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June 8, 2011

Mr. Robert Palmer
Town Treasurer
Town of Natick, MA
13 East Central Street
Natick, MA 01760

RE: July 1, 2010 Actuarial Valuation of Postretirement Welfare Benefits

Dear Robert,

Enclosed are five copies of the report covering the July 1, 2010 valuation of postretirement benefits offered to current and future retirees of the Town of Natick, MA.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation. Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45).

Please call me if you have any questions.

Sincerely,

USI CONSULTING GROUP

A handwritten signature in cursive script, appearing to read "R. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

Enclosures



**A Postretirement Welfare Benefit
GASB 45 Actuarial Valuation
As of July 1, 2010**

For:

Town of Natick, MA

Prepared by:
The USI Consulting Group

June 8, 2011



June 8, 2011

Town of Natick, MA
13 East Central Street
Natick, MA 01760

RE: July 1, 2010 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Natick, MA as of July 1, 2010. The numbers presented in this report reflect the adoption, by the Town of Natick, MA, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

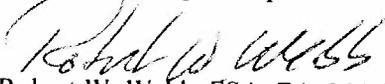
The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years beginning July 1, 2010 and July 1, 2011.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group


Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Lauren Schneider
OPEB Actuarial Consultant



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Section I

Executive Summary

The section presents the results of the July 1, 2010 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2011. Estimated June 30, 2011 and June 30, 2012 disclosures are included in Section III

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

<u>Fiscal Year Ending June 30, 2011</u>	<u>Total</u>
<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$15,985,607
<i>Present Value of Future Benefit Payments</i>	\$182,468,915
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$119,187,237
<i>Annual Required Contribution (30 year amortization)</i>	\$11,097,529
<i>Annual OPEB Cost</i>	\$11,022,244
<i>Expected Benefit Payment</i>	\$3,704,594

<u>Fiscal Year Ending June 30, 2012</u>	
<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$23,303,254
<i>Present Value of Future Benefit Payments</i>	\$187,592,403
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$126,019,580
<i>Annual Required Contribution (30 year amortization)</i>	\$11,688,669
<i>Annual OPEB Cost</i>	\$11,552,723
<i>Expected Benefit Payment</i>	\$3,808,433

Economic Assumptions

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

<u>Assumption Selection Date</u>	<u>July 1, 2010</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2010 Medical / Rx Trend Rates</i>	9.00%
<i>Ultimate Medical / Rx Trend Rate</i>	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2014
<i>Annual Payroll Increase</i>	2.50%

* Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Experience Gains and Losses

The plan had an accumulated experience gain over the past two years, primarily due to health care increasing less than assumed. The impact of the gain on the actuarial accrued liability is provided in Appendix II.

Accounting for Postretirement Benefits

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2010. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the January 1, 2011 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

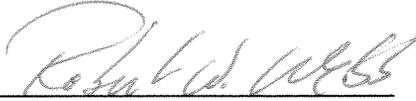
All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification (cont.)

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR 2010 BY BENEFIT

	<u>Medical</u>	<u>Life</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>			
A. Retirees/Disableds	\$57,401,151	\$1,112,157	\$58,513,308
B. Active Employees	<u>\$123,293,189</u>	<u>\$662,418</u>	<u>\$123,955,607</u>
C. Total	\$180,694,340	\$1,774,575	\$182,468,915
<i>II. Actuarial Accrued Liability</i>			
A. Retirees/Disableds	\$57,401,151	\$1,112,157	\$58,513,308
B. Active Employees	<u>\$60,277,493</u>	<u>\$396,436</u>	<u>\$60,673,929</u>
C. Total	\$117,678,644	\$1,508,593	\$119,187,237
<i>III. Actuarial Assets</i>	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$117,678,644	\$1,508,593	\$119,187,237
<i>V. Annual Required Contribution (ARC)</i>			
A. Normal Cost	\$5,587,953	\$30,137	\$5,618,090
B. Supplemental Cost	\$5,058,435	\$65,416	\$5,123,851
C. Compound Interest to Year End	<u>\$353,139</u>	<u>\$2,449</u>	<u>\$355,588</u>
D. Annual Required Contribution [A. + B. + C.]	\$10,999,527	\$98,002	\$11,097,529
<i>VI. Net OPEB Obligation</i>	\$15,921,527	\$64,080	\$15,985,607
<i>VII. Interest on net OPEB Obligation</i>	\$636,861	\$2,563	\$639,424
<i>VIII. Adjustment to ARC</i>	(\$711,844)	(\$2,865)	(\$714,709)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V. + VII. - VIII.]</i>	\$10,924,544	\$97,700	\$11,022,244
<i>X. Expected Benefit Payments</i>			
A. Retirees/Disableds	\$3,503,472	\$68,921	\$3,572,393
B. Active Employees	<u>\$132,469</u>	<u>(\$268)</u>	<u>\$132,201</u>
C. Total	\$3,635,941	\$68,653	\$3,704,594

