

Town of Wellesley Contributory Retirement System

Actuarial Valuation and Review as of
January 1, 2013





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August 13, 2013

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, 2013. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2014 and later years and analyzes the preceding years' experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. 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 measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

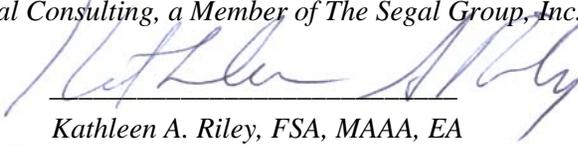
The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in my 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,

Segal Consulting, a Member of The Segal Group, Inc.

By:



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

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SECTION 1

VALUATION SUMMARY

Purpose	i
Significant Issues in Valuation Year	i
Summary of Key Valuation Results	iii

SECTION 2

VALUATION RESULTS

A. Participant Data	1
B. Financial Information	4
C. Actuarial Experience	6
D. Recommended Contribution	12
E. Information Required by the GASB	13

SECTION 3

SUPPLEMENTAL INFORMATION

EXHIBIT A Table of Plan Coverage	14
EXHIBIT B Participants in Active Service as of December 31, 2012	15
EXHIBIT C Summary Statement of Income and Expenses on an Actuarial Value Basis	16
EXHIBIT D Development of the Fund Through December 31, 2012	17
EXHIBIT E Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss for Year Ended December 31, 2012	18
EXHIBIT F Table of Amortization Bases as of July 1, 2013	19
EXHIBIT G Funding Schedule	20
EXHIBIT H Group Results as of January 1, 2013	21
EXHIBIT I Department Results as of January 1, 2013	22
EXHIBIT J Definitions of Pension Terms	23

SECTION 4

REPORTING INFORMATION

EXHIBIT I Summary of Actuarial Valuation Results	25
EXHIBIT II Supplementary Information Required by the GASB – Schedule of Employer Contributions	26
EXHIBIT III Supplementary Information Required by the GASB – Schedule of Funding Progress	27
EXHIBIT IV Supplementary Information Required by the GASB	28
EXHIBIT V Supplementary Information Required by the GASB – Department Results	29
EXHIBIT VI Actuarial Assumptions and Actuarial Cost Method	30
EXHIBIT VII Summary of Plan Provisions	36

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

Purpose

This report has been prepared by Segal Consulting to present a valuation of the Town of Wellesley Contributory Retirement System as of January 1, 2013. 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, 2013;
- The assets of the Plan as of December 31, 2012;
- 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:

1. The actuarial valuation report as of January 1, 2013 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected.
2. The actuarial value of assets was changed to the market value as of December 31, 2012. The actuarial value was initially determined to be \$122,642,960 or 97.56% of the market value of assets of \$125,714,763. With this valuation, the actuarial value of assets was changed to market value. During the plan year ended December 31, 2012, the rate of return was 0.14% on an actuarial basis (prior to the change in method) and 13.29% on a market value basis.
3. The following actuarial assumptions were changed with this valuation:
 - The investment return assumption was decreased from 7.75% to 7.00% net of investment expenses.
 - The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected 15 years with Scale AA.

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

- The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA.
- Salary increase rates, based on service, were changed for Group 1 and 2 employees from 8.00% decreasing to 4.50% after 19 years of service to 7.00% decreasing to 3.50% after 19 years of service. Salary increase rates, based on service, were changed for Group 4 employees from 10.00% decreasing to 5.00% after 19 years to 8.00% decreasing to 4.00% after 19 years.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$11,609,314 and a net increase in the employer normal cost of \$56,120.

4. The following plan changes are included in this valuation:

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased to \$15,000 from \$12,000.
- Members hired on or after April 2, 2012 are covered by the provision of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

Changing these plan provisions resulted in a net increase in the unfunded actuarial accrued liability of \$2,516,316 and a net increase in the employer normal cost of \$57,988.

5. The unfunded liability has increased by \$20.5 million from \$40.0 million as of January 1, 2012 to \$60.5 million as of January 1, 2013. Based on our prior valuation, the expected unfunded liability was \$41.6 million. The additional increase of \$18.9 million is primarily due to an investment loss on an actuarial basis of \$9.4 million, assumption changes of \$11.6 million described in item 3 and plan changes of \$2.5 million described in item 4, partially offset by the change in the asset valuation method of \$3.1 million and other miscellaneous sources of \$1.5 million discussed in Section 2.
6. The preliminary recommended contribution for fiscal 2014 of \$6,737,226 is based on a 17-year increasing amortization (3.5% 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 2014 has already been budgeted at \$5,940,854, the increase will first be reflected in the fiscal 2015 appropriation of \$7,040,036. Exhibit G in Section 3 shows the recommended contribution through fiscal 2030 based on this funding schedule. In the prior valuation, the unfunded actuarial accrued liability was being amortized through fiscal 2030 with payments increasing 4.5% annually.

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

Summary of Key Valuation Results

	2013	2012
Contributions for fiscal year beginning July 1:		
Recommended for fiscal 2014 and 2013	\$5,940,854	\$3,813,733
Recommended for fiscal 2015 and 2014	7,040,036	5,940,854
Funding elements for plan year beginning January 1:		
Normal cost, including administrative expenses	\$5,146,616	\$4,956,129
Market value of assets as reported in the Annual Statement	125,714,763	113,747,265
Actuarial value of assets	125,714,763	125,424,614
Actuarial accrued liability	186,235,650	165,408,231
Unfunded actuarial accrued liability	60,520,887	39,983,617
GASB 25/27 for fiscal year beginning July 1:		
Annual required contributions (ARC)	\$5,940,854	\$3,829,620
Actual contributions	--	3,829,620
Percentage of ARC contributed	--	100.00%
Funded ratio	67.50%	75.83%
Demographic data for plan year beginning January 1:		
Number of retired participants and beneficiaries	407	406
Number of inactive participants entitled to a return of their employee contributions	207	190
Number of inactive participants with a vested right to a deferred or immediate benefit	10	13
Number of active participants	662	669
Total payroll	\$32,708,462	\$32,221,501
Average payroll	49,409	48,164

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

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 seven valuations can be seen in this chart.

