Milliman

80 Lamberton Road
Windsor, CT 06095
USA

Main +1 860 687 2110
Fax +1 860 687 2111

milliman.com

March 6, 2014

PERSONAL & CONFIDENTIAL

Mr. Gary Conrad
Finance Director
Westport Town Hall
110 Myrtle Avenue
Westport, CT 06880

Re: Town of Westport Other Post-Employment Benefits Program

Dear Gary:

We are pleased to provide this actuarial report for the Town of Westport Other Post-Employment Benefits Program. The report shows the financial status of the plan as of July 1, 2013 and presents cost figures for the 2014-15 fiscal year.

We have included 10 bound copies of the report and one unbound copy in case you need to make additional copies.

Please let me know if you have any questions.

Sincerely,

Becky

Rebecca A. Sielman, FSA
Consulting Actuary

RAS:pt 80 WST030514GASB45ValCoverletter

Milliman

TOWN OF WESTPORT
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

July 1, 2013 Actuarial Valuation

Prepared by
Milliman, Inc.

Rebecca A. Sielman, FSA
Consulting Actuary

Samuel Boustani, ASA
Actuary

80 Lamberton Road
Windsor, CT 06095 USA
Tel +1 860.687.2110
Fax +1 860.687.2111
milliman.com

March 6, 2014

TABLE OF CONTENTS

Certification

We have performed an actuarial valuation of the Town of Westport 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 Westport. 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 18-23 of this report. A summary of the plan provisions starts on page 24 of this report.

Milliman's work is prepared solely for the internal business use of the Town of Westport. 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. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s): (a) The Town of Westport may provide a copy of Milliman's work, in its entirety, to the Town of Westport'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 Westport; and (b) The Town of Westport 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.

March 6, 2014

Rebecca A. Sielman, FSA
Consulting Actuary

S. Boustani

Samuel Boustani, ASA
Actuary

Discussion of Experience

This valuation reflects a number of changes relative to the July 1, 2012 valuation:

Demographic Changes from 2012 to 2013

From July 1, 2012 to July 1, 2013, the overall membership decreased from 1,596 to 1,575. The total number of active members decreased from 1,139 to 1,127, and the total number of retirees, spouses of retirees and deferred members decreased from 457 to 448.

Assumption Changes

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.

Plan Provision Changes

Town Non-Union: Employees hired after July 1, 2012 will not be eligible for any post retirement health benefits.

All Groups except Library: Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO.

The combined effect of the above changes decreased the Accrued Liability by about $18 million and decreased the Annual Required Contribution by about $2 million.

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. 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:

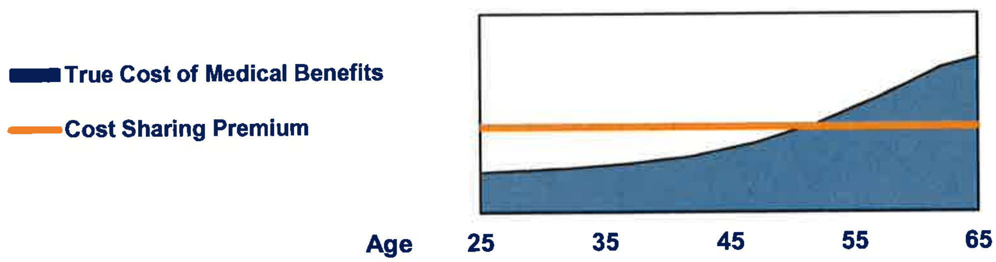
- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time

