

Town of Wellesley

Actuarial Valuation and Review of Other
Postemployment Benefits (OPEB) as of
June 30, 2014 in accordance with GASB
Statements No. 43 and No. 45





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October 8, 2014

*Mr. Marc V. Waldman
Treasurer/Collector
525 Washington Street
Town Hall
Wellesley, MA 02482*

Dear Marc:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2014 under Governmental Accounting Standards Board (GASB) Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2014 and summarizes the actuarial data.

This report is based on information received from the Town. The actuarial projections were based on the assumptions and methods described in Exhibit II and on the plan of benefits as summarized in Exhibit III.

We look forward to discussing this with you at your convenience.

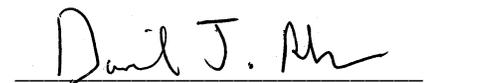
Sincerely,

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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Daniel J. Rhodes, FSA, MAAA
Vice President and Consulting Actuary

SECTION 1

EXECUTIVE SUMMARY

Purpose	1
Highlights of the Valuation	1
Key Valuation Results	2
Funding Schedules.....	2
Accounting Requirements	3

SECTION 2

VALUATION RESULTS

Summary of Valuation Results.....	6
Funding Schedule – All Other	7
Funding Schedule – Water and Sewer.....	8
Funding Schedule – Municipal Light Plant	9
Department Results.....	10
Reconciliation of OPEB Trust Fund	11
Determination of Actuarial Value of Assets for Year Ended June 30, 2014	11
Actuarial Certification	12

SECTION 3

VALUATION DETAILS

CHART 1 Required Supplementary Information – Schedule of Employer Contributions	13
CHART 2 Required Supplementary Information – Schedule of Funding Progress	14
CHART 3 Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)	15
CHART 4 Summary of Required Supplementary Information	16

SECTION 4

SUPPORTING INFORMATION

EXHIBIT I Summary of Participant Data....	17
EXHIBIT II Actuarial Assumptions and Actuarial Cost Method.....	18
EXHIBIT III Summary of Plan	31

SECTION 1: Executive Summary for Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

PURPOSE

This report presents the results of our actuarial valuation of the Town of Wellesley (the “Employer”) postemployment welfare benefit plan as of June 30, 2014. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

HIGHLIGHTS OF THE VALUATION

During the fiscal year ending June 30, 2015, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about \$4,769,000. This amount is less than the annual “cost” (the “Annual Required Contribution,” or ARC) of approximately \$8,123,000.

Because the Town of Wellesley is funding the ARC, we have used a 7.00% investment return assumption to discount the liability. In the prior valuation, the discount rate was 7.50%.

As of June 30, 2014, the Town of Wellesley has \$35,118,607 in assets which are in the State Retirees Benefits Trust Fund. The Town contributed \$3,425,591 in fiscal year 2013, \$3,461,406 in fiscal year 2014 and has budgeted \$3,464,969 for fiscal year 2015. Effective with the June 30, 2014 actuarial valuation, the asset valuation method was changed from market value to a method that recognizes gains and losses over a five-year period. A reconciliation of the assets from June 30, 2012 to June 30, 2014 and the derivation of the actuarial value of assets are shown on page 11.

To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period

and amortization method must be selected. The Town is funding its UAAL over a 30-year period with 23 years remaining as of June 30, 2014. The MLP is funding its UAAL over a 15-year period with 8 years remaining. Amortization payments are calculated to increase 3.5% per year. In the prior valuation, amortization payments were calculated to increase 4% per year.

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

GASB guidelines prohibit the offset of OPEB obligations by the future value of Medicare Part D subsidies. Therefore, these calculations do not include an estimate for retiree prescription drug plan federal subsidies that the Employer may be eligible to receive for plan years beginning in 2006.

Employer decisions regarding plan design, cost sharing between the Employer and its retirees, actuarial cost method, amortization techniques, and integration with Medicare are just some of the decisions that affect the magnitude of OPEB obligations. We are available to assist you with any investigation of such options you may wish to undertake.

This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected in this valuation) and those previously adopted as of the valuation date.

SECTION 1: Executive Summary for Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

KEY VALUATION RESULTS

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2014 is \$78,269,000. Going forward, the unfunded liabilities will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
 - As of June 30, 2014 the ratio of assets to the AAL (the funded ratio) is 29.54%.
- The **Annual Required Contribution (ARC)** for fiscal year 2015 is \$8,123,000. The ARC is expected to remain relatively level as a percentage of payroll, as long as the ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

The unfunded liability of \$78,269,000 as of June 30, 2014 represents a decrease of \$28,029,000 from \$106,298,000 as shown in the June 30, 2012 valuation.

The unfunded liability had been expected to increase \$1,065,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less contributions. The decrease was the net effect of the following:

- An **actuarial experience gain** decreased obligations by \$20,831,000. This was the net result of gains and losses due to demographic changes and investment gains.

- **Valuation assumption and plan changes** decreased obligations by \$8,263,000. This was the net result of a *decrease* in obligations due to 1) the net impact of valuation year per capita health costs not increasing as much as projected, including the elimination of legacy HMO and PPO plans, 2) the net impact of revising the future trend on medical/prescription drug costs and Part B premium costs, 3) a change in the non-Medicare and Medicare enrollment assumptions for current and future retirees and 4) a change in the retirement eligibility requirements for members hired on or after April 2, 2012, partially offset by *increases* in obligations and a decrease in the assets due to 5) lowering the discount rate from 7.50% to 7.00%, 6) changes in the demographic assumptions as described in Exhibit II, Section 4, 7) adding a 15% load to the current active population with coverage to reflect higher enrollment at retirement, 8) reflecting the excise tax on high cost health plans beginning in 2018, and 9) changing the asset valuation method. The addition of the excise tax in this valuation results in a 1.08% increase in the actuarial accrued liability and a 2.81% increase in the normal cost. The complete set of assumptions is shown in Exhibit II.