EXECUTIVE SUMMARY DETAIL

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
 AND ANNUAL OPEB COST FOR 2010 BY GROUP-COUNTY

	<u>Government</u>	<u>Public Safety</u>	<u>Education</u>	<u>Public Works</u>	<u>HHS</u>	<u>Culture & Recreation</u>	<u>Library</u>	<u>Water & Sewer</u>	<u>Golf</u>	<u>Retirees</u>	<u>Total</u>
I. Present value of Future benefits											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$58,513,308	\$58,513,308
B. Active Employees	\$6,655,933	\$29,173,850	\$75,317,890	\$4,639,141	\$624,562	\$1,353,995	\$2,887,017	\$3,075,992	\$227,227	\$0	\$123,955,607
C. Total	\$6,655,933	\$29,173,850	\$75,317,890	\$4,639,141	\$624,562	\$1,353,995	\$2,887,017	\$3,075,992	\$227,227	\$58,513,308	\$182,468,915
II. Actuarial Accrued Liability											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$58,513,308	\$58,513,308
B. Active Employees	\$3,500,879	\$16,901,085	\$32,599,810	\$2,641,736	\$349,000	\$949,165	\$1,732,030	\$1,895,180	\$105,044	\$0	\$60,673,929
C. Total	\$3,500,879	\$16,901,085	\$32,599,810	\$2,641,736	\$349,000	\$949,165	\$1,732,030	\$1,895,180	\$105,044	\$58,513,308	\$119,187,237
III. Actuarial Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$3,500,879	\$16,901,085	\$32,599,810	\$2,641,736	\$349,000	\$949,165	\$1,732,030	\$1,895,180	\$105,044	\$58,513,308	\$119,187,237
V. Annual Required Contribution (ARC)											
A. Normal Cost	\$350,060	\$1,171,976	\$3,632,933	\$156,199	\$31,118	\$42,680	\$127,938	\$87,501	\$17,685	\$0	\$5,618,090
B. Supplemental Cost	\$147,833	\$722,706	\$1,405,684	\$116,334	\$15,548	\$40,804	\$74,375	\$81,817	\$4,433	\$2,514,318	\$5,123,852
C. Compound Interest to Year End	\$19,760	\$75,050	\$200,054	\$10,808	\$1,848	\$3,308	\$8,003	\$6,745	\$885	\$29,125	\$355,586
D. Annual Required Contribution [A. + B. + C.]	\$517,653	\$1,969,732	\$5,238,671	\$283,341	\$48,514	\$86,792	\$210,316	\$176,063	\$23,003	\$2,543,443	\$11,097,528
VI. Net OPEB Obligation	\$705,836	\$3,322,910	\$11,449,970	\$786,182	\$229,812	\$188,092	\$441,071	\$359,768	\$40,341	(\$1,538,376)	\$15,985,606
VII. Interest on net OPEB Obligation	\$28,233	\$132,916	\$457,999	\$31,447	\$9,192	\$7,524	\$17,643	\$14,591	\$1,614	(\$61,535)	\$639,424
VIII. Adjustment to ARC	(\$31,558)	(\$148,566)	(\$511,922)	(\$35,150)	(\$10,275)	(\$8,409)	(\$19,720)	(\$16,085)	(\$1,803)	\$68,780	(\$714,709)
IX. Annual OPEB Cost (Expense) [IV. + VII. - VIII.]	\$514,328	\$1,954,082	\$5,184,748	\$279,638	\$47,431	\$85,907	\$208,239	\$174,369	\$22,814	\$2,550,688	\$11,022,243
X. Expected Benefit Payments											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,572,393	\$3,572,393
B. Active Employees	\$7,769	\$36,862	\$74,549	\$4,666	\$941	\$1,549	\$4,499	\$1,366	\$0	\$0	\$132,201
C. Total	\$7,769	\$36,862	\$74,549	\$4,666	\$941	\$1,549	\$4,499	\$1,366	\$0	\$3,572,393	\$3,704,594

