



TOWN OF WETHERSFIELD OTHER POST-EMPLOYMENT BENEFITS PROGRAM

July 1, 2013 Actuarial Valuation

Prepared by
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Certification

We have performed an actuarial valuation of the Town of Wethersfield Other Post-Employment Benefits Program as of July 1, 2013. The results of this valuation, along with supporting data, are set forth in the following report.

Milliman has prepared this report in compliance with Government Accounting Standard No. 45. No attempt is being made to offer any accounting opinion or advice. The calculations reported herein have been made on a basis consistent with our understanding of the plan provisions. Additional determinations may be needed for purposes other than meeting accounting requirements.

In preparing this report, we relied on employee census data, asset information, claims and premium information as of the valuation date, furnished by the Town of Wethersfield. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the financial information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. 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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The actuarial method and assumptions used in this valuation are discussed on pages 19-26 of this report. A summary of the plan provisions starts on page 27 of this report.

Milliman's work is prepared solely for the internal business use of the Town of Wethersfield. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. (a) The Town of Wethersfield may provide a copy of Milliman's work, in its entirety, to the Town of Wethersfield's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town of Wethersfield; and (b) The Town of Wethersfield may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

Certification

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

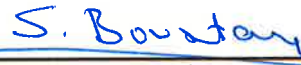
The consultants who worked on this assignment are pension and health actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

January 31, 2014



Rebecca A. Sielman, FSA
Consulting Actuary



Samuel Boustani, ASA
Actuary

Discussion of Experience

This valuation reflects a number of changes relative to the July 1, 2011 valuation:

Demographic Changes from 2011 to 2013

From July 1, 2011 to July 1, 2013, the overall membership increased from 985 to 998. The total number of active members decreased from 539 to 533 and the total number of retirees and spouses of retirees increased from 446 to 465.

The average age of active members stayed the same at 46.9 and the average age of retired members increased from 71.8 to 73.8.

Assumption Changes

Discount Rate: We increased the discount rate to 7.625% to better reflect the long-term expected investment return on OPEB trust assets (Prior:6.50%)

Medical and dental claims costs: We updated the medical and dental claims costs with respect to expected claims costs, based on our analysis of the claims experience and premium information provided to us for this valuation.

Medical inflation: The medical cost inflation trend used in this valuation was derived from the "Getzen Model" established by the Society of Actuaries for developing long term medical cost trends. The Getzen Model was subsequently updated to reflect the latest economic growth factors and an adjustment was made to reflect the value of the expected excise tax payable in 2018 and later. This assumption was revised to an initial inflation rate of 6.80%, grading down to an ultimate inflation rate of 4.70% over a period of 70 years (Prior valuation: an initial inflation rate of 5.80% graded down to an ultimate inflation rate of 4.40% over a period of 50 years).

Teachers and Administrators: Certain actuarial demographic assumptions for Teachers and Administrators are based on the assumptions used in the June 30, 2012 valuation of the Connecticut State Teachers Retirement System by Cavanaugh Macdonald Consulting, LLC. Our valuation reflects the applicable assumption changes made in their June 30, 2012 valuation.

All Others: This valuation reflects several changes in actuarial assumptions proposed in our 2013 Experience Study of the Town of Wethersfield Pension Plan. These changes were also reflected in our July 1, 2013 Town of Wethersfield Pension Plan actuarial valuation.

The effect of the above changes was as follows (1) changing the discount rate from 6.50% to 7.625% and setting up a formal OPEB trust reduced the Accrued Liability by about \$9.6 million and reduced the Annual Required Contribution by about \$980,000 and (2) updating the other assumptions increased the Accrued Liability by about \$850,000 and increased the Annual Required Contribution by about \$230,000.

Discussion of Experience

Changes in Plan Provisions

Police hired after July 1, 2012: Retire with at least 25 years of service, retiree pays 25% of premium for self and 100% for spouse and dependents. Retire with less than 25 years of service, retiree pays 100% for self, spouse and dependents. (Prior: Retire with at least 25 years of service, 100% Town-paid coverage for retiree, spouse (including surviving spouses) and dependents. Pre 65- Benefit includes reimbursement for all retiree co-pays and deductibles. Post 65- Benefit includes reimbursement for Medicare Part A premium (for non-Medicare eligible) plus reimbursement for Medicare Part B premium for all retirees. Retire with less than 25 years of service, 100% Town-paid coverage for retiree, spouse (including surviving spouses) and dependents. Retiree is responsible for office visit co-pays and deductibles.

Teachers hired prior to July 1, 2007: Pre 65- same cost sharing for a retiree as for an active employee with the Board's contribution subject to a maximum payment of \$7,500. (Prior: same cost sharing for a retiree as an active employee with no \$7,500 maximum payment) Post 65- effective June 30, 2016, the Board will no longer reimburse for Medicare Part B premium

Administrators hired after July 1, 2012: 100% retiree paid. Post 65- Effective June 30, 2015, Major Medical and Medicare Part B Premium reimbursement are no longer offered.

Custodians, Maintenance, Secretarial, Clerical, Paraprofessional: Post 65 Medical and Medicare Part B reimbursement are no longer offered effective June 30, 2015 for Custodians/Maintenance and effective June 30, 2014 for Secretarial/Clerical/Paraprofessionals

Nurses hired after July 1, 2012: no longer eligible for OPEB

The combined effect of the above changes reduced the Accrued Liability by roughly \$3.6 million and reduced the Annual Required Contribution by about \$630,000.

