

**Town of Wellesley Contributory Retirement  
System**

*Actuarial Valuation and Review  
as of January 1, 2010*

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*March 30, 2010*

*Retirement Board  
Town of Wellesley Contributory Retirement System  
Town Hall  
525 Washington Street  
Wellesley, MA 02482*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of January 1, 2010. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2011 and later and analyzes the preceding two years' experience.*

*The census information and financial information on which our calculations were based was prepared by the staff of the Wellesley Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.*

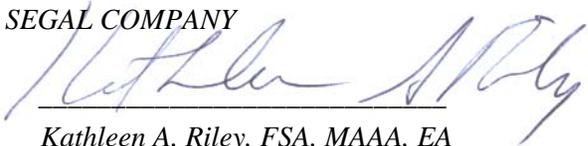
*This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*THE SEGAL COMPANY*

*By:*

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

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## **SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System**

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### **Purpose**

This report has been prepared by The Segal Company to present a valuation of the Town of Wellesley Contributory Retirement System as of January 1, 2010. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2010;
- The assets of the Plan as of December 31, 2009;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### **Significant Issues in Valuation Year**

The following key findings were the result of this actuarial valuation:

- The actuarial valuation report as of January 1, 2010 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. We are prepared to work with the Board to model the effects of these and any other subsequent developments.
- During the plan years ended 2008 and 2009, the market value rate of return was -29.51% and 16.88%, respectively, resulting in an investment loss on a market value basis of \$44,599,483.
- With this valuation we recommend and have applied a change in asset valuation from market value to an asset valuation method that gradually adjusts to market value (the method is described on page 33 of the report). Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The actuarial value of assets was \$129,514,453, or 120% of the market value of \$107,928,711 (as reported in the draft Annual Statement).
- As of January 1, 2008, the System was overfunded by \$8,276,198. The overfunding was expected to decrease to \$6,578,038 as of December 31, 2009. The experience loss of \$48,096,409 was partially offset by the change in the actuarial asset method, resulting in an unfunded liability of \$19,932,633 as of January 1, 2010.

## SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System

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- The preliminary recommended contribution for fiscal 2011 of \$2,922,884 is based on a 20-year increasing amortization (4.5% per year) of the unfunded actuarial accrued liability. The System will be fully funded by June 30, 2030, if all assumptions are met. Because fiscal 2011 has already been budgeted at \$2,000,000, the increase will first be reflected in the fiscal 2012 appropriation of \$3,123,842.
- Exhibit F in Section 3 reflects the recommended contributions through fiscal 2030. The schedule reflects deferred investment losses through December 31, 2013.

**SECTION 1: Valuation Summary for the Town of Wellesley Contributory Retirement System**

**Summary of Key Valuation Results**

	January 1, 2010	January 1, 2008
<b>Contributions for fiscal year beginning July 1:</b>		
Recommended for fiscal 2011 and 2009	\$2,000,000	\$0
Recommended for fiscal 2011 and 2010	3,123,842	0
<b>Funding elements for plan year beginning January 1:</b>		
Normal cost, including administrative expenses	\$4,404,368	\$4,192,190
Market value of assets as reported in the Annual Statement	107,928,711	144,298,124
Actuarial value of assets	129,514,453	144,298,124
Actuarial accrued liability	149,447,086	136,021,926
Unfunded/(overfunded) actuarial accrued liability	19,932,633	-8,276,198
<b>GASB 25/27 for fiscal year beginning July 1:</b>		
Annual required contributions*	\$2,601,079	\$0
Actual contributions	--	0
Percentage contributed	--	N/A
Funded ratio	86.66%	106.08%
<b>Demographic data for plan year beginning January 1:</b>		
Number of retired participants and beneficiaries	402	407
Number of inactive participants entitled to a return of their employee contributions	190	165
Number of inactive participants with a vested right to a deferred or immediate benefit	11	17
Number of active participants	663	669
Total payroll**	\$30,407,955	\$28,751,670
Average payroll**	45,864	42,977

\* *The Annual Required Contribution (ARC) for 2010 is based on a 30-year amortization (increasing 4.5% per year) of the unfunded actuarial accrued liability.*

\*\* *Calendar year 2007 payroll figures increased to reflect unsettled bargaining contracts.*

**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

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**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

*A historical perspective of how the participant population has changed over the past five valuations can be seen in this chart.*

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**CHART 1**  
**Participant Population: 2002 – 2009**

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<b>Year Ended December 31</b>	<b>Active Participants</b>	<b>Inactive Participants</b>	<b>Retired Participants and Beneficiaries</b>
2002	600	179	419
2003	595	163	414
2005	636	144	415
2007	669	182	407
2009	663	201	402

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**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 663 active participants with an average age of 45.7, average years of service of 10.6 years and average payroll of \$45,864. The 669 active participants in the prior valuation had an average age of 45.0, average service of 9.5 years and average payroll of \$42,977.

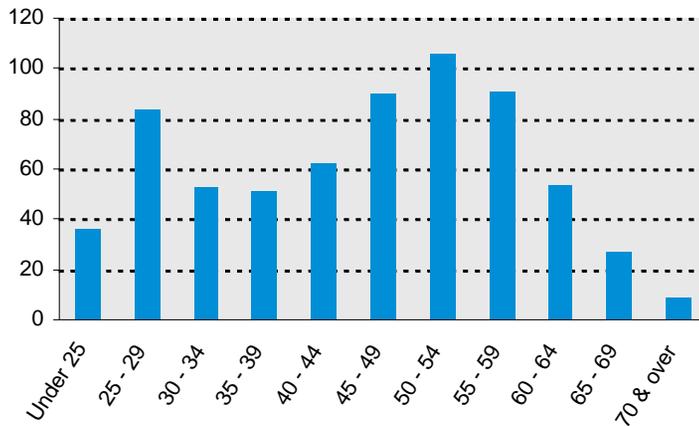
Among the active participants, there were none with unknown age and/or service information.