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 seven 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	Fire	Public Works	Municipal	Library	Non-Union	BOE Certified	Total
Current active members								
Employees under age 65	$2,354,855	$2,365,315	$840,463	$1,889,265	$99,220	$717,965	$2,667,162	$10,934,245
Employees over age 65	3,909,258	3,875,979	1,381,369	8,454,172	762,088	2,848,562	827,961	22,059,389
Dependents under age 65	2,303,944	2,436,113	643,726	908,398	13,910	414,436	941,539	7,662,066
Dependents over age 65	3,292,027	3,298,248	806,113	3,679,668	213,446	1,302,310	377,016	12,968,828
Total	11,860,084	11,975,655	3,671,671	14,931,503	1,088,664	5,283,273	4,813,678	53,624,528
Current retired members								
Employees under age 65	1,424,518	1,602,415	92,290	786,980	145,559	617,505	236,677	4,905,944
Employees over age 65	7,914,568	4,600,112	675,371	4,722,099	1,136,567	2,187,936	4,304,228	25,540,881
Dependents under age 65	2,445,635	1,557,943	258,984	581,844	191,912	259,223	123,083	5,418,624
Dependents over age 65	8,417,379	4,989,967	995,810	1,683,730	244,742	1,275,841	441,080	18,048,549
Total	20,202,100	12,750,437	2,022,455	7,774,653	1,718,780	4,340,505	5,105,068	53,913,998
Total Accrued Liability	32,062,184	24,726,092	5,694,126	22,706,156	2,807,444	9,623,778	9,918,746	107,538,526

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 in FY 2008. The amortization method produces annual payments that will increase by 3.00% annually. On this basis, the ARC is determined as follows:

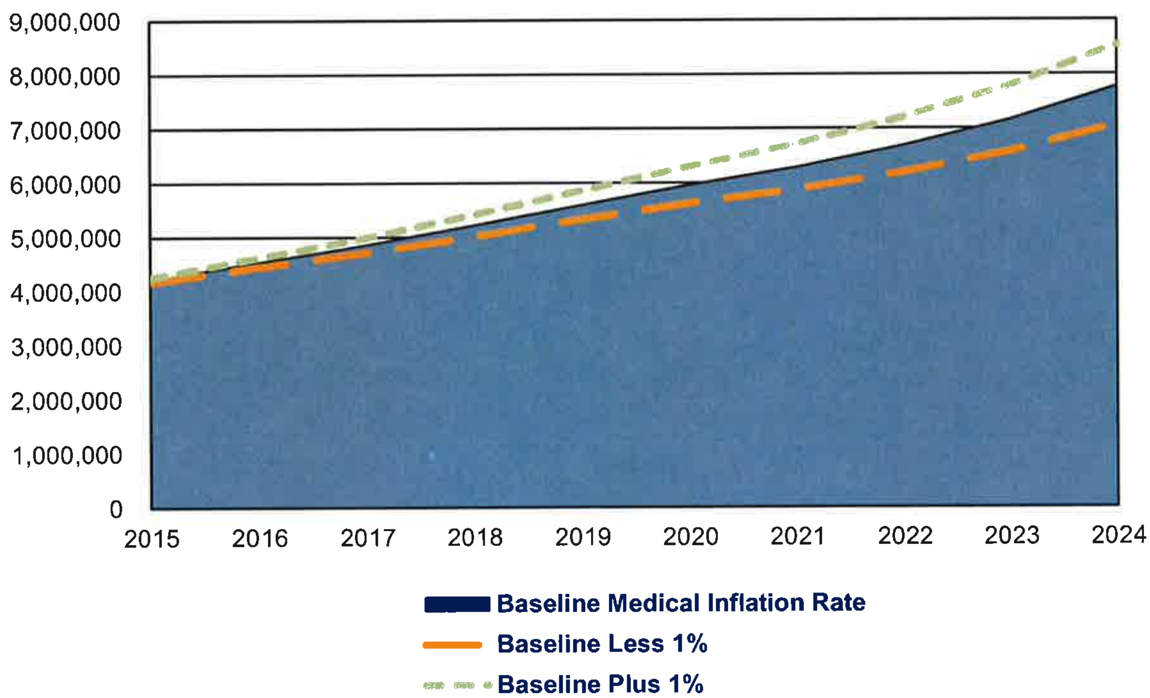
	Police	Fire	Public Works	Municipal	Library	Non-Union	BOE Certified	Total
Accrued Liability	$32,062,184	$24,726,092	$5,694,126	$22,706,156	$2,807,444	$9,623,778	$9,918,746	$107,538,526
Assets	4,786,109	4,452,598	1,049,042	4,929,768	490,272	2,122,250	0	17,830,039
Unfunded Accrued Liability	27,276,075	20,273,494	4,645,084	17,776,388	2,317,172	7,501,528	9,918,746	89,708,487
Amortization Period	23	23	23	23	23	23	23	23
Payroll Growth Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Past Service Cost	1,615,613	1,200,837	275,137	1,052,929	137,250	444,330	587,506	5,313,602
Total Normal Cost	845,476	920,817	201,939	1,365,587	96,862	513,652	446,162	4,390,495
Employee Contributions	0	0	0	0	0	0	0	0
Net Normal Cost	845,476	920,817	201,939	1,365,587	96,862	513,652	446,162	4,390,495
Interest	150,742	129,951	29,221	148,134	14,339	58,676	63,312	594,375
ARC for FY 2015	2,611,831	2,251,605	506,297	2,566,650	248,451	1,016,658	1,096,980	10,298,472
Expected Benefit Payouts	1,311,853	937,165	209,862	731,257	166,633	380,892	480,948	4,218,610
Net Budget Impact	1,299,978	1,314,440	296,435	1,835,393	81,818	635,766	616,032	6,079,862