Overview of GASB 43 and GASB 45

GASB 43 requires OPEB plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 only applies in situations where a separate trust is established to prefund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 was effective starting in FY 2006-07 for a Phase I government, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 was effective for the fiscal year following implementation of GASB 43.

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. The benefits provided by the Town to retirees include medical and dental insurance plus life insurance. The philosophy driving the accounting standard is that these post-employment benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

The Valuation Process

The process of determining the liability for OPEB benefits is based on many assumptions about future events. The key actuarial assumptions are:

Turnover and retirement rates: How likely is it that an employee will qualify for post-employment benefits and when will they start?

Medical inflation and claims costs assumptions: When an employee starts receiving post-employment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

Mortality assumption: How long is a retiree likely to receive the benefits?

Discount rate assumption: What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Normal Cost have been calculated, the next step is to determine an annual contribution. This consists of two pieces:

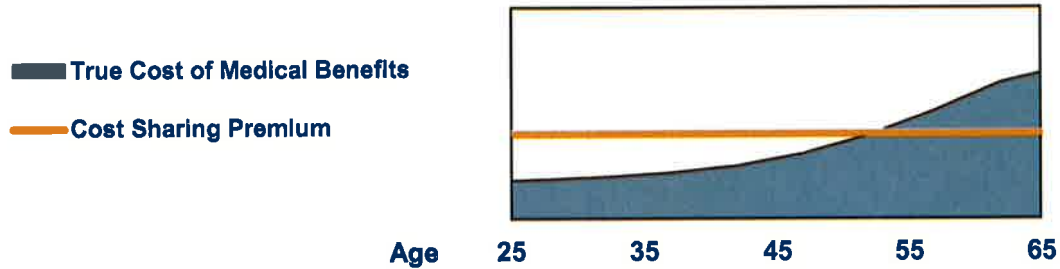
- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time.

The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements. In addition, the Discount Rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside to prefund the benefits; if there is no prefunding then the Discount Rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.

Implicit Rate Subsidies

As part of the Other Post-Employment Benefits Program, there are situations where the cost is borne partly or entirely by retirees. In most cases, the premium that is used to split the cost is lower than the true cost of providing the medical benefits, for two reasons:

- The cost sharing premium is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:



- The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an "implicit rate subsidy". GASB 43 and 45 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based on factors developed by Milliman's health actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed on the prior page. We term this amount the "gross liability".

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program – different retirees pay different percentages based on their union, date of retirement, age at retirement, and other factors. We term this amount the "offset liability".

Finally, the net liability for the Town is calculated as the difference between the gross liability and the offset liability.

Summary of Liabilities as of July 1, 2013

We have calculated the Accrued Liability separately for eight groups of Town employees, who are eligible for different OPEB benefits. We have broken the accrued liability for each group into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits. In all cases, the Accrued Liability only reflects benefits that are paid for by the Town, taking into account any implicit rate subsidies.

	Police	Local 1303-40	Local 1303-408	Local 818	Library	Town Others	BOE Certified	BOE Non-Certified	Total
Current active members									
Employees under age 65	\$2,865,282	\$552,964	\$176,583	\$385,154	\$145,998	\$57,695	\$3,335,654	\$1,005,014	\$8,524,344
Employees over age 65	2,060,259	1,124,895	640,848	1,002,291	557,680	429,414	1,987,646	726,075	8,529,108
Dependents under age 65	2,959,235	586,750	102,492	254,923	33,001	40,753	183,526	92,150	4,252,830
Dependents over age 65	<u>1,423,541</u>	<u>753,700</u>	<u>302,549</u>	<u>455,324</u>	<u>192,059</u>	<u>195,230</u>	<u>161,033</u>	<u>0</u>	<u>3,483,436</u>
Total	9,308,317	3,018,309	1,222,472	2,097,692	928,738	723,092	5,667,859	1,823,239	24,789,718
Current retired members									
Employees under age 65	1,493,032	236,754	158,087	333,712	0	118,134	1,012,656	355,275	3,707,650
Employees over age 65	3,349,983	2,414,537	959,121	1,112,135	403,025	880,056	6,672,768	3,459,740	19,251,365
Dependents under age 65	1,782,556	345,259	226,062	408,620	0	143,969	261,583	60,870	3,228,919
Dependents over age 65	<u>2,137,225</u>	<u>1,153,347</u>	<u>343,885</u>	<u>876,057</u>	<u>378,916</u>	<u>388,113</u>	<u>574,602</u>	<u>0</u>	<u>5,852,145</u>
Total	8,762,796	4,149,897	1,687,155	2,730,524	781,941	1,530,272	8,521,609	3,875,885	32,040,079
Total Accrued Liability	18,071,113	7,168,206	2,909,627	4,828,216	1,710,679	2,253,364	14,189,468	5,699,124	56,829,797

Annual Required Contribution

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability).

The amortization period is 30 years starting for FYE 2009. The amortization method produces annual payments that will increase by 4.00% annually. On this basis, the ARC is determined as follows:

OPEB Trust assets have been allocated to the groups shown below in proportion to their respective Accrued Liability.