**Inactive Participants**

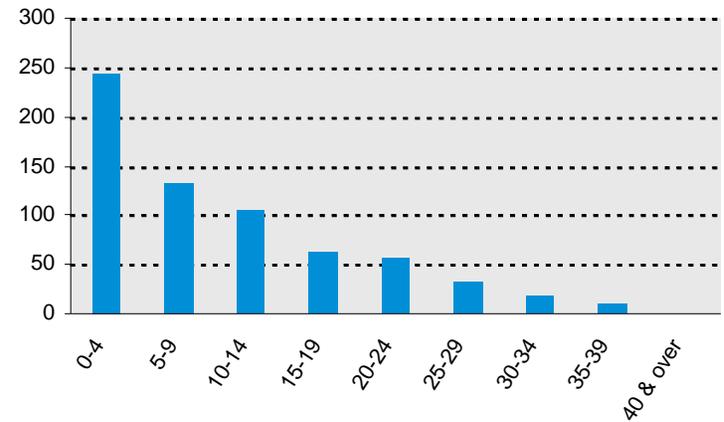
In this year's valuation, there were 11 participants with a vested right to a deferred or immediate vested benefit and 190 participants entitled to a return of their employee contributions.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**  
**Distribution of Active Participants by Age as of December 31, 2009**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of December 31, 2009**



**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

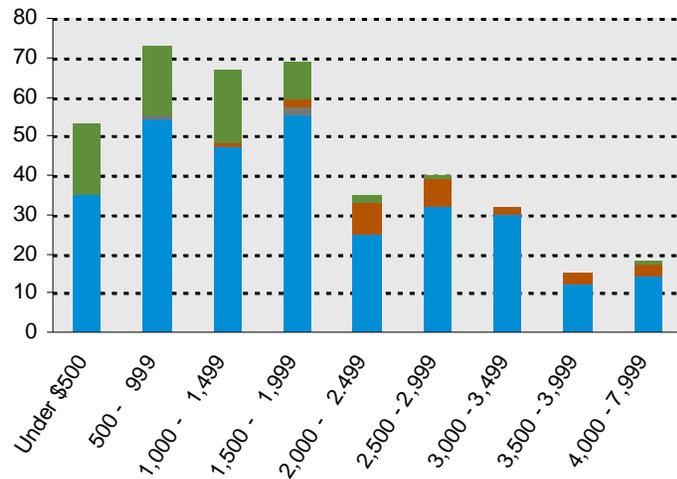
**Retired Participants and Beneficiaries**

As of December 31, 2009, 333 retired participants and 69 beneficiaries were receiving total monthly benefits of \$713,973. For comparison, in the previous valuation, there were 336 retired participants and 71 beneficiaries receiving monthly benefits of \$675,914.

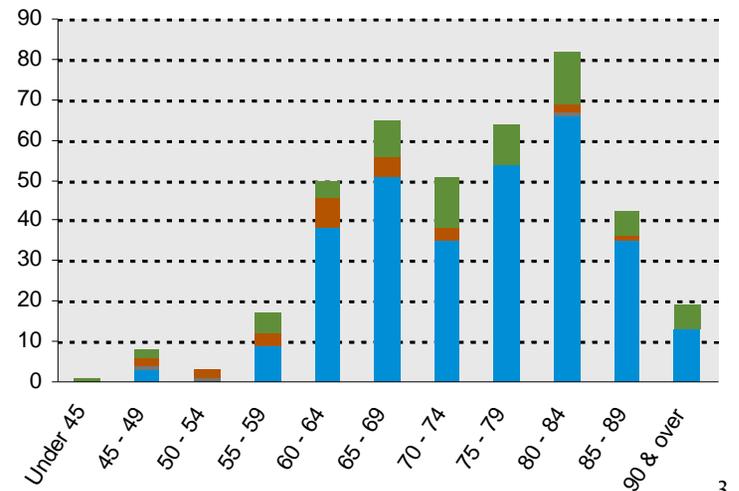
*These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.*

- Beneficiaries
- Accidental Disability
- Ordinary Disability
- Superannuation

**CHART 4**  
**Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2009**



**CHART 5**  
**Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2009**



**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

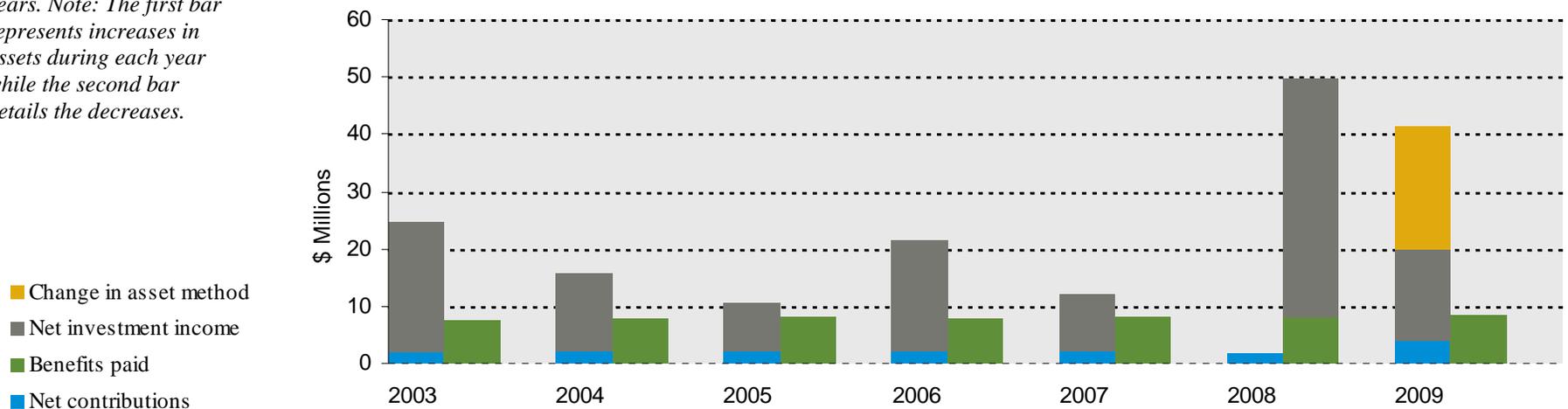
**B. FINANCIAL INFORMATION**

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

*The chart depicts the components of changes in the actuarial value of assets over the last seven years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**  
**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2003 – 2009**