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR 2011 BY BENEFIT

	<u>Medical</u>	<u>Life</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>			
A. Retirees/Disableds	\$58,285,425	\$1,109,453	\$59,394,878
B. Active Employees	<u>\$127,519,342</u>	<u>\$678,183</u>	<u>\$128,197,525</u>
C. Total	\$185,804,767	\$1,787,636	\$187,592,403
<i>II. Actuarial Accrued Liability</i>			
A. Retirees/Disableds	\$58,285,425	\$1,109,453	\$59,394,878
B. Active Employees	<u>\$66,203,888</u>	<u>\$420,814</u>	<u>\$66,624,702</u>
C. Total	\$124,489,313	\$1,530,267	\$126,019,580
<i>III. Actuarial Assets</i>	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$124,489,313	\$1,530,267	\$126,019,580
<i>V. Annual Required Contribution (ARC)</i>			
A. Normal Cost	\$5,727,652	\$30,890	\$5,758,542
B. Supplemental Cost	\$5,485,551	\$68,250	\$5,553,802
C. Compound Interest to Year End	<u>\$373,730</u>	<u>\$2,595</u>	<u>\$376,325</u>
D. Annual Required Contribution [A. + B. + C.]	\$11,586,933	\$101,735	\$11,688,669
<i>VI. Net OPEB Obligation</i>	\$23,210,127	\$93,127	\$23,303,254
<i>VII. Interest on net OPEB Obligation</i>	\$928,405	\$3,725	\$932,130
<i>VIII. Adjustment to ARC</i>	(\$1,063,808)	(\$4,268)	(\$1,068,076)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V. + VII. - VIII.]</i>	\$11,451,530	\$101,192	\$11,552,723
<i>X. Expected Benefit Payments</i>			
A. Retirees/Disableds	\$3,566,491	\$69,703	\$3,636,194
B. Active Employees	<u>\$173,422</u>	<u>(\$1,183)</u>	<u>\$172,239</u>
C. Total	\$3,739,913	\$68,520	\$3,808,433

EXECUTIVE SUMMARY DETAIL

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
 AND ANNUAL OPEB COST FOR 2011 BY GROUP-COUNTY

