

# Town of Westwood

**Actuarial Valuation and Review of Other  
Postemployment Benefits (OPEB) as of  
June 30, 2015 in accordance with  
GASB Statements No. 43 and No. 45**





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*March 2, 2016*

*Ms. Pam Dukeman  
Finance Director  
580 High Street  
Westwood, MA 02090*

*Dear Ms. Dukeman:*

*We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2015 under Governmental Accounting Standards Board (GASB) Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2015 and summarizes the actuarial data.*

*The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in 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); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.*

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

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


*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

By:

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

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Senior Actuarial Analyst

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### IMPORTANT INFORMATION ABOUT ACTUARIAL VALUATIONS

An actuarial valuation is an estimate of future uncertain obligations of a postretirement health plan. As such, it will never forecast the precise future stream of benefit payments. It is an estimated forecast – the actual cost of the plan will be determined by the benefits and expenses paid, not by the actuarial valuation.

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. For example, a plan may provide health benefits to post-65 retirees that coordinate with Medicare. If so, changes in the Medicare law or administration may change the plan’s costs without any change in the terms of the plan itself. It is important for the Town of Westwood to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the plan. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is not necessary to have perfect data for an actuarial valuation: the valuation is an estimated forecast, not a prediction. The uncertainties in other factors are such that even perfect data does not produce a “perfect” result. Notwithstanding the above, it is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** Part of the cost of a plan will be paid from existing assets – the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, as provided by the Town of Westwood. Some plans include assets, such as private equity holdings, real estate, or hedge funds, that are not subject to valuation by reference to transactions in the marketplace. A snapshot as of a single date may not be an appropriate value for determining a single year’s contribution requirement, especially in volatile markets.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. To determine the future costs of benefits, Segal collects claims, premium, and enrollment data in order to establish a baseline cost for the valuation measurement, and then develops short- and long-term health care cost rates to project increases in costs in future years. This forecast also requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year, as well as forecasts of the plan’s benefits for each of those events. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved the plan’s assets, or if there are no assets, a rate of return on the assets of the employer. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions the actuary selects within that range. That is, there is no right answer (except with hindsight). It is important

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for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results and will have no impact on the actual cost of the plan. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Given the above, the user of Segal's actuarial valuation (or other actuarial calculations) needs to keep the following in mind:

- The actuarial valuation is prepared for use by the Town of Westwood. It includes information for compliance with accounting standards. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- Sections of this report include actuarial results that are not rounded, but that does not imply precision.
- Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience and health care cost trend, not just the current valuation results.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Town of Westwood should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the Town of Westwood upon delivery and review. The Town of Westwood should notify Segal immediately of any questions or concerns about the final content.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

**SECTION 1: Executive Summary for Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**PURPOSE**

This report presents the results of our actuarial valuation of the Town of Westwood (the “Employer”) postemployment welfare benefit plan as of June 30, 2015. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

**HIGHLIGHTS OF THE VALUATION**

During the fiscal year ending June 30, 2016, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about \$1,860,000. This amount is less than the annual “cost” (the “Annual Required Contribution,” or ARC) of approximately \$3,299,000.

The GASB statements provide the method for selecting the investment return assumption (discount rate). If the benefits are fully funded, the discount rate should be based on the estimated long-term investment yield on the investments expected to be used to finance the payment of benefits. If financing is pay-as-you-go, the discount rate should be based on the expected yield on the assets of the employer. If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used.

Because the Town’s funding policy of \$1,350,000 per year will fund the obligations in approximately 35 years, we have used a funded discount rate of 7.75%. Previously, a 5.25% partially funded discount rate was used. The blending was based on a funded discount rate of 7.75% and a pay-as-you-go discount rate of 4.00%.

As of June 30, 2015, the Town of Westwood has \$1,724,140 in assets in a qualified OPEB Trust. The chart below is a reconciliation of the Trust Fund from June 30, 2013 to June 30, 2015.

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**Reconciliation of OPEB Trust Fund**

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	<b>Total</b>
<b>Balance as of June 30, 2013</b>	\$612,433
Fiscal year 2014 OPEB contributions	503,000
Net investment income	<u>1,871</u>
<b>Balance as of June 30, 2014</b>	\$1,117,304
Fiscal year 2015 OPEB contributions	550,000
Net investment income	<u>56,836</u>
<b>Balance as of June 30, 2015</b>	\$1,724,140

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To determine the amortization payment on the unfunded actuarial accrued liability (UAAL), an amortization period and amortization method must be selected. We have used a 30-year closed amortization of the UAAL, with payments increasing 4.0% per year. The GASB statements allow for either an open or closed amortization period. In open amortization, the period is reset to the initial value every year and the UAAL is reamortized, while under a closed amortization, the remaining period decreases and the UAAL is eventually “paid off.”

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Page 10 shows a 30-year closed funding schedule that reflects the Town's funding policy to contribute \$1.35 million per year to the OPEB Trust. As noted on the prior page, the current funding policy is projected to fully fund the obligations in approximately 35 years. Page 11 is an alternative 30-year funding schedule that reflects a funding policy with contributions that increase by approximately \$107,000 every four years. This funding policy is projected to fully fund the obligations in 30 years.

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

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

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



## SECTION 1: Executive Summary for Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45

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### KEY VALUATION RESULTS

➤ The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2015 is \$35,603,000. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.

- As of June 30, 2015 the ratio of assets to the AAL (the funded ratio) is 4.6%.

These funded percentages are not necessarily appropriate for assessing the sufficiency of OPEB assets to cover the estimated cost of settling the benefit obligations or the need for or the amount of future contributions.

➤ The **Annual Required Contribution (ARC)** for fiscal year 2016 is \$3,299,000. The ARC is expected to remain relatively level as a percentage of payroll, as long as the ARC is fully funded each year. If the ARC is not fully funded, it may be expected to increase as a percentage of payroll over time.

The unfunded liability of \$35,603,000 as of June 30, 2015 represents a decrease of \$20,313,000 from \$55,916,000 as shown in the June 30, 2013 valuation.