FUNDING SCHEDULES

Following the Summary of the Valuation Results are Funding Schedules for the Town, Municipal Light Plant and Water and Sewer departments that project the additional funding requirements needed to fully fund these obligations. The funding requirements are based on a 23-year amortization of the unfunded liability for the Town and Water and Sewer Departments and an 8-year amortization for the Municipal Light Plant.

SECTION 1: Executive Summary for Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under these statements, all state and local governmental entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

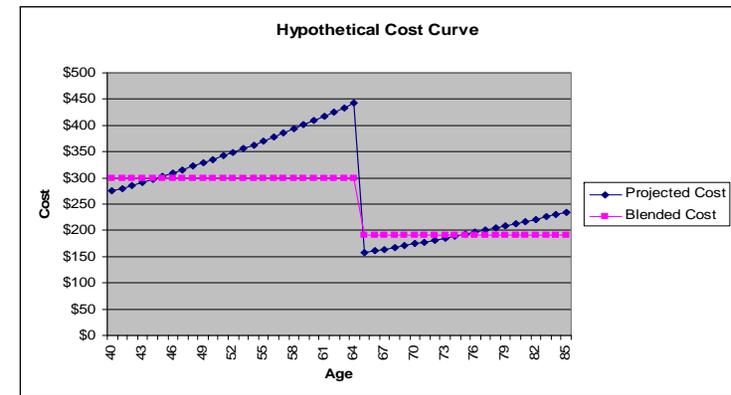
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby recognizing the employer cost of postemployment benefits over an employee’s career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan.

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

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

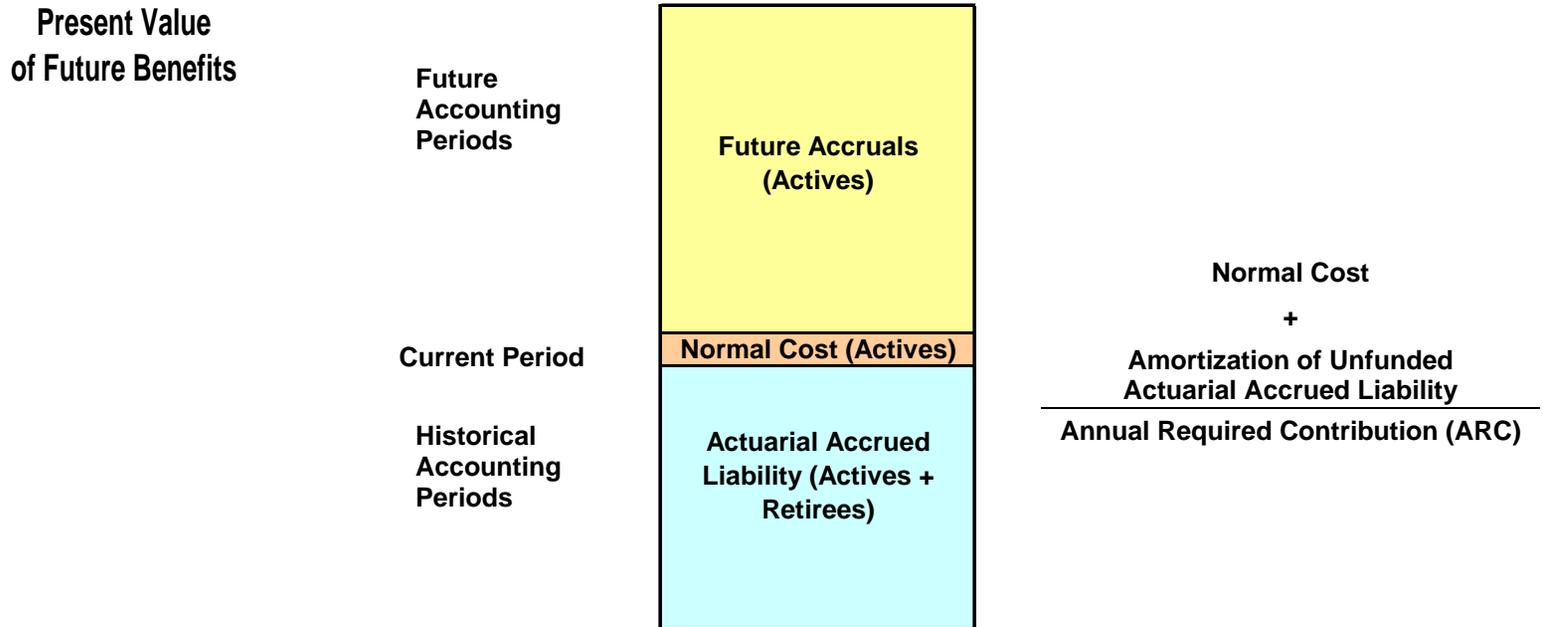


SECTION 1: Executive Summary for Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

The exact breakdown depends on the actuarial cost method and amortization methods selected by the employer.