**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

It is desirable to have level and predictable plan costs from one year to the next. With this valuation, we recommend and have applied a change in asset valuation from market value to an asset valuation method that gradually adjusts to market value. The new method is shown below and discussed in more detail on page 33 of this report. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

**CHART 7**

**Determination of Actuarial Value of Assets for Year Ended December 31, 2009**

1. Market value of assets			\$107,928,711
2. Calculation of unrecognized return*	<u>Original</u>	<u>Unrecognized</u>	
	<u>Amount</u>	<u>Return</u>	
(a) Year ended December 31, 2009	\$8,371,626	\$6,697,301	
(b) Year ended December 31, 2008	-52,971,107	-31,782,664	
(c) Year ended December 31, 2007	-1,019,102	-407,641	
(d) Year ended December 31, 2006	9,297,725	1,859,545	
(e) Year ended December 31, 2005	-754,963	- -	
(f) Total unrecognized return			-23,633,459
3. Preliminary actuarial value: (1) - (2f)			131,562,170
4. Adjustment to be within 20% corridor			-2,047,717
5. Final actuarial value of assets: (3) + (4)			<u>\$129,514,453</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)			120.0%

\* Unrecognized return is the difference between the total return and the expected return on a market value basis and is recognized over a five-year period.

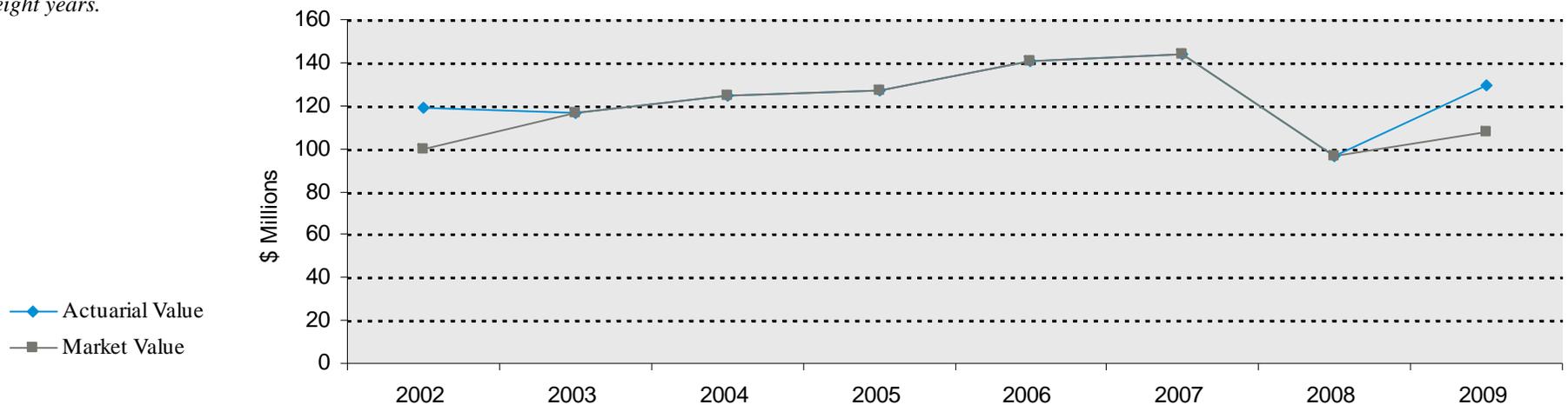
## SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Wellesley Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Wellesley Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past eight years.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2002 – 2009**



**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The net experience loss, which is measured prior to changing the asset valuation method, is \$48,096,409, a \$48,837,172 loss from investments, partially offset by a gain of \$740,763 from other sources. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience over the past two years.*

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**CHART 9**

**Actuarial Experience for Two-Year Period Ended December 31, 2009**

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1. Net loss from investments (market value basis)*	-\$48,837,172
2. Net gain from administrative expenses	68,480
3. Net gain from other experience**	<u>672,283</u>
4. Net experience loss: (1) + (2) + (3)	-\$48,096,409

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\* Details of the investment loss on a market value basis are in Chart 10. The investment loss on an actuarial basis was \$21,585,742.

\*\*Details in Chart 13.

**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Wellesley Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actual rates of return on a market value basis for the 2009 and 2008 plan years were 16.88% and -29.51%, respectively.

Over the two-year period ending December 31, 2009, the Wellesley Retirement System experienced an actuarial loss with regard to investments of \$48,837,172, including an adjustment for interest.

*This chart shows the gain/(loss) due to investment experience.*

**CHART 10  
Actuarial Value Investment Experience**

	Year Ended	
	December 31, 2009	December 31, 2008
1. Actual return	\$15,912,151	-\$41,672,425
2. Average value of assets	94,256,563	141,233,557
3. Actual rate of return: (1) ÷ (2)	16.88%	-29.51%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$7,540,525	\$11,298,684
6. Actuarial gain/(loss): (1) – (5)	<u>\$8,371,626</u>	<u>-\$52,971,109</u>

**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last seven years, including five-year and seven-year averages.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

**CHART 11**

**Investment Return – Actuarial Value vs. Market Value: 2003 - 2009**

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2003	\$22,732,561	23.47%	\$22,732,561	23.47%
2004	13,546,176	11.89	13,546,176	11.89
2005	8,365,527	6.88	8,365,527	6.88
2006	19,224,208	15.49	19,224,208	15.49
2007	9,969,052	7.26	9,969,052	7.26
2008	-41,672,425	-29.51	-41,672,424	-29.51
2009	<u>37,497,893</u>	39.78	<u>15,912,151</u>	16.88
Total	\$69,662,992		\$48,077,251	
	Five-year average return	5.40%		1.91%
	Seven-year average return	8.40%		5.80%

