

**Town of Rockland
Other
Postemployment
Benefits Plan**

GASB 45 Actuarial Valuation

as of

July 1, 2008

For the fiscal year ending

June 30, 2009

Delivered September 2009

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LETTER

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September 24, 2009

Personal and Confidential

Mr. Eric Hart
Town Accountant
Town of Rockland
242 Union Street
Rockland, MA 02370-1897

Dear Mr. Hart:

We have performed an actuarial valuation of the Town of Rockland Other Postemployment Benefits Plan as of July 1, 2008. The figures presented in this report reflect the adoption, by the Town of Rockland, of Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") effective July 1, 2008.

The financial results of the actuarial valuation are summarized in the report. The Executive Summaries highlight the results of the valuation. Additional information summarizing census data, actuarial assumptions, claim rates and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and reasonable expectations and, in combination, represent our best estimate of the anticipated experience under the plan.

We refer you to Section I of this report for a detailed summary and commentary on the results of the valuation and a comparison with the prior valuation. Section II is a summary of the plan provisions, and Section III describes the actuarial cost method and assumptions. Details for cost calculations, supporting data, and disclosures are provided in Exhibits A through C.

We will be pleased to answer any questions that you may have regarding this actuarial valuation report.

Very truly yours,

Parker E. Elmore, A.S.A., E.A., M.A.A.A.
President & CEO

Enclosure

SECTION I
PRINCIPAL RESULTS OF THE VALUATION

Town of Rockland
Total of All Employee Groups
Plan Liabilities as of July 1, 2008

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	28,197,333	341,911	103,990	28,643,234
B. Retirees	<u>28,886,959</u>	<u>0</u>	<u>375,481</u>	<u>29,262,440</u>
C. Total	57,084,292	341,911	479,471	57,905,674
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	57,084,292	341,911	479,471	57,905,674
IV. Unrecognized Transition Obligation	57,084,292	341,911	479,471	57,905,674
V. Annual Covered Payroll	18,887,393	18,887,393	18,887,393	18,887,393
VI. UAAL as % of Covered Payroll	302.2%	1.8%	2.5%	306.6%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	391	391	391	
B. Retirees	<u>245</u>	<u>35</u>	<u>249</u>	
C. Total	636	426	640	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	1,911,996	23,533	6,403	1,941,932
X. Amortization of UAAL - (30 years - flat dollar)	3,174,222	19,012	26,662	3,219,895
XI. Annual Required Contribution ("ARC") [IX. + X.]	5,086,218	42,545	33,065	5,161,828
XII. Interest on OPEB Obligation	203,448	1,703	1,323	206,474
XIII. Annual OPEB Cost [XI. + XII.]	5,289,666	44,248	34,388	5,368,302
XIV. Expected Employer Contribution	1,902,992	1,060	22,307	1,926,359
XV. Increase in Net OPEB Obligations	3,386,674	43,188	12,081	3,441,943
XVI. Percentage of Annual OPEB Cost Contributed	36.0%	2.4%	64.9%	35.9%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

Town of Rockland
Town Employees not otherwise allocated
Plan Liabilities as of July 1, 2008

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	2,284,488	44,380	10,100	2,338,968
B. Retirees	<u>1,668,791</u>	<u>0</u>	<u>40,887</u>	<u>1,709,678</u>
C. Total	3,953,279	44,380	50,987	4,048,646
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	3,953,279	44,380	50,987	4,048,646
IV. Unrecognized Transition Obligation	3,953,279	44,380	50,987	4,048,646
V. Annual Covered Payroll	1,389,544	1,389,544	1,389,544	1,389,544
VI. UAAL as % of Covered Payroll	284.5%	3.2%	3.7%	291.4%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	37	37	37	
B. Retirees	<u>24</u>	<u>0</u>	<u>24</u>	
C. Total	61	37	61	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	190,055	3,726	795	194,576
X. Amortization of UAAL - (30 years - flat dollar)	219,825	2,468	2,835	225,128
XI. Annual Required Contribution ("ARC") [IX. + X.]	409,880	6,194	3,630	419,704
XII. Interest on OPEB Obligation	16,395	248	145	16,788
XIII. Annual OPEB Cost [XI. + XII.]	426,275	6,442	3,775	436,492
XIV. Expected Employer Contribution	129,751	146	3,044	132,941
XV. Increase in Net OPEB Obligations	296,524	6,296	731	303,551
XVI. Percentage of Annual OPEB Cost Contributed	30.4%	2.3%	80.6%	30.5%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 School System
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	18,562,418	147,986	69,037	18,779,441
B. Retirees	<u>21,651,034</u>	0	<u>263,127</u>	<u>21,914,161</u>
C. Total	40,213,452	147,986	332,164	40,693,602
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	40,213,452	147,986	332,164	40,693,602
IV. Unrecognized Transition Obligation	40,213,452	147,986	332,164	40,693,602
V. Annual Covered Payroll	12,062,624	12,062,624	12,062,624	12,062,624
VI. UAAL as % of Covered Payroll	333.4%	1.2%	2.8%	337.4%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	254	254	254	
B. Retirees	<u>174</u>	<u>35</u>	<u>178</u>	
C. Total	428	289	432	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	1,260,731	10,485	4,232	1,275,448
X. Amortization of UAAL - (30 years - flat dollar)	2,236,104	8,229	18,470	2,262,803
XI. Annual Required Contribution ("ARC") [IX. + X.]	3,496,835	18,714	22,702	3,538,251
XII. Interest on OPEB Obligation	139,873	749	908	141,530
XIII. Annual OPEB Cost [XI. + XII.]	3,636,708	19,463	23,610	3,679,781
XIV. Expected Employer Contribution	1,467,799	572	14,980	1,483,351
XV. Increase in Net OPEB Obligations	2,168,909	18,891	8,630	2,196,430
XVI. Percentage of Annual OPEB Cost Contributed	40.4%	2.9%	63.4%	40.3%

