



**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

**JULY 1, 2007 VALUATION**



80 Lamberton Road  
Windsor, CT 06095  
USA

April 10, 2008

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***PERSONAL & CONFIDENTIAL***

milliman.com

Mr. Michael P. Walsh  
Director of Finance  
Town of East Hartford  
740 Main Street  
East Hartford, CT 06108

Re: Town of East Hartford Other Post-Employment Benefits

Dear Mike:

We are pleased to provide this actuarial report for the Town of East Hartford Other Post-Employment Benefits. The report shows the financial status of the plan as of July 1, 2007 and presents cost figures for the 2007-08 fiscal year.

We have included 25 bound copies of the report and one unbound copy in case you need to make additional copies.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Becky".

Rebecca A. Sielman, FSA  
Consulting Actuary

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**CERTIFICATION**

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We have performed an actuarial valuation of the Town of East Hartford Other Post-Employment Benefits as of July 1, 2007. 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 and claims and premium information as of the valuation date, furnished by the Town of East Hartford. We performed a limited review of the financial 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. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will not conform exactly to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. The actuarial method and assumptions used in this valuation are discussed on pages 16-21 of this report. A summary of the plan provisions starts on page 22 of this report.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**CERTIFICATION**

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This report may not be used without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this section. We understand that the plan sponsor may distribute this report to its auditor in connection with its audit. We will consent to this distribution as long as the work is distributed in its entirety, and the auditor is advised to have an actuary review the work. Milliman does not intend to benefit any third party recipient of its work product, including the auditor, and does not intend to create any legal duty from Milliman to the auditor even if Milliman consents to the release of its work product. In the event that the auditor's audit reveals any error or inaccuracy in the data underlying this report, Milliman requests that the auditor or the plan sponsor notify Milliman as soon as possible.

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.

MILLIMAN INC.

April 10, 2008



Rebecca A. Sielman, FSA  
Consulting Actuary



Steve A. Lemanski, FSA, FCA  
Consulting Actuary

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## **TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS**

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### **OVERVIEW OF GASB 43 AND GASB 45**

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GASB 43 requires retiree medical 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 is 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 is 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, dental and 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.

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## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

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### THE VALUATION PROCESS

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The process of determining the liability for retiree medical 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 the next 10-30 years

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.

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## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

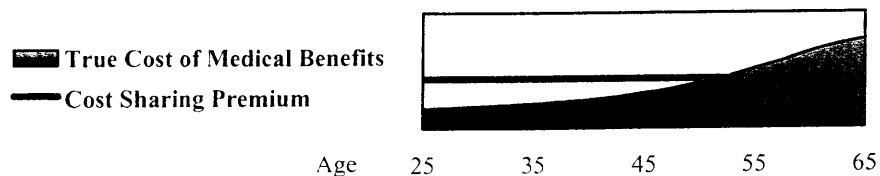
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### IMPLICIT RATE SUBSIDIES

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As part of the Other Post-Employment Benefits, 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.



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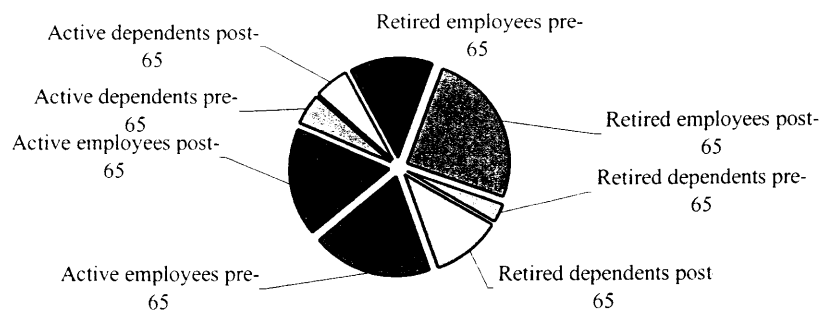
## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

### SUMMARY OF LIABILITIES AS OF JULY 1, 2007

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We have calculated the Accrued Liability separately for two groups of Town employees, who are eligible for different retiree medical 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
<b>Current active members</b>			
Employees under age 65	\$9,759,000	\$3,427,000	\$13,186,000
Employees over age 65	8,080,000	3,867,000	11,947,000
Dependents under age 65	2,714,000	639,000	3,353,000
Dependents over age 65	<u>3,187,000</u>	<u>523,000</u>	<u>3,710,000</u>
Total	23,740,000	8,456,000	32,196,000
<b>Current retired members</b>			
Employees under age 65	6,468,000	2,721,000	9,189,000
Employees over age 65	6,108,000	10,856,000	16,964,000
Dependents under age 65	1,643,000	409,000	2,052,000
Dependents over age 65	<u>4,787,000</u>	<u>2,603,000</u>	<u>7,390,000</u>
Total	19,006,000	16,589,000	35,595,000
<b>Total Accrued Liability</b>	42,746,000	25,045,000	67,791,000



