

Town of Brookline

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2010
In Accordance with GASB Statements Number 43 and 45*

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January 25, 2011

*Mr. Stephen E. Cirillo
Director of Finance
333 Washington Street
Town Hall
Brookline, MA 02445*

Dear Steve:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2010 under GASB Statements Number 43 and 45. It establishes the liabilities of the postemployment welfare benefit plan in accordance with GASB Statements Number 43 and 45 for the fiscal year beginning July 1, 2010 and summarizes the actuarial data.

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

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

Sincerely,

THE SEGAL COMPANY

By: 

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

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SECTION 1: Introduction for the Town of Brookline June 30, 2010 Measurement under GASB

PURPOSE

This report presents the results of our actuarial valuation of the Town of Brookline (the “Employer”) postemployment welfare benefit plan as of June 30, 2010. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants’ active working lifetimes. The accounting standard supplements cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

HIGHLIGHTS OF THE VALUATION

During the fiscal year ending June 30, 2011, we project the Town will pay benefits (net of retiree contributions) on behalf of retired employees of about \$9,030,000. This amount is less than the annual “cost” (the “Annual Required Contribution”, or ARC) under the new accounting rules of approximately \$14,945,000.

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

If the benefits are partially funded, a blended discount rate can be used that reflects the proportionate amounts of plan and employer assets expected to be used. For the purpose of this valuation, we have used a partially funded discount rate of 7.25%. For illustration purposes, results are also shown using an 8.15% fully funded discount rate. In the prior

valuation, the pay-as-you-go discount rate was 5.25%. (If the 5.25% pay-as-you-go discount rate were used, the ARC would have been \$18,693,000 and the unfunded actuarial accrued liability would have been \$285,770,000.)

To be considered a prefunded plan, the “contribution in relation to the ARC” must equal the ARC. For example, if the ARC is \$13,877,000, and the employer pays benefits to retirees of \$9,030,000, then an additional contribution of the difference, or approximately \$4,847,000 will need to be added to an OPEB trust fund during the fiscal year ending June 30, 2011. The Town has currently allocated \$2.0 million in fiscal 2011. The Town’s funding policy is to allocate \$1.3 million in fiscal 2012, increasing by \$350,000 annually.

The GASB statements allow the use of one of six funding methods to determine the actuarial liabilities. We have used the projected unit credit cost method, the same method used in the prior valuation.

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

Assets set aside to fund OPEB liabilities must be held in a trust or equivalent arrangement, through which assets are accumulated and benefits are paid as they come due. Employer contributions to the plan are irrevocable, plan

SECTION 1: Introduction for the Town of Brookline June 30, 2010 Measurement under GASB

assets are dedicated to providing benefits to retirees and their spouses in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer.

It is our understanding that as of June 30, 2010 \$7,355,000 is held in an irrevocable trust.

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

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation.

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

KEY VALUATION RESULTS

A summary of significant valuation results using the partial funding assumptions follows:

- The **unfunded actuarial accrued liability (UAAL)** as of June 30, 2010 is \$207,887,000. Going forward, net unfunded plan obligations will be expected to change due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total actuarial accrued liability, less expected benefit payments and contributions. Future valuations will analyze the difference between actual and expected unfunded actuarial accrued liabilities.
- The **Annual Required Contribution (ARC)** for fiscal year 2011 is \$14,945,000. The ARC is expected to remain relatively level as a percentage of payroll due to the open amortization period.

Plan obligations of \$215,242,000 as of June 30, 2010 represent a decrease of \$107,983,000 from \$323,225,000 as shown in the June 30, 2008 valuation.

Plan obligations had been expected to increase \$29,577,000 due to normal plan operations, which consist of continuing accruals for active members, plus interest on the total obligation, less expected benefit payments. The decrease was due to the net effect of the following:

- An **actuarial experience gain** decreased obligations by \$5,291,000. This was the net result of gains and losses due to demographic changes.
- **Valuation assumption changes** decreased obligations by \$72,891,000. This was the net result of (1) a *decrease* in obligations due to a change in the discount rate from 5.25% to 7.25%, partially offset by (2) an *increase* in obligations due to changes in the turnover and retirement assumptions for teachers, and (3) an *increase* in obligations due to a change in the future trend on per

SECTION 1: Introduction for the Town of Brookline June 30, 2010 Measurement under GASB

capita health care costs (based on our projections of what is likely to occur in the marketplace). The complete set of assumptions is shown in Exhibit II.

- **Plan changes** decreased obligations by \$59,378,000. This was the net result of lower per capita claims costs due to joining the Group Insurance Commission. The current plan of benefits is shown in Exhibit III.

FUNDING SCHEDULES

Following the Summary of the Valuation Results is a Funding Schedule for the Town that projects the additional funding requirements needed over the next 30 years to fully fund these obligations. We have also included a separate funding schedule which shows the funding requirements on a partial funding basis over the next 8 years, after which the projected funding contribution will fully fund the ARC.