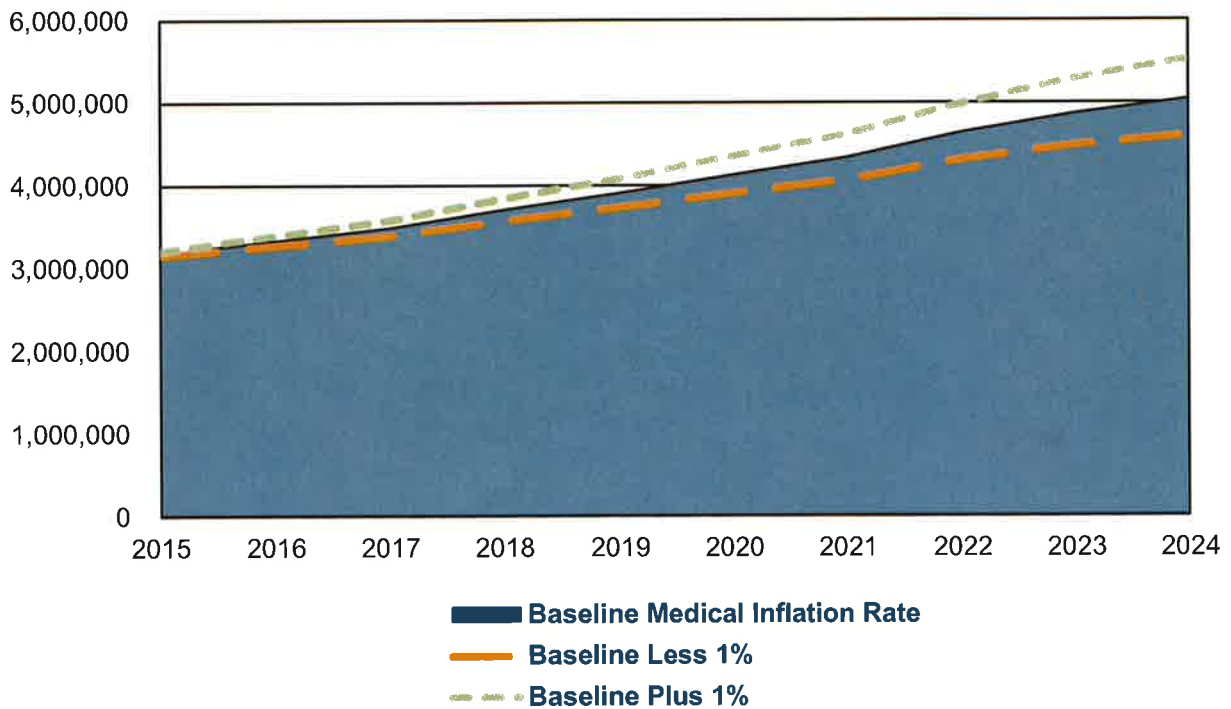
	Police	Local 1303-40	Local 1303-408	Local 818	Library	Town Others	BOE Certified	BOE Non-Certified	Total
Accrued Liability	\$18,071,113	\$7,168,206	\$2,909,627	\$4,828,216	\$1,710,679	\$2,253,364	\$14,189,468	\$5,699,124	\$56,829,797
Assets	2,048,252	812,473	329,789	547,249	193,895	255,405	1,608,291	645,961	6,441,315
Unfunded Accrued Liability	16,022,861	6,355,733	2,579,838	4,280,967	1,516,784	1,997,959	12,581,177	5,053,163	50,388,482
Amortization Period	24	24	24	24	24	24	24	24	24
Payroll Growth Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Past Service Cost	962,722	381,879	155,008	257,219	91,135	120,046	755,931	303,616	3,027,556
Amortization Period	24	24	24	24	24	24	24	24	24
Total Normal Cost	634,462	194,541	93,849	96,377	85,155	58,825	321,391	115,323	1,599,923
Employee Contributions	92,826	34,890	18,145	37,601	19,871	0	0	0	203,333
Net Normal Cost	541,636	159,651	75,704	58,776	65,284	58,825	321,391	115,323	1,396,590
Interest	114,707	41,292	17,592	24,095	11,927	13,639	82,146	31,944	337,342
ARC for FY 2015	1,619,065	582,822	248,304	340,090	168,346	192,510	1,159,468	450,883	4,761,488
Expected Benefit Payouts	670,014	386,459	147,911	282,792	84,671	150,953	1,014,758	444,729	3,182,287
Net Budget Impact	949,051	196,363	100,393	57,298	83,675	41,557	144,710	6,154	1,579,201

The ARC is assumed to be paid at the beginning of the Fiscal Year.