The unfunded liability had been expected to increase \$5,797,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the unfunded actuarial accrued liability, less contributions. The decrease was the net effect of the following:

- An **actuarial experience gain** decreased obligations by \$3,785,000. This was the net result of gains and losses due to demographic changes, an investment loss, and contributions greater than expected.
- **Valuation assumption and plan changes** decreased obligations by \$22,325,000. This was the net result of *decreases* in obligations due to 1) revising the valuation year per capita health costs reflecting current experience and movement into the Group Insurance Commission, 2) eliminating the Part B premium cost for all current employees and retirees who were not yet age 65 as of July 1, 2014, 3) increasing the discount rate from a partially funded discount rate of 5.25% to a funded discount rate of 7.75%, 4) reducing the Part B premium cost trend from 6.0% to 5.0%, 5) revising the future enrollment elections for future retirees who were hired after 1986, and 6) revising the excise tax on high cost health plans beginning in 2018, partially offset by *increases* in obligation due to 7) revising the future trend on medical and prescription drug costs, 8) revising the participation election from 110% to 115%, and 9) changes in the demographic assumptions as described on page 30. The complete set of assumptions is shown in Exhibit II and the summary of plan provisions is shown in Exhibit III.

## SECTION 1: Executive Summary for Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45

### ACCOUNTING REQUIREMENTS

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

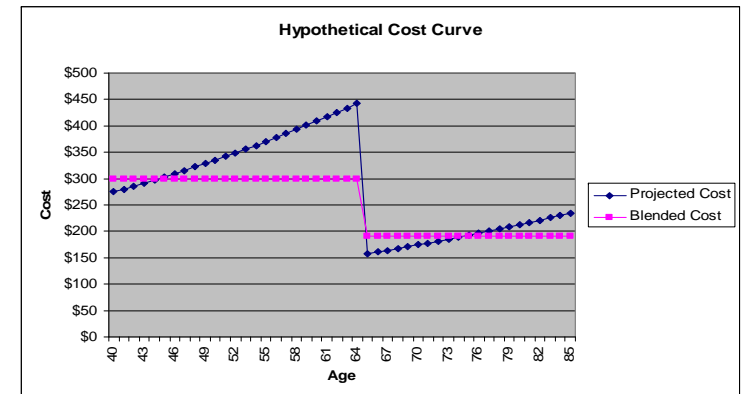
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

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

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

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

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



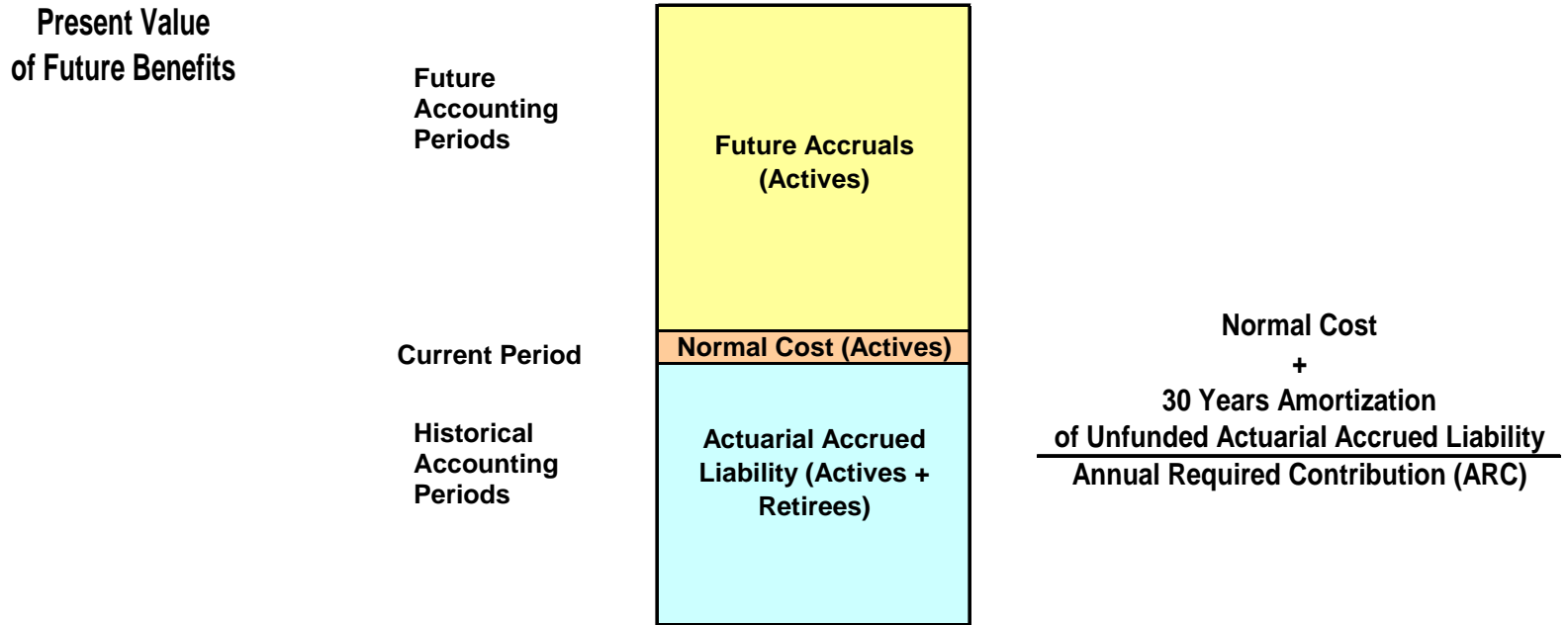
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This graph shows how the actuarial present value of the total projected benefits (APB) is broken down and allocated to various accounting periods.