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

Projected Payouts

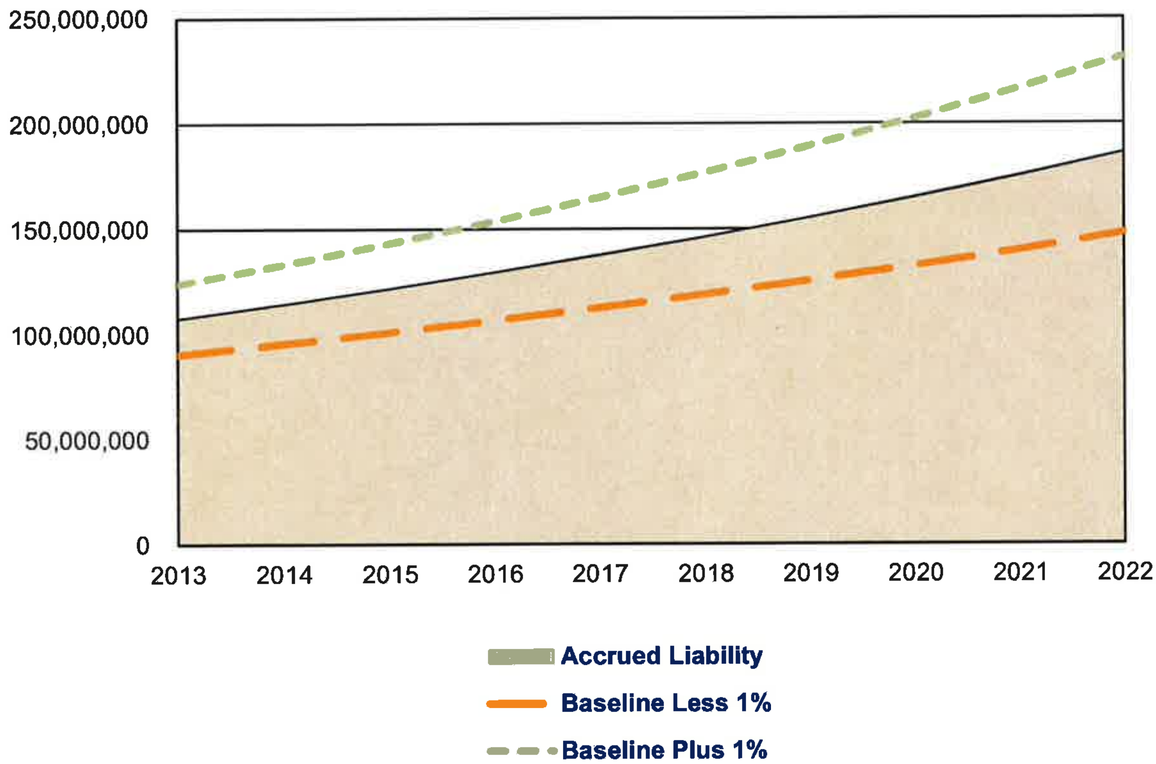
The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