GASB 43/45 Measurement



$$\text{Net OPEB Obligation} = \text{ARC}_1 + \text{ARC}_2 + \text{ARC}_3 + \dots - \text{Contribution}_1 - \text{Contribution}_2 - \text{Contribution}_3 - \dots$$

SECTION 1: Executive Summary for Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

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

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

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

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

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

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**SUMMARY OF VALUATION RESULTS
ALL DEPARTMENTS**

The key results for the current and prior years are shown on a funded basis.

Actuarial Accrued Liability by Participant Category	7.00% discount rate	7.50% discount rate
	June 30, 2014	June 30, 2012
1. Current retirees, beneficiaries and dependents	\$49,869,889	\$74,733,756
2. Current active members	<u>61,205,308</u>	<u>52,878,186</u>
3. Total as of June 30, 2014: (1) + (2)	\$111,075,197	\$127,611,942
4. Actuarial value of assets as of June 30, 2014	<u>32,806,387</u>	<u>21,313,571</u>
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2014: (3) – (4)	\$78,268,810	\$106,298,371
Annual Required Contribution for Fiscal Year Ending June 30, 2015 and June 30, 2013		
6. Normal cost as of June 30, 2014	\$2,976,455	\$2,575,539
7. Adjustment for timing	<u>50,774</u>	<u>94,837</u>
8. Normal cost adjusted for timing: (6) + (7)	\$3,027,229	\$2,670,376
9. 23-year amortization (8-year for MLP) (increasing 3.5% per year for current valuation and 4% per year for prior valuation) of the UAAL (25-year and 10-year, previously)	\$5,010,075	\$6,399,585
10. Adjustment for timing	<u>85,463</u>	<u>235,646</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$5,095,538	\$6,635,231
12. Total Annual Required Contribution (ARC): (8) + (11)	8,122,767	9,305,607
13. Projected benefit payments	4,768,760	6,765,601

Note: Adjustment for timing assumes payment occurs at the end of the first quarter of the fiscal year for the current valuation and in the middle of the fiscal year for the prior valuation.

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

FUNDING SCHEDULE – ALL OTHER

23 Years Closed (7.00% discount rate, actuarial value of assets and payments increasing at 3.50%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Additional Funding (4) - (1)	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) – (6)
2015	\$4,391,725	\$2,875,262	\$4,536,195	\$7,411,457	\$3,005,870	\$34,152,297	\$107,472,353	\$73,320,056
2016	4,701,338	3,019,025	4,700,866	7,719,891	3,005,870	39,788,251	113,308,492	73,520,241
2017	5,093,465	3,169,976	4,866,280	8,036,256	3,005,870	45,825,641	119,306,349	73,480,708
2018	5,477,228	3,328,475	5,032,055	8,360,530	2,883,302	52,163,472	125,493,839	73,330,367
2019	5,929,447	3,494,898	5,208,177	8,703,075	2,773,629	58,837,549	131,821,760	72,984,211
2020	6,209,615	3,669,643	5,390,463	9,060,107	2,850,491	66,064,618	138,486,669	72,422,051
2021	6,594,080	3,853,126	5,579,129	9,432,255	2,838,175	73,791,410	145,413,461	71,622,051
2022	6,983,070	4,045,782	5,774,399	9,820,181	2,837,111	82,064,821	152,625,439	70,560,618
2023	7,390,620	4,248,071	5,976,503	10,224,574	2,833,954	90,921,240	160,133,501	69,212,261
2024	7,870,165	4,460,475	6,185,680	10,646,155	2,775,990	100,345,090	167,894,542	67,549,452
2025	8,161,770	4,683,498	6,402,179	11,085,677	2,923,908	110,589,371	176,131,850	65,542,479
2026	8,569,858	4,917,673	6,626,255	11,543,929	2,974,070	121,610,728	184,770,005	63,159,277
2027	8,998,351	5,163,557	6,858,174	12,021,731	3,023,380	133,463,016	193,828,276	60,365,260
2028	9,448,269	5,421,735	7,098,211	12,519,945	3,071,676	146,203,715	203,326,845	57,123,131
2029	9,920,682	5,692,821	7,346,648	13,039,469	3,118,787	159,894,160	213,286,843	53,392,683
2030	10,416,716	5,977,462	7,603,781	13,581,243	3,164,527	174,599,811	223,730,398	49,130,587
2031	10,937,552	6,276,336	7,869,913	14,146,248	3,208,696	190,390,516	234,680,674	44,290,158
2032	11,484,430	6,590,152	8,145,360	14,735,512	3,251,082	207,340,813	246,161,928	38,821,115
2033	12,058,651	6,919,660	8,430,447	15,350,107	3,291,456	225,530,239	258,199,549	32,669,311
2034	12,661,584	7,265,643	8,725,513	15,991,156	3,329,572	245,043,663	270,820,119	25,776,456
2035	13,294,663	7,628,925	9,030,906	16,659,831	3,365,168	265,971,647	284,051,458	18,079,811
2036	13,959,396	8,010,371	9,346,988	17,357,359	3,397,963	288,410,821	297,922,688	9,511,866
2037	14,657,366	8,410,890	9,674,132	18,085,022	3,427,656	312,464,293	312,464,293	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.
2015, 2016 and 2017 additional funding amounts are the 2015 budgeted contribution.*