*Note: Each year's yield is weighted by the average asset value in that year. The 2009 actuarial value investment return includes a change in the asset method.*

**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

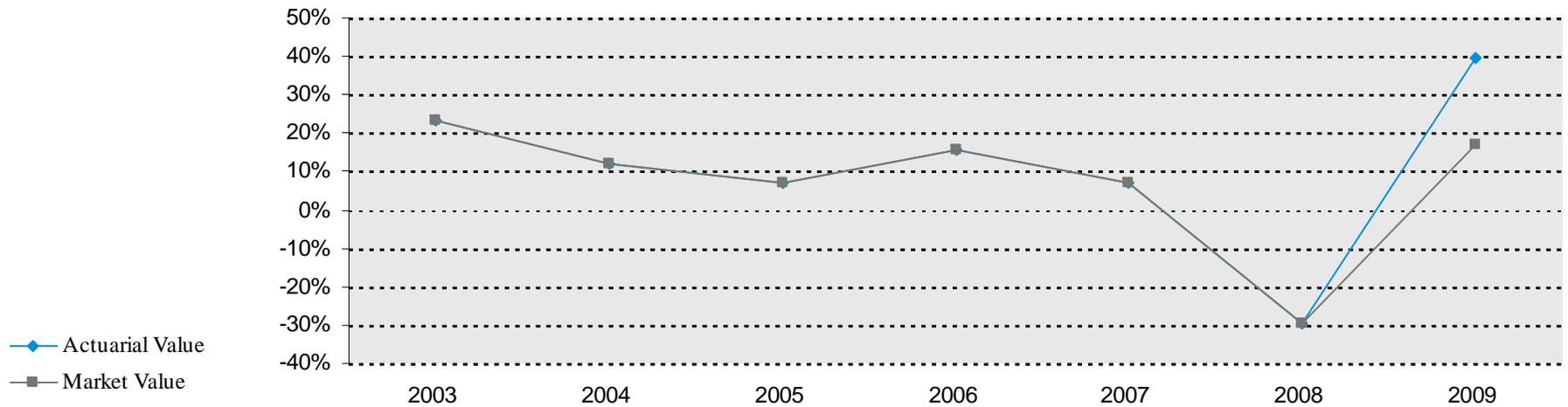
Chart 12 shows the actuarial value of assets rate of return and the market value of assets rate of return over the last seven years.

**Administrative Expenses**

Administrative expenses for the years ended December 31, 2008 and 2009 were \$139,646 and \$154,822, respectively, compared to the assumption of \$175,000 per year, payable monthly. This resulted in a gain of \$68,480 for the two-year period, including an adjustment for interest. We have maintained the assumption of \$175,000 for calendar 2010.

*This chart illustrates rates of return.*

**CHART 12**  
**Market and Actuarial Rates of Return for Years Ended December 31, 2003 - 2009**



**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

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**Other Experience**

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the two-year period ending December 31, 2009 amounted to \$672,283 which is 0.4% of the actuarial accrued liability.

A brief summary of the demographic experience of the Wellesley Retirement System for the two-year period ending December 31, 2009 is shown in the chart below.

*The chart shows elements of the experience loss for the most recent years.*

---

**CHART 13**

**Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2009**

1. Deaths among retired members and beneficiaries	-\$2,067,326
2. Salary increase for continuing actives less than expected	2,123,797
3. Corrections to beneficiary data	-692,260
4. Active and inactive vested terminations and transfers out	2,452,917
5. Buyback service	-1,412,257
6. Miscellaneous experience gain	<u>267,412</u>
7. Net gain: (1) + (2) + (3) + (4) + (5) + (6)	\$672,283

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**SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System**

**D. RECOMMENDED CONTRIBUTION**

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. The preliminary recommended contribution for fiscal year 2011 is \$2,922,884 based on 20-year increasing (4.5% per year) amortization payments.

Because fiscal 2011 has already been budgeted, the full impact of this valuation will first be reflected in the fiscal 2012 appropriation of \$3,123,842. Exhibit F in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 14**  
**Recommended Contribution**

	Year Beginning January 1			
	2010		2008	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$4,229,368	13.19%	\$4,017,190	13.28%
2. Administrative expenses	175,000	0.55%	175,000	0.58%
3. Expected employee contributions	<u>-2,905,932</u>	<u>-9.07%</u>	<u>-2,724,222</u>	<u>-9.00%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,498,436	4.67%	\$1,467,968	4.85%
5. Actuarial accrued liability	149,447,086		136,021,926	
6. Actuarial value of assets	<u>129,514,453</u>		<u>144,298,124</u>	
7. Unfunded/(overfunded) actuarial accrued liability: (5) - (6)	\$19,932,633		-\$8,276,198	
8. Employer normal cost projected to July 1, 2010 and 2008	1,531,780	4.67%	1,500,634	4.85%
9. Projected unfunded/(overfunded) actuarial accrued liability	20,714,600		-8,600,877	
10. Payment on projected unfunded/(overfunded) actuarial accrued liability	1,391,104	4.25%	-1,500,634	-4.85%
11. Preliminary recommended contribution: (8) + (10)	<u>\$2,922,884</u>	<u>8.92%</u>	<u>\$0</u>	<u>0.00%</u>
12. Budgeted appropriation	\$2,000,000	6.10%	\$0	0.00%
13. Projected payroll as of July 1	\$32,766,593		\$30,929,282	

*Notes: Recommended contributions are assumed to be paid on July 1.*

*The payment on the July 1, 2008 overfunded actuarial accrued liability is equal to the employer normal cost.*

## SECTION 2: Valuation Results for the Town of Wellesley Contributory Retirement System

### E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

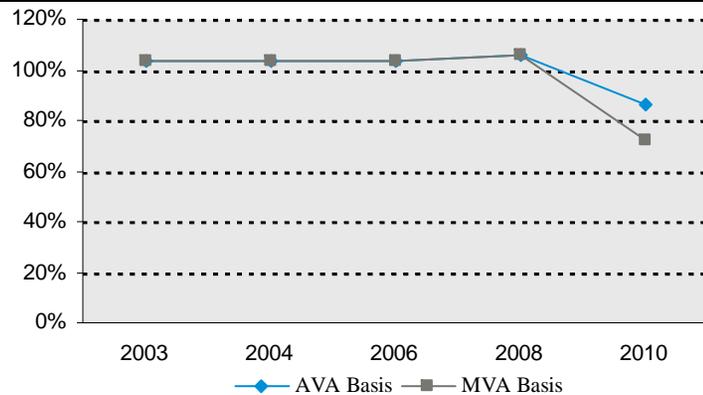
actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 15 shows the funded ratio calculated using both the actuarial value of assets (86.66%) and the market value of assets (72.22%).