Fiscal Year	Baseline Less 1%	Baseline Medical Inflation Rate	Baseline Plus 1%
2015	$4,179,060	$4,218,610	$4,258,160
2016	4,454,582	4,539,648	4,625,519
2017	4,722,623	4,858,815	4,997,603
2018	5,021,581	5,215,466	5,414,912
2019	5,329,523	5,587,682	5,855,750
2020	5,627,870	5,956,428	6,300,818
2021	5,880,312	6,282,566	6,708,178
2022	6,197,139	6,683,785	7,203,548
2023	6,572,319	7,155,629	7,784,512
2024	7,071,378	7,771,952	8,534,386



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)
7/1/2012	$11,575	$117,580	$106,005	9.8%	N/A	N/A
7/1/2013	17,830	107,539	89,709	16.6%	N/A	N/A

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
2014	$11,797	N/A	N/A
2015	10,298	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	Fire	Public Works	Municipal	Library	Non-Union	BOE Certified	Total
Number of members								
Active	64	67	29	318	28	73	548	1,127
Retired	51	40	13	93	20	31	42	290
Spouses of retirees	47	30	14	30	5	19	11	156
Deferred members	0	0	0	0	0	2	0	2
Total	162	137	56	441	53	125	601	1,575
Average age								
Active	43.9	42.3	50.0	52.1	59.7	52.6	44.0	47.3
Retired	66.6	66.7	74.0	74.3	74.9	72.4	72.4	71.4
Deferred members	N/A	N/A	N/A	N/A	N/A	49.0	N/A	49.0
Average retirement age								
Active	57.4	56.2	59.7	63.8	67.6	62.7	60.6	61.4
Retired	55.4	53.5	61.8	64.0	63.8	61.5	58.7	59.9
Expected lifetime								
Active [to retirement]	13.4	13.9	9.8	11.7	7.9	10.1	16.6	14.1
Retired [lifetime]	17.5	16.4	12.3	13.8	14.0	15.1	17.3	15.4

The retiree census data excludes post-65 Medicare eligible retired members who are paying 100% of the premium.

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 (current Town post-65 rates are listed by plan):

2013 - 2014 Monthly Premiums		Employee	Spouse
Medical - BOE	Pre-65	$820.08	$943.09
	Pre-65 (HSA)	672.09	772.91
	Post-65	394.05	394.05
Dental - BOE		46.70	39.70
Medical - Town	Pre-65	890.22	894.86
	Pre-65 (HSA)	646.34	646.26
	Post-65		
	BCBS 65 (Low Option)	132.15	132.15
	BCBS 65 (High Option)	192.91	192.91
	Major Medical	236.84	235.74
	Plan F	217.40	217.40
	Carve-Out	406.18	406.13
	Prescription	180.55	180.56
Dental - Town		30.92	31.40

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.

	Town - Medical		Town - Dental	
Age	Employee	Spouse	Employee	Spouse
40	2.77%	1.74%	1.57%	1.40%
45	4.08%	3.24%	1.37%	1.11%
50	4.84%	4.28%	0.72%	0.60%
55	4.98%	4.11%	0.25%	0.09%
60	4.50%	4.10%	0.15%	0.13%
65	2.10%	1.98%	-0.18%	-0.11%
70	2.23%	2.12%	0.00%	0.00%
75	1.57%	1.37%	0.00%	0.00%
80	1.08%	1.28%	0.00%	0.00%

	BOE Non-Certified - Medical		BOE Non-Certified - Dental	
Age	Employee	Spouse	Employee	Spouse
40	1.53%	3.06%	1.38%	1.60%
45	3.06%	4.30%	1.07%	1.41%
50	4.15%	4.99%	0.58%	0.74%
55	3.90%	5.19%	0.07%	0.27%
60	4.01%	4.59%	0.12%	0.15%
65	1.95%	2.13%	-0.10%	-0.19%
70	2.10%	2.26%	0.00%	0.00%
75	1.32%	1.62%	0.00%	0.00%
80	1.33%	1.03%	0.00%	0.00%