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

FUNDING SCHEDULE – WATER AND SEWER

23 Years Closed (7.00% discount rate, actuarial value of assets and payments increasing at 3.50%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Additional Funding (4) - (1)	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) – (6)
2015	\$93,428	\$73,929	\$159,555	\$233,484	\$157,582	\$1,151,912	\$3,710,829	\$2,558,917
2016	120,042	77,626	164,063	241,689	157,582	1,400,448	3,928,081	2,527,632
2017	150,123	81,507	167,303	248,810	157,582	1,666,913	4,133,508	2,466,594
2018	167,990	85,582	168,916	254,498	86,508	1,877,573	4,339,120	2,461,547
2019	187,174	89,861	174,828	264,690	77,515	2,093,856	4,543,782	2,449,927
2020	201,677	94,355	180,947	275,302	73,624	2,321,441	4,752,497	2,431,056
2021	231,267	99,072	187,280	286,352	55,085	2,545,975	4,950,176	2,404,201
2022	270,565	104,026	193,835	297,861	27,296	2,757,685	5,126,255	2,368,570
2023	309,830	109,227	200,619	309,846	17	2,956,207	5,279,515	2,323,308
2024	294,352	114,689	207,641	322,329	27,978	3,197,770	5,465,260	2,267,490
2025	325,531	120,423	214,908	335,331	9,800	3,437,668	5,637,788	2,200,119
2026	341,808	126,444	222,430	348,874	7,067	3,691,771	5,811,890	2,120,119
2027	358,898	132,766	230,215	362,982	4,083	3,960,824	5,987,153	2,026,329
2028	376,843	139,405	238,273	377,677	834	4,245,609	6,163,105	1,917,496
2029	395,685	146,375	246,612	392,987	(2,698)	4,546,945	6,339,217	1,792,272
2030	415,469	153,694	255,244	408,937	(6,532)	4,865,691	6,514,891	1,649,201
2031	436,243	161,378	264,177	425,556	(10,687)	5,202,743	6,689,459	1,486,716
2032	458,055	169,447	273,423	442,871	(15,184)	5,559,043	6,862,173	1,303,130
2033	480,958	177,920	282,993	460,913	(20,045)	5,935,574	7,032,200	1,096,625
2034	505,006	186,816	292,898	479,714	(25,292)	6,333,367	7,198,612	865,245
2035	530,256	196,156	303,149	499,306	(30,950)	6,753,498	7,360,381	606,883
2036	556,769	205,964	313,760	519,724	(37,045)	7,197,095	7,516,367	319,273
2037	584,607	216,262	324,741	541,004	(43,603)	7,665,334	7,665,334	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.
2015, 2016 and 2017 additional funding amounts are the 2015 budgeted contribution.*

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

FUNDING SCHEDULE – MUNICIPAL LIGHT PLANT

8 Years Closed (7.00% discount, actuarial value of assets and payments increasing at 3.50%)

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (3) + (2)	(5) Additional Funding (4) - (1)	(6) Assets at End of Year	(7) AAL at End of Year	(8) UAAL at End of Year (7) – (6)
2015	\$283,608	\$78,038	\$399,787	\$477,825	\$301,517	\$3,443,958	\$5,919,242	\$2,475,283
2016	315,147	81,940	396,500	478,440	301,517	4,007,808	6,093,803	2,085,995
2017	334,573	86,037	383,633	469,670	301,517	4,611,471	6,264,800	1,653,329
2018	373,313	90,339	359,039	449,378	76,064	5,020,885	6,412,218	1,391,334
2019	380,076	94,855	371,605	466,461	86,385	5,469,935	6,567,714	1,097,778
2020	385,807	99,598	384,612	484,210	98,403	5,963,164	6,733,155	769,991
2021	422,942	104,578	398,073	502,651	79,709	6,471,907	6,877,003	405,096
2022	420,413	109,807	412,006	521,813	101,400	7,039,037	7,039,037	-

*Notes: Adjustment for timing assumes payment occurs at the end of the first quarter.
2015, 2016 and 2017 additional funding amounts are the 2015 budgeted contribution.*

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – 7.00% Discount Rate

	All Other	Municipal Light Department	School Non- Teacher	Teacher	Water and Sewer	WSVD	Total
Actuarial Accrued Liability by Participant Category							
1. Current retirees, beneficiaries and dependents	\$18,374,096	\$2,776,903	\$4,367,813	\$23,577,810	\$773,266	\$0	\$49,869,889
2. Current active members	<u>24,419,115</u>	<u>2,952,543</u>	<u>7,813,311</u>	<u>23,298,769</u>	<u>2,712,429</u>	<u>9,141</u>	<u>61,205,308</u>
3. Total: (1) + (2)	\$42,793,212	\$5,729,447	\$12,181,125	\$46,876,579	\$3,485,695	\$9,141	\$111,075,197
4. Actuarial value of assets	<u>12,166,329</u>	<u>2,922,193</u>	<u>3,462,858</u>	<u>13,324,476</u>	<u>921,614</u>	<u>8,917</u>	<u>32,806,387</u>
5. Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$30,626,882	\$2,807,254	\$8,718,267	\$33,552,103	\$2,564,081	\$224	\$78,268,810
Annual Required Contribution for Fiscal Year Ending June 30, 2015							
6. Normal cost	\$830,485	\$76,729	\$474,561	\$1,519,753	\$72,689	\$2,237	\$2,976,455
7. Adjustment for timing	<u>14,167</u>	<u>1,309</u>	<u>8,095</u>	<u>25,925</u>	<u>1,240</u>	<u>38</u>	<u>50,774</u>
8. Normal cost adjusted for timing: (6) + (7)	\$844,652	\$78,038	\$482,657	\$1,545,678	\$73,929	\$2,275	\$3,027,229
9. 23-year amortization (8-year for MLP) (increasing 3.5% per year) of the UAAL (25-year and 10-year, previously)	\$1,873,856	\$393,082	\$533,413	\$2,052,831	\$156,879	\$14	\$5,010,075
10. Adjustment for timing	<u>31,965</u>	<u>6,705</u>	<u>9,099</u>	<u>35,018</u>	<u>2,676</u>	<u>0</u>	<u>85,463</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$1,905,821	\$399,787	\$542,512	\$2,087,849	\$159,555	\$14	\$5,095,538
12. Total Annual Required Contribution (ARC): (8) + (11)	\$2,750,473	\$477,825	\$1,025,169	\$3,633,527	\$233,484	\$2,289	\$8,122,767
13. Projected benefit payments	1,787,012	283,608	504,534	2,100,167	93,428	12	4,768,760