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended December 31</b>		<b>Change From Prior Year</b>
	<b>2009</b>	<b>2007</b>	
<b>Active participants in valuation:</b>			
Number	663	669	-0.9%
Average age	45.7	45.0	N/A
Average service	10.6	9.5	N/A
Total payroll*	\$30,407,955	\$28,751,670	5.8%
Average payroll*	45,864	42,977	6.7%
Member contributions	26,021,998	22,455,660	15.9%
<b>Inactive participants entitled to a return of their employee contributions</b>	190	165	15.2%
<b>Inactive participants with a vested right to a deferred or immediate benefit</b>	11	17	-35.3%
<b>Retired participants:</b>			
Number in pay status	304	308	-1.3%
Average age	74.9	74.5	N/A
Average monthly benefit	\$1,847	\$1,734	6.5%
<b>Disabled participants:</b>			
Number in pay status	29	28	3.6%
Average age	63.1	62.8	N/A
Average monthly benefit	\$2,718	\$2,555	6.4%
<b>Beneficiaries in pay status</b>	69	71	-2.8%

\* Calendar year 2007 payroll figures increased to reflect unsettled bargaining contracts.

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT B**

**Participants in Active Service as of December 31, 2009  
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	36	36	--	--	--	--	--	--	--	--
	\$25,999	\$25,999	--	--	--	--	--	--	--	--
25 - 29	84	77	7	--	--	--	--	--	--	--
	\$32,162	\$30,748	\$47,717	--	--	--	--	--	--	--
30 - 34	53	30	19	4	--	--	--	--	--	--
	\$46,830	\$38,654	\$55,041	\$69,154	--	--	--	--	--	--
35 - 39	51	10	20	17	4	--	--	--	--	--
	\$57,875	\$41,948	\$57,545	\$64,419	\$71,531	--	--	--	--	--
40 - 44	62	21	11	12	8	10	--	--	--	--
	\$48,549	\$37,669	\$45,856	\$54,744	\$60,978	\$56,982	--	--	--	--
45 - 49	90	23	18	9	15	17	7	1	--	--
	\$47,393	\$25,246	\$37,658	\$53,927	\$59,190	\$62,310	\$74,169	\$55,242	--	--
50 - 54	106	20	17	22	13	15	12	5	2	--
	\$54,678	\$33,326	\$38,086	\$58,175	\$55,320	\$69,918	\$75,800	\$68,402	\$91,282	--
55 - 59	91	19	23	16	7	7	8	6	5	--
	\$50,529	\$41,003	\$40,970	\$57,307	\$50,478	\$51,257	\$57,513	\$71,801	\$71,351	--
60 - 64	54	6	10	15	8	5	4	2	3	1
	\$43,816	\$25,733	\$35,488	\$42,159	\$40,892	\$46,683	\$72,500	\$63,549	\$64,498	\$53,283
65 - 69	27	1	6	8	5	2	1	3	1	--
	\$37,294	\$16,727	\$20,896	\$34,281	\$38,005	\$46,684	\$62,311	\$49,760	\$95,602	--
70 & over	9	--	2	1	2	1	1	2	--	--
	\$32,699	--	\$27,666	\$36,671	\$13,314	\$39,645	\$39,158	\$48,430	--	--
Total	663	243	133	104	62	57	33	19	11	1
	\$45,864	\$32,391	\$43,897	\$54,366	\$52,873	\$59,703	\$69,102	\$63,226	\$75,310	\$53,283

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT C**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	Year Ended December 31, 2009	Year Ended December 31, 2008
<b>Contribution income:</b>		
Employer contributions	\$1,000,000	\$0
Employee contributions	3,012,679	2,051,512
Other contributions	46,230	39,623
Less administrative expenses	<u>-154,822</u>	<u>-139,646</u>
Net contribution income	\$3,904,087	\$1,951,489
<b>Net investment income</b>	<u>15,912,151</u>	<u>-41,672,424</u>
<b>Total income available for benefits</b>	\$19,816,238	-\$39,720,935
<b>Less benefit payments:</b>		
Pensions	-\$7,223,785	-\$6,916,515
Net 3(8)(c) reimbursements	-16,615	64,816
Refunds, annuities, and Option B refunds	-1,360,375	-1,459,245
State reimbursements	<u>216,682</u>	<u>230,321</u>
Net benefit payments	-\$8,384,093	-\$8,080,623
<b>Change in actuarial asset method</b>	\$21,585,742	\$0
<b>Change in reserve for future benefits</b>	\$33,017,887	-\$47,801,558

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT D**

**Development of the Fund Through December 31, 2009**

<b>Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Other Contributions</b>	<b>Net Investment Return*</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2003	\$0	\$2,023,601	\$33,946	\$22,732,561	\$87,022	\$7,532,091	\$116,792,365
2004	0	2,206,622	45,743	13,546,176	92,127	7,931,652	124,567,127
2005	0	2,159,914	36,251	8,365,527	100,450	8,016,877	127,011,492
2006	0	2,130,208	36,028	19,224,208	124,122	7,903,042	140,374,772
2007	0	2,287,845	35,939	9,969,051	142,789	8,226,694	144,298,124
2008	0	2,051,512	39,623	-41,672,424	139,646	8,080,623	96,496,566
2009	1,000,000	3,012,679	46,230	37,497,893	154,822	8,384,093	129,514,453

\* Net of investment expenses. Reflects change made to asset method in 2009.