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ACCOUNTING REQUIREMENTS

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

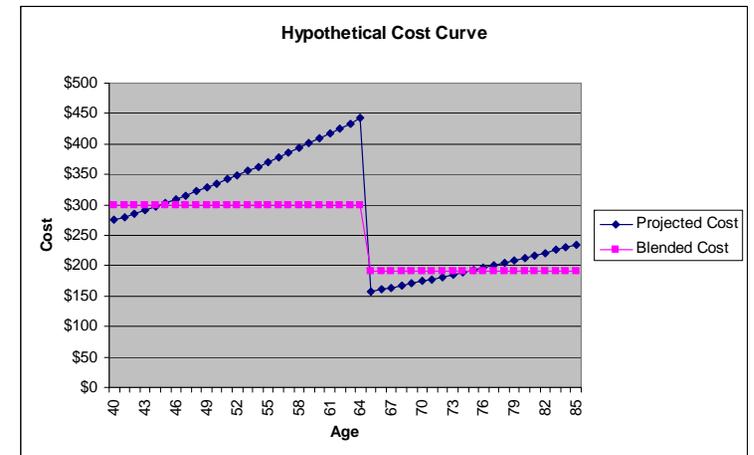
The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits,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

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

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

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

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

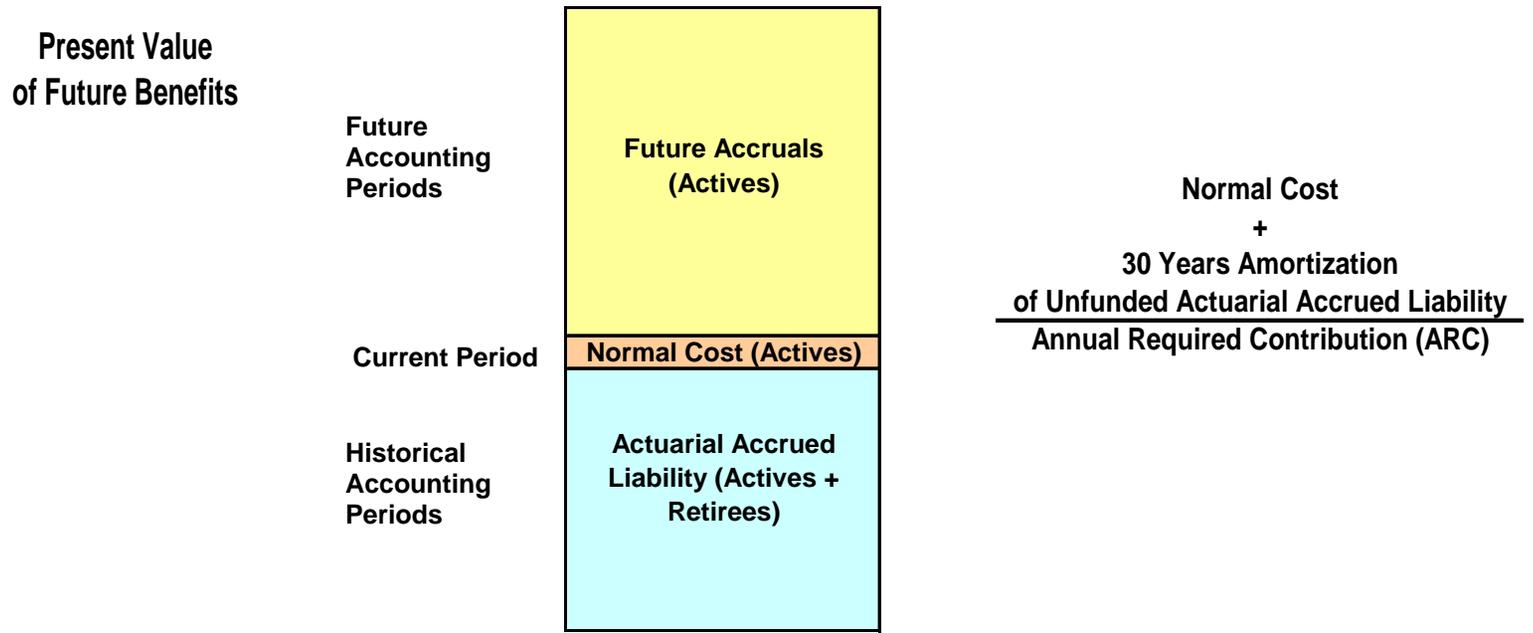


SECTION 1: Introduction for Town of Brookline June 30, 2010 Measurement under GASB

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

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

GASB 43/45 Measurement



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

SECTION 1: Introduction for Town of Brookline June 30, 2010 Measurement under GASB

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

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

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

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

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

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

SUMMARY OF VALUATION RESULTS

ALL DEPARTMENTS

The key results and significant assumptions for the current year are shown on a fully funded basis and a partially funded basis.