	<u>Government</u>	<u>Public Safety</u>	<u>Education</u>	<u>Public Works</u>	<u>HHS</u>	<u>Culture & Recreation</u>	<u>Library</u>	<u>Water & Sewer</u>	<u>Golf</u>	<u>Retirees</u>	<u>Total</u>
I. Present value of Future benefits											
A. Retirees/Disableds	\$134,226	\$949,910	\$1,320,825	\$84,988	\$12,644	\$26,175	\$85,485	\$29,922	\$0	\$56,750,706	\$59,394,878
B. Active Employees	\$6,910,738	\$29,264,971	\$78,880,280	\$4,729,131	\$642,160	\$1,368,851	\$2,948,095	\$3,165,459	\$234,561	\$53,281	\$128,197,525
C. Total	\$7,044,964	\$30,214,880	\$80,201,104	\$4,814,119	\$654,804	\$1,395,025	\$3,033,580	\$3,195,381	\$234,561	\$56,803,987	\$187,592,403
II. Actuarial Accrued Liability											
A. Retirees/Disableds	\$134,226	\$949,910	\$1,320,825	\$84,988	\$12,644	\$26,175	\$85,485	\$29,922	\$0	\$56,750,706	\$59,394,878
B. Active Employees	\$3,862,828	\$17,808,482	\$36,285,203	\$2,820,106	\$381,720	\$1,003,765	\$1,844,295	\$2,030,673	\$127,638	\$459,995	\$66,624,702
C. Total	\$3,997,054	\$18,758,391	\$37,606,027	\$2,905,094	\$394,363	\$1,029,939	\$1,929,779	\$2,060,595	\$127,638	\$57,210,700	\$126,019,580
III. Actuarial Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAAL)	\$3,997,054	\$18,758,391	\$37,606,027	\$2,905,094	\$394,363	\$1,029,939	\$1,929,779	\$2,060,595	\$127,638	\$57,210,700	\$126,019,580
V. Annual Required Contribution (ARC)											
A. Normal Cost	\$358,812	\$1,201,275	\$3,723,756	\$160,104	\$31,896	\$43,747	\$131,136	\$89,689	\$18,127	\$0	\$5,758,542
B. Supplemental Cost	\$172,345	\$819,685	\$1,651,658	\$130,620	\$17,879	\$45,305	\$84,637	\$90,994	\$5,482	\$2,535,197	\$5,553,802
C. Compound Interest to Year End	\$21,013	\$79,733	\$212,780	\$11,489	\$1,963	\$3,516	\$8,496	\$7,186	\$944	\$29,205	\$376,325
D. Annual Required Contribution [A. + B. + C.]	\$552,171	\$2,100,693	\$5,588,194	\$302,213	\$51,738	\$92,568	\$224,269	\$187,869	\$24,553	\$2,564,402	\$11,688,669
VI. Net OPEB Obligation	\$1,212,394	\$5,240,130	\$16,560,169	\$1,061,154	\$276,302	\$272,450	\$644,811	\$532,770	\$63,153	(\$2,560,080)	\$23,303,254
VII. Interest on net OPEB Obligation	\$48,496	\$209,605	\$662,407	\$42,446	\$11,052	\$10,898	\$25,792	\$21,311	\$2,526	(\$102,403)	\$932,130
VIII. Adjustment to ARC	(\$55,569)	(\$240,175)	(\$759,015)	(\$48,637)	(\$12,664)	(\$12,487)	(\$29,554)	(\$24,419)	(\$2,895)	\$117,338	(\$1,068,076)
IX. Annual OPEB Cost (Expense) [VI. + VII. - VIII.]	\$545,098	\$2,070,123	\$5,491,585	\$296,022	\$50,126	\$90,979	\$220,507	\$184,761	\$24,185	\$2,579,337	\$11,552,723
X. Expected Benefit Payments											
A. Retirees/Disableds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,636,194	\$3,636,194
B. Active Employees	\$11,654	\$55,293	\$111,824	\$6,999	\$1,413	\$2,324	\$6,749	\$2,049	\$0	\$189,507	\$172,239
C. Total	\$11,654	\$55,293	\$111,824	\$6,999	\$1,413	\$2,324	\$6,749	\$2,049	\$0	\$3,610,128	\$3,808,433

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

As of July 1, 2011

	<u>Actives</u>	<u>Retirees*</u>	<u>Total</u>
Male	376	258	634
Female	<u>608</u>	<u>301</u>	<u>909</u>
Total	984	559	1,543

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	110	110
30 - 34	0	128	128
35 - 39	0	98	98
40 - 44	3	97	100
45 - 49	23	112	135
50 - 54	34	102	136
55 - 59	94	62	156
60 - 64	71	24	95
<u>65 and over</u>	<u>18</u>	<u>8</u>	<u>26</u>
Total	243	741	984

CURRENT RETIREES:

<u>Age</u>	<u>Retirees*</u>	<u>Spouses</u>	<u>Total</u>
54 and under	2	0	2
55 - 59	19	15	34
60 - 64	86	53	139
65 - 69	103	55	158
70 - 74	107	38	145
75 - 79	89	45	134
<u>80 and over</u>	<u>153</u>	<u>48</u>	<u>201</u>
Total	559	254	813

* Retirees includes surviving spouses

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

As of July 1, 2011

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	32.2
Females	37.1
Total	35.2

B. Average Service

Males	12.1
Females	9.2
Total	10.3

C. Average Current Age

Males	44.3
Females	46.3
Total	45.5

CURRENT RETIREES:

D. Average Current Age

Males	71.9
Females	75.2
Total	73.7

Section III

Financial Statement Disclosure

**This section provides the required information and notes to the Financial Statements
For the fiscal year ending June 30, 2011.**

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1.) GASB 45 DISCLOSURE FINANCIALS – ALL DIVISIONS

A. Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2010 - 6/30/2011</u>	<u>7/1/2011 - 6/30/2012</u>
1. Annual Required Contribution (ARC)	\$11,097,526	\$11,688,669
2. Interest on net OPEB Obligation	\$639,424	\$932,130
3. Adjustment to ARC	<u>(\$714,709)</u>	<u>(\$1,068,076)</u>
4. Annual OPEB Cost (Expense)	\$11,022,241	\$11,552,723
5. Contribution made (assumed middle of year) *	<u>(\$3,704,594)</u>	<u>(\$3,808,433)</u>
6. Increase in net OPEB Obligation	\$7,317,647	\$7,744,290
7. Net OPEB Obligation - beginning of year	<u>\$15,985,606</u>	<u>\$23,303,253</u>
8. Net OPEB Obligation - end of year	\$23,303,253	\$31,047,543