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

(continued)

**Town of Rockland
Fire Department
Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	2,249,908	46,241	7,356	2,303,505
B. Retirees	<u>2,619,109</u>	<u>0</u>	<u>22,438</u>	<u>2,641,547</u>
C. Total	4,869,017	46,241	29,794	4,945,052
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	4,869,017	46,241	29,794	4,945,052
IV. Unrecognized Transition Obligation	4,869,017	46,241	29,794	4,945,052
V. Annual Covered Payroll	1,617,208	1,617,208	1,617,208	1,617,208
VI. UAAL as % of Covered Payroll	301.1%	2.9%	1.8%	305.8%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	26	26	26	
B. Retirees	<u>16</u>	<u>0</u>	<u>16</u>	
C. Total	42	26	42	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	104,712	2,146	290	107,148
X. Amortization of UAAL - (30 years - flat dollar)	270,746	2,571	1,657	274,974
XI. Annual Required Contribution ("ARC") [IX. + X.]	375,458	4,717	1,947	382,122
XII. Interest on OPEB Obligation	15,018	189	78	15,285
XIII. Annual OPEB Cost [XI. + XII.]	390,476	4,906	2,025	397,407
XIV. Expected Employer Contribution	124,910	61	973	125,944
XV. Increase in Net OPEB Obligations	265,566	4,845	1,052	271,463
XVI. Percentage of Annual OPEB Cost Contributed	32.0%	1.2%	48.0%	31.7%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 Highway Department
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	511,200	10,331	2,188	523,719
B. Retirees	<u>384,780</u>	<u>0</u>	<u>4,391</u>	<u>389,171</u>
C. Total	895,980	10,331	6,579	912,890
II. Plan Assets	0	0	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	895,980	10,331	6,579	912,890
IV. Unrecognized Transition Obligation	895,980	10,331	6,579	912,890
V. Annual Covered Payroll	329,091	329,091	329,091	329,091
VI. UAAL as % of Covered Payroll	272.3%	3.1%	2.0%	277.4%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	7	7	7	
B. Retirees	<u>3</u>	<u>0</u>	<u>3</u>	
C. Total	10	7	10	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	38,993	801	105	39,899
X. Amortization of UAAL - (30 years - flat dollar)	49,822	574	366	50,762
XI. Annual Required Contribution ("ARC") [IX. + X.]	88,815	1,375	471	90,661
XII. Interest on OPEB Obligation	3,553	55	19	3,627
XIII. Annual OPEB Cost [XI. + XII.]	92,368	1,430	490	94,288
XIV. Expected Employer Contribution	28,447	131	303	28,881
XV. Increase in Net OPEB Obligations	63,921	1,299	187	65,407
XVI. Percentage of Annual OPEB Cost Contributed	30.8%	9.2%	61.8%	30.6%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 Library Department
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	343,282	6,436	1,835	351,553
B. Retirees	<u>363,601</u>	<u>0</u>	<u>10,390</u>	<u>373,991</u>
C. Total	706,883	6,436	12,225	725,544
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	706,883	6,436	12,225	725,544
IV. Unrecognized Transition Obligation	706,883	6,436	12,225	725,544
V. Annual Covered Payroll	243,571	243,571	243,571	243,571
VI. UAAL as % of Covered Payroll	290.2%	2.6%	5.0%	297.9%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	7	7	7	
B. Retirees	<u>6</u>	<u>0</u>	<u>6</u>	
C. Total	13	7	13	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	35,445	658	180	36,283
X. Amortization of UAAL - (30 years - flat dollar)	39,307	358	680	40,345
XI. Annual Required Contribution ("ARC") [IX. + X.]	74,752	1,016	860	76,628
XII. Interest on OPEB Obligation	2,990	41	34	3,065
XIII. Annual OPEB Cost [XI. + XII.]	77,742	1,057	894	79,693
XIV. Expected Employer Contribution	28,526	26	852	29,404
XV. Increase in Net OPEB Obligations	49,216	1,031	42	50,289
XVI. Percentage of Annual OPEB Cost Contributed	36.7%	2.5%	95.3%	36.9%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 Police Department