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT E**

**Development of Unfunded/(Overfunded) Actuarial Accrued Liability**

	Year Ended	
	December 31, 2009	December 31, 2008
1. Unfunded/(overfunded) actuarial accrued liability at beginning of year	-\$6,577,474	-\$8,276,198
2. Normal cost at beginning of year	4,380,839	4,192,190
3. Total contributions	-4,058,909	-2,091,135
4. Interest		
(a) For whole year on (1) + (2)	-\$175,731	-\$326,721
(b) For half year on (3)	<u>-146,759</u>	<u>-75,610</u>
(c) Total interest	<u>-322,490</u>	<u>-402,331</u>
5. Expected unfunded/(overfunded) actuarial accrued liability	-\$6,578,034	-\$6,577,474
6. Changes due to:		
(a) Experience loss	\$48,096,409	--
(b) Change in asset method	<u>-21,585,742</u>	--
(c) Total changes	<u>26,510,667</u>	--
7. Unfunded/(overfunded) actuarial accrued liability at end of year	<u>\$19,932,633</u>	--

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT F**

**Funding Schedule**

<b>(1) Fiscal Year Ended June 30</b>	<b>(2) Employer Normal Cost</b>	<b>(3) Amortization of Unfunded Liability</b>	<b>(4) Total Employer Contribution: (2) + (3)</b>	<b>(5) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year</b>
2011	\$1,531,780	\$468,220	\$2,000,000	\$20,714,600
2012	1,600,710	1,523,132	3,123,842	28,886,848
2013	1,672,742	2,140,991	3,813,733	40,177,153
2014	1,748,015	3,104,487	4,852,502	50,708,304
2015	1,826,676	4,066,821	5,893,497	49,263,001
2016	1,908,876	4,056,918	5,965,794	48,512,926
2017	1,994,775	4,211,161	6,205,936	48,012,489
2018	2,084,540	4,400,663	6,485,203	47,305,435
2019	2,178,344	4,598,693	6,777,037	46,337,154
2020	2,276,369	4,805,634	7,082,003	45,077,538
2021	2,378,806	5,021,887	7,400,693	43,493,656
2022	2,485,852	5,247,872	7,733,724	41,549,510
2023	2,597,715	5,484,027	8,081,742	39,205,769
2024	2,714,612	5,730,808	8,445,420	36,419,482
2025	2,836,770	5,988,694	8,825,464	33,143,768
2026	2,964,425	6,258,185	9,222,610	29,327,480
2027	3,097,824	6,539,804	9,637,628	24,914,838
2028	3,237,226	6,834,095	10,071,321	19,845,037
2029	3,382,901	7,141,629	10,524,530	14,051,817
2030	3,535,132	7,463,003	10,998,135	7,463,003

*Notes: Recommended contributions are assumed to be paid on July 1.*

*Anticipates deferred investment losses which will be reflected through December 31, 2013.*

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT G  
Group Results as of January 1, 2010**

<b>Category</b>	<b>Group 1</b>	<b>Percent of Pay</b>	<b>Group 4</b>	<b>Percent of Pay</b>	<b>Total</b>	<b>Percent of Pay</b>
1. Participant counts						
a) Active employees	547		116		663	
b) Inactive members entitled to a return of their employee contributions	187		3		190	
c) Inactive members with a vested right to a deferred or immediate benefit	9		2		11	
d) Retired members	278		124		402	
e) Total members: (a) + (b) + (c) + (d)	<u>1,021</u>		<u>245</u>		<u>1,266</u>	
2. Payroll	\$23,872,190		\$8,181,139		\$32,053,329	
3. Normal cost						
a) Total normal cost	2,788,331	11.68%	\$1,441,037	17.61%	4,229,368	13.19%
b) Expense allowance	115,374	0.48%	59,626	0.73%	175,000	0.55%
c) Employee contributions	<u>-2,169,049</u>	-9.09%	<u>-736,883</u>	-9.01%	<u>-2,905,932</u>	-9.07%
d) Employer normal cost: (a) + (b) + (c)	\$734,656	3.08%	\$763,780	9.34%	\$1,498,436	4.67%
4. Total actuarial accrued liability	87,898,831		61,548,255		149,447,086	
5. Actuarial value of assets	<u>76,175,249</u>		<u>53,339,204</u>		<u>129,514,453</u>	
6. Unfunded actuarial accrued liability: (4) - (5)	\$11,723,582		\$8,209,051		\$19,932,633	

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT H  
Department Results as of January 1, 2010**

<b>Category</b>	<b>Housing</b>	<b>Water</b>	<b>Light</b>	<b>All Other</b>	<b>Total</b>
1. Participant counts					
a) Active employees	5	23	36	599	663
b) Inactive members entitled to a return of their employee contributions	0	1	0	189	190
c) Inactive members with a vested right to a deferred or immediate benefit	0	0	0	11	11
d) Retired members	<u>4</u>	<u>10</u>	<u>33</u>	<u>355</u>	<u>402</u>
e) Total members: (a) + (b) + (c) + (d)	9	34	69	1,154	1,266
2. 2008 Projected payroll	\$235,010	\$1,285,662	\$2,543,020	\$27,989,637	\$32,053,329
3. Normal cost					
a) Total normal cost	\$26,631	126,482	431,255	\$3,645,000	\$4,229,368
b) Expense allowance	1,102	5,233	17,844	150,821	175,000
c) Employee contributions	<u>-21,842</u>	<u>-110,497</u>	<u>-220,842</u>	<u>-2,552,751</u>	<u>-2,905,932</u>
d) Employer normal cost: (a) + (b) + (c)	\$5,891	\$21,218	\$228,257	\$1,243,070	\$1,498,436
4. Total actuarial accrued liability	990,355	5,713,647	14,985,928	127,757,156	149,447,086
5. Actuarial value of assets	<u>858,266</u>	<u>4,951,584</u>	<u>12,987,167</u>	<u>110,717,436</u>	<u>129,514,453</u>
6. Unfunded actuarial accrued liability: (4) - (5)	\$132,089	\$762,063	\$1,998,761	\$17,039,720	\$19,932,633
7. Projected employer normal cost	6,022	21,690	233,336	1,270,732	1,531,780
8. Projected unfunded actuarial accrued liability	137,271	791,959	2,077,173	17,708,197	20,714,600
9. Payment on projected unfunded actuarial accrued liability	<u>9,219</u>	<u>53,185</u>	<u>139,494</u>	<u>1,189,206</u>	<u>1,391,104</u>
10. Recommended contribution for fiscal 2011: (7) + (9)	\$15,241	\$74,875	\$372,830	\$2,459,938	\$2,922,884
12. Budgeted contribution for fiscal 2011	10,429	51,234	255,112	1,683,225	2,000,000

