Milliman

TOWN OF EAST HARTFORD
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

July 1, 2013 Actuarial Valuation

Prepared by
Milliman, Inc.

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February 17, 2014

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Certification

We have performed an actuarial valuation of the Town of East Hartford 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 East Hartford. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the financial information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The actuarial method and assumptions used in this valuation are discussed on pages 19-24 of this report. A summary of the plan provisions starts on page 25 of this report.

Milliman's work is prepared solely for the internal business use of the Town of East Hartford. 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 East Hartford may provide a copy of Milliman's work, in its entirety, to the Town of East Hartford'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 East Hartford; and (b) The Town of East Hartford 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.

February 17, 2014

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Discussion of Experience

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

Demographic Changes from 2011 to 2013

From July 1, 2011 to July 1, 2013, the overall membership increased from 2,563 to 2,579. The total number of active members increased from 1,405 to 1,442 and the total number of retirees, terminated vested and spouses of retirees decreased from 1,158 to 1,137.

The average age of active members increased slightly from 45.7 to 45.9 and the average age of retired and terminated vested members increased from 70.7 to 72.3.

Assumption Changes

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

Medical inflation: The medical cost inflation trend used in this valuation was derived from the "Getzen Model" established by the Society of Actuaries for developing long term medical cost trends. The Getzen Model was subsequently updated to reflect the latest economic growth factors and an adjustment was made to reflect the value of the expected excise tax payable in 2018 and later. This assumption was revised to an initial inflation rate of 6.80%, grading down to an ultimate inflation rate of 4.70% over a period of 69 years (Prior valuation: an initial inflation rate of 6.00% graded down to an ultimate inflation rate of 4.70% over a period of 70 years).

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

The combined effect of the above changes reduced the Accrued Liability by about $1.8 million and increased the Annual Required Contribution by about $260,000.

Discussion of Experience

Changes in Plan Provisions Valued

CSEA Local 2001 retiring after December 28, 2012: Employees who retire at or before age 55 will pay 50% of the premium for self and 100% of the premium for spousal coverage; employees who retire at age 56 through 59 will pay 25% of the premium for self and 75% of the premium for spousal coverage; employees who retire at age 60 through 64 will pay 0% of the premium for self and 50% of the premium for spousal coverage. The Town shall cease providing and/or paying for any and all health insurance coverage for retiree and spouse upon eligibility for Medicare (prior: Pre-65 coverage: 100% Town-paid for retiree and 50% Town-paid for spouse once retiree attained age 60 otherwise 100% retiree-paid for spouse coverage; Post-65coverage: 100% Town-paid High Option/Plan 82 Medicare Supplement coverage for retiree/spouse).

Fire: Fire employees hired after September 1, 2013 shall contribute $1,700 annually to the Town's OPEB Trust. Retiree life insurance has been increased from $10,000 to $15,000.

Local - 818: Employees hired on or after January 1, 2006 are no longer eligible or have access to post retirement health benefits. Effective December 12, 2013 employees hired prior to January 1, 2006 shall contribute annually one percent of Step 1 of their pay grade to the Town's OPEB Trust.

Local - 1174: Employees hired on or after January 1, 2006 are no longer eligible or have access to post retirement health benefits. Effective July 1, 2014 employees hired prior to January 1, 2006 shall contribute annually one percent of Step 1 of their pay grade to the Town's OPEB Trust.

The combined effect of the above changes reduced the Accrued Liability by about $4.4 million and reduced the Annual Required Contribution by about $800,000.