CHART 1
Participant Population: 2002 – 2012

Year Ended December 31	Active Participants	Inactive Participants	Retired Participants and Beneficiaries
2002	600	179	419
2003	595	163	414
2005	636	144	415
2007	669	182	407
2009	663	201	402
2011	669	203	406
2012	662	217	407

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 662 active participants with an average age of 45.6, average years of service of 10.8 years and average payroll of \$49,409. The 669 active participants in the prior valuation had an average age of 45.4, average service of 10.8 years and average payroll of \$48,164.

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

Inactive Participants

In this year's valuation, there were 10 participants with a vested right to a deferred or immediate vested benefit and 207 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, 2012

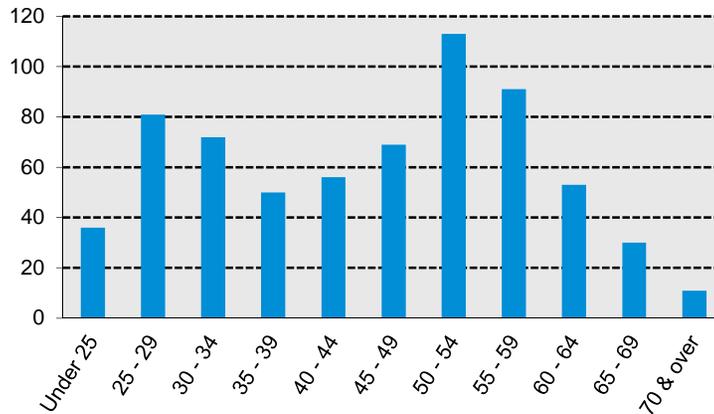
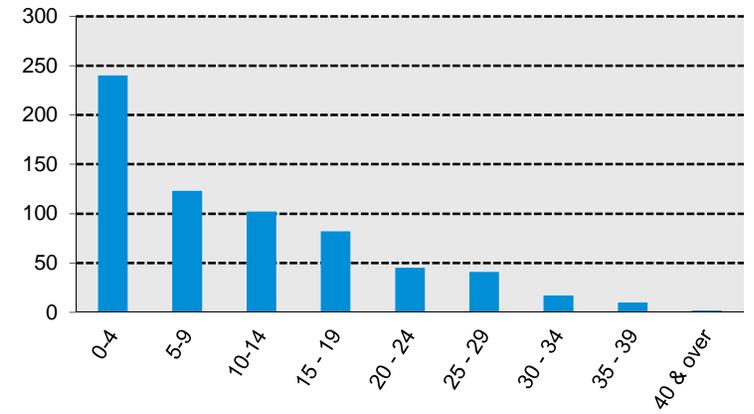


CHART 3
Distribution of Active Participants by Years of Service as of December 31, 2012



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

Retired Participants and Beneficiaries

As of December 31, 2012, 340 retired participants and 67 beneficiaries were receiving total monthly benefits of \$796,195. For comparison, in the previous valuation, there were 338 retired participants and 68 beneficiaries receiving monthly benefits of \$765,889.

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, 2012

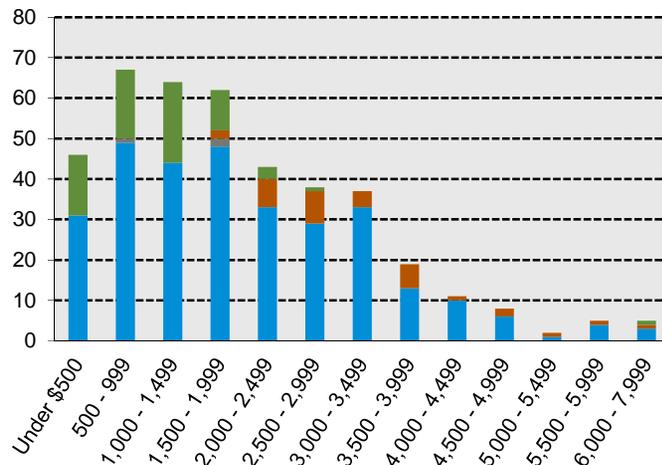
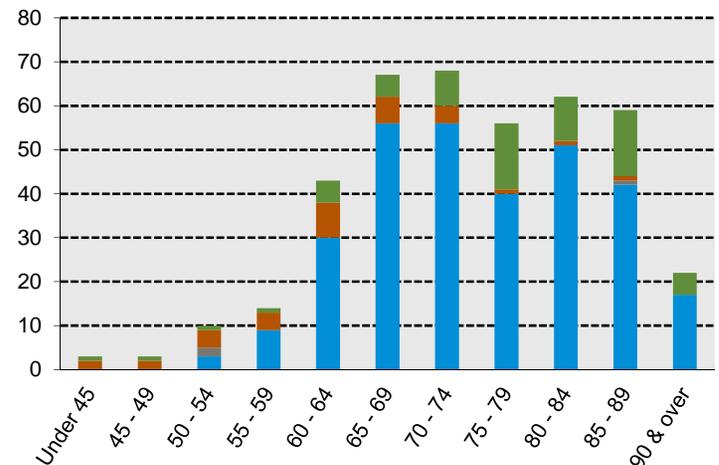


