April 2, 2012</i>	Group 1 (including Teachers): <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 60. Group 2 <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 55. Group 4 <ul style="list-style-type: none">➤ 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.

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

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

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	Subscribers			Retirees 65 and over*	Monthly Premium (eff. 7/1/2012)	Town cost	Retiree cost
	Active	Retiree	Total				
<u>Non-Medicare Actives and Retirees</u>							
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
<u>Non-Medicare Total</u>	436	90	526	23			

SECTION 4: Supporting Information for the Town of Wayland December 31, 2012 Measurement Under GASB 43 and 45

	Subscribers			Monthly Premium (eff. 1/1/2013)	Town cost	Retiree cost
	Active	Retiree	Total			
<u>Medicare Supplement Plans</u>						
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
<u>Medicare Advantage plans</u>						
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
<u>Medicare Total</u>		204	204			
<u>Retiree Total**</u>		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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