Projected Payouts

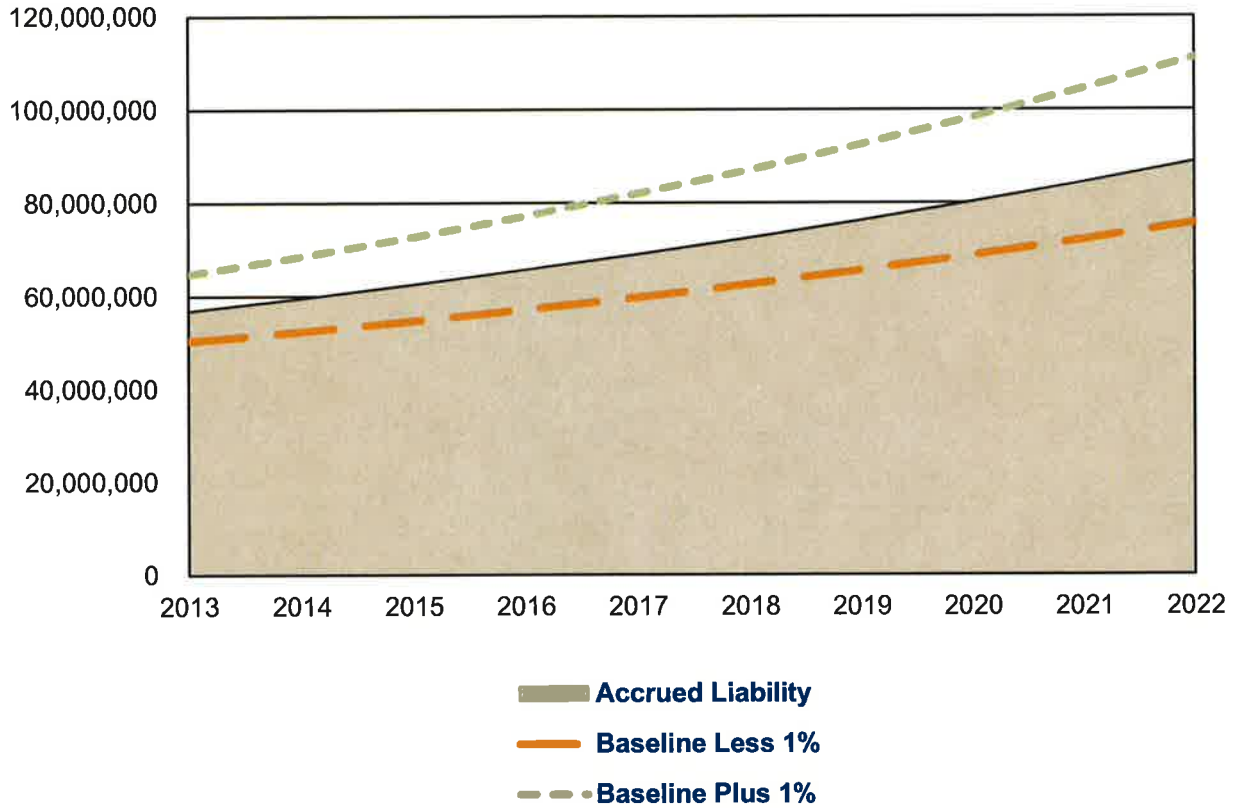
The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

Fiscal Year	Baseline Less 1%	Baseline Medical Inflation Rate	Baseline Plus 1%
2015	\$3,153,400	\$3,182,287	\$3,211,174
2016	3,274,982	3,335,065	3,395,715
2017	3,393,161	3,486,988	3,582,601
2018	3,577,347	3,709,954	3,846,372
2019	3,733,302	3,907,184	4,087,762
2020	3,909,702	4,129,225	4,359,367
2021	4,068,593	4,336,316	4,619,664
2022	4,313,264	4,639,344	4,987,743
2023	4,486,272	4,870,589	5,285,119
2024	4,602,308	5,043,666	5,524,255



Projected Liabilities

The graph below shows how the Town's accrued liability for OPEB benefits is expected to grow over the next 10 years.



GASB 45 Schedule of Funding Progress

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$0	\$66,076	\$66,076	0.00%	N/A	N/A
7/1/2009	0	63,878	63,878	0.00%	N/A	N/A
7/1/2011	0	65,521	65,521	0.00%	37,651	174.0%
7/1/2013	6,441	56,830	50,389	11.33%	36,696	137.3%

GASB 45 Schedule of Employer Contributions

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

Year Ended June 30	Annual Required Contribution	Actual Contribution Made	Percentage Contributed
2009	\$5,757	\$3,469	60.3%
2010	6,187	3,777	61.0%
2011	5,763	2,958	51.3%
2012	6,226	2,566	41.2%
2013	5,609	8,920	159.0%
2014	6,029	N/A	N/A
2015	4,761	N/A	N/A

Summary of Census Data

The following were included in our analysis based on information provided as of July 1, 2013 by the Town.

	Police	Local 1303-40	Local 1303-408	Local 818	Library	Town Others	BOE Certified	BOE Non-Certified	Total
Number of members									
Active	46	32	17	23	16	9	282	108	533
Retired members	31	31	9	13	5	12	194	74	369
Spouses of retirees	24	15	5	10	5	5	24	8	96
Total	101	78	31	46	26	26	500	190	998
Average age									
Active	39.3	48.1	51.3	52.3	53.4	58.3	43.8	54.4	46.9
Retired Members	65.8	76.5	67.4	71.8	77.4	77.7	73.9	76.2	73.8
Average retirement age									
Active	52.0	63.7	65.1	65.2	65.7	67.9	60.1	65.9	61.5
Retired	52.2	62.6	59.8	59.8	63.8	59.8	67.6	70.4	65.7
Expected lifetime									
Active [to retirement]	12.7	15.7	13.8	12.9	12.3	9.6	16.3	11.6	14.5
Retired [lifetime]	19.6	12.5	19.6	15.9	12.1	11.8	15.5	13.0	15.0

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

Current Premiums

Based on information provided by the Town regarding current plan elections, the following weighted average blended actual premiums were used:

2013 - 2014 Monthly Premiums		Employee	Spouse
Medical - Town	Pre 65	\$609.31	\$678.04
	Post 65	376.16	376.10
Medical - BOE	Pre 65	569.52	599.66
	Post 65	183.34	183.34
Dental - Town		30.08	51.99
Dental - BOE		32.18	53.41
Medicare Part "A" premium per person covered			441.00
Medicare Part "B" premium per person covered			104.90

Health Cost Adjustment Factors

Milliman's Health Cost Guidelines were used to develop the expected relationship of the true cost of health benefits across age and gender. Representative factors are shown below.