Overview of GASB 43 and GASB 45

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

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

The Valuation Process

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

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

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

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

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

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

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

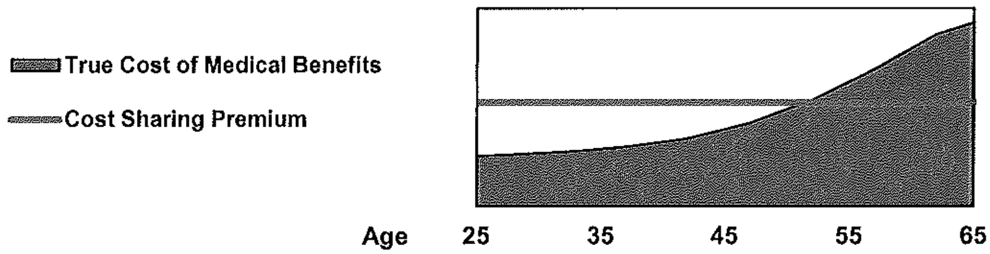
- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time.

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

Implicit Rate Subsidies

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

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



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

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

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

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

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

Summary of Liabilities as of July 1, 2013

We have calculated the Accrued Liability separately for two 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.

	Town	BOE	Total
Current active members			
Employees under age 65	$26,323,033	$8,626,812	$34,949,845
Employees over age 65	15,018,152	22,608,434	37,626,586
Dependents under age 65	9,345,236	2,034,277	11,379,513
Dependents over age 65	8,818,732	563,449	9,382,181
Total	59,505,153	33,832,972	93,338,125
Current retired members			
Employees under age 65	11,873,577	2,000,265	13,873,842
Employees over age 65	21,888,773	20,520,179	42,408,952
Dependents under age 65	2,224,642	225,108	2,449,750
Dependents over age 65	7,310,626	1,074,538	8,385,164
Total	43,297,618	23,820,090	67,117,708
Total Accrued Liability	102,802,771	57,653,062	160,455,833

Annual Required Contribution

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

The amortization period is 30 years starting for FYE 2008. The amortization method produces annual payments that will increase by 4.00% annually. On this basis, the ARC is determined as follows:

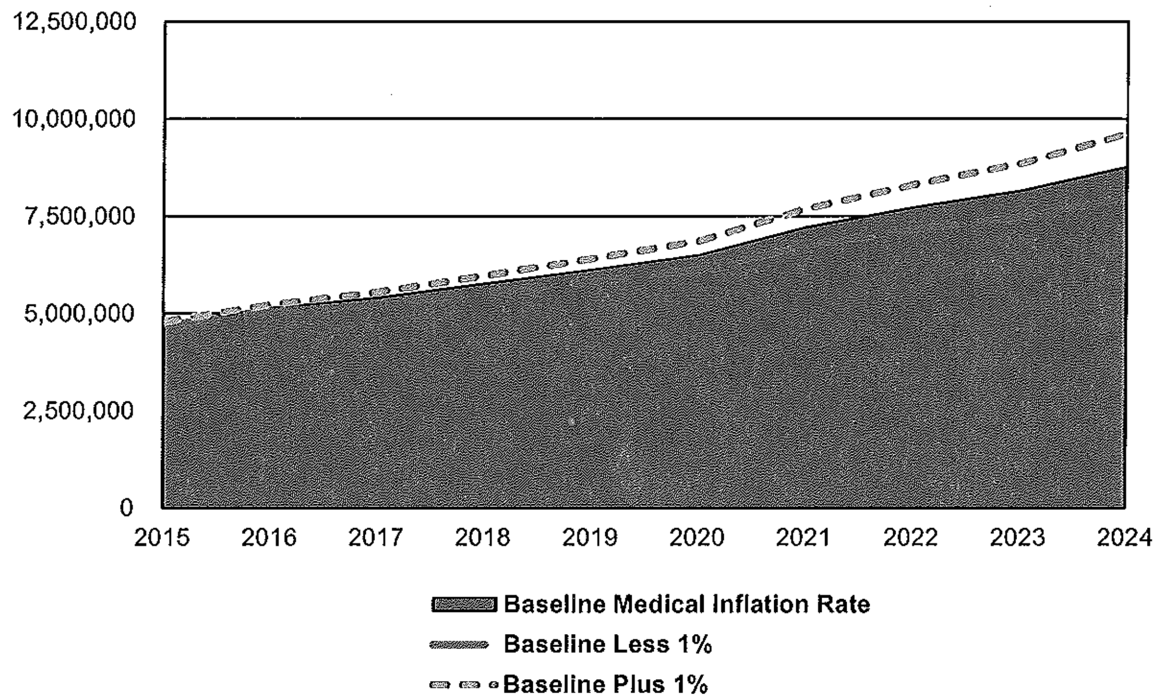
	Town	BOE	Total
Accrued Liability	$102,802,771	$57,653,062	$160,455,833
Assets	1,036,542	0	1,036,542
Unfunded Accrued Liability	101,766,229	57,653,062	159,419,291
Amortization Period	23	23	23
Payroll Growth Rate	4.00%	4.00%	4.00%
Past Service Cost	4,424,619	2,506,655	6,931,274
Total Normal Cost	3,935,057	3,104,133	7,039,190
Employee Contributions	13,516	0	13,516
Net Normal Cost	3,921,541	3,104,133	7,025,674
Interest	333,846	224,432	558,278
ARC for FY 2015	8,680,006	5,835,220	14,515,226
Expected Benefit Payouts	2,944,707	1,806,035	4,750,742
Net Budget Impact	5,735,299	4,029,185	9,764,484