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## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

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### SENSITIVITY ANALYSIS

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Our results are highly dependent on two key assumptions: the rate at which we assume medical costs will increase over time, and the discount rate we use to translate future payments into current dollars. The results shown on the prior page are based on our baseline assumptions; the figures below show how the accrued liability would change if we varied these assumptions.

	Medical Benefits	
	Pre-65	Post-65
<b>Medical inflation rate baseline</b>		
Initial inflation rate	9.00%	9.00%
Ultimate inflation rate	5.00%	5.00%
Yearly decrease in inflation rate	1.00%	1.00%
Years until ultimate inflation rate	4	4

To show the sensitivity of our results to this assumption, we have looked at the impact of an increase or decrease of 1.00% on these rates.

**Discount rate baseline** 8.50%

The discount rate is based on the long-term earnings potential of any investments set up in a trust to prefund these benefits. The 8.50% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to a pension trust. We also looked at a 7.00% discount rate representing a more conservative portfolio of 50% stocks / 50% bonds. And finally, if the benefits are not prefunded, GASB 45 requires the discount rate to be set based on the expected earnings of the Town's general fund. For this scenario, we used a discount rate of 4.00%.

#### Sensitivity to changes in assumptions

	Discount rate	Medical inflation rate		
		less 1.00%	Baseline	plus 1.00%
<b>Accrued Liability</b>	8.50%	60,877,000	<b>67,791,000</b>	76,119,000
	7.00%	72,312,000	81,633,000	93,061,000
	4.00%	110,074,000	128,765,000	152,682,000
<b>Percent change from baseline</b>	8.50%	-10.2%		12.3%
	7.00%	6.7%	20.4%	37.3%
	4.00%	62.4%	89.9%	125.2%

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**TOWN OF EAST HARTFORD**  
**OTHER POST-EMPLOYMENT BENEFITS**

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**FUNDING ALTERNATIVES**

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The Annual Required Contribution (ARC) for the retiree medical 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 should be reasonably related to the period of service over which retiree medical benefits are earned. We have selected a 30 year amortization period, which is the longest period permitted by GASB 45.

A common amortization technique produces annual payments that are designed to increase over time as payroll grows. On this basis, the ARC is determined as follows:

	<b>Town</b>	<b>BOE</b>	<b>Total</b>
Accrued Liability	42,746,000	25,045,000	67,791,000
Assets	0	0	0
Unfunded Accrued Liability	42,746,000	25,045,000	67,791,000
Amortization Period	30	30	30
Past Service Cost	2,464,000	1,444,000	3,908,000
Normal Cost	1,244,000	748,000	1,992,000
Interest	315,000	186,000	501,000
ARC for FY 2008	4,023,000	2,378,000	<b>6,401,000</b>
Expected Benefit Payouts	2,430,000	1,649,000	4,079,000
Net Budget Impact	1,593,000	729,000	2,322,000

An alternative amortization technique is to calculate a level annual payment, much like a mortgage, which produces a higher amount in the short term but one that will not go up over time (unless the plan has adverse experience). On this basis, the ARC is:

Past Service Cost	3,666,000	2,148,000	5,814,000
Normal Cost	1,244,000	748,000	1,992,000
Interest	417,000	246,000	663,000
ARC for FY 2008	5,327,000	3,142,000	<b>8,469,000</b>

As with the Accrued Liability, the ARC is highly dependent on the medical inflation rate and discount rate assumptions:

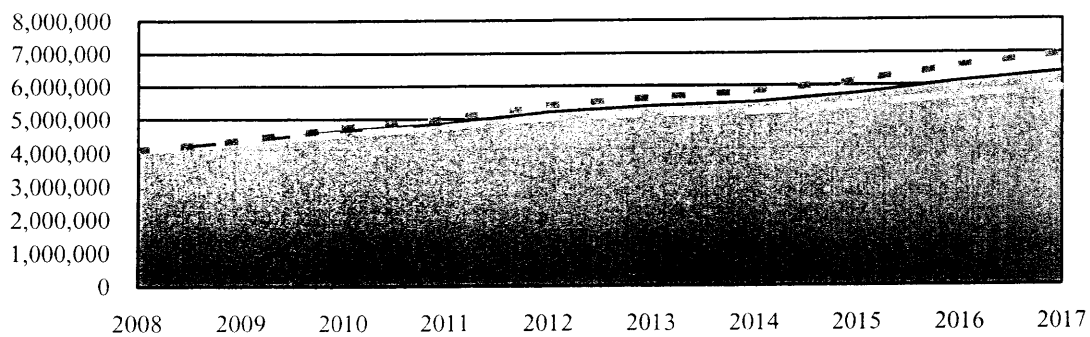
	<u>Discount rate</u>	<u>Medical inflation rate</u>		
		<b>less 1.00%</b>	<b>Baseline</b>	<b>plus 1.00%</b>
<b>ARC for FY 2008</b>	<b>8.50%</b>	5,588,000	<b>6,401,000</b>	7,412,000
<b>using Level Percent</b>	<b>7.00%</b>	6,144,000	7,188,000	8,512,000
<b>Amortization</b>	<b>4.00%</b>	8,401,000	10,360,000	12,976,000

## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

### PROJECTED PAYOUTS

The annual Town payments for retiree medical benefits are expected to rise sharply in coming years, both because medical costs are expected to rise over time and because more employees will retire and start to receive Town-paid medical benefits. The table and graph below show the expected annual payments for retiree medical benefits for the next 10 years under the different medical inflation rates described on the preceding page.

Fiscal Year	Baseline less 1.00%	Baseline Medical Inflation Rate	Baseline plus 1.00%
2008	\$4,079,000	\$4,079,000	\$4,079,000
2009	\$4,327,000	\$4,366,000	\$4,405,000
2010	\$4,586,000	\$4,670,000	\$4,754,000
2011	\$4,757,000	\$4,888,000	\$5,022,000
2012	\$5,037,000	\$5,224,000	\$5,416,000
2013	\$5,156,000	\$5,398,000	\$5,649,000
2014	\$5,213,000	\$5,509,000	\$5,818,000
2015	\$5,395,000	\$5,754,000	\$6,134,000
2016	\$5,690,000	\$6,126,000	\$6,592,000
2017	\$5,894,000	\$6,405,000	\$6,957,000



Baseline Medical Inflation Rate  
 Baseline less 1.00%  
 Baseline plus 1.00%

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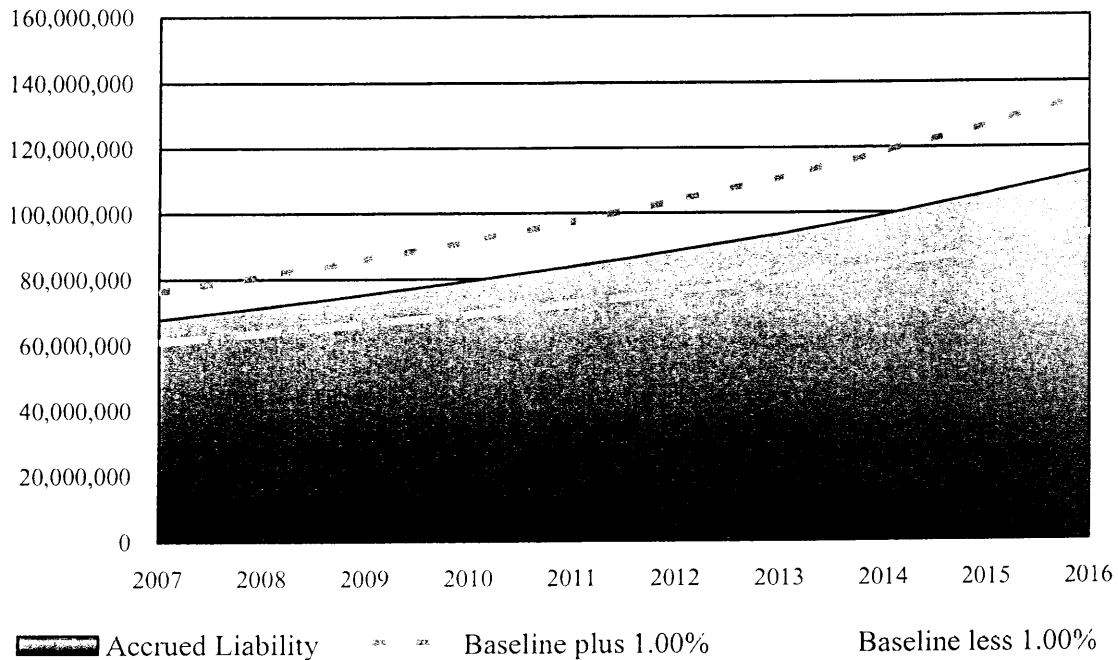
## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS

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### PROJECTED LIABILITIES

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The graph below shows how the Town's accrued liability for retiree medical benefits is expected to grow over the next 10 years under the different medical inflation rates described on the preceding page.



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**TOWN OF EAST HARTFORD**  
**OTHER POST-EMPLOYMENT BENEFITS**

**GASB 45 SCHEDULE OF FUNDING PROGRESS**

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The following information is required to be disclosed in the Town's financial statement once the Town has implemented GASB 45.

(\$ 000s)

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Liability (b)</b>	<b>Unfunded Accrued Liability (UAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAL as a Percentage of Covered Payroll ((b - a) / c)</b>
7/1/2007	\$0	\$67,791	\$67,791	0%	N/A	N/A

The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of this report. Please note that the baseline discount rate assumes that the Town will prefund its retiree medical program. The 8.50% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to a pension trust.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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The following information is required to be disclosed in the Town's financial statement once the Town has implemented GASB 45.

(\$ 000s)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution Made</b>	<b>Percentage Contributed</b>
2008	\$6,401	N/A	N/A

The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of this report, and on the level percent amortization method as discussed in the Funding Alternatives section of this report. Please note that the baseline discount rate assumes that the Town will prefund its retiree medical program. The 8.50% baseline discount rate assumes a trust is established and invested in 60% stocks / 40% bonds, similar to a pension trust.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**SUMMARY OF CENSUS DATA**

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The following were included in our analysis as of July 1, 2007 based on information provided by the Town.

	<b>Town</b>	<b>BOE</b>	<b>Total</b>
<b>Number of members</b>			
Active	501	1,013	1,514
Retired & TV members	353	612	965
Spouses of retirees	203	179	382
Total	1,057	1,804	2,861
 <b>Average age</b>			
Active	44.2	44.8	44.6
Retired & TV	67.9	71.8	70.4
 <b>Average retirement age</b>			
Active	57.2	60.4	59.3
Retired & TV	56.6	60.1	58.8
 <b>Expected lifetime</b>			
Active [to retirement]	13.0	15.6	14.8
Retired & TV [lifetime]	16.8	16.6	16.6

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



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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**CURRENT PREMIUMS**

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

2007-2008 Monthly Premiums		Employee	Spouse
Medical - Town	Pre 65	\$533.00	\$533.02
	Post 65	339.23	339.79
Medical - BOE	Pre 65	498.66	498.64
	Post 65	344.84	344.84
Dental - BOE		43.39	69.54

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS**

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**MEDICAL COST ADJUSTMENT FACTORS**

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

Age	Town - Medical	
	Employee	Spouse
40	3.15%	1.46%
45	4.37%	3.01%
50	5.04%	4.11%
55	5.26%	3.84%
60	4.62%	3.98%
65	2.34%	2.14%
70	2.27%	2.09%
75	1.63%	1.31%

Age	BOE - Medical		BOE - Dental	
	Employee	Spouse	Employee	Spouse
40	1.65%	2.88%	1.40%	1.57%
45	3.17%	4.16%	1.10%	1.38%
50	4.22%	4.90%	0.59%	0.73%
55	4.03%	5.07%	0.08%	0.25%
60	4.07%	4.54%	0.13%	0.15%
65	2.17%	2.31%	-0.11%	-0.18%
70	2.11%	2.24%	0.00%	0.00%
75	1.35%	1.59%	0.00%	0.00%

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL METHOD**

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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.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL ASSUMPTIONS**

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**Healthy Mortality**      **Teachers and Administrators<sup>#</sup>:** RP-2000 projected forward 19 years using scale AA, with a two-year age setback.

**All Others:** RP-2000 Combined Healthy Mortality Table.

**Disabled Mortality**      **Teachers and Administrators<sup>#</sup>:** RP-2000 projected forward 19 years using scale AA, with an eight-year age set forward for males and females.

