

JULY 1, 2006
POST RETIREMENT BENEFITS ANALYSIS
OF
THE TOWN OF WESTWOOD

November, 2006

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SECTION I - OVERVIEW

The Town of Westwood has engaged Buck Consultants to prepare an actuarial valuation of their post-retirement benefits program as of July 1, 2006. The Town provided employee data and premium information.

The purposes of the valuation are to analyze the current funded position of the Town's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Government Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." Liabilities have been determined based on an 8.0% discount rate. According to GASB principles, if the benefits are not pre-funded, the rate earned by the General Asset Account must be used. To estimate that impact we have used an alternative discount rate of 3.5%.

Section II provides a summary of the principal valuation results. Section V provides a projection of funding amounts.

Respectfully Submitted,

BUCK CONSULTANTS, AN ACS COMPANY

Daniel Sherman, ASA, MAAA, EA
Director and Consulting Actuary

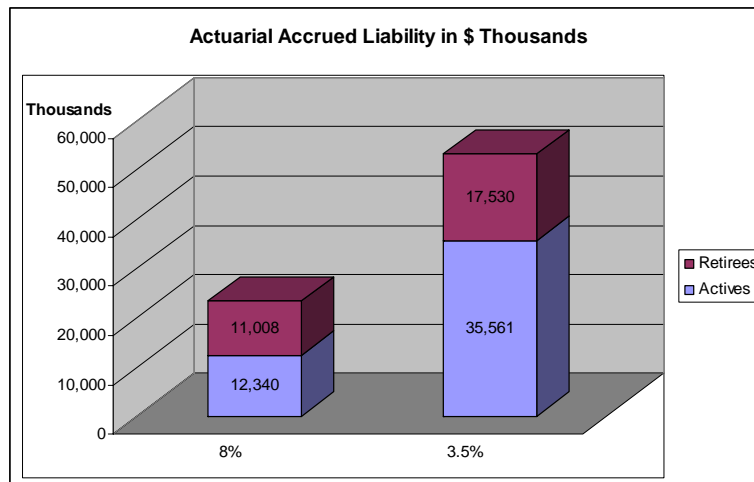
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SECTION II – REQUIRED INFORMATION

	8%	3.5%	
	July 1, 2006	July 1, 2006	Difference
a) Actuarial valuation date			
b) Actuarial Value of Assets	\$ 0	\$ 0	\$ 0
c) Actuarial Accrued Liability			
Active participants	\$ 12,339,668	\$ 35,561,450	\$ 23,221,782
Retired participants	11,008,467	17,529,706	6,521,239
Total AAL	\$ 23,348,135	\$ 53,091,156	\$ 29,743,021
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 23,348,135	\$ 53,091,156	\$ 29,743,021
e) Funded ratio [b / c]	0.0%	0.0%	0.0%
f) Annual covered payroll	\$ 29,437,171	\$ 29,437,171	
g) UAL as percental of covered payroll	79.3%	180.4%	
h) Normal Cost for fiscal year 2006	\$ 800,398	\$ 3,806,270	\$ 3,005,872
i) Amortization of UAL for fiscal year 2007 *	\$ 1,205,244	\$ 1,534,076	\$ 328,832
j) Interest to middle of fiscal year	\$ 78,682	\$ 92,652	\$ 13,970
k) Annual Required Contribution "ARC" for fiscal year 2007 [h + i + j]	\$ 2,084,324	\$ 5,432,998	\$ 3,348,674
l) Expected benefit payments	\$ 950,297	\$ 975,441	\$ 25,144
m) Increase in annual cost to fund the Plan [k - l]	\$ 1,134,027	\$ 4,457,557 **	\$ 3,323,530

* 30-year amortization, increasing 4.5% per year

** Also increase in Net Benefit Obligation (NBO)



SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Monthly Premiums effective July 1, 2006

Health benefits are available to employees and retirees through a number of plans. The following rates exclude associated administrative fees, if applicable.

