Milliman

TOWN OF COLCHESTER
OTHER POST-EMPLOYMENT BENEFITS PROGRAM

July 1, 2015 Actuarial Valuation

Prepared by
Milliman, Inc.

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January 12, 2016

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Certification

We have performed an actuarial valuation of the Town of Colchester Other Post-Employment Benefits Program as of July 1, 2015. 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, claims and premium information as of the valuation date, furnished by the Town of Colchester. 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 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 18-22 of this report. A summary of the plan provisions starts on page 23 of this report.

Milliman's work is prepared solely for the internal business use of the Town of Colchester. 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 Colchester may provide a copy of Milliman's work, in its entirety, to the Town of Colchester'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 Colchester; and (b) The Town of Colchester 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 actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

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.

January 12, 2016

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Discussion of Experience

This valuation reflects a number of changes relative to the July 1, 2013 valuation:

Demographic Changes from 2013 to 2015

From July 1, 2013 to July 1, 2015, the overall membership decreased from 425 to 391. The total number of active members decreased from 399 to 367, and the total number of retirees and spouses of retirees decreased slightly from 26 to 24.

The average age of active members decreased slightly from 49.6 to 49.4, and the average age of retired members decreased from 64.1 to 62.7.

Assumption Changes

Medical 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.

Plan Provision Changes

Town and Fire Employees, and Teachers hired on or after July 1, 2015: Effective July 1, 2015 (July 1, 2014 for Municipal and Library employees), the PPO plan shall be replaced with a High Deductible Health Plan.

The combined effect of the above changes decreased the Accrued Liability by about $1.4 million and decreased the Annual Required Contribution by about $100,000.

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. 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:

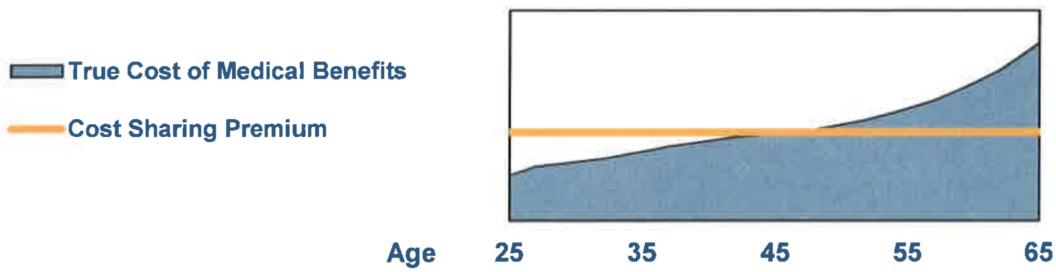
- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time

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, 2015

We have calculated the Accrued Liability separately for four 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.

	Police & Fire	Town	BOE Certified	BOE Non-Certified	Total
Current active members					
Employees under age 65	$45,030	$114,192	$2,095,679	$40,699	$2,295,600
Employees over age 65	0	0	302,140	0	302,140
Dependents under age 65	9,090	55,571	611,281	10,545	686,487
Dependents over age 65	0	0	150,141	0	150,141
Total	54,120	169,763	3,159,241	51,244	3,434,368
Current retired members					
Employees under age 65	0	0	382,376	14,749	397,125
Employees over age 65	0	0	1,702,752	0	1,702,752
Dependents under age 65	0	0	31,043	0	31,043
Dependents over age 65	0	0	8,873	0	8,873
Total	0	0	2,125,044	14,749	2,139,793
Total Accrued Liability	54,120	169,763	5,284,285	65,993	5,574,161

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 in FY 2009. The amortization method produces annual payments that will increase by 4.00% annually. On this basis, the ARC is determined as follows:

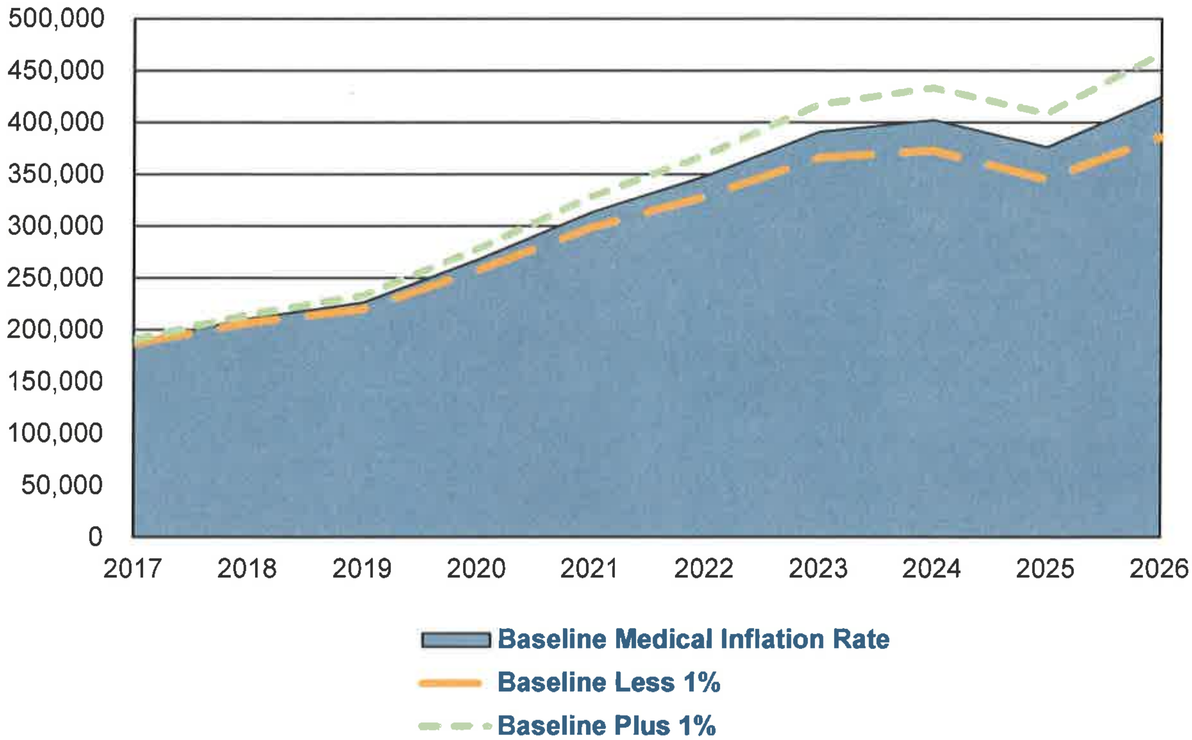
	Police & Fire	Town	BOE Certified	BOE Non-Certified	Total
Accrued Liability	$54,120	$169,763	$5,284,285	$65,993	$5,574,161
Assets	0	0	0	0	0
Unfunded Accrued Liability	54,120	169,763	5,284,285	65,993	5,574,161
Amortization Period	22	22	22	22	22
Amortization Growth Rate	4.00%	4.00%	4.00%	4.00%	4.00%
Past Service Cost	2,460	7,717	240,195	3,000	253,372
Total Normal Cost	3,981	19,940	229,693	4,453	258,067
Employee Contributions	0	0	0	0	0
Net Normal Cost	3,981	19,940	229,693	4,453	258,067
Interest	258	1,106	18,796	298	20,458
ARC for FY 2017	6,699	28,763	488,684	7,751	531,897
Expected Benefit Payouts	1,749	5,444	172,219	9,390	188,802