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

Projected Payouts

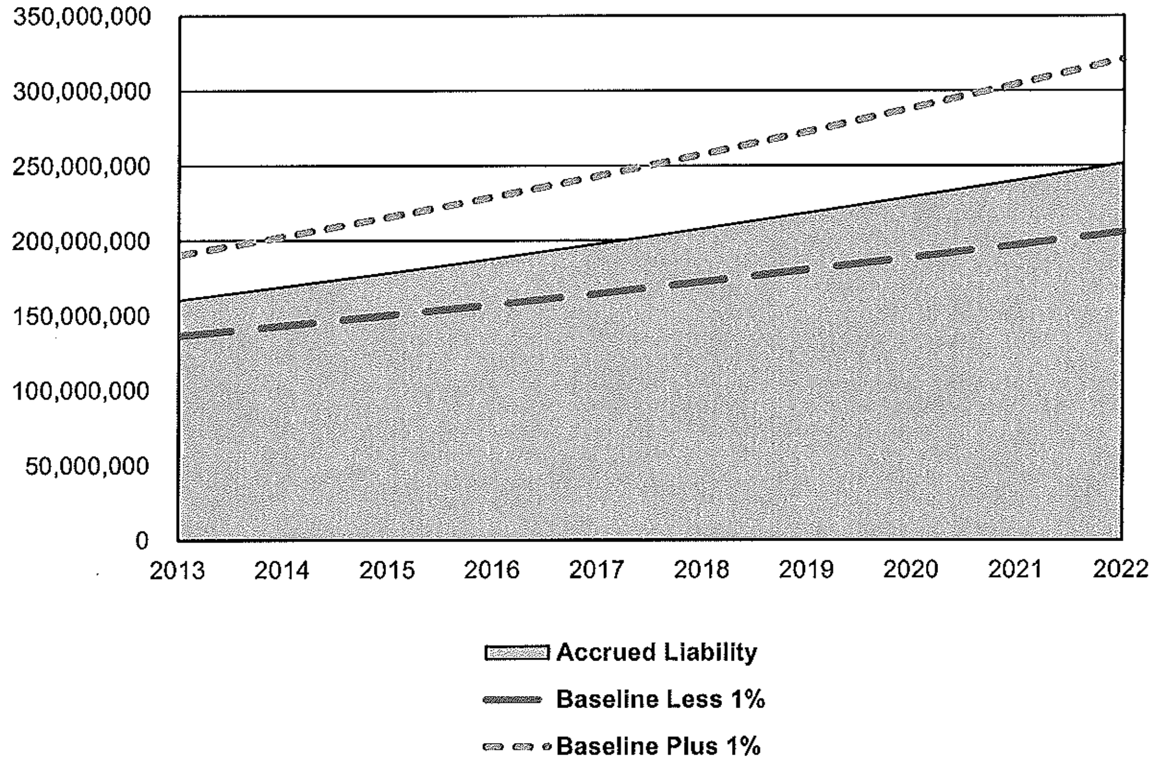
The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