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

**GASB 43/45 Measurement**



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

**SECTION 1: Executive Summary for Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

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

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

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

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

**SECTION 2: Valuation Results for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

**SUMMARY OF VALUATION RESULTS  
ALL DEPARTMENTS**

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

	<b>June 30, 2015</b>	<b>June 30, 2013</b>
	<b>Funded (7.75% discount rate)</b>	<b>Partially Funded (5.25% discount rate)</b>
<b>Actuarial Accrued Liability (AAL) by Participant Category</b>		
1. Current retirees, beneficiaries and dependents	\$20,169,989	\$27,786,706
2. Current active members	<u>17,157,489</u>	<u>28,741,999</u>
3. Total AAL: (1) + (2)	\$37,327,478	\$56,528,705
4. Actuarial value of assets	<u>1,724,140</u>	<u>612,433</u>
5. Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$35,603,338	\$55,916,272
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2016 and June 30, 2014</b>		
6. Normal cost as of July 1, 2015 and July 1, 2013	\$1,284,407	\$2,412,789
7. Adjustment for timing	<u>48,842</u>	<u>62,526</u>
8. Normal cost adjusted for timing: (6) + (7)	\$1,333,249	\$2,475,315
9. 30-year amortization (increasing 4.0% per year) of the UAAL	1,893,271	2,204,623
10. Adjustment for timing	<u>71,995</u>	<u>57,131</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$1,965,266	\$2,261,754
12. Total Annual Required Contribution (ARC): (8) + (11)	3,298,515	4,737,069
13. Projected benefit payments	1,860,003	2,001,493

*Note: Assumes payment in the middle of the fiscal year.*

**SECTION 2: Valuation Results for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

**FUNDING SCHEDULES**

**30 Years Closed (7.75% discount rate)**

Fiscal Year Ended June 30	(1) Projected Benefit Payments	(2) Normal Cost with Interest	(3) Amortization of UAAL	(4) Total Funding Requirement (2) + (3)	(5) Additional Funding	At Fiscal Year End		
						(6) Assets	(7) AAL	(8) UAAL (7) - (6)
2016	\$1,860,003	\$1,333,249	\$1,965,266	\$3,298,515	\$1,350,000	\$3,259,097	\$39,673,572	\$36,414,475
2017	1,995,030	1,399,911	2,049,047	3,448,958	1,350,000	4,913,013	42,130,524	37,217,511
2018	2,142,797	1,469,907	2,137,204	3,607,111	1,350,000	6,695,108	44,697,162	38,002,054
2019	2,310,795	1,543,402	2,229,655	3,773,057	1,350,000	8,615,315	47,364,617	38,749,302
2020	2,503,431	1,620,572	2,325,835	3,946,407	1,350,000	10,684,338	50,118,943	39,434,605
2021	2,651,397	1,701,601	2,424,803	4,126,404	1,350,000	12,913,711	53,017,247	40,103,536
2022	2,826,382	1,786,681	2,529,981	4,316,662	1,350,000	15,315,860	56,046,846	40,730,986
2023	3,029,432	1,876,015	2,640,621	4,516,636	1,350,000	17,904,176	59,193,199	41,289,023
2024	3,214,965	1,969,816	2,755,751	4,725,567	1,350,000	20,693,086	62,488,174	41,795,088
2025	3,438,460	2,068,307	2,877,459	4,945,766	1,350,000	23,698,137	65,908,752	42,210,615
2026	3,669,650	2,171,722	3,004,179	5,175,901	1,350,000	26,936,079	69,461,791	42,525,712
2027	3,853,133	2,280,308	3,136,308	5,416,616	1,350,000	30,424,962	73,212,445	42,787,483
2028	4,045,790	2,394,323	3,278,741	5,673,064	1,350,000	34,184,233	77,172,142	42,987,909
2029	4,248,079	2,514,039	3,432,875	5,946,914	1,350,000	38,234,847	81,353,003	43,118,156
2030	4,460,483	2,639,741	3,600,426	6,240,167	1,350,000	42,599,384	85,767,881	43,168,497
2031	4,683,507	2,771,728	3,783,535	6,555,263	1,350,000	47,302,173	90,430,414	43,128,241
2032	4,917,682	2,910,314	3,984,918	6,895,232	1,350,000	52,369,428	95,355,069	42,985,641
2033	5,163,567	3,055,830	4,208,085	7,263,915	1,350,000	57,829,395	100,557,199	42,727,804
2034	5,421,745	3,208,622	4,457,667	7,666,289	1,350,000	63,712,510	106,053,101	42,340,591
2035	5,692,832	3,369,053	4,739,923	8,108,976	1,350,000	70,051,566	111,860,071	41,808,505
2036	5,977,474	3,537,506	5,063,554	8,601,060	1,350,000	76,881,899	117,996,474	41,114,575
2037	6,276,347	3,714,381	5,441,051	9,155,432	1,350,000	84,241,583	124,481,811	40,240,228
2038	6,590,165	3,900,100	5,891,059	9,791,159	1,350,000	92,171,642	131,336,791	39,165,149
2039	6,919,673	4,095,105	6,442,774	10,537,879	1,350,000	100,716,281	138,583,415	37,867,134
2040	7,265,657	4,299,860	7,144,721	11,444,581	1,350,000	109,923,129	146,245,052	36,321,923
2041	7,628,940	4,514,853	8,084,079	12,598,932	1,350,000	119,843,508	154,346,537	34,503,029
2042	8,010,387	4,740,596	9,434,986	14,175,582	1,350,000	130,532,716	162,914,262	32,381,546
2043	8,410,906	4,977,626	11,603,454	16,581,080	1,350,000	142,050,338	171,976,280	29,925,942
2044	8,831,451	5,226,507	15,807,032	21,033,539	1,350,000	154,460,576	181,562,413	27,101,837
2045	9,273,024	5,487,832	28,132,438	33,620,270	1,350,000	167,832,607	191,704,155	23,871,548

Notes: Assumes payment in the middle of the fiscal year.

Normal cost is projected to increase 5.0% per year and does not reflect the future impact of pension reform for new hires.

Amortization payments calculated to increase 4.0% per year.

Assets are assumed to return 7.75% per year.