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

Projected Payouts

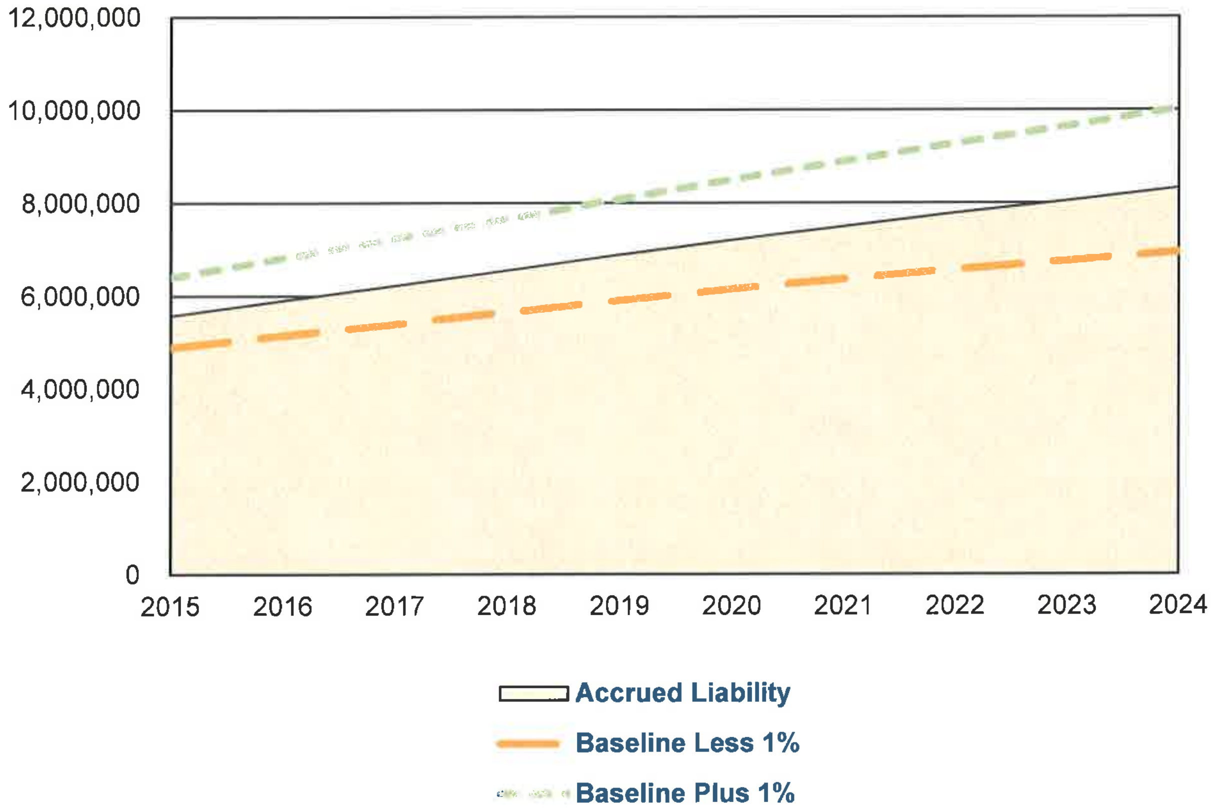
The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

Fiscal Year	Baseline Less 1%	Baseline Medical Inflation Rate	Baseline Plus 1%
2017	$187,016	$188,802	$190,588
2018	206,634	210,600	214,603
2019	220,059	226,424	232,909
2020	257,585	267,564	277,829
2021	298,748	313,282	328,376
2022	329,016	348,305	368,528
2023	366,116	391,251	417,850
2024	373,040	402,420	433,807
2025	345,492	376,232	409,380
2026	386,393	424,756	466,516



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)
6/30/2009	$0	$4,306	$4,306	0%	N/A	N/A
7/1/2011	0	4,209	4,209	0%	N/A	N/A
7/1/2013	0	6,179	6,179	0%	23,807	26%
7/1/2015	0	5,574	5,574	0%	22,177	25%

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
2009	$413	$146	35.4%
2010	413	169	40.9%
2011	440	178	40.5%
2012	468	204	43.6%
2013	431	142	32.9%
2014	462	184	39.8%
2015	554	198	35.7%
2016	594	N/A	N/A
2017	532	N/A	N/A

Summary of Census Data

The following were included in our analysis based on information provided as of July 1, 2015 by the Town.

	Police & Fire	Town	BOE Certified	BOE Non-Certified	Total
Number of members					
Active	14	52	192	109	367
Retired members	0	0	20	1	21
Spouses of retirees	0	0	3	0	3
Total	14	52	215	110	391
Average age					
Active	40.1	50.1	48.1	52.6	49.4
Retired members	N/A	N/A	62.7	63.0	62.7
Average retirement age					
Active	55.3	61.4	61.0	62.3	61.2
Retired members	N/A	N/A	58.6	62.0	58.8
Expected lifetime					
Active [to retirement]	15.3	11.4	13.0	9.7	11.9
Retired [lifetime]	N/A	N/A	24.3	23.2	24.3

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:

2015 - 2016 Monthly Premiums	Employee	Spouse
Medical - Town	$634.39	$634.87
Medical - BOE	719.87	720.43
Dental - Town	41.90	43.41
Dental - BOE	37.29	38.63

Expected Healthcare Costs

Milliman's Health Cost Guidelines were used to develop the expected true cost of health care benefits by age. Representative health care costs (per person per month) are shown below.

	Town	
Age	Employee	Spouse
40	$571	$480
45	621	547
50	686	648
55	801	771
60	983	933
65	N/A	N/A
70	N/A	N/A
75	N/A	N/A
80	N/A	N/A

	BOE (Medicare Eligible)		BOE (Non-Medicare Eligible)	
Age	Employee	Spouse	Employee	Spouse
40	$771	$461	$771	$461
45	813	542	813	542
50	867	665	867	665
55	974	818	974	818
60	1,159	1,018	1,159	1,018
65	N/A	N/A	1,526	1,520
70	N/A	N/A	1,837	1,842
75	N/A	N/A	2,196	2,217
80	N/A	N/A	2,554	2,587

It is assumed that there is no implicit rate subsidy associated with dental benefits. Unadjusted age premium rates were used to value these benefits.