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	2,779,390	56,587	9,086	2,845,063
B. Retirees	<u>1,088,273</u>	<u>0</u>	<u>17,361</u>	<u>1,105,634</u>
C. Total	3,867,663	56,587	26,447	3,950,697
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	3,867,663	56,587	26,447	3,950,697
IV. Unrecognized Transition Obligation	3,867,663	56,587	26,447	3,950,697
V. Annual Covered Payroll	2,013,601	2,013,601	2,013,601	2,013,601
VI. UAAL as % of Covered Payroll	192.1%	2.8%	1.3%	196.2%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	35	35	35	
B. Retirees	<u>11</u>	<u>0</u>	<u>11</u>	
C. Total	46	35	46	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	167,396	3,381	472	171,249
X. Amortization of UAAL - (30 years - flat dollar)	215,065	3,147	1,471	219,682
XI. Annual Required Contribution ("ARC") [IX. + X.]	382,461	6,528	1,943	390,932
XII. Interest on OPEB Obligation	15,298	261	78	15,637
XIII. Annual OPEB Cost [XI. + XII.]	397,759	6,789	2,021	406,569
XIV. Expected Employer Contribution	65,782	73	1,444	67,299
XV. Increase in Net OPEB Obligations	331,977	6,716	577	339,270
XVI. Percentage of Annual OPEB Cost Contributed	16.5%	1.1%	71.4%	16.6%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 Sewer Department
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	31,437	615	104	32,156
B. Retirees	<u>260,351</u>	<u>0</u>	<u>3,384</u>	<u>263,735</u>
C. Total	291,788	615	3,488	295,891
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	291,788	615	3,488	295,891
IV. Unrecognized Transition Obligation	291,788	615	3,488	295,891
V. Annual Covered Payroll	100,157	100,157	100,157	100,157
VI. UAAL as % of Covered Payroll	291.3%	0.6%	3.5%	295.4%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	2	2	2	
B. Retirees	<u>2</u>	<u>0</u>	<u>2</u>	
C. Total	4	2	4	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	6,977	143	29	7,149
X. Amortization of UAAL - (30 years - flat dollar)	16,225	34	194	16,453
XI. Annual Required Contribution ("ARC") [IX. + X.]	23,202	177	223	23,602
XII. Interest on OPEB Obligation	928	7	9	944
XIII. Annual OPEB Cost [XI. + XII.]	24,130	184	232	24,546
XIV. Expected Employer Contribution	14,130	0	186	14,316
XV. Increase in Net OPEB Obligations	10,000	184	46	10,230
XVI. Percentage of Annual OPEB Cost Contributed	58.6%	0.0%	80.2%	58.3%

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
 (continued)

**Town of Rockland
 Water Department
 Plan Liabilities as of July 1, 2008**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	1,435,210	29,335	4,284	1,468,829
B. Retirees	<u>851,020</u>	<u>0</u>	<u>13,503</u>	<u>864,523</u>
C. Total	2,286,230	29,335	17,787	2,333,352
II. Plan Assets	0	N/A	0	0
III. Unfunded Actuarial Accrued Liability ("UAAL")	2,286,230	29,335	17,787	2,333,352
IV. Unrecognized Transition Obligation	2,286,230	29,335	17,787	2,333,352
V. Annual Covered Payroll	1,131,597	1,131,597	1,131,597	1,131,597
VI. UAAL as % of Covered Payroll	202.0%	2.6%	1.6%	206.2%
VII. Net OPEB Obligation	0	0	0	0
VIII. Number of Covered Participants				
A. Actives	23	23	23	
B. Retirees	<u>9</u>	<u>0</u>	<u>9</u>	
C. Total	32	23	32	
For Fiscal Year Ending June 30, 2009				
IX. Normal Cost	107,687	2,193	300	110,180
X. Amortization of UAAL - (30 years - flat dollar)	127,128	1,631	989	129,748
XI. Annual Required Contribution ("ARC") [IX. + X.]	234,815	3,824	1,289	239,928
XII. Interest on OPEB Obligation	9,393	153	52	9,598
XIII. Annual OPEB Cost [XI. + XII.]	244,208	3,977	1,341	249,526
XIV. Expected Employer Contribution	43,647	51	525	44,223
XV. Increase in Net OPEB Obligations	200,561	3,926	816	205,303
XVI. Percentage of Annual OPEB Cost Contributed	17.9%	1.3%	39.1%	17.7%