Until the liabilities are fully funded, the employer pays projected benefit payments and additional funding amount. Thereafter, projected benefit payments are made from the Trust and employer pays normal cost.

**SECTION 2: Valuation Results for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

**30 Years Closed (7.75% discount rate) - Additional funding increases by approximately \$107,000 every four years**

Fiscal Year Ended June 30	(1)	(2)	(3)	(4)	(5)	At Fiscal Year End		
	Projected Benefit Payments	Normal Cost with Interest	Amortization of UAAL	Total Funding Requirement (2) + (3)	Additional Funding	(6) Assets	(7) AAL	(8) UAAL (7) - (6)
2016	\$1,860,003	\$1,333,249	\$1,965,266	\$3,298,515	\$1,350,000	\$3,259,097	\$39,673,572	\$36,414,475
2017	1,995,030	1,399,911	2,049,047	3,448,958	1,350,000	4,913,013	42,130,524	37,217,511
2018	2,142,797	1,469,907	2,137,204	3,607,111	1,350,000	6,695,108	44,697,162	38,002,054
2019	2,310,795	1,543,402	2,229,655	3,773,057	1,350,000	8,615,315	47,364,617	38,749,302
2020	2,503,431	1,620,572	2,325,835	3,946,407	1,457,095	10,795,506	50,118,943	39,323,437
2021	2,651,397	1,701,601	2,417,968	4,119,569	1,457,095	13,144,662	53,017,247	39,872,585
2022	2,826,382	1,786,681	2,515,412	4,302,093	1,457,095	15,675,877	56,046,846	40,370,969
2023	3,029,432	1,876,015	2,617,281	4,493,296	1,457,095	18,403,261	59,193,199	40,789,938
2024	3,214,965	1,969,816	2,722,441	4,692,257	1,564,190	21,453,185	62,488,174	41,034,989
2025	3,438,460	2,068,307	2,825,129	4,893,436	1,564,190	24,739,478	65,908,752	41,169,274
2026	3,669,650	2,171,722	2,930,065	5,101,787	1,564,190	28,280,459	69,461,791	41,181,332
2027	3,853,133	2,280,308	3,037,159	5,317,467	1,564,190	32,095,866	73,212,445	41,116,579
2028	4,045,790	2,394,323	3,150,702	5,545,025	1,671,285	36,318,135	77,172,142	40,854,007
2029	4,248,079	2,514,039	3,262,468	5,776,507	1,671,285	40,867,629	81,353,003	40,485,374
2030	4,460,483	2,639,741	3,380,585	6,020,326	1,671,285	45,769,709	85,767,881	39,998,172
2031	4,683,507	2,771,728	3,505,669	6,277,397	1,671,285	51,051,700	90,430,414	39,378,714
2032	4,917,682	2,910,314	3,638,473	6,548,787	1,778,380	56,854,213	95,355,069	38,500,856
2033	5,163,567	3,055,830	3,769,046	6,824,876	1,778,380	63,106,421	100,557,199	37,450,778
2034	5,421,745	3,208,622	3,907,130	7,115,752	1,778,380	69,843,175	106,053,101	36,209,926
2035	5,692,832	3,369,053	4,053,611	7,422,664	1,778,380	77,102,027	111,860,071	34,758,044
2036	5,977,474	3,537,506	4,209,652	7,747,158	1,885,475	85,034,608	117,996,474	32,961,866
2037	6,276,347	3,714,381	4,362,132	8,076,513	1,885,475	93,581,964	124,481,811	30,899,847
2038	6,590,165	3,900,100	4,523,653	8,423,753	1,885,475	102,791,740	131,336,791	28,545,051
2039	6,919,673	4,095,105	4,695,739	8,790,844	1,885,475	112,715,274	138,583,415	25,868,141
2040	7,265,657	4,299,860	4,880,767	9,180,627	1,992,570	123,519,049	146,245,052	22,726,003
2041	7,628,940	4,514,853	5,058,069	9,572,922	1,992,570	135,160,117	154,346,537	19,186,420
2042	8,010,387	4,740,596	5,246,600	9,987,196	1,992,570	147,703,367	162,914,262	15,210,895
2043	8,410,906	4,977,626	5,450,602	10,428,228	1,992,570	161,218,719	171,976,280	10,757,561
2044	8,831,451	5,226,507	5,682,197	10,908,704	2,099,665	175,892,679	181,562,413	5,669,734
2045	9,273,024	5,487,832	5,885,337	11,373,169	2,099,665	191,704,155	191,704,155	--

Notes: Assumes payment in the middle of the fiscal year.

Normal cost is projected to increase 5.0% per year and does not reflect the future impact of pension reform for new hires.

Amortization payments calculated to increase 4.0% per year.

Assets are assumed to return 7.75% per year.

Until the liabilities are fully funded, the employer pays projected benefit payments and additional funding amount. Thereafter, projected benefit payments are made from the Trust and employer pays normal cost.