Age	Town - Medical		BOE - Medical	
	Employee	Spouse	Employee	Spouse
40	2.75%	1.75%	1.58%	2.98%
45	4.06%	3.25%	3.10%	4.24%
50	4.84%	4.28%	4.18%	4.95%
55	4.97%	4.12%	3.95%	5.14%
60	4.50%	4.11%	4.03%	4.57%
65	2.10%	1.99%	1.96%	2.13%
70	2.23%	2.13%	2.10%	2.25%
75	1.57%	1.37%	1.33%	1.60%
80	1.08%	1.28%	1.32%	1.05%

Age	Town - Dental		BOE - Dental	
	Employee	Spouse	Employee	Spouse
40	1.56%	1.41%	1.37%	1.60%
45	1.35%	1.13%	1.07%	1.42%
50	0.72%	0.61%	0.58%	0.75%
55	0.24%	0.10%	0.06%	0.28%
60	0.15%	0.13%	0.12%	0.15%
65	-0.17%	-0.11%	-0.10%	-0.19%
70	0.00%	0.00%	0.00%	0.00%
75	0.00%	0.00%	0.00%	0.00%
80	0.00%	0.00%	0.00%	0.00%

Glossary

The following is an explanation of many of the terms referenced by the Statement of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions".

Actuarial Cost Method - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost. The Statement assumes a closed group of employees and other participants unless otherwise stated; that is, no new entrants are assumed. Six methods are permitted – Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age.

Accrued Liability - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

Actuarial Assumptions - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the discount rate, medical cost inflation, and rates of mortality, turnover and retirement.

Actuarial Present Value of Benefits - This is the value, as of the applicable date, of future payments for benefits and expenses under the Plan, where each payment is: a) Multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) Discounted at the assumed discount rate.

Actuarial Value of Assets - This is the value of cash, investments and other property belonging to the Plan, as used by the actuary for the purpose of an Actuarial Valuation.

Amortization Payment - This is the amount of the contribution required to pay interest on and to amortize over a given period the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability. A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each actuarial valuation date.

Annual Required Contribution ("ARC") - This is the employer's periodic required contribution to a defined benefit OPEB plan, calculated in accordance with the set of requirements for calculating actuarially determined OPEB information included in financial reports.

Attribution Period - The period of an employee's service to which the expected postretirement benefit obligation for that employee is assigned. The beginning of the attribution period is the employee's date of hire and costs are spread across all employment.

Benefit Payments - The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a post employment benefit plan, including health care benefits and life insurance not provided through a pension plan.

Glossary

Discount Rate - GASB 45 requires that the interest rate used to discount future benefit payments back to the present day be based on the expected rate of return on any investments set aside to pay for these benefits. If no funds are set aside for this purpose, the discount rate would be based on the expected return of the employer's general funds.

Funding Excess - This is the excess of the Actuarial Value of Assets over the Actuarial Accrued Liability.

Health Cost Trend - This is the rate at which health costs are assumed to increase over time.

Implicit Rate Subsidy - This is the excess of the expected health care cost per retired member over the gross premium charged for that coverage. In most cases, the gross premium charged to a retiree is less than the expected health care cost, since the premium is a blended average rate that does not fully reflect the above-average, increasing costs by age that apply during retirement.

Normal Cost - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

Net OPEB Obligation - This is the cumulative difference since the effective date of this statement between the annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Other Post-employment Benefits ("OPEB") - This refers to post-employment benefits other than pension benefits, including healthcare benefits regardless of the type of plan that provides them, and all other post-employment benefits provided separately from a pension plan, excluding benefits defined as termination benefits or offers.

Past Service Cost - This is a catch-up payment to fund the Unfunded Actuarial Accrued Liability over time (generally 10 to 30 years). Also known as the **Amortization Payment**.

Return on Plan Assets - This is the actual investment return on plan assets during the fiscal year.

Substantive Plan - The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for the plan.

Unfunded Actuarial Accrued Liability - This is the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Actuarial Method

The actuarial funding method used is the **Projected Unit Credit Cost Method**. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

Actuarial Assumptions

Discount Rate 7.625% (Prior: 6.50%)

Medical Inflation Rate 6.80% - 4.70% over 70 years (Prior: 5.80% - 4.40% over 50 years)

Dental Inflation Rate 3.00%

Payroll Growth Rate 4.00%

Healthy Mortality **Teachers** and **Administrators**[#]: RP-2000 projected forward 19 years using Scale AA, with a two-year age setback. This assumption includes a margin for mortality improvement beyond the valuation date.