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2012



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

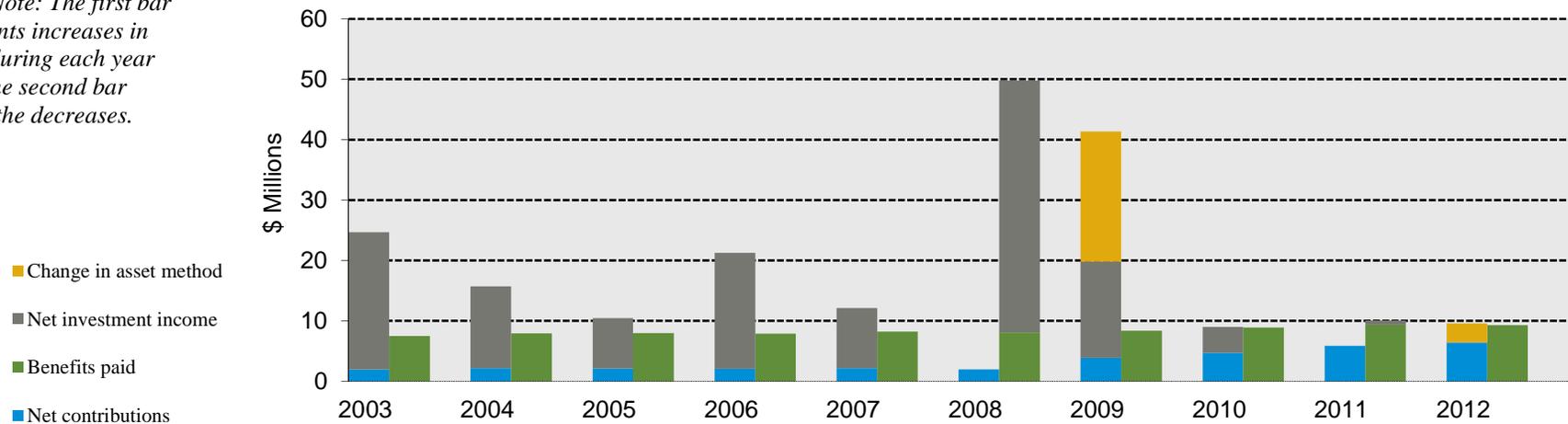
B. FINANCIAL INFORMATION

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 ten 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 – 2012



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

In 2009 the Board approved an asset valuation method that gradually adjusts to market value. 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.

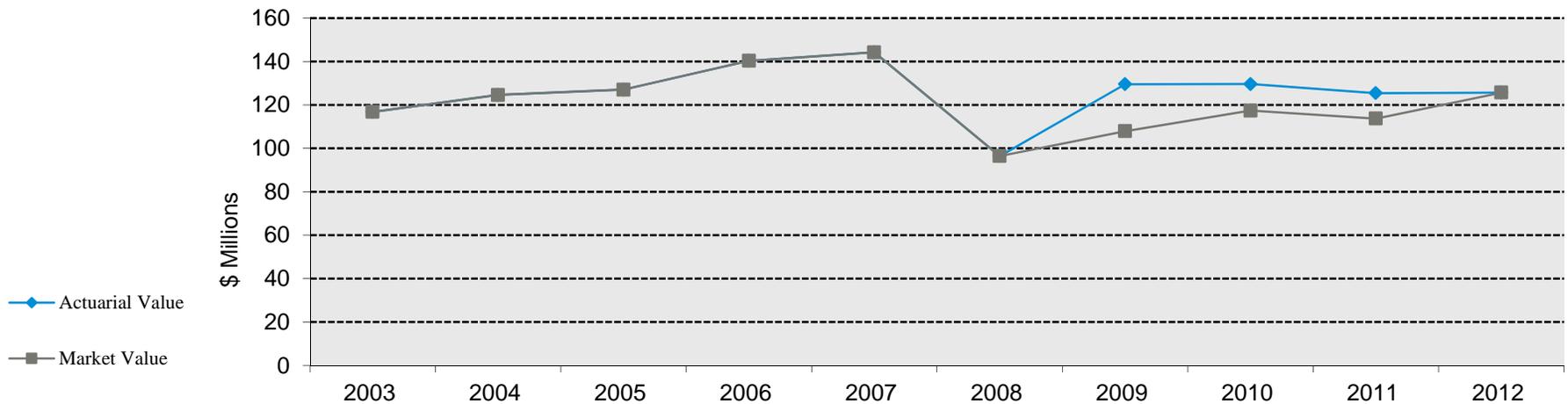
With this valuation the Board changed the asset valuation method to market value. Under this valuation method, the full value of market fluctuation is recognized in a single year. This change increased the actuarial value of assets by \$3.1 million, from \$122.6 million to \$125.7 million.

The Board has the option to adopt an asset "smoothing" method in the future should they decide the current method (using market value) is producing undesirable fluctuations.

This chart shows how the actuarial value of assets has changed over the past ten years.

CHART 7

Actuarial Value of Assets as of December 31, 2003 – 2012



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

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 for the year ended December 31, 2012 is \$7,822,434. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 8 Actuarial Experience for Year Ended December 31, 2012

1. Net loss from investments*	-\$9,429,834
2. Net gain from administrative expenses	36,166
3. Net gain from other experience**	<u>1,571,234</u>
4. Net experience loss: (1) + (2) + (3)	-\$7,822,434

* Details in Chart 9

** Details in Chart 12

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 was 7.75% for 2012. The actual rate of return on an actuarial basis for the 2012 plan year was 0.14%.

Since the actual return for the year was less than the assumed return, the Wellesley Retirement System experienced an actuarial loss during the year ended December 31, 2012 with regard to its investments.

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

CHART 9
Actuarial Value Investment Experience for Year Ended December 31, 2012

1. Actual return	\$175,966
2. Average value of assets	123,945,804
3. Actual rate of return: (1) ÷ (2)	0.14%
4. Assumed rate of return	7.75%
5. Expected return: (2) x (4)	\$9,605,800
6. Actuarial gain/(loss): (1) – (5)	<u>-\$9,429,834</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 for the last ten years, including five-year and ten-year averages.

Based upon this experience and future expectations, we have decreased the assumed rate of return from 7.75% to 7.00%.

CHART 10

Investment Return – Actuarial Value vs. Market Value: 2003 - 2012

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	37,497,893	39.78	15,912,151	16.88
2010	4,283,430	3.36	13,630,109	12.88
2011	-721,843	-0.56	-160,131	-0.14
2012	<u>175,966</u>	0.14	<u>14,925,118</u>	13.29
Total	\$73,400,545		\$76,472,347	
	Five-year average return	-0.07%		0.46%
	Ten-year average return	6.07%		6.58%

Note: Each year's yield is weighted by the average asset value in that year.