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2011 / 2012 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % of Pay</u>
6/30/2011	\$11,022,241	33.6%	\$23,303,253	#N/A	#N/A
6/30/2012	\$11,552,723	33.0%	\$31,047,543	#N/A	#N/A

B. Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</u>
7/1/2008	\$ -	\$111,743,502	\$111,743,502	0.0%	\$59,832,150	186.8%
7/1/2010	\$ -	\$119,187,237	\$119,187,237	0.0%	#N/A	#N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2010 Medical / Rx Trend Rates	9.00%
- Ultimate Medical / Rx Trend Rate	5.00%
- Year Ultimate Trend Rates Reached	2014
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2011	28.13
- Annual Payroll Increase	2.50%

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND LIFE INSURANCE PLANS:

a. Plan Types:

Medical

Insured through the West Suburban Health Group. Pre Medicare Options: Harvard Pilgrim PPO, Tufts Point of Service, Harvard Pilgrim EPO, Network Blue, Tufts EPO, Fallon Direct Care, Fallon Select Care, Blue Option Rate Saver, Fallon Direct Rate Saver, Fallon Select Rate Saver, Harvard Pilgrim Rate Saver, Tufts Navigator Rate Saver

Post Medicare Options: Medex III, HPHC Medicare Enhanced, Tufts Medicare Compliment, Managed Blue for Seniors, Tufts Medicare Preferred HMO, Blue Medicare PFFS, Fallon Senior Plan, HP 1st Sen. Freedom PFFS, Medicare HMO Blue, Tufts Medicare Preferred PFFS

Life Insurance

Insured through Boston Mutual

b. Eligibility:

Age 55 or older with 10 years of service or any age with at least 20 years of service

c. Benefit/Cost Sharing:

The town covers 50% of the health and life insurance premium. The town contributes the corresponding percentages shown below for Medicare supplement plans. This decrease in percentage accounts for the Medicare part B reimbursement. After July 1, 2011 all employees are required to go into rate saver plans and the town covers 90% of medical premiums.

d. Spouse Benefit:

The town covers 50% of the spouse's medical premium and 80% of rate saver family plans.

e. Surviving Spouse Benefit:

Yes. The town covers 50% of the surviving spouse's medical premium.

f. Annual Medical Premiums:

<u>Non-Medicare Plans:</u>	Individual	Family
Harvard Pilgrim PPO:	\$ 17,040.00	\$ 37,848.00
Tufts POS:	\$ 17,040.00	\$ 37,848.00
HP EPO:	\$ 8,280.00	\$ 21,576.00
Network Blue:	\$ 8,784.00	\$ 23,556.00
Tufts EPO:	\$ 8,760.00	\$ 22,920.00
Fallon Direct Care:	\$ 6,816.00	\$ 18,420.00
Fallon Select Care:	\$ 7,356.00	\$ 19,812.00

FINANCIAL STATEMENT DISCLOSURE (cont.)

<u>Rate Saver Plans</u> (7/1/2011-6/30/2012)		<u>Retiree Contribution</u>	
Blue Option Rate Saver	\$ 7,236.00	\$ 19,440.00	10.0%
Fallon Direct Rate Saver	\$ 5,820.00	\$ 15,660.00	10.0%
Fallon Select Rate Saver	\$ 6,252.00	\$ 16,848.00	10.0%
HP Rate Saver	\$ 7,032.00	\$ 18,348.00	10.0%
Tufts Nav Rate Saver	\$ 7,440.00	\$ 19,476.00	10.0%

Medicare Plans (1/1/2011-12/31/2011)

	<u>Premium</u>	<u>Retiree Contribution</u>
Medex III	\$ 5,184.00	38.84%
HPHC Medicare Enhance:	\$ 4,872.00	38.13%
Tufts Medicare Compliment:	\$ 4,680.00	37.64%
Managed Blue for Seniors:	\$ 5,137.32	38.74%
Tufts Medicare Preferred HMO:	\$ 2,904.00	30.08%
Fallon Senior Plan:	\$ 3,204.00	31.95%
HP 1 st Seniority Freedom PFFS:	\$ 3,516.00	
Medicare HMO Blue:	\$ 4,143.96	
Tufts Medicare Prime Supp:	\$ 3,936.00	35.30%

g. Annual Life Insurance Premium \$4.20 per \$5,000 of life insurance per annum

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.00% was used.