Commentary on Plan Experience and Contribution Amounts

1. Transition to GASB 45:

The Plan is adopting and implementing GASB 45 (“Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions”) effective for the fiscal year ending June 30, 2009. As part of this implementation, the Employer must recognize the Actuarial Accrued Liability for past service. Under GASB 45, this amount may be amortized over a period not to exceed thirty (30) years. We have utilized this 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability (“UAAL”) at transition. Based on the UAAL of \$57.906 million, this approach yields an amortization charge of \$3,219,895. Additionally the Employer must recognize a “normal cost” which represents the annual accrual of benefits for current active employees toward their ultimate postemployment benefits. The normal cost for the 2009 fiscal year is \$1,941,932. The combined amortization charge and normal cost represent the Annual Required Contribution (“ARC”) for the plan for the 2009 fiscal year. As the Employer has chosen to continue their “pay-as-you-go” funding policy, this valuation must utilize a discount rate which represents earnings on short term investments. For this discount rate, we have used 4.00% per annum. The incremental cost of GASB 45 for the 2009 fiscal year beyond the “pay-as-you-go” costs is \$3,441,943.

2. Plan Experience

In future plan years, we will provide an analysis of plan experience and its variation from expectation. However, as this is the implementation year for GASB 45, there is no baseline for comparison purposes.

SECTION II
SUMMARY OF PLAN PROVISIONS

<u>Effective Date</u>	July 1, 2008; GASB 45 is adopted.
<u>Plan Year</u>	July 1 through June 30.
<u>Eligibility</u>	<p>An employee shall become eligible to retire under this plan upon meeting one of the following conditions:</p> <ol style="list-style-type: none">i. Completion of 20 years of service.ii. For an employee hired prior to January 1, 1978 - attainment of age 55 as an active member.iii. For an employee hired on or after January 1, 1978 - attainment of age 55 as an active member and completion of 10 years of service.
<u>Credited Service</u>	Elapsed time from date of hire to termination of service date.
<u>Participant Contributions</u>	Participant premiums for Medical Insurance are 25% of premiums (retired teachers covered by the GIC shall pay 10% of such premiums). Participant premiums for Life Insurance are 50% of premiums. Participants shall pay 50% of Dental Insurance premiums in retirement.
<u>Benefits Offered</u>	Comprehensive Medical Insurance offered through Blue Cross Blue Shield of Massachusetts and the Group Insurance Commission (retired teachers only). Also, the plan offers a Group Term Life Insurance policy of \$5,000 and Comprehensive Dental Insurance through Delta Dental.
<u>Normal Retirement Date</u>	The normal retirement date is the first day of the month following a participant's 65th birthday.
<u>Early Retirement</u>	Early retirement is available for any participant who has attained benefit eligibility.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service.

Actuarial gains and losses are calculated each year and amortized over the minimum and maximum periods allowed by law from the year of such gain or loss.

All employees who are plan participants on a valuation date are included in the actuarial valuation.

B. ASSET VALUATION METHOD

The actuarial value of assets is equal to the Market Value of the Plan's assets.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS

We used the following assumptions in this year's actuarial valuation:

Pre- and Post-Retirement Mortality

It is assumed that both pre-retirement and post-retirement mortality are represented by the RP-2000 Morality Table for males and females.

Discount Rate

4.00% per year.