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

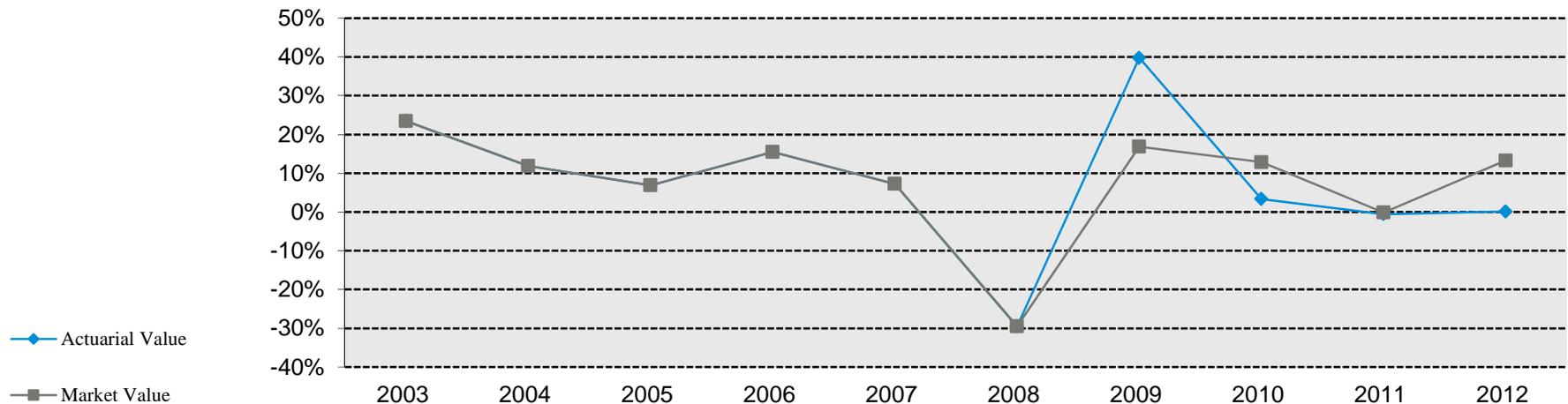
Chart 11 shows the actuarial value of assets rate of return and the market value of assets rate of return over the last ten years.

Administrative Expenses

Administrative expenses for the year ended December 31, 2012 totaled \$216,436 compared to the assumption of \$250,000. This resulted in a gain of \$36,166 for the year, including an adjustment for interest. We have maintained the assumption of \$250,000 for the current year.

This chart illustrates the rates of return.

CHART 11
Actuarial Rates of Return for Years Ended December 31, 2003 - 2012



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

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 year ended December 31, 2012 amounted to \$1,571,234, which is 0.8% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Wellesley Retirement System for the year ended December 31, 2012 is shown in the chart on the following page.

The following actuarial assumptions were changed with this valuation:

- The investment return assumption was decreased from 7.75% to 7.00% net of investment expenses.
- The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected 15 years with Scale AA.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA.
- Salary increase rates, based on service, were changed for Group 1 and 2 employees from 8.00% decreasing to 4.50% after 19 years of service to 7.00% decreasing to 3.50% after 19 years of service. Salary increase rates, based on service, were changed for Group 4 employees from 10.00% decreasing to 5.00% after 19 years to 8.00% decreasing to 4.00% after 19 years.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$11,609,314 and a net increase in the employer normal cost of \$56,120.

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

The following plan changes are included in this valuation:

- As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased to \$15,000 from \$12,000.
- Members hired on or after April 2, 2012 are covered by the provision of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

Changing these plan provisions resulted in a net increase in the unfunded actuarial accrued liability of \$2,516,316 and a net increase in the employer normal cost of \$57,988.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 12
Experience Due to Changes in Demographics for Year Ended December 31, 2012

1. More deaths than expected among retired members and beneficiaries	\$714,870
2. Salary increases for continuing actives less than expected	600,610
3. Transfers to other Systems	1,246,448
4. Miscellaneous experience loss	<u>-990,694</u>
5. Total	\$1,571,234

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 2014 is \$6,737,226 based on a 9-year level amortization of the 2010 ERI and a 17-year increasing (3.5% per year) amortization of the remaining unfunded liability.

Because the fiscal 2014 appropriation has already been budgeted at \$5,940,834, the results of this valuation will first be reflected in the fiscal 2015 appropriation of \$7,040,036.

Exhibit G 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 13
Recommended Contribution

	Year Beginning January 1			
	2013		2012	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$4,896,616	14.39%	\$4,706,129	13.87%
2. Administrative expenses	250,000	0.73%	250,000	0.74%
3. Expected employee contributions	<u>-3,192,423</u>	<u>-9.38%</u>	<u>-3,147,569</u>	<u>-9.28%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,954,193	5.74%	\$1,808,560	5.33%
5. Actuarial accrued liability	186,235,650		165,408,231	
6. Actuarial value of assets	<u>125,714,763</u>		<u>125,424,614</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$60,520,887		\$39,983,617	
8. Employer normal cost projected to July 1, 2013 and 2012	1,988,097	5.71%	1,848,805	5.33%
9. Projected unfunded actuarial accrued liability	62,603,292		41,504,073	
10. Payment on projected unfunded actuarial accrued liability	4,749,129	13.65%	2,961,602	8.54%
11. Total recommended contribution: (8) + (10)	<u>\$6,737,226</u>	<u>19.36%</u>	<u>\$4,810,407</u>	<u>13.87%</u>
12. Budgeted appropriation	<u>\$5,940,854</u>	<u>17.07%</u>	<u>\$3,813,733</u>	<u>11.00%</u>
13. Projected payroll as of July 1	\$34,794,393		\$34,674,449	

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

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. Chart 14 below presents a graphical representation of this information for the Plan.

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 Standards. High ratios indicate a well-funded plan with assets sufficient

to cover the plan's actuarial accrued liabilities. 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 and the market value of assets. As of January 1, 2012, the funded ratio was 75.83% using the actuarial value of assets and 68.77% using the market value of assets. As of January 1, 2013, the funded ratio is 67.50% (actuarial value is equal to market value). The decrease is primarily due to the net impact of the changes in the actuarial assumptions.