2. **Mortality:** For healthy participants: the mortality rates are from the RP-2000 Combined mortality table projected to 2010 with projection scale AA. For disabled participants: the mortality rates are from the RP-2000 Combined mortality table set forward 3 years for males.

3. **Retirement Rates:**

Group 1

<u>Age</u>	<u>Male</u>	<u>Female</u>
45	0%	0%
50	1.5%	3.0%
55	4.0%	5.0%
60	8.0%	8.0%
65	25.0%	25.0%
70+	100.0%	100.0%

Group 4

<u>Age</u>	<u>Unisex</u>
45	4.0%
50	5.0%
55	25.0%
60	20.0%
65	65.0%
70+	100.0%

Teachers

<u>Age</u>	<u><20</u>	<u>20-29</u>	<u>30+</u>
55	3.0% / 2.0%	3.0% / 3.0%	6.0% / 6.0%
60	15.0% / 20.0%	20.0% / 16.0%	50.0% / 35.0%
62	20.0% / 25.0%	30.0% / 30.0%	40.0% / 35.0%
65	40.0% / 30.0%	40.0% / 30.0%	50.0% / 35.0%
70	100.0% / 100.0%	100.0% / 100.0%	100.0% / 100.0%

4. **Disability Rates:**

Group 4

<u>Age</u>	<u>Unisex</u>
20	.410%
30	.504%
40	.608%
50	.712%
60+	.780%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

5. Termination Rates:

Group 1

<u>Age</u>	<u>Years of Service</u>		
	0	5	10+
20	27.0%	12.0%	7.0%
30	23.0%	10.0%	5.5%
40	16.0%	8.0%	4.0%
50	14.0%	6.0%	3.0%

Group 4

<u>Years of Service</u>	<u>Rate</u>
0	8.0%
5	4.5%
10	3.0%
15	2.5%
20+	4.0%

Teachers-Males/ Females

<u>Age</u>	<u>Years of Service</u>		
	0	5	10+
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%

- 6. Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>
2010	9.0%
2011	8.0%
2012	7.0%
2013	6.0%
2014+	5.0%

7. Participation Rate:

It is assumed that 100% current active employees will enroll in retiree medical and life insurance coverage.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

8. **Percent Married:** It was assumed that 65% of the male and 40% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

9. **Actuarial Value of Assets:** N/A

10. **Per Capita Claims Cost:** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are sample annual per capita claim costs used:

Factor Pre			Factor Post		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
40	4,211	5,896	40	4,211	5,896
45	4,998	6,274	45	4,998	6,274
50	6,000	6,921	50	6,000	6,921
55	7,285	7,559	55	7,285	7,559
60	8,786	8,422	60	8,786	8,422
65	10,004	9,366	65	5,537	5,184
70	11,047	10,350	70	6,114	5,729
75	12,197	11,429	75	6,751	6,326
80	12,822	12,004	80	7,097	6,644

11. **Administrative expenses:** Included in premiums used.

12. **Participant Salary Increases:** 3.50% annually

13. **Payroll Growth Rate:** 2.50% annually

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years. The results in Sections I and III are based on a 30 year amortization of the unfunded actuarial accrued liability as a level percentage of payroll. The development of the Annual Required Contribution under alternative amortization methods is provided in Appendix II.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2011

<u>Age</u>	<u>Service</u>									<u>Total</u>	
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>		
0 - 19	0	0	0	0	0	0	0	0	0	0	0
20 - 24	13	0	0	0	0	0	0	0	0	0	13
25 - 29	87	10	0	0	0	0	0	0	0	0	97
30 - 34	74	48	6	0	0	0	0	0	0	0	128
35 - 39	36	43	12	7	0	0	0	0	0	0	98
40 - 44	35	28	20	14	3	0	0	0	0	0	100
45 - 49	34	36	25	17	17	6	0	0	0	0	135
50 - 54	37	39	13	13	18	12	4	0	0	0	136
55 - 59	13	46	26	16	13	12	19	11	0	0	156
60 - 64	9	15	20	20	13	8	7	1	2	0	95
65 - 69	0	3	5	5	1	1	3	1	0	0	19
70 - 74	1	3	0	1	0	0	0	1	0	0	6
75 - 79	1	0	0	0	0	0	0	0	0	0	1
80 - 84	0	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0	0
Total	340	271	127	93	65	39	33	14	2	984	