	8.15% interest rate	7.25% interest rate
Actuarial Accrued Liability by Participant Category		
1. Current retirees, beneficiaries and dependents	\$99,892,691	\$108,251,774
2. Current active employees	<u>90,697,100</u>	<u>106,989,878</u>
3. Total as of June 30, 2010: (1) + (2)	\$190,589,791	\$215,241,652
4. Actuarial value of assets as of June 30, 2010	<u>7,355,050</u>	<u>7,355,050</u>
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2010: (3) - (4)	\$183,234,741	\$207,886,602
Annual Required Contribution for Fiscal Year Ending June 30, 2011		
6. Normal cost	\$3,165,747	\$3,979,622
7. Adjustment for timing	<u>126,478</u>	<u>141,737</u>
8. Normal cost adjusted for timing: (6) + (7)	\$3,292,225	\$4,121,359
9. 30-year increasing amortization (4.0% per year) of the UAAL as of July 1, 2010	\$10,177,974	\$10,451,694
10. Adjustment for timing	<u>406,628</u>	<u>372,246</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$10,584,602	\$10,823,940
12. Total Annual Required Contribution (ARC): (8) + (11)	13,876,827	14,945,299
13. Projected benefit payments	9,029,663	9,029,663
14. Funding shortfall: (12) - (13)	4,847,164	5,915,636
15. Expected Town contribution	2,013,731	2,013,731
Annual Required Contribution for Fiscal Year Ending June 30, 2012		
16. Normal cost	\$3,456,836	\$4,327,427
17. 30-year increasing amortization (4.0% per year) UAAL	<u>10,981,615</u>	<u>11,231,531</u>
18. Total Annual Required Contribution (ARC): (16) + (17)	\$14,438,451	\$15,558,958
19. Projected benefit payments	9,847,833	9,847,833
20. Funding shortfall: (18) - (19)	4,590,618	5,711,125

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

FUNDING SCHEDULE

30 Years Closed (8.15% discount rate), payments increasing at 4.0%

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost with Interest	(4) Amortization of UAAL	(5) Total Funding Requirement: (3) + (4)	(6) Additional Funding: (5) – (2)	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2011	\$9,029,663	\$3,292,225	\$10,584,602	\$13,876,827	\$4,847,164	\$12,995,304	\$200,156,199	\$187,160,895
2012	9,853,988	3,456,836	11,007,986	14,464,822	4,610,834	18,849,467	209,816,199	190,966,732
2013	10,681,756	3,629,678	11,448,306	15,077,984	4,396,228	24,957,564	219,582,398	194,624,833
2014	11,514,559	3,811,162	11,906,238	15,717,400	4,202,841	31,362,358	229,467,200	198,104,842
2015	12,357,285	4,001,720	12,382,487	16,384,207	4,026,922	38,106,196	239,479,391	201,373,195
2016	13,245,000	4,201,806	12,877,787	17,079,593	3,834,593	45,199,643	249,592,475	204,392,832
2017	14,031,207	4,411,896	13,392,898	17,804,795	3,773,588	52,807,764	259,930,641	207,122,877
2018	14,765,852	4,632,491	13,928,614	18,561,105	3,795,253	61,058,477	270,576,780	209,518,303
2019	15,519,679	4,864,116	14,485,759	19,349,874	3,830,195	70,017,962	281,547,514	211,529,552
2020	16,257,873	5,107,322	15,065,189	20,172,511	3,914,638	79,795,461	292,897,599	213,102,138
2021	16,931,033	5,362,688	15,667,797	21,030,484	4,099,451	90,562,023	304,738,231	214,176,207
2022	17,777,585	5,630,822	16,294,508	21,925,330	4,147,746	102,256,285	316,942,347	214,686,063
2023	18,666,464	5,912,363	16,946,289	22,858,652	4,192,188	114,949,846	329,509,497	214,559,651
2024	19,599,787	6,207,981	17,624,140	23,832,122	4,232,335	128,719,683	342,437,687	213,718,004
2025	20,579,776	6,518,380	18,329,106	24,847,486	4,267,710	143,648,550	355,723,182	212,074,632
2026	21,608,765	6,844,299	19,062,270	25,906,570	4,297,804	159,825,417	369,360,287	209,534,870
2027	22,689,204	7,186,514	19,824,761	27,011,275	4,322,072	177,345,935	383,341,099	205,995,164
2028	23,823,664	7,545,840	20,617,751	28,163,591	4,339,928	196,312,945	397,655,244	201,342,299
2029	25,014,847	7,923,132	21,442,462	29,365,594	4,350,747	216,837,017	412,289,585	195,452,568
2030	26,265,589	8,319,289	22,300,160	30,619,449	4,353,859	239,037,038	427,227,896	188,190,858
2031	27,578,869	8,735,253	23,192,166	31,927,419	4,348,551	263,040,841	442,450,516	179,409,675
2032	28,957,812	9,172,016	24,119,853	33,291,869	4,334,057	288,985,880	457,933,956	168,948,076
2033	30,405,703	9,630,616	25,084,647	34,715,264	4,309,561	317,019,965	473,650,482	156,630,517
2034	31,925,988	10,112,147	26,088,033	36,200,180	4,274,193	347,302,047	489,567,651	142,265,604
2035	33,522,287	10,617,755	27,131,554	37,749,309	4,227,022	380,003,063	505,647,802	125,644,738
2036	35,198,402	11,148,642	28,216,817	39,365,459	4,167,057	415,306,852	521,847,504	106,540,652
2037	36,958,322	11,706,075	29,345,489	41,051,564	4,093,242	453,411,136	538,116,953	84,705,817
2038	38,806,238	12,291,378	30,519,309	42,810,687	4,004,449	494,528,578	554,399,305	59,870,727
2039	40,746,550	12,905,947	31,740,081	44,646,028	3,899,479	538,887,928	570,629,961	31,742,033
2040	42,783,877	13,551,245	33,009,684	46,560,929	3,777,052	586,735,246	586,735,246	-