Fiscal Year	Baseline Less 1%	Baseline Medical Inflation Rate	Baseline Plus 1%
2015	$4,707,217	$4,750,742	$4,794,267
2016	5,050,689	5,144,971	5,240,144
2017	5,252,891	5,401,046	5,552,021
2018	5,555,338	5,765,605	5,981,909
2019	5,843,639	6,121,699	6,410,460
2020	6,147,827	6,500,831	6,870,901
2021	6,759,714	7,215,201	7,697,233
2022	7,169,895	7,724,683	8,317,346
2023	7,497,866	8,153,497	8,860,499
2024	7,993,509	8,774,012	9,623,611



Projected Liabilities

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



GASB 45 Schedule of Funding Progress

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

($ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	$0	$128,765	$128,765	0.00%	N/A	N/A
7/1/2009	2,404	129,899	127,495	1.85%	N/A	N/A
7/1/2011	525	148,883	148,358	0.35%	N/A	N/A
7/1/2013	1,037	160,456	159,419	0.65%	92,364	172.6%

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
2008	$10,360	$4,079	39.4%
2009	10,767	6,746	62.7%
2010	11,189	6,285	56.2%
2011	10,857	4,347	40.0%
2012	11,284	4,666	41.4%
2013	12,935	5,966	46.1%
2014	13,816	N/A	N/A
2015	14,515	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.

	Town	BOE	Total
Number of members			
Active	455	987	1,442
Retired members	354	621	975
Spouses of retirees	123	26	149
Deferred members	8	5	13
Total	940	1,639	2,579
Average age			
Active	46.4	45.7	45.9
Retired members	69.5	74.3	72.6
Deferred members	52.5	53.2	52.9
Average retirement age			
Active	57.6	60.8	59.8
Retired	56.1	60.4	58.8
Expected lifetime			
Active [to retirement]	11.2	15.1	13.9
Retired [lifetime]	17.1	15.0	15.7

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:

2013 - 2014 Monthly Premiums		Employee	Spouse
Medical - BOE Certified	Pre 65	$662.16	$662.16
Medical - BOE Para's	Post 65	465.50	465.50
Medical - Town/BOE All Others	Pre 65	786.98	786.99
	Post 65	169.47	169.47
Dental - BOE		49.53	49.51

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 and BOE Non-Certified - Medical		BOE Certified - Medical	
Age	Employee	Spouse	Employee	Spouse
40	2.65%	1.83%	1.47%	3.15%
45	3.98%	3.32%	3.01%	4.37%
50	4.78%	4.33%	4.11%	5.03%
55	4.89%	4.20%	3.84%	5.26%
60	4.46%	4.15%	3.98%	4.62%
65	2.09%	2.00%	1.95%	2.14%
70	2.22%	2.14%	2.09%	2.26%
75	1.55%	1.39%	1.31%	1.63%
80	1.10%	1.26%	1.35%	1.02%

	BOE Non-Certified - Dental		BOE Certified - Dental	
Age	Employee	Spouse	Employee	Spouse
40	1.52%	1.45%	1.36%	1.61%
45	1.29%	1.18%	1.06%	1.43%
50	0.69%	0.63%	0.57%	0.75%
55	0.20%	0.13%	0.05%	0.28%
60	0.14%	0.13%	0.12%	0.15%
65	-0.16%	-0.13%	-0.09%	-0.19%
70	0.00%	0.00%	0.00%	0.00%
75	0.00%	0.00%	0.00%	0.00%
80	0.00%	0.00%	0.00%	0.00%

Glossary

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

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

Actuarial Method

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

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

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

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

Actuarial Assumptions

Discount Rate 4.00%

Medical Inflation Rate 6.80% - 4.70% over 69 years (Prior: 6.00% - 4.70% over 70 years)

Dental Inflation Rate 3.00%

Payroll Growth Rate 4.00%

Healthy Mortality

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

All Others: RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA, with separate tables for males and females. This assumption includes a margin for mortality improvement beyond the valuation date.