**SECTION 2: Valuation Results for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

**DEPARTMENT RESULTS**

**Actuarial Accrued Liability (AAL) and Annual Required Contribution – Funded (7.75%)**

	<b>General Government</b>	<b>School</b>	<b>Public Safety</b>	<b>DPW</b>	<b>Sewer</b>	<b>Total</b>
<b>Actuarial Accrued Liability (AAL) by Participant Category</b>						
1. Current retirees, beneficiaries and dependents	\$1,688,768	\$11,015,797	\$6,120,650	\$996,080	\$348,694	\$20,169,989
2. Current active members	<u>1,436,541</u>	<u>9,370,526</u>	<u>5,206,497</u>	<u>847,310</u>	<u>296,615</u>	<u>17,157,489</u>
3. Total AAL as of June 30, 2015: (1) + (2)	\$3,125,309	\$20,386,323	\$11,327,147	\$1,843,390	\$645,309	\$37,327,478
4. Actuarial value of assets	<u>144,357</u>	<u>941,635</u>	<u>523,196</u>	<u>85,145</u>	<u>29,807</u>	<u>1,724,140</u>
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2015: (3) – (4)	\$2,980,952	\$19,444,688	\$10,803,951	\$1,758,245	\$615,502	\$35,603,338
<b>Annual Required Contribution for Fiscal Year Ending June 30, 2016</b>						
6. Normal cost as of July 1, 2015	\$97,133	\$747,319	\$374,091	\$53,412	\$12,451	\$1,284,407
7. Adjustment for timing	<u>3,694</u>	<u>28,418</u>	<u>14,226</u>	<u>2,031</u>	<u>473</u>	<u>48,842</u>
8. Normal cost adjusted for timing: (6) + (7)	\$100,827	\$775,737	\$388,317	\$55,443	\$12,924	\$1,333,249
9. 30-year amortization (increasing 4.0% per year) of the UAAL as of June 30, 2015	\$158,517	\$1,034,007	\$574,519	\$93,498	\$32,730	\$1,893,271
10. Adjustment for timing	<u>6,028</u>	<u>39,320</u>	<u>21,847</u>	<u>3,555</u>	<u>1,245</u>	<u>71,995</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$164,545	\$1,073,327	\$596,366	\$97,053	\$33,975	\$1,965,266
12. Total Annual Required Contribution (ARC): (8) + (11)	265,372	1,849,064	984,683	152,496	46,899	3,298,515
13. Projected benefit payments	172,136	1,014,739	550,362	86,709	36,057	1,860,003

*Notes: Assumes payment in the middle of the fiscal year.*

*Retiree liabilities and projected benefit payments are estimated based on distribution of active liabilities in these subgroups.*

*Assets as of June 30, 2015 are allocated in proportion to liabilities.*



**SECTION 2: Valuation Results for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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March 2, 2016

**ACTUARIAL CERTIFICATION**

This is to certify that Segal Consulting, a Member of The Segal Group, Inc. has conducted an actuarial valuation of certain benefit obligations of the Town of Westwood other postemployment benefit programs as of June 30, 2015, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.


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

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

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



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



Howard Atkinson, Jr., ASA, MAAA, FCA  
Vice President and Health Actuary

**SECTION 3: Valuation Details for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**CHART 1**  
**Required Supplementary Information – Schedule of Employer Contributions**

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Costs</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2009	\$5,973,531	\$1,302,000	21.8%
2010	4,289,421	1,078,212	25.1%
2011	4,551,079	1,156,674	25.4%
2012	4,966,914	1,751,826	35.3%
2013	5,240,423	1,884,014	36.0%
2014	4,952,164	2,504,494	50.6%
2015	5,222,092	2,748,906	52.6%
2016	3,806,299	3,210,003	84.3%
2017	3,945,011	3,345,030	84.8%

*Notes: 2016 and 2017 actual contributions include \$1.35 million of additional funding per year. If different amounts are contributed, this chart will need to be revised.  
2017 information assumes there will be no plan changes that need to be reflected.*

**SECTION 3: Valuation Details for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

**CHART 2**  
**Required Supplementary Information – Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]</b>
06/30/2006	\$0	\$53,091,156	\$53,091,156	0.00%	\$29,437,171	180.35%
06/30/2009	0	49,334,499	49,334,499	0.00%	39,100,816	126.17%
06/30/2011	0	59,054,291	59,054,291	0.00%	37,620,046	156.98%
06/30/2013	612,433	56,528,705	55,916,272	1.08%	40,499,858	138.07%
06/30/2015	1,724,140	37,327,478	35,603,338	4.62%	44,922,136	79.26%

**SECTION 3: Valuation Details for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contribution (a)</b>	<b>Interest on Existing NOO (b)</b>	<b>ARC Adjustment (c)</b>	<b>Annual OPEB Cost (a) + (b) + (c) (d)</b>	<b>Actual Contribution Amount (e)</b>	<b>Net Increase in NOO (d) - (e) (f)</b>	<b>NOO as of Following Date (g)</b>
2009	\$5,973,531	\$0	\$0	\$5,973,531	\$1,302,000	\$4,671,531	\$4,671,531
2010	4,260,901	163,504	(134,984)	4,289,421	1,078,212	3,211,209	7,882,740
2011	4,502,956	275,896	(227,773)	4,551,079	1,156,674	3,394,405	11,277,145
2012	4,891,733	451,086	(375,905)	4,966,914	1,751,826	3,215,088	14,492,233
2013	5,143,808	579,689	(483,074)	5,240,423	1,884,014	3,356,409	17,848,642
2014	4,737,069	937,054	(721,959)	4,952,164	2,504,494	2,447,670	20,296,312
2015	4,977,500	1,065,556	(820,964)	5,222,092	2,748,906	2,473,186	22,769,498
2016	3,298,515	1,764,636	(1,256,852)	3,806,299	3,210,003	596,296	23,365,794
2017	3,448,958	1,810,849	(1,314,796)	3,945,011	3,345,030	599,981	23,965,775

*Notes: 2016 and 2017 actual contributions include \$1.35 million of additional funding per year. If different amounts are contributed, this chart will need to be revised.  
2017 information assumes there will be no plan changes that need to be reflected.*

**SECTION 3: Valuation Details for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**CHART 4  
Summary of Required Supplementary Information**

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<b>Valuation date</b>	June 30, 2015
<b>Actuarial cost method</b>	Projected Unit Credit
<b>Amortization method</b>	Payments increasing at 4.0%
<b>Remaining amortization period</b>	30 years closed
<b>Asset valuation method</b>	Market value
<b>Actuarial assumptions:</b>	
Asset rate of return	7.75%
Discount rate	7.75%
Inflation rate	4.0%
Non-Medicare cost trend rate	6.0% for 8 years, 5.5% for 1 year, and an ultimate level of 5.0% per year thereafter
Medicare cost trend rate	8.0% for 4 years, then decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year
Part B premium trend rate	5.0%
<b>Plan membership:</b>	
Current retirees, beneficiaries, and dependents*	399
Current active participants	<u>385</u>
Total	784

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\* Includes 23 retirees with life insurance only.