	BOE Certified - Medical		BOE Certified - Dental	
Age	Employee	Spouse	Employee	Spouse
40	1.38%	3.28%	1.35%	1.63%
45	2.93%	4.47%	1.03%	1.45%
50	4.06%	5.10%	0.56%	0.77%
55	3.75%	5.35%	0.04%	0.30%
60	3.93%	4.66%	0.12%	0.16%
65	1.93%	2.15%	-0.09%	-0.20%
70	2.08%	2.28%	0.00%	0.00%
75	1.28%	1.65%	0.00%	0.00%
80	1.37%	1.00%	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	6.125%
Medical Inflation Rate	Pre-65: 6.80% - 4.70% over 68 years Post-65: 6.80% - 4.70% over 70 years
Dental Inflation Rate	3.00%
Payroll Growth Rate	3.00%
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. **All Others:** RP-2000 Mortality Table with full generational projection per Scale AA, with separate tables for active employees and annuitants. This assumption includes a margin for mortality improvement beyond the valuation date. 20% of deaths among active Firefighters, Police and Public Works employees are assumed to be service related.
Disabled Mortality	**Teachers** and **Administrators#:** RP-2000 projected forward 19 years using Scale AA, with an eight-year age set forward. This assumption includes a margin for mortality improvement beyond the valuation date. **All Others:** RP-2000 Disabled Mortality Table with full generational projection per Scale AA for males and females. This assumption includes 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%
9-10	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%	1.60%

Police and **Fire:** None.

All Others: 50% of Vaughn Select and Ultimate Table. Sample rates are shown below:

	Years of Service			
Age	**0-1**	**1-2**	**2-3**	**4+**
20	14.90%	12.50%	10.50%	9.30%
25	13.90%	11.25%	9.25%	6.80%
30	12.90%	10.00%	8.00%	5.05%
35	11.90%	8.90%	6.90%	3.95%
40	10.90%	7.90%	5.90%	3.25%
45	9.90%	7.05%	5.05%	2.75%
50	8.90%	6.30%	4.30%	2.25%
55	6.75%	4.75%	3.08%	1.54%
60	0.00%	0.00%	0.00%	0.00%

Actuarial Assumptions

Retirement

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

	Unreduced		Proratable		Reduced	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50-51	27.5%	15.0%			2.0%	2.0%
52	27.5%	15.0%			2.5%	3.0%
53	27.5%	15.0%			3.0%	3.5%
54	27.5%	15.0%			4.0%	4.0%
55	38.5%	30.0%			4.5%	6.0%
56	38.5%	30.0%			6.0%	7.0%
57	38.5%	30.0%			9.0%	7.5%
58	38.5%	30.0%			10.0%	8.0%
59	38.5%	30.0%			11.0%	8.5%
60	22.0%	20.0%	6.0%	5.4%		
61	25.3%	22.5%	6.0%	7.2%		
62	25.3%	22.5%	15.0%	9.9%		
63-64	27.5%	22.5%	10.0%	7.2%		
65	36.3%	30.0%	20.0%	13.5%		
66	27.5%	30.0%	20.0%	10.8%		
67	27.5%	30.0%	20.0%	13.5%		
68	27.5%	30.0%	20.0%	10.8%		
69	27.5%	30.0%	35.0%	10.8%		
70-73	100.0%	40.0%	35.0%	10.8%		
74	100.0%	40.0%	35.0%	18.0%		
75-79	100.0%	40.0%	40.0%	18.0%		
80	100.0%	100.0%	40.0%	18.0%		

Police: Rates based on age:

Age	**Rate**
49-53	5%
54-56	20%
57	15%
58	20%
59-61	30%
62	100%

Actuarial Assumptions

Retirement

Fire: Rates based on age:

Age	Rate
49	15%
50-53	5%
54-55	10%
56	20%
57	15%
58	20%
59-61	50%
62	100%

Public Works: Rates based on age*:

Age	Rate
<62	5%
62-69	20%
70	100%

* 100% are assumed to retire at 33 years of service.

Municipal: 15% are assumed to retire if eligible at age 55; at all other ages:

Age	Rate
<56	1%
56-62	5%
63-64	10%
65-69	20%
70-79	30%
80	100%

Non-Union: 12% are assumed to retire if eligible at age 55; at all other ages:

Age	Rate
<56	1%
56-59	5%
60-63	15%
64	5%
65	25%
66-67	20%
68-79	30%
80	100%

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 and **Fire:** 1985 Pension Disability Table (Class 4). 80% of disabilities are assumed to be service related.

Public Works: 50% of 1985 Pension Disability Table (Class 4).

Municipal: 50% of 1985 Pension Disability Table (Class 1).