Disabled Mortality

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

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

Turnover

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

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

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

Actuarial Assumptions

Turnover

General Employees, Dispatchers and **Paraprofessionals:** Crocker-Sarason T-3 withdrawal table.

Police and **Fire:** Crocker-Sarason T-1 withdrawal table.

Retirement

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

Prior:

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

Actuarial Assumptions

Retirement

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

Current:

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

General Employees and **Paraprofessionals:** rates are based on age:

Age	Rate
55-59	2%
60	10%
61	5%
62	20%
63-64	5%
65	100%

Retirement rates are increased by 15% the year the participant satisfies requirements for the Rule of 85.

Dispatchers: 50% upon first becoming eligible for Normal Retirement, followed by 20% for each of the next four years and then 100% in the fifth year.

Actuarial Assumptions

Retirement

Police: 35% at Normal Retirement Age (minimum age 47); 30% at 26 years of service; 20% at 27 through 29 years of service; 50% at 30 through 34 years of service; and 100% by the earlier of 35 years of service or age 65

Fire: 30% at Normal Retirement Age (minimum age 47); 25% at 26 years of service; 15% at 27 through 29 years of service; 30% at 30 years of service; 40% at 31 through 34 years of service; and 100% by the earlier of 35 years of service or age 65.

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%

General Employees, Dispatchers and **Paraprofessionals:** rates based on age:

Age	Rates
20	0.03%
30	0.06%
40	0.11%
50	0.30%
60	0.81%

100% of disabilities are assumed to be Non Service-Connected for General Employees, Dispatchers and Paraprofessionals.

Police and **Fire**: rates based on age:

Age	Rates
20	0.06%
30	0.11%
40	0.22%
50	0.60%

25% of disabilities are assumed to be Non Service-Connected for Police and Fire.

Actuarial Assumptions

Future Retiree Coverage 90% of active **Town** and **BOE Non-Certified** members, and 85% of active **Teachers** and **Administrators** members are assumed to elect coverage at retirement. 90% of terminated vested **Town** and **BOE Non-Certified** members are assumed to elect coverage at retirement.

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

	Male	Female
Police	50%	50%
Fire	60%	60%
Dispatchers	50%	50%
Other Town Employees	60%	20%
Teachers and **Administrators**	30%	25%
Paraprofessionals	20%	20%
Other BOE Employees	50%	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: 91%).

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.

Eligibility

Teachers and **Administrators**

A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive medical and dental 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 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.

Town Local 818 and **Local 1174**

Hired prior to January 1, 2006: employees must contribute annually 1% of Step 1 of their pay grade to the Town's OPEB Trust in order to be eligible to receive medical benefits at retirement for self and spouse (effective December 12, 2013 for Local 818 and July 1, 2014 for Local 1174).

Hired on or after January 1, 2006: not eligble for OPEB benefits.

Town and **BOE (Others)**

A retired Town employee shall be eligible to receive medical benefits for self and spouse.

Fire employees hired after September 1, 2013 must contribute $1,700 annually to the Town's OPEB Trust to be eligible for benefits.

A retired BOE employee shall be eligible to receive medical and dental benefits for self and spouse.

General Employees hired on or after March 1, 1983, who terminate before retirement with 10 or more years of service (8 years of service for employees hired prior to March 1, 1983) are eligible for post-retirement health benefits upon the attainment of age 55 (age 52 for employees hired prior to March 1, 1983), provided they do not elect a refund of their pension deductions.