Prior:

All Others: RP-2000 Combined Healthy Table with generational projection using Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Current:

All Others: RP-2000 Mortality Table for Employees and Healthy Annuitants, Male and Female, with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Disabled Mortality **Teachers** and **Administrators**[#]: RP-2000 projected forward 19 years using scale AA, with an eight-year age set forward for males and females. This assumption includes a margin for mortality improvement beyond the valuation date.

Prior:

All Others: RP-2000 Disabled Mortality Table with generational projection using Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Current:

All Others: RP-2000 Disabled Mortality Table for males and females. This assumption does not include a margin for mortality improvement beyond the valuation date.

Actuarial Assumptions

Turnover

Teachers and Administrators#: rates based on gender and length of service for the first ten years and gender and age thereafter:

Service	Male	Female
0-1	14.00%	12.00%
1-2	8.50%	9.00%
2-3	5.50%	7.00%
3-4	4.50%	6.00%
4-5	3.50%	5.50%
5-6	2.50%	5.00%
6-7	2.40%	4.50%
7-8	2.30%	3.50%
8-9	2.20%	3.00%
10+	2.10%	2.50%

Age	Male	Female
25	1.20%	3.50%
35	1.20%	3.50%
45	1.26%	1.30%
55	2.76% (Prior: 3.36%)	1.60%

Police: 50% are assumed to leave after the first year of service and none are assumed to leave thereafter.

All Others: rates based on service:

Prior:

Service	Rate
0 - 2	9.0%
3 - 5	6.0%
6 - 9	4.0%
10+	2.0%

Current:

Service	Rate
0 - 2	7.5%
3 - 5	5.5%
6 - 9	3.5%
10+	2.0%

Actuarial Assumptions

Retirement

Teachers and Administrators[#]: rates based on age, eligibility for pension benefits, and gender:

Prior:

Age	Unreduced		Proratable		Reduced	
	Male	Female	Male	Female	Male	Female
50 – 51	27.50%	15.00%			2.00%	2.00%
52	27.50%	15.00%			3.00%	4.00%
53	27.50%	15.00%			3.00%	4.50%
54	27.50%	15.00%			5.00%	5.50%
55	38.50%	30.00%			5.00%	7.50%
56	38.50%	30.00%			7.00%	8.50%
57	38.50%	30.00%			10.00%	9.50%
58	38.50%	30.00%			11.00%	10.00%
59	38.50%	30.00%			12.00%	10.00%
60	22.00%	20.00%	6.00%	5.40%		
61	25.30%	22.50%	6.00%	7.20%		
62	25.30%	22.50%	15.00%	9.90%		
63-64	27.50%	22.50%	10.00%	7.20%		
65	36.30%	30.00%	20.00%	13.50%		
66	27.50%	30.00%	20.00%	10.80%		
67	27.50%	30.00%	20.00%	13.50%		
68	27.50%	30.00%	20.00%	10.80%		
69	27.50%	30.00%	35.00%	10.80%		
70-73	100.00%	40.00%	35.00%	10.80%		
74	100.00%	40.00%	35.00%	18.00%		
75 – 79	100.00%	40.00%	40.00%	18.00%		
80	100.00%	100.00%	40.00%	18.00%		

Actuarial Assumptions

Retirement

Teachers and **Administrators[#]**: rates based on age, eligibility for pension benefits, and gender:

Current:

Age	Unreduced		Proratable		Reduced	
	Male	Female	Male	Female	Male	Female
50 – 51	27.50%	15.00%			2.00%	2.00%
52	27.50%	15.00%			2.50%	3.00%
53	27.50%	15.00%			3.00%	3.50%
54	27.50%	15.00%			4.00%	4.00%
55	38.50%	30.00%			4.50%	6.00%
56	38.50%	30.00%			6.00%	7.00%
57	38.50%	30.00%			9.00%	7.50%
58	38.50%	30.00%			10.00%	8.00%
59	38.50%	30.00%			11.00%	8.50%
60	22.00%	20.00%	6.00%	5.40%		
61	25.30%	22.50%	6.00%	7.20%		
62	25.30%	22.50%	15.00%	9.90%		
63-64	27.50%	22.50%	10.00%	7.20%		
65	36.30%	30.00%	20.00%	13.50%		
66	27.50%	30.00%	20.00%	10.80%		
67	27.50%	30.00%	20.00%	13.50%		
68	27.50%	30.00%	20.00%	10.80%		
69	27.50%	30.00%	35.00%	10.80%		
70-73	100.00%	40.00%	35.00%	10.80%		
74	100.00%	40.00%	35.00%	18.00%		
75 – 79	100.00%	40.00%	40.00%	18.00%		
80	100.00%	100.00%	40.00%	18.00%		

Actuarial Assumptions

Retirement

Police:

Prior:

rates based on age, eligibility for pension benefits, and group:

First eligible for early retirement	20%
First eligible for normal retirement	30%
All other ages:	
<50	5%
50 – 59	20%
60	100%

Current:

50% at any age with 25 years of service
5% at all other ages between 45 and 51
20% at all other ages between 52 and 54
40% at all other ages between 55 and 59
100% at age 60

All Others:

Prior:

rates based on age, eligibility for pension benefits, and group:

First eligible for early retirement	2%
First eligible for normal retirement	20%
All other ages:	
56 – 57	4%
58 – 61	5%
62 – 64	10%
65	20%
66 – 79	5%
80	100%

Current:

20% at Rule of 80
3% at all other ages between 55 and 60
8% at all other ages between 61 and 64
20% at age 65
15% at all other ages between 66 and 79
100% at age 80

Actuarial Assumptions

Disability

Teachers and **Administrators**[#]: rates based on age and gender:

Age	Male	Female
20	0.0455%	0.0500%
30	0.0455%	0.0410%
40	0.0715%	0.0720%
50	0.3250%	0.2630%
60	1.2805%	0.5000%

Police: rates based on age

Age	Rate (per 1,000 lives)
20	0.375
30	0.485
40	0.850
50	2.545
60	7.210

All Others: None.