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 14
Required Versus Actual Contributions

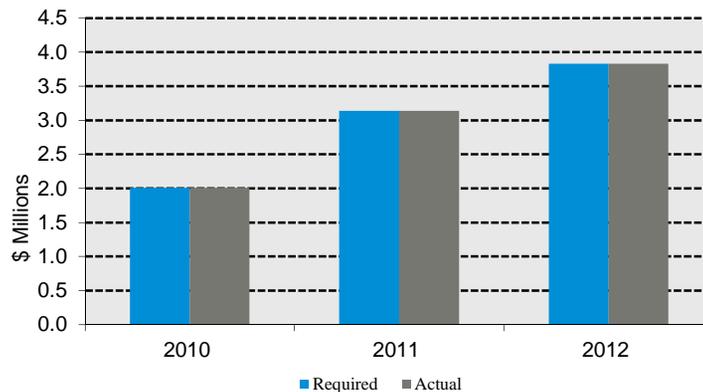
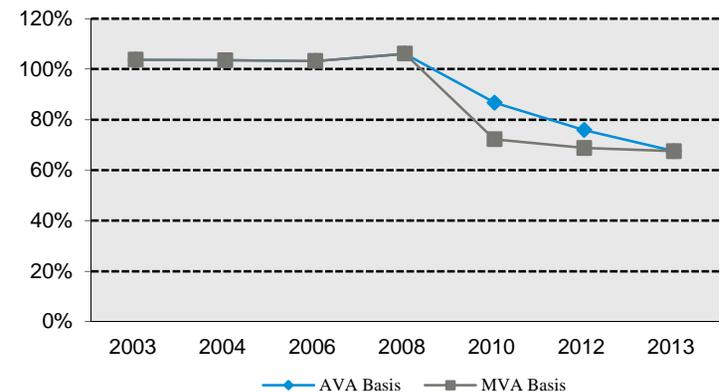


CHART 15
Funded Ratio



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

EXHIBIT A

Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2012	2011	
Active participants in valuation:			
Number	662	669	-1.0%
Average age	45.6	45.4	N/A
Average years of service	10.8	10.8	N/A
Total payroll	\$32,708,462	\$32,221,501	1.5%
Average payroll	49,409	48,164	2.6%
Member contributions	29,528,888	28,695,270	2.9%
Inactive participants with a vested right to a deferred or immediate benefit	10	13	-23.1%
Inactive participants entitled to a return of employee contributions	207	190	8.9%
Retired participants:			
Number in pay status	304	305	-0.3%
Average age	74.9	75.1	N/A
Average monthly benefit	\$1,982	\$1,912	3.7%
Disabled participants:			
Number in pay status	36	33	9.1%
Average age	62.1	61.6	N/A
Average monthly benefit	\$3,043	\$2,924	4.1%
Beneficiaries in pay status	67	68	-1.5%

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

EXHIBIT B

**Participants in Active Service as of December 31, 2012
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	--	--	--	--	--	--	--	--
	\$27,520	\$27,520	--	--	--	--	--	--	--	--
25 - 29	81	73	8	--	--	--	--	--	--	--
	\$33,794	\$31,507	\$54,664	--	--	--	--	--	--	--
30 - 34	72	44	20	8	--	--	--	--	--	--
	\$44,995	\$35,073	\$59,823	\$62,495	--	--	--	--	--	--
35 - 39	50	13	14	19	4	--	--	--	--	--
	\$58,586	\$43,588	\$50,726	\$72,367	\$69,379	--	--	--	--	--
40 - 44	56	9	16	17	10	4	--	--	--	--
	\$54,445	\$35,222	\$43,911	\$69,517	\$65,543	\$48,035	--	--	--	--
45 - 49	69	12	16	11	13	10	7	--	--	--
	\$54,060	\$35,480	\$50,139	\$55,375	\$61,657	\$67,256	\$59,847	--	--	--
50 - 54	113	22	22	18	18	13	15	3	2	--
	\$55,174	\$38,065	\$38,697	\$56,080	\$65,763	\$72,533	\$72,760	\$65,371	\$61,150	--
55 - 59	91	19	14	10	16	7	11	9	5	--
	\$56,895	\$36,004	\$48,905	\$52,133	\$59,306	\$61,100	\$72,439	\$78,859	\$80,848	--
60 - 64	53	9	7	10	12	4	5	3	2	1
	\$53,119	\$31,300	\$45,015	\$44,196	\$62,025	\$61,931	\$65,948	\$72,910	\$70,719	\$94,577
65 - 69	30	2	4	5	7	7	3	--	1	1
	\$47,420	\$27,210	\$30,486	\$46,617	\$43,484	\$51,932	\$59,418	--	\$66,245	\$100,728
70 & over	11	1	2	4	2	--	--	2	--	--
	\$34,762	\$32,190	\$20,875	\$38,976	\$30,692	--	--	\$45,575	--	--
Total	662	240	123	102	82	45	41	17	10	2
	\$49,409	\$33,472	\$47,671	\$59,094	\$60,698	\$63,257	\$68,662	\$71,513	\$73,422	\$97,653

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, 2012	Year Ended December 31, 2011
Net assets at actuarial value at the beginning of the year	\$125,424,614	\$129,623,644
Contribution income:		
Employer contributions	\$3,829,620	\$3,138,566
Employee contributions	2,685,904	2,920,656
Other contributions	32,956	34,125
Less administrative expenses	<u>-216,436</u>	<u>-241,583</u>
Net contribution income	\$6,332,044	\$5,851,764
Net investment income	<u>175,966</u>	<u>-721,844</u>
Total income available for benefits	\$6,508,010	\$5,129,920
Less benefit payments:		
Pensions	-\$7,788,111	-\$7,810,821
Net 3(8)(c) reimbursements	18,026	-10,821
Refunds, annuities, & Option B refunds	-1,681,144	-1,695,772
State reimbursements	<u>161,565</u>	<u>188,464</u>
Net benefit payments	-\$9,289,664	-\$9,328,950
Change in actuarial asset method	\$3,071,803	\$0
Change in reserve for future benefits	\$290,149	-\$4,199,030
Net assets at actuarial value at the end of the year	\$125,714,763	\$125,424,614