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

11-YEAR PROJECTION OF ARC USING PARTIAL FUNDING ASSUMPTIONS

30 Years Open (7.25% discount rate), payments increasing at 4.0%

(1) Fiscal Year Ended June 30	(2) Projected Benefit Payments	(3) Normal Cost with Interest	(4) Amortization of UAAL	(5) ARC: (3) + (4)	(6) Expected Town Contribution:	(7) Assets at End of Year	(8) AAL at End of Year	(9) UAAL at End of Year: (8) – (7)
2011	\$9,029,663	\$4,121,359	\$10,823,940	\$14,945,299	\$2,013,731	\$10,048,670	\$225,763,555	\$215,714,885
2012	9,853,988	4,327,427	11,231,531	15,558,958	1,300,000	12,219,574	236,408,019	224,188,445
2013	10,681,756	4,543,798	11,672,720	16,216,518	1,650,000	14,931,390	247,191,034	232,259,644
2014	11,514,559	4,770,988	12,092,960	16,863,948	2,000,000	18,228,202	258,128,636	239,900,434
2015	12,357,285	5,009,538	12,490,790	17,500,328	2,350,000	22,157,688	269,233,519	247,075,832
2016	13,245,000	5,260,015	12,864,388	18,124,403	2,700,000	26,771,409	280,483,573	253,712,163
2017	14,031,207	5,523,015	13,209,919	18,732,934	3,050,000	32,125,133	292,007,414	259,882,282
2018	14,765,852	5,799,166	13,531,176	19,330,342	3,400,000	38,279,168	303,891,911	265,612,743
2019	15,519,679	6,089,124	13,829,541	19,918,665	3,750,000	45,298,739	316,157,643	270,858,904
2020	16,257,873	6,393,581	14,102,691	20,496,272	4,100,000	53,254,390	328,863,455	275,609,066
2021	16,931,033	6,713,260	14,350,015	21,063,275	4,450,000	62,222,408	342,124,369	279,901,960

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

DEPARTMENT RESULTS

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Partially funded (7.25%)

	Enterprise Funds					Town/ Other	Total
	Golf	Recreation	Water	School	Town		
Actuarial Accrued Liability by Participant Category							
1. Current retirees, beneficiaries and dependents	\$0	\$436,794	\$3,161,893	\$49,505,885	\$55,049,417	\$97,785	\$108,251,774
2. Current active employees	<u>36,860</u>	<u>550,840</u>	<u>3,172,282</u>	<u>47,405,893</u>	<u>55,328,624</u>	<u>495,379</u>	<u>106,989,878</u>
3. Total as of June 30, 2010: (1) + (2)	\$36,860	\$987,634	\$6,334,175	\$96,911,778	\$110,378,041	\$593,164	\$215,241,652
4. Actuarial value of assets as of June 30, 2010	<u>35,402</u>	<u>55,900</u>	<u>593,852</u>	<u>3,239,799</u>	<u>3,361,387</u>	<u>68,710</u>	<u>7,355,050</u>
5. Unfunded actuarial accrued liability (UAAL) as of June 30, 2010: (3) - (4)	\$1,458	\$931,734	\$5,740,323	\$93,671,979	\$107,016,654	\$524,454	\$207,886,602
Annual Required Contribution for Fiscal Year Ending June 30, 2011							
6. Normal cost	\$4,244	\$25,870	\$56,660	\$2,642,950	\$1,243,670	\$6,228	\$3,979,622
7. Adjustment for timing	<u>151</u>	<u>921</u>	<u>2,018</u>	<u>94,131</u>	<u>44,294</u>	<u>222</u>	<u>141,737</u>
8. Normal cost adjusted for timing: (6) + (7)	\$4,395	\$26,791	\$58,678	\$2,737,081	\$1,287,964	\$6,450	\$4,121,359
9. 30-year increasing amortization (4.0% per year) of UAAL as of July 1, 2010	\$73	\$46,844	\$288,600	\$4,709,447	\$5,380,363	\$26,367	\$10,451,694
10. Adjustment for timing	<u>3</u>	<u>1,668</u>	<u>10,279</u>	<u>167,731</u>	<u>191,626</u>	<u>939</u>	<u>372,246</u>
11. Amortization payment adjusted for timing: (9) + (10)	\$76	\$48,512	\$298,879	\$4,877,178	\$5,571,989	\$27,306	\$10,823,940
12. Total Annual Required Contribution (ARC): (8) + (11)	4,471	75,303	357,557	7,614,259	6,859,953	33,756	14,945,299
13. Projected benefit payments	14	23,241	257,875	4,274,664	4,463,678	10,191	9,029,663
14. Funding shortfall: (12) - (13)	4,457	52,062	99,682	3,339,595	2,396,275	23,565	5,915,636