**All Others:** RP-2000 Combined Healthy Mortality Table.

**Turnover**      **Teachers and Administrators<sup>#</sup>:** rates based on gender and length of service for the first ten years and gender and age thereafter:

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

Age	Male	Female
25	1.20%	3.50%
35	1.20	3.50
45	1.26	1.30
55	3.36	1.60

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

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

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL ASSUMPTIONS**

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**Retirement**

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

Age	Unreduced		Proratable		Reduced	
	Male	Female	Male	Female	Male	Female
50 – 51	27.5%	15.0%			2.0%	2.0%
52	27.5%	15.0%			3.0%	4.0%
53	27.5%	15.0%			3.0%	4.5%
54	27.5%	15.0%			5.0%	5.5%
55	38.5%	30.0%			5.0%	7.5%
56	38.5%	30.0%			7.0%	8.5%
57	38.5%	30.0%			10.0%	9.5%
58	38.5%	30.0%			11.0%	10.0%
59	38.5%	30.0%			12.0%	10.0%
60	22.0%	22.0%	6.0%	5.4%		
61	25.3%	22.5%	6.0%	7.2%		
62	25.3%	22.5%	15.0%	9.9%		
63-64	27.5%	22.5%	10.0%	7.2%		
65	36.3%	30.0%	20.0%	13.5%		
66	27.5%	30.0%	20.0%	10.8%		
67	27.5%	30.0%	20.0%	13.5%		
68	27.5%	30.0%	20.0%	10.8%		
69	27.5%	30.0%	35.0%	10.8%		
70-73	100.0%	40.0%	35.0%	10.8%		
74	100.0%	40.0%	35.0%	18.0%		
75 – 79	100.0%	40.0%	40.0%	18.0%		
80	100.0%	100.0%	40.0%	18.0%		

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL ASSUMPTIONS**

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**Retirement**

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

<b>Age</b>	<b>Rate</b>
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.

**Police:** 35% at Normal Retirement Age (minimum age 47); 30% at 26 years of service; 20% at 27 through 29 years of service; 5 0% 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.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL ASSUMPTIONS**

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**Disability**

**Teachers and Administrators<sup>#</sup>:** rates based on age and gender:

<b>Age</b>	<b>Male</b>	<b>Female</b>
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:

<b>Age</b>	<b>Rate</b>
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:

<b>Age</b>	<b>Rate</b>
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.

**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.

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**ACTUARIAL ASSUMPTIONS**

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**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.

	<b>Male</b>	<b>Female</b>
<b>Police</b>	50%	50%
<b>Fire</b>	60%	60%
<b>Dispatchers</b>	50%	50%
<b>Other Town Employees</b>	60%	20%
<b>Teachers and Administrators</b>	30%	25%
<b>Paraprofessionals</b>	20%	20%
<b>Other BOE Employees</b>	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. 86% of current actives and pre-65 retirees are assumed to be Medicare-eligible.

# Certain actuarial demographic assumptions for Teachers and Administrators are based on the assumptions used in the 2006 valuation of the Connecticut State Teachers Retirement System by Gabriel, Roeder, Smith and Company.



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## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS PROGRAM

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### SUMMARY OF PLAN PROVISIONS

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#### **Eligibility**

##### **BOE 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 and BOE (Others)**

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

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

**General Employees** hired prior to March 1, 1983, who terminate before retirement with 8 or more years of service (10 years of service for employees hired on or after March 1, 1983) are eligible for post-retirement health benefits upon the attainment of age 52 (age 55 for employees hired on or after 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.

**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.

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## TOWN OF EAST HARTFORD OTHER POST-EMPLOYMENT BENEFITS PROGRAM

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### SUMMARY OF PLAN PROVISIONS

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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 age 65 with 15 years of service.

#### **Cost Sharing**

##### **Town**

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),

##### **BOE 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

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**TOWN OF EAST HARTFORD  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**SUMMARY OF PLAN PROVISIONS**

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**BOE Office and Professional Employees International Union**

Retiree – 100% BOE-paid (if retired prior to 6/30/2006).  
88.5% BOE-paid / 11.5% retiree-paid (as of 7/1/2007).  
Spouse – 100% retiree-paid.

**BOE Paraeducators**

Retiree – 85% BOE-paid / 15% retiree-paid.  
Spouse – 100% retiree-paid.

**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** - \$10,000  
**Town (Local 1174; Local 818; Local 760)** - \$5,000  
**Town (Others) and BOE** - \$3,000

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, the Town's 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.