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

EXHIBIT D

Development of the Fund Through December 31, 2012

Year Ended December 31	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
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	8,365,528	100,450	8,016,877	127,011,492
2006	0	2,130,208	36,028	19,224,208	124,122	7,903,043	140,374,772
2007	0	2,287,845	35,939	9,969,052	142,789	8,226,694	144,298,124
2008	0	2,051,512	39,623	-41,672,425	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
2010	2,010,429	2,867,996	47,213	4,283,429	192,808	8,907,068	129,623,644
2011	3,138,566	2,920,656	34,125	-721,844	241,583	9,328,950	125,424,614
2012	3,829,620	2,685,904	32,956	3,247,769	216,436	9,289,664	125,714,763

* Net of investment expenses. Reflects change in asset method in 2009 and 2012.

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

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss for Year Ended December 31, 2012

1. Unfunded actuarial accrued liability at beginning of year		\$39,983,617
2. Normal cost at beginning of year		4,956,129
3. Total contributions		-6,548,480
4. Interest		
(a) For whole year on (1) + (2)	\$3,482,830	
(b) For half year on (3)	<u>-229,473</u>	
(c) Total interest		<u>3,253,357</u>
5. Expected unfunded actuarial accrued liability		\$41,644,623
6. Changes due to:		
(a) Experience loss	\$7,822,434	
(b) Assumption changes	11,609,314	
(c) Asset valuation method	-3,071,803	
(d) Change in COLA base to \$15,000	<u>2,516,319</u>	
(e) Total changes		<u>18,876,264</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$60,520,887</u>

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

EXHIBIT F

Table of Amortization Bases as of July 1, 2013

Type	Annual Payment	Years Remaining	Outstanding Balance
2010 ERI liability	\$15,446	9.00	\$107,678
Remaining unfunded liability	<u>4,733,683</u>	17.00	<u>62,495,614</u>
Total	\$4,749,129		\$62,603,292

Notes: Payments assumed to be made on July 1.

Remaining unfunded liability amortization payments increasing 3.5% per year.

Does not reflect adjustment to set fiscal 2014 appropriation to budgeted amount.

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

**EXHIBIT G
Funding Schedule**

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2010 ERI Liability	(4) Amortization of Remaining Unfunded Liability	(5) Total Plan Cost: (2) + (3) + (4)	(6) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in Total Cost
2014	\$1,988,097	\$15,446	\$3,937,311	\$5,940,854	\$62,603,292	--
2015	2,057,680	15,446	4,966,910	7,040,036	62,756,072	18.50%
2016	2,129,699	15,446	5,140,752	7,285,897	61,817,876	3.49%
2017	2,204,238	15,446	5,320,679	7,540,363	60,627,996	3.49%
2018	2,281,386	15,446	5,506,902	7,803,734	59,162,302	3.49%
2019	2,361,235	15,446	5,699,644	8,076,325	57,394,750	3.49%
2020	2,443,878	15,446	5,899,131	8,358,455	55,297,236	3.49%
2021	2,529,414	15,446	6,105,601	8,650,461	52,839,445	3.49%
2022	2,617,943	15,446	6,319,297	8,952,686	49,988,685	3.49%
2023	2,709,571	--	6,540,472	9,250,043	46,709,720	3.32%
2024	2,804,406	--	6,769,389	9,573,795	42,981,095	3.50%
2025	2,902,560	--	7,006,318	9,908,878	38,746,526	3.50%
2026	3,004,150	--	7,251,539	10,255,689	33,962,023	3.50%
2027	3,109,295	--	7,505,343	10,614,638	28,580,218	3.50%
2028	3,218,120	--	7,768,030	10,986,150	22,550,117	3.50%
2029	3,330,754	--	8,039,911	11,370,665	15,816,834	3.50%
2030	3,447,330	--	8,321,308	11,768,638	8,321,308	3.50%
2031	3,567,987	--	--	3,567,987	--	-69.68%
2032	3,692,867	--	--	3,692,867	--	3.50%
2033	3,822,117	--	--	3,822,117	--	3.50%
2034	3,955,891	--	--	3,955,891	--	3.50%
2035	4,094,347	--	--	4,094,347	--	3.50%

*Notes: Recommended contributions are assumed to be paid on July 1.
Assumes amortization payments of remaining liability increase at 3.50% per year.
Assumes contribution of budgeted amount for fiscal year 2013.*

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

EXHIBIT H

Group Results as of January 1, 2013

Category	Group 1	Percent of Pay	Group 4	Percent of Pay	Total	Percent of Pay
1. Participant counts						
a) Active employees	553		109		662	
b) Inactive members entitled to a return of their employee contributions	203		4		207	
c) Inactive members with a vested right to a deferred or immediate benefit	9		1		10	
d) Retired members	<u>283</u>		<u>124</u>		<u>407</u>	
e) Total members: (a) + (b) + (c) + (d)	1,048		238		1,286	
2. Projected Payroll for calendar year 2013	\$25,582,784		\$8,454,204		\$34,036,988	
3. Normal cost						
a) Total normal cost	3,247,675	12.69%	1,648,941	19.50%	4,896,616	14.39%
b) Expense allowance	165,812	0.65%	84,188	1.00%	250,000	0.73%
c) Employee contributions	<u>(2,387,721)</u>	<u>-9.33%</u>	<u>(804,702)</u>	<u>-9.52%</u>	<u>(3,192,423)</u>	<u>-9.38%</u>
d) Employer normal cost: (a) + (b) + (c)	\$1,025,766	4.01%	\$928,427	10.98%	\$1,954,193	5.74%
4. Total actuarial accrued liability	111,238,444		74,997,206		186,235,650	
5. Actuarial value of assets	<u>75,089,354</u>		<u>50,625,409</u>		<u>125,714,763</u>	
6. Unfunded actuarial accrued liability: (4) - (5)	\$36,149,090		\$24,371,797		\$60,520,887	