APPENDIX - II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2008 Actuarial Accrued Liability	\$111,743,502
b. 2008 Normal Cost	\$5,984,287
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$4,709,112
e. 2008 Benefit Payments	(\$2,996,584)
f. Interest on e.	<u>(\$59,932)</u>
g. 7/1/2009 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$119,380,385
h. 2009 Normal Cost	\$6,133,894
i. Interest Rate	4.00%
j. Interest on (g. + h.)	\$5,020,571
k. 2009 Benefit Payments	(\$3,421,136)
l. Interest on k.	<u>(\$68,423)</u>
m. 7/1/2010 Expected Actuarial Accrued Liability (g. + h. + j. + k. + l.)	\$127,045,291
n. Change in Actuarial Accrued Liability due to	
i. Census changes	(\$13,161,406)
ii. Change in Actuarial Assumptions	<u>\$5,303,352</u>
iii. Total	(\$7,858,054)
o. 7/1/2010 Actuarial Accrued Liability (m. + n. iv.)	\$119,187,237

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2008	\$111,743,502
2. 2008 Amortization Payment	(\$4,562,052)
3. Interest	4.000%
4. Interest on (1) + (2)	\$4,287,258
5. Amortization Base Balance as of 7/1/2009 (1) + (2) + (4)	\$111,468,708
6. 2009 Amortization Payment	(\$4,999,106)
7. Interest	4.000%
8. Interest on (5) + (6)	\$4,258,784
9. Amortization Base Balance as of 7/1/2010 (5) + (6) + (8)	\$110,728,386
10. Remaining Amortization Period	28
11. Valuation Interest rate	4.000%
12. Assumed payroll growth	2.500%
13. 2010 Adjusted Amortization Amount	\$4,778,509

B. New Amortization Base

1. Experience (Gain)/Loss	(\$13,161,406)
2. Assumption Changes	\$5,303,352
3. Plan Change	\$0
4. Funded Policy	\$16,316,904
5. Total (1) + (2) + (3) + (4)	\$8,458,851
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.000%
8. Assumed payroll growth	2.500%
9. Amortization Amount	\$345,342

C. Combined Bases

1. Amortization Base Balance as of 7/1/2010 (A.9. + B.5.)	\$119,187,237
2. 2010 Preliminary Total Amortization Amount (A.13. + B.9.)	\$5,123,851
3. 2010 Minimum Total Amortization Amount (30 year)	\$4,865,951
4. 2010 Total Amortization Amount (greater of 2. and 3.)	\$5,123,851