The following are the most popular (approximate monthly rates/subscriber)

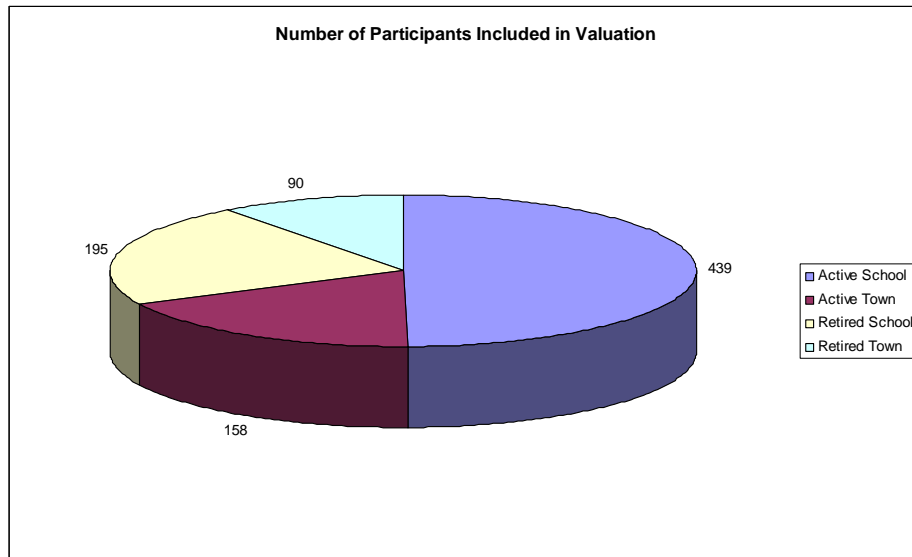
Non-Medicare Plans:	<u>Town</u>	<u>Member</u>	<u>Total</u>
Harvard Pilgrim EPO			
Individual	\$279.60	\$186.40	\$466.00
Family	\$727.80	\$485.20	\$1,213.00
Fallon HMO			
Individual (select)	\$241.80	\$161.20	\$403.00
Family (select)	\$653.40	\$435.60	\$1,089.00
Tufts EPO			
Individual	\$324.00	\$216.00	\$540.00
Family	\$847.80	\$565.20	\$1,413.00
Network Blue New England			
Individual	\$300.60	\$200.40	\$501
Family	\$806.40	\$537.60	\$1,344.00
Harvard Pilgrim PPO			
Individual	\$451.50	\$451.50	\$903.00
Family	\$993.00	\$993.00	\$1,986.00
Tufts POS			
Individual	\$451.50	\$451.50	\$903.00
Family	\$993.00	\$993.00	\$1,986.00

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

Medicare Plans:

MEDEX	\$190.50	\$190.50	\$381.00
Harvard Pilgrim Medicare Enhance	\$207.00	\$207.00	\$414.00
Tufts Medicare Complement	\$151.00	\$151.00	\$302.00
Tufts Medicare Preferred	\$70.50	\$70.50	\$141.00
Managed Blue for Seniors	\$167.65	\$167.65	\$335.30
Medicare HMO Blue *	\$107.13	\$107.13	\$214.26
Fallon Senior Plan *	\$74.00	\$74.00	\$148.00
Harvard First Seniority *	\$83.50	\$83.50	\$167.00

* Premiums on these Medicare Plans changes annually on January 1st.



SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

@ 8%			
Number of Employees included in valuation			
	School	Town	Total
Actives	439	158	597
Retired	195	90	285
Total	634	248	882
Accrued Liability			
Active	School	Town	Total
Medical	7,926,477	4,413,191	12,339,668
Retired			
Medical	6,869,426	4,139,041	11,008,467
Total	14,795,903	8,552,232	23,348,135
Annual Required Contribution			
Normal Cost with interest	636,033	195,765	831,798
Amortization of UAL with interest	793,736	458,790	1,252,526
Total	1,429,769	654,555	2,084,324
Pay-as-you-go	600,082	350,215	950,297
Difference	829,687	304,340	1,134,027

SECTION III - MEMBERSHIP DATA AND MEDICAL PREMIUM

@ 3.5%

Number of Employees included in valuation

	School	Town	Total
Actives	439 0	158 0	597
Retired	195 0	90 0	285
Total	<u>634</u>	<u>248</u>	<u>882</u>

Accrued Liability

	School	Town	Total
Active Medical	24,214,131	11,347,319	35,561,450
Retired Medical	10,617,642	6,912,064	17,529,706
Total	34,831,773	18,259,383	53,091,156

Annual Required Contribution

Normal Cost with interest	3,013,142	859,165	3,872,307
Amortization of UAL with interest	<u>1,023,930</u>	<u>536,761</u>	<u>1,560,691</u>
Total	4,037,072	1,395,926	5,432,998
Pay-as-you-go	614,895	360,546	975,441
Difference	3,422,177	1,035,380	4,457,557

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - 8%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
July 1, 2006	0	23,348,135	23,348,135	0%	29,437,171	79.3%

SCHEDULE OF FUNDING PROGRESS – 3.5%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Payroll	(d) Unfunded AAL as % of Payroll
July 1, 2006	0	53,091,156	53,091,156	0%	29,437,171	180.4%

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following page, the amortization of the unfunded accrued liability is assumed to increase annually by 4.5%. The normal cost is expected to increase at the same rate as the assumed health care trend rate. The contributions were computed assuming that the contribution is paid on July 1, at the beginning of the fiscal year.

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

8%

Fiscal Year		Amortization	Total
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>Contribution</u>
2007	831,798	1,252,526	2,084,324
2008	873,388	1,308,890	2,182,278
2009	917,057	1,367,790	2,284,847
2010	962,910	1,429,341	2,392,251
2011	1,011,056	1,493,661	2,504,717
2012	1,061,609	1,560,876	2,622,485
2013	1,114,689	1,631,115	2,745,804
2014	1,170,423	1,704,515	2,874,938
2015	1,228,944	1,781,218	3,010,162
2016	1,290,391	1,861,373	3,151,764
2017	1,354,911	1,945,135	3,300,046
2018	1,422,657	2,032,666	3,455,323
2019	1,493,790	2,124,136	3,617,926
2020	1,568,480	2,219,722	3,788,202
2021	1,646,904	2,319,609	3,966,513
2022	1,729,249	2,423,991	4,153,240
2023	1,815,711	2,533,071	4,348,782
2024	1,906,497	2,647,059	4,553,556
2025	2,001,822	2,766,177	4,767,999
2026	2,101,913	2,890,655	4,992,568
2027	2,207,009	3,020,734	5,227,743
2028	2,317,359	3,156,667	5,474,026
2029	2,433,227	3,298,717	5,731,944
2030	2,554,888	3,447,159	6,002,047
2031	2,682,632	3,602,281	6,284,913
2032	2,816,764	3,764,384	6,581,148
2033	2,957,602	3,933,781	6,891,383
2034	3,105,482	4,110,801	7,216,283
2035	3,260,756	4,295,787	7,556,543
2036	3,423,794	4,489,097	7,912,891
2037	3,594,984	-	3,594,984
2038	3,774,733	-	3,774,733