Employee Termination

It was assumed that employees would terminate employment in accordance with the sample rates shown in the following table:

<u>Service</u>	<u>Male</u>	<u>Female</u>
0	15.0%	15.0%
10	5.4%	5.4%
20	2.0%	2.0%
30	0.0%	0.0%

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

Retirement Rates

It was assumed that following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	1.0%	1.5%
51	1.0%	1.5%
52	1.0%	2.0%
53	1.0%	2.5%
54	2.0%	2.5%
55	2.0%	5.5%
56	2.5%	6.5%
57	2.5%	6.5%
58	5.0%	6.5%
59	6.5%	6.5%
60	12.0%	5.0%
61	20.0%	13.0%
62	30.0%	15.0%
63	25.0%	12.5%
64	22.0%	18.0%
65	40.0%	15.0%
66	25.0%	20.0%
67	25.0%	20.0%
68	30.0%	25.0%
69	30.0%	20.0%
70	100.0%	100.0%

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS (continued)

Healthcare Trend

It was assumed that healthcare costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2009	5.5%	4.1%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

Participation Rate

It was assumed that 80% of the employees covered under the active plan on the day before retirement would enroll in the retiree medical plans upon retirement. It is further assumed that 25% of eligible retirees will elect dental coverage at retirement. All eligible employees were assumed to be covered under the retiree life insurance program.

Percent Married

It was assumed that 80% of the participants who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement. It was further assumed that husbands are three years older than their wives. For current retirees, the actual census information was used.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS (continued)

Compensation Increases

4.50% per year.

Claims Costs Methodology

Retiree premium rates as of July 1, 2008 formed the basis for our per capita claims rates. Aging factors were then introduced to allow for the calculation of age-related per-capita claim rates. Details of the calculation are included in this report.

Additional Comments

The values in this report reflect a closed group and do not reflect any new entrants after the valuation date.

For purposes of this valuation, retiree contributions were assumed to increase with the same trend rate as health care claims.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS
(Based on non-GIC Premium Exposure)

I. CLAIMS COSTS DEVELOPMENT - with Active & Retiree Incurred Premiums

	Number of Participants			
	Single	Two-Person	Family	Total
Blue Care Elect PPO	5		12	17
HMO Network Blue	43		104	147
Harvard Pilgrim	63		184	247
Harvard Pilgrim Medicare Enhanced	27	12		39
Managed Blue for Seniors	18	3		21
Medex	<u>34</u>	<u>10</u>		<u>44</u>
Total	190	25	300	515

	Per Contract Costs (monthly) - FY 2009		
	Single	Two-Person	Family
Blue Care Elect PPO	712.00		1,688.00
HMO Network Blue	517.00		1,382.00
Harvard Pilgrim	516.00		1,376.00
Harvard Pilgrim Medicare Enhanced	443.00	886.00	
Managed Blue for Seniors	368.89	737.78	
Medex	354.00	708.00	

Gross Expected FY 2009 Incurred Premiums	6,312,352
Adjustment to reflect children's claims	<u>(1,231,872)</u>
Total Expected FY 2009 Incurred Premiums (adults only)	5,080,480

II. PRE-65 AND POST-65 PER CAPITA RETIREE CLAIM COSTS

	Employer Primary	Medicare Primary
Age 65	8,950	4,028
Average Age	7,834	4,841

SECTION III
ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS
(continued)

D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS
(Based on non-GIC Premium Exposure)

III. BREAKDOWN OF CLAIM COSTS

5,080,480 Active and Retired Claims (No Children) - Including Administrative fees & trend
55.00% Medicare Integration Percentage

4,185 Average Per-Capita Claim (including Retention & Pooling)

ALL ACTIVE EMPLOYEES AND SPOUSES

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
24 & Under	6	1	1.312	0.549	5,491	2,298	35,244
25 to 29	24	9	1.312	0.591	5,491	2,473	154,041
30 to 34	25	19	1.312	0.712	5,491	2,980	193,895
35 to 39	31	21	1.312	0.850	5,491	3,557	244,918
40 to 44	57	36	1.312	1.000	5,491	4,185	463,647
45 to 49	54	53	1.456	1.193	6,093	4,993	593,651
50 to 54	68	60	1.599	1.441	6,692	6,031	816,916
55 to 59	66	69	1.740	1.753	7,282	7,336	986,796
60 to 64	18	39	1.968	2.102	8,236	8,797	491,331
65 to 69	11	11	2.168	2.316	9,073	9,692	206,415
70 & Over	1	4	2.396	2.557	10,027	10,701	52,831
Total	361	322					4,239,685

ALL RETIREES AND SPOUSES - NOT MEDICARE ELIGIBLE

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
44 & Under	0	0	1.312	1.000	5,491	4,185	0
45 to 49	0	0	1.456	1.193	6,093	4,993	0
50 to 54	2	0	1.599	1.441	6,692	6,031	13,384
55 to 59	6	6	1.740	1.753	7,282	7,336	87,708
60 to 64	7	6	1.968	2.102	8,236	8,797	110,434
Total	15	12					211,526