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

**EXHIBIT I  
Summary of Participant Data**

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	<b>July 1, 2015</b>	<b>July 1, 2013</b>
<b>Active employees covered for medical benefits</b>		
Number of employees		
Male	147	155
Female	<u>238</u>	<u>260</u>
Total	385	421
Average age	45.3	44.6
Average service	10.9	10.4
<b>Retired employees, spouses and beneficiaries covered for medical benefits</b>		
Number of individuals	376	372
Average age	73.3	73.1
<b>Retired employees with life insurance coverage*</b>		
Number of individuals	173	198
Average age	75.7	75.5

*\* 23 and 28 retirees have life insurance only as of July 1, 2015 and July 1, 2013, respectively.*

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

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<b>Data:</b>	Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Westwood.
<b>Actuarial Cost Method:</b>	Projected Unit Credit - For active employees, benefits are allocated from date of hire to assumed retirement age.
<b>Per Capita Cost Development:</b>	Per capita costs were based on the fully insured premium rates effective July 1, 2015 (January 1, 2015 for Medicare Advantage plans) for plans offered by the Group Insurance Commission. Premiums were combined by taking a weighted average based on the number of participants in each plan, and were then trended to the midpoint of the valuation year at assumed trend rates. For plans that are not community rated, actuarial factors were applied to the premium to estimate individual retiree and spouse costs by age and by gender.
<b>Measurement Date:</b>	June 30, 2015  The results of the June 30, 2015 actuarial valuation were used to determine the Annual Required Contribution for the fiscal years ending June 30, 2016 and 2017. Assets and liabilities were rolled forward from June 30, 2015 to June 30, 2016 using standard actuarial techniques.
<b>Expected Return on Assets:</b>	7.75%  The long-term expected rate of return on OPEB investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce a long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
<b>Discount Rate:</b>	7.75% funded (previously, 5.25% partially funded with blending based on a funded discount rate of 7.75% and a pay-as-you-go discount rate of 4.00%). Funded discount rate is equal to expected return on assets.
<b>Asset Valuation Method:</b>	Market value

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Mortality Rates:**

<i>Pre-Retirement (Non-Teachers)</i>	RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009 (previously, RP-2000 Employee Mortality Table projected 15 years with Scale AA)
<i>Healthy (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009 (previously, RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA)
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015 (previously, RP-2000 Healthy Annuitant Mortality Table set forward 2 years)
<i>Pre-Retirement (Teachers)</i>	RP-2014 Employee Mortality Table projected generationally with Scale BB2D from 2014 (previously, RP-2000 Combined Healthy White Collar Table projected 20 years with Scale AA)
<i>Healthy (Teachers)</i>	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2014 (previously, RP-2000 Healthy Annuitant with Large Benefit Amount Adjustment Mortality Table projected 15 years with Scale AA)
<i>Disabled (Teachers)</i>	RP-2014 Healthy Annuitant Mortality Table set forward 4 years projected generationally with Scale BB2D from 2014 (previously, RP-2000 Healthy Annuitant with Large Benefit Amount Adjustment Mortality Table projected 15 years with Scale AA)

The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the plan as of the measurement date. The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.



**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Termination Rates before Retirement:**

**Groups 1 and 2 (excluding Teachers) - Rate per year (%)**

Age	Mortality				Disability
	Current		Previous		
	Male	Female	Male	Female	
20	0.03	0.02	0.02	0.01	0.01
25	0.04	0.02	0.03	0.01	0.02
30	0.04	0.03	0.04	0.02	0.03
35	0.08	0.05	0.07	0.04	0.05
40	0.11	0.07	0.09	0.05	0.10
45	0.15	0.11	0.11	0.07	0.15
50	0.21	0.17	0.13	0.11	0.19
55	0.30	0.25	0.18	0.21	0.24
60	0.49	0.39	0.32	0.35	0.28

*Notes: 55% of the rates shown represent accidental disability and death.  
Current mortality rates shown for base table.*

**Group 4 - Rate per year (%)**

Age	Mortality				Disability
	Current		Previous		
	Male	Female	Male	Female	
20	0.03	0.02	0.02	0.01	0.10
25	0.04	0.02	0.03	0.01	0.20
30	0.04	0.03	0.04	0.02	0.30
35	0.08	0.05	0.07	0.04	0.30
40	0.11	0.07	0.09	0.05	0.30
45	0.15	0.11	0.11	0.07	1.00
50	0.21	0.17	0.13	0.11	1.25
55	0.30	0.25	0.18	0.21	1.20
60	0.49	0.39	0.32	0.35	0.85

*Notes: 90% of the rates shown represent accidental disability and death.  
Current mortality rates shown for base table*

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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<b>Teachers - Rate per year (%)</b>					
<b>Mortality</b>					
	<b>Current</b>		<b>Previous</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Disability</b>
20	0.04	0.02	0.02	0.01	0.00
25	0.05	0.02	0.03	0.02	0.01
30	0.05	0.02	0.03	0.02	0.01
35	0.05	0.03	0.05	0.04	0.01
40	0.06	0.04	0.08	0.05	0.01
45	0.10	0.07	0.10	0.07	0.03
50	0.17	0.11	0.14	0.11	0.05
55	0.28	0.17	0.23	0.22	0.07
60	0.47	0.24	0.40	0.42	0.07

*Notes: 35% of the rates shown represent accidental disability.  
55% of the death rates shown represent accidental death.  
Current mortality rates shown for base table.*

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Withdrawal Rates:**

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

**Withdrawal Rates:**

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

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement  
Under GASB 43 and 45**