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

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**EXHIBIT I**

**Definitions of Pension Terms**

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or actuarial assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial accrued liability for actives:**

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

**Actuarial accrued liability for pensioners:**

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded actuarial accrued liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

**SECTION 3: Supplemental Information for the Town of Wellesley Contributory Retirement System**

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**Amortization of the unfunded  
actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

**Investment return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT I**

**Summary of Actuarial Valuation Results**

1. Retired participants as of the valuation date (including 69 beneficiaries in pay status)	402
2. Participants active during the year ended December 31, 2009 with total accumulated contributions of \$26,021,998 and projected payroll of \$32,053,329	663
3. Inactive participants with a right to a return of their employee contributions as of December 31, 2009	190
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2009	11

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses		\$4,404,368
2. Expected employee contributions		-2,905,932
3. Employer normal cost: (1) + (2)		1,498,436
4. Actuarial accrued liability		149,447,086
Retired participants and beneficiaries	\$73,720,841	
Active participants	73,911,529	
Inactive participants	1,814,716	
5. Actuarial value of assets (\$107,928,711 at market value as reported in the Annual Statement )		129,514,453
6. Unfunded actuarial accrued liability: (4) – (5)		19,932,633

The actuarial factors projected to July 1, 2010 are as follows:

1. Employer normal cost projected to July 1, 2010		\$1,531,780
2. Projected unfunded actuarial accrued liability		20,714,600
3. 20-year increasing payment (4.5% per year) on projected unfunded actuarial accrued liability		1,391,104
4. Total recommended contribution: (1) + (3)		<u>\$2,922,884</u>
5. Budgeted appropriation		\$2,000,000
6. Projected payroll		32,766,593
7. Total budgeted appropriation as a percentage of projected payroll		6.10%

*Note: Recommended contributions are assumed to be paid on July 1.*

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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**EXHIBIT II**

**Supplementary Information Required by the GASB – Schedule of Employer Contributions**

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<b>Plan Year Ended December 31</b>	<b>Annual Required Contributions</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2003	\$0	\$0	N/A
2004	0	0	N/A
2005	0	0	N/A
2006	0	0	N/A
2007	0	0	N/A
2008	0	0	N/A
2009	0	1,000,000	N/A

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**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT III**

**Supplementary Information Required by the GASB – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)</b>
01/01/1995	\$62,744,371	\$62,680,623	-\$63,748	100.10%	\$16,138,898	-0.39%
01/01/1997	78,665,972	69,141,005	-9,524,967	113.78%	17,800,326	-53.51%
01/01/1999	106,295,893	81,975,372	-24,320,521	129.67%	17,694,603	-137.45%
01/01/2001	123,291,025	92,278,891	-31,012,134	133.61%	21,561,329	-143.83%
01/01/2003	119,033,662	114,811,026	-4,222,636	103.68%	22,572,703	-18.71%
01/01/2004	116,792,365	112,846,159	-3,946,206	103.50%	23,172,848	-17.03%
01/01/2006	127,011,492	123,086,217	-3,925,275	103.19%	26,392,253	-14.87%
01/01/2008	144,298,124	136,021,926	-8,276,198	106.08%	30,256,013	-27.35%
01/01/2010	129,514,453	149,447,086	19,932,633	86.66%	32,053,329	62.19%

## SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

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### EXHIBIT IV

#### Supplementary Information Required by the GASB

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<b>Valuation date</b>	January 1, 2010
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	4.5% increasing payments
<b>Remaining amortization period</b>	30 years for determination of ARC (fiscal 2012 appropriation amortized by 2030)
<b>Asset valuation method</b>	The difference between the expected return and the actuarial investment return on a market value is recognized over a five-year period.
<b>Actuarial assumptions:</b>	
Investment rate of return	8.00%
Projected salary increases	Based on years of service, ranging from 8.00% decreasing to 4.50% after 19 years of service for Group 1 and 2 employees, and ranging from 10.00% decreasing to 5.00% after 19 years for Group 4 employees
Cost of living adjustments	3.00% of first \$12,000 of retirement income
<b>Plan membership:</b>	
Retired participants and beneficiaries receiving benefits	402
Inactive participants entitled to a return of their employee contributions	190
Inactive participants with a vested right to a deferred or immediate benefit	11
Active participants	<u>663</u>
Total	1,266

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**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

**EXHIBIT V**

**Supplementary Information Required by the GASB – Department Results**

	<b>Housing</b>	<b>Water</b>	<b>Light</b>	<b>All Other</b>	<b>Total</b>
1. Total actuarial accrued liability	\$990,355	\$5,713,647	\$14,985,928	\$127,757,156	\$149,447,086
2. Actuarial value of assets	<u>858,266</u>	<u>4,951,584</u>	<u>12,987,167</u>	<u>110,717,436</u>	<u>129,514,453</u>
3. Unfunded actuarial accrued liability (UAAL): (1) - (2)	\$132,089	\$762,063	\$1,998,761	\$17,039,720	\$19,932,633
4. Funded ratio: (2) / (1)	86.66%	86.66%	86.66%	86.66%	86.66%
5. 2010 Projected payroll	\$235,010	\$1,285,662	\$2,543,020	\$27,989,637	\$32,053,329
6. UAAL as a percentage of covered payroll: [(1) - (2)] / (5)	56.21%	59.27%	78.60%	60.88%	62.19%