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

Actuarial Accrued Liability (AAL) and Annual Required Contribution – Partially funded (7.25%)							
	Enterprise Funds					Town/ Other	Total
	Golf	Recreation	Water	School	Town		
15. Expected Town contribution	\$11,344	\$61,995	\$204,192	\$917,500	\$817,500	\$1,200	\$ 2,013,731
Annual Required Contribution for Fiscal Year Ending June 30, 2012							
16. Normal cost	\$4,615	\$28,131	\$61,612	\$2,873,934	\$1,352,362	\$6,773	\$4,327,427
17. 30-year increasing amortization (4.0% per year) UAAL	<u>(313)</u>	<u>48,838</u>	<u>298,472</u>	<u>5,096,667</u>	<u>5,758,880</u>	<u>28,987</u>	<u>11,231,531</u>
18. Total Annual Required Contribution (ARC): (16) + (17)	\$4,302	\$76,969	\$360,084	\$7,970,601	\$7,111,242	\$35,760	\$15,558,958
19. Projected benefit payments	31	23,241	282,965	4,629,645	4,898,665	13,286	9,847,833
20. Funding shortfall: (18) – (19)	4,271	53,728	77,119	3,340,956	2,212,577	22,474	5,711,125

Note: Adjustment for timing assumes payment in the middle of the fiscal year.

SECTION 2: Valuation Results for the Town of Brookline June 30, 2010 Measurement under GASB

January 25, 2011

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Town of Brookline other postemployment benefit programs as of June 30, 2010, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements Number 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the Town and on participant, premium and expense data provided by the Town.

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements Number 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained herein.



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



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

SECTION 3: Valuation Details for the Town of Brookline June 30, 2010 Measurement under GASB

CHART 1

Required Supplementary Information – Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2008	\$21,528,296	\$6,217,209	28.9%
2009	20,503,147	9,532,102	46.5%
2010	21,977,183	18,061,974	82.2%
2011	15,562,334	11,043,394	71.0%

Note: 2011 contribution includes \$2,013,731 in additional funding contributions made as of the date of the preparation of this report.

SECTION 3: Valuation Details for the Town of Brookline June 30, 2010 Measurement under GASB

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

CHART 2

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
6/30/2006	\$0	\$325,834,939	\$325,834,939	0.0%	\$115,000,000	283.3%
6/30/2008	0	323,225,372	323,225,372	0.0%	120,100,000	269.1%
6/30/2010	7,355,050	215,241,652	207,886,602	3.4%	--	--

Note: Enter covered payroll for fiscal 2011.

SECTION 3: Valuation Details for the Town of Brookline June 30, 2010 Measurement under GASB

CHART 3

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

Fiscal Year Ended June 30,	Annual Required Contribution (a)	Interest on Existing NOO/(NOA)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO/(NOA) (d) - (e) (f)	NOO/(NOA) as of Following Date (g)
2008	\$21,528,296	\$0	\$0	\$21,528,296	\$6,217,209	\$15,311,087	\$15,311,087
2009	20,503,147	0	0	20,503,147	9,532,102	10,971,045	26,282,132
2010	21,473,717	2,193,331	(1,689,865)	21,977,183	18,061,974	3,915,209	30,197,341
2011	14,945,299	2,189,307	(1,572,272)	15,562,334	11,043,394	4,518,940	34,716,281

Note: 2011 contribution includes \$2,013,731 in additional funding contributions made as of the date of the preparation of this report.

SECTION 3: Valuation Details for the Town of Brookline June 30, 2010 Measurement under GASB

CHART 4

Required Supplementary Information

Valuation date	June 30, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Payments increasing at 4.0% per year
Remaining amortization period	30 years open
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Inflation	4.0%
Medical/drug cost trend rate	10.0% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.0% per year
Plan membership:	
Current retirees, beneficiaries, and dependents	1,560
Current active members	<u>1,382</u>
Total	2,942

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

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

EXHIBIT I

Summary of Participant Data

	July 1, 2010	July 1, 2008
Active employees covered for medical benefits*		
Number of employees		
Male	608	673
Female	<u>774</u>	<u>771</u>
Total	1,382	1,444
Average age	43.2	43.3
Average service	11.7	11.7
Retired employees, spouses and beneficiaries covered for medical benefits		
Number of individuals	1,560	1,523
Average age	71.9	71.9
Retired employees eligible for life insurance		
Number of individuals	928	832
Average age	71.8	72.2

** Excludes COBRA participants*

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data, premium rates, and summary plan descriptions for postemployment welfare benefits were provided by the Town of Brookline.

Actuarial Cost Method: Projected Unit Credit

Per Capita Cost Development: Per capita claims costs were taken from the January 1, 2009 Commonwealth of Massachusetts Postemployment Benefits Plan actuarial valuation. The costs shown in the valuation report were trended to the midpoint of the valuation year at assumed trend rates.

Measurement Date: June 30, 2010

Discount Rate: 7.25% (previously, 5.25%)

Mortality Rates:

<i>Pre-Retirement (Non-Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
<i>Healthy (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Non-Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA set forward 2 years
<i>Pre-Retirement (Teachers)</i>	RP-2000 Healthy Employee Mortality Table projected 10 years with Scale AA
<i>Healthy (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table projected 10 years with Scale AA
<i>Disabled (Teachers)</i>	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Termination Rates before Retirement: Groups 1 and 2 (Excluding Teachers) – Rate per year (%)

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.01
25	0.03	0.02	0.02
30	0.04	0.02	0.03
35	0.07	0.04	0.06
40	0.10	0.06	0.20
45	0.13	0.10	0.29
50	0.18	0.14	0.58
55	0.25	0.23	0.71
60	0.42	0.37	0.84

Note: 55% of the rates shown represent accidental disability and death.