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**Retirement Rates:**

Age	Hired prior to April 2, 2012 - Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		Group 4
	Male	Female	
45 - 49	--	--	1.0%
50	1.0	1.5	2.0
51	1.0	1.5	2.0
52	1.0	2.0	2.0
53	1.0	2.5	5.0
54	2.0	2.5	7.5
55	2.0	5.5	15.0
56	2.5	6.5	10.0
57	2.5	6.5	10.0
58	5.0	6.5	10.0
59	6.5	6.5	15.0
60	12.0	5.0	20.0
61	20.0	13.0	20.0
62	30.0	15.0	25.0
63	25.0	12.5	25.0
64	22.0	18.0	30.0
65	40.0	15.0	100.0
66	25.0	20.0	100.0
67	25.0	20.0	100.0
68	30.0	25.0	100.0
69	30.0	20.0	100.0
70	100.0	100.0	100.0

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement  
Under GASB 43 and 45**

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**Retirement Rates:**

Age	Hired on or after April 2, 2012 - Rate per year (%)		
	Groups 1 and 2 (excluding Teachers)		Group 4
	Male	Female	
45 - 49	--	--	1.0%
50	--	--	1.0
51	--	--	1.0
52	--	--	2.0
53	--	--	2.0
54	--	--	2.0
55	--	--	5.0
56	--	--	7.5
57	--	--	15.0
58	--	--	10.0
59	--	--	10.0
60	5.0	6.5	10.0
61	6.5	6.5	15.0
62	20.0	15.0	20.0
63	20.0	13.0	20.0
64	30.0	15.0	30.0
65	25.0	12.5	100.0
66	22.0	18.0	100.0
67	40.0	25.0	100.0
68	30.0	20.0	100.0
69	30.0	20.0	100.0
70	100.0	100.0	100.0

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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

**Dependents:**

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 80% of males and 60% of females were assumed to have an eligible spouse who also opts for health coverage at that time.

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

**Per Capita Health Costs:**

Fiscal 2015 - 2016 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Non-Medicare Plans				Medicare Plans			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$7,560	\$9,483	\$4,689	\$7,079	N/A	N/A	N/A	N/A
50	8,972	10,220	6,267	8,206	N/A	N/A	N/A	N/A
55	10,656	11,001	8,386	9,498	N/A	N/A	N/A	N/A
60	12,654	11,858	11,227	11,016	N/A	N/A	N/A	N/A
65	15,029	12,775	15,029	12,775	\$4,348	\$3,696	\$4,348	\$3,696
70	17,419	13,767	17,419	13,767	5,039	3,983	5,039	3,983
75	18,771	14,819	18,771	14,819	5,431	4,287	5,431	4,287
80	20,214	15,976	20,214	15,976	5,848	4,622	5,848	4,622

**Medicare Advantage Plans:** \$3,405

**Medicare Part B Premium for Current Retirees:** \$1,259

**Weighted Average Annual Retiree Contribution Amounts:**

*Non-Medicare Plans:* \$2,941

*Medicare Supplement Plans:* \$2,348

*Medicare Advantage Plans:* \$1,702

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Health Care Cost Trend Rates:**

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

<b>Year Ending June 30</b>	<b>Non-Medicare Plan</b>	<b>Medicare Plans</b>	<b>Part B</b>
2016	6.0%	8.0%	5.0%
2017	6.0%	8.0%	5.0%
2018	6.0%	8.0%	5.0%
2019	6.0%	8.0%	5.0%
2020	6.0%	7.5%	5.0%
2021	6.0%	7.0%	5.0%
2022	6.0%	6.5%	5.0%
2023	6.0%	6.0%	5.0%
2024	5.5%	5.5%	5.0%
2025 and later	5.0%	5.0%	5.0%

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using data sources such as the 2015 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics. The non-Medicare trend assumption is the same as used in the Commonwealth of Massachusetts Postemployment Benefit Other than Pensions Actuarial Valuation as of January 1, 2014, dated November 3, 2014.

**Retiree Contribution Increase Rate:**

Non-Medicare and Medicare retiree contributions for medical and prescription drug coverage are expected to increase with the respective medical trends shown above.

**Participation and Coverage Election:**

115% of active employees with coverage are assumed to elect retiree coverage (previously, 110%). This assumption includes an allowance for current and future inactive vested participants who may elect retiree coverage at retirement.

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



**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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For future retirees hired before 1986 and current retirees under age 65, 80% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Supplement plan upon reaching age 65, 10% are assumed to be eligible for Medicare and are assumed to enroll in a Medicare Advantage plan upon reaching age 65, and 10% are assumed to be ineligible for Medicare and remain enrolled in a non-Medicare plan

For future retirees hired after 1986 or later, 85% are to enroll in a Medicare Supplement Plan upon reaching age 65 and 15% are assumed to enroll in a Medicare Advantage plan (previously, 90% and 10% respectively).

The participation and coverage election assumptions were based on a review of recent experience and reflect new plan offerings.

- Plan Design:** Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
- Administrative Expenses:** Administrative expenses are assumed to be included in the fully insured premium rates.
- Missing Participant Data:** A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.
- Health Care Reform Assumption:** This valuation does not include the potential impact of any future changes due to the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 other than the excise tax on high cost health plans beginning in 2018 and those previously adopted as of the valuation date. The excise tax assumption in this valuation increased the actuarial accrued liability by 0.7% and normal cost by 1.6%.

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Demographic Assumptions:**

The demographic assumptions used in this valuation are the same as used in the Norfolk County Contributory Retirement System Actuarial Valuation Report as of January 1, 2014 dated October, 2014 completed by Sherman Actuarial Services, with the exception of the mortality assumption which was revised to include a margin for mortality improvement and the Massachusetts Teachers' Retirement System Actuarial Valuation Report as of January 1, 2015, dated September 18, 2015. A review of the demographic assumptions is beyond the scope of this assignment; however, we have no reason to doubt the reasonableness of the assumptions.

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**Assumption Changes Since the Prior Valuation:**

The per capita health costs were updated to reflect current experience and the movement into the Group Insurance Commission.

The discount rate was increased from a partially funded discount rate of 5.25% to a funded discount rate of 7.75% to reflect the employer's funding policy.

The medical/prescription drug and Part B trend assumptions were revised to reflect current experience and future expectations.

The mortality assumptions were updated to reflect future mortality improvement.