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

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**Mortality Rates:**

*Healthy:*

*Pre-Retirement:* RP-2000 Employees Mortality Table projected 10 years with Scale AA (gender distinct)

*Post-Retirement:* RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA (gender distinct)

*Disabled:* RP-2000 Healthy Annuitant Mortality Table (gender distinct) set forward 3 years for males

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**Termination Rates before Retirement:**

**Groups 1 and 2 - Rate (%)**

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.01
25	0.03	0.02	0.02
30	0.04	0.02	0.03
35	0.07	0.04	0.05
40	0.10	0.06	0.10
45	0.13	0.10	0.15
50	0.18	0.14	0.19
55	0.25	0.23	0.24
60	0.42	0.37	0.28

*Notes: 55% of the disability rates shown represent accidental disability.  
 40% of the accidental disabilities will die from the same cause as the disability.  
 55% of the death rates shown represent accidental death.*

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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Age	Group 4 - Rate (%)		
	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.10
25	0.03	0.02	0.20
30	0.04	0.02	0.30
35	0.07	0.04	0.30
40	0.10	0.06	0.30
45	0.13	0.10	1.00
50	0.18	0.14	1.25
55	0.25	0.23	1.20
60	0.42	0.37	0.85

*Notes: 90% of the disability rates shown represent accidental disability.  
 40% of the accidental disabilities will die from the same cause as the disability.  
 90% of the death rates shown represent accidental death.*

**Withdrawal Rates:**

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

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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<b>Years of Service</b>	<b>Groups 1 and 2</b>
14	3.7
15	3.3
16 – 20	2.0
21 – 29	1.0
30+	0.0

---

**Retirement Rates:**

<b>Age</b>	<b>Rate (%)</b>		<b>Group 4</b>
	<b>Groups 1 and 2</b>		
	<b>Male</b>	<b>Female</b>	
50	1.0	1.5	2.0
51	1.0	1.5	2.0
52	1.0	2.0	2.0
53	1.0	2.5	5.0
54	2.0	2.5	7.5
55	2.0	5.5	15.0
56	2.5	6.5	10.0
57	2.5	6.5	10.0
58	5.0	6.5	10.0
59	6.5	6.5	15.0
60	12.0	5.0	20.0
61	20.0	13.0	20.0
62	30.0	15.0	25.0
63	25.0	12.5	25.0
64	22.0	18.0	30.0
65	40.0	15.0	100.0
66	25.0	20.0	100.0
67	25.0	20.0	100.0
68	30.0	25.0	100.0
69	30.0	20.0	100.0
70	100.0	100.0	100.0

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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**Unknown Data for Participants:** Same as those exhibited by participants with similar known characteristics.

**Age of Spouse:** Females are 3 years younger than their spouses.

**Percent Married:** 80%

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**Net Investment Return:** 8.00%

**Interest on Employee Contributions:** 3.50%

**Salary Increases:**

<b>Years of Service</b>	<b>Groups 1 and 2</b>	<b>Group 4</b>
0	8.00%	10.00%
1	7.50%	9.00%
2	7.00%	8.50%
3	6.50%	8.00%
4	6.25%	7.50%
5	6.00%	7.00%
6	5.75%	6.50%
7	5.50%	6.00%
8	5.50%	5.50%
9	5.50%	5.50%
10	5.25%	5.25%
11	5.25%	5.25%
12	5.25%	5.25%
13 – 15	5.00%	5.25%
16 – 19	4.75%	5.25%
20+	4.50%	5.00%

**Administrative Expenses:** \$175,000 for calendar 2010.

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**Total Service** Total creditable service reported in the data, plus additional anticipated buy-back service.

**2009 Salary:** 2009 salaries are equal to salaries provided in the data.

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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<b>Actuarial Value of Assets:</b>	Market value of assets (as reported in the System's Annual Statement) less unrecognized return in each of the last five years (without phase-in). Unrecognized return is equal to the difference between the actual market value return and the expected market value return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value. (Previously, the actuarial value of assets was equal to the market value of assets as reported in the System's Annual Statement.)
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is the attained age of the participant minus total creditable service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.
<b>Changes in Assumptions:</b>	The actuarial value of assets was changed from market value of assets to a five-year smoothing method.

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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**EXHIBIT VII**

**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

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**Plan Year:** January 1 – December 31

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**Retirement Benefits**

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

The annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

**Age Last Birthday at Date of Retirement**

<b>Percent</b>	<b>Group 1</b>	<b>Group 2</b>	<b>Group 4</b>
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

**SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System**

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A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement. The \$30,000 cap on salary used in a benefit determination for any employee hired after January 1, 1979 has been removed.

The maximum annual amount of the retirement allowance is 80 percent of the member's final three-year average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

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**Employee Contributions**

<u>Date of Hire</u>	<u>Contribution Rate</u>
Prior to January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 onward	9%

In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions, and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

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**Retirement Benefits (Superannuation)**

Members of Group 1, 2 or 4 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

## SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

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### Ordinary Disability Benefits

A member who is unable to perform his/her job due to a non-occupational disability will receive a retirement allowance if he/she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55, based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his/her own contributions.

### Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his/her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

### Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children. If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death.

## SECTION 4: Reporting Information for the Town of Wellesley Contributory Retirement System

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### "Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman, permanent member of a police department, or certain employees of a county correctional facility is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

### Options

Members may elect to receive a full retirement allowance payable for life under Option A. Under Option B a member may elect to receive a lower monthly allowance in exchange for a guarantee that at the time of death any contributions not expended for annuity payments will be refunded to the beneficiary. Option C allows the member to take a lesser retirement allowance in exchange for providing a survivor with two-thirds of the lesser amount. Option C pensioners will have benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

### Post-Retirement Benefits

The Board has adopted the provisions of Section 51 of Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.

### Changes in Plan Provisions

There have been no changes in plan provisions since the last valuation.