ALL RETIREES AND SPOUSES - MEDICARE ELIGIBLE

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
65 to 69	15	15	2.168	2.316	4,083	4,362	126,675
70 to 74	21	19	2.396	2.557	4,512	4,815	186,237
75 to 79	17	7	2.593	2.769	4,883	5,215	119,516
80 to 84	10	7	2.724	2.910	5,130	5,480	89,660
85 to 89	5	6	2.864	3.059	5,394	5,761	61,536
90 & Over	7	1	3.010	3.215	5,669	6,055	45,738
Total	75	55					629,362
Grand Totals	451	389					5,080,573

EXHIBIT A

Financial Statement Disclosure (As of July 1, 2008)

The GASB Standards for accounting and financial reporting for postemployment benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree medical and life insurance benefits;

1. A DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PROGRAM:

- a. Plan Type: Various offerings from Blue Cross Blue Shield of Massachusetts and offerings from the Group Insurance Commission (retired teachers only)
- b. Administrator: Town of Rockland Health Group
- c. Eligibility: An employee shall become eligible to retire under this plan upon meeting one of the following conditions:
 - i. Completion of 20 years of service.
 - ii. For an employee hired prior to January 1, 1978 - attainment of age 55 as an active member.
 - iii. For an employee hired on or after January 1, 1978 - attainment of age 55 as an active member and completion of 10 years of service.
- d. Cost Sharing: 25% of premiums for Medical. Retired teachers shall pay 10% of premiums for coverages from the GIC.

2. A DESCRIPTION OF THE RETIREE DENTAL INSURANCE PROGRAM:

- a. Plan Type: Comprehensive Dental
- b. Plan Administrator: Town of Rockland Health Group
- c. Eligibility: Same as above.
- d. Cost sharing: Employees will pay 50% of premiums in retirement. Retired teachers electing Dental Coverage through the GIC shall pay 100% of the premiums.

3. A DESCRIPTION OF THE RETIREE LIFE INSURANCE PROGRAM:

- a. Plan Type: Group Term Life - \$5,000
- b. Plan Administrator: Town of Rockland Health Group
- c. Eligibility: Same as above.
- d. Cost sharing: Employees will pay 50% of premiums in retirement

EXHIBIT A

Financial Statement Disclosure

(As of July 1, 2008)

(continued)

4. RETIREE MEDICAL AND LIFE INSURANCE CONTRIBUTIONS:

Group	Individual	Family
Medical	25% (retired teachers shall pay 10%)	25% (retired teachers shall pay 10%)
Dental	50% (retired teachers shall pay 100%)	50% (retired teachers shall pay 100%)
Life	50%	N/A

5. FUNDING POLICY

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2009 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,926,359.

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2008)
(continued)

6. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual Required Contribution	\$5,161,828
Interest on net OPEB obligation	\$206,474
Adjustment to annual required contribution	\$0
Annual OPEB cost (expense)	\$5,368,302
Contributions made	\$1,926,359
Increase in net OPEB obligation	\$3,441,943
Net OPEB Obligation - beginning of year	\$0
Net OPEB Obligation - end of year	\$3,441,943

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2007	N/A	N/A	N/A
06/30/2008	N/A	N/A	N/A
06/30/2009	\$5,368,302	35.9%	\$3,441,943

EXHIBIT A

Financial Statement Disclosure

(As of July 1, 2008)

(continued)

7. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2008, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$57.906 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$57.906 million. The covered payroll (annual payroll of active employees covered by the plan) was \$18.887 million, and the ratio of the UAAL to the covered payroll was 306.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$69.962 million or by 20.8% and the corresponding Normal Cost would increase to \$2,555,578 or by 31.6%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$48.364 million or by 16.5% and the corresponding Normal Cost would decrease to \$1,477,809 or by 23.9%.

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2008)
(continued)

9. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum
Healthcare Trend Rates

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2009	5.5%	4.1%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum
Annual Compensation Increases: 4.5% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years at transition
Remaining Amortization Period: 30 years at July 1, 2008

EXHIBIT B

Reconciliation of Plan Participation
(As of July 1, 2008)

ACTIVE EMPLOYEES

	<u>July 1, 2008</u>	<u>July 1, 2007</u>
A. Average Age at Hire	35.72	N/A
B. Average Service	12.90	N/A
C. Average Current Age	48.62	N/A

EXHIBIT C

CASH FLOW PROJECTION (Closed Group)