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

EXHIBIT I

Department Results as of January 1, 2013

Category	Housing	Water	Light	School	All Other	Total
1. Participant counts						
a) Active employees*	7	28	28	245	354	662
b) Inactive members entitled to a return of their employee contributions	0	0	1	184	22	207
c) Inactive members with a vested right to a deferred or immediate benefit	0	0	0	4	6	10
d) Retired members	4	11	37	115	240	407
e) Total members: (a) + (b) + (c) + (d)	11	39	66	548	622	1,286
2. Projected payroll for calendar year 2013	\$321,177	\$1,700,298	\$2,288,513	\$8,356,672	\$21,370,328	\$34,036,988
3. Normal cost						
a) Total normal cost	\$41,180	196,445	433,643	1,038,652	\$3,186,696	\$4,896,616
b) Expense allowance	2,102	10,030	22,140	53,029	162,699	250,000
c) Employee contributions	<u>(30,090)</u>	<u>(153,270)</u>	<u>(215,934)</u>	<u>(768,092)</u>	<u>(2,025,037)</u>	<u>(3,192,423)</u>
d) Employer normal cost: (a) + (b) + (c)	\$13,192	\$53,205	\$239,849	\$323,589	\$1,324,357	\$1,954,193
4. Total actuarial accrued liability	1,331,048	9,093,805	18,112,814	31,753,737	125,944,247	186,235,650
5. Actuarial value of assets	<u>898,498</u>	<u>6,138,597</u>	<u>12,226,704</u>	<u>21,434,744</u>	<u>85,016,221</u>	<u>125,714,763</u>
6. Unfunded actuarial accrued liability: (4) - (5)	\$432,550	\$2,955,208	\$5,886,110	\$10,318,993	\$40,928,026	\$60,520,887
7. Projected employer normal cost	13,421	54,128	244,011	329,203	1,347,334	1,988,097
8. Projected unfunded actuarial accrued liability	447,433	3,056,891	6,088,640	10,674,049	42,336,279	62,603,292
9. 2010 ERI payment	0	0	15,446	0	0	15,446
10. Payment on projected remaining unfunded actuarial accrued liability	<u>33,851</u>	<u>231,273</u>	<u>457,996</u>	<u>807,559</u>	<u>3,203,004</u>	<u>4,733,683</u>
11. Recommended contribution for fiscal 2014: (7) + (9) + (10)	\$47,272	\$285,401	\$717,453	\$1,136,762	\$4,550,338	\$6,737,226
12. Budgeted contribution for fiscal 2014	38,513	234,427	659,709	1,210,660	3,797,545	5,940,854
13. Recommended contribution for fiscal 2015	49,410	298,690	748,559	1,188,072	4,755,306	7,040,036

* Certain employees have benefit accruals allocated to multiple departments.

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

EXHIBIT J

Definitions of Pension Terms

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

**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

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 67 beneficiaries in pay status)	407
2. Participants active during the year ended December 31, 2012 with total accumulated contributions of \$29,528,888 and projected payroll of \$34,036,988	662
3. Inactive participants with a right to a return of their employee contributions as of December 31, 2012	207
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2012	10

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

1. Normal cost, including administrative expenses		\$5,146,616
2. Expected employee contributions		-3,192,423
3. Employer normal cost: (1) + (2)		1,954,193
4. Actuarial accrued liability		186,235,650
Retired participants and beneficiaries	\$91,135,261	
Active participants	91,615,394	
Inactive participants	3,484,995	
5. Actuarial value of assets (\$125,714,763 at market value as reported in the Annual Statement)		125,714,763
6. Unfunded actuarial accrued liability: (4) – (5)		60,520,887

The actuarial factors projected to July 1, 2013 are as follows:

1. Employer normal cost projected to July 1, 2013		\$1,988,097
2. Projected unfunded actuarial accrued liability		62,603,292
3. Payment on projected unfunded actuarial accrued liability		4,749,129
4. Total recommended contribution: (1) + (3)		<u>\$6,737,226</u>
5. Budgeted appropriation		<u>\$5,940,854</u>
6. Projected payroll		\$34,794,393
7. Total budgeted appropriation as a percentage of projected payroll		17.07%

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

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

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$0	\$1,000,000	N/A
2010	2,010,429	2,010,429	100.0%
2011	3,138,566	3,138,566	100.0%
2012	3,829,620	3,829,620	100.0%

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

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
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	119,033,612	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%
01/01/2012	125,424,614	165,408,231	39,983,617	75.83%	33,919,655	117.88%
01/01/2013	125,714,763	186,235,650	60,520,887	67.50%	34,036,988	177.81%

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

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar for 2010 ERI liability and 3.5% (previously, 4.5%) increasing payments for the remaining unfunded liability
Remaining amortization period	9 years from July 1, 2013 for 2010 ERI and 17 years from July 1, 2013 for remaining unfunded liability.
Asset valuation method	Market value. (previously, the market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the expected return and the actuarial investment return on a market value and is recognized over a five-year period. The actuarial value of assets is adjusted, if necessary, to be within 20% of the market value.)
Actuarial assumptions:	
Investment rate of return	7.00% (previously, 7.75%)
Projected salary increases	Based on years of service, ranging from 7.00% decreasing to 3.50% after 19 years of service for Group 1 and 2 employees, and ranging from 8.00% decreasing to 4.00% after 19 years for Group 4 employees. (previously, 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 \$15,000 of retirement income (previously, 3.00% of the first \$12,000 of retirement income)
Plan membership:	
Retired participants and beneficiaries receiving benefits	407
Inactive participants entitled to a return of their employee contributions	207
Inactive participants with a vested right to a deferred or immediate benefit	10
Active participants	<u>662</u>
Total	1,286