Note: Adjustment for timing assumes payment occurs at the end of the first quarter of the fiscal year.

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

RECONCILIATION OF OPEB TRUST FUND

	Total
Balance as of July 1, 2012	\$21,313,571
Fiscal year 2013 OPEB contributions	3,425,591
Net investment income	<u>2,299,358</u>
Balance as of June 30, 2013	\$27,038,520
Balance as of July 1, 2013	\$27,038,520
Fiscal year 2014 OPEB contributions	3,461,406
Net investment income	<u>4,618,681</u>
Balance as of June 30, 2014	\$35,118,607

DETERMINATION OF ACTUARIAL VALUE OF ASSETS FOR YEAR ENDED JUNE 30, 2014

1. Market value of assets, June 30, 2014			\$35,118,607
2. Calculation of unrecognized return*	Original	Unrecognized	
	Amount	Return	
(a) Year ended June 30, 2014	\$2,460,990	\$1,968,792	
(b) Year ended June 30, 2013	572,380	343,428	
(c) Total unrecognized return			2,312,220
3. Preliminary actuarial value: (1) - (2c)			32,806,387
4. Adjustment to be within 20% corridor			0
5. Final actuarial value of assets as of June 30, 2014: (3) + (4)			<u>\$32,806,387</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)			93.4%
7. Amount deferred for future recognition: (1) - (5)			\$2,312,220

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

SECTION 2: Valuation Results for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

October 8, 2014

ACTUARIAL CERTIFICATION

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the Town of Wellesley other postemployment benefit programs as of June 30, 2014, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

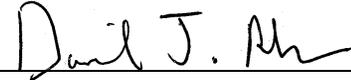
The actuarial valuation is based on the plan of benefits verified by the Town and on participant, premium data and financial information provided by the Town or from vendors employed by the Town. Segal Consulting does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, does review the data for reasonableness and consistency.

The actuarial computations made are for purposes of fulfilling plan accounting requirements. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination or adequacy of funding an ongoing plan.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their “General Qualification Standards for Statements of Actuarial Opinion” to render the actuarial opinion contained herein. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience and expectations of the postemployment benefit programs.



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



Daniel J. Rhodes, FSA, MAAA
Vice President and Consulting Actuary

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

CHART 1
Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Costs	Actual Contributions	Percentage Contributed
2007	--	\$848,562	N/A
2008	\$7,794,493	7,524,218	96.53%
2009	8,159,418	10,491,432	128.58%
2010	8,506,559	9,519,441	111.91%
2011	9,127,366	9,478,438	103.85%
2012	9,636,485	10,162,826	105.46%
2013	9,246,224	10,191,192	110.22%
2014	9,580,885	10,646,660	111.12%
2015	8,076,419	8,233,729	101.95%
2016	8,294,544	--	--

*Notes: 2015 and 2016 information assumes there will be no plan changes that need to be reflected.
2015 actual contributions reflect budgeted amounts.*

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 2
Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
6/30/2008	\$3,961,548	\$109,103,295	\$105,141,747	3.63%	\$61,221,013	171.74%
6/30/2010	11,133,131	125,242,206	114,109,075	8.89%	65,958,262	173.00%
6/30/2012	21,313,571	127,611,942	106,298,371	16.70%	80,220,910	132.51%
6/30/2014	32,806,387	111,075,197	78,268,810	29.54%	--	--

Note: Enter covered payroll for fiscal year 2015.

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**CHART 3
Required Supplementary Information – Net OPEB Obligation/(Asset) (NOO/NOA)**

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Following Date (g)
2007	N/A	N/A	N/A	N/A	N/A	N/A	\$0
2008	\$7,794,493	\$0	\$0	\$7,794,493	\$7,524,218	\$270,275	270,275
2009	8,159,418	0	0	8,159,418	10,491,432	(2,332,014)	(2,061,739)
2010	8,506,559	0	0	8,506,559	9,519,441	(1,012,882)	(3,074,621)
2011	9,182,304	(230,597)	175,659	9,127,366	9,478,438	(351,072)	(3,425,693)
2012	9,764,460	(256,927)	128,952	9,636,485	10,162,826	(526,341)	(3,952,034)
2013	9,305,607	(296,403)	237,020	9,246,224	10,191,192	(944,968)	(4,897,002)
2014	9,646,584	(367,275)	301,576	9,580,885	10,646,660	(1,065,775)	(5,962,777)
2015	8,122,767	(417,394)	371,046	8,076,419	8,233,729	(157,310)	(6,120,087)
2016	8,440,019	(428,406)	282,931	8,294,544	--	--	--