Cost Blending

In order to dampen the volatility of the premium changes, this valuation is based on 75% of expected costs/premiums plus 25% of actual costs/premiums.

Future Retiree Coverage

100% of **Police** and **Town**, and 95% of **BOE Certified** and **BOE Non-Certified** active members are assumed to elect coverage at retirement.

Future Dependent Coverage

Current active members are assumed to elect dependent coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males.

	Male	Female
Teachers and Administrators	25%	15%
Police	90%	90%
Town Administrators	80%	50%
Town all others	75%	40%
Board all others	45%	15%

Actuarial Assumptions

Future Post-65 Coverage

Teachers: 50% of current actives and pre-65 retirees are assumed either to enroll in retiree health coverage through the Connecticut State Teachers Retirement System at age 65, or transfer to a Medicare Supplement Plan. 92% of current actives and pre-65 retirees are assumed to be Medicare-eligible (Prior: 87%).

Administrators and BOE Non-Certified: 95% of current actives and 100% of pre-65 retirees are assumed to continue coverage past age 65.

All Others: All current actives and pre-65 retirees are assumed to continue coverage past age 65 (if available).

Certain actuarial demographic assumptions for Teachers and Administrators are based on the assumptions used in the June 30, 2012 valuation of the Connecticut State Teachers Retirement System by Cavanaugh, Macdonald Consulting, LLC.

Summary of Plan Provisions

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided to future retirees based on copies of bargaining agreements, applicable personnel rules and the benefits being currently provided to retired members. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Police

Eligibility

Normal Retirement: the earlier of age 55 with 15 years of Continuous Service or any age with 25 years of Continuous Service.

Early Retirement: the earlier of age 45 with 15 years of Continuous Service or any age with 20 years of Credited Service.

Cost Sharing

Date of hire prior to July 1, 2006:

A. Retire with at least 25 years of service at retirement:

Pre-65: 100% Town-paid coverage for retiree, spouse (including surviving spouses) and dependents. Benefit includes reimbursement for all retiree co-pays and deductibles.

Post-65: 100% Town-paid coverage for retiree, spouse (including surviving spouses) and dependents plus reimbursement for Medicare Part A premium (for non-Medicare eligible) plus reimbursement for Medicare Part B premium for all retirees.

B. Retire with less than 25 years of service at retirement: same as A. above, except that retiree is responsible for office visit co-pays and deductibles.

Date of hire July 1, 2006 to July 1, 2012:

Must retire with a "normal retirement benefit". Benefits are same as B. above, except cost sharing is as follows:

Retiree: 75% Town / 25% Retiree
Spouse: 50% Town / 50% Retiree
Dependents: 100% Retiree

Summary of Plan Provisions

Police

Cost Sharing	Date of hire on or after July 1, 2012: A. Retire with at least 25 years of service at retirement: Retiree: 75% Town / 25% Retiree Spouse/Dependents: 100% Retiree-paid B. Retire with less than 25 years of service at retirement: 100% Retiree-paid
Member Contributions	Effective July 1, 2013, active Police members contribute 2.00% (prior: 1.50%) of their Monthly Earnings into a Retiree Health Insurance Reserve Fund to offset the future cost of their retirement health benefits.
Life Insurance	\$10,000 (\$5,000 for Early Retirement with 20 to 24 years of Credited Service).

Town

Eligibility	Normal Retirement: the earliest of age 65 with 5 years of pension participation, age 55 with 25 years of Continuous Service, or age 55 plus Credited Service greater than or equal to 80 (age 50 plus Credited Service greater than or equal to 80 for AFSCME Local 1303-40, 1303-408 and 818). Early Retirement: age 55 with 10 years of Continuous Service.
Cost Sharing	AFSCME (Local 1303-40) Date of hire prior to July 1, 2007: 100% Town-paid for retiree and 90% Town/10% Retiree for dependents. Date of hire on or after July 1, 2007: 100% Town-paid for retiree and 50% Town-paid for spouse. There shall be no coverage offered for other dependents. Date of hire on or after July 1, 2010: not eligible for OPEB.

Summary of Plan Provisions

Town

Cost Sharing

AFSCME (Local 1303-408)

Date of hire prior to July 1, 2004: 100% Town-paid for retiree and 90% Town/10% Retiree for dependents.

Date of hire on or after July 1, 2004: Same cost sharing as for an active employee (effective July 1, 2011: 86% Town/14% Retiree; effective July 1, 2013: 85% Town/15% Retiree).

Date of hire on or after July 1, 2011: 100% Retiree-paid.