Total Medical, Dental & Life Insurance

Fiscal Year	Total APBO	Normal Cost	Employer		Expected ARC	Expected OPEB Obligation
			Payments	Active APBO		
2009	57,905,674	1,941,932	1,926,359	28,643,234	5,368,302	3,441,943
2010	60,238,097	1,913,791	2,045,674	29,709,532	5,339,032	6,872,979
2011	62,510,462	1,859,737	2,221,109	30,689,546	5,282,816	10,209,605
2012	64,635,055	1,818,777	2,426,294	31,234,470	5,240,218	13,431,913
2013	66,588,639	1,747,139	2,535,120	31,724,082	5,165,714	16,599,783
2014	68,434,091	1,676,598	2,680,299	31,870,900	5,092,351	19,675,827
2015	70,127,607	1,599,790	2,779,645	31,763,765	5,012,471	22,695,687
2016	71,705,661	1,502,378	2,834,264	31,573,210	4,911,163	25,680,414
2017	73,188,934	1,399,165	2,988,871	30,908,615	4,803,821	28,522,581
2018	74,463,606	1,300,830	3,124,065	29,981,085	4,701,553	31,240,973
2019	75,545,985	1,207,705	3,254,688	29,004,664	4,604,703	33,840,627
2020	76,439,411	1,109,607	3,430,760	27,941,199	4,502,681	36,266,173
2021	77,083,577	1,022,773	3,576,071	26,639,641	4,412,373	38,553,122
2022	77,511,491	942,090	3,716,842	25,363,102	4,328,463	40,706,868
2023	77,726,654	863,919	3,881,719	24,151,492	4,247,165	42,700,588
2024	77,698,222	788,980	4,018,969	22,803,649	4,169,229	44,558,872

EXHIBIT C

CASH FLOW PROJECTION (Closed Group)

(continued)

Medical Insurance

Fiscal Year	Total APBO	Normal Cost	Employer		Expected ARC	Expected
			Payments	Active APBO		OPEB
						Obligation
2009	57,084,292	1,911,996	1,902,992	28,197,333	5,289,666	3,386,674
2010	59,377,030	1,884,579	2,020,844	29,251,811	5,261,152	6,762,449
2011	61,610,395	1,831,717	2,194,441	30,222,030	5,206,176	10,044,682
2012	63,697,579	1,791,475	2,397,860	30,765,079	5,164,324	13,212,933
2013	65,614,842	1,721,260	2,504,618	31,251,299	5,091,300	16,328,132
2014	67,426,114	1,651,831	2,647,637	31,401,046	5,019,094	19,352,715
2015	69,087,521	1,576,233	2,744,892	31,298,243	4,940,472	22,322,404
2016	70,635,615	1,480,508	2,797,065	31,112,123	4,840,918	25,259,153
2017	72,092,023	1,379,102	2,949,009	30,461,656	4,735,456	28,055,966
2018	73,343,400	1,282,406	3,081,645	29,553,108	4,634,892	30,731,452
2019	74,405,927	1,190,777	3,209,710	28,594,140	4,539,598	33,290,598
2020	75,282,911	1,094,292	3,382,986	27,548,976	4,439,254	35,678,490
2021	75,914,567	1,008,768	3,525,714	26,270,543	4,350,308	37,930,224
2022	76,333,526	929,318	3,663,954	25,014,130	4,267,681	40,051,160
2023	76,543,290	852,307	3,826,327	23,821,911	4,187,589	42,014,468
2024	76,513,031	778,528	3,961,062	22,494,587	4,110,859	43,844,844

EXHIBIT C

CASH FLOW PROJECTION (Closed Group)

(continued)

Dental Insurance

Fiscal Year	Total APBO	Normal Cost	Employer		Expected ARC	Expected
			Payments	Active APBO		OPEB
						Obligation
2009	341,911	23,533	1,060	341,911	44,248	43,188
2010	378,961	23,061	2,202	354,240	43,756	86,470
2011	415,813	22,244	3,688	363,772	42,906	129,147
2012	451,744	21,728	5,147	367,392	42,370	171,536
2013	487,058	20,717	6,871	371,554	41,318	212,844
2014	520,965	19,948	8,662	371,252	40,518	253,214
2015	553,541	19,082	10,397	370,436	39,618	292,564
2016	584,715	17,828	12,433	369,185	38,314	330,148
2017	613,718	16,468	14,663	360,278	36,899	365,590
2018	640,151	15,218	16,809	347,525	35,599	399,004
2019	664,102	14,066	18,969	335,600	34,401	430,396
2020	685,576	12,822	21,341	322,774	33,107	459,378
2021	704,144	11,804	23,538	306,083	32,049	486,264
2022	720,107	10,825	25,715	291,532	31,030	511,030
2023	733,425	9,895	27,882	277,043	30,063	533,652
2024	744,074	8,937	30,094	261,416	29,067	553,971

EXHIBIT C

CASH FLOW PROJECTION (Closed Group)