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

3.5%

Fiscal Year		Amortization	Total
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>Contribution</u>
2007	3,872,307	1,560,691	5,432,998
2008	4,065,922	1,630,922	5,696,844
2009	4,269,218	1,704,313	5,973,531
2010	4,482,679	1,781,007	6,263,686
2011	4,706,813	1,861,152	6,567,965
2012	4,942,154	1,944,904	6,887,058
2013	5,189,262	2,032,425	7,221,687
2014	5,448,725	2,123,884	7,572,609
2015	5,721,161	2,219,459	7,940,620
2016	6,007,219	2,319,335	8,326,554
2017	6,307,580	2,423,705	8,731,285
2018	6,622,959	2,532,772	9,155,731
2019	6,954,107	2,646,747	9,600,854
2020	7,301,812	2,765,851	10,067,663
2021	7,666,903	2,890,314	10,557,217
2022	8,050,248	3,020,378	11,070,626
2023	8,452,760	3,156,295	11,609,055
2024	8,875,398	3,298,328	12,173,726
2025	9,319,168	3,446,753	12,765,921
2026	9,785,126	3,601,857	13,386,983
2027	10,274,382	3,763,941	14,038,323
2028	10,788,101	3,933,318	14,721,419
2029	11,327,506	4,110,317	15,437,823
2030	11,893,881	4,295,281	16,189,162
2031	12,488,575	4,488,569	16,977,144
2032	13,113,004	4,690,555	17,803,559
2033	13,768,654	4,901,630	18,670,284
2034	14,457,087	5,122,203	19,579,290
2035	15,179,941	5,352,702	20,532,643
2036	15,938,938	5,593,574	21,532,512
2037	16,735,885	-	16,735,885
2038	17,572,679	-	17,572,679

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

TOWN OF WESTWOOD, ALL GROUPS

Interest Funded: 8.00% per year, net of investment expenses
Unfunded: 3.50% per year, net of investment expenses

Actuarial Cost Method: Projected Unit Credit

Medical Care Inflation:

<u>Year</u>	<u>Inflation Rate</u>
2006	9.0%
2007	8.0%
2008	7.5%
2009	7.0%
2010	6.5%
2011	6.0%
2012	5.5%
2013 & after	5.0%

Amortization period: 30-year level percent of pay assuming 4.5% increasing, open basis. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.

Retirement Eligibility: As prescribed by the terms of the Norfolk County Retirement System.

Participation: 85% of future retirees are assumed to participate in the retiree medical plan.

Marital status: 65% of employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS**GENERAL EMPLOYEES**

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Annual Rates of

Age	Disability	Service Retirement		Years of Service	Rates of Withdrawal
		Male	Female		
25	.02%			0	15.0%
30	.03			1	12.0%
35	.06			2	10.0%
40	.10			3	9.0%
45	.15			4	8.0%
50	.19	1.0%	1.5%	5	7.6%
55	.24	2.0	5.5	10	5.4%
60	.28	12.0	5.0	15	3.3%
62	.30	30.0	15.0	20	2.0%
65	.30	40.0	15.0	25	1.0%
69		30.0	20.0	30+	0.0%

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODSPOLICE AND FIRE

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed annual rates of disability, service retirement, and withdrawal are as follows:

Annual Rates of

Age	Disability	Service Retirements	Years of Service	Rates of Withdrawal
25	0.20%		0	1.5%
30	0.30		1	1.5
35	0.30		2	1.5
40	0.30		3	1.5
45	1.00	1.0%	4	1.5
50	1.25	2.0	5	1.5
55	1.20	15.0	6	1.5
60	0.85	20.0	7	1.5
62	0.75	25.0	8	1.5
65	0.00	100.0	9	1.5
69			10	1.5
			11+	0.0

Mortality: The RP-2000 Combined Healthy Table. For the period after disability retirement, the RP-2000 Combined Healthy Table set forward 2 years is used.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Pre-Age 65 Retirees

Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.

At age 65, all participants are assumed to participate in post 65 plans in the same proportions as current retirees over age 65.

Post-Age 65 Retirees

Current retirees over age 65 remain in their current medical plan until death.

Medical Plan Costs:

It is assumed that future retirees are Medicare eligible. Per capita costs were developed from the Town developed monthly costs.

Age-based Morbidity:

Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

<u>Age</u>	<u>Annual Increase Retiree</u>
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%