APPENDIX – IV
PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2010	\$ 3,704,596	\$ 3,704,596	2045	\$ 11,989,040	\$ 304,743,234	2080	\$ 1,353,568	\$ 542,873,395
2011	\$ 3,808,433	\$ 7,513,029	2046	\$ 11,689,784	\$ 316,433,018	2081	\$ 1,131,661	\$ 544,005,056
2012	\$ 4,080,376	\$ 11,593,405	2047	\$ 11,372,037	\$ 327,805,055	2082	\$ 936,873	\$ 544,941,929
2013	\$ 4,405,950	\$ 15,999,355	2048	\$ 11,033,848	\$ 338,838,903	2083	\$ 768,080	\$ 545,710,009
2014	\$ 4,733,199	\$ 20,732,554	2049	\$ 10,722,460	\$ 349,561,363	2084	\$ 623,664	\$ 546,333,673
2015	\$ 5,028,680	\$ 25,761,234	2050	\$ 10,403,511	\$ 359,964,874	2085	\$ 501,530	\$ 546,835,203
2016	\$ 5,284,122	\$ 31,045,356	2051	\$ 10,087,493	\$ 370,052,367	2086	\$ 399,388	\$ 547,234,591
2017	\$ 5,587,510	\$ 36,632,866	2052	\$ 9,843,038	\$ 379,895,405	2087	\$ 314,869	\$ 547,549,460
2018	\$ 5,874,873	\$ 42,507,739	2053	\$ 9,627,954	\$ 389,523,359	2088	\$ 245,663	\$ 547,795,123
2019	\$ 6,127,934	\$ 48,635,673	2054	\$ 9,424,378	\$ 398,947,737	2089	\$ 189,599	\$ 547,984,722
2020	\$ 6,395,143	\$ 55,030,816	2055	\$ 9,244,523	\$ 408,192,260	2090	\$ 144,660	\$ 548,129,382
2021	\$ 6,690,600	\$ 61,721,416	2056	\$ 9,053,037	\$ 417,245,297	2091	\$ 109,060	\$ 548,238,442
2022	\$ 7,013,123	\$ 68,734,539	2057	\$ 8,844,517	\$ 426,089,814	2092	\$ 81,194	\$ 548,319,636
2023	\$ 7,312,717	\$ 76,047,256	2058	\$ 8,631,842	\$ 434,721,656	2093	\$ 59,645	\$ 548,379,281
2024	\$ 7,617,572	\$ 83,664,828	2059	\$ 8,400,383	\$ 443,122,039	2094	\$ 43,206	\$ 548,422,487
2025	\$ 7,921,557	\$ 91,586,385	2060	\$ 8,149,134	\$ 451,271,173	2095	\$ 30,850	\$ 548,453,337
2026	\$ 8,225,692	\$ 99,812,077	2061	\$ 7,879,693	\$ 459,150,866	2096	\$ 21,699	\$ 548,475,036
2027	\$ 8,507,455	\$ 108,319,532	2062	\$ 7,592,353	\$ 466,743,219	2097	\$ 15,027	\$ 548,490,063
2028	\$ 8,799,019	\$ 117,118,551	2063	\$ 7,287,971	\$ 474,031,190	2098	\$ 10,244	\$ 548,500,307
2029	\$ 9,126,251	\$ 126,244,802	2064	\$ 6,967,434	\$ 480,998,624	2099	\$ 6,876	\$ 548,507,183
2030	\$ 9,408,553	\$ 135,653,355	2065	\$ 6,631,463	\$ 487,630,087	2100	\$ 4,543	\$ 548,511,726
2031	\$ 9,639,967	\$ 145,293,322	2066	\$ 6,281,349	\$ 493,911,436	2101	\$ 2,948	\$ 548,514,674
2032	\$ 9,893,303	\$ 155,186,625	2067	\$ 5,918,211	\$ 499,829,647	2102	\$ 1,879	\$ 548,516,553
2033	\$ 10,147,075	\$ 165,333,700	2068	\$ 5,543,737	\$ 505,373,384	2103	\$ 1,180	\$ 548,517,733
2034	\$ 10,372,161	\$ 175,705,861	2069	\$ 5,160,366	\$ 510,533,750	2104	\$ 724	\$ 548,518,457
2035	\$ 10,664,774	\$ 186,370,635	2070	\$ 4,770,765	\$ 515,304,515	2105	\$ 432	\$ 548,518,889
2036	\$ 10,967,252	\$ 197,337,887	2071	\$ 4,378,000	\$ 519,682,515	2106	\$ 250	\$ 548,519,139
2037	\$ 11,221,712	\$ 208,559,599	2072	\$ 3,985,994	\$ 523,668,509	2107	\$ 140	\$ 548,519,279
2038	\$ 11,455,894	\$ 220,015,493	2073	\$ 3,599,006	\$ 527,267,515	2108	\$ 77	\$ 548,519,356
2039	\$ 11,714,526	\$ 231,730,019	2074	\$ 3,221,021	\$ 530,488,536	2109	\$ 41	\$ 548,519,397
2040	\$ 11,973,836	\$ 243,703,855	2075	\$ 2,856,359	\$ 533,344,895	2110	\$ 20	\$ 548,519,417
2041	\$ 12,187,749	\$ 255,891,604	2076	\$ 2,509,086	\$ 535,853,981	2111	\$ 9	\$ 548,519,426
2042	\$ 12,321,319	\$ 268,212,923	2077	\$ 2,182,682	\$ 538,036,663	2112	\$ 3	\$ 548,519,429
2043	\$ 12,323,410	\$ 280,536,333	2078	\$ 1,880,003	\$ 539,916,666	2113	\$ -	\$ 548,519,429
2044	\$ 12,217,861	\$ 292,754,194	2079	\$ 1,603,161	\$ 541,519,827			

APPENDIX – V
GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost. The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

Annual Required Contributions of the Employer (ARC). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

Healthcare Cost Trend Rate. The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.