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

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

Discount Rate 4.00%

Inflation Rate 2.75%

Amortization Growth Rate 4.00%

Medical Inflation Rate 5.70% - 4.70% over 67 years

Healthy Mortality

Teachers and **Administrators#:** RP-2000 Combined Healthy Mortality Table for males and females, 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 for males and females, with generational projection using Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Disabled Mortality

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

All Others: N/A.

Actuarial Assumptions

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%
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	2.76%	1.60%

Police: None.

All Others: Rates based on age:

Age	Rate
20	14.00%
25	10.20%
30	7.07%
35	5.53%
40	4.55%
45	3.85%
50	2.70%
55	0.00%

Actuarial Assumptions

Retirement

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

	Unreduced		Proratable		Reduced	
Age	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
50-51	27.5%	15.0%			2.0%	2.0%
52	27.5%	15.0%			2.5%	3.0%
53	27.5%	15.0%			3.0%	3.5%
54	27.5%	15.0%			4.0%	4.0%
55	38.5%	30.0%			4.5%	6.0%
56	38.5%	30.0%			6.0%	7.0%
57	38.5%	30.0%			9.0%	7.5%
58	38.5%	30.0%			10.0%	8.0%
59	38.5%	30.0%			11.0%	8.5%
60	22.0%	20.0%	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%		

Police: 10% of employees are assumed to retire when first eligible for normal retirement. 5% of employees are assumed to retire in the years thereafter. 100% of employees are assumed to retire at 24 years of service.

All Others: Rates based on age:

Age	First Year Eligible	All Other Ages
55	15%	6%
56	15%	6%
57	15%	7%
58-59	15%	7%
60-61	15%	10%
62-64	15%	15%
65	25%	25%
66-69	20%	20%
70	100%	100%

Actuarial Assumptions

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%

Police: None.

All Others: The 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 rates.

Future Retiree Coverage

95% of **Teachers** and **Administrators**, 90% of **Police** and **Fire**, 70% of **Town** and 10% of **BOE Non-Certified** active 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 three years younger than males.

	Male	Female
Teachers and **Administrators**	60%	50%
Police, Fire and **Town**	50%	50%
BOE Non-Certified	50%	25%

Future Post-65 Coverage

Teachers and **Administrators:** 90% 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. 95% (Prior: 92%) of current actives and pre-65 retirees are assumed to be Medicare-eligible.

All Others: N/A.

Valuation of Dental and Post-65 Medicare Eligible Medical Benefits

It is assumed that there is no implicit rate subsidy associated with dental benefits or with post-65 medical benefits for Medicare eligible retired members who are paying 100% of the premium.

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.

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

BOE Certified (Teachers and Administrators)

A Teacher or Administrator retiring shall be eligible to receive health 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.

BOE Non-Certified – Custodians and Maintenance

Retired employee shall be eligible to receive health benefits for self and spouse.

BOE Non-Certified – Central Office, Education Personnel, Nurses, Office Professionals and Non-Union

Employee retiring with at least 20 years of service shall be eligible to receive health benefits for self and spouse.

Police

Members who have retired on or after July 1, 2000 under the Colchester Police Department Pension Plan with at least 10 years of service shall be eligible to receive health benefits for self and spouse. Normal Retirement for Police Officers is 20 years of service.

Town Hall Local 1303 and Library

Employee hired prior to July 1, 2009 and retiring on or after July 1, 2009 with at least 10 years of service shall be eligible to receive health benefits for self and spouse.

Town MEUI Local 506

Employee retiring on or after July 1, 1999 (July 1, 1998 for Town Administrators) shall be eligible to receive health benefits for self and spouse.

Fire and Town Non-Union

Members who have retired on or after July 1, 2000 with at least 10 years of service shall be eligible to receive health benefits for self and spouse.

Summary of Plan Provisions

Cost Sharing

BOE Certified (Teachers and Administrators)

Retiree/Spouse – 100% retiree-paid (less $1,320 annual Connecticut Teachers' Retirement Board subsidy).

BOE Non-Certified

Retiree/Spouse – 100% retiree-paid.

Police, Fire and Town

Retiree/Spouse – 100% retiree-paid for a period not to exceed 5 years. Coverage is pre-65 only.

Post-65 – Eligible retiree is offered Medicare risk plan at own expense.