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

The participation election percentage was increased from 110% to 115% based on a review of recent experience.

The enrollment election was revised for future retirees who were hired after 1986 based on a review of recent experience.

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**EXHIBIT III  
Summary of Plan**

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

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**Eligibility:**

*Members hired before  
April 2, 2012*

Retired and receiving a pension from the Norfolk County Contributory Retirement System or Massachusetts State Teachers' Retirement System.

**Group 1 and Group 2 (including Teachers):**

- Retirees with at least 10 years of creditable service are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

**Group 4**

- Retirees are eligible at age 55;
- Retirees with at least 20 years of creditable service are eligible at any age.

*Members hired on or  
after April 2, 2012*

**Group 1 (including Teachers):**

- Retirees with at least 10 years of creditable service are eligible at age 60.

**Group 2**

- Retirees with at least 10 years of creditable service are eligible at age 55.

**Group 4**

- Retirees are eligible at age 55;
- Retirees with at least 10 years of creditable service are eligible at age 50.

**Disability:** Accidental (job-related) Disability has no age or service requirement. Ordinary (non-job related) Disability has no age requirement but requires 10 years of creditable service.

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

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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**Post-Retirement Death:** Surviving spouse is eligible.

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<b>Benefit Types:</b>	Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered through the Group Insurance Commission. The Town of Westwood also pays 50% of the Medicare Part B premium for retirees and spouses age 65 or older and enrolled in a Medicare plan as of July 1, 2014 and 50% of the retiree life insurance premium.
<b>Duration of Coverage:</b>	Lifetime.
<b>Dependent Benefits:</b>	Medical and Prescription Drugs.
<b>Dependent Coverage:</b>	Benefits are payable to a spouse for their lifetime, regardless of when the retirees dies.
<b>Retiree Contributions:</b>	Premium rates and retiree contributions as of January 1, 2015 or July 1, 2015 are summarized on the following pages:

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	Subscribers			65 and over*	Monthly Premium (eff. 7/1/2015)	Town cost	Retiree cost	Retiree Cost %
	Active	Retiree	Total					
<b><u>Non-Medicare Actives and Retirees</u></b>								
Tufts Navigator								
Individual	37	6	43	4	\$659.25	\$448.29	\$210.96	32.0%
Family	61	4	65	0	\$1,609.60	\$1,094.53	\$515.07	32.0%
NHP Prime								
Individual	48	4	52	3	\$470.71	\$320.08	\$150.63	32.0%
Family	33	2	35	0	\$1,247.36	\$848.20	\$399.16	32.0%
Fallon Direct								
Individual	2	0	2	0	\$492.89	\$335.17	\$157.72	32.0%
Family	1	0	1	0	\$1,182.96	\$804.41	\$378.55	32.0%
Fallon Select								
Individual	5	0	5	0	\$654.98	\$445.39	\$209.59	32.0%
Family	5	1	6	0	\$1,571.91	\$1,068.90	\$503.01	32.0%
Harvard Pilgrim Independence								
Individual	27	11	38	3	\$749.39	\$509.59	\$239.80	32.0%
Family	64	5	69	1	\$1,828.49	\$1,243.37	\$585.12	32.0%
Harvard Pilgrim Primary Choice								
Individual	19	9	28	2	\$599.51	\$407.67	\$191.84	32.0%
Family	27	5	32	0	\$1,462.80	\$994.70	\$468.10	32.0%
Health New England								
Individual	0	1	1	1	\$494.17	\$336.04	\$158.13	32.0%
Family	0	0	0	0	\$1,225.14	\$833.10	\$392.04	32.0%
Tufts Spirit								
Individual	3	1	4	1	\$501.40	\$340.95	\$160.45	32.0%
Family	2	0	2	0	\$1,207.85	\$821.34	\$386.51	32.0%
Unicare State Indemnity/Basic with CIC								
Individual	1	3	4	2	\$974.65	\$487.33	\$487.33	50.0%
Family	1	0	1	0	\$2,281.72	\$1,140.86	\$1,140.86	50.0%
Unicare Community Choice								
Individual	11	1	12	0	\$472.29	\$321.16	\$151.13	32.0%
Family	15	0	15	0	\$1,136.29	\$772.68	\$363.61	32.0%
Unicare Plus								
Individual	8	6	14	1	\$655.64	\$445.84	\$209.80	32.0%
Family	15	1	16	0	\$1,566.91	\$1,065.50	\$501.41	32.0%
<b><u>Non-Medicare Total</u></b>	<b>385</b>	<b>60</b>	<b>445</b>	<b>18</b>				

\* 18 of 186 over-65 retirees are in a non-Medicare plan.

**SECTION 4: Supporting Information for the Town of Westwood June 30, 2015 Measurement Under GASB 43 and 45**

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	Subscribers			Monthly Premium (eff. 7/1/2015)	Town cost	Retiree cost	Retiree Cost %
	Active	Retiree	Total				
<b><u>Medicare Supplement Plans</u></b>							
Unicare State Indemnity/Medicare with CIC	N/A	32	32	\$403.98	\$191.98	\$212.00	52.5%
HPHC Medicare Enhance	N/A	101	101	\$392.24	\$203.24	\$189.00	48.2%
Tufts Medicare Complement	N/A	12	12	\$353.91	\$152.91	\$201.00	56.8%
<b><u>Medicare Advantage Plans</u></b>							
Tufts Medicare Preferred**	N/A	23	23	\$275.60	\$155.60	\$120.00	43.5%
Fallon Senior Plan**	N/A	0	0	\$302.13	\$162.63	\$139.50	46.2%
<b><u>Medicare Total</u></b>		168	168				
<b><u>Retiree Total***</u></b>		228					

\*\* Premiums are effective January 1, 2015.

\*\*\* In addition, there are 148 spouses of retirees covered under an individual or family policy.

**Retiree Life:** \$1,000

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**Plan Changes**

**Since the Prior Valuation:**

The Part B premium cost was eliminated for all current active employees and retirees who were not yet age 65 as of July 1, 2014.

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