Paraprofessionals who terminate before retirement with 10 or more years of service are eligible for post-retirement health benefits upon Normal Retirement, provided they do not elect a refund of their pension deductions.

Summary of Plan Provisions

Eligibility

Dispatchers who terminate before retirement with 5 or more years of service are eligible for post-retirement health benefits upon Normal Retirement, provided they do not elect a refund of their pension deductions.

Police and **Fire** who terminate before retirement with 15 or more years of service are eligible for post-retirement health benefits upon Normal Retirement, provided they do not elect a refund of their pension deductions.

Normal Retirement for **General Employees** hired prior to March 1, 1983, is the earlier of age 62 with 8 years of service, or Rule of 85. Early Retirement is age 52 with 8 years of service.

Normal Retirement for **General Employees** hired on or after March 1, 1983, is the earliest of age 65 with 10 years of service, age 62 with 25 years of service, or Rule of 85. Early Retirement is age 55 with 10 years of service.

Normal Retirement for **Paraprofessionals** is the earliest of age 65 with 10 years of service, age 62 with 25 years of service, or Rule of 85.

Normal Retirement for **Dispatchers** is the earliest of age 65 with 5 years of service, 25 years of service regardless of age, or Rule of 75. Early Retirement is age 55 with 5 years of service.

Normal Retirement for **Police** and **Fire** is the earliest of 25 years of service regardless of age, or mandatory retirement at age 65 with 15 years of service.

Cost Sharing

Dispatchers not eligible for retirement on or before December 31, 2019, Town Non-Union retiring after January 1, 2012 and **CSEA Local 2001 retiring after December 28, 2012:**

Retiring at or before age 55: 50% retiree-paid for self and 100% retiree-paid for spouse.

Retiring at age 56 through 59: 25% retiree-paid for self and 75% retiree-paid for spouse.

Retiring at age 60 through 64: 0% retiree-paid for self and 50% retiree-paid for spouse.

Coverage is pre-65 only.

Summary of Plan Provisions

Cost Sharing

Town All Others

Pre 65: Retiree – 100% Town-paid.

Spouse – If retiree has attained age 60, then Town pays 50% of the premium. Otherwise, retiree pays 100% of the premium.

Post 65: Retiree/Spouse – 100% Town-paid High Option /Plan 82 Medicare Supplement Plan. Retiree/spouse pays the difference in premiums if chooses one of the 2 optional plans (Plan F with BlueScript or ConnectiCare).

Teachers and Administrators

Retiree/Spouse – 100% retiree-paid*. Coverage is pre-65 only. Post-65 non-Medicare eligible retirees can continue coverage at their own expense.

* less $1,320 annual CT Teachers Retirement Board subsidy

BOE Office and Professional Employees International Union

Retiree - 100% BOE-paid (if retired prior to 6/30/2006).

85.5% BOE-paid/14.5% retiree-paid for Century Preferred Plan and 89% BOE-paid/11% retiree-paid for High Deductible Health Plan (as of 7/1/2013).

Spouse - 100% retiree-paid.

BOE Paraeducators

Retiree – 85% BOE-paid / 15% retiree-paid.

Spouse – 100% retiree-paid.

Coverage is post-65 only.

BOE Non-Certified Supervisors

Retiree/Spouse – 100% retiree-paid.

Summary of Plan Provisions

Cost Sharing

BOE Others

Retiree – 100% BOE-paid.

Spouse – 100% retiree-paid.

Note: Retiree can elect Major Medical plan, provided he/she pays 100% of the premium.

Upon the retiree's death, coverage is available to spouses at their own expense.

Service-Connected Disability

Same benefits and cost sharing provisions as above.

Life Insurance

Police - $3,000
Fire - $15,000
Town (Local 818 and **Non-Union)** - $10,000
Town (Local 1174 and **Local 2001)** - $5,000
Town (Others) and **BOE** - $3,000