*Notes: 2015 and 2016 information assumes there will be no plan changes that need to be reflected.
2015 actual contributions reflect budgeted amounts.*

SECTION 3: Valuation Details for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**CHART 4
Summary of Required Supplementary Information**

Valuation date	June 30, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 3.5% (previously, 4%)
Remaining amortization period	23 years as of July 1, 2014, closed (8 years as of July 1, 2014, closed for the Municipal Light Plant)
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years, beginning with the year ended June 30, 2013. Unrecognized return is equal to the difference between the actual market 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 assumptions:	
Investment rate of return	7.00% (previously, 7.50%)
Inflation rate	3.50% (previously, 4.00%)
Medical/drug cost trend rate	7.5% decreasing by 0.5% for 5 years to an ultimate level of 5.0% per year
Plan membership:	
Current retirees, beneficiaries, and dependents*	926
Current active participants	<u>920</u>
Total	1,846

* Includes 31 retirees with life insurance only.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

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

**EXHIBIT I
Summary of Participant Data**

	June 30, 2014	June 30, 2012
Active employees covered for medical benefits		
Number of employees		
Male	388	372
Female	<u>532</u>	<u>531</u>
Total	920	903
Average age	45.3	44.8
Average service	10.8	10.5
Retired employees, spouses and beneficiaries covered for medical benefits		
Number of individuals	895	877
Average age	73.5	73.3
Retired employees with life insurance coverage		
Number of individuals*	321	332
Average age	76.5	74.0

* Includes 31 and 35 retirees with life insurance only as of June 30, 2014 and June 30, 2012, respectively.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**EXHIBIT II
Actuarial Assumptions and Actuarial Cost Method**

Data:	Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Wellesley.
Actuarial Cost Method:	Projected Unit Credit
Per Capita Cost Development:	Per capita costs were based on the fully-insured premium rates effective July 1, 2014 (January 1, 2014 for Medicare plans). Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the premium to estimate individual retiree and spouse costs by age and by gender.
Measurement Date:	June 30, 2014
Discount Rate:	7.00% (previously, 7.50%)
Actuarial Value of Assets:	Market value of assets less unrecognized return in each of the last five years, beginning with the year ended June 30, 2013. 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, market value.)
Mortality Rates:	
<i>Pre-Retirement (Non-Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 20 years with Scale AA (previously, projected 12 years)
<i>Healthy (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA (previously, projected 12 years)
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males
<i>Pre-Retirement (Teachers)</i>	RP-2000 Combined Healthy White Collar Table projected 20 years with Scale AA (previously, RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA)

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Group 4 - Rate per year (%)

Mortality

Age	Current		Previously		Disability
	Male	Female	Male	Female	
20	0.02	0.01	0.03	0.02	0.10
25	0.03	0.01	0.03	0.02	0.20
30	0.04	0.02	0.04	0.02	0.30
35	0.07	0.04	0.07	0.04	0.30
40	0.09	0.05	0.10	0.06	0.30
45	0.12	0.08	0.13	0.09	1.00
50	0.15	0.12	0.17	0.14	1.25
55	0.21	0.22	0.24	0.23	1.20
60	0.35	0.36	0.40	0.37	0.85

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

Teachers - Rate per year (%)

Mortality

Age	Male	Female	Disability
20	0.02	0.01	0.00
25	0.03	0.02	0.01
30	0.03	0.02	0.01
35	0.05	0.04	0.01
40	0.08	0.05	0.01
45	0.10	0.07	0.03
50	0.14	0.11	0.05
55	0.23	0.22	0.07
60	0.40	0.42	0.07

*Notes: 35% of the rates shown represent accidental disability.
55% of the death rates shown represent accidental death.*

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Previously,

Age	Teachers - Rate per year (%)		
	Mortality	Female	Disability
20	0.03	0.02	0.00
25	0.03	0.02	0.01
30	0.04	0.02	0.01
35	0.07	0.04	0.01
40	0.10	0.06	0.01
45	0.13	0.10	0.03
50	0.18	0.14	0.05
55	0.25	0.23	0.08
60	0.42	0.37	0.10

*Notes: 35% of the rates shown represent accidental disability.
55% of the death rates shown represent accidental death.*

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Withdrawal Rates:

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Withdrawal Rates:

Age	Teachers - Rate per year (%)					
	0 Years of Service		5 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	13.0	10.0	5.5	7.0	1.5	5.0
30	15.0	15.0	5.4	8.8	1.5	4.5
40	13.3	10.5	5.2	5.0	1.7	2.2
50	16.2	9.8	7.0	5.0	2.3	2.0

Previously,

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Retirement Rates:

Age	Rate per year (%)		
	Groups 1 and 2		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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Age	Teachers - Rate per year (%)					
	Years of Service					
	Less than 20		20 – 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 - 52	--	--	1.0	1.0	2.0	1.5
53	--	--	1.5	1.0	2.0	1.5
54	--	--	2.5	1.0	2.0	2.0
55	5.0	3.0	3.0	3.0	6.0	5.0
56	5.0	3.0	6.0	5.0	20.0	15.0
57	5.0	4.0	10.0	8.0	40.0	35.0
58	5.0	8.0	15.0	10.0	50.0	35.0
59	10.0	8.0	20.0	15.0	50.0	35.0
60	10.0	10.0	25.0	20.0	40.0	35.0
61	20.0	12.0	30.0	25.0	40.0	35.0
62	20.0	12.0	35.0	30.0	35.0	35.0
63	25.0	15.0	40.0	30.0	35.0	35.0
64	25.0	20.0	40.0	30.0	35.0	35.0
65	25.0	25.0	40.0	40.0	35.0	35.0
66	30.0	25.0	30.0	30.0	40.0	35.0
67	30.0	30.0	30.0	30.0	40.0	30.0
68	30.0	30.0	30.0	30.0	40.0	30.0
69	30.0	30.0	30.0	30.0	40.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Previously,

Age	Teachers Rate per year (%) Years of Service					
	Less than 20		20 - 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 – 53	--	--	1.0	1.5	2.0	2.0
54	--	--	1.0	1.5	2.0	2.0
55	3.0	2.0	3.0	3.0	6.0	6.0
56	8.0	2.0	5.0	3.0	20.0	15.0
57	15.0	8.0	8.0	7.0	35.0	30.0
58	15.0	10.0	10.0	7.0	50.0	35.0
59	20.0	15.0	20.0	11.0	50.0	35.0
60	15.0	20.0	20.0	16.0	50.0	35.0
61	30.0	20.0	25.0	20.0	50.0	35.0
62	20.0	25.0	30.0	30.0	40.0	40.0
63	30.0	24.0	30.0	30.0	40.0	30.0
64	40.0	20.0	30.0	30.0	40.0	35.0
65	40.0	30.0	40.0	40.0	50.0	35.0
66	40.0	30.0	30.0	30.0	50.0	35.0
67	40.0	30.0	30.0	30.0	50.0	30.0
68	40.0	30.0	30.0	30.0	50.0	30.0
69	40.0	30.0	30.0	30.0	50.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

Dependents:

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 65% were assumed to have an eligible spouse who also opts for health coverage at that time.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Per Capita Health Costs:

Fiscal 2014 - 2015 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Non-Medicare Rate Saver Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$8,408	\$10,548	\$5,215	\$7,873	N/A	N/A	N/A	N/A
50	9,979	11,367	6,971	9,127	N/A	N/A	N/A	N/A
55	11,852	12,236	9,328	10,565	N/A	N/A	N/A	N/A
60	14,075	13,189	12,487	12,253	N/A	N/A	N/A	N/A
65	16,716	14,209	16,716	14,209	\$3,650	\$3,103	\$3,650	\$3,103
70	19,374	15,312	19,374	15,312	4,230	3,343	4,230	3,343
75	20,878	16,482	20,878	16,482	4,559	3,599	4,559	3,599
80	22,483	17,769	22,483	17,769	4,909	3,880	4,909	3,880

Medicare Advantage Plan: \$3,153

Annual Medicare Part B Reimbursement: \$629

Weighted Average Annual Retiree Contribution Amount:

Non-Medicare Plans: \$2,158

Medicare Supplement Plans: \$1,978

Medicare Advantage Plans: \$1,577

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

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

Year Ending June 30	Medical/Drug	Medicare Part B Premium
2015	7.5%	5.0%
2016	7.0%	5.0%
2017	6.5%	5.0%
2018	6.0%	5.0%
2019	5.5%	5.0%
2020 & later	5.0%	5.0%

Retiree Contribution Increase Rate: Retiree contributions for medical and prescription drug coverage are expected to increase with medical trend.

Participation and Coverage Election: 115% (previously, 100%) of active employees with coverage are assumed to elect retiree coverage.

100% of retirees over age 65 are assumed to remain with their current medical plan for life.

For future retirees hired prior to 1986 and current retirees under age 65, 75% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 15% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to remain enrolled in a non-Medicare plan. (Previously, 62%, 18%, and 20%, respectively)

For future retirees hired in 1986 or later, 80% are assumed to enroll in a Medicare Supplement plan upon reaching age 65 and 20% are assumed to enroll in a Medicare Advantage plan upon reaching age 65. (Previously, 77% and 23%, respectively)

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

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses for self-insured plans were based on current vendor contractual rates and fees.
Annual Maximum Benefits:	No increase in the annual maximum benefit levels was assumed.
Lifetime Maximum Benefits:	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
Missing Participant Data:	A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.
Health Care Reform Assumption:	This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 (reflected with this valuation) and those previously adopted as of the valuation date. The addition of the excise tax in this valuation increased the actuarial accrued liability by 1.08% and normal cost by 2.81%.
Demographic Assumptions:	The demographic assumptions used in this valuation are the same as used in the Town of Wellesley Contributory Retirement System's pension valuation as of January 1, 2013, dated August 13, 2013 completed by Segal Consulting, with the exception of the mortality assumption projection and the January 1, 2013 Actuarial Valuation Report for the Massachusetts State Teachers Retirement System dated October 31, 2013. A review of the demographic assumptions is beyond the scope of this assignment, however, we have no reason to doubt the reasonableness of the assumptions.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**Assumption Changes
since Prior Valuation:**

The discount rate was lowered from 7.50% to 7.00%.

The asset valuation method was changed from market value to a method that recognizes gains and losses over a five-year period.

The per capita health costs were updated to reflect current experience.