Group 4 – Rate per year (%)

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.10
25	0.03	0.02	0.20
30	0.04	0.02	0.30
35	0.07	0.04	0.30
40	0.10	0.06	0.60
45	0.13	0.10	2.00
50	0.18	0.14	3.75
55	0.25	0.23	3.60
60	0.42	0.37	2.55

Note: 90% of the rates shown represent accidental disability and death.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Teachers - Rate per year (%)			
Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.00
25	0.03	0.02	0.01
30	0.04	0.02	0.01
35	0.07	0.04	0.01
40	0.10	0.06	0.01
45	0.13	0.10	0.03
50	0.18	0.14	0.05
55	0.25	0.23	0.08
60	0.42	0.37	0.10

*Notes: 35% of the disability rates shown represent accidental disability.
55% of the death rates shown represent accidental death.*

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Withdrawal Rates:

		Rate per year (%)		
Years of Service	Groups 1 and 2 (Excluding Teachers)	Years of Service	Group 4	
0	15.0	0 – 10	1.5	
1	12.0	11+	0.0	
2	10.0			
3	9.0			
4	8.0			
5 – 9	7.6			
10 – 14	5.4			
15 – 19	3.3			
20 – 24	2.0			
25 - 29	1.0			
30+	0.0			

Teachers – Rate per year (%)						
Age	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	12.0	10.0	4.5	9.0	1.0	5.0
30	11.4	12.0	4.5	9.0	1.0	5.0
40	9.7	11.0	5.4	6.5	1.7	2.9
50	10.0	8.2	4.8	4.2	2.2	2.1

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Previous assumption:

Age	Teachers – Rate per year (%)					
	0 – 4 Years of Service		5 – 9 Years of Service		10+ Years of Service	
	Male	Female	Male	Female	Male	Female
20	9.0	6.0	4.0	9.0	1.0	4.0
30	10.8	11.6	4.3	9.0	1.0	4.0
40	9.3	11.4	4.9	7.0	1.5	3.1
50	5.9	6.8	4.2	4.5	1.9	1.9

Retirement Rates:

Age	Rate per year (%)	
	Groups 1 and 2 (Excluding Teachers)	Group 4
55	5.0	15.0
56 – 58	2.5	10.0
59	2.5	15.0
60	10.0	20.0
61	15.0	20.0
62 - 63	10.0	25.0
64	10.0	30.0
65	40.0	100.0
66 - 67	25.0	--
68 - 69	30.0	--
70	100.0	--

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Teachers - Retirement Rate (%)						
Years of Service						
Age	Less than 20		20 – 29		30 or more	
	Male	Female	Male	Female	Male	Female
50 – 53	0.0	0.0	1.0	1.5	2.0	2.0
54	0.0	0.0	1.0	1.5	2.0	2.0
55	3.0	2.0	3.0	3.0	6.0	6.0
56	8.0	2.0	5.0	3.0	20.0	15.0
57	15.0	8.0	8.0	7.0	35.0	30.0
58	15.0	10.0	10.0	7.0	50.0	35.0
59	20.0	15.0	20.0	11.0	50.0	35.0
60	15.0	20.0	20.0	16.0	50.0	35.0
61	30.0	20.0	25.0	20.0	50.0	35.0
62	20.0	25.0	30.0	30.0	40.0	40.0
63	30.0	24.0	30.0	30.0	40.0	30.0
64	40.0	20.0	30.0	30.0	40.0	35.0
65	40.0	30.0	40.0	30.0	50.0	35.0
66	40.0	30.0	30.0	30.0	50.0	35.0
67	40.0	30.0	30.0	30.0	50.0	30.0
68	40.0	30.0	30.0	30.0	50.0	30.0
69	40.0	30.0	30.0	30.0	50.0	30.0
70	100.0	100.0	100.0	100.0	100.0	100.0

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Previous assumption:

Age	Teachers Rate per year (%) Years of Service				
	Less than 20	20 - 29		30 or more	
		Male	Female	Male	Female
50 – 53	--	1.0	1.0	1.0	1.0
54	--	2.0	1.0	3.5	3.5
55	2.0	3.0	4.0	6.0	6.0
56	4.0	3.0	4.0	18.0	18.0
57	7.0	5.0	5.0	30.0	30.0
58	8.0	7.0	7.0	40.0	40.0
59	9.0	10.0	11.0	40.0	40.0
60	12.0	20.0	16.0	35.0	35.0
61	15.0	30.0	20.0	35.0	35.0
62	18.0	35.0	25.0	40.0	40.0
63	15.0	35.0	25.0	35.0	25.0
64	25.0	30.0	30.0	30.0	30.0
65	40.0	50.0	40.0	50.0	40.0
66	40.0	30.0	30.0	30.0	30.0
67	40.0	30.0	25.0	30.0	25.0
68	40.0	30.0	35.0	30.0	35.0
69	40.0	40.0	35.0	40.0	35.0
70	100.0	100.0	100.0	100.0	100.0

Dependents:

Demographic data was available for spouses of current retirees. For future retirees, husbands were assumed to be three years older than their wives. For future retirees who elect to continue their health coverage at retirement, 65% were assumed to have an eligible spouse who also opts for health coverage at that time.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Per Capita Health Costs:

Fiscal 2011 medical and prescription drug claims costs are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Indemnity				HMO				PPO			
	Non-Medicare Eligible		Medicare Eligible		Non-Medicare Eligible		Medicare Eligible		Non-Medicare Eligible		Medicare Eligible	
	Retiree	Spouse	Retiree	Spouse	Retiree	Spouse	Retiree	Spouse	Retiree	Spouse	Retiree	Spouse
45	\$6,100	\$5,470	N/A	N/A	\$4,100	\$3,734	N/A	N/A	\$4,242	\$3,874	N/A	N/A
50	7,174	6,435	N/A	N/A	4,824	4,393	N/A	N/A	4,991	4,555	N/A	N/A
55	8,438	7,570	N/A	N/A	5,674	5,167	N/A	N/A	5,871	5,359	N/A	N/A
60	10,072	9,032	N/A	N/A	6,772	6,166	N/A	N/A	7,006	6,398	N/A	N/A
65	12,419	11,161	\$2,337	\$2,337	8,340	7,604	\$1,907	\$1,907	8,499	7,758	N/A	N/A
70	14,348	12,902	2,699	2,699	9,628	8,786	2,200	2,200	9,754	8,899	N/A	N/A
75	16,181	14,567	3,036	3,036	10,849	9,909	2,476	2,476	10,918	9,962	N/A	N/A
80	17,736	15,987	3,320	3,320	11,880	10,860	2,706	2,706	11,833	10,796	N/A	N/A

Note: Costs are net of contributions

Annual Medicare Part B Reimbursement

\$578 (portion paid by Town)

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Health Care Cost Trend Rates:

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

Year Ending June 30	Medical/Drug	Medicare Part B Premium	Administrative Expense
2011	10.00%	6.00%	3.00%
2012	9.25%	6.00%	3.00%
2013	8.50%	6.00%	3.00%
2014	7.75%	6.00%	3.00%
2015	7.00%	6.00%	3.00%
2016	6.25%	6.00%	3.00%
2017	5.50%	6.00%	3.00%
2018 & later	5.00%	6.00%	3.00%

Retiree Contribution Increase Rate: Retiree contributions are expected to increase with medical trend.

Participation and Coverage Election: 100% of active employees with coverage are assumed to elect retiree coverage. We have loaded active liabilities by 20% to account for current employees who have waived health coverage but are expected to receive coverage through the Town as retirees.

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

For current and future retirees under age 65, 15% are assumed to enroll in an indemnity plan, 10% are assumed to enroll in an HMO plan, and 75% are assumed to enroll in a PPO plan.

For future over-65 retirees hired prior to 1986, 90% are assumed to enroll in a Medicare indemnity plan, 5% are assumed to enroll in a Medicare HMO plan, and 5% are assumed to remain enrolled in a non-Medicare PPO plan.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

For future over-65 retirees hired in 1986 or later, 95% are assumed to enroll in a Medicare indemnity plan and 5% are assumed to enroll in a Medicare HMO plan.

Life insurance elections were available for current retirees. 100% of future retirees with medical coverage are assumed to have life insurance coverage.

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Administrative Expenses:	Administrative expenses for self-insured plans were based on current vendor contractual rates and fees. Administrative expenses for insured plans were assumed to be included in the fully insured premium rates.
Annual Maximum Benefits:	No increase in the annual maximum benefit levels was assumed.
Lifetime Maximum Benefits:	No information was available regarding accumulations toward lifetime maximum benefits and no such accumulations were assumed.
Missing Participant Data:	A missing census item for a given participant was assumed to equal the average value of that item over all other participants of the same status for whom the item is known.
Health Care Reform Assumption:	The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 creates a temporary reinsurance program for eligible health care coverage for pre-Medicare retirees over age 55. The program will reimburse the plan sponsor for 80% of the retiree claims between \$15,000 and \$90,000. Due to the short nature of this program, the limited financing, and uncertainty of qualifying and receiving payment (the program will be on a first come first served basis until financing runs out), we have not reflected the value of this program in the valuation.
Assumption Changes Since Prior Valuation:	<p>Per capita health care costs were updated to reflect current experience and the change to the Group Insurance Commission.</p> <p>The turnover and retirement rates for teachers was revised to match the rates used in the Massachusetts State Teachers Retirement System Actuarial Valuation as of January 1, 2010.</p>

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

The medical trend assumption was revised to reflect current experience and future expectations.