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

EXHIBIT V

Supplementary Information Required by the GASB – Department Results

	Housing	Water	Light	School	All Other	Total
1. Total actuarial accrued liability	\$1,331,048	\$9,093,805	\$18,112,814	\$31,753,737	\$125,944,247	\$186,235,650
2. Actuarial value of assets	<u>898,498</u>	<u>6,138,597</u>	<u>12,226,704</u>	<u>21,434,744</u>	<u>85,016,221</u>	<u>125,714,763</u>
3. Unfunded actuarial accrued liability (UAAL): (1) - (2)	\$432,550	\$2,955,208	\$5,886,110	\$10,318,993	\$40,928,026	\$60,520,887
4. Funded ratio: (2) / (1)	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
5. 2013 Projected payroll	\$321,177	\$1,700,298	\$2,288,513	\$8,356,672	\$21,370,328	\$34,036,988
6. UAAL as a percentage of covered payroll: [(1) - (2)] / (5)	134.7%	173.8%	257.2%	123.5%	191.5%	177.8%

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

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy:

Pre-Retirement: RP-2000 Employees Mortality Table projected 15 years with Scale AA (Previously, RP-2000 Employees Mortality Table projected 12 years with Scale AA)

Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA (Previously, RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA)

Disabled: RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

The above mortality assumptions were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience of the plan.

Termination Rates before Retirement:

Age	Groups 1 and 2 - Rate (%)		Disability
	Mortality		
	Male	Female	
20	0.03	0.01	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	0.12	0.09	0.15
50	0.16	0.13	0.19
55	0.23	0.22	0.24
60	0.38	0.36	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

Age	Group 4 - Rate (%)		Disability
	Mortality		
	Male	Female	
20	0.03	0.01	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	0.12	0.09	1.00
50	0.16	0.13	1.25
55	0.23	0.22	1.20
60	0.38	0.36	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.*

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

Withdrawal Rates:

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

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

Retirement Rates:

Age	Rate (%)		Group 4
	Male	Female	
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

Retirement Age for Inactive Vested Participants:

Age 55 for Groups 1 and 2 and age 45 for group 4.

Unknown Data for Participants:

Same as those exhibited by participants with similar known characteristics.

Age of Spouse:

Females are three years younger than their spouses.

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

Percent Married: 80%

Benefit Election: All participants are assumed to elect Option A.

Net Investment Return: 7.00% (Previously, 7.75%)

Interest on Employee Contributions: 3.50%

Salary Increases:

Years of Service	Current		Previous	
	Groups 1 and 2	Group 4	Groups 1 and 2	Group 4
0	7.00%	8.00%	8.00%	10.00%
1	6.50%	7.50%	7.50%	9.00%
2	6.00%	7.00%	7.00%	8.50%
3	5.50%	6.50%	6.50%	8.00%
4	5.25%	6.00%	6.25%	7.50%
5	5.00%	5.50%	6.00%	7.00%
6	4.75%	5.25%	5.75%	6.50%
7	4.50%	5.00%	5.50%	6.00%
8	4.25%	4.75%	5.50%	5.50%
9	4.00%	4.50%	5.50%	5.50%
10	3.75%	4.25%	5.25%	5.25%
11	3.50%	4.00%	5.25%	5.25%
12	3.50%	4.00%	5.25%	5.25%
13 – 15	3.50%	4.00%	5.00%	5.25%
16 – 19	3.50%	4.00%	4.75%	5.25%
20+	3.50%	4.00%	4.50%	5.00%

Administrative Expenses: \$250,000 for calendar 2013 increasing 3.5% per year (previously, \$250,000 for calendar 2012, increasing 4.5% per year).

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

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

2012 Salary:	2012 salaries are equal to salaries provided in the data, except salaries for new hires were annualized.
Actuarial Value of Assets:	Market value of assets (as reported in the System's Annual Statement). (Previously, market value of assets 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.)
Actuarial Cost Method:	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. Normal Cost is determined by using the plan of benefits applicable to each participant. (Previously, Normal Cost determined as if the current plan of benefits had always been in effect.)
Changes in Assumptions:	<p>The following actuarial assumptions were changed with this valuation:</p> <ul style="list-style-type: none">➤ The investment return assumption was decreased from 7.75% to 7.00% net of investment expenses.➤ The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected 15 years with Scale AA.➤ The mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA.➤ Salary increase rates, based on service, were changed for Group 1 and 2 employees from 8.00% decreasing to 4.50% after 19 years of service to 7.00% decreasing to 3.50% after 19 years of service. Salary increase rates, based on service, were changed for Group 4 employees from 10.00% decreasing to 5.00% after 19 years to 8.00% decreasing to 4.00% after 19 years.

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

EXHIBIT VII

Summary of Plan Provisions

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

Plan Year: January 1 – December 31

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.)

For employees hired prior to April 2, 2012, 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

Percent	Group 1	Group 2	Group 4
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

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.

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-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 tables based on the age and years of creditable service of the member at retirement:

For members with less than 30 years of creditable service:

Age Last Birthday at Date of Retirement

Percent	Group 1	Group 2	Group 4
2.50	67 or over	62 or over	57 or over
2.35	66	61	56
2.20	65	60	55
2.05	64	59	54
1.90	63	58	53
1.75	62	57	52
1.60	61	56	51
1.45	60	55	50

For members with 30 years of creditable service or greater:

Age Last Birthday at Date of Retirement

Percent	Group 1	Group 2	Group 4
2.500	67 or over	62 or over	57 or over
2.375	66	61	56
2.250	65	60	55
2.125	64	59	54
2.000	63	58	53
1.875	62	57	52
1.750	61	56	51
1.625	60	55	50

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

A member’s final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit “spiking” of a member’s salary to increase the retirement benefit.

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member’s final 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.

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 voluntarily withdraw their contributions with less than 10 ten years of credited service receive 3% interest on their contributions.

Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%.

Retirement Benefits (Superannuation)

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

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

Members hired prior to April 2, 2012 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).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or 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 (age 60 for Group 1 members hired on or after April 2, 2012), 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 or 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 or 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.

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

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 \$250 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.

Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$6,000 per year if the member dies for a reason unrelated to cause of disability.

"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.

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

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 \$15,000 (previously \$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

Members hired on or after April 2, 2012 are covered by the provision of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased to \$15,000 from \$12,000.