The mortality assumption was changed to match the assumption used in the January 1, 2013 Actuarial Valuation Report of the Town of Wellesley Contributory Retirement System dated August 13, 2013 (with the exception of the mortality assumption which has a projection of 20 years for pre-retirement), and the January 1, 2013 Actuarial Valuation Report of the Massachusetts State Teachers Retirement System dated October 31, 2013.

The medical/prescription drug and Part B trend assumptions were revised.

The non-Medicare and Medicare enrollment assumptions were updated for current and future retirees to reflect recent experience.

A 15% load was added to the current active population with coverage to reflect higher enrollment at retirement.

The excise tax on high cost health plans beginning in 2018 was included in this valuation.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

**EXHIBIT III
Summary of Plan**

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:	Retired and receiving a pension from the Town of Wellesley Contributory Retirement System or Massachusetts State Teachers Retirement System.
<i>Members hired before April 2, 2012</i>	Group 1 and Group 2 (including Teachers): <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 55;➤ Retirees with at least 20 years of creditable service are eligible at any age. Group 4 <ul style="list-style-type: none">➤ Retirees are eligible at age 55;➤ Retirees with at least 20 years of creditable service are eligible at any age.
<i>Members hired on or after April 2, 2012</i>	Group 1 (including Teachers): <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 60. Group 2 <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 55. Group 4 <ul style="list-style-type: none">➤ Retirees are eligible at age 55;➤ Retirees with at least 10 years of creditable service are eligible at age 50. Disability: Accidental (job-related) Disability has no age or service requirement. Ordinary (non-job related) Disability has no age requirement but requires 10 years of creditable service.

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

Pre-Retirement Death: Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age. Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service.

Post-Retirement Death: Surviving spouse is eligible.

Benefit Types:	The Town of Wellesley participates in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, Tufts Health Plan, and Fallon Community Health Plan. The Town of Wellesley also pays 50% of the retiree life insurance premium and 50% of the Medicare Part B premium.
Duration of Coverage:	Lifetime.
Dependent Benefits:	Medical and Prescription Drugs.
Dependent Coverage:	Benefits are payable to a spouse for their lifetime, regardless of when the retirees dies.
MGL Chapter 32B, Section 18A:	Effective July 1, 2011.
Retiree Contributions:	Premium rates and retiree contributions as of January 1, 2014 and July 1, 2014 are summarized on the following pages:

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

	Subscribers				Monthly Premium (eff. 7/1/2014)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree	Total	Retirees 65 and over*					
<u>Non-Medicare Actives and Retirees</u>									
HPHC HMO Rate Saver									
Individual	214	43	257	10	\$645.00	\$530.84	\$114.16	17.7%	50.0%
Family	372	32	404	8	\$1,682.00	\$1,333.83	\$348.17	20.7%	50.0%
Tufts HMO Navigator Rate Saver									
Individual	70	24	94	20	\$734.00	\$585.73	\$148.27	20.2%	50.0%
Family	140	9	149	2	\$1,922.00	\$1,476.10	\$445.90	23.2%	50.0%
BCBS Network Blue NE Rate Saver									
Individual	45	14	59	3	\$740.00	\$615.68	\$124.32	16.8%	50.0%
Family	36	7	43	1	\$1,984.00	\$1,529.66	\$454.34	22.9%	50.0%
Fallon Select Care Rate Saver									
Individual	14	0	14	0	\$550.00	\$446.60	\$103.40	18.8%	50.0%
Family	15	3	18	0	\$1,483.00	\$1,147.84	\$335.16	22.6%	50.0%
Fallon Direct Care Rate Saver									
Individual	11	1	12	0	\$513.00	\$416.56	\$96.44	18.8%	50.0%
Family	3	0	3	0	\$1,378.00	\$1,066.57	\$311.43	22.6%	50.0%
HPHC PPO									
Individual	0	4	4	3	\$1,890.00	\$945.00	\$945.00	50.0%	50.0%
Family	0	0	0	0	\$4,197.00	\$2,098.50	\$2,098.50	50.0%	50.0%
<u>Non-Medicare Total</u>									
	920	137	1057	47					

SECTION 4: Supporting Information for the Town of Wellesley June 30, 2014 Measurement Under GASB 43 and 45

	Subscribers			Monthly Premium (eff. 1/1/2014)	Town cost	Retiree cost	Retiree Cost %	Surviving Spouse Cost %
	Active	Retiree	Total					
<u>Medicare Supplement Plans</u>								
BCBS Medex	N/A	161	161	\$311.63	\$155.82	\$155.82	50.0%	50.0%
HPHC Medicare Enhance	N/A	109	109	\$328.33	\$164.17	\$164.17	50.0%	50.0%
BCBS Managed Blue for Seniors	N/A	8	8	\$267.18	\$133.59	\$133.59	50.0%	50.0%
Tufts Medicare Plus	N/A	73	73	\$320.00	\$160.00	\$160.00	50.0%	50.0%
<u>Medicare Advantage Plans</u>								
Tufts Medicare Preferred	N/A	73	73	\$252.00	\$126.00	\$126.00	50.0%	50.0%
Fallon Senior	N/A	3	3	\$278.00	\$139.00	\$139.00	50.0%	50.0%
<u>Medicare Total</u>		427	427					
<u>Retiree Total**</u>		564						

* 47 of 474 over-65 retirees are in a non-Medicare plan.
 ** In addition, there are 331 spouses of retirees covered under an individual or family policy.

Retiree Life: \$5,000

Plan Changes

Since the Prior Valuation: The legacy non-Medicare HMO and PPO plans are no longer offered to current and future retirees.

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