Non-Union: 1985 Pension Disability Table (Class 1).

Future Retiree Coverage

85% of **Teachers** and **Administrators** and 90% of **All Others** active and vested former 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 three years younger than males.

	Male	Female
Teachers and **Administrators**	60%	40%
Police and **Fire**	75%	75%
All Others	55%	35%

Future Post-65 Coverage

Teachers and **Administrators:** 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. 94% of current actives and pre-65 retirees are assumed to be Medicare-eligible (Prior: 93%).

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

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: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension.

Normal Retirement is age 49 with 20 years of service (20 years of service regardless of age if hired prior to January 1, 1985) and must retire upon completion of 34.5 years of service.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 40% of the premium determined at the time of their retirement. Retirees eligible because of disability or because they are a surviving spouse must pay 40% of the premium regardless of age.

In the event the retiree does not meet Medicare eligibility, the Town will reimburse the retiree and spouse for Medicare Part A premiums (if applicable).

Summary of Plan Provisions

Fire

Eligibility: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension.

Normal Retirement is age 49 with 20 years of service (20 years of service regardless of age if hired prior to July 1, 1985) and must retire upon completion of 34.5 years of service.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 40% of the premium determined at the time of their retirement. Retirees eligible because of disability or because they are a surviving spouse must pay 40% of the premium regardless of age.

In the event the retiree does not meet Medicare eligibility, the Town will reimburse the retiree and spouse for Medicare Part A premiums (if applicable).

Summary of Plan Provisions

Public Works

Eligibility: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension.

Normal Retirement is age 55 with sum of age and service equal to 75.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree (or surviving spouse) must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 40% of the premium determined annually. The amount that the retiree shall pay cannot increase by more than 10% from the prior year.

A surviving spouse must pay 100% of the premium if the employee dies, unless the death was service related.

Summary of Plan Provisions

Municipal

Eligibility: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension.

Normal Retirement is age 55 with 10 years of continuous service, age 55 with 15 years of non-continuous service or 25 years of service regardless of age.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits for non-Library shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree (or surviving spouse) must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 50% of the premium determined annually. The amount that the retiree shall pay cannot increase by more than 10% from the prior year.

Summary of Plan Provisions

Non-Union Non-Supervisory

Eligibility: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension. Town employees hired after July 1, 2012 will not be eligible for any post retirement health benefits.

Normal Retirement is age 55 with 10 years of continuous service or 25 years of service regardless of age.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree (or surviving spouse) must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 40% of the premium determined annually. The amount that the retiree shall pay cannot increase by more than 10% from the prior year.

Summary of Plan Provisions

Non-Union Supervisory

Eligibility: Retire or become disabled and be eligible for a pension. Spouses and dependents may continue coverage after the death of retiree or active employee eligible for a pension. Town employees hired after July 1, 2012 will not be eligible for any post retirement health benefits.

Former employees may elect terminated vested coverage upon obtaining 5 years of service.

Normal Retirement is age 55 with 10 years of service, age 60 with 5 years of service or 25 years of service regardless of age.

Benefit: Retirees may continue their active health insurance coverage for self and dependents. Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO. At the time they are eligible for Medicare, they will become enrolled in a Medicare supplement plan offered by the Town.

Cost Sharing: Retiree (or surviving spouse) must pay the full premium for self and dependents until July 1 following the attainment of age 49, and thereafter pay 40% of the premium determined annually. The amount that the retiree shall pay cannot increase by more than 10% from the prior year.

Vested former employees must pay 100% of the premium until either age 55 if their service was 10 or more years or age 60 if their service was between 5 and 10 years of service.

Summary of Plan Provisions

BOE Certified (Teachers and Administrators)

Eligibility: Retiree shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers and Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age.

Early Retirement for Teachers and Administrators is 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.

Health benefits shall be in the form of a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA). Employees may choose to "buy-up" to a Preferred Provider Organization (PPO) plan by paying the cost difference between what the Town would have contributed to the applicable HDHP premium equivalent and the cost of the PPO.

Cost Sharing: Retirees and spouses pay 100% of the premium, less a $1,320 annual subsidy from the Connecticut Teachers' Retirement Board.