The non-Medicare assumption for current and future retirees age 65 and over was lowered from 10% to 5% to better reflect current and future elections.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

EXHIBIT III

Summary of Plan

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

Eligibility:	<p>The following groups of retirees receiving a pension from the Brookline Retirement System or the Massachusetts Teachers Retirement System are eligible for postretirement medical benefits:</p> <p>Group 1 (including Teachers):</p> <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 55;➤ Retirees with at least 20 years of creditable service are eligible at any age. <p>Group 4:</p> <ul style="list-style-type: none">➤ Retirees with at least 10 years of creditable service are eligible at age 45;➤ Retirees with at least 20 years of creditable service are eligible at any age. <p>Disability: Retirees on Ordinary (non-job-related) or Accidental (job-related) Disability are eligible at any age. Ordinary Disability requires 10 years of creditable service.</p> <p>Pre-Retirement Death: Surviving spouses of members who die in active service on Accidental (job-related) Death are eligible at any age. Surviving spouses of members who die in active service on Ordinary (non-job related) Death are eligible after two years of service.</p> <p>Post-Retirement Death: Surviving spouse is eligible.</p>
Benefit Types:	<p>Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered through the Commonwealth of Massachusetts Group Insurance Commission (GIC). The Town of Brookline also pays 50% of the retiree life insurance premium and the Medicare Part B premium.</p>
Duration of Coverage:	<p>Lifetime.</p>

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Dependent Benefits: Medical and prescription drugs.

Dependent Coverage: Benefits are payable to a spouse for their lifetime, regardless of when the retiree dies.

MGL Chapter 32B, Section 18: Adopted, June, 2, 1992.

Retiree Contributions: 22% of premium rates. Premium rates and retiree contributions as of July 1, 2010 are summarized below and on the following page:

	Retired Subscribers	Monthly Premium (eff. 7/1/2010)
<u>Non-Medicare Plans</u>		
Harvard Pilgrim Independence Plan		
Individual	66	\$605.00
Family	52	\$1,477.75
Harvard Pilgrim Primary Choice Plan		
Individual	12	\$480.15
Family	12	\$1,172.80
Neighborhood Health Plan		
Individual	1	\$414.90
Family	1	\$1,099.45
Tufts Health Plan Navigator		
Individual	28	\$581.80
Family	24	\$1,412.65
Unicare Indemnity Plan Basic with CIC (Comprehensive)		
Individual	26	\$806.50
Family	19	\$1,882.98
Unicare Indemnity Plan Choice PPO		
Individual	5	\$407.95
Family	4	\$979.10
Unicare Indemnity Plan Plus PPO		
Individual	20	\$562.85
Family	13	\$1,343.20
Fallon Community Health Plan Select Care		
Individual	1	\$499.25
Family	1	\$1,198.25
Non-Medicare Total	285	

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

	Retired Subscribers	Monthly Premium (eff. 7/1/2010)
<u>Medicare Supplement Plans</u>		
Unicare Indemnity Plan Medicare Extension (OME) with CIC	375	\$363.25
Tufts Medicare Compliment	23	\$351.90
<u>Medicare Advantage Plans</u>		
Fallon Senior Plan	1	\$226.25
Harvard Pilgrim Medicare Enhance	210	\$379.45
Tufts Health Plan Medicare Preferred	<u>18</u>	\$223.25
Medicare Total	627	

In addition, there are 648 spouses and surviving spouses with medical coverage.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

Benefit Descriptions:

GIC Non-Medicare Plans¹	Unicare Indemnity (Comprehensive)	Fallon Select Care	Harvard Pilgrim Independence	Tufts Navigator
Medical				
<i>Deductible</i>	\$250/\$750	\$250/\$750	\$250/\$750	\$250/\$750
<i>Inpatient Hospital</i>	\$200 per admission	\$250 per admission	\$250 per admission	\$300/\$700 per admission
<i>Primary Care Physicians Office Visit Copay</i>	\$15/\$30/\$35	\$20	\$20	\$20
<i>Specialty Office Visit Copay</i>	\$20/\$30/\$40	\$25/\$35/\$45	\$20/\$35/\$45	\$25/\$35/\$45
<i>Outpatient Surgery Copay</i>	\$110	\$125	\$150	\$100
<i>Emergency Room Copay</i>	\$100	\$100	\$100	\$100
Prescription Drugs				
<i>Retail Copay</i>	\$10/\$25/\$50	\$10/\$25/\$50	\$10/\$25/\$50	\$10/\$25/\$50
<i>Mail Copay</i>	\$20/\$50/\$110	\$20/\$50/\$110	\$20/\$50/\$110	\$20/\$50/\$110

¹ Benefits described for Harvard Pilgrim and Tufts plans are for in-network benefits. These plans also offer out-of-network benefits with higher out-of-pocket costs.

SECTION 4: Supporting Information for the Town of Brookline June 30, 2010 Measurement under GASB

GIC Medicare Support and Advantage Plans	Unicare Indemnity Medicare Extension	Tufts Medicare Complement	Fallon Senior	Harvard Pilgrim Medicare Enhanced	Tufts Medicare Preferred
Medical					
<i>Inpatient Hospital</i>	\$50 deductible per quarter, then 100%	100%	100%	100%	100%
<i>Physicians Office Visit Copay</i>	\$35 deductible per year, then 100%	\$10	\$10	\$10	\$10
<i>Emergency Room Copay</i>	\$25	\$50	\$50	\$50	\$50
Prescription Drugs					
<i>Retail Copay</i>	\$10/\$25/\$50	\$10/\$25/\$40	\$10/\$25/\$50	\$10/\$25/\$50	\$10/\$25/\$50
<i>Mail Copay</i>	\$20/\$50/\$110	\$20/\$50/\$110	\$20/\$50/\$110	\$20/\$50/\$110	\$20/\$50/\$110

Retiree Life: \$5,000

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