(continued)

Life Insurance

Fiscal Year	Total APBO	Normal Cost	Employer		Expected ARC	Expected
			Payments	Active APBO		OPEB
						Obligation
2009	479,471	6,403	22,307	103,990	34,388	12,081
2010	482,106	6,151	22,628	103,481	34,124	24,060
2011	484,254	5,776	22,980	103,744	33,734	35,776
2012	485,732	5,574	23,287	101,999	33,524	47,444
2013	486,739	5,162	23,631	101,229	33,096	58,807
2014	487,012	4,819	24,000	98,602	32,739	69,898
2015	486,545	4,475	24,356	95,086	32,381	80,719
2016	485,331	4,042	24,766	91,902	31,931	91,113
2017	483,193	3,595	25,199	86,681	31,466	101,025
2018	480,055	3,206	25,611	80,452	31,062	110,517
2019	475,956	2,862	26,009	74,924	30,704	119,633
2020	470,924	2,493	26,433	69,449	30,320	128,305
2021	464,866	2,201	26,819	63,015	30,016	136,634
2022	457,858	1,947	27,173	57,440	29,752	144,678
2023	449,939	1,717	27,510	52,538	29,513	152,468
2024	441,117	1,515	27,813	47,646	29,303	160,057

EXHIBIT D

GLOSSARY

Accrual Accounting - A system of accounting in which revenues are recorded when earned and outlays are recorded when goods are received or services performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time.

Actuarial Value of Assets - The value of cash, investments, other assets and property belonging to an OPEB trust, pension fund or similar entity, as used by the actuary for the purpose of actuarial valuation. Some funds may be restricted for other purposes, and "smoothing" of investment gains and losses often make the actuarial value of assets different from the market value of assets.

Annual Required Contribution - Normal Cost plus an amortization of the funding shortfall over a period of no more than 30 years.

Cash Basis Accounting - A system of accounting in which revenues are recorded when actually received and outlays are recorded when payment is made.

Discount Rate - The interest rate used to calculate present value of a series of future cash flows. Under GASB 45, the rate should be "long term expected yield on the investments that are expected to be used to pay benefits as they come due. These would be plan investments for a funded plan, the employer's investments for a pay as you go plan [e.g. short term county investment pool], or a weighted average of expected plan and employer investments for a plan that is partially funded".

FASB - Financial Accounting Standards Board. "Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting".

GASB - Government Accounting Standards Board. "The Governmental Accounting Standards Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities."

GFOA - Government Finance Officers Association. "GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. Approximately 16,000 GFOA members are dedicated to the sound management of government financial resources."

EXHIBIT D

GLOSSARY

(continued)

Implicit Subsidy - “The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have been applicable to those retirees if that benefit was acquired for them as a separate group.”

Irrevocable Contribution - “Irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. The preceding criteria preclude counting as [irrevocable] contributions (a) designations of net assets of a governmental or proprietary fund to be used for OPEB or (b) internal transfers of assets to a separate governmental or proprietary fund for the same purpose. Rather, such actions should be regarded as earmarking of employer assets.”

Level Dollar Amortization - Funding a shortfall in OPEB assets with equal dollar payments over a designated number of years (no more than 30 years). The present value of the level payments equals the present value of unfunded liabilities, the UAAL.

Level Percent of Payroll Amortization - Funding a shortfall in OPEB assets as a level percent of payroll over a designated number of years (no more than 30 years). The present value of the payments equals the present value of unfunded liabilities, the UAAL. Level percent of payroll typically has lower payments in the early years than level dollar amortization. When using level payroll amortization, employee count is assumed to be constant, and the payroll differences arise from overall wage trends.

Normal Cost - The actuarially determined present value contribution needed to fund benefits which are earned for employee service rendered during the current year. Normal cost depends on many factors, including the interest rate used to discount future cashflows, and expected inflation.

OPEB - Other Post Employment Benefits

OPEB Trust - An entity other than a pension or retirement system which manages OPEB assets. In many respects it is similar to a pension fund for OPEB. For reasons detailed in GASB 45, contributions to an OPEB trust should be irrevocable in order to obtain the most favorable accounting treatment.

EXHIBIT D

GLOSSARY

(continued)

Pay-as-you-go funding - Paying benefits (such as pensions or OPEB) on a cash basis, with no money set aside for future liabilities which are already incurred.

POB - Pension Obligation Bond. Generally yielding taxable interest, POBs are issued to help fund a previously unfunded or underfunded pension liability.

UAAL - Unfunded Accrued Actuarial Liability. Actuarial Accrued Liability minus the Actuarial Value of Assets.