AFSCME (Local 818)

Date of hire prior to July 1, 1998: 100% Town-paid

Date of hire on or after July 1, 1998: must retire with a "normal retirement benefit" and a minimum of 10 years of service; retiree has same cost sharing as for an active employee (effective July 1, 2011: 85% Town/15% Retiree; effective July 1, 2012: 84.5% Town/15.5% Retiree; effective July 1, 2013: 84% Town/16% Retiree); retiree pays 100% of cost for dependents.

Date of hire on or after July 1, 2008: not eligible for OPEB.

Library

Date of hire prior to signing of 2006-2009 Agreement: same cost sharing as for an active employee (effective July 1, 2014: Supervisors: 84% Town/16% Retiree; Non-Supervisors: 85% Town/15% Retiree).

Date of hire on or after signing of 2006-2009 Agreement: same cost sharing as for an active employee (effective July 1, 2014: Supervisors: 84% Town/16% Retiree; Non-Supervisors: 85% Town/15% Retiree); retiree pays 100% of cost for dependents.

Date of hire on or after July 1, 2009: not eligible for OPEB.

Summary of Plan Provisions

Town

Cost Sharing	Others
	100% Town-paid for retiree and dependents.
Member Contributions	Effective July 1, 2000, active members contribute 2% (2.5% for Library Supervisors and Non-Supervisors) of their Monthly Earnings into a Retiree Health Insurance Reserve Fund to offset the future cost of their retirement health benefits (excludes Town Administrators).
Life Insurance	\$10,000 (excludes Library employees)

This work product was prepared solely for the Town for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Summary of Plan Provisions

Board of Education

Eligibility

Teachers and Administrators

The earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Teachers hired after July 1, 2001 must have at least 15 years of service at retirement in order to receive retiree health benefits.

Administrators retiring on or after July 1, 2006, retiree must have at least 15 years of service at retirement in order to receive retiree health benefits.

Others

Normal Retirement: the earliest of age 65 with 5 years of pension participation, age 55 with 25 years of Continuous Service, or age 55 plus Credited Service greater than or equal to 80 (Nurses must have at least 15 years of service at retirement in order to receive retiree health benefits).

Early Retirement: age 55 with 10 years of Continuous Service (Nurses must have at least 15 years of service at retirement in order to receive retiree health benefits).

Cost Sharing

Teachers

Date of hire prior to July 1, 2007:

Pre-65: same cost sharing for a retiree as for an active employee (2013-2014: 80.5% Board/19.5% Retiree for PPO plan 84.5% Board/15.5% Retiree for HSA plans); retiree pays 100% of cost for dependents. Board's contributions shall be subject to a maximum payment of \$7,500 per year.

Post-65: Board reimburses retiree for Medicare Part B premium. (No longer offered, effective June 30, 2016)

Date of hire on or after July 1, 2007: 100% Retiree-paid.

Summary of Plan Provisions

Board of Education

Cost Sharing

Administrators

Date of hire prior to July 1, 2012:

Pre-65: same cost sharing for a retiree as for an active employee (2013-2014: 80% Board/20% Retiree); retiree pays 100% of cost for dependents.

Post-65: Board reimburses retiree for Medicare Part B premium. Major Medical '65' is 100% Board paid. (No longer offered effective June 30, 2015)

Date of hire on or after July 1, 2012: 100% Retiree paid

Custodians/Maintenance

Date of hire prior to July 1, 2008:

Pre-65: same cost sharing for a retiree as for an active employee (Currently: 84% Board/16% Retiree); retiree pays 100% of cost for dependents.

Post-65: Board reimburses retiree for Medicare Part B premium. (No longer offered effective June 30, 2015)

Date of hire on or after July 1, 2008: not eligible for OPEB.

Summary of Plan Provisions

Board of Education

Cost Sharing

Secretarial/Clerical/Paraprofessional

Date of hire on or prior to August 18, 2008:

Pre-65:

Retirement Date prior to June 30, 2008: 100% Board-paid;

Retirement Date on or after June 30, 2008: same cost sharing for a retiree as for an active employee (2013-2014: 82% Board/18% Retiree); retiree pays 100% of cost for dependents.

Post-65:

Board reimburses retiree for Medicare Part B premium. BC/BS '65' Supplement is available for employees retiring after June 30, 1995 and their spouses on a 100% retiree-paid basis. (No longer offered effective June 30, 2014)

Date of hire after August 18, 2008: Not eligible for OPEB.

Nurses

Date of hire prior to July 1, 2012:

Pre-65: 100% Board-paid for retiree; retiree pays 100% of cost for dependents.

Post-65: Board reimburses retiree for Medicare Part B premium.

Date of hire after July 1, 2012: Not eligible for OPEB

Member Contributions

None.

Summary of Plan Provisions

Board of Education

Life Insurance

Teachers

Date of hire prior to July 1, 2007:

Retirement Date prior to September 1, 2004: \$2,000 (pre and post 65)

Retirement Date on or after September 1, 2004: \$2,000 (pre-65 only)

Date of hire on or after July 1, 2007: None.

Administrators

\$10,000 (pre and post 65)

Custodians/Maintenance

Date of hire prior to July 1, 2008: \$2,000 (pre and post 65)

Date of hire on or after July 1, 2008: None.

Secretarial/Clerical/Paraprofessional

Date of hire on or prior to August 18, 2008: \$2,000 (pre and post 65)

Date of hire after August 18, 2008: None.

Nurses

\$2,000 (pre and post 65)